



The Analysis of Legal Validity and Nature of Re-Discount in the Banking System of Iran

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Abstract

Nowadays the monetary policy of the central bank of Iran (i.e. control and moderation of the volume of credits) in light of real requirements of economy is the key function of the central bank and one of the most popular tools in this area is to re-discount. In re-discount, valuable papers and documents which have been discounted by their owners with the standard bank interest rate, are being rediscounted by commercial banks for the second time before Central Bank with an interest rate which are determined under the title of "re-discount rate". In the usury-free banking in Iran, purchasing the true and time-bound commercial documents from customers and re-selling them with a cost which is less than the central bank can pave the way for the augmentation of the volume of facilities for the banks. But, by ratification of the usury-free banking operations law, the utilization of the instrument of re-discounting totally got outdated or null and voids and from the year 1980 it has been omitted from the inventory of the monetary policy of instruments of Iran. The present essay holds that since according to the known fatwas by the Shiite canonists and the Guardian Council of Iran if the debt is real negotiate it (i.e. debt negotiation or settlement) for a price which is less than its nominal value is permissible and the license for making use of it is granted in the banking system; therefore, it is appropriate to annex the instrument of re-discount as one of the instruments of the monetary policy to the banking code of Iran.

Keywords: Discount, Re-discount, Central Bank, Monetary Policy.

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1. Introduction

Studies and researches on the Islamic economy issues come back to over four decades. The bulk of the studies on the Islamic economy have been on the Islamic banking, money, and the bank interest as well. By establishing the "Usury-free Code of Banking Operation" in Iran after the occurrence of the Islamic Revolution attention to the Islamic banking specifically among the seminary experts or seminarians and the academicians of Iran expanded exponentially. For the time being around three decades have been elapsed from the usury-free banking operation in Iran. Multiple studies and of course multiple criticisms and struggles have been exercised over the framework of the relevant code and also the executive methods of this code.

Nowadays the key goal of the central banks in the usury-free banking is to preserve the general interests and as a result their functions is non-profit making and in case any revenue or earnings go for them due to the banking operation according to the code after the reduction of the current and amortization costs and financing the costs of legal and precautionary savings and paying the income tax the remaining will be deposited into the account of government. Today the key responsibility of the central banks for the actualization of the national interests is to control the volume of money and liquidity throughout the monetary policy. Monetary policy is the purposeful and apposite utilization of monetary instruments in order to achieve the economic goals. Monetary authorities through charging cash in the society and making changes in the expectations of people change the money interest rate and as a result of it

affect the whole levels of economic activities. Economic authorities in order to achieve the monetary policy goals which are enumerated as: Continuous growth and balancing the international payments has several instruments at hand. These instruments are being used proportionate to the economic and political situations of a society and are to some extent different from one another in terms of term and the amount of influentiality. The main instruments which have been used during the recent years in the conventional (i.e. usurious) are enumerated as: changing the rate of legal saving, changing the rate of re-discount, open-market operations (i.e. trading bonds) and the direct and qualitative control of credits.

Among other things, the open-market operation and the re-discount change of cost are of utmost importance and since both of them are based on the interest system and put forward the subject of usury they are of serious criticality in the Islamic banking specifically in the Islamic Republic of Iran and are in need of the Islamic canonical, legal, and economic investigations. In this essay attempts have been made to explain the position and situation of re-discount in the usury-free banking operation after identifying the instrument of re-discount and studying the legal essence of it.

It is hoped that by achieving the efficient resultants a serious and progressive step being taken toward the actualization of monetary policies in the usury-free banking.

2- The Concept of Discount

2-1- Semantic meaning of Discount:

The etymology of discount in semantics comes from Arabic letters of N-Z-L which means reducing, decreasing, and replacing. (Bandarrigi, 1996, Vol. 2, P. 1913) Among them the first meaning is proportionate to our discussion. Also, the profit or earnings which belong to the loan and also the money which is reduced to pay the cost of draft or the promissory note before the payment date are called discount. (Amid, 1976: 322, &Moein, 1981: 1stvol: 1151.) This usage in Farsi language is closer to the economical concept of discount into which we are going to delve.

