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**CORE PRINCIPLES METHODOLOGY -  
ACTION PLAN AND STATUS**

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**USAID | Iraq Economic Governance II**

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Core Principles Methodology - Action Plan and Status						
Principles and elements (essential- e, additional - a)	Code	Compliance Level 3/1/2005	Assessment of Legal and regulatory base and procedures	Steps needed to be done	Avg.	
<b>Principle 1:</b> An effective system of banking supervision will have clear responsibilities and objectives for each agency involved in the supervision of banks. Each such agency should possess operational independence and adequate resources. A suitable legal framework for banking supervision is also necessary, including provisions relating to authorization of banking establishments and their ongoing supervision; powers to address compliance with laws as well as safety and soundness concerns; and legal protection for supervisors. Arrangements for sharing information between supervisors and protecting the confidentiality of such information should be in place.						
<b>Principle 1 Score</b>		4			4.33	
1 (1): An effective system of banking supervision will have clear responsibilities and objectives for each agency involved in the supervision of banks.						
1. Laws are in place for banking, and for (each of) the agency (agencies) involved in banking supervision. The responsibilities and objectives of each of the agencies are clearly defined.	p1.1e1	7	<b>LCBI Article 4 (f)</b> -The functions of the CBI, as further described in this Law, shall be to issue licenses or permits to banks and to regulate and supervise banks as further specified in the Banking Law. <b>LB Article 53</b> - The CBI shall supervise banks on a consolidated basis	The Banking law clearly defines that the CBI is the sole supervisor for banks.		
2. The laws and/or supporting regulations provide a framework of minimum prudential standards that banks must meet.	p1.1e2	4	<b>LB Article 29</b> - Each bank shall develop and maintain internal policies in the form of maximum and minimum ratios, exposure limits, risk-management standards, investment policies and other prudential ratios to be maintained by the bank concerning its assets, off-balance sheet items and various categories of capital and reserves. Such internal policies shall be consistent with regulations on prudential requirements issued by the CBI pursuant to paragraph (3) of this article.			
3. There is a defined mechanism for coordinating actions between agencies responsible for banking supervision, and evidence that it is used in practice.	p1.1e3	2	<b>LB Article 54</b> - The CBI may exchange information with other financial supervisory authorities in Iraq and with banking supervisory authorities in other countries. The CBI may enter in MOU with supervisory authorities setting out the scope, procedures and further details for the exchange of information.	Not Applicable		
4. The supervisor participates in deciding when and how to effect the orderly resolution of a problem bank situation (which could include closure, or assisting in restructuring, or merger with a stronger institution).	p1.1e4	2		Law on banking gives this power ( Section 10 enforcement Measures and penalties, Article 56) However implementing regulations are not in place. Steps 1 CBI must issue regulations concerning resolution. Step 2 CBI must develop public information program on resolution process.		
5. Banking laws are updated as necessary to ensure that they remain effective and relevant to changing industry and regulatory practices.	p1.1e5	2		n/a		
1. The supervisory agency sets out objectives, and is subject to regular review of its performance against its responsibilities and objectives through a transparent reporting and assessment process.	p1.1a1	1	LBCI , Article 3: The primary objectives of the CBI shall be to achieve and maintain domestic price stability and to foster and maintain a stable competitive market-based financial system.			
2. The supervisory agency ensures that information on the financial strength and performance of the industry under its jurisdiction is publicly available.	p1.1a2	1		CBI must develop plan for regular dissemination of aggregate systemic information.		
1 (2): Each such agency should possess operational independence and adequate resources.						
		2	<b>LCBI Article 2 (2)</b> - The CBI shall be autonomous and accountable as provided for in this law. Except as otherwise specified in this law, the CBI shall not take instructions from any other person.		1.66666667	

Core Principles Methodology - Action Plan and Status					
Principles and elements (essential- e, additional - a)	Code	Compliance Level 3/1/2005	Assessment of Legal and regulatory base and procedures	Steps needed to be done	Avg.
1. There is, in practice, no significant evidence of government or industry interference in the operational independence of each agency, and in each agency's ability to obtain and deploy the resources needed to carry out its mandate.	p1.2e1	2	<b>LCBI Article 2 (2)</b> - The autonomy of the CBI shall be respected and no person shall seek improperly to influence any member of a decision-making body of the CBI in the discharge of his duties towards the CBI or to interfere in the activities of the CBI.	the CBI is independent however state owned banks nominate the financial system . The ministry of finance through its ownership can control some aspects of supervision. Step 1 The government of Iraq should review the ownership and structure of the state owned banks with a view toward privatization.	
