Journal of Money and Economy
Vol. 19, No. 4, Winter 2024
pp. 429-450

Original Research Article

Central Bank Competence Assessment in the Field of Issuing Securities Based On the Central Bank Act

Amir Hossein RezaFar * **Milad Naqshi†**

Mahmoud Bagheri‡

Received: 05 Feb 2025 Approved: 06 Aug 2025

The history of the Central Bank in issuing securities, particularly participation bonds, dates back to the 1990s, following the approval of development program laws. According to Article 4 of the Law on the Procedure for Issuing participation Bonds, the Central Bank initially acted as the authority responsible for granting licenses to issue such bonds. However, with the enactment of the Securities Market Law, this authority was transferred to the Securities and Exchange Organization. Nevertheless, Article 27 of this law exempted the Central Bank's participation bonds from registration with the Securities and Exchange Organization. Additionally, Article 91 of the Third Development Plan Law provided the first legal basis for the Central Bank to issue participation bonds for liquidity management purposes. The main issue in this research is the ambiguity surrounding the current legal jurisdiction of the Central Bank regarding the issuance of securities after the approval of the new Central Bank Act. Part Three, Clause "B" of Article 4 of this law grants the Central Bank the authority to "design and issue various types of financial securities." However, this authority has raised legal challenges due to its conflict with the requirements of the Securities Market Law. Based on a descriptive-analytical method and library-based research, the findings indicate that the Central Bank is exempt from registration with the Securities and Exchange Organization only in the case of issuing participation bonds and issuing other types of securities must comply with the procedures outlined in the Securities Market Law.

*Master of Science in Financial Law, Faculty of Law and Political Science, University of Tehran, Tehran, Iran; amirrezafara@ut.ac.ir (Corresponding Author)
†Master of Science in Financial Law, Faculty of Law and Political Science, University of Tehran, Tehran, Iran; milad.naghshi@ut.ac.ir
‡Associate Professor, Faculty of Law and Political Science, University of Tehran, Tehran, Iran; mahbagheri@ut.ac.ir

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[DOI: 10.61882/jme.19.4.431]

Keywords: Securities Issuance, Securities, participation Bonds, Central Bank, Securities and Exchange Organization, Legal Jurisdiction
JEL Classification: K00 ،K20 ،K40 ،E50

1 Introduction

The Central Bank of the Islamic Republic of Iran[1], as the authority in charge of the country's monetary market, is vested with the responsibility of regulating this market and making strategic and high-level decisions in line with various laws and regulations. These responsibilities include managing inflation, enhancing the national currency's value, promoting the Islamic banking system, and similar functions. Prior to the adoption of the Central Bank Act, Clauses "A" and "B" of Article 10 of the Monetary and Banking Law of Iran (ratified on July 9, 1972, by the Islamic Parliament of Iran) identified the Central Bank as "responsible for regulating and implementing monetary and credit policies based on the overall economic policy of the country" and defined its objective as "preserving the value of the national currency, maintaining balance of payments, facilitating trade exchanges and contributing to the country's economic growth.[2]" Following the adoption of the Central Bank Act on 5/12/2023, new provisions were enacted governing the Central Bank.[3] According to Clause "B" of Article 3 of this Act, objectives

[1] In this study, the term “Central Bank” refers to the Central Bank of Iran.

[2] Article 11 of the Monetary and Banking Act of the country assigns the Central Bank of Iran, as the regulator of the monetary and credit system, the following duties:
a) Issuance of banknotes and metal coins according to the regulations of this law;
b) Supervision of banks and credit institutions in accordance with the provisions of this law;
c) Regulation of foreign exchange transactions and commitment or guarantee of foreign currency payments with the approval of the Money and Credit Council, as well as supervision over foreign exchange transactions;
d) Supervision of gold transactions and regulation of these transactions or their approval by the Cabinet;
e) Supervision of issuance and import of Iranian legal tender and regulation thereof with the approval of the Money and Credit Council.

[3] . Article 2 of the Central Bank Law states the objectives of this law as follows:
a) Assisting in achieving economic goals and provisions set forth in the Constitution of the Islamic Republic of Iran, particularly Clause (5) of Principle 43, and the general policies of the system, especially Clauses (1) and (9) of the General Policies of Resistance Economy;
b) Enhancing the independence of the Central Bank in utilizing the legal instruments necessary to fulfill the objectives outlined in Article 3 of this law;
c) Increasing the supervisory capacity of the Central Bank over “supervised entities”;
d) Improving the health, effectiveness, and accountability of the banking network;

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[DOI: 10.61882/jme.19.4.431]

such as controlling inflation, stability and soundness of the banking system and other "regulated entities," supporting economic growth and employment, and contributing to the preservation and enhancement of the value of the national currency are to be achieved within the framework of the duties and powers outlined in Article 4 of the law. Part Three, Clause "B" of Article 4 contains one of the most significant powers granted to the Central Bank, which calls for serious consideration. Based on this clause, the Central Bank is authorized to "design and issue various types of financial securities and to buy and sell them and other securities for the purpose of managing (controlling) the volume of liquidity and credit in the economy."