2-2- Idiomatic meaning of Discount in the science of Economics:

Discount in economics means: “ trading and selling the right of receiving a time value of money for a lesser and in-cash money”. The requisite for this definition is calculating the current value of the time value of money. (Abdollah Amin, 1988: 75 &Pande, Mithani, 1990: 142-43.) Discount in this sense is equivalent to the Arabic words Al-khasm and the English discount and the French words escompte or remise.

Banks do various operations in the long term or short term and in each one make use of various methods. One of the short-term banking operations in presenting the financial facilities is discount which consists in purchasing the time demand in cash. (Toutounchian, 1996: 289-93.) For instance, a retailer who can pay the price of a good in cash to the wholesaler acts into buying on credit. In this situation the wholesaler receives a draft such as a two-month draft from retailer. In case the wholesaler needs money s/he can discount the draft in the bank and receives its cost in cash after reducing the discount. The most popular application of discount is this ones; that is selling the time documents such as draft which the creditor has received for any reason from debtors and is eager to sell it to other one cheaper than its nominal values before the date. In the banking history of the Islamic Republic of Iran one of the methods for financing and allocating the bank sources in the short term is buying debt. (Hedayati et al., 1988: 159.) In the operation of discount the applicant of discount (i.e. seller) submits a time commercial document (e.g. draft or the promissory note) before the date which is indicative of the liability of another individual and the bank after reducing a part of it cashes the document. The applicant endorses the back of the document for if the bank doesn't receive the cash for the document in due receive its cost from discounter.

Usually prior to the operation of discount the bank and the applicant of discount negotiate and reach an agreement and in most cases these issues are formally communicated on behalf of the bank. For instance, a bank declares that the time commercial documents with a due of at most one year and with a discount rate of twelve percent with the condition of guarantee from discounter will be cashed.

In the Islamic jurisprudence books discount is presented in the form of the contract of “buying debt.” And this issue is presented in the Islamic instructions for Muslims or Risalah by the religious sources of imitation in the discussion of draft negotiations.

3- Re-discount as an instrument of monetary policy in the conventional Banking

Nowadays the monetary policy of the central bank of Iran (i.e. control and regulate the volume of credits) by noting the real need of economy is the key function of the central bank and one of the popular methods in the job is re-discount. In re-discounting the valuable papers and documents which are discounted by their owners with the customary bank interest rate by the commercial banks will be discounted for the second time by the central bank on behalf of commercial banks. Determining and changing the rate of re-discount

are among the key instruments of the monetary policies and the central bank in this manner controls the volume of working cash and credits. (Norouzi, 1994s: 282.) Central bank augments the liquidity and the monetary power of the commercial banks by re-discounting the commercial papers. Nowadays re-discounting the documents and financing through it is one of the key functions of the central banks. This responsibility had at first a temporary function and was relevant to creating credit for commercial banks in the unusual conditions and the emergency cases; but, after the illumination of its significance either in the view of the banks or in terms of credit system this subject turned not only into a constant function of banks but it turned into one of the key monetary policies in the hand of central bank.

Commercial banks in addition to discounting the commercial documents receive credit facilities in various other ways. The lesser the conditions of the central banks for re-discounting and granting the easy facilities and the costs of using them (i.e. the rate of re-discount and the interest rate of the central bank grants), commercial banks receive more grants and expand their surplus sources for the sake of bestowing grants and vice versa by deterioration of conditions and skyrocketing the cost of discount and the facilities of the central bank. the banks can make use of the sources of the central bank less than before.

