



Cycle 1 Assessment Guidelines

Applicable to all licensed branches of foreign 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 branches of foreign banks that have selected the Stay Pathway, providing guidance on the Cycle 1 assessment.

It sets out what branches of foreign banks 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 branches of foreign banks that have selected the Stay Pathway. 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 branches of foreign 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 branches of foreign 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.

Branches of foreign 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, branches of foreign banks may reach out to the Central Bank of Iraq to obtain the specific templates pertaining to the standards.

The Cycle 1 assessment for branches of foreign banks on the Stay Pathway focuses on verifying compliance with the standards and requirements, and where specified, requires an external financial auditor, and a CBI-approved third-party operational auditor to perform the independent assessments for those standards as outlined in Table 1:

Table 1: Cycle 1 requirements for branches of foreign banks on the Stay Pathway

#	Standard	Requirements / Threshold for Cycle 1	3 rd party audit 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
B4	Bank branches	Maintain at least one physical main local branch, open to the public on all business days and during CBI-specified office hour	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 third party confirming paid-up capital of IQD 105 Bn FY2025	Financial audit
C2	Capital adequacy	Conduct an independent assessment by a 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 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 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 branches of foreign 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 branches of foreign banks' 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. Branches of foreign 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 branches of foreign banks must respond within 10 business days.

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

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

Only branches of foreign 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. Branches of foreign banks that fail to close gaps or demonstrate compliance may be redirected to the 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 branches of foreign banks with the necessary guidance materials, submission templates, and informational sessions ahead of and during the submission window.

Branches of foreign 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 branches of foreign 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

Branches of foreign 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
- Submit the external financial auditor’s assessment 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 branches of foreign banks on the Stay Pathway

#	Standard	Template File Name
B1	Detailed business plan	Submission Templates – B1: Detailed business plan
B4	Bank branches	Submission Templates – B4: Bank branches
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 branches of foreign banks, or by a third-party auditor (where applicable)

