

# Annual Report 2019 draft

## Mr. Governor speech

The results included in the annual report for 2019 of the strategic plan for the years (2016-2020) indicate important indicators in the context of the horizontal relationship between the functions of the monetary institution at the level of its formations and the nature of the complementary roles, as well as the vertical relations with its time implications to reach the integration of goals. This reinforces the vision that this strategy flows and the bet on being an effective element in excellence and upgrading the institutional work to keep pace with what modern management paths have reached at the international level and the ability to adapt them locally and get benefit from them.

As we see the results of the strategy, which is growing year after year, as our confidence increases in the capabilities of this institution and its staff to frame the goals in order to achieve the shortest distances in terms of time or costs, as well as the incentive it generates in increasing the donation and to paint a more visible picture of the future of the goals, especially since this experience is close to its last year and will certainly result in new visions and objectives consistent with what this strategy has begun.

The review of this year's report demonstrates the great effort made by all the Bank's formations and the high flexibility that these formations have in dealing with the conditions and variables in the macro environment and the economic indicators with which we interact, and this is why we thank all the Bank's formations and in particular the Department of Quality Management and Institutional Development for these efforts.

## Contents

Topic	page
Mr. Governor speech	
Contents	
Introduction	
Goal 1: Achieving and supporting financial stability	
Goal 2: Strengthening comprehensive risk-based control systems	
Goal 3: Development of the organizational structure and organizational structure of the central bank	
Goal 4: Human capital development	
Goal 5: Activating and integrating internal and external relations	
Indicators of financial inclusion	
Distributing the completed initiatives to the bank's departments	
Initiatives completed for 2019	

## Introduction

The Central Bank of Iraq played a key role in managing the economic process in Iraq in accordance with its law no.56 (2004 amended) through its management of monetary policy and in order to achieve the sustainable development goals and strategic goals of its plan for 2016-2020 of which several projects have been completed in (2016-2017-2018-2019). The Bank and its management efforts have been able to achieve many of the sub-objectives that are aimed at achieving the strategic objectives set out below. :

The first goal: to support and achieve financial stability.

The second goal is to strengthen the banking sector and financial institutions.

The third goal is to develop the regulatory structure and the regulatory structure of the central bank.

The fourth goal : Developing human capital capabilities.

The fifth goal: Activating and integrating internal and external relations.

The Bank has been able to strengthen its foreign exchange needs and provide continued support to the Iraqi economy by achieving the objectives that have contributed to stimulating the economic cycle, supporting bank liquidity through financing, providing support to various economic sectors through specialized banks through loans to central bank sponsors, restoring confidence in the banking sector by establishing a deposit guarantee company that will soon be operational, as well as structural and structural developments in all its formations, and focusing on quality management and development. The institution adopts international standards and adheres to electronic payment rules and regulations and information technology.

The Bank continues to achieve the remaining strategic objectives of the current plan, and the work is under way to build the overall framework for the next strategic plan (2021-2023).

The report reviews the projects completed during 2019 in accordance with the five strategic objectives of its strategic plan (2016-2020).

## **The strategic Goal 1: Achieving and supporting financial stability**

The Central Bank is responsible for the safety and stability of the financial system, as indicators for financial stability in Iraq have been identified and developed through the Financial Stability Index, stress tests, financial inclusion indicators and financial safety indicators for the purpose of strengthening its role by monitoring and analyzing changes in the financial system on an ongoing and periodic basis.

### **Strengthening comprehensive risk-based control systems**

- The Central Bank prepares a risk-based audit plan for the years (2020-2023) to prioritize audit activity for audited operations in line with the Bank's strategic objectives as it was approved by the Board of Directors and the Audit Committee.

- The bank's internal control systems have been evaluated in accordance with the COSO framework.

### **Protecting the financial system**

- The Central Bank has renewed its license to obtain the certificate of requirements of the International Specification of the Quality Management System (ISO9001:2015) in the field of cash management after successfully passing the external audit process and to support and facilitate the application of the requirements and controls contained in (Law 39 / 2015) of the Anti-Money Laundering and Terrorist Financing Act and training and involvement of employees in external courses (Kuwait, Korea, Qatar, Egypt, Russia, United Arab Emirates) and internal courses (Ministry of Planning, AL-Rashid Hotel) and involvement in external workshops provided by UNODC and Egmont Group in cooperation with the Saudi Financial Investigation Unit.

The Central Bank provided the necessary liquidity from the Iraqi dinar and foreign currencies to cover the needs of the government and private sectors and to maintain the stability of the exchange rate and its stability against the dollar.

- The approval of the General Secretariat of the Council of Ministers / Legal Department was obtained to exclude the Office of Money Laundering and Terrorist Financing from the mechanism of presenting memorandums of understanding between the financial investigation units to them with the powers of signature exclusively to the Director General.

- The directory of the functions and duties of the Office of Money Laundering and Terrorist Financing has also been approved by the Anti-Money Laundering and Terrorist Financing Board and sent to the sponsoring units of " Egypt and Lebanon", in which the sponsors informed us that membership of the Republic of Iraq had been submitted to the Membership and Compliance Team of the Egmont Group.

- For the purpose of exchanging information and exchanging experiences through agreements with various entities inside Iraq and memorandums of understanding with counterpart units, bilateral cooperation agreements have been signed internally (Hajj and Umrah/Department of Management and Finance, Ministry of Commerce/Corporate Registration Department) and internationally, memorandums of understanding have been signed with counterpart units (Jordan and Lebanon), and some provisions of the memorandums of understanding previously concluded with Denmark and Belgium have been updated.