Based on this, anytime the authorities of the central bank decide on executing the contractionary monetary policy increase the rate of re-discounting and make the conditions tough and in this manner reduce the surplus sources of the banks and as a result reduce their power to granting credit. Due to this they reduce the supply of money in the whole section of economy and in this way influence the fundamental factors of economy such as investment, production, job-production, and the general price levels and on the contrary anytime they decide on executing the expansionary monetary policy they ease the conditions and decrease the rate of re-discount.

Therefore, re-discounting isn't a usual instrument but the central bank can have various usages of it which their key ones are as follows:

1-re-discounting the commercial documents is a way to put the sources of central bank into circulation which are mainly being done through legal and precautionary savings of commercial banks and for this purpose in usage the central bank is the final loaner.

2- Central bank earns its revenue through rate of re-discount and out of that source pays interest to the legal sources of commercial banks.

3- Central bank acts on the contractionary and expansionary monetary policies through changing

the rate of re-discount and changing the conditions of discount.

4- Central bank can acts on the qualitative control of credits through taking several conditions which are proportionate to the kind of financial documents or the active banks in various areas of economy by re-discounting.

4- Impact of re-discounting rate on the preliminary discounting

Various factors affect the rate of discount. In most countries around the world the rate of the execution of re-discount and the variations in its price are determined according to the monetary and credit policies. Variations in the rate of re-discount affect the inclination of banks to using the sources of central banks and due to this change the preliminary rate of discounting. (ZandiHaghighi, 1976: 250) Usually central banks directly state the rate of re-discount. In some cases it is possible that the rate of re-discount have a relation with another interest rate which in this situation changes in the intended interest rate cause some variations in the rate of re-discount. In such situations the rate of re-discount the rate of re-discount isn't directly under the control of central bank. ((Toutounchian, 1996: 351.) It is necessary to mention that the system of re-discount in the central bank (of Iran) is taken from monetary system of France. According to this system the discount rate of central bank is a little lower than the discount rate of other banks until other banks can re-discount their credit documents in the central bank. (Zandhaghighi, 1976: 120).

5- Explanation of the legal essence of the instrument of discounting and its rules

"Debt" semantically means liability but idiomatically involves any kind of claim and consists in: "A whole fixed asset which is confiscated due to one of the reasons under the obligation of somebody in somebody else's advantage". (Mousavi Khomeini, 1416 AH., 1st vol. P.647)

Purchasing a debt means a purchasing which revolves around "debt" and due to that if anybody is under obligation to pay a debt (to a creditor) s/he can sell it to a price which is less than the rate of debt or is equal to it to the creditor or a third person who is called in the terminology of Islamic law or jurisprudence as purchasing debt. (Helli, 1415 AH, 2nd vol. p.66.)and (Mousavi Khomeini, ibid. 1stvol. p.597.)

Noting the definition of discount and its analogy to purchasing a debt there is a close link between discounting and purchasing a debt on the one hand and borrowing on the other hand since some cases of discount for the documents are indicative of the debt that somebody is claiming on somebody else for their debt.

On the other hand discount beside debt and usury is presented as an element and instrument in pure monetary exchanges and this issue causes that some questions become posed such as: Is discount by itself usury or at least doesn't discount necessitate usury? Is discount based on the interest rate?

In explaining the Islamic jurisprudence and legal essence of discount two views exist:

1- Borrowing loan with a draft or bill.

According to this theory discounter of a document borrows a definite amount of money from a bank and then refers the bank to another person to receive the exact amount of money and the interest of the debt (i.e. possessor of the commercial document). Meanwhile, he undertakes or promises that if in any case shun from paying the debt the bank has a right to refer to the discounter. For instance, an amount of nine million Persian Rials is borrowed from a bank and the drawn cheque by another person for ten million Persian Rials is given to the bank and refers the bank for receiving the exact amount of debt and its interest to that person and commits that if that person doesn't pay the definite amount of money for the cheque on time the bank will receive the exact amount of debt and its interest from discounter.

