

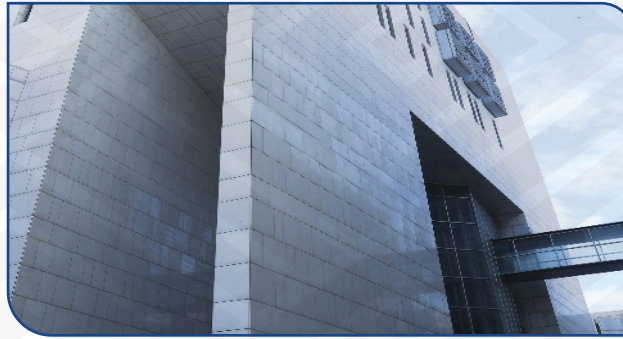


Central Bank of Iraq

Strategic Plan Achievements

November 2018

The Central Bank of Iraq (CBI) was established on November,7,1947



Main Tasks

- 1 Currency Issuance & Management
- 2 Maintain price stability
- 3 Prepare and implement Monetary policy (including exchange rate policies)
- 4 Manage foreign reserves
- 5 Financial agent of the government
- 6 Regulate the banking sector to promote a competitive and stable financial system

The Governor and Chairman of the Board

H.E.Ali M. Ismail

Our Vision

Distinguished performance to contribute in achieving sustainable economic development.

Our Message

- 1** Adopt an efficient monetary policy stems from the fact that General stability is a prerequisite to achieve sustainable growth , a pivotal element in macro economy , a key factor in providing an investment- friendly environment and protect the purchasing power of the national currency
- 2** Build an efficient institutional governance for the financial sector and operate payment systems adapted to best international practices
- 3** Apply an effective prudential supervisory policy through risk analysis and assessment

Our Institutional Values

Justice and
equality

Integrity and
transparency

Teamwork

Job loyalty

Creativity and
Innovation

Financial crisis experienced by the Iraqi economy during 2014-2017



Security and political unrest



The collapse of oil prices



Preventive measures that CBI succeeded to implement and support the national economy during crisis:

- Control Inflation rates and maintain prices
- Close the gap in the exchange rate and increase the purchasing power of the Iraqi Dinar
- Increase foreign reserves and support Balance of Payments
- Launch financing initiatives for the amount of IQD 6 Trillion to support projects and address unemployment



Global Awards achieved by CBI and its Management:

1



Best Arab Central Bank Governor for 2018 awarded by the Union of Arab banks recognizing the successful monetary policy in controlling exchange rate

2



Ranking the Governor of the CBI as 30th globally with a “B” rating among the best central bank governors in the world in 2018; by global finance magazine specialized in rating Financial Institutions around the world

3



Lifting the sanctions imposed by the European Union “EU” on CBI since 1994, which will restore communications between the Iraqi Banking system and the financial institutions & commercial companies in Europe

5



4

5

6



Iraq Exit's from the Follow up area according to the Financial Task Force "FATF" recommendations, which will reflect in stronger presence of financial and banking sectors, and attracting foreign investments to Iraq

Self- Acknowledgement of Customer security program by S.W.I.F.T. International company in recognition of the safety of systems used in securing and avoiding electronic piracy of foreign remittances

CBI was awarded - as the first Public Iraqi Official Institution - the ISO 9001:2015 in total quality management in currency management

CBI has recently joined many international institutions to in the banking sector

1

Joined the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI)

2

Joined the Islamic Financial Services Board (IFSB)

3

Signed a Memorandum of Understanding with Central Banks in Lebanon, Jordan and Egypt to develop Banking Supervision.

4

Signed a Memorandum of Understanding with the World Bank WB, IMF and IFC to evaluate and develop the banking and financial sector in Iraq.