- For the purpose of establishing a database to be accredited as a national center for collecting and disseminating this information on possible occurrence of money laundering and terrorist financing, and to establish the means to facilitate the task of the judicial authorities and other competent authorities to implement the provisions of (Law 39 of 2015), a standard service level agreement was concluded with the relevant United Nations office with the fight against crime and drugs, the follow-up is still ongoing with the concerned authorities in the departments of the Central Bank regarding the purchase of infrastructure for the ( GoAml ) system.

### **Promoting financial inclusion**

Financial inclusion is the main reason for economic growth by achieving financial stability through enhancing access to finance and financial services to marginalized and poor groups of society, and paying attention to education and financial awareness issues for financial services and support for micro, small and medium-sized enterprises, as the Central Bank in 2019 has:

A meeting of the High Committee for Financial Inclusion (chaired by the Central Bank of Iraq and the membership of a number of public and private sector entities, held on 29 August 2019), it was approved to add new sub-committees from the High Committee for Financial Inclusion (Consumer Protection Committee, Digital Financial Services Committee).

- The microfinance industry workshop in Iraq was held under the letter numbered ( 1100) on (29/8/2019) to be established by the Subcommittee of the Small and Medium Enterprises Committee to establish a joint cooperation mechanism between the Central Bank and the General Secretariat of the Council of Ministers for the purpose of determining the supervisory role of the Bank over microfinance organizations and the subcommittee to find a legal way to include these organizations under the supervision of the Central Bank.

Cooperation to develop the National Financial Inclusion Strategy in Iraq with the Arab Monetary Fund as well as their strategic partners from the World Bank and the German Development Agency (GIZ) and provide support and technical assistance.

- Receiving the report from the Arab Monetary Fund mission on the reality of financial inclusion in Iraq and working to implement the recommendations made by the report that contribute to the preparation of the national strategy for financial inclusion.

- In light of the Bank's plan to shift towards electronic payment and to reduce the burden on the beneficiaries and facilitate access to banking services for all segments of society in a fair and transparent

manner, the Bank has put mechanisms that contribute to the spread of payment, as the banks that are issuing cards have been directed to increase the number of ATMs in proportion to the number of cards issued as it must be at least one ATM for each (1000) card issued by the bank in addition that each branch of banks across Iraq has an ATM that has its front outside the branch building and operates continuously and Banks were allowed to participate in the process of collecting money through point of sale devices in the shops under the letters numbered 23/402, 23/2245, 23/1254, 23/2003, 23/168 Dated 12/3/2018, 26/12/2019, 26/6/2019, 12/11/2019, 28/1/2019.

- The issuance of electronic payment cards of all kinds by institutions licensed by the Central Bank and subject to its control, which are (3,139,022) cards, which enable segments of society to use them through electronic payment services such as ATMs, POS and POC, which are (1,003) ATMs and (3,834) points of sale and (11,108) outlets.

- Support banks and e-payment service providers to participate in the Arab financial day for a week (25-30/4/2019) in cooperation with the Iraqi Banking Association for the purpose of delivering banking services to all segments of society.

- The Central Bank has obliged all banks to provide mobile banking in order to improve digital banking services and rely on modern technologies to ensure easy access to services to all segments of society at reasonable prices under the 23/1770 circulars on 26/9/2019.

- Salaries of (812,998) public employees were localized in 2019 as the total number (993,540) employees up to December 2019, as well as the localization of (333,997) beneficiaries from the General National Pension Authority under resolution (270) issued by the General Secretariat of the Council of Ministers.

The salaries of (208) spending units have also been localized as the total number (398) self-financed and centrally funded expenditure units in addition to (877) separate units of account in accordance with the instructions and controls issued.

- Preparing and adding (8) banks to the list of banks approved by the Bank in the salary settlement project as the total number (29) banks (6) government banks and (18) private banks as well as (5) branches of foreign banks, as the number is updated based on the eligibility of the banks.

- Based on National Security Council Resolution no. (12 /2019) in its session no. (9-2019) on 22 May 2019 paragraph 3, which includes the start of the settlement of salaries of employees and employees of the Ministries of Defense and Interior affairs , several meetings were held with the two ministries above for the purpose of developing a work map for the settlement of the salaries of their members and The Ministry of Interior affairs has concluded agreements with qualified banks and conforms to the security specifications issued by the National Security Advisory, in accordance with the confidentiality of data transmission, while the Ministry of Defense is in the process of concluding agreements with the banks.

To strengthen and integrate the financial inclusion axes in Iraq through the Central Bank's initiative of (6) trillion dinars to finance small, medium and large enterprises, the grants for the end of 2019 were:

- With regard to the initiative of (1) trillion, (30) banks were granted a sum of (75,930,000,000) dinars for the purpose of financing SMEs for the period from (1/1/2019) to (31/12/2019).

- Office and on-site audits are carried out after the Central Bank is provided with statements and schedules containing the names of borrowers who are granted funds to finance SMEs six months after the date of the grants under the (1) trillion initiative.

The duration of loans to banks participating in the 1 trillion dinar initiative has been increased from 5 to 7 years.

As for the 5 trillion initiative, the funding was as follows:

- Financing the Agricultural Bank with (23,357,890,031) dinars.

Housing Fund with (50000000000) dinars

The industrial bank with 4,900,000,000 dinars

The loan period granted by the 5 trillion initiative to the competent banks has also been increased from 5 to 10 years.

