

**In the Name of Allah the Merciful  
(Logo – Republic of Iraq)**

**Republic of Iraq  
The Presidency  
Office of the Presidency**

**In the Name of the People  
The Presidency**

**Decision No. (46)**

**Based on what passed in the House of Representatives in accordance with the provisions of item (first) of article (61) and item (third) of Article 73 of the Constitution.**

**The President of the Republic decided on 4/11/2015**

**The issuance of the following Law:**

**No. (43) Of 2015**

**Islamic Banks Law**

**Chapter 1  
(Establishment and Objectives)**

**Article – 1 – First:** For the purpose of this law, the following terms shall have the meanings assigned to them:

The Bank: The Central Bank of Iraq

Al-Masraf (Bank): The Islamic Bank

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**Second:** An Islamic bank may be established in accordance with the provisions of the Companies Law No. 21 of 1997 and the Public Companies Law No. 22 of 1997 and the Banking Law No. 94 of 2004, provided that its Memorandum of Association and its Bylaws include an obligation to carry out banking activities permitted and does not deal with given or taken interest and in accordance with the form of banking transactions that do not conflict with the provisions of Islamic Shari'a whether in the area of accepting deposits and providing other banking services or in the area of finance and investment.

**Article – 2 –** The Islamic Bank aims to achieve the following:

**First:** Providing banking services and practicing financing and investment on a basis excluding interest taking and/or giving in all forms and situations.

**Second:** Developing means of attracting money and savings and developing them in partnership with productive investment through banking methods and means that do not conflict with the provisions of Islamic Shari'a .

**Third:** Contributing to the economic and social development.

**Chapter 2  
(Licensing)**

**Article – 3 –** The license of Islamic banks, their branches, offices and branches of foreign banks is subject to the Central Bank of Iraq Law No. 56 of 2004 and the Banking Law No. 94 of 2004.

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**Chapter 3  
(Capital)**

**Article – 4 – First:** The paid – in capital of any Islamic bank shall not be less than (250) two hundred and fifty billion dinars, provided that (100) one hundred billion dinars thereof shall be paid upon establishment and the rest shall be paid in three equal annual installments from the date of granting the license and the bank may raise the minimum in accordance with the Banks Law No. 94 of 2004.

**Second:** The Bank shall maintain a reserve balance as determined by the Central Bank of Iraq.

**Third:** The Islamic banking license shall not be granted to the branches of foreign banks unless an amount equivalent to the capital is transferred to it as determined by the Central Bank of Iraq

**Chapter 4  
(Islamic Banks Business)**

**Article – 5 –** The Bank shall exercise for its own account or for the account of others inside and outside Iraq, all aspects of banking activities, including:

**First:** Finance and investment business in various projects and activities that do not violate Islamic Shari'a.

**Second:** The conclusion of contracts and agreements with individuals, companies, institutions and bodies inside and outside Iraq, in a manner that does not violate the provisions of Islamic Shari'a.

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**Third:** Incorporation of companies or shareholding in them in various fields, especially those complimentary to the Islamic bank's activities and shareholding to existing companies with activity that is not forbidden in Islam with the approval of the Central Bank of Iraq and no more than the percentage determined by the Central Bank of Iraq of the capital and reserves of the Bank.

**Fourth:** Shareholding to the capital of Islamic banks licensed in Iraq and abroad after obtaining the approval of the Central Bank of Iraq.

**Fifth:** Opening accounts and accepting deposits.

**Sixth:** Acquiring, selling, investing in, leasing and renting, movable and immovable properties, including, development of land, owned or rented, for agriculture, industry, tourism or housing without the need for obtaining the approval of the Central Bank of Iraq and the transfer of ownership of real estate upon completion of the purpose for which it was established.

**Seventh:** Establishing investment portfolios and investment funds and issuing mutual muqharada instruments or specified muqardha instruments as determined by the Central Bank of Iraq.

**Eighth:** Setting up self-insurance funds and reciprocal insurance funds in favor of an Islamic bank or those who have dealings with it in various fields.

**Ninth:** Accepting commercial and financial papers for safekeeping and collection of the resulting rights for their owners and payment and collection of instruments and notes and payment orders unless they bear interest or violate the provisions of Islamic Shari'a .

**Tenth:** Providing financing for the purposes of dealing in foreign currencies in the real – time foreign exchange markets.

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**Eleventh:** Investment of deposits under wakala (agency) contract for a fixed fee only or a fixed fee plus a profit from the investment realized if it exceeds a certain limit mentioned in the contract in advance.

**Twelfth:** Disposal of depositors' funds after obtaining the approval of their owners or as agreed upon deposit.

**Article – 6 –** The Islamic Bank shall be prohibited from the following:

**First:** Dealing in bank interest taking and giving.

**Second:** Investing or financing any commodity or project not permitted by Islamic law (Shari'a).

**Third:** Financing brokerage in real estate projects.

**Fourth:** The value of fixed assets prepared for its use exceed 30% of its net principal own funds and its investment rate in the fixed assets, including the rate mentioned above, shall not exceed (50%) of its investment portfolio.

