**Regulations Governing**

**the Requirements for the Capital Adequacy of Financial Institutions**

**Introduction:**

By virtue of the powers vested under paragraph 2 of article 7 of the Securities Market Act of I.R.I. ratified in November 2005 and article 5 of the Executive Regulations thereof adopted by the Council of Ministers and applying the articles 28 and 29 of this Act, the present regulations have been approved so as to help establish a balance between the assets and liabilities of financial institutions and to protect the rights of investors who benefit from their services.

**Article1-**the definitions provided for the terms in article 1 of the Securities Market Act of I.R.I. ratified in 2005 shall also apply for the purposes of the terms used herein. The definitions for the terms on assets and liabilities are given on the basis of the Iranian National Accounting Standards. The obligations refer to the financial obligations provided in the tables of appendix 2 as attached hereto.

**Article 2-** That group of the financial institutions which are authorized to undertake the following obligations shall have to calculate the adjusted current ratio and the adjusted liabilities/ debt ratio as describedin article 7 herein before they undertake obligations:

1. subscription or underwriting to buy securities of any type including the grant of put option to other party in non-organized markets;
2. to guarantee the refund of principal amount of or the minimum profit from investment;
3. to launch market- making with a guarantee of securities liquidity;
4. to grant any type of call option to other party in the non-organized markets;
5. to guarantee or undertake to pay or meet the debt or obligation of other party ---------including the contingent debt or obligation of other party before third parties the amount of which shall, on the basis of the last audited financial statements (whether annual or periodic/interim) be higher than one percent of the total assets of the financial institution or higher than ten billion rials, whichever is lower;
6. any type of obligation or debt the amount of which shall, on the basis of the last audited financial statements (whether annual or periodic/interim) be higher than one (1%) percent of the total assets of the financial institution or higher than ten billion rials, whichever is lower.

**Note 1**- Calculation of the ratios specified in this article shall be done on the basis of the last trial balance of accounts and on the assumption that the given obligation shall be accepted. If the financial institution accepts the obligations specified in this article (whether independently or jointly with other party/parties), it shall have to comply with the provision of this article (in calculating the foregoing ratios) and other articles herein.

**Note 2**- In the organized markets such as on exchanges where the options and futures contracts are traded in accordance with specific requirements, the deposits put down with the appropriate authorities shall be adequate to meet the obligations undertaken by both parties. Thus in the case of underwriting or grant of a call option or a put option to other party in such markets , the relevant deposits or obligations shall not be included when calculating the ratios specified in article 7 of the present regulations.

**Article 3**- That group of the financial institutions which have undertaken the obligations specified in article 2 as well as the brokers, broker/dealers market-makers and portfolio managers shall have to calculate the ratios described in article 7 of the existing regulations at the following periods of time:

1. a maximum of 10 business days at the end of each month based on the trial balance of accounts books at the end of the same ;
2. simultaneously with the annual financial statements or periodic financial statements (for the periods of less than a year) which should be prepared by the financial institution as per the rules, based on the given annual or periodic financial statements.

**Note** – for the periods prescribed in paragraph 2 of this article, the ratios specified in article 7 shall be computed on the basis of the audited annual financials and, if the auditing of periodic financial statements is also mandatory in accordance with other rules, on the basis of the periodic audited financial statements and shall have to be confirmed by the auditor of the financial institution. If there is any disagreement over the items of the financial statements between the auditor and directors of financial institutions, the foregoing ratios shall be calculated on the basis of the financial statements adjusted according to the auditor’s opinion and shall have to be confirmed by the auditor of the financial institutions. Whenever the auditor of the financial institution is faced with a basic restriction or has not indicated the adjusted figures, the matter shall promptly be reported to the SEO by the financial institution so that the amounts of necessary adjustments shall be agreed with the auditor as the SEO in its discretion may determine.

**Article 4** – In addition to time-limits specified in articles 2 and 3, the financial institutions shall have to compute the ratios referred to in article 7 herein over the other periods of time fixed by the SEO.

**Article 5** – The financial institutions shall have to file in their archives a copy of the report on the ratios indicated in article 7 that they have calculated over the periods of time fixed in article 2 , 3 and 4 after this report has been signed by the chief financial officer by stating the date of its preparation and the date of financial statements or the trial balance used as basis of the report . A copy of the financial statements or a trial balance served as a basis for the said report shall also be attached thereto. The financial institutions shall, upon the SEO΄s request, have to transmit the reports so compiled to the SEO or to other authorities designated by the SEO.

**Article 6** – Whenever the SEO deems it necessary, it may require the auditor of a financial institution to express an opinion on the accuracy of the calculations relating to the ratios specified in article 7. In such a case, the given matter shall be subject to the rules concerning the specific audit report.

**Article 7**- The adjusted current ratio and the adjusted liability/debt ratio shall be computed in the following way;

1. The adjusted current ratio: the product of dividing the total adjusted current assets by the total adjusted current liabilities/debts;
2. The adjusted liabilities: the product of dividing total adjusted liabilities/debts by the total adjusted assets.

In calculating such ratios, the value of any of the assets or liabilities/debt items shall be determined in view of the calculation base indicated in the appendixes attached hereto and it is multiplied by its proper ratio in the given tables to be converted into an item of adjusted asset or liability/debt.