In light of the successes of the Central Bank of Iraq's SME initiative, the SME loan ceiling has been raised to 1 billion Dinar per loan for banks participating in this initiative to absorb more projects and create more jobs.

- The Central Bank of Iraq's interest (0,007) has been converted into a one-time administrative commission.

- Financing of housing loans by private banks participating in the initiative (1) trillion dinars for citizens wishing to buy housing units not more than the percentage of (30%) with a higher ceiling of 50 million dinars and facilities granted to citizens wishing to buy bus cars by (20%).

### **Foreign reserves management**

To manage foreign reserves, the Central Bank has:

- Increase deposit investment by introducing new deposits by targeting the best rates of return in the markets to maximize the annual returns of the Bank, with the introduction of new deposits in the Arab Monetary Fund, the Central Bank of France and the Central Bank of England.

- Increase investment in Islamic cheques by (25%) Investments as this financial instrument have increased from \$2 billion in 2018 to \$2.5 billion in 2019.

### **Increase in the size of foreign reserves**

The Central Bank achieved positive growth in net foreign reserves by (18.4%) The Bank's reserves increased from US\$52,196,178,308 in 2018 to (61,809,920,331) USD in 2019.

- The management of the foreign reserves of the Central Bank of Iraq has evolved significantly by establishing solid banking relationships and adopting the principle of self-management of foreign assets for most of the investment portfolios that were managed by central correspondent banks, and adopting the latest global practices (the use of electronic trading platforms Reuters & Bloomberg), as well as managing investment risk in a way that maintains the integrity and liquidity of reserves, which allows

negotiations with correspondents for better returns as the Bank has achieved additional returns from central correspondent banks on prices of interest on fixed deposits and exchange rates in case of sale of foreign currencies and bond prices as these returns in 2019 (4,739,607.14) U.S. dollars at a high growth rate of 0.79% compared to 2018 as these returns (2,641,944) USD (2,641,944) that contributed to the development of the capabilities of employees and increased their experience in trading and execution of operations electronically through trading platforms, as well as quick response and solve problems that may occur during investment operations.

## **The strategic Goal 2: Strengthening the banking sector and financial institutions**

For the purpose of developing and regulating the work of banks and financial institutions, the Central Bank has:

Calculating the allocation of expected credit losses under the calculation results according to the moderate scenario according to the methodology of application of IAS no. 9 and based on managed financial assets.

The follow-up of the interbank liquidity transfer project in order to provide liquidity to banks with temporary deficits.

- The completion of the internal classification study to calculate the probability of default for banks using the method of discriminatory analysis.

Preparing a study to apply how to calculate the capital adequacy of Islamic banks.

- Update the real-time total settlement system by activating cash out for the purpose of automating cash withdrawals to banks and eliminating the use of cheques in cash withdrawals by booking funds on the system and exchange for cash withdrawals in Iraqi dinars (as a first stage as to be adopted later for dollars from open bank account balances, as well as the modernization of the electronic clearing system (C-ACH) by activating direct debt instruments (DD) in the PO screen for the purpose of facilitating the process of obtaining funds owed by banks to customers based on a prior contract between the parties.

- The draft Iraqi payments law has been completed and submitted to the legislative authorities for approval.

- Preparing the early warning system and calculating liquidity ratios reports according to the requirements of (Basel III) NSFR, LCR to predict the potential failure of the banking sector and intervene in a timely manner to reduce the incidence of banking crises and reduce the costs of addressing the effects of those crises for banks suffering from liquidity problem to maintain the stability of the financial system and monitor the decline in liquidity of the banking sector.



- The electronic collection project is one of the main projects that contribute to the strengthening of government resources and collection in a safe and transparent environment based on the infrastructure represented by the national section, where all banks and companies licensed as an electronic payment service provider and through their association with the national section can contribute to this project because of the reciprocal use of cards issued by them and the use of points of sale and ATMs for collection purposes as well as through electronic wallets via mobile phone as the project aims to provide a service to offer and pay bills electronically and inquire about them to all citizens through banks and e-payment service providers licensed by the Bank so that all stakeholders can participate in it, the Central Bank has completed the software for the project above in accordance with the development of electronic collection mechanisms and financial and technical requirements under the circulation no. (23/651, 23/2056) on (3/4/2019) and (20/11/2019).

- For the purpose of organizing the work of banks and e-payment service providers, a special system has been prepared to provide a database for their clients and a workshop was held on 3 February 2019 under the letter 23/73 on 15 January 2019.

- Regulating the limits and ceilings of transfers carried out through (ATMs and point-of-sale devices) under the letter no. 23/2003 on 12/11/2019.

- Organize the work of the m-card electronic payment card according to the letter no. 23/324 on 17 February 2019.

- Automating financial transfers between state departments and institutions for the purpose of obtaining dues through the Iraqi payment system through the Electronic Clearing System (C-ACH) using payment orders (CT) instead of cheques, as some departments and institutions have been automated (Oil Pipeline Company, Oil Products Distribution Company, North Gas Company, Ministry of Oil/Baghdad Distribution Authority, Martyrs Foundation, Electricity Ministry/ Ministry headquarters).

- The Central Bank has effectively launched the Iraqi retail payment system consisting of (The national divider , mobile payments) with banks and companies as banks (Thiqa, Rajih, Nahreen, across Iraq, world, agriculture, industry, AL Taif, region) linked during 2019, companies have been linked in 2019 with the retail payment system after the completion of all administrative, technical and organizational procedures.

