



CBI Pathways Circular 2025

Intended for Branches of Foreign Banks



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1. INTRODUCTION

The Central Bank of Iraq (CBI) has launched a binding, multi-year banking reform initiative to modernize Iraq’s financial sector, enforce rigorous standards, and align with international best practices. Effective September 2025, the program mandates strict compliance in governance, financial soundness, and risk management, introducing clear regulatory pathways—Stay, or Exit—for all branches of foreign banks. This initiative aims to enhance stability, safeguard depositor interests, and foster a resilient, transparent, and globally credible banking environment, supporting sustainable economic growth and ensuring that all branches of foreign banks operate under robust, enforceable standards and close CBI supervision.

The purpose of this document is to introduce each of the two reform pathways and detail the specific eligibility requirements, reform requirements, assessment processes, and fallback mechanisms associated with each. It is intended to provide clarity and direction as banks navigate the reform process, ensuring that all institutions are equipped with the information necessary to make informed decisions and achieve compliance.

The structure of this document is as follows:

- An introduction to the reform initiative and its strategic objectives;
- Key definitions relevant to the reform process;
- An overview of the two reform pathways (Stay or Exit);
- Detailed sections for each pathway, including their descriptions, minimum requirements, reform requirements, assessment processes, and fallback mechanisms;
- A concluding section outlining ongoing support and guidance available from the CBI

This document is designed to be read in conjunction with the Standards Booklet and the Assessment Guidelines, which together provide a full picture of the reform program. The requirements provided herein shall surpass and take precedence over any conflicting requirements, except for any requirements and regulations required by applicable laws.

The CBI will oversee the enforcement of these standards rigorously and without exception. All branches of foreign banks are required to familiarize themselves with every provision of this document and to implement the necessary changes without delay. Non-compliance will result in immediate administrative action, up to and including the imposition of sanctions, remedial measures, or the revocation of banking licenses. The CBI will not tolerate ambiguity, delay, or partial compliance. This circular is a mandatory benchmark for the reform period, and all branches of foreign banks are expected to treat it as such.

This circular will enter into force as of the date of its publication and will apply to all branches of foreign banks.

2. KEY DEFINITIONS

Stay Bank: A bank that commits to the Stay Pathway and leads its own reform journey

Capital Adequacy Ratio (CAR): Regulatory measure expressed as the ratio of a bank's total regulatory capital to its risk-weighted assets, as defined under the Iraq Banking Law

Connected Parties: Any individuals, or legal entities belonging to individuals, that are directly related by familial, business, and/or political links

Minimum Requirements: Predefined criteria that, if met, qualify a bank to participate in a specific pathway under the reform program

Exit Plan: Structured document outlining the strategy, timeline, and necessary actions for the wind-down of a bank's operations, the settlement of its obligations, and the protection of stakeholder interests, in accordance with applicable legal and regulatory requirements

Fallback Mechanism: Regulatory measure applied when, following assessment, a bank is deemed unable to continue its selected reform pathway and is redirected to an alternative pathway to ensure orderly resolution and compliance with reform objectives

Legal Form: Formal and binding agreement by which a bank accepts to comply with the obligations, requirements, and conditions associated with the reform and their selected pathway

Liquidity Ratios: Financial metrics defined under the Iraq banking law and CBI regulations that measure a bank's ability to meet its short-term obligations by maintaining adequate liquid assets relative to its liabilities

Ownership Disclosure: Documentation of all individuals or entities that hold direct or indirect ownership interests in a bank, including their percentage of ownership, and their connected parties

Paid-up capital: Funds the bank has received from shareholders in exchange for shares in the bank

Pathways: Routes banks can take to navigate through the reform

Reform contribution: Non-refundable annual contribution payable by participating banks to the Central Bank of Iraq until the end of the reform as a mandatory contribution toward the administration and oversight of the banking sector reform

3. OVERVIEW OF PATHWAYS

As part of Iraq’s banking reform program, the Central Bank of Iraq has established two distinct regulatory pathways to guide all licensed branches of foreign banks in navigating the transition — whether by independently meeting the new standards or exiting the market.

