

Bank Information Disclosure, Financial Transparency and Corporate Governance in Rastin Banking

Bijan Bidabad

B.A., M.Sc., Ph.D., Post-Doc.

Professor

Economics and Chief Islamic Banking Advisor

Bank Melli, Iran

E-mail: bijan@bidabad.com

Mahshid Sherafati

MBA Department

Management Faculty

Multimedia University, Malaysia

E-mail: mahshidsherafati@gmail.com

Abstract

Purpose: This paper aims to define a set of banking operating regulations for financial transparency, corporate governance, and bank information disclosure.

Design: Bank governance, financial transparency, and information disclosure are amongst the most important solutions to attract public trust to financial and banking operations. In order to reach this goal, a new set of regulations should be designed to solve the problem. In this way, Rastin Banking regulations can provide a base to obtain a better information circulation and higher clarity.

Findings: A draft of regulations for financial transparency, governance, and bank information disclosure is presented in this paper, which can be employed as a basis for the codification of the respective law.

Research limitations: Since such kinds of regulations are novel for banks, they are required to be meticulously scrutinized in the first place, and after adaptation, adjustment, and performing the necessary modifications, the code of law can be codified.

Practical implications: Bank managers, through granting various concessions to themselves and their own stakeholders, have violated the rights of shareholders, depositors, and other stakeholders. This issue, through applying the governance methods, is adjustable to a great extent.

Social implications: This procedure is a model that can be adopted in other countries, especially those countries that have essential ambiguities in their banking and financial operations.

Value: Clearly, the lack of transparency in banking operations can gradually weaken the trust of depositors, stakeholders, and shareholders, and result in probable abuses and damages to all parties in the bank's contracts. This article fulfills an identified need and solves the practical problem in financial abuses, corruption, and collusion, and can provide positive and essential effects on creating public trust in financial operations.

Keywords: Rastin Banking, Corporate Governance, Information Disclosure, Transparency, Banking, Financial Law

Introduction

In general, reducing public trust to financial institutions has a very negative impact on social and economic trends. As Sir Adrian Cadbury defined the fundamental principles of corporate governance in 1992, corporate governance or in other words, governance is a set of criteria that strengthen the atmosphere of transparency, honesty, fairness, accountability and responsibility in organizational management. Banks and companies must be free in order to be able to develop themselves and achieve their organizational objectives. However, this freedom should be exercised within the framework of responsibility and accountability. Governance is a set of regulations, administrative rules, structures, processes, cultures, and systems, which results in achieving goals, such as accountability, transparency, fairness, honesty, and respecting the rights of stakeholders.



Implementation and enforcement of governance principles in banks can increase the efficiency of banks, protect the rights and interests of stakeholders, and result in the stability of active institutions in the money market. In other words, in bank governance, while the goals of banks, including the shareholders' interests, are determined, the interests of stakeholders are also identified, and the organization's activities and monitoring procedures are established in such a way that through an accurate implementation of the operation, the correctness and lawfulness of the operation are also maintained.

Transparency of the bank operations and information disclosure are amongst the key elements of governance. Therefore, the principles of governance and public disclosure are known as the interrelated elements in monitoring banking operations. On the other hand, incorrect and non-transparent information can strongly and negatively effect on the financial markets and lead to their instability. Since stock exchanges require to provide their data daily to the public, including the statistics of securities (such as daily traded price and volume), banks should also try to disclose their information based on similar arrangements so that the rights of their shareholders would not be violated and the financial markets would not be destabilized.

Some of the most vital items for information disclosure are as follows: the details of financial statements, sales and purchases of assets, change of board members, property ownership by CEOs, changes in company ownership, compensation of board members, transactions with the unit beneficiaries, financial operations under the balance-sheet line items, transactions with subsidiaries as well as subsidiaries of subsidiaries, and the bank strategy for the future activities. In the draft of the proposed bylaw, it has been attempted to operationally consider all the above-listed items.

