

**D**evelopment of payment system raises stability in the financial sector, reduces transaction costs, strengthens efficient utilization of financial resources, smoothes liquidity flow in financial markets, and eases implementation of monetary policy. In 1386, as in the previous years, the financial sector in Iran witnessed great developments in the payment system through launching of a large-value transfer payment system. The CBI developed and adopted a strategy for modernizing the payment system through Real Time Gross Settlement system (SATNA) by which bank-to-bank and customer-to-customer payments were carried out. Besides this large-value transfer system, the Retail Funds Transfer System (SAHAB) that was launched in 1385 year-end to handle a large volume of payments of relatively small value was developed in 1386.

### Cash Payment

#### Notes and Coins

Cash (notes and coins with the public) is still the predominant payment instrument. Notes and coins with the public rose by 30 percent from Rls. 61,452 billion at end-1385 to Rls. 79,909 billion in 1386 year-end. Therefore, the ratio of notes and coins with the public to GDP (at current prices) reached 2.8 percent, up by 0.1 percentage point against the previous year <sup>(1)</sup>. Moreover, share of notes

(1) The bulk of transactions in Iran were processed through checks and Iran-Checks up to 1386 year-end. These checks played the role of cash money in transactions; however, they were not reflected in the figures related to notes and coins.

and coins with the public in money (M1) and liquidity (M2) increased by 0.1 percentage point to respectively 14.9 and 4.9 percent at end-1386 when compared with the previous year-end.

### Demand Deposits

Demand deposits refer to the funds held in deposit accounts from which funds may be drawn on demand, and may be transferred to another party by means of a cash withdrawal, check, or bank card. Total demand deposits grew by 29.1 percent to Rls. 455,798 billion at end-1386, compared with 1385. Ratio of these deposits to money was 85.1 percent, liquidity 27.8 percent, and GDP 15.8 percent (at current prices).

### Check Clearing System

The Interbank Clearing House provides services for manual or mechanized clearing and exchange of checks, drafts, banks' dividend securities and other interbank instruments <sup>(2)</sup>. The electronic settlement of the net value of checks and instruments channeled in the Interbank Clearing House through SATNA started in Dey 1385. Despite development of this system, permitting real time electronic settlement of funds, most financial transactions were channeled through the Interbank Clearing House in 1386. Therefore,

(2) Refer to Articles of Association of Interbank Clearing House.

**Notes and Coins with the Public and their Ratio to Macroeconomic Indicators**

	Amount (billion rials)	Percentage change (annual)	Share in money (percent)	Share in liquidity (percent)	Ratio to GDP (percent)	Amount per person (thousand rials)
1382	38,733	11.4	17.8	7.4	3.4	575
1383	44,772	15.6	17.7	6.5	3.1	655
1384	50,676	13.2	15.9	5.5	2.7	730
1385	61,452	21.3	14.8	4.8	2.7	872
1386	79,909	30.0	14.9	4.9	2.8	1,117

**Demand Deposits and their Ratio to Macroeconomic Indicators**

	Amount (billion rials)	Percentage change (annual)	Share in money (percent)	Share in liquidity (percent)	Ratio to GDP (percent)	Amount per person (thousand rials)
1382	178,624	20.8	82.2	33.9	15.9	2,654
1383	208,043	16.5	82.3	30.3	14.3	3,044
1384	267,244	28.5	84.1	29.0	14.4	3,851
1385	353,093	32.1	85.2	27.5	15.6	5,009
1386	455,798	29.1	85.1	27.8	15.8	6,372

915 million checks worth Rls. 8,042 trillion were settled in the interbank clearing houses throughout the country, amounting to Rls. 1,056 trillion net.

The low denomination notes call for an extensive use of banking checks in lieu of notes in most financial transactions. Therefore, their share, in terms of volume and value of total transactions settled through Interbank Clearing House, reached 71.7 and 7.9 percent, respectively.