5

Signed a Memorandum of Understanding with the Arab Monetary Fund to develop the strategy of Financial Inclusion

Established Boards and National Financial Institutions to improve the Banking Environment



Develop the First National Comprehensive Strategy for Anti Money laundering and Combating Financing of Terrorism 2017-2020



Establish a financial inclusion Supreme Committee composed of CBI and public sector institutions to spread banking services in all governorates



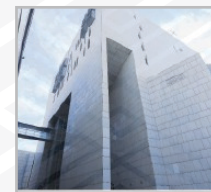
Establish the National Payment Board composed of several governmental bodies to develop electronic payment and collection services



Establish Deposits Insurance Company to strengthen public confidence in the banking sector of Iraq, and ensure deposits are safe in ALL banks



Sign a Memorandum of Understanding with the Iraqi Private Banks League to enhance synergy between CBI and Banks, with a Banking Expert present in the board of directors of CBI



The project of establishing a Mutual-Takaful insurance Company to insure Islamic banks assets and activities are hedge against future risks (in progress with the Insurance Chamber)

The evolution of monetary policy towards Financial Stability

- 1** CBI succeeded to control inflation level , and to maintain prices and the purchasing power of the national currency.
- 2** Control exchange rate and eliminate the spread between official and market rate after rising up to 8%.
- 3** Increase in Foreign Currency Reserves from USD40 billion to USD62 billion, and diversify the basket of currencies to support the balance of payments and confront economic crisis.
- 4** Rise in gold reserves up to USD3.6 billion (Iraq is ranked 37th Internationally & 5th among Arab countries)
- 5** Coordinate with the Ministry of Finance to support Budget and finance deficit during financial crisis that Iraq experienced due to the reduction in oil prices (national bonds were issued in the International Financial market at a value of USD2\$ billion)
- 6** Develop new products to invest Banks liquidity and support its profitability.
- 7** Issue Contractors Bonds for due Payments after being audited by Ministry of Planning and the Federal Chamber of Supreme Audit in addition to the issuance of Farmers Bonds for dues on behalf of the Ministry of Finance, This step expresses the turn to a broader vision in managing government public debt by financial and monetary authorities.
- 8** Reconciliation of dollar revenues of Iraq with spendings for the first time since 2004 till the end of 2017 to enhance Financial Transparency.

The Concept of CBI window for selling FX

One of the monetary policy instruments aiming to stabilize the national currency exchange rate and control inflation to maintain the purchasing power of the Iraqi Dinar, through buying dollars from the Ministry of Finance (Crude Oil Sales), then, funding Iraqi Banks International Settlement to import foreign goods.



The concept of managing foreign reserves

Objective

The aim of maintaining a foreign currency reserve beside ensuring a reserve to settle int'l imports during crisis, is to preserve the value and purchasing power of the local currency, consequently controlling the exchange rate as Iraqi Dinar is pegged to the US dollar.

The success of CBI policy

CBI policy succeeded in accomplishing two objectives at the same time exceptionally and in extraordinary economic conditions: Increase both, foreign reserves and the purchasing power of the national currency.

Results

1



Iraqi Dinar purchasing power appreciate by %7-8 for buying foreign goods from 1,300 to 1,200 Dinar per Dollar



2

%50 increase in Foreign reserves from USD 40\$ Billion to USD 62\$ billion.

Develop banking supervision to enhance Banks' economic presence

- 1** Issuing an Islamic banking Law & Regulations, and a draft for Islamic Sukuk law to urge Islamic banks to invest in the Iraqi Market (under discussion in State Board)
 - 2** Increase banks capital to support their solvency towards depositors
 - 3** Issue an Institutional Governance guide for banks, with the cooperation of IFC to regulate boards of directors and senior management authorities within Int'l standards and ensure proper investments of deposits and efficient utilization of equity.
 - 4** Implement Basel III principles as well as International accounting standards IFRS to increase transparency and solvency by applying Int'l standards in risk management.
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- 5 The project of establishing a credit bureau system (CBS) to improve credit infrastructure and assist in credit decision while granting loans and projects finance.
- 6 Banking Supervision Reporting System (BSRS) project to receive Banks' financials electronically and ease the mechanism of banking supervision.
- 7 Establish Banking Awareness & Public Protection Unit to increase Financial and Banking literacy and handle clients complaints.