The initial signs of the Central Bank's involvement in the issuance of securities-as close in concept to what we now recognize as such-can be traced back to the issuance of Central Bank participation bonds aimed at implementing monetary policy in the area of liquidity management. It is important to note that prior to the Islamic Revolution, no securities had ever been issued for monetary policy purposes or for use in open market operations[1] (Meisami & Nadri, 2015). The first legal action providing for the issuance of participation bonds to absorb liquidity was explicitly stated in Article 91 of the Third Economic, Social, and Cultural Development Plan Law of the Islamic Republic of Iran (ratified on 5/4/2000, by Islamic Parliament of Iran)[2]. According to this legal provision in 2000, the Central Bank of the Islamic Republic of Iran, upon receiving authorization from the Money and Credit Council, issued participation bonds for the first time in the country's economic history, with the objective of expanding open market operations and implementing monetary policy. These bonds were sold in the primary markets (Nazarpoor & Gol-Mohammadi, 2018). At one point, the Central Bank also functioned as the licensing authority for the issuance of participation bonds[3].

e) Managing credit and regulating the country's liquidity flow to direct facilities and credits towards development of the country's infrastructure, sustainable and equitable financing of economic units and households, and preventing illegal distribution and accumulation of wealth.

[1] This is commonly referred to as Open Market Type Operation (OMTO).

[2] Article 91-The Central Bank of the Islamic Republic of Iran is permitted, with the approval of the Money and Credit Council, in addition to the cases mentioned in Clause (6) of Article 20 of the Reba-Free Banking Operations Law approved on 30/08/1983, to utilize Central Bank participation bonds, provided there is no conflict with the Reba -Free Banking Operations Law.

[3] According to Article 4 of the Law on the Procedure for Issuing participation Bonds (approved on 21/09/1997 by Islamic Parliament of Iran), "The Central Bank of the Islamic Republic of Iran reviews projects subject to this law, except for government profit-making development

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[DOI: 10.61882/jme.19.4.431]

However, in accordance with Article 26 of the Securities Market Law of the Islamic Republic of Iran (ratified on 22/11/2005, by Islamic Parliament of Iran), the responsibilities and legal authority of the Central Bank concerning the issuance of participation bond licenses were transferred[1] to the Securities and Exchange Organization[2].

In general, according to Article 20 of the Securities Market Law, "the public offering of securities in the primary market is subject to their registration with the Organization in compliance with the provisions of this Law, and any public offering of securities in any manner without observing the provisions of this Law is prohibited" (Soltani, 2017). On the other hand, based on Clause 1 of Article 27 of the Securities Market Law, Central Bank participation bonds are exempt from this requirement and do not need to be registered with the Securities and Exchange Organization. It is worth noting that, according to some scholars, the participation bonds referred to in this clause represent the highest form of securities, and therefore, they argue that all securities issued by the Central Bank are exempt from registration with the Organization (Saleh-Ahmadi, 2019). Some even go further and claim that under Part Three, Clause "B" of Article 4 of the Central Bank Act, it appears that the Central Bank may not only issue participation bonds but also other types of securities for public offering without needing approval from, or registration with, the Securities and Exchange Organization (Soltani, 2017). Based on the above, it remains unclear under which regulations the process of issuing securities (except for participation bonds) by the Central Bank should currently be conducted. Furthermore, even assuming the Central Bank has the authority to issue securities, it must be specifically determined which types of securities and on what basis can be issued by this institution without registration with the Securities and Exchange Organization. Prior to this study, some researchers have attempted to analyze the relationship between the capital market and the money market in Iran and evaluate the effects of regulatory policies adopted by each market's supervisory authority on the other market.

projects referred to in Article (3), which are submitted by state companies, municipalities, and non-governmental institutions and companies under Article (1), and if they have full economic, technical, and financial justification, after sufficient guarantee is provided by the applicant institution or company to the operating bank, the license for issuing participation bonds will be granted as needed."

[1] Article 26, from the effective date of this law, the duties and authorities of the Central Bank of the Islamic Republic of Iran under Article (4) of the Law on the Procedure for Issuing participation Bonds approved on 21/9/1997 shall be transferred to the Organization.

[2] Hereinafter, this entity is referred to as "Securities and Exchange Organization."