These pathways reflect the diverse realities of the sector, accounting for differences in institutional readiness, financial position, and long-term strategic intent.

The two pathways summarized in Exhibit 1 below are:

- **Stay:** Operate under current license and legal entity, while meeting reform standards (going through the reform as a Stay bank)
- **Exit:** Withdraw from the market through a structured and regulated wind-down process

Exhibit 1: Banks have two reform pathways to choose from: Stay and Exit; based on whether they choose to retain their license or not



Once a pathway is selected, each bank will follow a clearly defined process composed of:

- **Minimum requirements:** Minimum entry thresholds that banks must meet to qualify for their chosen pathway
- **Reform and assessment process:** The multi-year regulatory process each bank will follow to meet pathway requirements
- **Fallback mechanisms:** A predefined set of outcomes that will apply if a bank fails to meet key requirements or misses critical milestones during the reform

Full details are provided in the sections that follow.

4. STAY PATHWAY DETAILS

4.1. Description and Implications

The Stay Pathway is intended for banks that will remain in the market under their current license and legal identity. It is designed for entities with the financial strength, operational capacity, and governance maturity to meet the Central Bank of Iraq’s full set of reform standards.

Banks choosing this pathway must achieve full compliance with the standards outlined in the 2025 Standards Booklet.

Stay banks are required to:

- Retain their existing license and legal identity
- Be solely responsible for meeting all reform standards
- Fund and execute all required reform changes
- Address any identified compliance gaps through internal restructuring

The choice of execution does not affect how compliance is assessed. All Stay banks are held to the same standards, timelines, and supervisory processes and will be evaluated independently based on their performance.

4.2. Minimum Requirements

To qualify for the Stay Pathway, banks must meet a defined set of minimum requirements. These requirements are sequenced in two stages:

Stage 1 – By November 30, 2025

Requirement	Thresholds for Stay Pathway
Legal form	Sign the official legal form issued by the Central Bank of Iraq, confirming commitment to Stay Pathway’s terms, timelines and regulatory obligations. Submission must be supported by all required pathway selection approvals
Annual reform contribution	Pay the non-refundable reform contribution of six hundred thousand (600,000) USD or its equivalent in IQD for the first year. Fees will be revisited annually based on reform progress and banks participation

Stage 2 – By December 31, 2025

Requirement	Thresholds for Stay Pathway
Paid up capital	Submit an unaudited paid-up capital report confirming eighty million (80,000,000) USD or its equivalent in IQD
Liquidity	Demonstrate full compliance with all Central Bank of Iraq liquidity ratios by submitting an unaudited FY25 liquidity compliance report

Requirement	Thresholds for Stay Pathway
Ownership disclosure	Submit a complete and validated list of your top 10 shareholders

Following submission of the above, the Central Bank of Iraq will assess each banks’ eligibility to proceed on the Stay Pathway:

- **If approved**, the bank will be onboarded to the Stay Pathway and the reform process
- **If not approved**, fallback mechanisms as outlined in Section 4.4 will apply

4.3. Reform and Assessment Process

Key milestones and regulatory expectations:

Commitment and preparations (November 30, 2025):

Banks must sign and submit the legal commitment form to the Central Bank of Iraq confirming their adherence to the Stay Pathway’s terms, timelines and regulatory obligations. Submission must be supported by all required pathway selection approvals

Minimum requirements assessment (December 31, 2025):

To be formally accepted into the Stay Pathway, each bank must meet the minimum requirements as outlined in Section 4.2. above

Assessment and oversight (Cycle 1 onwards):

Banks approved under the Stay Pathway will be subject to a structured, multi-phase evaluation process to verify progressive compliance with the Central Bank of Iraq’s reform standards.