**Note 1**- If for any of the obligations specified in the appendixes attached hereto one item of indebtedness has been recorded in the company accounts as the final or contigint debt, the amount of debt as recorded in accounts shall not be included whereas the amount of obligation based on the appendixes attached hereto shall be figured out and recorded in accounts when calculating the ratio indicated in this article.

**Note 2**- In calculating the ratios specified in this article, the deposits and the assets of other parties trusted with financial institutions (such as the funds of brokerage customers deposited with the brokerage house to execute the purchase orders or the customers΄ funds trusted with the market-maker for market-making activities) as well as the assets which have been limited in usage under any designation shall not be recorded as the assets of the financial institution.

**Note 3**- If the financial institution owns the subsidiaries being qualified for consolidation, the basis to calculate the ratios indicated in this article shall be the parent company’s financials or the consolidated financial statements, whichever is more prudential and in the cases that the trial balance applies, the trial balance and the obligations/liabilities of the parent company shall be used for calculation.

**Note 4**- If the calculation base of an item/items of assets or liabilities/debts of the financial institution has not been provided in the appendixes attached hereto, the appropriate calculation base shall be determined upon recommendation of the Deputy for Supervision of the Financial Institutions and with the approval of the SEO´s president.

**Note5**- It shall not be impermissible to exercise prudence in appraising the value of the estimated assets and liabilities/debt when calculating the ratios specified in this article. It is recommended that in the exercise of precaution, the value of assets lower than its value as per the calculation base and the value of estimated liabilities/debt higher than its value as per the calculation base indicated in the appendixes attached hereto shall be taken into account.

**Article 8** – The financial institution shall be authorized to enter into partnership with other financial institutions or banks in subscription or underwriting of securities (excluding the grant of put option to other party) through the formation of syndicate provided that the share of any of the syndicate members in such underwriting and the share of each member’s fee have been fixed in accordance with a multilateral contract signed by the syndicate members.

**Note 1**- The financial institutions shall have to abide by the requirements or sample contract set out and approved by the SEO when they conclude a contract for the purposes of this article.

**Note 2**- The mutual funds in fixed–interest securities including the mutual funds managed by the financial institution shall be entitled to be a partner in the syndicate referred to in this article in compliance with the following requirements:

1. the requirements for the securities subscribed or underwritten:

A-1) the license for securities public offering granted by the SEO or by the Central Bank (CBI) of I.R.I ;

A-2) the securities should be of the participation or fixed interest nature or should have a minimum return which its principal and minimum return have been guaranteed by a reputable guarantor.

A-3) the return fixed or forecast on the securities should not be lower than the return forecast or guaranteed for mutual funds or in the event that no return has been forecast or guaranteed for mutual funds, such return should not be lower than the average return on the securities which are owned by the fund and have the specifications referred to in paragraph (A-2);

1. the requirements for the participating fund in the syndicate:

B-1) the mutual fund should be of the type of mutual fund in fixed interest securities;

B-2) as to the purpose of the mutual fund, partnership in subscription or underwriting to buy securities should be specified;

B-3) the share of the mutual fund out of the foregoing obligations should be allocated in a manner that whenever the fund fulfills its obligations in subscription or underwriting, the thresholds designated in the fund's prospectus on the composition of assets shall not be breached.

**Article 9**- the acceptable thresholds for the adjusted current ratio and the adjusted liabilities/ debt ratio for the financial institutions indicated in article 2 and 3 shall be described in this table.

|  |  |  |  |
| --- | --- | --- | --- |
| NO. | Description | Acceptable threshold | |
| Adjusted current ratio | Adjusted liabilities ratio |
|  | The financial institutions engaged in  brokerage, broker/dealership, and market making operations. | Min. equals one | Max. equals one |
|  | The financial institutions that have severally or jointly accepted or will intend to accept  the obligations laid down in article2. | Min. equals one | Max. equals one |

**Note1**- If the acceptance of new obligations as indicated in article 2 by the financial institution leads to the breach of the thresholds provided in this article, the financial institution shall have to reject the acceptance of foregoing obligation/obligations.

**Note 2**- Whenever the time-limits fixed in articles 3 and 4 of the existing regulations prove the breach of the thresholds provided in this article (arising from creating debts or previous liabilities), the financial institution shall promptly have to report the matter to the SEO along with its plans to correct the foregoing ratios including the time-lines for implementation of each plan and further shall initiate amendments without any delay. If the SEO intends to make amendments in the plan so presented, it shall inform the matter to the respective financial institution and the financial institution shall have to make the necessary amendments in the given plan and take action consistent with such plan.

**Note 3**- Whenever the acceptance of obligations as specified in article 2 of the existing instrument is not permitted or requires the grant of a license by the SEO and the financial institution has not yet managed to obtain any license, the financial institution shall have to reject the acceptance of such obligations, even if the thresholds provided in this article are not breached by undertaking such obligations.

**Note 4**- In the circumstances that a bank under the direction of the Central Bank (CBI) of I.R.I requests to accept the obligations set out in article 2 of the existing regulations, it shall be mandatory that the thresholds prescribed in this article be taken into account or that the capital adequacy ratio as disclosed in the bank’s latest audited financial statements calculated in accordance with the Central Bank guidelines, be equal to or higher than eight (8% ) percent.