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However, they have not specifically addressed the area of securities issuance by the Central Bank and its connection to the capital market (Mohammadi-Aghdam & Ghavam, 2016). On the other hand, although some researchers have attempted to examine and analyze the impact of issuing certain securities by the Central Bank on the capital market, they have not thoroughly investigated the fundamental authority of this institution and the legal dimensions governing the process of securities issuance by it (Ahmadi, 2024). Based on this, the present study is considered innovative. Accordingly, this research employs a descriptive-analytical method and relies on library studies. By reflecting on laws and regulations, it aims to clarify the above-mentioned ambiguities through three separate discussions: first, examining the Jurisdiction of the Central Bank; secondly, exploring securities and their relationship with monetary policies; and finally, analyzing the competent entities involved in the issuance of securities.

2 Level of Central Bank's Authorities

In today's world, central banks are recognized as key institutions in managing national and global economies. They are responsible for regulating the money supply, controlling inflation, and maintaining financial stability. Therefore, legal developments concerning them can have profound effects on a country's economic system (Elsan, 2023). The new Central Bank law, enacted in 2023, brought significant changes. This law has not only contributed to increasing the transparency and efficiency of the country's monetary and banking system but also considerably expanded the authorities and duties of the Central Bank. In the following, the objectives and responsibilities of Iran's Central Bank as well as some prominent central banks worldwide regarding securities issuance will be examined and analyzed.

2.1 Analysis of Objectives and Responsibilities of the Central Bank

Although both the Monetary and Banking Act and the new Central Bank Act generally address the objectives and duties of Iran's Central Bank, there are significant differences in their approaches and authorities. Reviewing these differences is essential for understanding the Central Bank's Competence in securities issuance processes. The Monetary and Banking Law outlines the Central Bank's objectives as preserving the value of the currency, maintaining balance of payments, facilitating trade exchanges and contributing to the country's economic growth. These objectives mainly focus on economic stability and controlling exchange rate fluctuations.

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In contrast, the Central Bank Law refers to broader goals, including assisting in achieving the economic objectives set forth in the Constitution, increasing the Central Bank's independence, managing credit, and regulating liquidity flows. These goals indicate a greater emphasis on sustainable development and social justice.

The duties of the Central Bank under the Monetary and Banking Act[1] include issuing banknotes, supervising banks and regulating foreign exchange transactions. However, in the new Act, the Central Bank's responsibilities have become clearly broader and more complex, encompassing the prevention of violations, regulation of the payment system, and establishment of banking infrastructures to facilitate foreign trade and microfinance[2]. These changes reflect a shift in the Central Bank's approach toward more active supervision and regulation in the economy. The scope of the Central Bank's authorities also shows significant differences

between the two laws. Under the Monetary and Banking Act, the Central Bank's authorities included granting loans to ministries and governmental institutions, buying and selling treasury bills, and trading gold and silver[3]. In contrast, the Central Bank Act significantly expands the authorities of the institution, allowing the Central Bank to design and issue various types of financial securities. The law also specifically refers to the buying and selling of gold and foreign currency for market management and preserving the value of international reserves[4]. Regarding Part Three, Clause "B" of Article 4 of the Central Bank Act, such authority was not directly present in the Monetary and Banking Law, which was limited to matters such as buying and selling treasury bills and bonds. This change enables the Central Bank to use new instruments for managing liquidity and credit, providing greater flexibility in its monetary policies alongside the use of other tools. Monetary policies refer to "targeted actions implemented by monetary authorities in a country through controlling the money supply with the goal of economic stabilization (price stability and maintaining confidence in the national currency)" (Warin, 2005). It appears that granting such authority to the Central Bank is, to some extent, borrowing from the laws of developed countries in this field. Although it is considered a positive step, given the challenges and issues raised later, it

[1] Subject of article 11 of the Monetary and Banking Act.
[2] Subject of article 3 of the Central Bank Act.
[3] Subject of article 13 of the Monetary and Banking Act.
[4] Subject of article 4 of the Central Bank Act.

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seems that such powers were granted to the Central Bank without sufficient regard for the current legal structures.

2.2 Limits of competence of Major Central Banks in Issuing Securities

The level of authority of major central banks such as the Federal Reserve, the European Central Bank, and the Bank of England involves a complex interaction of legal frameworks, political-monetary directives, and supervisory bodies. A full analysis of the authorities of these entities is beyond the scope of this study; therefore, this section focuses solely on the competency of these institutions regarding the issuance of securities.

The Federal Reserve, operating under the Federal Reserve Act, has the authority to issue securities primarily through its open market operations. It can buy and sell government securities to influence the money supply and interest rates, a practice essential within its monetary policy framework (Kiss & Mészáros, 2020). Additionally, the Federal Reserve does not require approval from entities such as the Securities and Exchange Commission (SEC) to issue other types of securities, including currency-related instruments (Benston et al., 2003).

The European Central Bank, with a different approach, focuses its authority mainly on euro-denominated bonds and primarily engages in purchasing existing securities in the market to implement monetary policies. According to the Treaty provisions in Articles 127 to 132 on the functioning of the European Union[1], the ECB is prohibited from directly financing member states, and issuing new securities by this bank requires fundamental changes (Joyce et al., 2012). Currently, facing challenges related to declining bank liquidity, the ECB may, under the authority granted by Article 18 of its Statute, be inclined to issue specific ECB securities, because firstly, this method is the cheapest and most accessible option to reduce bank liquidity; secondly, it increases the euro's role as a reserve currency (Boonstra & Geffen, 2022).