The Central Bank has granted three companies a license to act as an electronic payment service provider.

- For the purpose of stabilizing the exchange rate by controlling the activity of foreign exchange brokers and establishing their work in line with the experiences of selected countries, the Central Bank has prepared a study on the restructuring of non-bank financial institutions, inviting a group of companies for the purpose of merger, increasing their capital and blinding the content of the study to exchange companies wishing to merge, as 33 exchange companies in two categories (A,B) were merged after requesting the opinion of the Office of compliance controller and international audit firms ( Ernst & Young) (KPMG) to take them to the banking firm .

- An agreement has been reached with the World Bank to provide technical assistance for the purpose of evaluating the Iraqi banking financial sector and the governance of Rafidain and Rasheed banks, and work continues.

### **Supporting and developing the Islamic banking industry**

To support and develop Islamic banks in Iraq, the Central Bank has issued the final executive regulations governing the operation of Islamic banks as follows:

Issuing the legitimate compliance report and monitoring compliance number (9/3/192) on (12/5/2019).

Issuing takaful controls number (9/3/244) on (12/6/2019).

- The issuance of the regulations for the merger and the Union of Islamic Banks in accordance with the circulars No. 3/9/271 on 30/6/2019

-The issuance of the controls of the Supreme Sharia Advisory Committee in the Central Bank in accordance with the decision of the Board of Directors numbered for the year (2019)

and work is underway to formulate the following procedures:-

-Starting procedures for establishing the National Takaful Company with a capital of (15) billion dinars and with the participation of all Islamic banks, and work is underway with the procedures and in coordination with the legal department

-Preparing the draft regulations for the consolidated Islamic finance program (SIFP)

-Preparing the draft controls for maintaining the consolidated Islamic finance account and the controls for maintaining the real estate development account

-Preparing draft controls for banking certificates of deposit and investment in cooperation with the Iraqi Securities Commission and the Iraq Stock Exchange

-Preparing the draft controls of the Islamic financial protection network as one of the tools for providing liquidity to Islamic banks

-Preparing a draft guide for Islamic banking services

The Central Bank also designed a list of liquidity proposals for Islamic banks that take the privacy of maintained investment accounts and Sharia-compliant financial instruments and presented the list on Islamic banks for testing them.

### **The Strategic Goal 3: Supporting the establishment of a deposit insurance institution**

With the aim of protecting the funds of small depositors and enhancing public confidence in the banking sector, the Central Bank has issued circulars regarding the establishment of the Iraqi Company to guarantee deposits to all licensed banks except for Islamic banks, which is composed of 44 founders and the establishment of the company has been approved by the Department of the Registrar of Companies and equipping the cadres and members of the Board of Directors through communication between the Central Bank and the banks, and work is underway to grant the license to the Deposit Insurance Company.

### **The Strategic Goal 4: To develop the bank's organizational structure and organizational structure**

Reinforcement and completion of structures

For the purpose of developing the institutional performance of the bank's formations, clear goals and indicators have been set to measure the performance in those formations, which mean beside the outputs (services provided) in terms of the size of achievement, its quality and the speed of its achievement rather than focusing on the input side represented in the extent of commitment as the shift towards the application of standards Evaluate the institutional performance issued by (EFQM)organization that applies the standards according to the plan agreed upon with them and prepare the final evaluation report.

In line with international auditing standards and best practices for continuous professional development and the necessary professional care, the bank has undertaken the following:-

-Updating the internal audit charter, specifying the purpose, authority, authority and responsibilities in accordance with international best practices. It was circulated to all bank formations and published on the bank's website.

-Preparing performance indicators to assess the efficiency and effectiveness of the audit activity and to identify opportunities for improvement

-Preparing an audit quality assurance checklist to measure the compliance of the audit activity with international standards and best practices

-Preparing a code of principles and rules for the internal audit profession according to the form issued by the Institute of Auditors

-Keeping abreast of developments in the world of auditing, as updated copies of the professional framework for the practice of internal auditing were acquired, as well as membership in the American Auditors Association and the membership of the Association (ISACA)

-Preparing a feedback form to measure the extent of the auditing bodies' satisfaction with the audit activity and to identify strengths, weaknesses and opportunities for improvement

-Developing the capabilities of employees and enhancing knowledge and skills, as a qualification course was held to obtain the certificate of CIA (internal auditor certificate)

-On the other hand, the bank evaluates and develops the performance of employees by setting accurate and specific standards to evaluate the performance of employees in different jobs, creating a suitable evaluation model, building a framework for an individual performance evaluation system, and developing specific mechanisms for the purpose of evaluating the performance of the bank's employees.

-Work continues regarding the implementation of the new central bank building project, as completion rates have been regularly monitored within a year 2019.

- The bank set a development plan for its two branches (Basra and Erbil), which included developing the infrastructure for information technology and electronic systems by establishing an advanced wired and wireless network for the Basra branch and developing its organizational structure by expanding the branch area and providing it with modern mechanisms for transferring currency through a contract with the Iraqi Company for Banking Services .

- Creating a disaster recovery site that includes copies of data and applications operating in all bank branches, and developing replication and backup operations between data centers in Al Rasheed, Jadriya and Basra sites.

- The Internet service of the Erbil branch was developed, the branch's infrastructure was strengthened and completed through the implementation of the early warning system and the installation of the camera system, and the coordination of work procedures with the center was strengthened through the establishment of activities to educate about financial inclusion.