In order to achieve transparency in bank operations, it is required to apply the bank's internal control system in order to attain vital confidence about financial reports and also about their compliance with the related laws and regulations. In this way, the efficiency of the organization can be achieved. The joint report of the "Basel Committee on Banking Supervision (BCBS)" and the "Technical Committee of the International Organization of Securities Commissions (IOSCO)" in October 1999 provided some recommendations regarding the disclosure of information, transparency of trading activities, and the derivative tools of banks and securities firms. This advice was in line with the recommendations, issued in November 1998, which aimed to encourage banks and the providers of securities to disclose adequate information to market partners. The recommendations, offered by the aforementioned committees, were around two central pivots of disclosing clear information of the trading activities and their derivatives, and the studies and actions, which have been accomplished in connection with risk management. Since the financial risks and derivative tools of business activities are normally similar to the common risks in traditional activities of banks and providers of securities, therefore, transparency based on the meaningful disclosure of information plays an important role in reinforcing supervision and risk management, preventing market rumors, and improving market stability. In total, the committee recommends the following advice:

- Banks and providers of securities may be exposed to the rumors and malicious interpretations of market participant's mostly in times of crisis and may face the potential consequences. In such situations, information disclosure can assist them in dealing with the management of various risks.
- Transparency of business activities and the derivatives will result in the stability of the banking institutions and the providers of derivatives.
- Institutions must publish the qualitative and quantitative details of the identified risks as well as the method of their management.
- The disclosure must comply with the risk assessment procedures and performance measurement systems.
- Disclosure of qualitative data and allowing the access of others to quantitative financial statements and qualitative information are both necessary.
- The method and amount of using commercial and non-commercial derivatives, the exchange and Over the Counter (OTC) trading transactions, and also any major change in business strategies and risk-taking approaches, must be revealed.
- The prospect of non-commercial derivative activities as well as the related operational strategies, and the method of applying securities in preventing different risks associated with the banking activities must be revealed.
- The method of managing and controlling the market, credit, liquidity, legal, operational, and contingency risks, including the current and potential gross risks, must be disclosed.
- The methods, utilized for accounting purposes and for calculating the revenue of commercial/non-commercial activities, need to be revealed.
- The disclosed information on the accounting policies must be understandable to general users.

- The accounting procedures and operations for computing the profit or loss, the performance and the anticipated revenue, and the balance of assets and liabilities arising from derivative transactions, must be unveiled.
- In the adjustment of the documents' or securities' values to determine the value of commercial and non-commercial derivatives, the nature and justifications of savings, the methods and assumptions used in estimating the market value for derivatives that have no market price, and also, the adjusting and reporting methods of the deferred, overdue, and undue receivables as well as their credit losses, must be explained.
- Significant changes in accounting policies must be disclosed. If a bank or a company intends to establish a new accounting method in the future, it is required to reveal the new procedure and its potential influences on the financial statements.
- The comparability of the internal and external information helps to achieve information disclosure and transparency goals.
- Disclosure of information must be commensurate with the size and nature of the bank's and the company's activities.

In this paper, according to the above-mentioned recommendations and by adopting the related key points from the executive bylaw of Rastin Profit and Loss Sharing Banking, a draft of the bylaw for financial transparency, bank governance, and information disclosure is proposed, which can be a ground for formulation of the final bylaw.

The bylaw draft for financial transparency, governance, and bank information disclosure

Article 1: The definitions used in this field are provided in the following section:

I-Independent director: the director who:

- Is not appointed by the major shareholder in the assembly, or is not his/her representative.
- Is not appointed by a group of shareholders, who constitute more than fifty percent of the participants, or is not their representative.
- Does not have any direct or indirect financial relationship with the bank, the parent company, the subsidiary, or the subsidiary of the subsidiary.
- Has not been a member of the bank's board of directors for more than three periods.
- Does not have any executive responsibility in the bank.

2-Non-executive director: the part-time member of the board of directors, who has no executive responsibility.

3-Minor shareholder: a person, who is not in alliance with the major shareholder, and possesses less than one-thousandth of the bank's shares.

4-Control: it is the power of making the policies and guiding the financial and administrative operations of an economic unit in order to obtain the benefits out of its activities.

5-Stock custodian: an institution with a license from the Securities and Exchange Organization for providing stock services.

6-Stock services: storing the securities, cash, and bonds owned by customers, receiving dividends, bonus shares, priority rights, and other interests of the bank shareholders, stock subscription, participation in assemblies, buying, selling, and managing stock portfolios, and so forth.

7-Hidden information: the information on the current and future position of the bank, whose holder can affect the bank's financial flow and also his/her own (or others') personal interests.

