



Cycle 1 Assessment Guidelines

Applicable to banks that have selected the Stay Pathway

Central Bank of Iraq – March 2026





Table of Contents

1. Context and Purpose	3
2. Cycle 1 Assessment – Purpose, Requirements, and Process	3
3. Next Steps and Support Mechanisms	5
Appendix A. Instructions	6

1. Context and Purpose

This document forms part of the Central Bank of Iraq’s (CBI) banking sector reform program and outlines the Cycle 1 details issued under the CBI Pathways Circular 2025. It applies specifically to banks that have selected the Stay Pathway, providing guidance on the Cycle 1 assessment.

It sets out what each bank must prepare and submit during Cycle 1 and provides clarity on expectations, timelines, and upcoming Central Bank of Iraq support. It should be read in conjunction with the CBI Pathways Circular, Standards Booklet and Assessment Guidelines, which together provide further detail on the reform’s structure and ongoing assessment cycles.

This document focuses exclusively on the Cycle 1 assessment for Stay banks. The Central Bank of Iraq will provide future guidance and guidelines to cover subsequent reform phases and their related submission requirements.

2. Cycle 1 Assessment – Purpose, Requirements, and Process

The Central Bank of Iraq (CBI) is launching the Cycle 1 assessment, marking the first assessment cycle after the completion of the Minimum Requirements Assessment in the banking sector reform program.

The assessment verifies that banks have submitted and completed all Cycle 1 requirements, as outlined in Table 1 below, to advance to the next cycles of the reform.

This document sets out the specific requirements applicable to banks that have selected the Stay Pathway under the CBI Pathways Circular 2025, detailing the templates and documentation that must be submitted to successfully pass the Cycle 1 requirements.

The objective is to verify readiness against defined standards, confirm independent third-party validation (where applicable), and ensure the submission of consistent and auditable evidence for the Central Bank of Iraq’s review.

Banks demonstrating early and sustained compliance with one or more standards and intend to meet the requirements of future cycles may apply for an early assessment. In that case, banks may reach out to the Central bank of Iraq to obtain the specific templates pertaining to the standards.

The Cycle 1 assessment for Stay banks focuses on verifying compliance with the standards and requirements, and where specified, may require banks to engage a Central Bank of Iraq–approved third-party auditor to perform the independent assessments for those standards as outlined in Table 1:

Table 1: Cycle 1 requirements for Stay banks

#	Standard	Requirements / Threshold for Cycle 1	3 rd party audit required?
A1	Ownership structure	Submit details of the current ownership structure and a clear plan to dilute shareholding and to meet QII requirements	Not required
B1	Detailed business plan	Submit the completed detailed business plan including the market analysis, go-to-market strategy, operating model, technology infrastructure, risk management, and financial plan	Not required
B10	Deposit protection scheme	Complete all required payments and membership in the deposit scheme	Not required

#	Standard	Requirements / Threshold for Cycle 1	3 rd party audit required?
C1	Capital & composition	Conduct an independent assessment by a CBI-approved third party confirming paid-up capital of IQD 300 Bn FY2025	Financial audit
C2	Capital adequacy	Conduct an independent assessment by a CBI-approved third party confirming capital adequacy of at least 12.5% FY2025 (or as required by applicable CBI regulations), and submit unaudited capital adequacy data for January until March 2026	Financial audit
C3	Liquidity ratio	Conduct an independent assessment by a CBI-approved third party confirming NSFR and LCR of at least 100% FY2025, and submit unaudited NSFR and LCR data for January until March 2026	Financial audit
C4	Scenario stress testing	Conduct and submit the most recent scenario stress-test results conducted in line with CBI requirements	Not required
D1	Related parties and conflicts of interest	Conduct an independent assessment by a CBI-approved third party reporting current direct and indirect exposure levels	Financial audit
D2	AML / CFT / sanctions	Conduct an independent assessment by a CBI-approved third party reporting test results, and a detailed remediation plan to achieve full compliance	Operational audit
D3	Transparency of reporting / audit	Conduct and submit the audited FY2025 financial statements confirming compliance with IFRS9 and other key international reporting and accounting standards (e.g., creditworthiness guidelines) and a detailed remediation plan to achieve full compliance	Financial audit
D4	Internal controls	Conduct an independent assessment by a CBI-approved third party reporting test results, and a detailed remediation plan to achieve full compliance	Operational audit

Note: To be accepted, assessment of standards D2 (AML / CFT / sanctions) and D4 (Internal controls) must be done by a CBI-approved third party, within 12 months of submission, with the assessment report filled by the same CBI-approved third party.