The Bank of England, based on the Banking Act 2009, can perform operations similar to the Federal Reserve through open market operations, using government securities to manage liquidity within the banking system (Nyawata, 2013). An important point is that its independence allows it to implement monetary policies without direct government oversight, although it must still operate within the framework set by the UK Parliament and

[1] Treaty on the Functioning of the European Union.

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Treasury. According to Articles 10 to 12 of the Banking Act 1998, the Bank of England does not require approval from capital market authorities for issuing its own securities, distinguishing them from government-issued securities, which generally have various maturities and active secondary markets (Rule, 2011).

3 Securities and Their Relationship with Monetary Policies

Securities, as key instruments in fiscal and monetary policies, play a significant role in liquidity management and influencing the broader economy (Nahidi Amirkhiz et al., 2023). In Iran, the history of issuing securities, especially participation bonds, reflects important developments in the Central Bank's monetary policies as well as related legal and operational challenges. Since the approval of the first regulations in the 1990s and through subsequent legal reforms, the Central Bank, as a main economic policymaking body, has sought to control money supply and curb inflation using these instruments. Reviewing the historical experiences and the Central Bank's role in issuing securities can help better understand the impact of these policies on the country's economy and liquidity management.

3.1 Securities and Historical Experiences of the Central Bank

Initially, regulations governing the issuance of participation bonds were approved by the Money and Credit Council on Jun 25, 1994, followed by the executive guideline titled "Executive Regulations Governing the Issuance of participation Bonds" on May 4, 1994. In the country's Second Economic, Social, and Cultural Development Plan (approved December, 1994), public borrowing through securities issuance was introduced as a fiscal policy tool.

The Central Bank, as a key economic actor with crucial roles in maintaining the national currency's value and controlling inflation, first appeared as an issuer of participation bonds in 2000. According to Article 91 of the Third Economic, Social, and Cultural Development Plan Law of the Islamic Republic of Iran (approved April 6, 2000), the Central Bank was competence, with the approval of the Money and Credit Council and conditional on compliance with the Islamic Banking Operations Law, to utilize its participation bonds. Accordingly, in 2000, the Central Bank, with the Council's permission and aiming to develop open market operations and implement monetary policies, issued participation bonds for the first time in the country's economic history to control money supply. These bonds were sold in primary markets, and the proceeds were blocked.

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Due to ambiguities regarding the legitimacy of these bonds, the process of blocking the funds, and the participation procedure, members of the Islamic Parliament of Iran expressed concerns about the issuance process and the use of the resulting funds. Consequently, changes were made to the issuance process and approval method of Central Bank participation bonds in the Fourth Economic, Social, and Cultural Development Plan Law of the Islamic Republic of Iran (approved February 12, 2004). The most significant change compared to the Third Development Plan Law was conditioning the issuance of these bonds on the approval of the Islamic Parliament of Iran[1]. Therefore, until 2011, the development laws provided the necessary legal framework for the issuance of Central Bank participation bonds (Nazarpoor & Gol-Mohammadi, 2018).

On the other hand, according to Article 4 of the Law on the Procedure for Issuing participation Bonds (approved September 21, 1997), the Central Bank was authorized to review certain projects covered by this law -except for explicitly excluded cases- and, if economically, technically, and financially justified, issue participation bonds upon sufficient guarantees provided by the requesting institution or company to the banking institution[2]. However, after the approval of the Securities Market Law, this authority was explicitly transferred to the Securities and Exchange Organization according to Article 26 of the mentioned law. Subsequently, with the approval of the Executive Regulation of the Law on the Procedure for Issuing Partnership Bonds (approved January 7, 2020), the definition of "participation bonds" in Clause 6 of Article 1 of this regulation clarified, to some extent, the jurisdictions of the Central Bank and the Securities Organization[3].

[1] Clause "H" of Article 10 of the Fourth Development Plan Law: To implement monetary policies, the Central Bank of the Islamic Republic of Iran is authorized to use participation bonds and other similar instruments within the framework of Islamic contracts under the Reba-Free Banking Operations Law approved on 30/08/1983 by the Islamic Parliament of Iran.

[2] Article 5 of the Executive Bylaw of the Law on the Procedure for Issuing participation Bonds (former): "The Central Bank, upon approval of the technical-economic and financial feasibility report of projects subject to the law, submitted by applicants and confirmed by the operating bank, considering the conditions for issuing participation bonds, shall issue the necessary permit within one month from the date of receiving the report under this bylaw."