The amount of ordinary checks <sup>(1)</sup> channeled through the Interbank Clearing House, in terms of volume and value, rose by 2.4 and 40.8 percent, respectively. Thus, total transactions settled through ordinary checks, in terms of volume and value, registered 259 million and Rls. 7,406 trillion, respectively, in 1386.

(1) Ordinary checks include checks issued by banks (except Iran-Checks), interbank coded checks, and personal checks.

The ratio of total transactions settled through the Interbank Clearing House to GDP (at current prices) went up from 2.5 in 1385 to 2.8 in the review year. The ratios of total transactions settled through Iran-Checks and ordinary checks to GDP were 0.2 and 2.6, respectively.

**Electronic Payment System**

**Expansion of Electronic Payment Instruments**

The rising trend of issuance of electronic cards continued in 1386. The number of cards issued by the banking system reached 38.6 million, up by 64.7 percent. Of this figure, 78.2 percent was related to debit cards (30.2 million), 21.2 percent to prepaid cards (8.2 million), and less than one percent to credit cards (264 thousand).

### Volume and Value of Transactions Processed through Interbank Clearing House

	Volume (million)			Percentage change		Value (trillion rials)			Percentage change	
	1384	1385	1386	1385	1386	1384	1385	1386	1385	1386
<b>Total transactions through Interbank Clearing House</b>	<b>524</b>	<b>604</b>	<b>915</b>	<b>15.3</b>	<b>51.5</b>	<b>3,800</b>	<b>5,542</b>	<b>8,042</b>	<b>45.8</b>	<b>45.1</b>
Iran-Check	301	351	656	16.6	86.9	113	283	636	150.4	124.7
Ordinary check	223	253	259	13.5	2.4	3,687	5,259	7,406	42.6	40.8

Therefore, the number of cards issued for each individual reached 0.5, recording 66.7 percent growth as compared with the corresponding figure of the previous year (0.3). The number of ATMs rose by 32.8 percent to 9,917 in 1386. The number of Pin Pads, the electronic devices used in banks for funds transfer through cards, increased by 38.3 percent. Moreover, the number of POSs surged by 121.6 percent to 427 thousand, which reflects positive trend of banking system in expanding electronic payments when compared with the growth in the number of ATMs.

### Development of Electronic Transactions

The total number and value of electronic transactions settled through the banking system reached 678 million and Rls. 435,512 billion, respectively. The number of transactions processed through ATMs, POSs, and Pin Pads during the last nine months of 1386 increased by respectively 43.3, 178.2, and 67.8 percent as compared with the respective period previous year<sup>(1)</sup>. This raised the value of transactions settled through ATMs, POSs, and Pin Pads by 67.3, 184 and 82.8 percent, respectively, over the same period. Average number of transactions per card was 17.6 in 1386.

Despite the remarkable rise in the volume and value of transactions processed through POSs, the lion's share still belongs

(1) Data have been released on a monthly basis since Tir, 1385; therefore, the calculation of annual growth for figures in 1386 is not possible.

### Electronic Payment Instruments

	Year-end			Percentage change	
	1384	1385	1386	1385	1386
Bank cards	13,511,529	23,437,601	38,593,283	73.5	64.7
ATMs	4,458	7,468	9,917	67.5	32.8
POSs	68,532	192,765	427,082	181.3	121.6
Pin Pads	11,268	15,692	21,707	39.3	38.3

to ATMs (90.3 percent). Share of ATMs and Pin Pads in total transactions reached 34.3 and 60.9 percent, respectively, in the review year. It is expected that with the extensive use of credit cards and POSs throughout the country, the number of transactions through POSs increases and the use of notes decreases.

The Interbank Information Transfer Network (SHETAB) plays a major role in processing electronic transactions in the banking system. Share of SHETAB in total transactions processed through ATMs was 58.6 percent and through POSs 65.2 percent. The number of interbank electronic transactions processed in SHETAB through ATMs and POSs rose by 56 and 208.7 percent to 359,134 and 22,050 thousand, respectively, in 1386. This brought the net value of transactions processed through SHETAB to Rls. 17,766 billion, indicating 67.4 percent growth when compared with the corresponding figure of 1385. Share of transactions processed through POSs in total increased to 5.8 percent in 1386, which shows a favorable growth compared with 3 percent in the preceding year.