**Article 10**- If the acceptance of any of the obligations specified in article 2 is subject to the SEO΄s approval, the SEO΄s confirmation in such a case shall be issued when the acceptance of obligations does not breach the thresholds provided in article 9 or, as the case may be, the applicant bank has achieved the thresholds provided in Note 4 of article 9. Under the circumstances that the applicant’s thresholds differ negatively less than ten (10%) percent from the said thresholds, the SEO´s confirmation shall be issued solely upon recommendation of the respective Deputy’s Office and with the approval of the SEO΄s president.

**Note I**- In order to issue the confirmation for the purpose of this article, the amount of the obligations for which the SEO΄s confirmation has been already issued shall be deemed to have been accepted obligation by the financial institution and shall be taken into account when calculating the ratios indicated in article 7 unless the financial institution has requested revocation of the relevant confirmation prior to the acceptance of such obligations.

**Note 2**- If the financial institution, at the time of applying for issuance of a subscription license, submits certain documents and evidence to the SEO on the basis of which a person/persons has/have, prior to the start of subscription, undertaken the purchase of relevant securities in the subscription process, thereafter when the SEO ascertains that the documentation is reliable and such person/persons has/have the sufficient financial capacity to meet his/their obligations, the ratios set forth in article 7 shall be calculable on the basis of the net underwriting of the applicant’s financial institution (upon deduction of the amount underwritten by the said person/persons)

**Note 3**- If the financial institution or any of the syndicate members at the time of applying for issuance of subscription license or securities underwriting deposits some amounts in a particular bank account as a guarantee for their obligations and presents the bank’s confirmation in the format indicated by the SEO, the ratios specified in article 7 shall be computable on the basis of the net liability of the financial institution or the syndicate member (upon deduction of the amount credited to the given account) or by eliminating the amounts so deposited from the assets provided that (a) the financial institution or any other person is not permitted to withdraw funds from the given account without the approval of the securities issuer or of the offerer concerned and (b) the withdrawal from the given bank account for the purpose of meeting the obligations of the financial institution for subscription or securities underwriting can be effected by the order of the securities issuer or the offerer and without the need of receiving the financial institution’s approval.

**Article 11**- The violations by the financial institutions of the provisions herein shall be investigated in accordance with the appropriate regulations. Upon proof of the occurrence of violation, the investigation authority shall impose one or more of the following punishments consistent with the degree of violation (as prescribed in Note 1 of this article):

1. written notice to the financial institution without entering it in records;
2. written notice to the financial institution by entering it in records;
3. written caution or warning by entering it in the records of the financial institutions;
4. prohibition of the financial institution from providing services or accepting the obligations set forth in article 2 of the present instrument for a maximum of three years
5. restriction on the activity of the financial institution for a maximum of three years**;**
6. suspension of the activity of the financial institution for a maximum of three years;

7) revocation of the establishment and trading licenses of the financial institution under the circumstances that the violations committed by the financial institution have adversely affected the public confidence in the securities market participants**;**

8) imposition of cash penalty on financial institution pursuant to the by-law of article 14 of the Law for Development of New Financial Instruments and Institutions.

In addition to the infliction of the foregoing punishments on the financial institution, the investigation authority shall have the power to mete out the following penalties on the director or any of the financial institution staff whose act or omission of act has affected the occurrence of violation:

1. written notice without entering it in records**;**
2. written notice by entering it in records**;**
3. written caution/warning by entering it in records**;**
4. prohibition from taking over a position in the respective financial institution for a maximum of three years;
5. prohibition from using the professional certificate issued by the SEO for a maximum of three years;
6. prohibition from assuming a position in all or certain exchanges, OTC markets association and financial institutions for a maximum of three years;
7. cash penalty as prescribed by the by-law of article 14 of the Law for Development of New Financial Instruments and Institutions.

**Note1**- the degree of violation from the existing regulations shall be determined as per the following elements and standards:

1. the degree and time period that the existing provisions have been breached,
2. the amount of obligations not yet fulfilled by a financial institution in due course of time on the ground of breaking these rules**;**
3. the period of time during which a financial institution has delayed the service of its obligations on the ground of breaking these rules**;**
4. the number of stakeholders for whom a financial institution has not fulfilled its obligations in due course of time on the ground of breaking these rule.

**Note 2**- the infliction of penalties described in this article shall not prevent the imposition of punishments prescribed in other legislation if a crime is committed or shall not prejudice the compensation of losses sustained by the customers of the financial institution or by other persons on the ground of committing violations or crimes.

**Note 3**- Each violation repetition of the present rules over a period of less than a year shall result in the severity of punishments up to two degrees and the case of violation repetition over a period of less than three years shall result in the severity of punishments up to one degree. As regards The directors or the staff who have been influential in the occurrence of violation the violation repetition over a period of less than a year shall result in the severity of punishments up to three degrees and the case of violation repetition during the interval of a year but less than five years shall result in the severity of punishments up to two degrees and the case of violation repetition during the interval of five years but less than ten years shall result in the severity of punishments up to one degree.