2- Selling the debt besides a guarantee.

According to this theory the discounter sells the debt which according to a commercial document claims on somebody less than its nominal price to a bank and by endorsing that document commits that if in any case s/he doesn't pay the debt on the arranged time the discounter himself will pay it.

In this situation if we assume the debt to be accompanied by a draft the essence of discount will be a usurious debt which by consensus of Islamic jurists considered as prohibited in Islam but if it is for selling a debt first of all we should enter a new subject and study what is the essence of the trade of debt and what is its order in the Islamic jurisprudence? Until we can attain the decree of discount and re-discount.

Before judging the essence of bank discount it is necessary to discuss occasionally on the mental image and various kinds of discount and occasionally the purpose of discussion is to study the essence of the practice which occurs several times every day in the society. In other words, anyone who possesses a real draft which is indicative of a time claim can enter a negotiation or trade in two ways: taking a usurious debt from somebody and sends the debtor to his/her debtor or sells his/her time claimed money cheaper than its real price in cash. Therefore, in terms of possibility both ways are plausible but the question is the essence of the practice which people do among themselves and the bank which is titled as discount and that is whether their

practice has the essence of a debt which is followed by a draft or is a kind of selling a debt and amount due? There is evidence which approves of the first theory:

1-In the discount operation although a bank registers the qualifications of the draft owner or the owner of the promissory note but bestows no significance to his/her credit but the whole attention of the bank is to the credit of the draft discounter. Thus, the bank determines a limit of discount for him which the sum of his/her discounting drafts shouldn't exceed the determined cost (such as limit of the credit of current account) in a way that after the fulfillment of the determined limit if that person presents the draft of a valid individual the bank doesn't discount as a bank doesn't care about the reality or falseness of the draft. The same procedure goes exactly among people. Ones who cash the time drafts don't care about the owner of them and whether they are real or false. What is significant for them is to cash the draft due date and this to a large extent depends on the signature at the back of the draft; that is there is no difference for the discounter to whom the receiver of the cash gives their cheque or draft or gives the cheque or draft of another one by endorsing its back and that is exactly why customary among people there is no difference between the usurer and the loan shark.

2-According to what was said commercial banks usually discount the discounting drafts in the central banks which is called re-discount. It is evident that in this operation the commercial banks in fact don't sell their purchased debts in a second bargain to the central bank (in a way that following it the central bank becomes in charge of clearing the drafts and in case the owners of drafts shun from paying the cash the central bank doesn't refers to the endorser of the drafts but the truth is that the central bank gives them loan to the extent of the discounting drafts of the commercial banks. The same story goes for the commercial banks that are a commercial bank lends money to the discounter to the extent of the value of the intended draft.

Due to this in the traditional (usurious) banking there is no difference between a credit in the current account and the discounting credit and the both are considered as methods of calculation. For instance, "Miller", in the book "Modern money and Banking" in defining the discount states: "discount is the process of finding the current value of dollar in future as the interest rate is the instrument of changing the value of purchasing power in future to the current purchasing power". (Paulus Agnelli, 1995: 129.) Therefore, there is no wonder if we say that discount totally depends on the interest rate with the difference that in the interest-bearing loan the exact amount of loan and its interest will

be taken at the end but sin discount the minor amount (interest of money or usury) is subtracted from the main amount of money and the remaining is paid to the borrowers and usually this method is to the harm of borrower and to the advantage of the lender. For instance, anyone wants to take a loan of one hundred thousand Rials with the interest rate of ten percent at the end of year should return one million and one hundred thousand Rials to the bank while if they want to discount a draft of one million and one hundred thousand Rials with the same interest rate the bank subtracts one hundred and ten thousand Rials as interest (usury) and returns ninety nine hundred and ninety thousand Rials to them and by referring to the signer of the draft (and in case of dishonoring the draft to the discounter) clears the amount of one million and one hundred thousand Rials.