The assessment framework spans five cycles each anchored to a fixed assessment deadline (highlighted below), followed by a final compliance check at the end of the program as outlined below:

- **Cycle 1:** September 30th, 2026
- **Cycle 2:** March 31st, 2027
- **Cycle 3:** September 30th, 2027
- **Cycle 4:** March 31st, 2028
- **Cycle 5:** September 30th, 2028
- **Final check:** End of 2028

Each cycle targets a defined subset of the reform standards, sequenced by their complexity and execution lead time.

Assessment methodologies:

The Central Bank of Iraq will apply two assessment types to evaluate compliance:

Binary assessments (B): Standards are evaluated on a pass/fail basis at a fixed point in time.

Progressive assessments (P): Standards are assessed over multiple cycles, tracking performance and implementation progress. Full compliance is expected by a specific deadline.

Each standard is assigned a specific assessment type and compliance timeline.

Exhibit 2: The table below outlines how each standard (numbered as per the Standards Booklet) will be assessed. It specifies the type of assessment (binary or progressive), the assessment cycles in which each standard will be evaluated, and the cycle by which full compliance is required:

#	Category	Standard	Type	Cycle 1 (Sept 26)	Cycle 2 (Mar 27)	Cycle 3 (Sept 27)	Cycle 4 (Mar 28)	Cycle 5 (Sept 28)	Final check (End of 28)
A1	Governance	Leadership team fit and proper testing	B		Achieve full compliance	When new Leadership team members are hired, tests will have to be conducted on them			
B1	Business Model Sustainability	Detailed business plan	B	Achieve full compliance			Re-submission in case of directional changes		
B2	Business Model Sustainability	Core banking and critical systems	P		Initial test + remediation plan	Banks must provide progress report			Achieve full compliance (Implementation of tier 1 core banking system)
B3	Business Model Sustainability	Online banking	P		Initial test + remediation plan	Banks must provide progress report	Achieve full compliance		
B4	Business Model Sustainability	Bank branches	B	Achieve full compliance					
B5	Business Model Sustainability	ATM coverage	B		Achieve full compliance				
B6	Business Model Sustainability	Customer services	B			Achieve full compliance			
B7	Business Model Sustainability	Infrastructure & data	P		Initial test + remediation plan	Banks must provide progress report	Achieve full compliance		
B8	Business Model Sustainability	Payment systems	P		Initial test + remediation plan	Banks must provide progress report	Achieve full compliance		
B9	Business Model Sustainability	Business & operational resilience	P		Initial test + remediation plan	Banks must provide progress report	Achieve full compliance		
B10	Business Model Sustainability	Deposit protection scheme	B	Achieve full compliance					
B11	Business Model Sustainability	Credit bureau	B			Achieve full compliance			
C1	Financial Metrics	Capital & composition	B	Achieve full compliance (Paid-up capital at 105 Bn IQD)					

#	Category	Standard	Type	Cycle 1 (Sept 26)	Cycle 2 (Mar 27)	Cycle 3 (Sept 27)	Cycle 4 (Mar 28)	Cycle 5 (Sept 28)	Final check (End of 28)
C2	Financial Metrics	Capital adequacy	B	This is an ongoing requirement that CBI requires banks to meet at all times - before, during and after the reform period					
C3	Financial Metrics	Liquidity ratio	B	This is an ongoing requirement that CBI requires banks to meet at all times - before, during and after the reform period					
C4	Financial Metrics	Scenario stress testing	P	Submit results of most recent stress test		Achieve full compliance			
D1	Risk and Regulatory Compliance	Related parties and conflicts of interest	P	Submit report alongside audit report		Achieve full compliance			
D2	Risk and Regulatory Compliance	AML / CFT / Sanctions	P	Initial test + remediation plan	Banks must provide progress report	Achieve full compliance			
D3	Risk and Regulatory Compliance	Transparency of reporting / audit	B	Submit finalized FY 2025 audit		Achieve full compliance (Submit finalized FY 2026 audit)		Achieve full compliance (Submit finalized FY 2027 audit)	
D4	Risk and Regulatory Compliance	Internal controls	P	Initial test + remediation plan	Banks must provide progress report	Achieve full compliance			

Note: Below standards must be audited by a Central Bank of Iraq-approved third-party auditors, except for the Financial Audit, that must be conducted by an external third-party auditor

Type of Audit

Standards for assessment

Personal Vetting

A1

Operational Audit

B9, D2 and D4

Financial Audit

C1, C2, C3, D1, and D3

Technical Audit

B2, B3, B7, and B8

Prior to each cycle, the Central Bank of Iraq will issue formal communication outlining submission timelines and details on how the cycle will be structured.

