



# ISLAMIC REPUBLIC OF IRAN

## “Law on Implementation of General Policies of Principle (44) of the constitution ”

Facilitating Competition and Preventing  
Monopoly

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- Chapter I: Definitions**

## Article 1) Terms in this Law are defined as:

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1. **Market** means a geographical or virtual venue in which buyers and sellers exchange goods for similar goods or a near substitute.
2. **Goods** mean any movable and/or immovable objects that can be exchanged and used.
3. **Service** means intangible product the use of which is indistinguishable from its production process.
4. **Firm** is an economic entity involved in producing goods or providing services as either a legal or real entity.
5. **Company** is a legal entity set up on the basis of trade law or special law.
6. **Managerial shares** is the number of shares of a company whose holder is authorized to nominate at least one member to the board of directors as stipulated in the Articles of association.
7. **Controlling share** is the least number of shares that enables a holder to determine the majority of the board of directors members.
8. **Cooperative Company** is a legal entity established as per the Islamic Republic of Iran's economic law pertaining to the cooperative sector, passed by Parliament in 2001, and sections of the 1971 Cooperative Companies' Law in effect and its subsequent amendments. This type of cooperative company is also called the conventional company.

4 9. Joint Stock Cooperative Company is a type of joint stock company set up in accordance to the trade law and is subject to restrictions stipulated in the law.

10. National Comprehensive Cooperative Company is a type of conventional or joint stock company that is formed to eliminate poverty from the three low income deciles. Membership of other individuals in this cooperative body, but upon formation, at least seventy percent (70%) of its members should be from the three low income deciles.

11. Competition is a situation in the market in which a number of producers, independent purchasers and sellers are involved in production, purchase or sale of goods or services. In such a way that none of the producers, buyers and sellers shall have the power to determine market prices and there is no restriction on the entry of the firms to the market or their exit from it.

12. Monopoly is a market situation in which the shares of one or more than one firm or manufacturing company, buyer and seller of goods in supply and demand are such that enables them to determine the price and/or quantity in the market, or restricts entry of new firms to the market or their exit from it faced with restriction.

13. Natural monopoly is a situation of a market in which a firm, due to lower average expenditure, can supply goods or services at a price which prevents other entities from entering the market or continuing their activities.

14. Legal monopoly is a market situation based on the law in which production, sale or purchase of a special kind of goods or services is monopolized by one or several specific firms.

15. Dominant economic condition is a market situation in which one or several legal or real entities have the power to determine prices, set supply or demand limits for goods or services or lay down conditions of a contract.

16. Merger is a process through which one or several companies do away with their legal character to form a new entity or join other legal bodies.

17. Disintegration is a process through which a company removes its legal entity and forms two or three new legal entities.

18. Controlling firm or company is the firm or company which controls economic activities of firms or other companies in a market through full or partial ownership of shares, capital, and management or other means.

19. Company managers are members of the board of directors, managing director and those with similar designations or any other person to whom the responsibility of decision making in the company has been entrusted as per the law or article of association or per ruling of a court or competent legal authority.

20. Sabotage in competition refers to the cases which lead to monopoly, hoarding, and economic corruption harming the public, centralization and the distribution of wealth by placing it at the disposal of certain people or specific groups, reducing skill and innovation in the community and/or permitting economic domination of foreigners over the country.

21. Business license: Any written license includes permissions, licenses, Permission letter, certificate, permit, inquiries, agreements, confirmations or approvals which are necessary to be issued for starting, continuing, developing or exploiting economic activities by executive organizations under Article (5) of Civil Services Management Act approved on September 30th, 2007, and Article (5) of the State Public Audits Act approved on 23rd, August, 1987, Cities and Villages Islamic Councils, chambers of commerce, industries, mines and agriculture, chambers of cooperatives or guilds, economic institutions, unions, councils, assemblies and guilds systems or their direct or indirect representatives and incumbents.