**Article 12**- In addition to the punishments enunciated in article 11, the investigation authority shall force a financial institution to take the following steps in order to prevent the violation repetition or the spread of its extent, to restore the condition to the pre-violation commission or to eliminate the effects of the violation so committed:

1. to improve or reinforce the internal controls system**;**
2. to amend the procedures and in-company by-laws**;**
3. to recruit, complete and train manpower in specific sectors and areas**;**
4. to prevent a financial institution from numerical or geographic expansion of its activities until when specific conditions have been satisfied.

The investigation authority shall also have the power to set a time–limit for implementation of the steps indicated in this article and subject the removal of suspension from all or a part of activities or removal of restrictions on the activities of the financial institution to the implementation of such steps over the specified time-limit. In the event that the steps indicated in this article have not been carried out over the stipulated period, the investigation authority shall have the power to impose the punishments enumerated in article 10.

**Article 13-** The existing regulations comprising an introduction, 13 articles, 20 notes two appendixes were approval on October 22,2011by the SEO΄s board of directors

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

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| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 1. current assets |  |  |  |
| * 1. cash | Book value by calculating accrued interest receivable at the calculation date | 100 | 100 |
| * 1. short–term bank deposit | Book value by calculating accrued interest receivable at the calculation date | 100 | 100 |
| * 1. certificates of deposit on short–term investments with monetary institutions | Book value by calculating accrued interest receivable at the calculation date | 100 | 100 |
| * 1. deposit with exchanges & clearing houses | Book value by calculating accrued interest receivable at the calculation date |  |  |
| 1-4-1- guarantee fund for transactions on derivatives | Book value by calculating accrued interest receivable at the calculation date | 0 | 0 |
| 2-4-1- guarantee for other transactions | Book value by calculating accrued interest receivable at the calculation date | 80 | 100 |
| 5-1- other deposits | Book value by calculating accrued interest receivable at the calculation date |  |  |
| 6-1- short- term investment  1-6-1 – investing in fixed-interest securities |  |  |  |
| 1-1-6-1- with repurchase guarantee pre-maturity | Value of repurchase guarantee at calculation date | 100 | 100 |
| 2-1-6-1- without repurchase guarantee pre-maturity  1-6-1-6-1- listed on exchange or Farabourse  1-1-1-2-1-6-1- with licensed market-marker |  |  |  |
| 1-1-1-2-1-6-1- market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at the calculation date | 70 | 100 |
| 2-1-1-2-1-6-1- market- making by others | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at the calculation date | 80 | 100 |
| 2-1-1-2-1-6-1-1- without licensed market-maker | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at the calculation date | 70 | 100 |
| 2-2-1-6-1 unlisted on the exchange or Farabourse  1-2-2-1-6-1- with licensed market-maker |  |  |  |
| 1-1-2-2-1-6-1- market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at the calculation date | 60 | 100 |
| 2-1-2-2-1-1-6 market- making by others | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at the calculation date | 70 | 100 |
| 2-2-2-1-6-1 without licensed market-maker | Net worth or nominal price, whichever is lower by calculating the accrued interest receivable at the calculation date | 60 | 100 |

**Notes:**

1. The financial institutions in this appendix mean banks and credit and financial institutions licensed by the Central Bank of I.R.I.
2. The permission for securities trading in the Farabourse base market does not mean the listing of securities on the Farabourse
3. In calculating the book value, the provisions for value reduction and accumulated depreciation are deducted as the case may be.

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

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| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 2-6-1- Investing in shares of companies  1-2-6-1- shares listed on the Tehran  Stock Exchange or Farabourse primary market  1-1-2-6-1- Licensed market- maker |  |  |  |
| 1-1-1-2-6-1- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 50 | 90 |
| 2-1-1-2-6-1- Market- making by others | Net sales worth (closing price upon deduction of sales charges) | 60 | 90 |
| 2-1-2-6-1- without licensed market-maker | Net sales worth (closing price upon deduction of sales charges) | 50 | 90 |
| 2-2-6-1- shares listed on other Iran Farabourse markets  1-2-2-6-1- Farabourse secondary market  1—2-2-6-1- licensed market- maker |  |  |  |
| 1-1-1-2-2-6-1- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 40 | 80 |
| 2-1-1-2-2-6-1- market- making by others | Net sales worth (closing price upon deduction of sales charges) | 50 | 80 |
| 2-1-2-2-2-6-1- without licensed market-maker | Net sales worth (closing price upon deduction of sales charges) | 40 | 80 |
| 2-2-2-6- other Farabourse markets  1-2-2-2-6-1- licensed market-maker |  |  |  |
| 1-1-2-2-2-6-1- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 30 | 70 |
| 2-1-2-2-2-6-1- Market- making by others | Net sales worth (closing price upon deduction of sales charges) | 40 | 70 |
| 2-1-2-2-2-6-1- without market-maker | Net sales worth (closing price upon deduction of sales charges)or book value (cost price upon deduction of provisions for value reduction) whichever is lower | 30 | 70 |
| 3-2-6-1- other shares | Book value (upon deduction of provisions for value reduction) | 30 | 70 |
| 3-6-1- investing in business certificates of licensed mutual funds  1-3-6-1- securities mutual funds  1-1-3-6-1- fixed- interest securities |  |  |  |
| 1-1-1-3-6-1- liquidity guarantee by the financial institution itself | Redemption value of business certificates (upon deduction of redemption charges) | 90 | 100 |
| 2-1-1-3-6-1- liquidity guarantee by other financial institutions | Redemption value of business certificates (upon deduction of redemption charges) | 100 | 100 |
| 2-1-3-6-1- investing in shares |  |  |  |
| 1-2-1-3-6-1- liquidity guarantee by the financial institution itself | Redemption value of business certificates (upon deduction of redemption charges) | 70 | 90 |
| 2-2-1-3-6-1- liquidity guarantee by other financial institutions | Redemption value of business certificates (upon deduction of redemption charges) | 80 | 100 |

