

(TRANSLATION)

No. (1) for the year 2017

Regulations of due diligence for Holders of Risky Senior Positions

Article (1) / for the purposes of these regulations, the following terms shall have the meanings hereby assigned to them:

First: Law: Anti-Money Laundering and Terrorism Financing Law No. (39) for the year 2015.

Second: The Bureau: The Bureau for Combating Money Laundering and Financing of Terrorism.

Third: Holders of Risky Senior Positions: They are persons who have been assigned to prominent public functions in the Republic of Iraq or in a foreign country, such as heads of state, government or high-level politicians, high-level government officials, judges, senior military leaders, directors, executives of state-owned enterprises, political party leaders, or those who are entrusted with prominent functions in an international organization such as members of senior management, their deputies, members of the board of directors and the like, widely known and publicly known personal advisers, or any person working in a position to benefit greatly from the close working relationship of the political person representative of risks and their immediate relatives up to the second degree.

Fourth: Financial Institutes: Financial institutes mentioned in item (VIII) of Article (1) of the above law.

Article (2) / The provisions of these regulations shall apply to the financial institutes in Iraq and its branches operating outside the Republic of Iraq and its affiliated companies, which own a majority stake therein if such provisions do not conflict with the legislation in force in the concerned State. Financial institutes that have branches or subsidiaries in which they have a majority stake in countries whose laws oppose the application of these regulations by notifying the supervisory authority accordingly.

Article (3) / These controls shall be applied to holders of risky senior positions, who occupy any of the following positions or functions, whether local or foreign and their family members and related persons:

- (A) The President, his deputies, advisor and those in their degree.
- (B) The Prime Minister, his advisors and the members of the Council of Ministers and those in their degree.
- (C) Heads of political parties.
- (D) The President and members of the Council of Representatives.
- (E) The President and members of the Supreme Judicial Council.
- (F) Heads of independent bodies and those in their degree.
- (G) Undersecretaries of the ministries, advisors and general inspectors and those in their degree.
- (H) Ambassadors, Plenipotentiary Ministers and Diplomatic Advisors.
- (I) Directors-General and those in their degree.
- (J) Judges of the courts of different grades
- (K) Leaders and senior officers in the security services and those in their degree.
- (L) Presidents, agents and directors of foundations, charitable societies, non-governmental organizations, members of their board of directors, and those in their degree.

Article (4) / Financial institutes are obliged to apply the risk-based approach in the due diligence procedures of holders of risky senior positions, and to identify and understand the risks of money laundering and terrorist financing related to them, and the development of policies and strategies based on those risks, and financial institutes must submit the results of actions taken in accordance with the provisions of this article to the competent regulatory authorities upon request.

Article (5) / Financial institutes shall take the following measures in addition to the usual due diligence procedures for holders of risky senior positions:

- (A) Develop a risk management system that allows inferring whether the client or the real beneficiary is a holder of risky senior position, and obtain the approval of senior management when establishing a business relationship with the holders of these positions and when discovering a client or beneficiaries of the real owners of these positions.
- (B) Take adequate measures to ascertain the sources of funds and activities of any client or real beneficiary of holders of risky senior positions.
- (C) Periodic review of risk management policies and procedures for holders of risky senior positions and taking necessary corrective measures if necessary.

(D) Minute and continuous following-up of formalities of the clients holding risky senior positions with financial institutes.

(E) In case the real beneficiary is a holder of risky senior position, actions regarding additional identification and verification of those persons must be taken. Identifying the real beneficiary is taken into consideration in case of the legal person and takes necessary actions to assess the ownership structure and management controlling the legal person and it includes adopting information and data obtained from official documents and other media that enables the financial institute from identifying the real beneficiary.

(F) These provisions must apply to the persons exposed to risks by virtue of their office and relatives until a second degree.

Article (6) / To implement these regulations as of the date of publishing them.

-Sgd.-
Ali Mohsin Ismail
Governor of the Central Bank of Iraq