- The bank has developed backup and symmetric systems for data and applications in its systems in order to avoid failure as part of the main infrastructure components for the work of its systems and to provide high speed to set up operation within the systems' backup environment in alternative or backup sites, in addition to data backup operations to retrieve data in the event of data loss or

loss. And exposure to viruses, malicious and malicious software, or exposure to complete failures, disasters, or user errors.

- And to strengthen the security and electronic protection system (the alternative site / Al-Jadriya), the bank has created the latest advanced encryption and firewalls systems, by adding technical and information layers of protection to its alternative site (Jadriya) through the implementation and use of firewall devices, and with advanced technologies to prevent threats and attacks Malware, file filtering, detection and identification of gaps and weaknesses for the information and communication technology infrastructure in the bank, prevention of malware and real-time attacks (Zero day attack), and end-user protection software at Al-Rasheed website.

-The technical requirements of the project (Infrastructure Development for Database Management and Operation) have been developed, which in turn aims to develop the infrastructure for readiness sites by building systems and backup environments and advanced storage environments for the work of systems and databases that support a safe and smooth transition and work directly in the event of a malfunction or any thing. Technical stoppage in the main production environment (sites / main data center) with performance, availability and reliability, as it is characterized by high flexibility in defining and changing technical settings and specifications for devices, licenses and scalability in line with the work of systems and databases, and adding programs that support replica backup operations and Avoiding points of failure, managing the transition of work from the main production center to the standby sites (back-up sites), and software that supports safe and secure operations, encryption and data refinement.

- In the context of strengthening the governance of investments in the Central Bank and introducing electronic systems in the management of foreign reserves, work is underway to develop a system for managing investment portfolios that works to manage and record investment operations: - (deposit, deposit renewal, coupon maturity, buying, selling and extinguishing bonds, buying and selling Currency, interest on the current account, buying and selling of gold, a deposit of gold, transferring the current account between two correspondents, fees on the current account / correspondent services, buying - selling - extinguishing - maturing coupon / Islamic bonds, and buying - selling - amortizing / treasury transfers) .

- The Central Bank has issued information technology governance controls for the banking sector under the name (Information Technology Governance Controls, which clarifies the governance and management of information and associated technology, and guidelines for managing information technology risks, data security and cybersecurity at the institutions regulating the central bank) and circulated them to all banks and payment service providers. Mail to act accordingly.

- An alternative location for the Central Bank in Al-Jadriya has been prepared and provided with all the necessary systems to sustain the daily business of the bank's departments, to be used in

emergency circumstances, in order to ensure the continuation of the bank's business properly, as it was effectively used during the recent events related to the demonstrations.

The bank has established and implemented a number of systems and projects as follows:

- The system of electronic payment services companies, which in turn creates a database for agents and providers of electronic payment services, and provides the ability to inquire and extract reports on the main agents and service providers according to the governorate.
- The system of transfers and credits, which in turn works to record data sent by all banks and money transfer companies to the beneficiaries of transfers and credits from companies and individuals, according to a specific form for this purpose.
- Electronic Banking Supervision Reports System (BSRS) using XML technology, as this system aims to improve the ability of the Central Bank to receive and analyze financial information to enhance banking supervision processes and support strategic decision-making. Work is underway to implement the system requirements.
- The implementation of the unified control and monitoring software project, as through this project the implementation of inspection, follow-up, monitoring, and authorized access operations are carried out for each of the computer software and applications for external users from all banks and financial institutions for participants in the optical communications network, as well as the central bank employees who are users of administrative, financial and accounting systems and systems All data centers.
- A project to develop the technical and information infrastructure for the data centers of the Central Bank and its branches, which aims to develop the technical and informational infrastructure of the data centers (main and backup) of the bank and its branches and keep pace with informational progress in terms of using modern technologies to manage communication systems, networks, support systems, local band systems and the qualitative transition to work on work environments Virtualization to ensure the optimal use of technical and technological resources on the one hand and human resources on the other hand, application of information and data security policies, prevention of threats and sources of cyber attacks, filtering of websites and protection of the end user.
- The project of the banking communications network operating with optical cable technology. Work is underway to complete the connection of electronic payment companies and some newly licensed banks with the Central Bank to a banking communication network using optical cable technology, after the completion of the connection of the licensed banks with it to the communication network.
- Providing technical support and support, as well as providing technical advice at the level of the bank and its branches on one side and the general banking sector on the other side, in addition to providing continuous support to the systems operating in the bank while ensuring the provision of technical infrastructure and attention to developing the efficiency of workers on these systems to ensure performance is achieved at the highest levels.

Work is also underway to digitize a number of activities that are run in the bank, as follows:

- The International Transaction Reporting System (ITRS), as the system works to record both outgoing and incoming transfers, executed documentary credits in a special database prepared for this purpose.
- The Letters of Guarantee platform system that monitors letters of guarantee issued by banks and gives a reference number to them.

Developing and updating the credit information system (CBS), which provides a complete and updated central base for the credit data granted by banks to their customers on an ongoing basis consistent with the Iraqi banking environment in accordance with international best practices, as the system allows both governmental and private banks to inquire and exchange credit information in a direct, fast, smooth and reliable way. It cuts time and red tape while providing a high level of security and confidentiality.

