THE BANKING AND MONETARY ACT OF IRAN

Approved on Khordad 7, 1339
(May 27, 1960)
The Act Concerning Authorization to the Joint Parliamentary Committees for Finance and Justice for the Approval of the Monetary and Banking Bill and the Articles of Association of Bank Melli Iran

The Single-Article Act: The Government is herewith authorized to execute the Monetary and Banking Bill and its penal supplement and the Bill Concerning the Articles of Association of Bank Melli Iran after approval by the Joint Parliamentary Committees for Finance and Justice for a temporary period of up to five years. Within this period, the Government shall submit the aforementioned Bills in their present forms, or with amendments, to the Parliament for final approval. Until such times that the above Bills have not finally and conclusively been approved by the Parliament, they shall remain in force and execution thereof shall be binding.
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CHAPTER ONE:
CURRENCY AND CREDIT COUNCIL

Section One:
ESTABLISHMENT AND SUBJECT

Article 1- There shall be established a Council, to be called the Currency and Credit Council, whose duties, powers and manner of operation are ascertained in this Act.

Article 2- The duties of the Currency and Credit Council shall be as follows:

a) To co-operate with the Governor of the Bank Markazi Iran in the general management of the Bank as provided under Chapter Three of this Act;

b) To direct and supervise all the banking affairs, as provided under Chapter Four of this Act;

In the discharge of this duty, the Council may demand any information from, or issue any directive to other banks, whether their articles of association have been enacted by the Parliament or drawn up under the provisions of the Banking Act. All banks shall implement the Council's directives. No information, however, may be demanded by the Council in respect of the relation of any particular customer with a bank or of his account, except in cases specified in this Act.

c) To act as an advisory body to the Government in matters of public finance, monetary policy and national economy. The Government shall consult the Council on matters of, and decisions relating to, monetary and fiscal policies;

d) To co-operate with the High Economic Council, in order to ensure co-ordination in decision-making on matters of the monetary and fiscal policies;

e) To investigate and carry out research on problems related to its work as well as on subjects referred to it by the Government;

f) To perform such other duties and to exercise such other powers as have been specified for it by this Act.
Section Two:
ORGANIZATION COMPETENCE AND POWER

Article 3-

a) The Currency and Credit Council shall be composed of the following fifteen members:

1. The Governor of the Bank Markazi Iran;
2. The Minister of Industries and Mines;
3. The Minister of Agriculture;
4. The Minister of Commerce;
5. The Attorney-General of the Court of Cassation;
6. A representative from the Chamber of Commerce;
7. The Secretary-General of the High Economic Council;
8. The Secretary-General of the Currency and Credit Council;
9. The President of Bank Melli Iran;
10. A representative from private banks;
11. A professor of economics, nominated by the University;
12. A representative from the Agricultural Council of Tehran;
13. An expert in industrial economics;
14. An expert in monetary and fiscal economics;
15. An expert in labor economics.

b) The Governor of the Bank Markazi Iran shall act as the Chairman of the Council.

c) The members enumerated in paragraphs 13, 14 and 15 above, shall be appointed by the Board of Ministers for a period of three years. During the first period, at the end of each year, one member shall resign by drawing lots, and another person shall be appointed in his stead to serve for a period or three years. The resigning member is eligible for reappointment.

If a member dies, resigns, becomes incapable of discharging his duties or rendered incompetent, a new member shall be appointed to replace him and shall complete his term of office.
d) Each member of the Currency and Credit Council shall, prior to assumption of office, take an oath and swear that, in discharging the duties of the Currency and Credit Council, he shall exercise utmost care and dedication, and shall take all decisions in accordance with the interests of the country, and maintain complete secrecy in respect of affairs of the Council.

**Article 4-** The Council may, when it deems necessary, nominate and invite experts for consultation on specific subjects.

**Article 5-**
1. The Council shall be held no less than once a month at the invitation of its chairman, and also at any time when at least five member of the Council request it to do so.

2. For the purpose of discussion and decision-making, the presence, in the meeting, of at least two-thirds of the members shall be necessary. Decision shall be taken by a majority vote of two-thirds of the members present.

3. The minutes shall be filed in an ad hoc register, signed by the Chairman and the Secretary-General of the Council and kept in the head office of the Bank. The Chairman shall authorize the Secretary-General to sign all correspondences, including copies or extracts from the minutes.

**Article 6-** Government organizations and public or private credit institutions shall, upon request, provide the Council with all such information as it may require, except as provided in paragraph (b) Article 2 above.

**Article 7-**
1. The members shall not disclose any information, to which they may have access in the course of their duties, except as provided by law.

2. The administrative staff of the Council and the experts, who are invited for consultation, shall also be subject to paragraph 1 above.
3. Any person who contravenes this provision shall be liable to prosecution under Article 138 of the Penal Code.\(^1\)

Article 8-
1. The Council shall provide the Minister of Finance with any information which he may require.
2. The Council shall submit to the Minister of Finance a quarterly report on the manner of execution of its own duties on the monetary and banking changes, and advance therein any views and recommendations which it may consider beneficial to the national economy.
3. The Council may not undertake any publications whatever, except such as are duly authorized by law, or with the prior consent of the Minister of Finance, or those which are of a purely scientific character.

Section Three:
THE SECRETARY-GENERAL AND THE SECRETARIAT

Article 9-
1. The Secretary-General of the Currency and Credit Council shall be appointed for a period of six years on the proposal of the Chairman of the Council and with the approval of the Ministry of Finance.
2. The Secretary-General of the Council, or his representative, shall, in any court of law and or in any other judicial body or public or private institution, act as the Council's fully authorized representative; judicial or penal cases involving the Council shall be claimed or defended through him.

