

Central Bank of the Islamic Republic of Iran

**Directorate General of Regulations, Banking Licenses and Anti Money
Laundering**

Department of Banking Studies and Regulations

Regulations Governing Participation of Foreign Entities in Banks' Capital

August 2011

The Money and Credit Council passed the “**Regulations Governing Participation of Foreign Entities in Banks' Capital**” pursuant to Article 87, Act of the Islamic Republic of Iran's 5th 5-Year Development Plan as follows:

Section One – Definitions

Article 1 – In these regulations, the following titles shall refer to the relevant phrases and clauses:

- 1-1- **Iran:** Islamic Republic of Iran;
- 1-2- **Central Bank:** Central Bank of the Islamic Republic of Iran;
- 1-3- **Bank:** Any non-governmental bank registered inside Iran;
- 1-4- **Foreign Bank:** Any bank registered outside Iran;
- 1-5- **Foreign Nationals:** Any natural person who is not a national of Iran;
- 1-6- **Foreign Legal Entities:** The legal entities registered outside Iran;
- 1-7- **State Foreign Legal Entities:** The legal entities over 50% of shares of which, are directly owned by a foreign state;

1-8- Iranian Legal Entities: The legal entities registered in Iran as well as the foreign legal entities at least 51% of the shares of which belong to the Iranian legal and natural entities.

Section Two – Generalities

Article 2- In accordance with these regulations, foreign nationals and foreign legal entities may, participate in establishing banks in Iran and/or acquisition of capital shares of existing banks.

Article 3- Foreign governments and state foreign legal entities shall not be allowed to acquire banks' capital shares, nor shall they be permitted to participate in establishing banks in Iran.

Article 4- Acquisition of banks' capital shares or participation in establishment of a bank in Iran by foreign banks is subject to consent of banking supervision authority of home country and approval of the Central Bank.

Article 5- Banks may not transfer their capital shares to foreign nationals or foreign legal entities, prior to obtaining an approval from the Central Bank.

Article 6- Establishment of a developmental bank with participation of the government of the Islamic Republic of Iran and a foreign party, subject matter of “Clause 1, pertaining to the Single Article for Act of Appending One Note to the Act on Amendment of specific Articles of the Islamic Republic of Iran's 4th Economic, Social, and Cultural Development Plan and Implementation of General Policies of Principle 44 of the Constitution” shall be subject to its special rules and is excluded from these Regulations.

Section Three – Foreign Entities' proportion of Participation in Banks' Capital

Article 7 – The ceiling on ownership of the existing banks' capital shares on the part of foreign nationals and foreign legal entities as well as the ceiling on their participation in establishment of banks in Iran shall be determined as follows:

1. Owning up to 40 percent of capital shares shall be subject to consent of the Central Bank's Credit Commission and approval of the Governor of the Central Bank.
2. Owning over 40 percent of capital shares shall be subject to consent of the Central Bank's Credit Committee, ratification of the Governing Board of the Central Bank and approval of the Governor of the Central Bank.

Section Four – General Conditions of Foreign Entities Applying for Participation in Banks' Capital Shares

Article 8- Foreign nationals and the foreign legal entities applying for participation in establishing a bank in Iran and/or acquisition of existing banks' capital shares shall submit documents or provide assurance, to prove that they meet the following conditions:

- a) Good reputation and financial and professional competence;
- b) Clean criminal records; and,
- c) Transparency of the source of their contribution.

Article 9- Where the foreign party applying for participation in establishing banks in Iran and/or acquisition of existing banks' capital shares is a legal entity, it shall be obliged to submit to the Central Bank a copy of its articles of association, audited balance sheet, and profit-and-loss account in the last three years along with a statement comprising names of board members and major shareholders and other necessary information to be taken into consideration.

Section Five – Specific Regulations on Board Members, Managing Director and Executive Board Members of the Banks having Foreign Shareholders

Article 10- The managing director, the chairman of the board of directors and the majority of board members and members of the executive board of the banks having foreign shareholders shall be Iranian nationals.

Section Six – Miscellaneous

Article 11- Foreign nationals and the foreign legal entities applying for participation in establishing banks in Iran and/or acquisition of existing banks' capital shares, shall enjoy all facilities and full support of “Foreign Investment Support and Encouragement Act”, including transfer of the original investment and the profit made from the operations of the bank to abroad, if they obtain the investment permit from the board subject matter of Article 6 of the foregoing Act.

The Regulations Governing Participation of Foreign Entities in Banks’ Capital were drawn up and stipulated in 11 articles in the 1128th meeting of the Money and Credit Council on August 16, 2011.

Department of Banking Studies and Regulations, Central Bank of the Islamic Republic of Iran
[signed & sealed]

Department of Public Relations, Central Bank of the Islamic Republic of Iran [signed & sealed]