2. The supervisory agency and its staff have credibility based on their professionalism and integrity.	p1.2e2	2		Comment the supervisor does not have the respect of the banking community . Step 1 CBI must train its supervisory staff in up to date practices and procedures. Step 2 CBI must ensure ethical and professional conduct through training and the establishment of standards of conduct. The supervisor is adequately funded for its independence.	
3. Each agency is financed in a manner that does not undermine its autonomy or independence and permits it to conduct effective supervision and oversight. This includes, inter alia:	p1.2e3	1	<b>LB Article 11 (1)</b> – In order to cover part of its expenses associated with bank licensing and supervision, the CBI shall charge and collect an application fee on account of each application for a banking license or permit as well as a maintenance fee for each year that a banking license or permit is in effect.		<b>1.40</b>
> salary scales that allow it to attract and retain qualified staff;	p1.2e3a				
> the ability to hire outside experts to deal with special situations;	p1.2e3b	7	<b>LB . Article 60</b> - Appointment of the conservator.AND <b>Article 53, Paragraph 3</b> - for the appointment of 3rd parties for banking supervision activities.		
> a training budget and program that provides regular training opportunities for staff;	p1.2e3c				
> a budget for computers and other equipment sufficient to equip its staff with tools needed to review the banking industry; and	p1.2e3d				
> a travel budget that allows appropriate on-site work.	p1.2e3e				
1. The head of each agency is appointed for a minimum term and can be removed from office during such term only for reasons specified in law .	p1.2a1	7	<b>LCBI Article 13 (1)</b> - The Governor, the Deputy Governors and the other members of the Board shall be appointed by the Appointing Authority for a five-year term of office and may be re-appointed upon the recommendation of the Appointing Authority.		
2. Where the head of an agency is removed from office, the reasons must be publicly disclosed.	p1.2a2	7	<b>LCBI Article 14 (4)</b> - Any decision on removal from office shall be made public along with a statement of the reasons for removal, and any written response received from the member concerned; and may be appealed to the Supreme Court of Justice within two months of service of the decision.		
1 (3): A suitable legal framework for banking supervision is also necessary, including provisions relating to authorization of banking establishments and their ongoing supervision.		7			7
1. The law identifies the authority (or authorities) responsible for granting and withdrawing banking licenses.	p1.3e1	7	<b>LCBI Article 16 (d)</b> - The Board shall issue licenses or permits.	The law on Banking clearly defines licencing responsibility	
2. The law empowers the supervisor to set prudential rules administratively (without changing laws).	p1.3e2	7	<b>LCBI Article 16 (e)</b> - The Board shall adopt procedures for prudential regulations. <b>LB Article 104 (1)</b> – The CBI shall have the power to issue regulations, orders, guidance, and information to facilitate the implementation of this Law. Regulations, and any subsequent amendments thereof, shall be published in the Official Publication		
3. The law empowers the supervisor to require information from the banks in the form and frequency it deems necessary.	p1.3e3	7	<b>LCBI Article 41</b> – At the request of the CBI, banks and other entities supervised by the CBI shall provide the CBI with such information or data as the CBI determines necessary to follow foreign exchange, credit, deposit, money and capital markets; establish and publish monetary statistics; establish and publish balance of payment statistics; collect and compile financial data that reflect the risk positions of banks or any other entities supervised by the CBI; and compile financial statistics. <b>LB Article 53</b> – The CBI shall supervise banks on a consolidated basis...(2) and the CBI may request that banks, or any of its subsidiaries or affiliates, provide, and corroborate in writing when it deems necessary, any additional information, reports, documents, clarifications, or proof.		
1 (4): A suitable legal framework for banking supervision is also necessary, including ... powers to address compliance with laws as well as safety and soundness concerns.	p1.4	6			<b>5.00</b>
1. The law enables the supervisor to address compliance with laws and the safety and soundness of the banks under its supervision.	p1.4e1	6	<b>LB Article 53 (3)</b> – Examinations shall review the operations of a bank to ascertain its financial position and the extent to which the bank complies with the provisions of laws and regulations regarding the management of its activities and adheres to internal policies.	Step1 The CBI must issue guidelines to banks concerning what it constitutes as unsafe and unsound practices .	
2. The law permits the supervisor to apply qualitative judgment in forming this opinion.	p1.4e2	4	See article 56 above		
3. The supervisor has unfettered access to banks' files in order to review compliance with internal rules and limits as well as external laws and regulations.	p1.4e3	4	<b>LB Article 53 (1) &amp; (2)</b> – The CBI shall review the statements, documents, information, clarifications, and proof submitted by banks in the application of this law. In addition, the CBI may request that banks, or any of its subsidiaries or affiliates, provide, and corroborate in writing when it deems necessary, any additional information, reports, documents, clarifications, or proof.		