Section Four:
MISCELLANEOUS PROVISIONS

Article 10- The instrumentalities of the Currency and Credit Council shall be regarded as integral parts of the Bank Markazi Iran, and, like the Council itself

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\(^1\) Article 138- Any Government employee opening, withholding or destroying private letters or communications without legal permission, or disclosing of such letters or communications without authorization from the owner, shall be liable to disciplinary imprisonment from 6 to 36 months.
they shall be financed by the Bank Markazi Iran. The administrative staff of the Council shall be listed as the administrative staff of the Bank Markazi Iran.

CHAPTER TWO:
CURRENCY

Section One:
DEFINITION-PARITY

Article 11- The unit of the Iranian currency is the Rial, which is divided into one hundred dinars.

Article 12- The value of one gram of fine gold is 85.2396156 Rials, and the gold content of the Rial is 0.0117316 grams of fine gold.

Article 13- The parity of Rial in relation to foreign currencies and the foreign exchange rate shall be determined by the Bank Markazi Iran with due regard to the obligations of Iran to the International Monetary Fund, and shall be announced in the Official Gazette.

Section Two:
The Power to Issue Note

Article 14-
1. The power to issue notes shall be the monopoly of the Government.
2. This power shall be exercised solely and exclusively by the Bank Markazi Iran without intervention by any other private or public body.

Section Three:
NOTES TO BE LEGAL TENDER

Article 15-
1. Only such notes and coins which have been in circulation at the time of the passage of this Act, or shall thenceforth be issued or coined under the provisions of this Act, shall be legal tender.

2. The value of each denomination of bank notes and coins in circulation shall be ascertained by the Council on the recommendation of the Bank Markazi Iran, and shall be implemented after approval by the Minister of Finance.

3. The Bank Markazi Iran shall not be liable for any loss or theft or destruction of notes or coins.

**Article 16-**

1. Gold coins shall not be legal tender unless the Board of Ministers, on the recommendation of the Currency and Credit Council, so permits by decree. The procedure for, and the condition of minting of coins and the manner of circulation and withdrawal thereof shall be determined by the same procedure.

2. Such conditions for imports and exports of gold and silver as may be required to meet the definite needs of the economy shall be ascertained on the recommendation of the Currency and the Credit Council with the approval of the Board of Ministers.

**Section Four:**

**ISSUE OF NOTES, CIRCULATION OF CURRENCY AND WITHDRAWAL THEREOF**

**Article 17-**

1. The denomination, form, design, color, and other specifications of notes, and denomination, kind of metal, fineness, weight, size and other specifications of coins in circulation, with the exception of gold coins, and the conditions and manner of their withdrawal from circulation, shall be ascertained by the Minister of Finance, on the recommendation of the Bank Markazi Iran.

2. On the expiry of the period set by the Bank Markazi Iran for the withdrawal from circulation of any denomination of notes or coins, the
amounts not presented for exchange to the Bank shall cease to be legal tender. The Bank, however, shall, up to a period of 10 years from the aforementioned date of expiry, exchange, free of charge, any such notes for current tender. After the expiry of the said period, all such outdated currency which has not been presented at the Bank shall be forwarded in favor of the account of the Treasury, and further used to amortize any such obligations which the Government may have with the Bank Markazi Iran.

3. Notes shall bear the signature of the Minister of Finance, and the Governor of the Bank Markazi Iran.

Section Five:

NOTE COVER

A- General Provisions

Article 18- The Bank Markazi Iran shall not undertake any liability to the public in form of issuing Rial notes, unless a corresponding amount has been added to the following assets, as provided under Articles 20 to 27 inclusive, of this Act:

a) Gold, as provided under Article 20;
b) Foreign currencies, as provided under Article 21;
c) Treasury bills, securities issued or guaranteed by the Government or municipalities, and similar loans and liabilities, as provided under Article 23, 24 and 25;
d) Where the securities and loans mentioned in the paragraph “c” above, are not sufficient, claims in Rials in the form of industrial, commercial or agricultural credits as provided under Article 26.

Article 19- The assets mentioned in paragraphs “a” and “b” of Article 18 shall not be less than 40 percent of the total.

B-Gold Cover

Article 20-
1. The assets which are acceptable as gold cover shall consist of gold bullions and coins in the Bank's Treasuries and of such gold as may have been deposited with international monetary institutions.

2. Gold delivered to the International Monetary Fund and the International Bank for Reconstruction and Development, or similar institutions, as part of Iran's quota or subscription to their capital as provided by statutes.

C- Foreign Exchange Cover

Article 21- The following foreign exchange assets are eligible to be part of the cover:

a) Foreign currency notes acceptable to the Bank Markazi Iran;
b) Sight claims or time claims of less than six months maturity in foreign currency;
c) Any payment made to the International Monetary Fund and the International Bank for Reconstruction and Development or similar international institutions as part of Iran’s quota or subscription to their capital;
d) Foreign securities issued or guaranteed either by foreign governments, the International Monetary Fund, the International Bank for Reconstruction and Development, the International Finance Corporation, or similar organizations;
e) Rial or foreign exchange claims acquired subsequent to implementation of international payments and barter agreements within the limits provided under the provisions of those agreements;
f) Bills and drafts payable in foreign currencies abroad, bearing two valid signatures, provided that one of the signatures belongs to the bank which discounts such bills and drafts, and that their maturities do not exceed the limit prescribed under Article 27;
g) All the foreign currencies which are eligible as cover shall be convertible into gold. The Currency and Credit Council shall, on the recommendation of the Bank Markazi Iran, ascertain this type of currencies and may set, if it deems necessary to do so, a maximum
limit that each of the aforesaid currencies could be acceptable as cover.