[3] Clause 6 of Article 1: "participation Bonds: Securities issued according to laws and with the permission of the Central Bank or Securities and Exchange Organization, at a specified nominal value and for a fixed period, to provide part of the financial resources needed for projects under this bylaw and offered to the public."

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Beyond participation bonds, in recent years the Central Bank has gained experience issuing other types of securities in the capital market. On November 8, 2022, the Central Bank began issuing "standard parallel forward contracts on gold coins" totaling 100,000 coins (equivalent to 10 million papers) with the possibility of secondary trading on the Iran Mercantile Exchange. Based on this, the Securities and Exchange High Council, through a resolution to facilitate transactions of the Central Bank's standard parallel forward gold coin contracts (approved November 7, 2022), agreed on five points including granting the Central Bank an independent trading station license as broker/dealer for these contracts, subject to capital market laws and regulations, and authorizing the Central Bank's trading station market-making activities in these securities. However, since then, the Central Bank has not utilized other legal capacities for issuing securities within the capital market framework.

3.2 The Role of the Central Bank in Liquidity Management Based on Securities Issuance

Liquidity management refers to controlling the money supply circulating in the economy to prevent negative consequences such as inflation or market instability. As the monetary policymaker, the Central Bank is responsible for using various tools to adjust liquidity to a "desired" level defined in development plans. This desired level is generally aimed at maintaining economic balance, sustainable growth, and inflation control (Miller & Hadley, 2016). Issuing participation bonds is one of the most effective tools of "contractionary monetary policy." When liquidity increases excessively and risks of inflation or financial instability arise, the Central Bank absorbs part of the existing money in the economy by offering participation bonds. The mechanism works as follows:

- Reduction of the monetary base: When individuals or institutions purchase the bonds, cash is effectively "blocked" with the Central Bank instead of circulating in the market, which reduces the monetary base[1].
- Slowing liquidity growth: Restricted access to liquidity slows down the money creation process by banks through lending.
- Inflation control: Reducing money supply decreases demand pressures on goods and services, leading to lower inflation rates.

[1] Volume of money issued by the Central Bank

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In development plans, the government and Central Bank set target liquidity levels to control inflation alongside economic growth. Participation bonds allow the Central Bank, especially during crises or unexpected liquidity surges, to directly manage liquidity without raising interest rates or reserve requirements that could harm the production sector. Moreover, proceeds from bond sales can fund government development projects, creating an indirect link between monetary policy and broader economic objectives.

A group of experts argue that the Central Bank's participation bonds are not an appropriate tool for liquidity management; the real solution lies in expanding and deepening financial instruments and securities. This expansion would allow the Central Bank to control liquidity through buying or selling these instruments when necessary. Their main argument concerns the limitations in issuing these bonds: if the Central Bank succeeds in controlling liquidity growth in one year, the maturity of bonds and payment of their principal and interest in the near future will increase the monetary base by the amount of the principal and interest, depending on the maturity date. As a result, the Central Bank's efforts to control liquidity would be ineffective. Therefore, the fundamental and long-term solution is for economic policymakers in the country to provide the necessary infrastructure for the development of financial instruments and securities, enabling the Central Bank to conduct open market operations without facing problems related to participation bonds (Heydari & Heydari, 2016). Generally, Central Bank interventions should align with the country's commercial strategies, aiming to reduce exchange rate volatility. However, it is advisable to prevent short-term fluctuations in the foreign exchange market by introducing derivative instruments and utilizing capital market capacities (Monjazeb & Amiri, 2022).

One issue relevant to assessing the Central Bank's competence in issuing securities as a liquidity management tool is the concept of "monetary policy as a criterion for Central Bank independence." Some scholars believe that the Central Bank's authority in monetary and banking policy has two dimensions: a political aspect, which is the power to make final decisions, and an economic aspect, which defines the scope of the institution's competence in applying monetary policy instruments (Elsan & Negin-Taji, 2022). Accordingly, it is reasonable to analyze that the authority stipulated in Part Three, Clause "B" of Article 4 of the Central Bank Act aims to reinforce the institution's independence in using securities issuance as a liquidity management tool, and the legislator has paid attention to this by broadening the level of the Central Bank's powers.

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4 Analysis of Competent Authorities in Securities Issuance

Issuing securities, especially participation bonds, requires adherence to specific legal frameworks explicitly stated in various national laws. In this regard, overlapping jurisdictions between regulatory bodies such as the Central Bank and the Securities and Exchange Organization create multiple challenges and may lead to significant systemic problems. The following sections address these issues in two separate discussions.

