

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

CBI issues the following regulations:

Executive Regulations Reserve requirements

Article -1- first: A bank included in the banking law (94) 2004, shall maintain reserves in an amount determined by multiplying the amount of its reservable deposits in the period prior to the maintenance period by the reserve ratio. The result of this calculation is the reserve requirement for that bank for that period.

- Second:
- a) the CBI shall determine the reserve ratio and may adjust it from time to time.
 - b) The reserve ratio set forth in paragraph (a) of this section, in effect of the last day of the reserve calculation period, shall be used to calculate the reserve requirement for the related reserve maintenance period.
 - c) *Reserve calculation period* means the four or five weeks period ended at the second Thursday before the end of a calendar month.
 - d) *Reserve maintenance period* means the calendar month period during which a bank is required to maintain reserves against the reservable deposits in the related reserve calculation period.
 - e) *Reserve ratio* means percentage of reservable deposits in Iraqi Dinars and foreign currencies that should be maintained as reserves that may be adjusted as CBI deems appropriate.
 - f) “The Bank” means Central Bank of Iraq (CBI)

Third: a) banks must maintain reserves so that the average balances during the maintenance period equal or exceed the Reserve Requirement limitations to the balances allowed under the regulation apply to :

1. FX current account shall not be accounted to meet the Reserve Requirement in an amount greater than 25% of foreign currency deposits ;
2. Iraqi Dinar vault cash shall not be accounted to meet the Reserve Requirement in an amount greater than 20% of the Reserve Requirement;
3. Iraqi Dinar current account deposited in to CBI may be used to satisfy the entire Reserve Requirement.

b) *Deposit* means a debit liability of a bank either in a form of current account or saving account or evidenced by an instrument issued by the bank. Deposits include borrowed funds and conditional liabilities. Deposits do not include liability that qualifies as capital.

c) *reservable deposits* means balances of the depositors held by any bank in Iraqi Dinar and foreign currency including current deposits, deposits of current nature, fixed deposits accounts and other deposits accounts excluding deposits of the banks or any amount of cash items in the process of collection, which is the amount of uncollected checks and quasi checks.

Fourth: A bank shall calculate its reserve requirement in accordance with this regulation and submit the result and the data on which it is based to the Credit & Banking Supervision Department and

Loans & Agreement Department or any other Department specified by CBI, on or before the last banking day prior to the reserve maintenance period.

Article -2- first: deposits used to calculate a bank's reserve are the reservable deposits the bank holds for its customers.

Second: the total amount of such deposits at the end of the banking day for each Thursday in a reserve calculation period is averaged to determine reservable deposits for that period. If a Thursday is a holiday, the amount of the deposits of the nearest preceding banking day is used.

Third: the amount of foreign currency deposits is converted to Iraqi Dinars at the exchange rate specified by CBI. The auction rate of each Thursday is adopted for that Thursday's reserve calculation period.

Article -3- first: a) A bank shall maintain reserves in the form of current accounts with the CBI in Dinar and foreign currencies during the reserve maintenance period so that the average of the amount of eligible current account balances at the end of each banking day over the month and the average of the Thursdays Iraqi Dinar vault cash balances collected by the commercial bank during the maintenance period month equals the reserve requirement for that period.

b) *Reserve Requirement* means the amount a bank is required to maintain on average during a Reserve maintenance period as deposits in Current accounts at CBI in Iraqi Dinar and the

- Iraqi Dinar equivalent of eligible foreign currency current accounts and the vault cash in Iraqi Dinar.
- Second: A bank may hold any positive amount in its Iraqi Dinar and foreign currency current accounts with CBI and any amount of Iraqi Dinar and foreign currency in its vault cash as long as the average balances prescribed in Article 3 first a) over the month equal or exceed the Reserve Requirement.
- Third: A bank may not permit the balance in its Current account to fall below Zero at any time during the banking day or at the end of the banking day. Current Account balance means the balance in any bank's current account at CBI at the end of the banking day excluding amounts of deposits invested at CBI.
- Fourth: CBI is not obliged to pay interest on the balances in the bank's current account unless it has been agreed to otherwise.
- Article -4- first: A bank that fails to maintain reserves equal to its Reserve Requirement shall pay CBI a penalty equal to the interest at the primary credit rate plus 5 percent on the amount that average reserves actually maintained is less than the Reserve Requirement. The effective primary credit rate is used on the last day of the reserve maintenance period. CBI shall charge this penalty to the bank's current account at any time during the month following the maintenance period.
- Second: If a bank incurs penalties for reserve deficiencies for two months respectively, CBI initiates a supervisory intervention with the aim to resolve the bank's liquidity problem in a structured and timely manner.

Article -5- CBI shall issue the forms of deposit reports and the related tables.

Article -6- 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

Announcement

No: 6/287

Data: 13/8/2007

TO: All authorized Banks

The CBI decided the following:-

- 1. The Reserve Requirement of the Governmental deposits at your banks will be at 75% pct instead of 25% pct and to be kept totally at CBI.**
- 2. The other conditions and instructions concerning the Reserve Requirements will be kept valid.**
- 3. This instructions will be effective from 1/9/2007 on deposits report of August 2007.**

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