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

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| --- | --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | | |
| Current ratio | | Liabilities ratio |
| 2-3-6-1- real estates (land & building) mutual fund |  |  | |  |
| 1-2-3-6-1- market-maker of the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 60 | | 90 |
| 2-2-3-6-1- market-making by other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 70 | | 90 |
| 3-2-3-6-1- Without market-maker | Net sales worth or book value whichever is lower | 50 | | 90 |
| 3-3-6-1- Gold mutual fund |  |  | |  |
| 1-3-3-6-1- market-maker of the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 80 | | 100 |
| 2-3-3-6-1- market-maker of other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 80 | | 100 |
| 3-3-3-6-1- Without market-maker | Net sales worth (closing price upon deduction of sales charges) | 90 | | 100 |
| 4-3-6-1 Foreign Exchange fund |  | 80 | | 90 |
| 1-4-3-6-1- market- maker of the financial institution | Net sales worth (closing price upon deduction of sales charges) | 70 | | 90 |
| 2-4-3-6-1- Market- maker Of other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 80 | | 90 |
| 3-4-3-6-1- without market- maker | Net sales worth or book value whichever is lower | 60 | | 90 |
| 4-6-1- Other short-term investments | Book value | 40 | | 70 |
| 7-1- trade accounts and notes receivable |  |  | |  |
| 1-7-1- with adequate security and guarantee | Book value (upon deduction of provisions for value reduction | 80 | | 100 |
| 2-7-1- without adequate security and guarantee |  |  | |  |
| 1-2-7-1- from the group and affiliated companies | Book value (upon deduction of provisions for value reduction | 70 | | 90 |
| 2-2-7-1- from other companies and persons | Book value (upon deduction of provisions for value reduction | 60 | | 80 |
| 3-7-1- other trade notes receivable | Book value (upon deduction of provisions for value reduction | 50 | | 70 |
| 4-7-1- dividends receivable |  |  | |  |
| 1-4-7-1- dividends receivable from group and affiliated companies | Book value (upon deduction of provisions for value reduction) | 70 | | 80 |
| 2-4-7-1- dividends receivable from other companies | Book value (upon deduction of provisions for value reduction | 50 | | 70 |
| 5-7-1- Other notes receivable | Book value (upon deduction of provisions for value reduction | 40 | | 60 |
| 8-1- trade accounts receivable | Book value (upon deduction of provisions for value reduction) | 40 | 60 | |
| 9-1- Other accounts receivable | Book value (upon deduction of provisions for value reduction) | 30 | 50 | |

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

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| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 10-1- orders and prepayments | Book value (upon deduction of provisions for value reduction) | 30 | 50 |
| 11-1-other current assets | Book value,replacement value or market value whichever is lower | 30 | 50 |
| 1. Non- current assets   1-2- long-term in deposits with monetary institutions |  |  |  |
| 1-1-2- Possibility of withdrawal pre- maturity | Book value by calculating accrued interest receivable at the calculation date | 100 | 100 |
| 2-1-2- without possibility of withdrawal pre- maturity | Book value by calculating accrued interest receivable at the calculation date | 80 | 100 |
| 2-2- certificates of deposit for long-term investments with monetary institutions |  |  |  |
| 1-2-2- without any fine if withdrawn pre-maturity | Book value by calculating accrued interest receivable at the calculation date | 100 | 100 |
| 2-2-2- with fine if withdrawn pre-maturity | Book value by calculating accrued interest receivable at the calculation date | 80 | 100 |
| 3-2- Other deposits | Book value by calculating accrued interest receivable at the calculation date | 50 | 80 |
| 4-2- tangible fired assets |  |  |  |
| 1-4-2- Land | Cost price | 0 | 70 |
| 2-4-2- buildings | Cost price | 0 | 80 |
| 3-4-2- Motor vehicles | Book value | 0 | 90 |
| 4-4-2-furniture and fixtures | Book value | 0 | 90 |
| 5-4-2- Capital prepayments | Cost price | 0 | 70 |
| 6-4-2- Other tangible fixed assets | Book value | 0 | 60 |
| 5-2- intangible assets |  |  |  |
| 1-5-2- goodwill and royally | Book value | 0 | 70 |
| 2-5-2- Other intangible assets | Book value | 0 | 60 |
| 6-2- long-term investment  1-6-2- investing in fixed- interest securities |  |  |  |
| 1-1-6-2- with guarantee to repurchase pre-maturity | Guaranteed repurchase value at calculation data | 100 | 100 |
| 2-1-6-2- without guarantee to repurchase pre-maturity |  |  |  |
| 1-2-1-6-2- listed on the exchange or Farabourse  1-1-2-1-6-2- Market- maker licensed by the SEO |  |  |  |
| 1-1-1-2-1-6-2- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 70 | 100 |
| 2-1-1-2-1-6-2- Market- making by other financial institutions | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 80 | 100 |
| 2-1-2-1-6-2- without market-maker licensed by SEO | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 70 | 100 |
| 2-2-1-6-2-unlisted on the exchange or Farabourse  1-2-2-1-6-2- market- maker licensed by the SEO |  |  |  |