8-Holders of hidden information: the individuals, described in Note I of Article 46 of the Securities Market Law, are considered as holders of hidden information and are listed below:

- Bank directors, including the members of the board of directors, the members of the board of governors, the chief executive officer, and their deputies.
- Inspectors, consultants, accountants, auditors, and lawyers of the bank.
- Shareholders who, alone or along with their dependents, own more than ten percent of the bank shares, and their representatives.
- The chief executive officer, the members of the board of directors, and the relevant managers, or the representatives of the banks and parent companies (holding companies), who own at least ten percent of the bank stocks or at least have one member in the board of directors of the investor bank.
- Other individuals, who have access to hidden information due to their obligations, authorities, or positions.

9-Parent bank (company): the bank (company) that owns one or more subsidiary banks.

10-Subsidiary bank (company): the bank (company) that the majority of its stocks are directly or indirectly owned by the parent bank (company), or the majority of the members of its board of directors are selected by the parent bank (company).

11-Banking (corporate) group: the group, which includes the parent bank (company), its subsidiary banks (companies), and the



subsidiary banks (companies) of the subsidiary banks (companies).

I2-Dependent individuals:

- The individuals, who are referred to in Article I29 of the Commerce Law.
- According to Article 862 of the Civil Law, all the first-grade relatives or the relatives by marriage, of the members of the board of directors, the chief executive officer, the members of the board of governors, their deputies, and senior managers of the bank.

I3-Persons with considerable influence: a natural person (along with his/her dependents) or a legal person will have a considerable influence, if s/he directly or indirectly owns more than 20% of the bank's shares or assets, or based on an agreement with the other shareholders or partners, owns more than 50 percent of the other bank's voting right, or owns the right of appointing or discharging the majority of the board of directors' members by him/herself or by his/her representative, or overall, for any reason can directly or indirectly control the bank.

I4-Unit beneficiaries: natural or legal persons, who are subject to common interests due to ownership, financial, or managerial relationships.

I5-Ownership relationships: two or more natural or legal persons will have ownership relationships with each other:

- If they are members of a banking group.
- A natural person and a bank will have an ownership relationship if the mentioned person owns more than 50 percent of the bank's shares.
- If they benefit from the shared asset(s).

I6-Managerial relationships: two or more natural or legal persons, or members of a banking group, will have managerial relationships if any of the below factors are present among them:

- Control.
- Considerable influence.
- At least two-thirds of the members of the board of directors are common.
- The chairman of the board of directors is common.

I7-Financial relationships: two or more natural or legal persons will have financial relationships, if:

- They are dependent individuals.
- They are natural or legal persons, who have mutual financial relationships with each other.
- They are members of the unit consortium that more than 50% of their annual gross income is supplied from their activities in the consortium.
- They are individuals that more than 50% of their annual gross income is supplied from another person.
- They are the business representative of a legal person that more than 50% of his/her annual gross income is supplied from the bank or the parent company.
- Two or more of them have received some facilities from a bank, a bank/non-bank credit institution, or a legal person, and one or more of them have been appointed as their sponsor.
- A bank, a bank/non-bank credit institution, or a single natural person, has created a commitment in favor of two or more persons.

I8-Disclosure: general and timely dissemination of information on the bank's website, in accordance with the terms of the bylaw.

I9-Important information: the information related to the bank's decisions and the bank-related events and decisions, which significantly influence the price of the stocks or securities of the bank or its activities.

I20-Rumor: the news (that regardless of their trueness or falseness) indicate some important information, which has been officially reported, and is significantly effective on the price of the stocks or securities of the bank.

I21-Unusual market activity: an unusual fluctuation in the price or volume of the stocks or securities of the bank.

Financial transparency

Article 2: In order to ensure the compliance of the bank with the legal rules and the bank's approvals and to prevent various forms of corruption in relation to the financial reporting, the bank is obliged to clarify its financial information by conforming the following provisions. In this regard, the chairman and the members of the board of directors, as well as the chief executive officer, are responsible.

Article 3: Fraud is an action, in which the purpose of the doer is to harm the rights or interests of the others or to violate the laws and approvals of the bank, and includes the following items:

- Preparation and presentation or disclosure of false financial information.
- Hiding the information that their presentation or disclosure is necessary.

- Preparation and presentation or disclosure of unreal, deceitful, or superficial balance sheets, asset statements, profit and loss statements, and cash flow statements.
- Manipulation, forgery, or alteration of documents.
- Presentation, disclosure, or removal of false financial information of transactions or their effects.
- Conducting superficial transactions and recording them without any supporting documentation.
- Not recording transactions or their documents.
- Deliberate and inappropriate application of the accounting procedures.

