



# Frequently Asked Questions - February 2026

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## 1. Introduction

The purpose of this FAQ booklet is to provide clear, accessible guidance on the Central Bank of Iraq's (CBI) ongoing banking sector reform program. It is intended to be read in addition to the most recent versions of the Standards Booklet, Assessment Guidelines, and Pathways Circular, as it seeks to clarify key questions and explain how those circulars should be interpreted alongside the underlying regulations.

The FAQs address common queries raised by banks during recent meetings, as well as anticipating potential future questions.

This document forms part of the CBI's broader initiative to strengthen the stability, transparency, and efficiency of Iraq's financial system—enhancing governance, modernizing infrastructure, improving risk management, and expanding financial inclusion.

## 2. Questions

### Standards

#### (A1) Ownership Structure

Q1. What sources can banks leverage to provide the full list of shareholders?

- Banks may submit the full list of shareholders based on the most recent approved annual report, updated shareholders record from the Iraq Stock Exchange or the Iraqi Securities Central Depository, or another reliable source.

Q2. How can banks determine whether a potential investor qualifies as a Qualified Institutional Investor (QII)?

- An investor is considered a QII only if they meet all eligibility criteria defined in the Standards Booklet and Assessment Guidelines.
- Proper due diligence and documentation must be submitted to CBI, which will formally assess and confirm whether the investor qualifies.
- If the investor does not meet QII criteria, they may still join as a financial investor, subject to full CBI review, and approval.

Q3. Will the CBI support banks in attracting a QII to fulfill the requirements?

- The Central bank of Iraq encourages banks to take a proactive approach in the search for a QII. In this regard, the Central Bank of Iraq will conduct promotional roadshows and communicate the benefits of the banking sector reform program to international investors and stakeholders. However, the responsibility for securing a QII remains with the bank.
- In parallel, the Central Bank of Iraq is exploring the establishment an Iraqi fund dedicated to invest in the banking sector, which may qualify to operate as a QII as per the reform standards.

Q4. Will CBI provide exceptions in cases where a potential QII meets all criteria except for one?

- The CBI will not grant exemptions regarding the QII requirements, as per the standards. The QII definition was developed in cooperation with relevant international stakeholders.

Q5. Are Iraqi funds considered QIIs?

- Iraqi funds are considered QIIs, as long as the fund satisfies the following criteria, as stated in the assessment guidelines:
  - Is managed by an experienced fund manager that meets fit-and-proper criteria (including credible evidence that the fund manager has international experience and is capable of successfully managing equity investments in banks).
  - Has a governance structure aligned with international standards.
  - Has a capital of not less than one hundred billion Iraqi dinars (IQD)
  - Has a majority of its capital sourced from Iraqi institutional investors

Q6. Is a bank permitted to have more than one QII?

- A bank may have multiple QIIs as shareholders, provided each meets all the QII requirements set by the reform standards.

Q7. What is the deadline for Stay banks to onboard a QII?

- As per the standards, Stay banks have until December 31<sup>th</sup>, 2026, to onboard a QII. Banks are permitted to complete onboarding earlier at their own discretion.

## (A2) Owner Due Diligence

- Q1. When are shareholder due diligence and enhanced due diligence (EDD) exercises conducted for Stay banks?**
- All shareholders are required to have undergone relevant testing by June 30<sup>th</sup> 2027, by which point the bank likely will have made progress with dilution of shareholdings.
  - However, banks may request to have the due diligence exercise conducted at an earlier date, if they feel they are in compliance with the reform standards.
  - It is important to note that any new shareholders who acquire their share after the aforementioned deadline will be required to undergo separate shareholder due diligence and EDD exercises.
- Q2. Are banks required to run shareholder due diligence or EDD processes on current shareholders in cases where the same exercises have been done recently on those individuals?**
- All shareholders must undergo due diligence once following the publication of the reform circulars, regardless of any similar checks conducted previously, no matter how recent.
- Q3. Is reliance on the Iraq Stock Exchange sufficient to meet shareholder due diligence and identity verification requirements?**
- All shareholders must undergo due diligence and identity verification through specialized companies approved by the CBI, as specified in the Assessment Guidelines. Reliance solely on the Iraq Stock Exchange is insufficient and does not exempt banks from direct responsibility.
- Q4. How can banks that are listed on the ISX provide consistent updates on ownership structure, given that new shareholders are constantly buying shares? Whose responsibility is it to remove a shareholder who buys more than 1% on ISX, and then does not pass the EDD test?**
- For all banks, both listed and unlisted, it is the banks' responsibility to monitor its shareholder structure and conduct the required EDD testing.
  - If, at any point, a shareholding exceeds the threshold of 1%, an EDD test must be performed. In all cases, the Central Bank of Iraq reserves the right to request an EDD.

### **(A3) Board Governance**

**Q1. Why is it required for a Central Bank observer to be present for board meetings? Is this aligned with regional benchmarks?**

- The presence of a CBI observer ensures transparency and proper governance oversight during the reform period. This is fully aligned with international best practices – supervisors such as ECB (EU), PRA (UK), OCC/Fed (US), SAMA (Saudi Arabia) and CBUAE (UAE) all deploy board-meeting observers for banks under heightened supervision or during mergers and restructuring.