Banks that fail to meet the required thresholds may receive formal supervisory warnings. Continued or repeated non-compliance may result in removal from the Stay Pathway and redirection to an alternative reform path, in accordance with the fallback mechanisms outlined in Section 4.4.

Early assessment option:

Banks that demonstrate early and sustained compliance on one or more standards may request early assessment. Requests must be submitted formally and supported by robust evidence of institutional readiness. All such requests will be reviewed at the sole discretion of the Central Bank of Iraq, which reserves the right to approve, defer, or deny based on supervisory judgment.

4.4. Fallback Mechanism

The Stay Pathway is intended for banks that can fully meet the Central Bank of Iraq's reform standards within the defined timeline. Banks that fail to demonstrate sufficient progress at any stage will be subject to supervisory intervention.

The Central Bank of Iraq may unilaterally redirect a bank to an alternative pathway under the following conditions:

- Failure to meet minimum requirements
- Material non-compliance during assessment cycles
- Inability to achieve full compliance by the final reform deadline

Such redirection will follow formal warnings and a defined remediation window. If no viable option is available, the bank may be re-directed to Exit Pathway.

Once removed from the Stay Pathway, a bank is permanently ineligible to return.

5. EXIT PATHWAY DETAILS

5.1. Description and Implications

The Exit pathway applies to banks that will surrender their license and choose to permanently exit the Iraqi banking market. It is designed for banks that either choose not to continue operations or do not qualify for Stay Pathway.

Banks entering the Exit Pathway will follow one of the following execution mechanisms:

1. **Voluntary liquidation:** The bank chooses to orderly wind-down and exit the market
2. **Forced liquidation:** The bank does not meet the requirements of the Central Bank of Iraq and goes through forced liquidation procedures

Regardless of the mechanism, all banks following the Exit Pathway are expected to:

- Lose their existing license and legal identity
- Be exempt from complying with the reform standards
- Lose ownership, brand and customer relationships
- Use its assets and capital to settle down all financial obligations

Voluntary liquidation is initiated at the bank’s discretion or as a fallback from stay and shall be carried out in accordance with procedures to be issued by the Central Bank pursuant to Article 68 of the Iraq Banking Law. In addition, as outlined in Section 5.3 and in accordance with Article 12 of the Iraq Banking Law, license revocation shall not be granted unless the CBI determines that the bank has fulfilled, or settled in a manner acceptable to the CBI, all of the bank’s obligations.

Forced liquidation serves as a fallback mechanism for banks that are unable to carry out an orderly wind-down (as outlined in Section 5.4.).

5.2. Minimum Requirements

To be admitted into Exit Pathway - voluntary liquidation, banks must meet the following minimum requirements:

Stage 1 – By November 30, 2025

Requirement	Thresholds for Exit Pathway – voluntary liquidation
Legal form	Sign the official legal form issued by the Central Bank of Iraq, confirming full commitment to the Exit Pathway’s terms, conditions, and reform obligations. Submission must be supported by all required pathway selection approvals
Annual reform contribution	Banks are exempt from paying the annual reform contribution

Stage 2 – By March 31, 2026

Requirement	Thresholds for Exit Pathway – voluntary liquidation
Paid-up capital	Maintain existing paid-up capital, provided the bank meets the Central Bank of Iraq’s capital adequacy ratio requirements
Liquidity	Demonstrate full compliance with all Central Bank of Iraq liquidity ratios by submitting an unaudited FY25 liquidity compliance report
Exit plan	Submit an Exit plan prepared by a Central Bank of Iraq-approved 3 rd party liquidator, in line with guidelines to be issued in a separate publication
Ownership disclosure	No ownership disclosure requirements
Financial audit	Submit audited financial statements covering the three fiscal years preceding FY25