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4. When, in a supervisor's judgment, a bank is not complying with laws and regulations, or it is or is likely to be engaged in unsafe or unsound practices, the law empowers the supervisor to:	p1.4e4	6			6.00
> take (and/or require a bank to take) prompt remedial action;	p1.4e4a	6	<b>LB Article 56 (1)</b> – The CBI may take any measure or administrative penalty if the bank, an administrator of a bank or any person violates the provisions of the law or regulations or conducts unsafe or unsound banking operations. <b>LB Article 56 (2)</b> – If any violations of paragraph (1) occur, the CBI may send a written warning; give orders to the bank, request program to eliminate violation; request bank cease some operations, or bar it from distributing profits or dividends; impose any restriction on the granting of credit, require deposit with CBI without interest; request chairman convene directors to address violations, request bank suspend authorized individual, request bank remain chairman or any of the board members, impose administrative penalty, revoke the bank's license or permit.		
> impose a range of sanctions (including the revocation of the banking license).	p1.4e4b	6	See article 56 above		
<b>1 (5): A suitable legal framework for banking supervision is also necessary, including ... legal protection for supervisors.</b>		<b>7</b>			<b>7</b>
1. The law provides legal protection to the supervisory agency and its staff against lawsuits for actions taken while discharging their duties in good faith.	p1.5e1	7	<b>LCBI Article 23 (1)</b> – No member of the Board, employee or agent of the CBI shall be personally liable in damages for any act or omission taken in the discharge or purported discharge of official functions within the scope of their employment or engagement under this Law. <b>LB Article 55 (1)</b> states no member of the board of CBI, employee, agent appointed to carry out an examination, conservator or receiver shall be personally liable in discharge of official functions.		
2. The supervisory agency and its staff are adequately protected against the costs of defending their actions while discharging their duties.	p1.5e2	7	<b>LB Article 55 (2)</b> - The CBI indemnifies board members, employees, agents appointed to carry out an examination, conservator or receiver against any legal costs incurred in the defense against legal action.		
<b>1 (6): Arrangements for sharing information between supervisors and protecting the confidentiality of such information should be in place.</b>		<b>4</b>			<b>4</b>
1. There is a system of cooperation and information sharing between all domestic agencies with responsibility for the soundness of the financial system.	p1.6e1	4	<b>LB Article 54 (1)</b> – The CBI may exchange information on supervisory matters, preferably based on a MOU, with financial supervisory authorities in Iraq and with banking supervisory authorities in other countries.	The CBI must conclude interagency agreement with other ministries regarding interagency cooperation.	
2. There is a system of cooperation and information sharing with foreign agencies that have supervisory responsibilities for banking operations of material interest to the domestic supervisor.	p1.6e2	4	<b>LB Article 54 (1)</b> – The CBI may exchange information on supervisory matters, preferably based on a MOU, with financial supervisory authorities in Iraq and with banking supervisory authorities in other countries.	The CBI must conclude cross-border agreements with foreign supervisory agencies .	
3. The supervisor:		4			4.00
> may provide confidential information to another financial sector supervisor;	p1.6e3a	4	<b>LB Article 51</b> Exceptions regarding disclosure of confidential information		
> is required to take reasonable steps to ensure that any confidential information released to another supervisor will be treated as confidential by the receiving party;	p1.6e3b	4	See <b>LB Article 51</b> above.		
> is required to take reasonable steps to ensure that any confidential information released to another supervisor will be used only for supervisory purposes.	p1.6e3c	4	See <b>LB Article 51</b> above.		
4. The supervisor is able to deny any demand (other than a court order or mandate from a legislative body) for confidential information in its possession.	p1.6e4	4	<b>LCBI Article 22 (1) (a)</b> – No person who serves as Governor, Deputy Governor, other member of the Board, or member of the staff, or as an agent or correspondent, of the CBI, shall permit access to, disclose or publicize nonpublic information which was obtained in the performance of official duties except when required to do so by any court of law, pursuant to paragraph (2), as necessary for the fulfillment of any duty or responsibility imposed by this Law, or the Banking Law		
<b>Principle 2: The permissible activities of institutions that are licensed and subject to supervision as banks must be clearly defined, and the use of the word "bank" in names should be controlled as far as possible.</b>		<b>4</b>			<b>4.75</b>
1. The term "bank" is clearly defined in law or regulations.	p2e1	7	<b>LB Article 1</b> - Defines "bank" as a person holding a license or permit under this law to engage in banking business and other banking activities "Person" is defined as a natural person or a juridical person, or both. "Banking business" is defined as the business of receiving deposits of money or other repayable funds from the public for the purpose of making credits or investments for its own account.		