Article 4: Bank is obliged to prepare, present, or disclose its financial information by considering the accounting standards of the National Audit Organization in a way that the contents are observable. Financial statements and reports must be transparent and accountable with respect to the following items:

- Conducted transactions, with separation for large transactions.
- Accounting operations, including headings, with a transparent classification of accounts.
- Having a transparent and well-ordered relationship between financial events and documents related to the primary recording sheets, and financial statements and reports.
- Accounting policies.
- Organization of managers, employees, and their payments.
- Report on the markup price.
- Data integrity.

Article 5: In preparation of financial statements and reports, the following items must be taken into consideration: disclosure, presentation method, terminology, the responsibility of the providers, and application, in such a way that:

- All the relevant, significant, and important financial information are presented and disclosed.
- The following points should be carefully observed: correct classification and categorization of items, precision of the order and placement of items in the financial statements, appropriate presentation method, effective method of dividing assets, liabilities, and shareholders' rights into current/non-current items and into the commitments under the balance-sheet line, dividing revenues and costs into operational/non-operational items, presenting assets in the balance sheet based on their fluidity, dividing the cash flow resulted from the operational activities, tax, fixed investment activities, and sales and purchases of assets, return of investments, financing transactions and activities, and comparative asset statements based on book and daily values, etc.
- Terminology must be understandable for general users.
- The financial statements and reports that are typically prepared for specific objectives, such as the activity reports of the board of directors to the assembly, the feasibility report of the capital increase, the tax statement, etc., are subject to the provisions of this chapter if they are prepared to be presented or disclosed.
- Financial statements and reports must be responsive to the information needs of users, who rely on them for their economic decisions. The major users are shareholders, actual and potential investors, depositors, owners, and buyers of stocks, securities, and Rastin certificates, Rastin Swap Bonds, providers of financial facilities, suppliers and demanders of financial goods, services, and financial resources, customers, borrowers, bank employees, government, government-dependent organizations including the National Tax Administration and Social Security Organization, brokers, and financial analysts.
- Additional information for the purpose of increasing the understanding of financial statements in relation to the above items must be also attached as explanatory notes.

Article 6: Information in financial statements and reports must be “relevant”, “reliable”, “comparable”, and “understandable”.

Article 7: In order to observe the “relevance” feature, it is required to only insert or attach the information, documents, records, and supplementary reports, which are related to the topic of the financial statement or report.

Article 8: In order to ensure the reliability of the information, the following factors must be deemed:

- Honest expression: the provided information should honestly and directly indicate the main content.
- Preference of content over form: financial events should be inserted based on the economic content and reality, and not merely according to the legal forms.
- Impartiality: information in financial statements and reports must be completely impartial and should not be designed and prepared to provoke any specific impact on the users.

- Caution: it is required to carefully observe the accuracy and carefulness of estimating the predictive, calendar, estimation, and storing items, as well as the items that their delivery is doubtful, etc.
- Completeness: all the information must be reflected according to their importance and not more than adequate, and without removing any part that may mislead or deceive the users of financial statements and reports.

Article 9: In order to make the information comparable, the following key points must be considered in the preparation:

- Stability in accounting practices and financial reporting procedures in banking activities. In case of any change in the accounting procedures, supplementary reports must be attached to provide the comparability of financial statements and reports.
- Observing the accounting standards of the National Audit Organization.

Article 10: It is necessary to determine the method of presentation and classification of information and explanatory notes, in order to ensure the understandability of financial statements and reports.

Bank governance

Article 11: Bank governance is a set of rules, regulations, structures, processes, cultures, and systems, which through controlling and influencing on the bank's management, ensures the compliance with the laws and regulations, accountability, transparency, justice, and truthfulness, and protects the rights of beneficiaries and the contract parties of the bank.

Article 12: The chairman of the board of directors and the chief executive officer of the bank must not be a single person (even the legal representatives of the board members). The duties, authorities, and responsibilities of the chairman and the CEO should be explicit, clear, and specific, and do not interfere with each other.

Article 13: The majority of board members must be from non-executive directors. Taking a duty by a board member must be accompanied by the board's approval, and the concerned director should not have a voting right. Among the board members, there must be a non-executive financial expert with, at least, a bachelor degree in one of the following majors: finance, accounting, and management. This member will be the head of the audit committee.

Article 14: In order to have proper and healthy management and take better bank-related decisions, the board of directors must not be composed of less than seven members.

Article 15: At least two members of the board must be chosen from the independent directors.

Article 16: An executive board member cannot be the CEO or the executive board member of another bank.