6- Debt Purchase Contract; a New Approach

6-1- Concept of Debt Purchase Contract:

Debt purchasing is a contract by which "the time debt of a debtor" will be purchased by an amount which is less than the nominal cost of it in cash. Purchasing contract is also part of the trading contracts and its interest rate is determined. In this approach in lieu of concentrating on the direct loaning of banks for stimulating demand the concentration is on sell on the installment plan by production agencies. In the above-mentioned process by means of instruments of paying in installments such as cheque, promissory note, and draft sell their goods. In the next step banks purchase the commercial documents from production agencies and pay the requisite cash or liquidity or cash to meet the materials. For instance, if a car is sold for three hundred million Rials in cheque the seller sells the time cheques of the buyer for a cost of less than thirty million Rials (for instance twenty eight million Rials) to the banks and receives cash. Also, banks after settling their customer's account receive the interest of this contract with a time gap. In this manner the three angles of customer, bank, and the agencies take part in this process and take advantage from it. Banks receive the determined interest by guarantee the liquidity of the agencies and purchasing the draft for business liability. Agencies facilitate the supply of products which are accumulated in stores and the customers who are in short of cash for buying the products can make use of the instrument of buy in installment plan. In the experts' views, the conditions of recession in our country is in a way that lots of agencies sell their goods in a time plan and naturally the documents which they possess are the documents of (real) time claim. On the other hand the same agencies suffer from shortage of cash therefore in

such conditions the instrument of purchasing a debt from banking system for putting the short-term sources into circulation and for the economic agencies to change their time documents into cash can be very influential. (World of Economy, 2015.No. 3588.)

Studying the teachings of Islam also indicates that Islam isn't against the thought of bank and banking but is against the usury- based banking which is based on the interest rate. (Mohammad Baboli, 14 02 AH: 299.) For this reason the subject of Islamic banking and laying a foundation based on Islamic jurisprudence for it has absorbed the attention of Islamic sages and some solutions and procedures are presented as well. Based on this and in alignment with variegating the financial instruments of agencies the monetary policy maker has accredited the debt purchase contract which by exploiting this instrument the convertor of commercial documents (i.e. cheque, promissory note, and draft.) to cash will be provided before due. This decision has three positive results for the atmosphere of business: "formalization of the discounting market of commercial documents", "Management of cash flow and discounting the commercial documents without a need to a bank loan", "facilitation of purchase by means of commercial documents of customers" are the three evolutions which influence the economy of Iran by executing the debt purchase contract. In the present situation the quantity of the inventory of production agencies is in progress which this leads to the intensification of recession in market. By putting the debt purchase contract into circulation in addition to reducing the amount of inventories in stores discovering the real interest rate based on the market mechanism will be possible. This contract has been communicated in the year 2011 through a by -law to the banking system. At present following the new decision of the Money and Credit Council this instrument is being revived for the sake of stimulating the demand-oriented policy. According to the words of authorities an amount of ten percent of the whole (credit) facility granting in the current year will be done through the debt purchase contract that by noting the statistics of the previous year the least amount of this granted loans in this manner will be thirty four trillion Rials (World of Economy, 2015-16, No. 3588).

According to the words of the authorities of the central bank this policy has been taken in order to achieve the possibility of time selling of productive goods in the economic agencies and facilitation of supplying these products. Prior to this policy makers by noting the present recession toward demand and the increase in the inventory of stores of economic agencies have turned the approach of stimulating demand based on small loans into

practice. Therefore, it seems that designing the selling in installment in the form of debt purchase contract is another step toward variegation of demand-oriented policies. (Ibid.).

Authorities of the central bank to get out of recession intend to supply about ten percent of the amount of these facilities granting of banks through this method. According to statistics in the previous year the amount of three hundred and forty thousand billions in the Iranian toman of facilities were granted through banks and the credit institutions which by the continuation of the mentioned procedure in the current year it can be predicted that an amount of thirty four thousands billion tomans of granting loans are done in the form of debt purchasing contract. It is in the case that if the amount of granting loan augments in comparison with the previous year the amount of granting loan in this way increases as well.

