

Islamic Finance In Iran

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Ankara



Background

- **After 1979 revolution and based on the Powerful Islamic Forces of Revolution There was a request by society to change the management of the economy, and specifically the banking system to comply with Islamic measures.**



First Round of Movement toward Islamic Finance

Islamic Economy Organization:

- **Founded 1979 By high Authorities of the Government**
- **Now lots of small-sized financial Institutions (Islamic Funds) as its branches throughout the country.**



Second Round of Movement toward Islamic Finance

- **The law of Riba free Banking Operation approved By the Parliament as the fundamental Law of Banking System and Finance In Iran**



Riba free Banking Operation Law

- Article 2: Functions of banking system: 8.Lending Riba free loans
- Article 3.a: allowance of Gharzolhasanah Deposits
 - 3.b: time deposits based on Islamic contracts (Oghood)
 - Underlying concept: Agency and contracting
- Article 8: Prohibition of banks from Investing in luxury goods
- Article 10: Encouraging the banks to provide facility in social housing
- Other functions and facilities: Installment sales; Ijara (leasing)
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Riba free Banking Operation Law (cont'd)

- **Section 4: Central Bank and Monetary Policy:**
 - **Article 20: Intervention in:**
 1. defining the cap and ceiling of banks shares in profits of Mosharakah & Mozarabah (different rates based on the industry)
 2. defining the cap and ceiling of profits in installment sales and Ijara (based on the Cost price)



Pillars of Islamic Finance In Iran

- Riba Free banking and accounts (gharzolhasaneh)
- Cooperation/Participation Contracts (Oghood Mosharakah)



**Thanks for your attention
and
Hope for productive cooperation**