**Article 22**- The profits gained, or the losses suffered, as the result of a change in legal parities or accidents due to circumstances beyond control, shall be forwarded in favor of, or against, the Government’s account. In case of loss, the Government may issue treasury bills and deliver them to the Bank Markazi Iran.

*D – Securities Issued or Guaranteed by the Government or Municipalities and Similar Loans or Claims*

**Article 23**- The assets acceptable as note cover, created as a result of loans and credit facilities extended to the Government, shall, exclusively, consist of:

1. The Government debit balance with Bank Melli Iran, up to 14,000,000,000 Rials (fourteen billion Rials);
2. The Treasury bills which the Government may, in executing the provisions of Article 22, issue and deliver to the Bank Markazi Iran. These bills shall be non-interest bearing, and such profits as may arise from a change in the legal parity of gold or of the currencies used as cover, or from the exchange of denominations of notes and coins in circulation shall, in the first place, be used for the amortization of these bills;
3. The revolving fund, made available to the Government to facilitate current payments, not exceeding one-tenth of the estimated annual income, provided that:
   a) Authorization for the use of the revolving fund is granted in the Budget Act each year;
   b) The total of such appropriations does not exceed one-tenth of the actual receipts in the preceding fiscal year;
   c) The Government has been bound by law to refund all such funds as may have been used, at the latest by the end of the fiscal year under discussion, without consideration for the remainder of the budgetary operational year.
4. Treasury bills and bonds issued or guaranteed by the Government or municipalities, provided that, in each case, a permit for their issue has been granted by a statute;

5. Loans extended to municipalities not exceeding 30 percent of their annual revenues, and to government-sponsored commercial firms and agencies guaranteed by the Ministry of Finance.

**Article 24**- All the government obligations, arising from the execution of Article 23, which have been accepted as cover, shall be guaranteed by the Crown Jewels. The safe keeping of the said jewels and the gold cover shall be entrusted to the Bank Markazi Iran.

**Article 25**- All the Government bonds, which have been accepted as cover, shall be discounted at their nominal price, if their nominal price is equal to or lower than their current market price; if their nominal price is higher than their market price, they shall be discounted at the latter price.

**E- Claims Arising from Commercial, Industrial and Agricultural Activities**

**Article 26**- Only the following assets created by the extension of commercial, industrial and agricultural credits, shall be eligible to be part of the note cover:

1. Drafts and other commercial documents, drawn in Rials payable to the bearer, provided each bears three valid signatures, one being the signature of the bank presenting them for re-discount;

2. Loans and other Rial credits of a designated period, granted against gold security whether in the form of bullions or coins;

3. Documents concerning loans granted by Bank Melli Iran to productive establishments and specialized industrial credit institutions, up to a maximum of 3,610 million Rials;

4. Loans granted to specialized credit institutions owned or supervised, directly or indirectly, by the Government, provided:
   a) Their maturities do not exceed one year:
   b) The said loans are guaranteed by surrender of the claims of the said establishments to the Bank Markazi Iran; the maturities of the claims
documents which are surrendered to the Bank Markazi Iran for the said purpose do not exceed one year from the date of the receipt of the loan; and all the rights of the surrendering bank concerning the said claims are transferred to the Bank Markazi Iran;
c) The nominal value of the said claims exceeds by no less than one-third the amount of the loan granted by the Bank Markazi Iran;
d) The said claims are guaranteed by an acceptable third party, or through pledges in favor of the Bank Markazi Iran.

Article 27- The maturity dates of all the bills and commercial documents, listed in Paragraphs 1 and 2 Article 26, shall not exceed 120 days from the date of their acceptance as part of the note cover, but with respect to credits for exports, the Currency and Credit Council may extend this respite up to a maximum period of 300 days.

CHAPTER THREE:
THE BANK MARKAZI

Section One:
ESTABLISHMENT, HEAD OFFICE, CAPITAL

Article 28-
1. In order to stabilize the value of currency and to regulate the volume of credit, an independent institution to be called the Bank Markazi Iran shall be established which shall have the monopoly of coin note issue.
2. The head-office of the Bank Markazi Iran shall be in Tehran, but, in case the state interests so require, it may be moved to another locality, subject to the approval of the Board of Ministers.
3. The Bank Markazi Iran may operate branches and agencies wherever it deems necessary, or appoint Bank Melli Iran to act as its agent.

Article 29- The Bank Markazi Iran shall not be subject to any such general laws and regulations as are applicable to the Government or government-
sponsored corporations, unless explicitly cited therein by name. In respect to such matters as this law may not have provided for, the Bank shall be subject to laws concerning joint-stock companies.

Article 30- The sum of Rials 3,609,853,176.85 (three thousand six hundred and nine million, eight hundred and fifty three thousand, one hundred and seventy six Rials and eighty five dinars) being part of the proceeds of the revaluation of the note cover, subject of the Act of 28th Ordibehesht 1336 (May 17th, 1957), held at Bank Melli Iran in a special account shall be transferred to the Bank Markazi Iran. A sum of 3,600,000,000 (three thousand six hundred million) Rials thereof shall constitute the capital and the balance, the sum of 9,853,176.85 (nine million eight hundred and fifty-three thousand, one hundred and seventy-six Rials and eighty-five dinars), shall be the reserves of the Bank Markazi Iran.

