

Pursuant to the provision of article (4) Para (3) of CBI Law attached with order No. (56) 2004.

CBI has issued the following regulations:

No () 2006
Executive Regulations
Banking facilities of CBI

Article -1- first:

- a) CBI shall lend to a bank against acceptable collateral by granting advances under the provision of Article (2) of the set forth regulations.
- b) For the purpose of this regulation, *Bank* has the same definition under Article (1) of Banking law issued under order no. (94) 2004.
- c) For the purpose of this regulation, advance means an extension of credit to a bank or renewal or expansion.

Second:

- a) A bank shall provide collateral against advances, acceptable by CBI including Real Estate and other commercial activities, if it has acceptable value including financial paper.
- b) *Advance repayment amounts* means, any advance amount in addition to all accrued and unpaid interest.

Third:

- a) CBI shall not be obligated to extend, increase, renew, or expand advances to any bank set forth in paragraphs 2 and 3 of Article 2 of this regulation. CBI has the power to reject the granting, increasing, renewal, or expansion of advances if a bank does not meet the conditions specified by the CBI for the purpose of primary credit

facilities according to the provisions of paragraph 1 of Article 2 of this Regulation.

Fourth: a) CBI must be sure of information accuracy about the assets submitted as collateral for advances and whether it is acceptable or not. A bank may use the granted credit in a manner consistent with the provisions of the law.

Fifth: No bank that receives credit under paragraphs 2 and 3 of Article 2 of this regulation, shall act as medium or agent of another bank in receiving CBI credit without the permission of CBI.

Article -2- first: CBI may extend primary credit on **overnight lending** basis as a supported source of financing to a bank that is in sound financial condition. This credit is extended with minimal administrative burden on the Borrower. A bank may use primary credit for no more than 15 days in a month or may use it on additional days with the approval of CBI. Primary credit shall be used up to 20% of the bank's capital or more with the CBI approval and is granted at the primary credit rate.

Second: CBI extends secondary credit on short term basis with maturities no more than 30 days as a backup source of funding to a bank that is unable to arrange market financing, provided that the secondary credit is consistent with the timely return to reliance on market funding sources in accordance with the CBI decision with a higher interest –bearing than that of primary credit.

Third: In exceptional circumstances, CBI shall decide to extend lender of a last resort facility to a bank or a bank's benefit that is unable to manage financing from the market under the following conditions:

- a) A bank is solvent on CBI opinion, provides adequate collateral, and the request for financial assistance is based on the need to improve liquidity and due to the necessity to preserve the stability of the banking system.
- b) The minister of MOF has to issue a written guarantee on behalf of the Government securing the repayment of the loan.
- c) A bank seeking support should submit to the CBI a plan describing what it is doing to improve liquidity and to enable the bank to return to reliance on market funding sources. Support from CBI as lender of last resort is available for a period not exceeding 90 days and the initial period for support may be extended by CBI decision.

Article -3- first: a) The rate for the primary credit provided to banks under paragraph (1) of Article 2 of this regulation is a specified increment above the CBI's policy rate.
b) CBI's policy rate means the interest rate that the CBI specifies to reflect the rate that it deems appropriate to preserve the price stability.

Second: The rate for the secondary credit provided to banks under paragraph 2 of Article 2 of this

regulation, is a specified increment above the primary credit.

Third: The announced interest rate and the specified part of it as lender of last resort is built on the CBI's interest rate basis in addition to profit margin.

Fourth: CBI may revise the interest rate from time to time and publishes the rate in advance of its effective date.

Article -4- first: A bank may submit its request for an advance to the CBI in an appropriate time and it should be secured by collateral or guarantee.

Second: the CBI reserves the right, in its sole discretion, to notify the bank at any time to apply for an advance under the provision of paragraphs 2 and 3 of Article 3 of this regulation, or to execute a promissory note or any additional agreement or documents with respect to an advance.

Third: a) In the case of obtaining CBI approval to extend the Advance stipulated in paragraphs 2 and 3 of Article 3, the CBI will credit the amount in an account agreed upon by the bank and the CBI. The credit is made available at the end of the banking day of the CBI.

b) For the purpose of this regulation, an *Account* means a current account of any bank at the CBI.

Article -5- first: Interest Accrues from the day an Advance is credited to the Account specified by the bank and is payable at the applicable rate in effect on that date. If the interest rate

changes while an advance is outstanding, the new rate applies as of the day on which the rate change is effective. The interest rate is computed on the basis of 365 days in a year.