**Q2. Will the CBI observer be required to attend all board meetings?**

- Banks are required to invite a CBI observer to board meetings. However, attendance remains at the discretion of the CBI.

**Q3. Is it allowed to have board members to continue beyond their second term? What about those in the middle of their second term?**

- All members of the Board of Directors of a bank shall be appointed at the Annual General Meeting of shareholders, for a period of no more than 4 (four) years. Board members may be reappointed for only one subsequent period of equal length, for a maximum total of 2 (two) full terms and a maximum total of 8 (eight) years.
- For current Board members, their reelection shall only be allowed if they have served on the Board of the bank for no more than four years in their lifetime at time they are put up for reelection.
- Board members who are in the middle of their second term, or have already served at least 8 years on the Board, may serve the remainder of their current term but then must step down. Their removal from the Board will ideally take place amidst active transition planning.

**Q4. Is it allowed to have board members that are employed by other banks?**

- Board members shall not serve on the board of another bank, nor be employed by any other bank within Iraq.

**Q5. Can non-independent board members serve on board committees if the majority and chair are independent?**

- Board committees must be composed of independent board members and chaired by an independent board member.

## **(B1) Detailed Business Plan**

**Q1. What are the minimum set of products that must be offered by licensed banks to each customer segment?**

- Each bank's business plan must define its own product suite and segmentation, while at minimum covering the four core categories of loans, cards, deposits and payments.

**Q2. Are banks required to engage third parties to support with development of the business plan?**

- Banks are not required to engage third parties for support with the business plan development but are permitted to do so at their own discretion.

## **(B2) Core Banking and Critical System**

**Q1. Do banks need approvals to change their core banking system provider?**

- Banks are required to notify CBI prior to any major upgrades or replacements.

**Q2. What are recommended core banking systems by CBI?**

- The core banking system, or the integrated banking systems, shall be procured from vendors classified within Tier (1), in terms of global reputation and operational reliability as per internationally recognized reports and databases (e.g. Forrester, Gartner). Such vendors shall have proven experience in operating core banking systems for a large number of commercial or digital banks in regulated or advanced markets. These vendors shall also demonstrate strong international presence and provide documented evidence of compliance with international standards related to information security, business continuity, and technology governance.
- The requirement to meet the Core Banking System standard extends until end-2028. A technical auditor shall conduct an audit by end of 2026, and a two-year grace period (until end of 2028) shall be granted to achieve full compliance with the standard.

**Q3. Can you clarify what is meant by "All APIs must comply with the Open API standard"?**

- In the current phase of the reform program, banks are not required to mandatorily adopt a unified Open API framework, because the Central Bank of Iraq is still in the process of designing the national open-API architecture and setting its detailed sector-wide standards. Therefore, the bank may continue to use any API architecture provided that it meets the security, governance, and data-protection requirements specified in the technical standards issued by the Central Bank and the documents related to the banking reform program.
- Once the national Open API framework is launched at the sector level, all banks will be required to transition progressively to comply with the national standard according to a timetable that will be announced later.

## **(B3) Online Banking**

**Q1. Is it mandatory to provide an internet banking portal for customers despite having mobile/digital banking services?**

- Banks must provide both a web-based online banking portal and a mobile app as the standards require a web portal for all customers.

## **(B4) Bank Branches**

Q1. What are the qualifying cities where banks may open additional branches?

- CBI does not prescribe a fixed list of qualifying cities. However, the standards provide guidelines for which cities may be permitted for new branch openings
  - According to the standards and guidelines, banks shall be required to maintain a minimum of 5 (five) physical branches. Of these five, at least 2 (two) branches must be located in small cities and rural areas.
  - Small cities and rural areas shall mean cities with a population less than 0.5 million

## **(B5) ATM coverage**

Q1. What are the qualifying cities where banks may open additional ATMs?

- CBI does not prescribe a fixed list of qualifying cities. However, the standards provide guidelines for which cities may be permitted for new ATM openings
  - According to the standards and guidelines, at least 25% or one (whichever is higher) of a bank's total ATMs in operation must be located outside the limits of the main cities of Iraq, particularly in small cities or rural areas.
  - Small cities and rural areas shall mean cities with a population less than 0.5 million

## **(B6) Customer Services**

Q1. Are banks allowed to outsource call centres?

- Banks may outsource call centers, within Iraq, provided that the policies and procedures governing the arrangement comply with CBI regulations on outsourcing and vendor management.

## **(B7) Infrastructure & Data**

Q1. Can banks use systems hosted outside the country (e.g., at the QII premises)?

- The systems must be hosted in data centers located within Iraq and be subject to CBI requirements.

## **(C1) Capital & Composition**

**Q1. Can banks use the retained earnings to meet capital requirements?**

- Banks may use retained earnings to meet capital requirements, provided they obtain audited retained earnings data points, get approval from the AGM, and final approval from CBI in accordance with current CBI regulations and the relevant standards and guidelines.