## **Development of bank operations**

The Central Bank has developed its formations operations as follows:

- Acquisition of a copy of the (ACL) system for the purpose of gradually moving to electronic auditing.
- The bank has begun to lay down the principles of the EFQM system on the projects to develop the investment performance system in the bank, qualify the Center for Banking Studies to grant accredited certificates to individuals, and develop a plan for the continuity of the work of the bank's technical systems during times of crisis and emergency situations by identifying critical systems and completing the preparation of the initial draft for continuity of work. Technical systems.
- The bank has prepared a customer satisfaction management system based on the two specifications (ISO10004-ISO10002) as this system clarifies the interested parties with all the central bank and the main points of contact with the concerned departments and the preparation of a model for the individual performance evaluation system.
- The bank proceeded to develop the investment performance appraisal system by reviewing the annual report of the foreign needs risk performance of the Central Bank for the year (2018) and studying the results of the instruments index. Reserve coverage.

## **Fourth goal: developing human capital**

Human resources for bank formations

The process of developing human capital and designing and developing distinguished training programs increases the possibilities of the emergence of influential strategic leaders, preserving and investing the core capabilities, and developing the organizational culture that fosters ethical practices in the central bank and the banking sector alike. 2019 (78) training course in various specialties distributed to (2,911) participants from central bank employees, state departments, and banking and non-banking financial institutions.

There is a group of professional certificates granted to employees:

1- CFCS Certified Specialist.

2- Certified specialist in combating money laundering and terrorist financing (CAMS).

The bank has also prepared a comprehensive training plan that focuses on developing the skills of its employees according to the training needs of the competency matrix for the purpose of developing their capabilities and developing their skills, as they have been involved in many training courses inside and outside Iraq.

The bank prepared a job description guide for all its formations and worked on building a preliminary system that includes paragraphs related to the ideas presented, as it was approved by the bank's board of directors according to Administrative Order No. (2342/10/5302) on 8/10/2019.

## **The strategic Goal 5 : strengthening and integrating internal and external relations**

For the purpose of consolidating internal and external cooperation with governmental institutions and international financial institutions and identifying the functional areas in which progress is needed to reach a level in line with the international system of central banks. And to promote joint training programs with training centers of international organizations and central banks by contributing and participating in specialized and advanced programs that include developing job performance and raising capabilities, as well as actively participating in conferences and seminars held by those bodies in addition to conferences held by the Central Bank With regard to the special axes in building institutions and policies, whether at the technical level or policy-making, and the conclusion of twinning agreements with the aim of building strong links with international organizations and institutions that perform similar tasks, the Central Bank, during the year 2019, did the following: -

- For the purpose of establishing a regional institution for clearing and settling Arab payments by participating in the Arab regional payment system, the Central Bank began the pilot phase of the system by holding a special workshop for regional institutions for clearing and settling Arab



payments established in the Arab Monetary Fund in the United Arab Emirates, as circulars were issued to banks And financial finance companies for the purpose of filling out a questionnaire that includes gathering information about aspects related to payments flows in the Arab countries.

- The Central Bank signed banking arrangements with JPMorgan Bank for the purpose of investing in securities, preserving government bonds, and establishing subsidiary accounts for Iraqi banks to settle credit card payments issued by Iraqi banks.

- The bank agreed with Citibank for signing banking arrangements after opening a bank account with them for the purpose of investing in time deposits, as well as the possibility of investing in securities as well.

- The guidelines for managing and investing in foreign reserves have been amended twice during the year 2019, as amendments were made to the credit rating of international commercial banks' risks and investment in financial instruments issued by global commercial banks, as well as investment in externally managed portfolios from international financial institutions or global investment management companies. These amendments came in response to the bank's business plan to invest in high-return and low-risk instruments.

- The Central Bank signed an agreement with the Arab Monetary Fund to manage an investment portfolio in government bonds issued by Arab countries that has a high rate of return and a low level of risk.

- The Central Bank signed an agreement with the Arab Monetary Fund to manage an investment portfolio in government bonds issued by Arab countries that has a high rate of return and a low level of risk.

- The bank has established a relationship with the (OMFIF) institution, which is an international financial institution that is mainly concerned with researching monetary and financial issues and providing financial and monetary solutions and consultations, as well as providing the bank with economic reports and studies that serve the bank's activity. Central banks and major financial institutions in the world contribute to the activities of this institution.