In the law of Iran the main discussion is on purchasing debt through discounting the commercial documents on behalf of banks. In the past the operation of purchasing debt based on the temporary by-law of the commercial documents and papers and the executive regulations of it which were ratified in a meeting dated 8/26/1361 of Persian calendar of the Council of Money and Credit and following that it was presented in the Guardian Council and was considered to be against the Islamic jurisprudence and the constitution and also its later amendment which was ratified on 9/24/1366 of Persian calendar of the Money and Credit Council. (Hedayati et al., 1988: 159.)

Then in the year 2010-11 this contract was added to the third chapter of the Non-usury (non-interest) Banking operation Code according to the arranged obligation in the article number ninety eight of the fifth five-term plan of the development of the Islamic Republic of Iran and its executive by-law was ratified by the esteemed cabinet as well. The esteemed Money and Credit Council has ratified its executive instruction in executing the arranged obligation under the article ninety of the above-mentioned executive by-law in the one thousands three hundred and twenty eighth session of the council at the date of 5/25/1390 of Persian calendar.

6.2-Features of the instrument to purchase debt:

The new ratification of the Money and Credit Council is in practice in a condition that the central bank had communicated the instruction for executing the debt purchase contract at the twenty fifth session of the month Mordad of the year 1390 of Persian calendar (summer of 2011) to the banking system. Central bank has elaborately explained in this instruction on the way of executing the debt purchase contract. According to

the central bank "after implementing this contract in the banking network lots of problems of the manufacturing, service, and commercial units will be resolved. According to the debt purchase contract any bank or credit institution as a third person can purchase the time debt of the debtor to a price which is less than its nominal value from creditor and in this way pave the way for resolving the problems of liquidity in these units."

But central bank has declared some of the features of the new ratification. Firstly, commercial documents and papers are presented by banks with the interest rate of twenty four percent (except for the current year.) in a year-long term. This rate can enjoy enough attractions for the banks and the credit institutions by noting the current interest rate of banks. The second issue is that the commercial documents for selling in installment including "cheque", "draft", and the "promissory note", and purchasing by means of the three mentioned instruments is being done by customers.

The next feature of this contract is re-discounting the commercial documents by central bank. In this method in order to reduce the risk of banks and the credit institutions and reducing the problem of liquidity banks can re-discount the this instrument at central banks and receive the requisite cash from central bank which of course the experts recommend that since the recent method increases the monetary basis and an increase in the monetary basis will be followed by inflationary results in economy it is better to provide conditions until banks go less for using this item.

7- Analysis of the Islamic jurisprudence credit of re-discount and its change of rate

As it was mentioned in the previous discussion commercial banks discount the time commercial monetary documents (i.e. promissory notes and drafts.) of their customers. Usually banks classify these documents in blocks and discount them at the central bank and make use of its sources in granting new facilities. Central banks by means of this discount which is idiomatically called re-discount in addition to the lucrative application of bank sources through changes in the rate of re-discount which was discussed in the previous subject acts on regulating the monetary policy and regulating the power of granting facilities by commercial banks.

Now in the historical and scientific references of Islamic economy several discussions have been presented and from time of presenting the subject of Islamic banking by Muslim thinkers in an ever-increasing manner Islamic researchers have made an attempt to achieve a proper mechanism for a monetary policy and also finding efficient instruments for exercising it from the sacred law of

Islam in an acceptable way and/or at least preventing its denial. In the non-usury banking in Iran purchasing the real commercial documents from customers which their due is remained and selling (re-selling) them to a price which is less than the central bank can pave the way for the possibility of increasing the volume of granted facilities by banks as well.