Section Two:
FUNCTIONS

Article 31- The functions of the Bank Markazi Iran shall be as follows:

a) To keep the accounts of the Government, the municipalities, and of other establishments and agencies whose capital is wholly or partly owned or controlled by the Government, and to transact banking business on their behalf at home or abroad, as may be provided for by agreements concluded with Ministry of Finance or with the establishments concerned. The Government and the said establishments shall, in turn, deposit their funds exclusively with the Bank Markazi Iran and shall perform their banking transactions through its agency;

b) To transact all business concerning government bonds in accordance with such agreements as may be concluded with Minister of Finance;

c) To represent the Government in international financial institutions, and to conclude payments agreements, against the government account, in respect of such government financial obligations as may arise from the execution of its financial and commercial agreements with foreign government. The Government may issue treasury bills and surrender
them to Bank Markazi Iran in compensation for such losses as may, in the execution of the agreements, arise from the exchange of currencies or the non-repayment of loans and credit or similar causes;
d) To maintain the balance of payments in equilibrium and, where required, to recommend a drafting of regulations for foreign exchange transactions to the Currency and Credit Council. The said regulations may be implemented after approval by the Board of Ministers;
e) To open and maintain current accounts in foreign banks, or to accept deposits from domestic or foreign banks; to perform all such other banking operations as the law may permit, and to obtain credit in favor of its own account or that of domestic banks.

Section Three:
OPERATIONS

Article 32- The Bank Markazi Iran may conduct the following operations:

a) All transactions concerning gold and foreign exchange;
b) Rediscount of bills and commercial documents, and of documents concerning industrial and agricultural loans presented by the banks registered in Iran, or the granting of loans and credit thereto;
c) Extending loans to the Government or to a third party guaranteed by the Government, or guaranteeing credits extended to the Government or to a third party guaranteed by the Government under the law, or the issuing of bonds against the security of the said loans under a separate agreement with the Ministry of Finance. The Government shall, prior to submitting any bill concerning a loan to the Parliament, consult the Currency and Credit Council and append its recommendations to the bill;
d) The sale of bonds issued or guaranteed by the Government under Paragraph 4, Article 23 of this Act or of bonds issued or guaranteed by foreign governments of accredited financial institutions.

Article 33- In the event of insolvency or bankruptcy of the account holders, credit balances of their accounts in the Bank Markazi Iran shall, in the first instance, be used for the settlement of their debts to the Bank Markazi Iran.
Section Four:

ORGANIZATION

Article 34- The Bank Markazi Iran is composed of the following administrative organs:

a) The General Assembly;
b) The Governor;
c) The Currency and Credit Council;
d) The Executive Board;
e) The Note Reserve Control Board;
f) The Supervisory Board;
g) The Government comptroller.

A- The General Assembly

Article 35- The General Assembly shall be under the Chairmanship of the Minister of Finance, and composed of the members of the Currency and Credit Council, the Executive Board, the Supervisory Board, and the Government Comptroller.

Article 36- The General Assembly shall meet no less than once a year. It may, furthermore, hold meetings on the request of either the Minister of Finance, the Governor of the Bank Markazi Iran, or three members and the invitation of the Chairman. It shall have the following duties and powers:

a) To study and make suggestions with respect of any report on the Bank which the Governor may have submitted to the General Assembly;
b) To elect the members of the Supervisory Board;
c) To approve the Balance Sheet of the Bank and to make recommendation as to the appropriation of profit;
d) To approve the annual report of the Bank prior to submitting to the Government;
e) To arrive at final and conclusive decisions in respect of recommendations and resolutions of the Supervisory Board.

Article 37-
1. The decisions of the Supervisory Board shall be valid only if a majority of each of the two groups, the Currency and Credit Council and the Supervisory Board, are present, and shall be taken by a majority of the votes cast by those members who are present and eligible to do so; in the absence of a majority, the president shall have the casting vote.

2. The Executive Board, the Supervisory Board and the Government Comptroller shall have no power to vote.

B- THE GOVERNOR

Article 38-

1. The Governor of the Bank Markazi Iran shall be appointed to office for a term of three years, on the recommendation of the Minister of Finance and with the approval of the Board of Ministers, by a ROYAL Decree. He shall be eligible for reappointment.

2. The Governor of the Bank, in addition to being the chairman of the Currency and Credit Council as provided under Paragraph (b), Article 3 of this Act, shall be a member of the High Economic Council.

Article 39- The Governor of the Bank Markazi Iran shall be the highest administrative authority of the Bank and, in addition to being empowered to employ, suspend or dismiss employees, to fix salaries and grant promotions, and in general to manage all administrative affairs of the Bank within the rules, regulations and the budgetary appropriations approved by the Currency and Credit Council, shall have the following duties and powers:

a) To implement the decisions of the Currency and Credit Council and the Executive Board of the Bank;

b) To supervise the execution of this Act and of the Charter and the implementing regulations of the Bank;

c) To represent the Bank before judicial or non-judicial bodies with the right of substitution;

d) To make decisions concerning all such current affairs of the Bank as may not have been explicitly assigned to other organs of the Bank under this Act;
e) To assign some part of his powers, as well as the right of signature to the deputy governor, the Vice-Governor, or other staff;
f) To submit regular reports on the accounts of the Bank to the General Assembly and the Currency and Credit Council;
g) To inform the Supervisory Board of all the decisions taken by the Currency and Credit Council.