Article 17: The bank's board of directors must own a secretariat, who is responsible for administrative data collection and expert inspections, which are requested by the board members, and also for ensuring that the board's decisions are accomplished. This secretariat must comply with the following requirements:

- The secretariat is directed by the secretary of the board of directors, who is suggested by the chairman and appointed with the board's approval, and serves under the supervision of the chairman.
- The secretary of the board of directors is responsible for drafting negotiations and follow-up of the approvals of the board.
- The chief executive officer must provide and deliver the secretary with his/her needed information, which is requested by the CEO him/herself, or by the board.

Article 18: The board members must not make use of hidden information to benefit themselves or others (including their dependent individuals and unit beneficiaries). The board of directors must take the necessary measures to ensure that the hidden information would not leave the bank by means of employees and the holders of the bank's hidden information could not apply this information to trade the stocks or securities of the bank. In this regard, the board of directors must apply an effective internal control mechanism for monitoring purposes and preventing such transactions. In addition, in case of discovery of any transaction based on hidden information, the central bank must be accordingly informed. The central bank will make a decision about the disclosure/non-disclosure of the information.

Article 19: In order to observe the business operations between the bank and the other natural or legal persons, the board members and the CEO of the bank must declare their complete information, and also their affiliated individuals, banks, parent

and subsidiary companies, subsidiaries of subsidiaries, unit beneficiaries, and the individuals with considerable influence, to the central bank.

Article 20: Making decisions on the following issues must be brought to the notice of the central bank:

- Selection of the CEO and the directors of the bank or the parent company, as well the members of the board of directors of the bank, the subsidiary companies, and the subsidiaries of subsidiaries.
- Approval of policies, administrative rules, and internal regulations of the bank.
- Approbation of the bank's major transactions with dependent parties, unit beneficiaries, banks and parent companies, subsidiaries, subsidiaries of subsidiaries, and individuals with considerable influence.
- Buying, selling, and pricing of the bank's properties and assets, and the respective conditions.

Article 21: The following decisions must be approved by the central bank prior to their enforcement:

- Buying, selling, pricing, and the conditions of purchasing and selling the properties and assets related to the project.
- Setting or changing the salaries, bonuses, and authorities of the board members and the other bank executive directors, and also the unusual rewards.
- Borrowings from banks or other non-bank resources.
- Actions, which in some way, may affect the interests of depositors.

Article 22: Any discrimination in the distribution of profits or interests between shareholders and depositors, in such a way that the depositor becomes partner like a shareholder in the bank's financial performance, is impermissible.

Article 23: Bank must use the regulations approved by the board of directors for transactions.

Article 24: The board of directors must establish an appropriate internal control system for asset protection, proper reporting, and compliance with laws and regulations.

Article 25: The board of directors and the independent auditor must separately, and at least annually, review the internal control system and report to the central bank.

Article 26: The board of directors must assign an audit committee, comprised of the majority of non- executive board members, in a way that there would be at least one member of this committee with financial knowledge and experience. The audit unit will function under the supervision of the audit committee.

Article 27: The board of directors must specify, in a written form, the duties of the audit committee that should include the following points:

- Monitoring the accuracy of annual and mid-term reports, and the other official announcements related to the financial performance of the bank.
- Monitoring the selection and change of accounting policies and financial software, by the management, according to the national accounting standards of the National Audit Organization.
- Inspecting the bank's transactions with dependent individuals, unit beneficiaries, banks and parent companies, subsidiaries, subsidiaries of subsidiaries, and individuals with considerable influence.
- Studying major projections made by the management for preparing annual and mid-term reports, proposing them to the assembly for selection, and maintaining or changing the independent auditor and also the independent auditing contract terms.
- Monitoring the auditor's independence and also the effectiveness of the independent auditing processes, under the code of the professional behavior of independent auditors, and the auditing standards of the National Audit Organization.
- Ensuring the establishment of an appropriate internal control system.
- Monitoring the performance and ensuring the effectiveness of the internal audit system.
- Appointing and dismissing the internal audit manager.
- Ensuring the existence of a written code of moral values (the bank's code of ethics) and the devotion of employees to them, by the executive management.
- Reviewing risk management policies and the method of identifying and dealing with the possible risks.
- Ensuring the full access of the independent and the internal auditors to the necessary information and documents.
- Establishing communications between the independent and the internal auditors and the board of directors.