Second: If all or any portion of an advance repayment amount is not paid when matured, whether by acceleration or otherwise, interest on the unpaid portion of the advance repayment amount is payable in addition to 5% of the applicable rate then in effect until the unpaid Advance repayment amount is paid in full.

Article -6-

A bank is obligated to repay an advance amount immediately in **one of** the following cases:

First: On demand; **or**

Second: On the due date specified by CBI, and in case that the payment **date is not determined**, an advance repayment amount is due on the business day following the day the advance was received and credited in its account.

Third: upon occurrence of default (regardless of whether a demand is made or not and according CBI's choice).

Article -7-

In the case that a bank defaults to pay any installment or the provided collateral becomes poor or not consistent with the bank's financial condition or its financial capacity to repay, then the Advance or any other obligation becomes mature without prior warning.

Article -8-

Banks may prepay an advance pursuant to article 2 , second and third of this regulation

(with accrued and unpaid interest on the amount being prepaid) , in whole or in part without penalty.

Article -9-

The CBI will debit the bank's account for the amount of the advance when it is due.

Article -10-

If a bank knows or should have known that its account has insufficient funds available and finally collected funds when payment of any advance repayment amount or indebtedness is due, the bank must make arrangements with CBI for repaying the amount during a written agreed specific period of time.

Article -11-first:

a) For the purpose of valuation, CBI permits a bank to obtain advances or incur indebtedness against continuing security interest collateral for the benefit of CBI, that could be sold under the provision of the law for the purpose of amortization, and has the right to add further security to support any obligation whether now existing or arising in the future.

b) Further security means all banks' securities including title or interest in property or investment property or bills or deposit accounts or scientific property (intellectual) documented by secured document or by CBI registers, or paid or payable cash or non cash proceeds.

Second:

A bank pledges to the CBI sufficient security including title or interest in property or property proceeds as securities for any obligation whether these rights are owned at the time of submitting the collateral or hereafter acquired or in the possession or

control of the CBI including investment property or any balance to the credit of the bank with the CBI excluding financial paper, commercial paper such as non matured notes or checks under clearance process or financial paper in process of collection and their proceeds .

Article -12-first: An advance repayment amount must be secured by collateral and pledge acceptable to the CBI. **If required by CBI, the collateral must be identified with the Collateral schedule in the form and manner specified by CBI.** Collateral **schedule** must be kept updated and effective.

Second: In case that the CBI **does not agree otherwise** to the provision of paragraph 1 of this Article, the bank must transfer or deliver the collateral to the CBI in the form and manner specified by CBI. A bank shall hold any item of Collateral not delivered or transferred as a custodian in trust for the CBI until the Collateral is delivered or transferred in accordance with CBI's instructions.

Third: The bank bears the risk of losses for any collateral held in the bank's possession during the transferring period from and to the CBI. The bank also bears any risk for any potential losses or damages to the Collateral that is kept in CBI's possession to the extent the CBI exercised reasonable care.

Article -13- CBI shall take the following procedures separately or respectively in case of default:

- First: An advance repayable amount is debited against the bank's account even though the amount is not due or declared repayable without prior notice or demand.
- Second: Make a settlement of any obligation against any amount that CBI owed to the bank whether it is due or not due.
- Third: Exercise any banking right of settlement under the provision of the law against a bank's ownership that is in the possession or control of the CBI including the items in presses of collection and their proceeds or any balance to the credit of the bank with the CBI .
- Fourth: Under the provision of the law, take possession of any Collateral not already in the CBI's possession, upon an event of default or not meeting any other financial obligation. CBI has the right to enter into any premises where collateral may be located after obtaining court permission.
- Fifth: Take any other legal enforcement action to enforce any obligation including exercising the CBI's rights as a secured creditor and collect any income on collateral whether or not collateral is in the CBI's possession.

Article -14-

CBI shall exercise the following actions to have its rights in collateral upon event of default not meeting any other financial obligation:

- First: CBI may sell the whole or any part of collateral according to the approved legal procedures.

Second: CBI may purchase, either by law or by agreement, the whole or any part of collateral and reduce the amounts owed by the bank by applying the purchase price.

Article -15- The bank authorized the CBI, to endorse, assign, transfer, or deliver collateral to any party to protect the CBI's rights.

Article -16- first: CBI accepts a deposit of Iraqi Dinars or foreign currencies from a bank with one day maturity. Interest on overnight deposits is credited at a rate set by the CBI below the CBI's policy rate in effect on the day of deposit.

Second: The amount of a bank's overnight deposit does not count toward fulfilling the bank's reserve requirement.

Article -17- This regulation is to be published in the Gazette and enter into effect on the date of CBI law effective date on 1/3/2004 that attached order (56) - 2004