C- The Currency and Credit Council

Article 40- The Currency and Credit Council, in addition to the duties mentioned in Article 2 of this Act, shall, on the recommendation of the Governor of the Bank, have the authority to:

a) Approve the implementing regulation concerning employment, and other internal regulations, and the budget of the Bank;
b) Determine the official rates of discount, interest, and commissions on transactions with the Government and others;
c) Draft the implementing regulation of the Foreign Exchange Act and submit it to the Board of Ministers for approval;
d) Decide on the sale, and the inflow or outflow of gold and silver. The exports of gold and silver from the country are subject to approval of the Board of Ministers;
e) Decide on all matters recommended by the Governor of the Bank within the bounds of this Act.

D- The Executive Board

Article 41- The Executive Board of the Bank Markazi Iran is composed of the governor, the Deputy Governor and the three Vice-Governors.

Article 42- The Deputy Governor shall be appointed to office for a term of three years on the recommendation of the Governor, with the consent of the Minister of Finance and the approval of the Board of Ministers, by a Royal Decree, and shall, where the Governor is absent or excused from duty, exercise all his legal powers and duties. The Deputy Governor is eligible for reappointment.
**Article 43**- The Vice-Governor shall be appointed to office for a term of three years, on the recommendation of the Governor, and with the consent of the Minister of Finance, by a decree of the Board of Ministers and shall be eligible for reappointment.

**Article 44**- Members of the Executive Board shall, prior to assuming office, take an oath in the presence of three Ministers nominated by the Board of Ministers.

**Article 45**- The Governor shall ascertain the duties of the deputy Governor and the three Vice-Governors.

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**E- The Note Reserve Control Board**

**Article 46**-

1. A board, composed of the following nine members, shall be created to control the note reserves:
   - Two Senators, nominated by Senate;
   - Two members of the Parliament, nominated by the Parliament;
   - The Minister of Finance;
   - The Prosecutor- General;
   - The Governor of the Bank Markazi Iran;
   - The Treasurer- General;
   - The Government comptroller at the Bank Markazi Iran.

   The representatives of both Houses of the Parliament shall be nominated for a period of one year by their respective Houses either at the first session held in the month of Ordibehesht of each year, or, when is in recession in Ordibehesht, at the first formal session of each Houses, and shall continue to hold office pending the nomination of successors.

2. The Note Reserve control Board shall have the following duties:
   a) To inspect and receive printed bank notes;
   b) To keep the notes in its custody, and deliver them to the bank against legal cover. This act of delivery, as far as the cover account is concerned, shall be regarded as putting them into circulation;
c) To receive the note withdrawn from circulation;

d) To receive the notes which must be annulled and to supervise actions concerning them and destruction thereof. At the time of destruction of notes, a minute shall be prepared and recorded in an ad hoc register, and a copy shall be sent to the Ministry of Finance;

e) To keep the accounts of the note reserves as the laws and regulations may provide.

F- The Supervisory Board

Article 47- The Supervisory Board shall be composed of five members nominated by the General Assembly for a period of one year from among competent persons.

Article 48- The supervisory Board shall, upon the instruction of its chairman, hold meetings no less than once a month and shall have the following duties and powers;

a) Duties:
1. To supervise the affairs of the Bank according to the provisions of this Act;
2. To audit the books and accounts of the Bank and the monthly summary of the accounts published by the Bank by virtue of Article 57 of this Act;
3. To inspect the balance of notes and coins;
4. To audit the annual balance sheet, and to confirm or reject its validity and to make comments thereon for the General Assembly.

b) Powers:
1. To inspect, without limitation, all the documents, accounts and assets of the Bank;
2. To have, whenever necessary, access to any correspondence, minutes or written matters of the Bank, whether of the head office, or branches and agencies thereof;
3. To inspect any departments of the Bank freely and without prior notice. For this purpose, they may have access to the Bank’s treasuries and vaults, and the note cover, whether in the form of gold or jewels;

4. To exercise its powers either directly or through one of its members.

**Article 49-** The Supervisory Board may not intervene in the affairs of the Bank, but may submit its views in writing to the Governor in order that he gives his comment within 15 days. At the expiry of this period, or after the receipt of the Governor’s explanations and remarks, the Supervisory Board shall reconsider the matter and declare its final view which shall be submitted to the General Assembly. The General Assembly shall make the final decision about that.

**G- The Government Comptroller**

**Article 50-** The Ministry of Finance shall supervise the activities of the Bank through a comptroller, who shall be appointed by a decree of the Board of Ministers on recommendation of Minister of Finance, and shall regularly report on the affairs of the Bank. The salaries of the members of the Supervisory Board and the Government Comptroller, Which shall be determined by the decree of the Board of Ministers, shall be paid by the Ministry of Finance.

**Article 51-** The Government comptroller may participate in the meetings of the Currency and Credit Council and the Supervisory Board, without a voting right.

**Section Five:**

**DEDUCTIONS, BALANCE SHEET, AND APPROPRIATION OF PROFITS**

**Article 52-** The Bank’s fiscal year shall end on the last day of Esfand (March 20th) and the balance sheet shall be submitted to the Supervisory Board, at least one month prior to the meeting of the General Assembly.

The Accounts of the bank shall each year be closed on the last day of Esfand (March 20th), and its annual balance sheet shall be submitted to the
annual meeting of the General Assembly. The approval of the balance sheet by the General Assembly shall be regarded as granting clearance to the executive board. The balance sheet, subsequent to approval by the General Assembly, shall be submitted to the government, and published in the Official Gazette.

**Article 53** - The assets and liabilities shown on the balance sheet shall be assessed as follows:

- Gold, foreign exchange and securities as provided by the Chapter Two of this Act;
- Movable and immovable property at cost after deduction of depreciation, as provided by the Chapter Four of this Act.

The net profit of the Bank consists of its income after the deduction of general expenses and depreciation.