4.1 Legal Framework and Registration Requirements

According to Clause 24 of Article 1 of the Market Law, "securities" are defined as any type of document or paper that embodies transferable financial rights for the owner, whether related to the principal or its benefits. Moreover, Article 2 of the Law on the Procedure for Issuing Participation Bonds explicitly considers participation bonds as "securities." Therefore, based on the aforementioned articles, there is no doubt that the term "securities" applies to participation bonds (Rezania, 2018). As previously noted, both the Central Bank and the Securities and Exchange Organization hold duties and competence concerning participation bonds. This decentralized supervisory structure, with two independent pillars in monetary and financial markets, brings its own challenges. Particularly in matters like issuing participation bonds, where the Central Banks and Securities Organization's jurisdictions are intertwined, ambiguity arises over which institution specifically should assume responsibility in certain domains (Sadeghi & Bagheri, 2017).

On the other hand, according to Clause 6 of Article 1 of the Executive Regulation of the Law on the Procedure for Issuing participation Bonds (approved on 7/01/2020), participation bonds, as one type of securities, may be issued with permission from either the Securities and Exchange Organization or the Central Bank. However, as explicitly stated in Article 14 of this regulation, "all secondary market transactions of participation bonds shall be conducted exclusively through the stock exchange or the over-the-counter market subject to the Securities Market Law of the Islamic Republic of Iran (approved in 2005), and in accordance with the regulations of the Securities Organization; any transactions outside these markets are null and void." A similar provision is also repeated[1] in Article 26 of the Law on

[1] Article 26: All secondary transactions of participation bonds and other Islamic securities (Sukuk), such as Murabaha bonds and Islamic Treasury bills, shall be conducted exclusively

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Removing Barriers to Competitive Production (approved on 21/04/2015), and both institutions have established rules and regulations regarding the issuance of participation bonds. According to Article 20 of the Securities Market Law, "public offering of securities in the primary market is conditional upon registration with the Securities Organization in compliance with the provisions of this law, and any public offering of securities by any means without adherence to this law is prohibited." If issuers fail to register their securities with the Securities Organization, enforcement measures such as those specified in Article 14 of the Law on the Development of New Financial Instruments and Institutions for Facilitating the Implementation of General Policies of Article 44 of the Constitution (approved on 16/12/2009) may be applied.

It is worth noting that pursuant to Clause 4 of Article 46 of the Securities Market Law, "any person who, without complying with the provisions of this law, publishes advertisements or prospectuses for public offering of securities shall be sentenced to imprisonment from three months to one year, or fined an amount equivalent to two to five times the profit earned or loss avoided, or both penalties." This article clarifies that the scope of this offense covers various forms of public offering, and the use of the term "person" implies that companies, funds, governmental organizations, and others who fail to observe the prescribed procedures are liable for this offense (Mirzaei Monfared, 2012). This legal obligation is subject to certain exceptions, some of which are explicitly stated in Article 27 of the Securities Market Law. According to Clause 1 of the mentioned article, participation bonds issued by the Central Bank are exempt from registration with the Securities and Exchange Organization. In this regard, a few points should be noted: First, in defining the types of securities exempt from registration with the organization in the aforementioned clause, only "participation bonds" are mentioned, and no other types of securities are referred to; second, the belief held by some researchers that "the participation bonds mentioned in Clauses 1 and 2 of Article 27 of the Securities Market Law are used as a general term for securities, and therefore all securities issued by these entities are exempt from registration with the Securities Organization," is clearly incorrect. The legislator has deliberately used these terms in their narrowest sense, and any exceptions (such as other securities issued by entities like the Central Bank

through the stock exchange or over-the-counter market subject to the Securities Market Law of the Islamic Republic of Iran.

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that are exempt from registration) require explicit mention (Soltani, 2017). Indeed, if the aforementioned clause is interpreted broadly, the rationale behind the enactment of Article 21 of the Securities Market Law would be nullified and rendered meaningless. Essentially, accepting such an interpretation would exclude a large number of securities from the supervisory scope of the Securities and Exchange Organization, making it impossible to ensure compliance with legal regulations and maintain transparency regarding the securities and their issuers. Thirdly, according to Clause 5 of the recently mentioned article, although the law explicitly emphasizes the exemption of participation bonds issued by the Central Bank, the Securities and Exchange High Council may, at its discretion under the same clause, exempt other securities issued by this institution from the registration requirements with the Securities Organization. However, in general, except for cases explicitly stated in the law, the Central Bank, like any other issuer, is obliged to register its securities with the Securities Organization if it intends to issue securities according to the provisions of the law. This is because exemptions, including the Central Bank's participation bonds mentioned above, must be applied within a precise legal interpretative framework without resorting to broad interpretation or analogy. Therefore, any proposal to exempt other securities issued by the Central Bank raises serious doubts concerning the comprehensiveness and overall coherence of the legislative framework.