22. Information dissemination port for business licenses: The website comprises of electronic Book which contains separately conditions to obtain or renew business licenses regarding all kinds of occupations, industries, agriculture and services. After this law is indispensable, it will be considered as the official reference and source of declaring conditions to issue or renew business licenses.

# Chapter IX: Promoting Competition and Prohibiting Monopoly

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**Article 43)** All legal and real entities from the public, government, cooperative and private sectors will be subject to articles of this chapter.

**Article 44)** Any complicity among persons through (written, electronic, verbal or practical) contracts, agreements or accords resulting in one or multiple effects mentioned below that will obstruct competition is prohibited:

1- Specifying prices for purchase or sale of goods or services and process of determining it in the market either directly or indirectly.

2- Restricting or controlling amount of production, purchase or sale of goods or services in the market.

3- Imposing discriminatory conditions in identical transactions with trading partners. 4- Having the trade party conclude contract with a third party or dictating terms of contract to them.

5- Conditioning conclusion of the contract on acceptance of supplementary commitments by other parties that has nothing to do with the contract based on trade norms.

6- Dividing or giving shares in the market for goods or services between two or more persons.

7- Restricting market access of those not signatory to the contract, agreement or accord.

Note- Contracts between the workers' or employers' organizations to decide wages and benefits will be subject to the labor law

**Article 45)** The following acts which hinder competition are forbidden:

**A. Hoarding and refusal to enter into transaction**

- **1- Personal or group refusal to enter into transaction or restricting amount of goods or services subject to the deal.**
- 2- Having other persons to refuse to transact or restrict their exchanges with a competitor.**
- 3- Storing or annihilating goods or refusing their sale or refusing to offer services in a way that the storing, action or refusal will artificially push up prices of goods or services in the market either directly or indirectly.**

## **b. Discriminatory pricing**

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**Supply** or demand for a similar good or services in prices that would reveal discrimination between two or more trade parties or discriminating in prices between different regions despite equal conditions governing the transaction and the transportation cost or other extra costs.

## **C. Discrimination in trade conditions**

**Discriminating trade with different persons under equal conditions.**

## **D. Aggressive price setting**

**1. Supply of goods or services at a price lower than the cost prices to the extent that would harm others seriously or prevent the entry of new competitors to the market.**

**2. Offering gifts, prizes, discounts or the like that would harm others seriously.**

**Note— The Competition Council shall determine the seriousness of the harms caused.**

## E. Misleading comments

Any verbal, written or practical comment that will:

1. Show goods or services unrealistically qualitative in specific amount, degree, characteristic, model or standard, portraying the competitors' goods or services as being of low quality.
2. Present repaired, old, second-hand and low quality goods as new.
3. Make false claim on after-sale services, warranty for change, maintenance, and repair of goods or any of them or repeating or continuing services by pursuing special objectives, whereas no such facilities exist.
4. Deceive people with the price of goods and services that will be or are sold or offered.

## F. Forced sale or purchase

1. Conditioning sale of a good or service on purchase of another good or service and vice-versa.
2. Having the other party enter into transaction with a third party in a way that competition of the deal will be linked to supply or demand of another commodity or service.
3. Dealing with the other party on condition that the party will refrain from entering into a deal with the competitor.

## G. Supplying substandard goods or services

Supplying goods or services that do not comply with compulsory standard limits specified by authoritative bodies, including the application, combination, quality, content, designing, manufacture, completion and/or packaging standards.

## H. Intervening in internal affairs or dealings of a firm with a rival company

Using the voting right, share transfer, disclosure of confidential information, and intervention in dealings of firms or companies or applying similar methods to persuade, provoke one or more shareholder(s), capital owner, director or staff of a firm take an action that will be against the interests of the rival.

## I. Abusing dominant economic condition

Abusing dominant economic conditions in one of the following ways:

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1. Deciding, maintaining or changing price of a good or service in a non-conventional way,
2. Imposing unfair contract conditions,
3. Restricting supply or demand to raise or lower market price,
4. Creating impediments to make entry of new rivals difficult or eliminating rival firms or companies in a special profession,
5. Conditioning conclusion of contracts on acceptance of terms that have nothing to do with subject of such contracts in terms of nature or commercial norms,
6. Ownership of capital or shares of companies in a way that would harm competition.