Article 28: The following restrictions are applied in the elections of the assemblies' boards:



- The major shareholder selects, at most, only one of the assembly's board members.
- One member of the assembly board will be selected from the minority shareholders and with the majority of their votes.
- One member from the minority shareholders will present in the assembly and will be elected with the majority of their votes under the supervision of the assembly board.
- Compensation of each member of the board of directors must be approved by the assembly.

Article 29: The assembly board, prior to the assembly meeting, must review and approve the ownership or representation of the persons present in the assembly.

Article 30: Representation of legal persons in the assembly will be valid through formal written correspondence.

Article 31: The board reports to the assembly and the reports of the statutory inspector and the independent auditor will become permanently available to the public through the bank's website before the meeting.

Article 32: Main financial statements must be advertised on the bank's website, not more than ten days after holding the assembly.

Article 33: The majority of board members must be present in the assembly meeting; otherwise, they should announce the reasons for their absence to the assembly in a written note, and inform the shareholders and holders of bank securities through the bank's website.

Article 34: Shareholders must exercise their vote in person, or absently through a formal attorney or delegation to the stock custodian.

Article 35: Sufficient and reasonable time must be available for shareholders to question the board of directors prior to the beginning of the approval process.

Article 36: The non-executive members' rights to attend the general assembly will be decided by the board of directors.

Article 37: The board of directors is obliged to provide credible and transparent information, as well as periodic, annual, and mid-term bank reports according to the measures, which have been specified in the administrative rules and are available on the bank's website.

Article 38: The bank's CEO and the board members have a shared responsibility to provide the central bank with transparent and complete information.

Article 39: The information, provided to the central bank or to be published on the bank's website, must be previously approved by the board of directors.

Article 40: The annual reports, which express the past, present, and future prospects of the bank, should be disclosed on the bank's website. The reports must at least include the following items:

- General information about the organizational, financial, and human resource structure of the bank, and also the social and economic responsibilities of the bank.
- Analysis of different parts of the operations, clarification of the competitive conditions and the management structure, comparison of the primary objectives with the operational results, and elucidation of the research and development activities, threatening risks, significant contracts, and future perspectives.
- A summary of the 3-year financial information of the bank.
- Reports on the physical progress of plans.
- Financial statements, prepared in accordance with the accounting standards, and also the reports of the independent auditor and the statutory inspector.
- The information related to the observance of governance principles, including the audit committee and information disclosure performance reports.
- Information on the members of the board of directors.

Article 41: The full names and details of the members of the board of directors as well as the CEO, including the executive/non-executive and the independent/dependent directors, the amount of their shares in the bank, their membership in the board of other banks, and also all their receivables, which include salaries and benefits, overtime working, internal and external missions, loans, and bonuses, must be disclosed in a separate section in the bank's annual report.

Article 42: The details of considerable transactions with third parties, and also the purchase or sale of varieties of materials, goods, assets, services, technical knowledge, and technology to dependent individuals, unit beneficiaries, banks and parent companies, subsidiaries, subsidiaries of subsidiaries, and the persons with considerable influence, must be disclosed in the annual report.

Bank information disclosure

Article 43: The disclosed information by the bank must be real, explicit, reliable, timely, and without any bias. The information with negative impact must be disclosed and released with the same speed and accuracy as the positive information.

Article 44: Bank is required to report its financial statements and reports in accordance with the national standards, and must prepare and disclose other regulations within the given deadlines. Bank information disclosure must cover the following items:

- Historical information and the latest trading price and volume of the shares or securities of the bank.
- Bank general information.
- Latest composition of the bank's shareholders.
- The statistics of transactions must be archived on the bank's website.
- The public must be informed regarding the acceptance of the bank in the stock exchange and other OTC organizations.
- The set of internal regulations, rules, and instructions of the bank.
- Annual audited financial statements of the bank or the parent and consolidated companies of the group, at least 10 days before the usual convening of the general assembly, and maximum 4 months after the end of the financial year.
- Report of the board of directors to assemblies, and also the auditor's opinion on it, at least 10 days prior to the convening of the general assembly.
- Unaudited 3-, 6-, and 9-month mid-term information and financial statements, maximum 30 days after the end of each three-month period.
- Audited 6-month mid-term financial statements, maximum 60 days after the end of the 6-month period, and for the banks that is required to prepare the consolidated financial statements, maximum 75 days after the end of the 6-month period.
- Annual unaudited financial statements, maximum 60 days after the end of the financial year, and for the banks that are required to prepare consolidated financial statements, maximum 90 days after the end of the financial year.
- The management's future plans and prediction of the annual performance of the bank or the parent and consolidated company of the group, at least 30 days before the beginning of the new financial year, and the auditor's opinion on it, maximum 20 days after presentation.
- Forecast of the annual performance of the bank or the parent and consolidated companies of the group, according to the actual 3-, 6-, and 9-month performance, maximum 30 days after the end of each quarter, and the auditor's opinions on it according to the actual 6-month performance, maximum 20 days after presentation.
- Audited performance in the cases resulted in a significant change in predicting the performance, maximum 20 days after submission of the unaudited information.
- Information of the bank's investment portfolio, at the end of each month, maximum 10 days after the end of the month.
- Annual audited financial statements of the banks and subsidiary companies, at least 10 days before convening the ordinary annual general assembly of the bank or the parent company.
- Audited 6-month mid-term financial statements for the under-control banks, maximum 60 days after the end of the 6-month period, and for the banks that are required to prepare the consolidated financial statements, maximum 75 days after the end of the 6-month period.
- The details of the investment portfolios of the banks and companies, which are under control and their main activities are the investment in securities, in the periods of 3, 6, 9, and 12 months, maximum 30 days after the end of the 3-month period.

Article 45: Periodic reports must include the required financial information, their audit method, and the applied accounting standards.

Article 46: If the annual and mid-term financial statements and reports are prepared before the pre-specified time, they must be immediately disclosed by the bank.

Article 47: The trustee auditors, after submitting the financial statements and reports by the bank, are obliged to provide their comments and opinions and issue the audit reports within the deadlines specified in the bylaw.

Article 48: An immediate disclosure of important information that must be done by the bank itself is applicable to the following items:

- Important commercial contracts.
- Merger or purchase the shares, assets, or securities of any other bank or company.
- Major transactions.
- Changes in the securities markets as well as the events and changes in the market conditions, which have a significant impact on the bank's shares or securities.
- Clarification or confirmation of rumors and reports.
- Unusual transactions.

Article 49: The bank must avoid disclosing the below information for the purpose of advertisement, and also any detail more than the necessary amount needed for making decisions about the investment:

- False reports.
- Public announcements that do not explain the actual developments of the bank's activity.
- Exaggerated reports and forecasts.

Article 50: In case of dissemination of rumors or any report that contains false, misleading, or fraudulent documents, the bank is obliged to immediately disclose sufficient information and explanations on the rumor or report to the public.

Article 51: When an unusual market activity indicates that trading of stocks or securities, without a sound reason, has been influenced by rumors, the central bank will ask the bank to publish an appropriate notice.

Article 52: When the bank is informed about a rumor or a report that will affect the trading price and volume of stocks and securities in the future, regardless of its trueness or falseness, the bank is obliged to investigate the situation immediately and take the necessary measures with regard to the rumor or report (e.g., publishing or disclosing the necessary information).

Article 53: An immediate disclosure of the information is essential in the following events:

- Major changes in the ownership and structure of the bank.
- Borrowing or obtaining significant bank facilities/loans.
- Any change in the bank's objectives.
- Important claims in legal proceedings for or against the bank.

Article 54: Bank is obliged to announce the time, date, location, and agenda of the public assemblies in widely circulated newspapers and on the bank's website, at least 10 days before the convening of the meeting. The agenda of the general assemblies should be explicit and clear. Important issues such as the selection of the board members, the auditor, and the statutory inspector, the profit sharing, savings, and changing the activity subject, must be stated specifically on the agenda and is not allowed to be mentioned in the "other items" section.

Article 55: Bank is obliged to publish the decisions of the general assemblies on the bank's website, within a week after the meeting.

Article 56: Bank is obliged to disclose the date of special general assemblies for a capital increase, at least ten days prior to convening the meeting, and also in the organized agenda, within three working days after the assembly, which is published on the bank's website.

Article 57: Bank is obliged to disclose the timetable for paying cash dividends and compensation of the board members and other employees clearly in the separated categories of their names, and the amount of dividends and bonuses on the bank's website, prior to convening the ordinary general assembly. Assembly resolutions, in conformity with the provisions of these regulations, must be disclosed on the bank's website, within 30 days after the date of the assembly.

Article 58: Bank should release the important information concerning its activities, immediately after obtaining the information, or in the cases where the important information have been previously obtained, later. In cases where the release of information might be delayed due to confidentiality reasons, the central bank must have been already informed of the reason for the postponement.