Some argue that Part Three, Clause b of Article 4 of the Central Bank Act constitutes a specification (Takhsis) of the competences referred to in Clause Four of Articles 4 and 20 of the Securities Market Law. Accordingly, they claim that the Central Bank is not required to register the securities it issues with the Securities and Exchange Organization. In response to this claim, it is first necessary to examine what specification (Takhsis) means. Specification refers to the exclusion of a specific ruling or group from the scope of a general provision (Naeini & Khoei, n.d.). In this case, however, the Securities Market Law is a lex specialis (special law) governing the securities and exchange market, whereas the Central Bank Act is considered a general law. Based on the principle that lex specialis prevails over lex generalis, the provisions of the Securities Market Law take precedence over those of the Central Bank Act. Therefore, the Central Bank may only bypass the licensing and registration requirements of the Securities Organization where an explicit legal exemption has been granted-such as in the case of participation bonds. Moreover, there is a consistent emphasis in legal interpretation on the strict (narrow) construction of exceptions-including exemptions such as the non-registration of participation bonds. Thus, the Central Bank cannot extend this exemption

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to other types of securities on its own initiative. Additionally, under the principle of no harm (la zarar), any action by the Central Bank that may disrupt market transparency or result in harm to investors would contradict this foundational rule. Oversight by the Securities and Exchange Organization is essential to ensure contractual justice and transparency in securities transactions.

4.2 Conflicts of Law and Current Challenges

Part Three, Clause "B" of Article 4 of the Central Bank Act grants the Central Bank the authority to "design and issue various types of financial securities and to buy and sell them as well as other securities, for the purpose of managing (controlling) the volume of liquidity and credit." This provision effectively assigns broad authority to the Central Bank in the field of securities issuance. Before examining the extent of the Central Bank's competence under this law, it is essential to first analyze the content of the clause itself.

Despite the importance of this authority in managing liquidity, the linguistic and structural ambiguities within the clause give rise to significant challenges. First, the terms "various types of financial securities" and "other securities" are used without any clear definition or specific scope, creating wide interpretative space. This vagueness may lead to misuse of authority or conflicts in implementation. does this clause include government debt securities, commonly traded securities in the capital market, or even innovative financial tools such as crypto-asset-backed securities? Or is the intent merely to rely on the definition provided in Clause 24 of Article 1 of the Securities Market Law? Second, the simultaneous use of the terms "management" and "control," with "control" placed in parentheses, raises the question of whether these terms are synonymous or whether a substantive distinction exists between them. Third, the law does not explicitly state under what conditions, in cooperation with which institutions, and through what mechanisms the Central Bank is authorized to buy and sell such instruments.

Fourth, the use of broad phrases such as "various," "other," and "for the purpose of management," without precise definitions, contradicts the principle that laws must be explicit and unambiguous.

It is worth noting that the term "financial securities" has not previously appeared in legal texts in this specific form. It has only been reflected in certain laws and regulations, such as the Law on Production and Infrastructure Financing (approved on 12/03/2024), where the term "Islamic financial

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securities" is used. Islamic financial securities (sukuk) refer to those financial tools designed based on the principles of Islamic Sharia and are considered alternatives to conventional bonds in Islamic financial systems. Moreover, the term "securities" in its general sense encompasses any certificate or paper that holds "value" or "worth," including both registered and bearer instruments such as participation bonds, company shares, warehouse receipts, checks, promissory notes, Barat and others (Shooshinasab, 2015). By contrast, the term "financial securities" appears to imply only those securities that are tradable in financial markets, which gives it a narrower commercial scope compared to the broader legal definition of securities.

In analyzing the Central Bank's competence over the issuance of securities, it must first be acknowledged that the opening line of Article 4 of the Central Bank Act explicitly states: "The duties and powers of the Central Bank shall be exercised in compliance with the relevant laws, as follows:" On this basis, the Central Bank is not permitted to issue securities without adhering to the applicable legal framework. Among the most relevant laws in this regard are the Securities Market Law and the Law on the Procedure for Issuing participation Bonds. It should also be noted that one of the formal deficiencies in the Central Bank Law concerning this matter lies in its reference to unspecified laws and regulations, a practice that is generally not accepted in legislative drafting .Moreover, in the original draft of Part Three, Clause "B" of the aforementioned article, the phrase "within the framework approved by the Sharia Supervisory Council" was included, but this clause was removed following an objection by the Guardian Council. In addition, as stipulated in Part Three, Clause "B" of the same article, only the "design and issuance" of various financial instruments falls within the Central Bank's authority. Therefore, the Central Bank is not authorized to violate capital market regulations in other areas such as public offering, underwriting, trading, or settlement of securities. It is expected that the Central Bank, like any other issuer, follows the existing legal procedures within the capital market framework when issuing securities.