**Chapter 5  
(The Shari'a Supervisory Board)**

**Article – 7 – First:** (A): The founding body of each bank shall, upon its establishment and with the approval of the Central Bank of Iraq, appoint a body called (Shari'a Supervisory Board).

(B): The Shari'a Supervisory Board shall consists of (5) members, of which at least (three) are experienced in Islamic Jurisprudence and its principles and at least (two) of them with experience and specialization in banking, legal and financial affairs.

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(C): After the end of the term of the Founding Body, the Public Body of the Bank shall appoint the members of the Shari'a Supervisory Board and with the approval of the Central Bank of Iraq "the Bank".

**Second:** Members of the Public Body shall elect, among themselves, a chairman and an executive member and it may use the appropriate persons and bodies to achieve its objectives.

**Third:** Members of the Shari'a Supervisory Board shall not be directors or employees of directors, members of the Board of Directors or shareholders of the Islamic Bank.

**Fourth:** Term of membership shall be (3) years renewable with the approval of the Public Body of the Islamic Bank.

**Fifth:** The decisions of the Board shall be binding on the Islamic Bank.

**Article – 8 –** The Board shall be charged with the following tasks:

**First:** Monitor the operations and activities of the Islamic Bank and its compliance of with the provisions of Islamic Shari'a.

**Second:** Review the reports of the Shari'a Audit Department at the Islamic Bank or the branch.

**Third:** Develop reports on the matters referred to it by the Board of Directors.

**Fourth:** Provide report on its activities and the extent to which the Islamic Bank complies with the provisions of the Islamic Shari'a to shareholders of the Islamic Bank at their annual general meeting or the Board of Directors for the Government Bank.

**Fifth:** Express an opinion on the business, activities and contracts of the Islamic Bank in accordance with the provisions of the Islamic Shari'a.

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**Sixth:** Consider the matters assigned to it by the Board of Directors.

**Article – 9** – The Shari'a Supervisory Board or any of its members may not be dissolved or discharged unless a reasoned decision is issued by the Board of Directors of the Islamic bank in a two-third majority vote of its members with the approval of the Public Body of the Islamic Bank.

**Article – 10** – In each Islamic Bank or branch, an independent department, called the Internal Shari'a Audit Department, is established to review the Islamic Bank's business and to assess its compliance with the provisions and principles of Islamic Shari'a and the international, accounting and Shari'a standards, guidelines and instructions issued by the Shari'a Supervisory Board of the Islamic Bank.

**Chapter 6  
(Financial Statements)**

**Article – 11** – The Islamic Bank and the branches of foreign Islamic banks shall prepare the annual budget and profit and loss accounts in accordance with international Islamic and Shari'a law and standards.

**Chapter 7  
(Liquidation of Islamic Bank)**

**Article – 12** – The Islamic Bank shall be liquidated pursuant to the provisions of Banks Law No. 94 of 2004 in a manner that does not contradict the provisions of Islamic Shari'a and under the supervision of the Shari'a Supervisory Board. Creditors, depositors and shareholders shall be dealt with upon liquidation of the Islamic Bank as follows:

**First:** Depositors' accounts in current accounts are paid first.

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**Second:** Then paid the entitlements of depositors in saving and investment accounts in accordance with the special terms of the relevant accounts, and the entitlements of the holders of specified muqhardha bonds or investment portfolios or investment funds shall be paid according to the terms of each issuance.

**Third:** Then paid the entitlements of Islamic Bank's creditors.

**Fourth:** The entitlements of other shareholders shall be liquidated on the basis of sharing of the remaining funds by the proportion of the shares owned by each shareholder

**Chapter 8  
(General Provisions)**

**Article – 7 – First:** The Islamic Banks established under this law shall be subject to the Central Bank of Iraq Law No. 56 of 2004, Banks Law No. 94 of 2004, Anti-Money Laundering Law No. 93 of 2004 in force, Companies Law No. 21 of 1997 and Public Companies Law No. 22 of 1997 and the International Accounting Standards, Shariah and Accounting Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in all cases not provided for in this Law.



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**Second:** The Islamic Bank and the branch of the Islamic foreign bank shall be exempted from the tax and fees resulting from the contracts of transactions relating to the purchase and sale of real estate, land and cars in the transactions of the sale of Murabaha, Ijarah ended in ownership (acquisition) and Musharaka, except for the real estate belongs to it as a result of the settlement of debt or for housing of its employees.

**Third:** The Central Bank of Iraq may issue instructions to determine the hedge ratios that are consistent with the Islamic Banks activities.

**Article – 14 –** The Islamic Banks, not established by a special law and exist before the entry into force of this law, shall adapt its conditions in accordance with the provisions of this law.

**Article – 15 –** The Bank (CBI) may issue instructions to facilitate the implementation of the provisions of this law.

**Article – 16 –** This law shall be implemented as of the date of its publication in the official gazette.

(Signature)  
Fouad Masoum  
President of the Republic

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**The whereas clauses**

For the purpose of organizing the work of the Islamic Banks and branches of Foreign Islamic Banks that practice Islamic Banking within the Republic of Iraq and to safeguard its integrity and the integrity of the banking system

***This law has been enacted***