The net profit, in addition to the amount brought forward from the previous year, and after deduction of taxes, shall be appropriated as follows:

1. Ten percent of it shall be appropriated to the legal reserve until the said reserve shall equalize the capital of the Bank;
2. Ten percent shall be appropriated to the contingency reserve;
3. Some part of it shall, on the recommendation of the Governor, be carried forward to the next year's account;
4. The remainder shall belong to the Government, but as long as the Government is in debt to the Bank, its share in the net profit shall be used for the purpose of amortizing the interest and principal of the debts.

**Section Six:**

**MISCELLANEOUS PROVISIONS**

**Article 54** - The members of the Supervisory Board, and the Government Comptroller, shall, prior to assuming office, take oath before the General Assembly to keep the Bank’s secrets.

**Article 55** - The members of the Executive Board, the Supervisory Board, and the Government Comptroller, during their terms of office, will neither engage
in commercial transactions, nor accept membership in commercial companies, and also will not assume any position in public or national agencies, except in charity and welfare organizations and without getting any salary.

Article 56- The Bank shall be obliged for the documents it issues if they bear at least two authorized signatures.

Article 57- The Bank Markazi Iran shall publish, at least once a month, a summary of statement of its accounts in a form which shall be approved by the Currency and Credit Council.

CHAPTER FOUR: BANKING

Article 58-

1. A Bank is a joint-stock company constituted under the commercial code, and will engage in banking operations as provided in this chapter.

2. The Currency and Credit Council will have the capacity to define the banking operations.

Article 59- Engagement in banking operations is prohibited, except with the permission of the Currency and Credit Council. The articles of association of banks also must be approved by the Currency and Credit Council. Companies Registration Offices shall, for the purpose of registering a domestic bank, require the written approval of the Currency and Credit Council and ask for a copy of the articles of association as approved by the Council.

Article 60- The Currency and Credit Council may withhold permission for the establishment of new banks in a special field of banking, when it considers the number of the existing banks in that field is sufficient.
Article 61-

1. In the cases enumerated below, a permit for the establishment of a bank shall be declared null and void by the Currency and Credit Council:
   a) On application by that bank;
   b) When the bank does not commence its operations within one year from the date of notification of permission to register;
   c) When, in the absence of any justifiable reason, the bank stops business for a period exceeding three months.

2. In the cases enumerated below, the Currency and Credit Council may cancel an already issued permit:
   a) When a bank contravenes the provisions of its articles of association, or of the rules, orders, and regulations set under this Act;
   b) When a bank is not capable of meeting its obligations.

3. Except when a bank has applied for cancellation itself, the Currency and Credit Council shall notify the erring bank in writing, of its objection or objections and the said bank shall, within a period of ten days subsequent to the receipt of the notice, submit a reply, in writing, to the Currency and Credit Council's secretariat. The bank may, within a period of 30 days subsequent to the Council's notification of its final decision, appeal to the Board of Ministers. The decision of the Board of Ministers shall be final and conclusive.

Article 62-

1. The shares of all banks shall be registered shares.

2. The Iranian banks may not transfer more than 40% of their shares to foreign nationals, whether at the time of their establishment or thereafter. The banks in which more than 40% of the capital is owned by foreign nationals shall be considered as foreign banks, and may not be registered unless permitted to do so by law.

3. The banks that have been established prior to the approval of this Act shall not be subject to the provisions of paragraphs 1 and 2 of this Article and paragraph 2 of Article 63.
Article 63-

1. The capital of banks shall generally be in the form of cash, and shall be deposited with the Bank Markazi Iran at the time of establishment or of the increasing of capital for the period when formalities of registration are being accomplished.

2. The minimum capital of a bank shall be one hundred million Rials, of which no less than 50% shall be paid up. The minimum paid up capital of foreign banks shall be one hundred million Rials.

3. Where a bank confines its operations to districts outside of Tehran and has no branch or agency in Tehran, it may be registered with a capital equal to 50% of the sum referred to in paragraph 2 of this Article.

Article 64-

1. The bank shall transfer no less than 15% of their annual net profit to the account of their legal reserves until such time as the latter shall equalize the capital of the bank; then, a transfer thereof shall be optional. Withdrawals from the reserves account shall, with the approval of the Currency and Credit Council, be allowed only to meet losses suffered by the bank, or for the purpose of increasing capital.

2. Foreign banks may, subject to the approval of the Currency and Credit Council, use their legal reserve accounts for the purpose of increasing their registered capital in Iran, or of indemnifying losses incurred in Iran.

Article 65-

1. The banks are prohibited from doing the following operations:
   a) The sale of goods for the purpose of trade;
   b) The purchase of immovable property in excess of bank's requirements. The unamortized portion of the value of immovable properties shall not exceed 30% of the aggregate amount of the paid up capital and reserves, except in case of construction banks and the banks dealing in immovable property, which may own immovable properties up to a value
equal to the aggregate amount of their capital and reserves, and
an additional 20% of the value of the deposits held by them;
c) The purchase and holding of foreign shares and bonds in favor
of the accounts of the bank itself, except with the prior consent
of the Currency and Credit Council;
d) The re-purchase of their own shares except with the permission
of the Currency and Credit Council;
e) The grant of credit or loans on the security of their own shares
for a sum in excess of 25% of value of the paid-up shares;
f) The issue of sight bills payable to the bearer, in place of
currency;
g) The grant of credit to the members of the board of directors or
the executive board for an amount in excess of twice their
annual salaries, except with the permission of the Bank's
General Assembly;
h) The grant of credit to firms in which a member of the board of
directors or of the executive board of the bank have more than
30% interest except with the permission of the Bank's General
Assembly;
i) The grant of credit to the administrative staff of the Currency and
Credit Council, except with the Council's knowledge and on the
same terms as those established with any other client;
j) Specialized banks are forbidden to do any business other than
specified in their articles of association;
k) The purchase of shares and of bonds or participation in a
company to an amount in excess of 10% of the aggregate of the
bank's paid-up capital and reserves. The total of such papers
shall not exceed 30% of the amount of the bank's capital and
reserves, but the Currency and Credit Council may, in the case
of shares and bonds issued by such Iranian credit institutions as
may have been established under a special Act passed in the
Parliament, or bonds issued or guaranteed by the government of
Iran, raise the above mentioned limit.
2. The possession of merchandise, immovable property, shares and bonds in excess of the limit provided by paragraph 1 above is permissible, if such excess merchandise, immovable property, share and bonds are appropriated for the purpose of recovering the bank's claims and are disposed of within two years, unless a longer period is permitted by the Currency and Credit Council.