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 1-1-1-2-1-6-2- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 70 | 100 |
| 2-1-1-2-1-6-2- Market- making licensed by other financial institutions | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 80 | 100 |
| 2-1-2-1-6-2- without market-making licensed by the SEO | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 70 | 100 |
| 2-2-1-6-2- investing in shares of companies  1-2-2-1-6-2- shares listed on Tehran Stock Exchanges or Farabourse primary market |  |  |  |
| 1-1-2-2-6-2- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 60 | 100 |
| 2-1-2-2-2-6-2- Market- making licensed by other financial institution | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 70 | 100 |
| 2-2-2-1-6-2-without market-making licensed by the SEO | Net sales worth (closing price upon deduction of sales charges) by calculating the accrued interest receivable at calculation date | 60 | 100 |
| 2-6-2- investing in shares of companies  1-2-6-2- shares listed on Tehran stock Exchange or Farabourseprimary market |  |  |  |
| 1-1-2-6-2- management shares | Net sales worth (closing price upon deduction of sales charges) | 20 | 90 |
| 2-1-2-62- non- management shares  1-2-1-2-6-2- licensed market- maker |  |  |  |
| 1-1-2-1-2-6-2- market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 40 | 90 |
| 2-1-2-1-2-6-2- market- making by others | Net sales worth (closing price upon deduction of sales charges) | 50 | 90 |
| 2-2-1-2-6-2- without licensed market- maker | Net sales worth (closing price upon deduction of sales charges) | 40 | 90 |
| 2-2-6-2- shares listed on other Iran Farabourse markets  1-2-2-2-6-2- Farabourse secondary market  1-1-2-2-6-2- licensed market- maker |  |  |  |
| 1-1-1-2-2-6-2- market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 30 | 80 |
| 2-1-1-2-2-6-2- market- making by others | Net sales worth (closing price upon deduction of sales charges) | 40 | 80 |
| 2-1-2-2-6-2- without licensed market- maker | Net sales worth (closing price upon deduction of sales charges) | 30 | 80 |
| 2-2-2-6-2- Other Farabouse markets |  |  |  |
| 1-2-2-2-6-2- licensed market- maker |  | 20 | 70 |
| 1-1-2-2-2-6-2- Market- making by the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 30 | 70 |
| 2-1-2-2-2-6-2- Market- making by others | Net sales worth (closing price upon deduction of sales charges) | 20 | 70 |

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 2-2-2-2-6-2- without licensed market- maker | Net sales worth (closing price upon deduction of sales charges) or book value (cost price upon deduction of provisions for value reduction) whichever is lower | 20 | 70 |
| 3-2-6-2- other shares | Book value (upon deduction of provisions for value reduction) | 20 | 70 |
| 3-6-2- investing in certificates of mutual fund  1-3-6-2- securities mutual fund  1-1-3-6-2- fixed- interest securities |  |  |  |
| 1-1-1-3-6-2- liquidity guarantee by the financial institution itself | Redemption price of investment certificates (upon deduction of redemption charges) | 80 | 100 |
| 2-1-1-3-6-2- liquidity guarantee by other financial institutions | Redemption price of investment certificates (upon deduction of redemption charges) | 90 | 100 |
| 2-1-3-6-2- in shares |  |  |  |
| 1-2-1-3-6-2- liquidity guarantee by the financial institution itself | Redemption price of investment certificates (upon deduction of redemption charges) | 60 | 90 |
| 2-2-1-3-6-2- liquidity guarantee by other financial institutions | Redemption price of investment certificates (upon deduction of redemption charges) | 70 | 100 |
| 2-3-6-2- Real Estates (land & building ) mutual fund |  |  |  |
| 1-2-3-6-2- Market- maker of the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 50 | 90 |
| 2-2-3-6-2- Market- maker of other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 60 | 90 |
| 3-2-3-6-2 without market- maker | Net sales worth or book value, whichever is lower | 40 | 90 |
| 3-3-6-2- gold mutual fund |  |  |  |
| 1-3-3-6-2- Market- maker of the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 70 | 100 |
| 2-3-3-6-2 Market- maker of other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 80 | 100 |
| 3-3-3- 6-2- without market- maker | Net sales worth or book value, whichever is lower | 60 | 100 |
| 4-3-6-2 Foreign Exchange fund |  |  |  |
| 1-4-3-6-2 Market- maker of the financial institution itself | Net sales worth (closing price upon deduction of sales charges) | 60 | 90 |
| 2-4-3-6-2 market- maker of other financial institutions | Net sales worth (closing price upon deduction of sales charges) | 70 | 90 |
| 3-4-3-6-2 without market- maker | Net sales worth or book value, whichever is lower | 60 | 90 |
| 4-6-2- Other long-term investments | Book value | 0 | 60 |
| 7-2- long- term notes receivable |  |  |  |
| 1-7-2- with collateral security | Book value discounted at the last rate of the issued government participation certificates | 0 | 100 |
| 2-7-2 without collateral security |  |  |  |
| 1-2-7-2 From the group and affiliated companies | Book value discounted at the last rate of the issued government participation certificates | 0 | 90 |