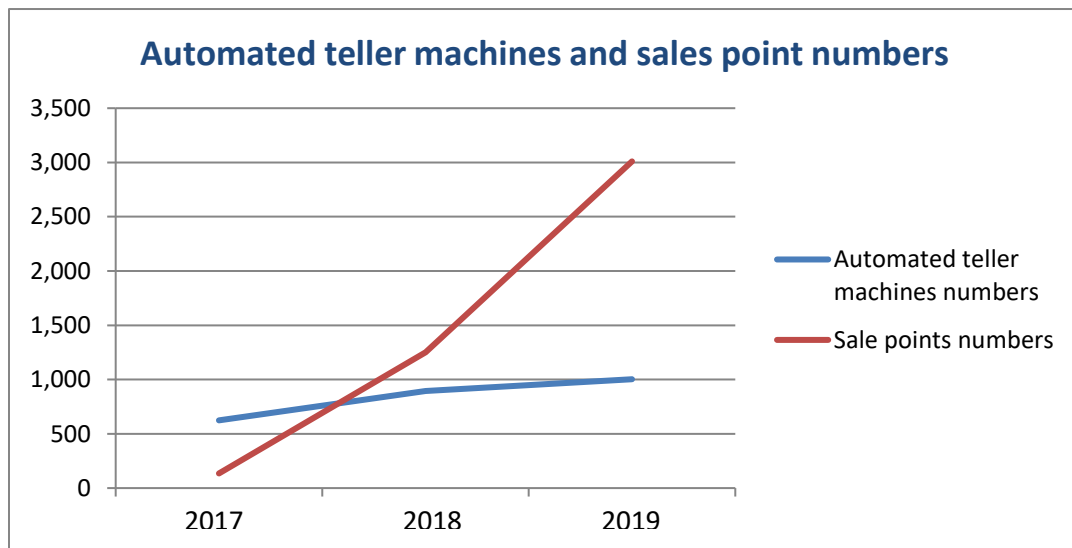
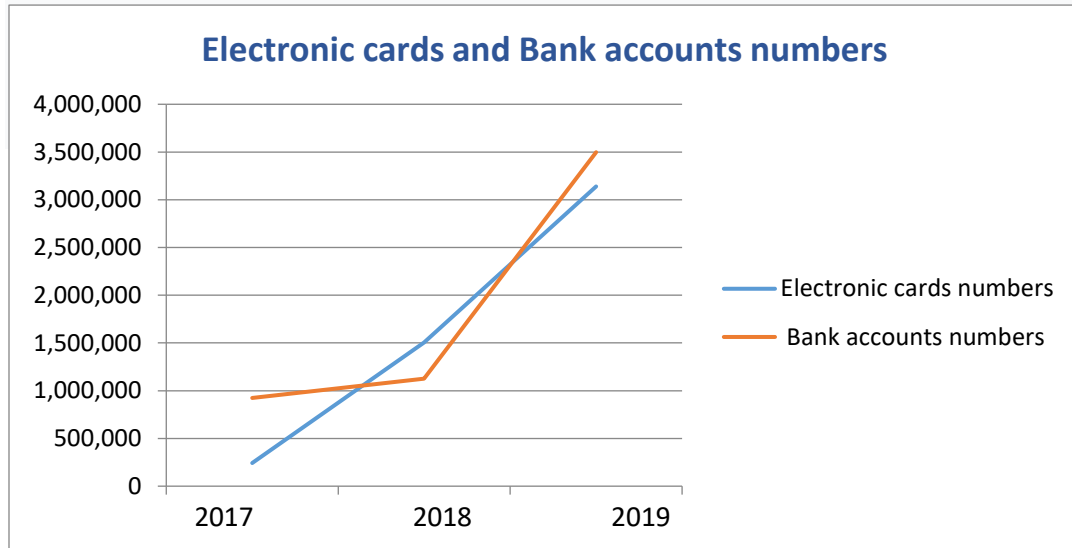
- An agreement has been made with the World Bank - Reserves Management Advisory Program (RAMP) for the purpose of investing by them for the benefit of the Central Bank of Iraq in central treasury bonds, and investment will take place in 2020, as this program provides integrated financial and advisory services that contribute to raising the efficiency of foreign reserves management.

- The Central Bank agreed with the Chinese Bank (Citic bank) within the framework agreement signed between Iraq and China.

- Adding the confirmation on documentary credits for Iraqi crude oil shipments, as the formula for documentary credits for crude oil shipments was modified and the request to the banks issuing these documentary credits, in addition to the confirmation for the banks accepted by the Central Bank, and these new arrangements began in April 2019 to reach a percentage 100% at the end of

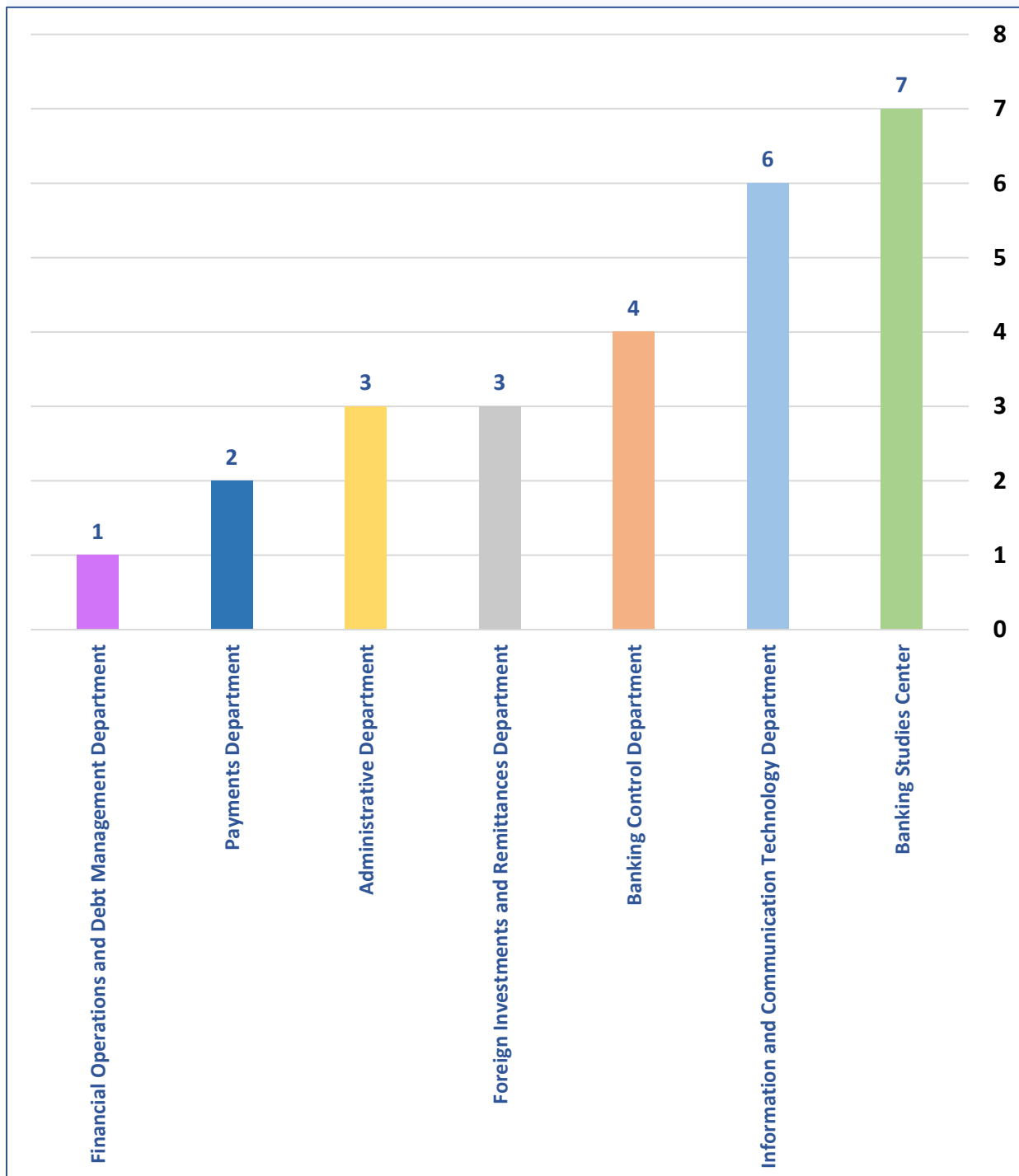
the year, and these measures have contributed to mitigating the credit risks arising from the credits borne by the confirmed and issuing bank, as the bank adopted an approach based on evaluating the proven and issuing banks of credits to ensure payment of Iraqi crude oil dues in the event that the issuing bank was unable to pay, It also resulted in the participation of branches of foreign banks in Iraq in this project, as well as the development of an integrated plan to involve Iraqi banks in adding stabilization, which will be completed later.