3. The total amount of credit and loans granted to a person or a corporate body shall not exceed 10% of the paid-up capital and reserves of a bank.

Article 66- The Currency and Credit Council may determine the maximum and the minimum rates of interest and commissions for some specific banking operations.

Article 67-
1. The acceptance of savings deposits and similar accounts is permissible.
2. Savings and similar deposits, from the point of utilization view, shall be divided into the following groups:
   a) As cash, representing the balance of cash in vault or claims against the Bank Markazi Iran and the National Savings Fund, or bonds issued or guaranteed by the Government and/or the Bank Markazi Iran;
   b) Claims the maturities of which do not exceed 3 months;
   c) Claims the maturities of which exceed 3 months.
3. The Currency and Credit Council shall determine the purposes for which savings deposits may be utilized, and the ratio of cash holding to three month and long-term claims.

Article 68- The persons who have been or may be convicted in Iran or in a foreign country for committing important crimes or felony, implying the loss of civil rights, shall be deprived of management of the banks.

Article 69- Members of the executive board, the board of directors, or the management of a bank may not, except with the permission of its general assembly, hold office in another bank.
Article 70- A bank shall be liable for the losses arising from its operations and suffered by its customers. Where the loss suffered by the bank is due to violation of banking rules and regulations, or of the provisions of the articles of association by the board of directors or the executive board, the members of those boards shall jointly be held liable for the loss unless the liability of a particular person or group of persons is established.

Article 71- The Currency and Credit Council shall approve an implementing regulation to ascertain the ratio of the paid-up capital and reserves, or of liquid assets and short and long-term claims to all liabilities, and shall notify the banks thereof.

Article 72- The banks shall lodge a part of their deposit holdings at the Bank Markazi Iran. The nature and the amount of such deposits, and the rate of interest which the bank Markazi Iran may pay on them, shall be determined in the implementing regulation which shall be approved by the Currency and Credit Council, but the amount deposited shall not exceed twenty percent for time and savings deposits, and thirty percent for sight deposits. The Currency and Credit Council's decision in this respect shall be uniformly applied to all banks.

Article 73- The Currency and Credit Council shall determine the maximum value of obligations arising from endorsements and letters of guarantee issued by the Bank and the nature and the amount of collaterals for such obligations.

Article 74- The banks shall follow the credit policy of the Bank Markazi Iran and implement all the directives of the Currency and Credit Council issued within the limits of the provisions of this Act.

Article 75- The Currency and Credit Council may examine the accounts of the banks. In order to investigate the accounts and activities of the banks, the Currency and Credit Council may commission specialized accountants or other competent specialists, and after the receipt of a written and reasoned
report from the said commissioner, shall take appropriate decisions within the limits of its powers. In all cases, the Currency and Credit Council and its commissioners shall take the measures with due regard to the general market situation and the observance of secrecy as far as professional information is concerned.

**Article 76-**

1. The fiscal year of the banks shall end on the last day of Esfand (March 20th). The balance sheets and the profit and loss accounts of the banks shall, on that date, be prepared in the form prescribed by the Currency and Credit Council, and, subsequent to approval by their respective general assemblies, which may be held within three months of the end of the banks’ fiscal year, a copy thereof shall be submitted to the Council, to be used for the purpose of preparing banking statistics.

2. The net profits of private banks shall, up to six percent of their paid-up capital, be exempt from taxation.

**Article 77-** The banks shall, publish their balance sheets, prepared in the form approved by the Currency and Credit Council, in no less than two daily newspapers with wide circulation, and make a copy of their last balance sheet available to the public in an accessible place on the premises of the bank.

**Article 78-**

1. The banks shall, in addition to all such data as the Council may from time to time require, send a monthly statement of their assets and liabilities, and of their foreign currency holdings, to the Council. The form of the statement shall conform to the model as approved by the Council.

2. In order to determine the level of liabilities on part of persons to the banks, the Currency and Credit Council may require the banks such information as may be deemed necessary. The information thus collected shall, without revealing the amount of the liabilities of persons to each bank, be only for the use of banks.
Article 79- The Currency and Credit Council may:

a) Prescribe adoption of some principles of accounting and of keeping of accounts instead of the principles stipulated in the Commercial Code;

b) Direct the creation of contingency reserves to compensate for the possible losses arising from the non-collection of doubtful claims;

c) Determine the rate of depreciation of movable and immovable properties, office stationary and the like. The maximum period of amortization shall not, in any case, exceed five years for movable properties or ten years for immovable properties;

d) Instead of keeping the original documents and papers, prescribe a system of micro-film filing whereby any document, subsequent to a lapse of ten years from the date of its receipt or issue, may be micro-filmed. The said micro-films or Photostats shall be regarded as evidence in courts.