**Volume and Value of Electronic Transactions Processed through Banking System**

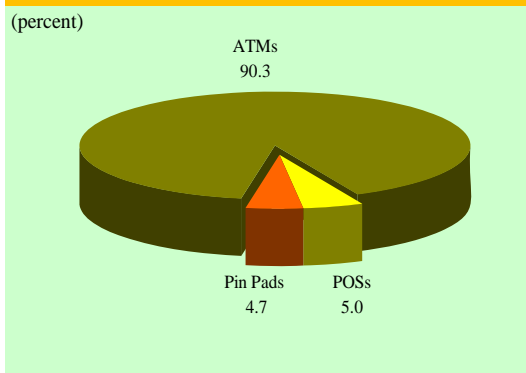
	Volume (thousand)			Percentage change <sup>(1)</sup>	Value (billion rials)			Percentage change <sup>(1)</sup>
	1385 (nine months)	1386 (nine months)	1386		1385 (nine months)	1386 (nine months)	1386	
<b>Total electronic transactions through the banking system</b>	<b>360,633</b>	<b>534,640</b>	<b>678,307</b>	<b>48.3</b>	<b>212,573</b>	<b>383,453</b>	<b>435,512</b>	<b>80.4</b>
ATMs	334,992	480,128	612,575	43.3	77,673	129,952	149,242	67.3
POSs	10,400	28,936	33,794	178.2	6,783	19,264	21,143	184.0
Pin Pads	15,241	25,576	31,938	67.8	128,117	234,237	265,127	82.8

(1) Figures are based on the last nine months of 1386 compared with the same period previous year.

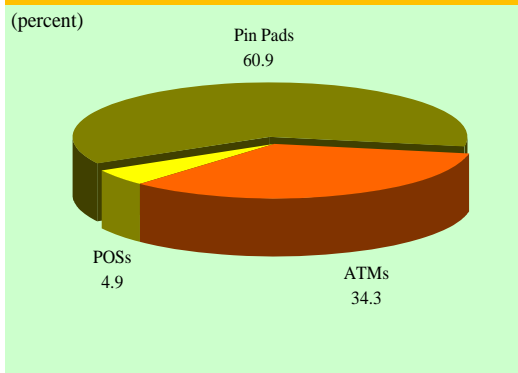
**Volume and Net Value of Transactions Processed through SHETAB**

	Volume (thousand)		Percentage change	Value (billion rials)		Percentage change
	1385	1386		1385	1386	
<b>Total transactions through SHETAB</b>	<b>237,324</b>	<b>381,184</b>	<b>60.6</b>	<b>10,616</b>	<b>17,766</b>	<b>67.4</b>
ATMs		230,181	56.0	..	..	θ
POSs		7,143	208.7	..	..	θ

**Figure 13.1. Share of electronic payment instruments in total number of electronic transactions in the banking system in 1386**



**Figure 13.2. Share of electronic payment instruments in total value of electronic transactions in the banking system in 1386**



**Electronic Settlement System**

**SAHAB**

The retail fund transfer system (SAHAB) helped transfer of up to Rls. 10 million through ATMs as well as online and real time transfer of Rls. 50 million through banks round-the-clock. SAHAB was put into limited operation in 1385 by electronic transfer of funds from one bank card to another through ATMs,

and was developed in 1386 through connection of 13 banks, allowing transfer of funds via their ATMs and Pin Pads. Bank Sepah, Tejarat, Maskan, and Refah could not render these services to their customers till 1386 year-end.

The number of transactions processed in 13 banks connected to SAHAB through ATMs reached 2,061 thousand. Moreover, part of transactions were processed through Pin Pads. It is expected that with the extensive use of this service in the banking network, the alternative means of transactions such as the coded checks, Iran-Checks, and notes recede from the Iranian payment system in the future.