**Guidelines for the capital adequacy of financial institutions**

**Appendix I- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 2-2-7-2 from other companies and persons | Book value discounted at the last rate of the issued government participation certificates | 0 | 80 |
| 3-7-2- other long- term notes receivable | Book value discounted at the last rate of the issued government participation certificates | 0 | 70 |
| 8-2 long- term accounts receivable | Book value discounted at the last rate of the issued government participation certificates | 0 | 50 |
| 9-2 other non-current assets | Book value | 0 | 50 |
| 1. Currents liabilities   1-3- accounts and notes payable |  |  |  |
| 1-1-3- to group and affiliated companies | Book value | 80 | 70 |
| 2-1-3- to other companies and persons | Book value | 100 |  |
| 2-3- dividends payable |  |  |  |
| 1-2- to group and affiliated companies | Book value |  |  |
| 2-2-3- to other companies and persons | Book value | 90 | 80 |
| 3-3 other accounts and notes payable | Book value | 100 | 100 |
| 4-3 Advances (upfront payments) | Book value | 100 | 100 |
| 5-3- current portion of long- term loans | Book value | 100 | 70 |
| 6-3 Current portion of long- term capital rent liabilities | Book value (principal plus interests payable) | 100 | 100 |
| 7-3- Tax reserves and other short-term provisions | Book value | 100 | 100 |
| 8-3- Loans received | Book value (principal plus interests payable) | 100 | 100 |
| 9-3- Other current liabilities | Book value | 100 | 100 |
| * 4- Non- current liabilities |  |  |  |
| 1-4- accounts and notes payable |  |  |  |
| 1-1-4- to subsidiary companies | Book value | 0 | 100\*18/DM |
| 2-1-4 to parent company | Book value | 0 | 100\*18/DM |
| 3-1-4 other accounts and notes payable | Book value | 0 | 100\*18/DM |
| 2-4 – provision for employees termination benefits | Book value | 0 | 100\*18/DM |
| 3-4 loans received | Book value (principal plus interest payable) | 0 | 100\*18/DM |
| 4-4 Capital rent liabilities | Book value (principal plus interest payable) | 0 | 100\*18/DM |
| 6-4 debt securities issued | Book value | 0 | 100\*18/DM |
| 6-4 Ijarah certificates | Book value | 0 | 100\*18/DM |
| 7-4 Other non-current liabilities | Book value | 0 | 100\*18/DM |

DM= means the number of months remained up to maturity. If …is larger than one,number one, shall be counted.

**Guidelines for the capital adequacy of financial institutions**

**Appendix 2- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 1. liquidity guarantee    1. market-making admission       1. listed or unlisted |  |  |  |
| * + - 1. shares | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 50 | 500 |
| 2-1-1-1- fixed interest securities | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 20 | 200 |
| 3-1-1-1- bank certificates of deposit | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 20 | 200 |
| 4-1-1-1- investment certificates of mutual funds |  |  |  |
| 1-4-1-1-1- equity mutual fund | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 40 | 400 |
| 2-4-1-1-1- fixed interest securities mutual fund | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 20 | 200 |
| 3-4-1-1-1- Real estate (land & building) mutual fund | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 60 | 600 |
| 4-4-1-1-1- gold mutual fund | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week |  |  |
| 5-4-1-1-1- Foreign exchange fund | Market value of guaranteed minimum daily transactions and otherwise , average value of market-maker s daily transactions  during the one recent week | 100 | 1000 |
| 2-1-1- unlisted |  | 50 | 500 |
| 1-2-1-1- shares | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  maker's daily transaction value during the one recent week. | 100 | 1000 |
| 2-2-1-1- fixed interest securities | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  maker's daily transaction value during the one recent week. | 50 | 500 |

**Guidelines for the capital adequacy of financial institutions**

**Appendix 2- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 3-2-1-1- bank certificates of deposit | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  makers' daily transaction value during the one recent week. | 40 | 400 |
| 4-2-1-1- mutual funds  1-4-2-1-1- Real Estate (land & buildings) mutual funds | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  maker's daily transaction value during the one recent week. | 100 | 1000 |
| 2-4-1-1- gold mutual fund | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  maker's daily transaction value during the one recent week. | 50 | 500 |
| 3-4-2-1-1- foreign mutual fund | Guaranteed minimum transaction based on the price at the  market-makers last transaction and otherwise , the market-  maker's daily transaction value during the one recent week. | 80 | 800 |
| 2-1- Liquidity guarantee of mutual funds |  |  |  |
| 1-2-1- fixed interest securities mutual fund | With respect to the mutual funds being under formation,  twelve in thousand nominal value of the maximum number of mutual funds projected in the prospectus and with respect to the active mutual funds , twelve in thousand average daily value of the assets of mutual funds in the three past months or the duration of the mutual fund operation whichever is lower | 10 | 100 |
| 2-2-1- equity mutual fund | With respect to the mutual funds being under formation,  fifteen in thousand nominal value of the maximum number of mutual funds projected in the prospectus and with respect to the active mutual funds , fifteen in thousand average daily value of the assets of mutual funds in the three past months or the duration of the mutual fund operation whichever is lower | 50 | 500 |
| 1. guarantee of minimum profit    1. investment certificates of mutual funds |  |  |  |
| 1-1-2-in fixed interest securities | With respect to the mutual funds being under formation , the nominal value of the average maximum and minimum number of the projected investment certificates for guarantee multiplied by the guaranteed annual interest rate , based on the type of guarantee and with respect to the active mutual funds , net current value of the asset of investment certificates for guarantee multiplied by the guaranteed annual interest rate | 1 | 10 |