Article 59: Examples of important information, which are related to the events effective on the bank's operation, financial status, and performance results, are as follows:

- Suspension or stoppage of all/some parts of the bank's activities.
- Change in the principal activity of the bank.
- Direct or indirect acquisition of shares or securities of other banks, which has a significant impact on the current/future performance of the bank.
- Organization of or participation in important tenders and biddings, and the final results.
- Change in the accounting method or procedure, along with its financial causes and effects.
- Change of the bank's CEO or change in the composition of the members of the board of directors.
- Ratification, dissolution, or any other critical change in important contracts.
- Serious cases filed for/against the bank, intervening in serious cases or attracting them, referring important disputes to arbitration, and announcing the outcome of the final judgments of the courts and other legal authorities, and also other important legal actions and events that affect the price of shares or securities of the bank.
- Specifications of the bank's investment plans and any major change in them.
- Cessation of the activities of the bank's major customers.
- Inability to implement the bank's commitments and contracts, declaration of the bankruptcy of the bank or its parent companies.
- Declaration of the amount of sinking funds, blocked in the registry box or the justice department, under any title.
- Decisions made by the general assemblies of the bank, the parent companies, and the corporate or banking group.
- Decisions and major transactions of the bank, the parent companies, and the corporate or banking group.

Article 60: Examples of important information, related to the decisions and conditions, affecting the bank's capital structure and provision of financial resources, are as below:

- Changes in the capital of the bank or banks and the companies under the control of the bank.
- Any change in the bank's dividend policy.
- The factors affecting the other parts of the capital structure, including bank guarantee, provision of important bank guarantees, and off-balance-sheet financing.
- Borrowing or repaying substantial sums, compared to the total turnover in all financial operations of the bank.

Article 61: Examples of important information, related to the changes in the ownership structure of the bank, are as below:

- Major alterations, which change the bank's authority.
- Changes that lead to a merger, acquisition of capital, or alteration of the composition of shareholders.

Article 62: Examples of other important information, affecting the prices of stocks or securities of the bank, are as follows:

- Performing any transaction that influences the bank's assets.
- Placing collateral or releasing the mortgage of the important properties of the bank.
- Creating or settling important debts.
- Significant changes in anticipation of the performance or the future plans of the bank's management, in conjunction with their reasons.
- The anticipation of a significant increase or decrease in the bank's revenues or costs in the future, alongside the reasons.
- Significant damages due to natural disasters (such as fire, flood, earthquake, etc.), or as a result of the operational/non-operational activities of the bank.
- Significant annual adjustments.
- The request for entry/exit of banks, from the banks listed on the stock exchange and other OTCs, and the relative reasons.
- Any event or change in the banks and companies under control, which has a significant impact on the activity, financial status, and performance outcome of the bank or the parent company.

Article 63: The bank is obliged to immediately disclose the prediction of its performance or the management's future plans.

Article 64: In case of the following restrictions, the bank, with permission from the central bank, can reveal its important information with a delay after removal of the restrictions:

- Immediate disclosure is harmful or with no significant profit for the bank.
- The bank is conducting negotiations, and no agreement has been reached yet.
- The subject of disclosure is constantly changing.

Article 65: If the delay in information disclosure leads to spreading rumors, or trading based on the hidden information, or unusual market activity in the stocks or securities of the bank, necessary measures, such as immediate information disclosure under the supervision of the central bank, can be adopted by the bank.

Article 66: In order to prevent the disclosure of non-disclosed information, expressed in Articles (64) and (65), the bank is required to restrict the access to the mentioned information to the bank's directors and eligible employees. The access to this information must be merely according to the duties and responsibilities of the relevant parties, including employees, attorneys, accountants, auditors, bank financial advisors, or other eligible individuals. The secrecy of this information and their restriction for personal application in trading (based on hidden information) must be stressed.

Article 67: The bank is obliged to disclose any information requested by the central bank.

Article 68: In order to detect unusual activities, bank administration office must continuously monitor the events, affecting the cash flow and the bank's stocks or the securities market. Whenever necessary, it must ask the bank to disclose the required information or issue an announcement.

Article 69: The bank can disclose the correspondences between the central bank and itself for public information.

Delinquency

Article 70: In case of deviation of the bank from the provisions of these administrative rules and its verification by the central bank, the following actions must be accordingly taken by the central bank:

- The relevant notices must be given to the bank in writing.
- The bank credit level must be reduced.
- The bank's name must be introduced on the website of the central bank.
- The bank must be restricted or totally banned from using banking services.

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