In another analysis, examining the term "design" in the aforementioned legal provision appears to be instructive. At face value, it suggests that the Central Bank may create and develop new financial securities, which may largely overlap with the financial instruments already active in the capital market. Regardless of whether these instruments have secondary market transactions, it must be noted that according to Clause 4 of Article 4 of the Securities Market Law, the approval of new financial securities falls within the authority of the Securities and Exchange High Council. Furthermore, pursuant to Clause 24 of

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Article 1 of the same law, the Securities and Exchange High Council determines and announces the tradable securities. It also appears that some Securities the Central Bank may create based on this authority are backed by assets such as currency and gold. In addition to the aforementioned considerations regarding the duties of the Securities and Exchange High Council, this body explicitly issued a resolution on 22/08/2023 concerning the trading of various gold-backed securities, stating: "The Securities and Exchange High Council, while emphasizing the development of the market for various gold-backed securities and gold-backed funds in the capital market and opposing the transfer of trading of gold-backed securities and gold-backed funds to markets outside the capital market, stipulated that the establishment of any market for securities backed by gold or gold-backed funds requires obtaining a license from the Securities and Exchange High Council." This resolution explicitly determines the regulatory framework regarding gold-backed securities.

The Central Bank's authority to "design and issue various financial securities" without the obligation to coordinate with the Securities and Exchange Organization and comply with the regulations of the Securities and Exchange High Council can lead to issues such as conflicts in regulatory standards (for example, differences in disclosure requirements or guarantees of bond returns), the formation of parallel markets outside the supervision of the Securities and Exchange Organization (due to weakening the legal security of investors), a decrease in the credibility of the financial system (due to the possibility of issuing instruments with non-transparent or non-standard mechanisms), unusual impacts on liquidity (the Central Bank's buying and selling of securities may directly affect prices in the capital market and disrupt supply-demand equilibrium), and a lack of transparency in transactions (if the Central Bank trades securities without mandatory information disclosure, there is a risk of excess or deficiency in liquidity management or even political interference).

Any expansion of the Central Bank's authority in the field of issuing securities must align with the country's economic policies and macroeconomic objectives. In developed countries, central banks generally issue securities within the framework of monetary policies and with the goal of stabilizing the economy; however, in this process, the role of economic policymaking and control over government financial policies must be clearly defined and limited. Otherwise, the risk of conflicts of interest, reduced transparency, and diminished investor confidence increases. Therefore, although the new Central Bank Act provides this institution with new tools, without practical

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policymaking, effective oversight, and transparency, these tools might lead to instability and financial crises rather than economic stability. On the other hand, although theoretically, securities are appropriate instruments for liquidity management and inflation control, in practice, the method of using these tools, the level of transparency, regulatory standards, and coordination with fiscal and monetary policies play a decisive role. The competencies of various entities in the issuance of securities should be analyzed not only in a legal framework but also from an economic perspective.

Conclusion

In this study, we examined the competencies and authorities of the Central Bank of the Islamic Republic of Iran regarding the issuance of securities and its relation to monetary policies. Considering recent legal developments and the enactment of the Central Bank Act in 2023, it appears that, according to paragraph three, clause "b" of Article 4 of this law, the Central Bank's powers in the area of securities issuance have expanded. Although this authority provides the Central Bank with new tools to control liquidity and implement monetary policies, it is accompanied by numerous legal and practical challenges. One of the most significant challenges is the overlap of competencies between the Central Bank and the High Council of Securities and Exchange (responsible for the design and approval of securities under clause 4 of Article 4 of the Securities Market Law) and the Securities and Exchange Organization (responsible for the registration of securities under Article 20 of the same law). While the Central Bank is exempted from registering certain Securities such as participation bonds with the Securities Organization, this exemption does not extend to other types of securities. Such ambiguity in competencies can lead to the creation of parallel markets, reduce transparency, and increase risks for investors. Furthermore, the lack of precise definitions for terms such as "various financial Securities" and "other securities" in the new Central Bank Act creates a broad interpretive space that may result in abuse of powers or conflicts in implementation. Although studies on the authorities of some leading central banks worldwide regarding issuance of securities indicate that these institutions have the competence to issue various types of securities, it seems that reflecting such authority in the Central Bank Act, without considering the competent bodies in the country's financial markets and the legal framework governing these markets, has not only failed to achieve legislative benefits but also increased ambiguities and challenges.

By analyzing experiences of advanced countries in this field, solutions such as clearly defining authorities based on law for the Central Bank (for example,

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providing a definition of financial securities and distinguishing them from securities), operational independence with balanced supervision (for example, granting the Central Bank authority to issue securities only within the framework of monetary policy and not for government financing, under the supervision of the Islamic Parliament of Iran), and avoiding institutional conflicts of interest (for example, explicitly stating in the Central Bank Act reforms that securities issued by the Central Bank should not cover the government budget deficit) can help overcome current challenges. On this basis, it is suggested that future amendments to the Central Bank Act precisely specify the authorities of the Central Bank and the Securities and Exchange Organization in this area to prevent overlap of duties and legal ambiguities; meanwhile, in the current situation, establishing coordination mechanisms between the Central Bank and the Securities Organization to avoid parallel markets and conflicts in regulatory standards is necessary. This coordination can be achieved through forming joint committees and approving unified regulations.

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