Following submission of the above, the Central Bank of Iraq will assess each banks’ eligibility to proceed on the Exit Pathway – voluntary liquidation:

- **If approved**, the bank will be allowed to proceed with the orderly wind-down execution under the supervision of Central Bank of Iraq
- **If not approved**, the fallback mechanism to forced liquidation as outlined in Section 5.4 will apply

5.3. Reform and Assessment Process

Banks approved under the Exit Pathway for voluntary liquidation shall follow the process outlined below, in accordance with Article 68 of the Iraq banking law.

While not subject to the full assessment framework themselves, these banks remain under regulatory supervision and must meet a series of defined milestones to maintain eligibility.

Key milestones and regulatory expectations:

Commitment and preparations (November 30, 2025):

Banks must sign and submit the legal commitment form to the Central Bank of Iraq confirming their adherence to the Exit pathway’s terms, timelines, and regulatory obligations. Submission must be supported by all required pathway selection approvals.

Liquidator appointment (January 31, 2026):

Banks must appoint a Central Bank of Iraq-approved 3rd party liquidator to lead the exit process, beginning with the development of the exit plan.

Minimum requirements and exit plan (March 31, 2026)

Banks intending to follow the Exit Pathway must meet the minimum requirements and submit an Exit plan as outlined in Section 5.2.

Approval of voluntary liquidation or redirection (H1 2026)

The Central Bank of Iraq will review the exit plan and determine whether the bank may proceed with voluntary liquidation. If eligibility is not met or the plan is deemed inadequate, the bank will be redirected to the fallback mechanism described in Section 5.4. If approved, the bank receives formal authorization to begin the wind-down process under CBI supervision.

Execution of orderly wind down (up to end of 2028):

Following approval, the bank's appointed 3rd party liquidator must begin implementation of the exit plan under the supervision of a dedicated CBI liquidation committee. During this period, banks are expected to:

- Undertake a structured and transparent wind-down of operations
- Submit regular progress updates to the Central Bank of Iraq
- Maintain adequate resources to meet all financial obligations

Once all obligations are fulfilled, the bank must submit a final liquidation report. Upon CBI's confirmation that liquidation is complete, the bank's license will be revoked, and legal dissolution will follow.

5.4. Fallback Mechanism

The Exit Pathway is intended for banks that choose to voluntarily wind down operations in an orderly manner. However, if a bank fails to meet key regulatory milestones, the Central Bank of Iraq may intervene and redirect it to an alternative pathway.

The Central Bank of Iraq may unilaterally redirect a bank to forced liquidation pathway under one of the following conditions:

- Failure to meet minimum requirements for the Exit Pathway
- Failure to comply with the Central Bank of Iraq approved exit plan

All redirection decisions will follow formal warnings and offer a defined remediation window. If the issues remain unresolved, the bank may be redirected to forced liquidation, in line with regulatory guidelines and enforcement procedures (as provided by Article 69 of the 2004 Banking Law).

Once a bank is redirected to forced liquidation, it shall be permanently ineligible to re-enter the voluntary liquidation process.

6. CONCLUSION AND ONGOING SUPPORT

The Central Bank of Iraq is committed to supporting all banks throughout the reform process — not only through regulation and enforcement, but by providing clear, structured guidance at every stage of the reform process.

To assist banks in navigating reform requirements, Central Bank of Iraq will offer general and technical advisory services. Throughout the reform period, banks may submit written inquiries to a dedicated help desk.

For all reform-related inquiries, clarifications, and official submissions, banks may contact the Central Bank of Iraq’s reform team directly on:

Central Bank of Iraq reform email address: bankingreform@cbi.iq

These support mechanisms are designed to ensure every bank — regardless of pathway — is equipped with the information and guidance needed to progress confidently through the reform journey.