## J. Restricting re-sale prices

Conditioning supply of goods or services to the purchaser on acceptance of the following conditions:

1. Having the purchaser accept the earlier decided price or limiting his/her options of deciding prices in any form.
2. Having the purchaser maintain price of a specified goods or service for a firm or company from which he/she buys goods or services or limiting the said firm or company's option in deciding price in any way.

## K. Unauthorized profession, abusing information and position of persons

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1. Illegally obtaining or use of any sort of secret information of the rivals in the commercial, financial, technical and so on fields in one's own or the third party's favor.
2. Illegally obtaining and using the information and approvals of official authorities before their disclosure or public announcement or their denial in one's own or the third parties' favor.
3. Abusing positions of persons in one's own or the third parties' favor.

**Article 46)** None of the directors, advisors or staff of the company or firm can concurrently hold a similar position in a related company or firm or similar profession with the aim of restricting or disrupting competition in one market or more.

**Article 47)** No legal or real entity will be authorized to own capital or share of other companies or firms in a way that would hinder competition in one and/or more markets.

Note— The following will be an exception to the article:

1. Ownership of shares or capitals by a broker or the like that is engaged in purchase and sale of notary bonds. This will be in effect as long as s/he has not used the voting right of share to hamper competition.
2. Enjoying or securing mortgage rights of shares and capital of the companies and firms being active in market of a good or service on condition that it will not lead to the using voting rights in companies or firms.
3. If share or capital is owned under emergency situations, on condition that the Competition Council is informed of the issue within one month from the ownership and that it will not take more than the time limit set by the Council.

**Article 48)** Merger of companies or firms will be forbidden in the following cases:

1. During or as a result of the merger the said actions will be taken in the Article (45).
2. When price of goods or services increases unconventionally as a result of the merger.
3. When the merger will lead to extreme centralization of the market.
4. When merger will lead to establishment of a firm or a controlling company in the market.

Note 1- It will be allowed in cases when avoiding the stoppage of the activities of firms and companies or their access to technical know-how will not be possible other than through merger, although merger will result in paragraphs (3) and (4) of this article.

Note 2- The scope of extreme centralization will be specified and announced by the Competition Council.

**Article 49)** Firms and companies can ask the Competition Council whether their actions are subject to articles (47) and (48). The Competition Council will have the responsibility to investigate the cases within maximum one month from receipt of due request(s) and inform the applicant of the result in a written way or by sending a reliable message. If the inquiry related actions are announced that are not subject to articles (47) and (48) and if no response is received from the Competition Council within the specified time, the actions will be deemed proper.

**Article 50)** Guild members subject to Guild System Law who are engaged in small-scale supply (retail sale) of goods or services will be an exception to the chapter.

**Article 51)** Restricted rights or advantages of intellectual ownership will not lead to violation of articles (44) to (48) of the law. In that case the Competition Council will have the right to make the following decision(s):

- a. Stopping activity or refusing to enforce monopoly rights including restricting period of clamping down the monopoly rights.
- b. Restricting the party to the contract, agreement or the compromise with monopoly rights to observe whole or part of conditions and commitments included in it.
- c. Annulment of contracts, agreements or accords with monopoly rights in case the measures envisioned in paragraphs (a) and (b) of the article do not prove effective.

**Article 52)** Any assistance and award of government advantages (in rial, foreign exchange, credit, exemption, discount, preferential treatment, information or the like) in a discriminatory way to one or more firms or companies which would make them dominant on the market or hinder competition will be forbidden.