**Guidelines for the capital adequacy of financial institutions**

**Appendix 2- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 2-1-2- in shares | With respect to the mutual funds being under formation , the nominal value of the average maximum and minimum number of the projected investment certificates for guarantee multiplied by the guaranteed annual interest rate , based on the type of guarantee and with respect to the active mutual funds , net current value of the asset of investment certificates for guarantee multiplied by the guaranteed annual interest rate | 3 | 30 |
| 2-2 Real estate (land & buildings) mutual fund | With respect to the mutual funds being under formation , the nominal value of the average maximum and minimum number of the projected investment certificates for guarantee multiplied by the guaranteed annual interest rate , based on the type of guarantee and with respect to the active mutual funds , net current value of the asset of investment certificates for guarantee multiplied by the guaranteed annual interest rate | 4 | 40 |
| 3-2- gold mutual fund | With respect to the mutual funds being under formation , the nominal value of the average maximum and minimum number of the projected investment certificates for guarantee multiplied by the guaranteed annual interest rate , based on the type of guarantee and with respect to the active mutual funds , net current value of the asset of investment certificates for guarantee multiplied by the guaranteed annual interest rate | 3 | 30 |
| 4-2 Foreign exchange fund | With respect to the mutual funds being under formation , the nominal value of the average maximum and minimum number of the projected investment certificates for guarantee multiplied by the guaranteed annual interest rate , based on the type of guarantee and with respect to the active mutual funds , net current value of the asset of investment certificates for guarantee multiplied by the guaranteed annual interest rate | 4 | 40 |
| 1. underwriting    1. subscription   1-1-3- shares |  |  |  |
| 1-1-1-3- issuers listed on the exchange or Farabourse |  |  |  |
| 1-1-1-1-3- in the process of formation | Total value of the subscribed shares being offered based on the bid price | 20 | 20 |
| 2-1-1-1-3- capital increase | Total value of the subscribed shares being offered based on the bid price | 20 | 20 |

Shares traded on the Farabourse base market are not considered shares listed on the Farabourse

**Guidelines for the capital adequacy of financial institutions**

**Appendix 2- Calculation ratios and base of assets and liabilities**

|  |  |  |  |
| --- | --- | --- | --- |
| Type of asset | Calculation base | Ratio (percentage) | |
| Current ratio | Liabilities ratio |
| 2-1-1-3 other issuers | Total value of the subscribed shares being offered based on the bd price | 30 | 30 |
| 2-1-3 fixed interest securities |  |  |  |
| 1-2-1-3 issuer : government , governmental entities or municipalities | Total value of the subscribed shares being offered based on the bid price | 20 | 20 |
| 2-2-1-3 Issuer : non-governmental enterprises/companies |  |  |  |
| 1-2-2-1-3 issuer : listed on the exchange or Farabourse | Total value of the subscribed shares being offered based on the bid price | 20 | 20 |
| 2-2-2-1-3 other issuers | Total value of the subscribed shares being offered based on the bid price | 30 | 30 |
| 3-1-3 investment certificates of mutual funds |  |  |  |
| 1-3-1-3 fixed interest securities mutual funds | value of fund's investment certificates at bid price | 10 | 10 |
| 2-3-1-3 Equity mutual funds | value fund's investment certificates at bid price | 20 | 20 |
| 3-3-1-3 Real estate (land & buildings) mutual fund | Value of fund's investment certificates at each offering stage at bid price | 40 | 40 |
| 4-3-1-3- gold mutual fund | value of fund's investment certificates at bid price | 20 | 20 |
| 5-3-1-3 Foreign exchange fund | value of fund's investment certificates at bid price | 20 | 20 |
| 2-3- repurchase underwriting |  |  |  |
| 1-2-3 fixed interest securities | Total value of securities for repurchase guarantee at subscribed price | 1 | 1 |
| 2-2-3 shares |  |  |  |
| 1-2-2-3 listed on the exchange or Farabourse | Total value of securities for repurchase guarantee at subscribed price | 20 | 20 |
| 2-2-2-3 other issuers | As the case may be and as determined by the SEO | 3 | 30 |
| 4-other contingent liabilities not recorded in balance sheet |  |  |  |
| * 1. Negotiable instruments/papers with others | Amounts specified in negotiable instruments and papers | 0 | 100 |
| 2-4 binding contracts | The amount underwritten in the contract (if such amount is not expressly stated in the contract, reasonable estimate thereof) | 0 | 100 |
| 3-4- Legal lawsuits | At the estimated price based on the inspector's opinion | 0 | 100 |