### SATNA

As of 1385, the Real Time Gross Settlement System (SATNA) was put into operation for large-value interbank transfer of funds. Real time settlement through SHETAB was started in Azar 1385, and through the Interbank Clearing House, in Tehran and other cities in Dey 1385. Since the operation of SATNA till end-1385, 11 thousand transactions worth Rls. 650,411 billion were settled through this system. Upon putting into operation of subsequent phases, which were observer of bank-to-bank and customer-to-customer payments through SATNA, Iran's payment system witnessed great developments in terms of speed and security of banking transactions. Thus, total transactions processed through this system reached 24,445, valued at Rls. 1,564,238 billion, of which SHETAB and the Interbank Clearing House accounted for the lion's share of 68.6 percent.

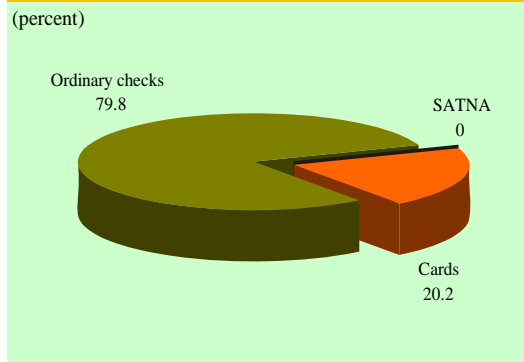
### Volume and Value of Transactions Processed through SATNA in 1386

	Volume	Value (billion rials)
Bank-to-bank	8,416	435,143
Customer-to-customer	1,493	55,431
Interbank Clearing House and SHETAB	14,536	1,073,664
<b>Total</b>	<b>24,445</b>	<b>1,564,238</b>

### Share of Non-cash Payment Instruments

Despite development of electronic banking and expansion of electronic payment instrument in recent years, the highest share in total non-cash payments, in terms of volume and value, belonged to ordinary checks in 1386. Although transactions through bank cards constituted 20.2 percent of total, the average value of transactions through cards was Rls. 4,355 thousand, limiting their share in total value to 3.7 percent. Ordinary checks <sup>(1)</sup> accounted for 79.8 percent of total non-cash transactions in 1386, holding 95.6 percent of total non-cash transactions as a result of high average value per transaction settled through ordinary checks worth Rls. 28,595 thousand. Since Shahrivar 1386, large-value settlement of funds through SATNA has been operational. However, due to lack of public awareness of this system as well as several operational and technical limitations during its preliminary phases of operation, volume of transactions <sup>(2)</sup> through SATNA held a slight share in total non-cash payment transactions. It is expected

**Figure 13.3. Share of non-cash payment instruments in total number of non-cash transactions**



(1) Includes only volume and value of ordinary checks channeled through the Interbank Clearing House.  
 (2) Includes only customer-to-customer transactions, or customer-to-bank (member of SATNA) transactions. In other words, transactions involving member banks of SATNA are called bank-to-bank and others customer-to-customer.

that by raising public awareness and removing certain restrictions such as amount of funds and duration of funds transfer, as well as elimination of the commission received from customers for transactions through SATNA, the use of this system expands in the future, holding a higher share in non-cash payments, in terms of volume and value.

**Share of Non-cash Payment Instruments in Total Volume and Value of Non-cash Transactions in 1386**

	Share in total volume (percent)	Share in total value (percent)	Average value per transaction (thousand rials)
Cards <sup>(1)</sup>	20.2	3.7	4,355
Ordinary Checks <sup>(2)</sup>	79.8	95.6	28,595
SATNA <sup>(3)</sup>	*	0.7	37,127,261
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>23,859</b>

- (1) Includes transactions through POSs and Pin Pads, and excludes ATMs.
- (2) Includes only ordinary checks channeled through the Interbank Clearing House.
- (3) Includes only customer-to-customer transactions.

**Figure 13.4. Share of non-cash payment instruments in total value of non-cash transactions in 1386**