In line with the requirements outlined above, all participating banks shall prepare and submit a consolidated documentation pack as follows:

1. Complete and submit the the relevant templates and supporting documents for all the Cycle 1 standards, as detailed in Appendix A
2. Sign and submit the attestation form in the relevant templates for all the Cycle 1 standards, as detailed in Appendix A, confirming that all information is accurate, complete, and reflects the bank's current position

All documents shall be submitted in Arabic and English as part of one consolidated file to bankingreform@cbi.iq and physically to the Central Bank of Iraq.

Only complete and accurate submissions will be accepted. Incomplete, inconsistent, or misleading information will be considered non-compliant and may lead to delays, penalties, or exclusion from subsequent stages of the reform process.

The submission window will remain open from April 1, 2026, until September 30, 2026. Banks are expected to submit their documentation within this period. The Central Bank of Iraq (CBI) may request clarifications or additional information on any part of a submission, to which banks must respond within 10 business days.

Following its review, the Central Bank of Iraq will issue **one of two outcomes**:

- **Pass** – The bank has met all Cycle 1 requirements and is eligible to proceed to the next phase of the reform process
- **Remediation** – The bank must address identified gaps and resubmit documentation within 6 months

Only banks that achieve a Pass outcome in the first instance, or resolve all identified gaps within the designated timeframe to achieve a Pass outcome, will proceed into the next cycle. Banks that fail to close gaps or demonstrate compliance may be redirected to the Merge or Exit Pathway, in accordance with CBI regulations and enforcement procedures.

3. Next Steps and Support Mechanisms

To facilitate timely, accurate, and consistent submissions, the Central Bank of Iraq will continue to provide banks with the necessary guidance materials, submission templates, and informational sessions ahead of and during the submission window.

Banks may reach out at any time for clarification, technical support, or assistance with template completion through bankingreform@cbi.iq.

The Central Bank of Iraq will also host a series of informational sessions and clinics to guide banks through the submission process, explain required documentation, and address common questions. Details on the timing and participation process for these sessions will be communicated directly through official channels.

Appendix A. Instructions

Banks that have selected the Stay Pathway must prepare and submit all required materials for Cycle 1 by September 30 2026, and in accordance with the instructions below:

1. Templates and documents submission instructions:

- Complete and submit the the relevant templates and supporting documents for all the Cycle 1 standards
- All Cycle 1 submission templates are attached to the email
- Engage a Central Bank of Iraq–approved third-party financial auditor to perform the independent assessments for standards: C1 (Capital & composition), C2 (Capital adequacy), C3 (Liquidity ratio), D1 (Related parties and conflicts of interest), D3 (Transparency of reporting / audit)
- Engage a Central Bank of Iraq–approved third-party operational auditor to perform the independent assessments for standards: D2 (AML / CFT / sanctions) and D4 (Internal controls)

Table 2: Cycle 1 standards and templates for Stay banks

#	Standard	Template File Name
A1	Ownership structure	Submission Templates – A1: Ownership structure
B1	Detailed business plan	Submission Templates – B1: Detailed business plan
B10	Deposit protection scheme	Submission Templates – B10: Deposit protection scheme
C1	Capital & composition	Submission Templates – C1: Capital & composition
C2	Capital adequacy	Submission Templates – C2: Capital adequacy
C3	Liquidity ratio	Submission Templates – C3: Liquidity ratio
C4	Scenario stress testing	Submission Templates – C4: Scenario stress testing
D1	Related parties and conflicts of interest	Submission Templates – D1: Related parties and conflicts of interest
D2	AML / CFT / sanctions	Submission Templates – D2: AML / CFT / sanctions
D3	Transparency of reporting / audit	Submission Templates – D3: Transparency of reporting / audit
D4	Internal controls	Submission Templates – D4: Internal controls

2. Signing of attestation form:

- Complete and sign the attestation form provided in the relevant templates for all the Cycle 1 standards, confirming that all templates and supporting documentation have been reviewed, verified, and approved by the authorized representative of the bank, or by a Central Bank of Iraq–approved third-party auditor (where applicable)