**Q2. Can existing shareholders inject capital to meet capital requirements, given the ownership dilution requirements?**

- Existing shareholders are allowed to participate in increasing the banks' capital, as long as the ownership concentration is eventually decreased as per the reform timelines.

## Other Topics

### Third Party Vendors

**Q1. Can a bank use the same third-party assessor across multiple topics?**

- Banks are allowed to use the same third-party assessor across multiple topics as long as the third-party assessor is within the CBI approved list.
- In all cases, banks are required to get the approval of CBI on each contract with third parties.

**Q2. Is the contracting of third-party specialist firms, as required by the standards, covered by the reform fee?**

- These fees are not included in the reform fee. The fees related to third-party specialist firms are the sole responsibility of the banks undergoing the reform process.

**Q3. What is the Central Bank of Iraq's controls regarding the engagement of audit and assessment firms within the banking reform plan?**

- All audit and assessment work must be carried out exclusively by third-party firms listed on the Central Bank of Iraq's approved list.
- If an approved third-party firm conducts the initial assessment or provides implementation/remediation support, the final assessment must be carried out by a different approved third-party firm to preserve independence.
- A firm that implemented solutions resulting from the initial assessment shall not conduct any subsequent official assessments for the same bank, whether additional preliminary reviews or the final verification.

## General inquiries

Q1. Are OFAC-sanctioned banks part of the reform program?

- OFAC-sanctioned banks cannot be part of the reform program, until they clear their sanctioned status.

Q2. Are banks required to wait until the end of the reform process to be declared compliant, even if they have met all standards prior to that point?

- Banks are not required to wait until the end of the reform process – the CBI will declare a bank fully compliant at any such time they are assessed to be fully compliant with all reform standards.

Q3. Should all submitted documents, including the completed templates and the accompanying supporting materials, be provided in both Arabic and English?

- Submission of completed templates and supporting documents are required in both Arabic and English.

## Merger-related questions

**Q1. Will the assessments for merging banks be done on the individual banks or on the merged entity altogether?**

- Initial assessments to confirm eligibility for the merger pathway will be carried out on each bank individually. Assessment against the full regulatory standards will be conducted on the new merged entity.

**Q2. Is it permitted for banned banks to merge with other banned banks?**

- There are no general restrictions on banned banks merging under the regulations.
- Banks are required to assess all risks associated with any merger, especially those involving OFAC-listed banks which may represent significant regulatory risks.
- CBI retains the right to approve or reject mergers on a case by case basis.

**Q3. If a bank merges with another bank that turns out to have undisclosed liabilities or legal challenges, who bears responsibility? What measures can be taken to mitigate such risks?**

- Both merging banks are responsible for conducting thorough due diligence, which should include detailed legal and financial checks, before finalizing their merger.
- The merged entity will assume all liabilities and legal challenges in full accordance with Iraqi law.
- The CBI will not assume liability for any undisclosed issues. Such liabilities rest fully with banks participating in the transaction.

**Q4. Which advisory firms can merge banks consider engaging throughout the merger process?**

- Under the Merger and Consolidation of Banks Decree (2024), banks must appoint financial advisors to support the merger process and ensure compliance with regulatory requirements.
- The Central Bank of Iraq (CBI) does not prescribe or endorse specific advisory firms; banks are free to select their advisors based on their own due diligence, requirements, and preferences.
- Based on recent market activity, banks have commonly engaged reputable regional and international firms with experience in bank mergers, including, but not limited to:
  - Financial advisors (e.g., Deloitte, EY, PwC, BDO, Grant Thornton) supporting valuation, due diligence, and transaction execution
  - Commercial/strategic advisors (e.g., Deloitte, EY, PwC, BDO, Grant Thornton) for merger rationale, synergy assessment, business planning, and integration planning
  - Legal advisors (e.g., Al Tamimi & Company, Hogan Lovells, Amereller) for legal structuring, regulatory filings, and agreement preparation
- This list is indicative and non-exhaustive. Banks may engage any qualified firm they deem appropriate, provided the advisors have the necessary expertise, regulatory understanding, and capacity to deliver within required timelines.

**Q5. What are the next key milestones for banks on the merge pathway after completion of the minimum requirements check?**

- After completing the minimum requirements check, banks must prepare for the Cycle 1 merger completion assessment scheduled for June 2026.
- The purpose of Cycle 1 is to ensure that the banks have completed all required merger documentation and legal arrangements necessary to seek and obtain the Central Bank of Iraq's approval and advance to the next cycles of the reform.
- By this stage, banks are expected to submit all merger-related applications and supporting documents to the Central Bank and other relevant authorities, including the merger plan, in accordance with the Merger and Consolidation of Banks Decree 2024.

Q6. How can the merged entity achieve unbanned status after merging with its intended merge partner(s)?

- The merged entity must meet all reform standards before any unbanning decision can be considered. Banks should ensure they merge with a complimentary partner(s) that helps the merged entity meet all required standards, as this is the only basis on which unbanning can be potentially achieved.

