

A Bid for CBI Independence

Governor of the Central Bank of Iran said that banking reforms is on the CBI agenda.

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HEMMATI

The “Necessary programs have been devised for the purpose (banking reforms) and it will run the course gradually after obtaining relevant authorities consent,” Abdolnasser Hemati wrote on his Instagram.

He said a group of economists, monetary and banking experts, CBI officials are involved in the project which is essential and vital regarding many intricacies and challenges on the way, IRNA reported.

Continued stabilization in the monetary market and protection of public accounts are the requisite for the reforms, he noted.

Recently, the US Treasury announced fresh sanctions on Iran, targeting Bank Mellat and

Mehr Eqtesad Bank and some other Iranian banks and financial institutions.

The US is seeking to choke off Iran’s economy with expansive sanctions against the country’s oil industry that took effect in November.

On 12 December, Iranian President Hassan Rouhani said sanction is a form of economic and psychological warfare against Iran.

Speaking in a cabinet meeting, President Hassan Rouhani added, “Economic and psychological war are kinds of war and we cannot say that everything is OK.”

On May 8, US President Donald Trump pulled the US out of the Joint Comprehensive Plan of Action (JCPOA) reached between Tehran and the world

powers in 2015.

Donald Trump’s decision to scrap the nuclear deal was sharply criticized by other signatories of the deal, who have pledged to uphold their side of the agreement.

A Bid for CBI Independence Independence of the Central Bank of Iran lies at the heart of a new set of regulations known as Central Bank Bill, says the head of the Majlis Economic Commission.

The bill is part of wider reforms known as the Comprehensive Banking Bill aimed at overhauling the ailing banking system. “CBI independence from government is the ‘punch line’ of the new central bank law” Mohammad Reza Pour-Ebrahimi was quoted as saying by Tasnim News Agency.

Parliament recently voted to eliminate compound interest on bank loans and deposits and the ratified bill was sent to Guardian Council – a body that ensures compliancy of laws with Sharia and the Constitution Pour-Ebrahimi said.



Pour-Ebrahimi pointed to the positive effects of the bill on the economy saying that it has been finalized in the economic commission and will be debated in the chamber this week. A report released by the Majlis Research Center earlier had called for the regulator to strive for a more autonomous role in setting monetary policies and stabilizing the market. The bill was sent to the Majlis in tandem with another bill named as the 'Banking Reform Bill' a year ago with the aim of updating banking regulations. It has undergone multiple modifications and revisions since and has created controversy among lawmakers. Improving the independence of the CBI, enhancing monetary policymaking and enforcing CBI supervision over the money market are among its key goals. Compound Interest Eliminated Parliament recently voted to eliminate compound interest on bank loans and deposits and the ratified bill was sent to Guardian Council – a body that ensures compliancy of laws

with Sharia and the Constitution – Pour-Ebrahimi said. Compound interest is the addition of interest to the principal sum of a loan or deposit, or in other words, interest on interest. It is the result of reinvesting interest, rather than paying it out, so that interest in the next period is earned on the principal sum plus all of the accumulated interest of previous periods of a deposit or loan. This will make a sum grow at a faster rate than simple interest that is calculated only on the principal amount. "Previous compound interest law stipulated that if a borrower was granted a loan of say 1,000 points, they had to repay 4,000 points after four years" he said. In the new law, the initial contract is considered as the base for banks and repaying loan in the fifth or tenth year will be part of the initial contract. In the new method the overdue charges are dropped and the annual interest rate figures are revised which should cut the four-fold borrower's obligations to banks to half. "Implementing this law should

help clear bad debts and ease lending procedures for businesses facing cumbersome bank rules", the MP said. CBI Dismisses US Forex Ploy Governor of the Central Bank of Iran used Instagram on Sunday to announce that forex earnings and transfer to the country has gained momentum. Abdolnasser Hemmati said US hostility and spite against Iran and its unending attempts to corner Iran politically and economically would fail as in the past. "Acceleration of currency earnings from India, South Korea and China, the decision to boost trade with Turkey, Iraq and other neighbors, suitable foreign exchange reserves and CBI's effective presence in the currency market will again neutralize the US government's ploys to undermine the forex market," Hemmati wrote on Instagram. Following a brief surge in forex rates the CBI sought to assure the public in a statement, saying it has been able to restore relative stability to the forex and monetary markets.



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