



**CENTRAL BANK OF
THE ISLAMIC REPUBLIC OF IRAN**

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The Law for the Issuance of Participation Papers

Article 1

In order to increase public participation in implementation of profitable government's development projects included in government annual budget laws, as well as profitable productive, construction and services projects, the government, public corporations, municipalities, non-public institutions and entities, public-utility corporations, and their affiliates, joint-stock and public joint-stock companies and producers' cooperatives are allowed, in line with this law, to finance part of the financial resources required for the implementation of the projects including financial resources required for the procurement of raw materials required by the productive units through issuance and public offerings of participation papers.

Note

The decision on the profitability of projects is made with reference to legal definition of "profitable project" and this will be entrusted upon a board composed of representatives of the Ministry of Economic Affairs and Finance, Plan and Budget Organization and the Central Bank of the Islamic Republic of Iran. Such projects will be specified in the enclosure of development projects of the draft of government annual budget.

Article 2

Participation papers are registered or bearer securities with a specified nominal value issued for a specific period of time and assigned to investors for the implementation of the projects mentioned in Article 1. Holders of these papers are entitled to their shares of profit, proportionate to the nominal value and the period of their participation. These papers are transacted directly or through the stock exchange.

Article 3

Issuance of participation papers is authorized by government solely to finance implementation of profitable government's development projects mentioned in Article 1 to the amount projected in government annual budget laws.

The Ministry of Economic Affairs and Finance guarantees repayment of the principal and the provisional and realized profits of these papers out of credits of certain budgetary items, which are projected for the same purpose in government annual budget laws by the Plan and Budget Organization.

Note

The issuance of participation papers to finance implementation of profitable government's development projects stipulated in government annual budget laws, which are implemented by public corporations and/or municipalities is included in this Article.

Article 4

The Central Bank of the Islamic Republic of Iran studies all the mentioned projects except the profitable government's development project, subject of Article 3, presented by public corporations, municipalities and non-public institutions and corporations mentioned in Article 1, and provided that it has sufficient economic, technical and financial justification, and after the applicant corporation or institution supplies the agent with sufficient guarantee, the Central Bank issues the permit for the issuance of participation papers up to required amount.

Note 1

The application for the issuance of participation papers by public institutions must be approved in the general meeting or the high council of the institutions before presentation to the Central Bank of the Islamic

Republic of Iran.

Note 2

The maximum amount (ceiling) of issuable participation papers for the projects mentioned in this Article is determined annually and announced by the Money and Credit Council, considering monetary and financial policies.

Note 3

The amount (ceiling) of issuable participation papers for the projects mentioned in this Article must be proportionate to applicants' net assets (total assets-total liabilities).

Article 5

Public corporations, municipalities and non-public institutions and corporations mentioned in Article 1, in case of issuing participation papers, are obliged to ensure and guarantee repayment of the principal and the accrued profit of these papers in the specified maturities. In case of non-fulfillment of these obligations in due maturities, the agent is obliged to take action by itself from the guarantee mentioned in Article 4.

Note

Payment of provisional profit is allowed as is stipulated in the papers.

Article 6

Public joint-stock companies in line with this law can issue participation papers, which can be converted or changed into shares. The conditions and procedures of converting and changing such papers are in line with the executive by-law of this law.

Article 7

Paid or allotted sums as the accrued profit of participation papers are subject to a 5% tax, and no other tax is levied on the profit and transactions of participation papers. Payers of profit of participation papers, whether actual or provisional, are obliged to subtract the levied tax at the mentioned rate in each payment or allotment and deposit the amount in an account specified by Treasury within 10 days after the payment or allotment. They are also obliged to surrender the relevant receipt within 30 days from the date of deposit along with a list containing the amount of the profit to the relevant tax authority.

Payers of profit of participation papers are subject to the regulations of the context of Article 199 of "Direct Taxes Act" approved in Esfand 1366 in case of non-fulfilling their obligations.

Note

Payment of the tax levied on the profit paid or allotted to participation papers, which are issued before the date of enforcement of this law at the rate prescribed in this Article, is entrusted upon issuers of these papers.

Article 8

If joint-stock companies affiliated to organizations mentioned in Article 1 of this law convert to public joint-stock companies, holders of participation papers of these companies have priority in purchasing the shares.

Article 9

The profit paid to holders of participation papers is regarded as part of the acceptable expenses in the tax

account, subject of Article 148 of "Direct Taxes Act".

Article 10

Utilization of funds obtained from assignment of participation papers for the purposes other than implementation of the said projects is known as illegal possession of public funds and properties.

Article 11

Regulations of Articles 2, 5, 7, 8, 9, 10 and 12 of this law and their following Notes include as well participation papers issued before the enforcement of this law.

Article 12

The executive by-law of this law, comprising specifications of profitable productive, construction and services projects, conditions, amount and way of issuance and offerings of participation papers, the procedures of converting and changing them into shares of public joint-stock companies and also procedures of supervising the proper fulfillment of this law by common proposal of the Ministry of Economic Affairs and Finance, Plan and Budget Organization, Central Bank of the Islamic Republic of Iran and the Stock Exchange will be approved by the Board of Ministers within six months.

Article 13

Ministry of Economic Affairs and Finance and Central Bank of the Islamic Republic of Iran have to present a report containing the amount and types of participation papers issued each year along with an advice on the economic effects of issuing such papers for the information of Plan and Budget, Economic Affairs and Finance and Cooperation and Court of Cassation and Budget Commissions of the Islamic Consultative Assembly.

The Act set forth above comprising 13 Articles and 7 Notes was approved in the open meeting of the Islamic Consultative Assembly held on Sunday, 30th Shahrivar, 1376 and was confirmed by the Guardian Council on 2nd Mehr, 1376.

Ali Akbar Nateq-Nouri, Majlis Speaker

This is an unofficial translation of the original Farsi text.