Banks Penalties

- 8 Penalties were imposed on banks for the amount of IQD 560 billion since 2014 due to the violation of CBI regulations, particularly violations in the widow of selling FX, to rectify their practices and preserve public funds

Launching CBI Finance Programs to contribute in economy development:

- 1** "5" Trillion Dinar initiative to support industrial ,agricultural and real estate projects through specialized governmental banks and Housing Fund; (disbursed loans IQD 1,722 billion to date)
- 2** "1" Trillion Dinar Initiative to finance Small and Medium enterprises through all private banks. More than 1,300 loans were disbursed for the amount of IQD 66 billion dinar to date.
- 3** Finance initiatives aims to develop the real sector by subsidized loans, address unemployment, help poor classes and create job opportunities for them

Develop Payment systems and shift into electronic payments



1 Establish the “National Switch” to easily settle local payments between banks and increase electronic financial operations among banks, companies, and citizens.

2 Support electronic collection services for government entities and facilitate mode of payments for citizens.



3 Sign a memorandum of understanding with Visa, Master Card and Union –B International to support financial inclusion strategy and provide electronic payment cards to citizens.

4 Adopt the Integrated Banking Account Number (IBAN) to urge people to deal through banking accounts internally and externally.

5 Standardize cheques security features to increase confidence and encourage traders to deal with electronic payments instead of cash.



6 License 10 Electronic Payment Companies with a view to support electronic operations and issue payment cards for banks.

7 Connect banks and CBI data centers through Fiber Optics to enhance the banking sector infrastructure and increase network and information security, in addition to faster data transfer.

Strengthen Financial Inclusion principles to access banking services among the largest segment of citizens

- 1** Launch “Salary domiciliation” project for all public sector employees by transferring their salaries to banks accounts
 - Receive and withdrawal of salaries easily through available payment channels (bank branches ,ATMs and POS)
 - Enjoy many benefits of bank accounts
 - Ability to obtain credit facilities and bank loans
- 2** Provide a travel card to pay abroad expenses against a preferential FX rate to minimize risks of carrying physical cash abroad.



Settled a good percentage of Balances previously blocked in KRG

CBI, with the cooperation of KRG authorities has settled a good percentage of banks' balances that were blocked previously in Kurdistan Region.

enhance Transparency principles and easy access of information

- 1** CBI has activated and developed its website to contain all financial data related to the Iraqi banking sector, including full transparency in presenting CBI window for selling FX .
- 2** E –Library provide many researches and financial data that is of interest to researchers and professionals in the financial and banking sector.
- 3** Activate CBI statistics website that includes a database for specialists.
- 4** CBI provides the Economic and Financial Committee in the Iraqi Parliament with all monthly reports related to financial and banking sectors.

Opening CBI Branches

CBI has opened and activated CBI branches in other governorates and Kurdistan region to support banks' service delivery.

Starting the Construction of the New Main Building of CBI



- Signed a contract to build a new Head Quarter for CBI, located in Algaderya Area, and construction works has already started.
- Building was designed by the Late Iraqi engineer, Zuha Hadid, reflecting her finest creativity in the modern urban design.
- The Building is considered as the highest commercial tower in Iraq and composed of 37 floors within the Int'l standards of Central Banks; expected completion of work will be during 2021, representing an urban Icon in the heart of the Capital Baghdad



Community Initiatives

Initiatives to Support the Iraqi community

- ① Launch an “Empowerment” Initiative for social Initiatives (more than 100 case and project)
 - Humanitarian and pathological Aids
 - Press and media sectors
 - Cultural, artistic and educational sectors
 - Other social activities
- ② Contribute in “Alq Baghdad project” to rehabilitate Public roundabouts in Baghdad (28)
 - Organize blood donation campaigns
 - Sponsor Conferences concerned with financial and banking sector

Employees in the banking sector

- ③ Direct banks to contribute in addressing unemployment through employing 31.000 citizens in the banking sector with financial benefits of more than IQD 435 billions annually.
- ④ Launch an annual program to hire “Top Graduates” from universities in CBI branches



Thank You

Central Bank of Iraq