Article 80- Directors of the banks, prior to assumption of office, shall take an oath before the Currency and Credit Council, and swear that in all their undertakings they shall, in the first place, take cognizance of the interests of Iran and, in the second place, they shall protect the interests of shareholders and customers and that they shall comply with all rules and regulations. The directors who have taken oath of office under the previous Act shall be exempt from this rule.

Article 81- In the event of liquidation or bankruptcy of a bank, the settlement of its affairs shall, with the supervision of the Currency and Credit Council, be effected under the Commercial code, and the assets of the bank in Iran, shall, in the first instance, be used for the settlement of debts.

Article 82- In the event of liquidation or bankruptcy of a bank, the repayment of the bank's savings deposits or similar accounts up to 20,000 Rials shall have precedence over the repayment of other liabilities.

ADMINISTRATIVE AND PENAL PUNISHMENTS
**Article 83**- The directors and managers of banks who do not observe the provisions of Articles 76, 77 and 78 of this Act shall be convicted to fines, in the form of cash, from 10,000 to 100,000 Rials. Any bank which fails to respond to the Council’s request, in respect of the bank’s annual balance sheet, accounts, or any statistical information within the period set by the Council, shall be convicted to a fine of 500 Rials per each day of delay.

**Article 84**- The directors and managers of banks who contravene Article 65 paragraph (b), and Articles 66 or 72 of this Act shall be convicted to fines in the form of cash from 10,000 to 100,000 Rials.

**MISCELLANEOUS PROVISIONS**

**Article 85**- From the date of the establishment of the Bank Markazi Iran:

1. The Bank Markazi Iran shall be responsible for all coins put into circulation against the account of the Government; in return, the Ministry of Finance shall transfer, free of charge, all the coins in circulation, dies, and blanks held at the mint and the cover account to the Bank Markazi Iran.

2. All the powers and privileges, provided by the Act of Esfand 24,1336 (March 15, 1958), Concerning the Transfer of Foreign Exchange Transactions to Bank Melli Iran, shall be transferred to the Bank Markazi Iran; and no person or corporate body may carry out foreign exchange transactions without authorization from the Bank Markazi Iran. Those individuals or corporate bodies, who already have the permission for foreign exchange transactions, are not obliged to acquire permission from the Bank Markazi Iran, but they shall be subject to all the foreign exchange regulations and implementing regulations issued under this Act.

3. All duties and powers which had been conferred upon Bank Melli Iran or the Issue Department of Bank Melli Iran (the Note Reserve Control Board), in accordance with the Act Concerning Permission to the Iranian Government for Participation in the International Monetary Fund and the World Bank, and the ensuing Acts concerning participation in
similar institutions affiliated with the said organizations, shall, henceforth, be enjoined upon, and vested in the Bank Markazi Iran.

4. A Supervisory Board for the attraction and protection of foreign investments, subject of Article 2 of the Act of Azar 7th 1334 (November 28, 1955), Concerning the Attraction and Protection of Foreign Investments shall be constituted in the Bank Markazi Iran under the chairmanship of the Governor of the Bank.

Article 86- All the Bank Melli Iran notes which are held at the treasury of Bank Melli Iran, or are ordered to be printed on the date of the approval of this Act, shall be legal tender just the same as the Bank Markazi Iran notes, and cancellations thereof shall be effected under this Act.

The notes, gold, silver, and metallic blanks of the Bank Markazi Iran shall be exempt be from all taxes, customs duties, and levies.

Article 87-

1. of the sum of 7,109,853,176.85 Rials (seven thousand one hundred and nine million, eight hundred and fifty-three thousand, one hundred and seventy-six Rials and eighty-five dinars), the proceeds of the revaluation of the note cover, subject of Act of 28 Ordibehesht 1336 (May 18, 1957), Whereof the sum of 3,609,853,176.85 Rials (three thousand six hundred and nine million, eight hundred and fifty-three thousand, one hundred and seventy-six Rials and eighty-five dinars) has been transferred to the Bank Markazi Iran under Article 30 of this Act, the balance, a sum of 3,500,000,000 Rials (three thousand five hundred million Rials) shall be transferred and added to the capital of the Agricultural Bank to be used under the statutes governing the transfer of the said sum to the Agricultural Bank.

2. The Bank Markazi Iran shall place the following sums in the form of long-term loans, at the disposal of the following banks:

   a) The sum of 3,009,853,176.85 Rials to Bank Melli Iran for the purpose of aid to productive, industrial, and mining
operations under regulations to be approved by the Board of Ministers;
b) The sum of 600,000,000 (six hundred million Rials) to the Industrial and Mining Development Bank of Iran under the Act of Ordibehesht 19, 1338 (May 9, 1959). Bank Melli Iran's rights in relation to the contract of the grant of the said sum to the Industrial and Mining Development Bank of Iran shall be transferred to the Bank Markazi Iran.

Article 88- The government shall execute the provisions of this Act within a maximum period of one year from the date of approval thereof. All the statutes, rules and regulations contrary to this Act shall be regarded as null and void from the date of the execution of this Act.

The above Bill consisting of eighty-eight Articles was approved, in accordance with the Act Concerning Authorization to the Joint Parliamentary Committees for Finance and Justice for the Approval of the Monetary and Banking Bill and the Statute of Band Melli Iran, by the aforementioned Committees on the seventh of Khordad, one thousand three hundred and thirty-nine (May 28, 1960), and shall henceforth be executed.

Speaker of the National Consultative Assembly
REZA HEKMAT

President of Senate
MOHSEN SADR