The question is that: Firstly, the operation of re-discount in the non-usury banking system is legitimate or not? Secondly, in case of legitimacy of it is the central bank allowed to change the rate of it?

In response to the first question we say that in conventional banking re-discount is done in two ways. In the first method it is not true that a commercial bank endorses the commercial documents as a guarantee and sells them to the central bank but the central bank by getting a support from discounting documents of commercial banks grants them loans with interest and any bank which have more discount documents has more possibility of receiving more loan from central bank. In fact the central branch of any bank by taking information on the discount documents from its own branches informs the central bank that it has some discounting commercial documents with the value of such and such and the central bank by trusting and getting support from those documents grants credits to the mentioned bank. It is clear that this kind of re-discount operation has the essence of loan and in case the central bank wants to take a surplus loan in return for it (which usually takes it), the loan will be followed by interest and is usury and religiously prohibited. (Mousavian, 2001, No.3: 82.) and isn't executable in the non-usury banking. (Mousavian, 2014: 512.)

Therefore, if it is assumed that the discounting operation of individuals in commercial banks is correct in terms of sale (i.e. in a way that some religious sources of imitation has decreed), these kinds of re - discount by commercial banks is not accepted for the central bank since no sale of debt has occurred and the essence of this borrowing with interest enjoys the support of the discounting commercial documents. (Mousavian, 2001: No.3.)

In the second condition as the trader sells the commercial documents to the bank commercial banks collect the discounting documents as well and sell them to the central bank in real. (i.e. discount it at central bank.) in a way that after that the central bank will be the owner the documents and the creditor of them although it may grant the operation of their clearance similar to the customers of commercial banks to commercial banks until they deposit them after reception into the account of central bank. In this case the operation of re-discount takes an essence of

trading debt to a third person in a price which is less than its nominal price which is permitted according to the ratification of the Guardian Council and by the known fatwa or religious permission of the Shiite jurists. (Mousavian, 2014: 512.)

In the view of authors of this essay there is a third kind and that is sometimes commercial banks by the trust and support of commercial and discounting documents draw up a financial document (e.g. a promissory note or cheque) on behalf of themselves and discount it at the central bank and since this document is under the name of that bank and isn't indicative of the real claim its discount for the central bank isn't equivalent to the essence of a debt sale but has the essence of borrowing with interest.

Since most of Islamic jurists have considered the discounting of commercial documents as permissible in the new code banks are granted permission to act on purchasing these documents under definite conditions. For this purpose banks can purchase any kind of documents for claim which its origin is the commercial trades or the real debt documents and turn into the current debt. These documents which are purchased by banks from customers are capable of re-changing into the current debt. Also, the documents out of the new banking operation which are indicative of the claims of banks from their customers are purchasable by central bank.

In response to the second question it can be said that since the operation of re-discount is voluntary and is executed by the free will of central bank and commercial banks thus central bank in terms of Islamic jurisprudence is permitted to choose any price which considers advisable and in fact changes its need. Commercial banks are also permitted to act on discounting the documents at central banks at any time which consider advisable by themselves. Central bank is at the place of the representative of the Islamic state and has a right to act on changing the rate of discount to regulate the macro or major variables and factors of economy and following it ratifies the mentioned prices as legal regulations. (Mousavian, 2014: 513.)

8- Conclusion

Since according to the known fatwa by Shiite jurists and the Guardian Council if the debt is real, trading it at any price which is less than its nominal price (i.e. discount) is permitted and the permission to use it is granted in the banking system. Purchasing the real commercial documents which a period is remained for their due and selling (re-selling) them at a rate which is less than its nominal price to central bank has the essence of trading debt to a third person at a price

which is less than its nominal price and can pave the way for increasing the volume of granted facilities for banks. As a result it is recommended to re-add the instrument of re-discount to the instruments of the monetary policy of law but for executing it a complete supervision be practiced to identify the reality or genuineness of trading documents.

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