**Article 53)** To meet goals of this chapter, a council, known as 'Competition Council', will be formed. The composition of the Council and conditions for elections of the members will be as follows:

➤ **a. Composition of the members**

1. Three Parliament deputies assigned by Parliament from among members of Parliament Economic Commission, Plan and Budget and Auditing Commission and Industries and Mines Commission— one from each commission to serve as observers.
2. Two judges from the Supreme Court elected and on a decree issued by the Judiciary Chief.
3. Two top economists proposed by the Minister of Economic Affairs and Finance and the decree of the president.
4. A distinguished juror familiar with economic rights proposed by the Minister of Justice and the decree of the president.
5. Two trade experts proposed by the Minister of Commerce and the decree of the president.

- 6. An industry expert proposed by the Minister of Industries and Mines and the decree of the president.
- 7. An infrastructural services expert proposed by the Head of the State Management and Planning Organization and the decree of the president.
- 8. A financial expert proposed by the Minister of Economic Affairs and Finance and the decree of the president.
- 9. A person elected by Iran's Chamber of Commerce, Industries and Mines.
- 10. A person assigned by the Islamic Republic of Iran Central Cooperative Chamber.

Note 1– Chairman of the Council will be assigned from among economists who are members of the Council per paragraph (3) as proposed by members and upon a decree issued by the president.

Note 2- Vice Chairman of the Council will be assigned from among members of the Council on a proposal by the members and a decree by the Council Chairman.

## B. Conditions for election of members

- 1. Nationality of the Islamic Republic of Iran,
- 2. Having minimum 40 years of age,
- 3. The economist and juror members of the Council shall hold valid Ph.D. degree and the trade, industry, infrastructural services and financial experts will hold at least B.A. /B.S. degree,
- 4. Having no criminal record per article (62) of the Islamic Penal Code or any record of bankruptcy due to offense or fraud,
- 5. Having at least 10 years of experience in related field,
- 6. Having no record of disciplinary guilty verdict per paragraphs (a) to (d), Article (9) of the Law on Administrative Offenses (adopted on November 28, 1993).

Note— Retirement, with the exception of the judge, will not be a criteria for non-election of the people.

**Article 54)** To handle professional, executive and other affairs of the Competitive Council Secretariat, the Central Competitive Council will be formed to serve under President's supervision as an independent government institution. The body of the Center will be named on the proposal of the Ministry of Economic Affairs and Finance and the approval of the cabinet. Incoming changes in body of the National Competition Council will be proposed by the Competition Council, confirmed by the State Management and Planning Organization and approved by the Cabinet.

**Note 1**– Head of the Competition Council will also be the Head of the National Competition Council.

**Note 2**– The official and contract personnel of ministries and government organs and institutions will have the priority in employment to the National Competition Council.

**Note 3**– The by-law on encouragement of the Competition Council members and staff of the National Competition Center will be proposed by the Ministry of Economic Affairs and Finance and approved by the Cabinet.

**Article 59)** With regards to special good or service, whose market is an instance of natural monopoly, the Competition Council can propose formation of part adjustment institution to the cabinet for approval. It can also cede part of its regulation duties and authorities in related field to the part adjustment institution.

Composition of the part regulations institution members will be decided on a proposal made by the Competition Council and the approval of the cabinet. Conditions for election of members of the institutions will be in accordance with paragraph b of Article (53) of the law. Their members will undertake responsibilities envisioned in the law for members of the Competition Council to fulfill their duties and authorities.

At any rate, no institution can make any decision or take any action contradictory to the law or approval of the Competition Council to facilitate Competition.

**Article 62)** The Competition Council will be the only authority to probe anti-competition procedures and the responsibility to start investigation on anti-competition procedures and make decisions within framework of Article (61) of the law. It will do that either itself or based on complaints raised by legal or real entities, including Prosecutor General or local prosecutor, State Audit Court, General Inspection Organization, section adjusters, government affiliated organizations and institutions, guild groups, the associations of support for consumer rights and on the non-governmental organizations. The Council will have the duty to set a date for investigating complaints and inform either side of the result of the investigation. The two sides can be present in the session or introduce an attorney or submit a bill of defense to the Council.

# BEST REGARDS