## Indicators of financial inclusion



## Distributing the completed initiatives to the bank's departments

- The total number of completed strategic plan initiatives for the year 2019 is **(26) initiatives** distributed among bank departments as shown in the following scheme:



## **Initiatives completed for 2019**

### Information and Communication Technology Department

- 1-Development of backup and symmetric systems for data and applications
- 2- Strengthening the security and electronic protection system (second stage/ Al Rasheed)
- 3- Enhancing the security and electronic protection system (the third stage - the alternative site / Al-Jadiriya) by establishing the latest advanced encryption systems and firewalls)
- 4- Guide to Information Technology Governance in the Banking Sector (Information Governance and Management and Associated Technology. Guidelines for Information Technology Risk Management, Data Security and Cybersecurity in the Organization's Institutions in the Central Bank of Iraq)
- 5- Development of the infrastructure of data centers and database systems and their applications (developing the infrastructure for managing and operating databases / second stage)
- 6- Development of data center infrastructure and database systems and applications (Basra branch)

### Banking Control Department

- Restructuring non-bank financial institutions (brokerage firms buying and selling foreign currencies)
- Monitor the liquidity of banks through the models specified by the Basel Committee (III), namely, (LCR) and (NSFR), and work to address the conditions of those banks that suffer from the problem of liquidity to maintain the stability of the financial system

- Setting a comprehensive framework for the policies and procedures that must be applied by the bank to reduce the risks that it may be exposed to according to the dimensions (regulatory and supervisory, legislative, awareness and educational)
- Developing the field and office inspection department cadres by training them on the latest control practices

### Foreign Investments and Remittances Department

- Establishing a database of the Iraqi dinar exchange rate against the US dollar for previous years
- Organizing a workshop for the SWIFT community in Iraq (annually) (Standard Release 2019)
- Portfolio Management System

### Administrative Department

- Preparing a comprehensive training plan according to the competency matrix
- Developing an institutional performance management and evaluation system + setting clear goals and indicators to measure performance in the bank's formations concerned with the outputs (services provided) in terms of the size of achievement, its quality and the speed of achieving it efficiently instead of focusing on the input side represented in the extent of commitment
- Setting precise and specific standards to evaluate the performance of workers in various jobs and include productive efficiency and good performance derived from the nature of the tasks assigned to them

### Payments Department

- Linking comprehensive banking systems to the payments system
- Preparing the infrastructure (software) for the electronic collection project

## Financial Operations and Debt Management Department

- Preparing a database for housing loans within the (5) trillion initiative

### Banking Studies Center

- Preparing training and development programs to build capacity for bank employees and workers within microfinance institutions
- Attracting qualified staff ,preparing development and qualification programs at various levels
- Preparing specialized professional programs and courses in the field of the central bank, including (ISO27000) for information security and (ISO20000) for infrastructure
- Preparing a training plan for the banking sector that includes all the axes included in the strategic plan for the requirements of the application of prudential and comprehensive supervision, the axes of disclosure, transparency, bank governance, business continuity, Basel standards and other axes, with an emphasis on taking into account the priorities contained within the plan
- Establishing special programs for training in Islamic banking services
- Establishing programs and workshops and holding awareness seminars on policies and strategies related to the economic aspect
- Preparing programs to raise the awareness of workers in the banking sector on the importance of consumer protection and the adoption of electronic banking services.