2. The permissible activities of institutions that are licensed and subject to supervision as banks are clearly defined either by supervisors, or in laws or regulations.	p2e2	4	<b>LB Article 27</b> - Clearly defines banking activities as receiving money deposits, extending credits, buying and selling investments, entering into contingent commitments, etc.	CBI must issue licensing regulations	
3. The use of the word "bank" and any derivations such as "banking" in a name are limited to licensed and supervised institutions in all circumstances where the general public otherwise might be misled.	p2e3	4	<b>LB Article 3</b> - No one shall use the word "bank" without a banking license or permit issued by the CBI		

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4. The taking of proper bank deposits from the public is reserved for institutions that are licensed and subject to supervision.	p2e4	4	<b>LB Article 3</b> - No person in Iraq shall engage in banking business without a banking license or permit issued by the CBI, other than a person exempted by the CBI pursuant to paragraph (3) or paragraph (6). <b>LB Article 27</b> - Clearly defines banking activities as receiving money deposits. <b>LB Article 27</b> - A bank may engage in deposit taking subject to the terms and conditions of its banking license or permit.		
<b>Principle 3:</b> The licensing authority must have the right to set criteria and reject applications for establishments that do not meet the standards set. The licensing process, at a minimum, should consist of an assessment of the banking organization's ownership structure, directors and senior management,		4			4
1. The licensing authority has the right to set criteria for licensing banks. These may be based on criteria set in law or regulation.	p3e1	1	<b>LB Article 8 (6)</b> - The license or permit shall be granted if the CBI is satisfied as to (1) validity of documents, (2) financial status and history of applicant, (3) administrators as fit and proper persons, (4) owners as fit and proper persons, (5) soundness of proposed operations, (6) viability of business plan, (7) applicants intention to maintain address in Iraq, (8) and foreign applicants receive prudential supervision by foreign supervisory authority.	CBI needs to set out licensing regulations.	
2. The criteria for issuing licenses are consistent with those applied in ongoing supervision.	p3e2	2			
3. The licensing authority has the right to reject applications if the criteria are not fulfilled or if the information provided is inadequate.	p3e3	6	<b>LB Article 8 (5)</b> - The application shall be rejected if the CBI is not satisfied that the conditions for issuing such license or permit are fulfilled. The CBI shall publish by regulation, standards that it will apply in evaluating applications.	While the law is clear this has been tested in practice.	
4. The licensing authority determines that the proposed legal and managerial structures of the bank will not hinder effective supervision.	p3e4	4	<b>LB Article 5 (2) (a)</b> - For a company established in the form of a juridical person the application shall include an authenticated copy of the instrument under which the applicant is formed, together with the memorandum of association or bylaws, if any, and the address of its head office.	See above 3.3	
5. The licensing authority determines the suitability of major shareholders, transparency of ownership structure and source of initial capital.	p3e5	4	<b>LB Article 8 (6) (d)</b> - Identity and character of the owners as fit and proper persons is required, in particular persons with qualifying holdings. <b>LB Article 8 (4)</b> - Before it approves an application for a banking license or permit, the CBI shall carry out financial, criminal, personal and professional background checks of owners of qualifying holdings in the proposed bank and administrators of the proposed bank for which the application is pending.	The CBI must regulate and closely supervise issues concerning sources of capital.	
6. A minimum initial capital amount is stipulated for all banks.	p3e6	7	<b>LB Article 14 (1)</b> - Capital of a domestic bank shall be specified in dinars. A bank shall at all times maintain minimum paid-up capital that is not less than 10 billion dinars or such higher amount as may be established by the CBI. Existing banks must reach this capital within 18 months of the effective date of the law. <b>LB Article 4 (1)</b> - The subsidiary of foreign owned banks shall be required to have 50 billion dinars of capital.		
7. The licensing authority evaluates proposed directors and senior management as to expertise and integrity (fit and proper test). The fit and proper criteria include:		4	<b>LB Article 5 (2) (c)</b> - Requires submission of name, nationality, etc. of every administrator, together with a statement detailing the qualifications and professional experience and at least three references for each. <b>LB Article 8 (6) (e)</b> - Character and professional experience of the administrators as fit and proper persons is required.		
(1) skills and experience in relevant financial operations commensurate with the intended activities of the bank and	p3e7(1)			The law states fit and proper but this is not tested .	
(2) no record of criminal activities or adverse regulatory judgments that make a person unfit to uphold important positions in a bank.	p3e7(2)			See above	
8. The licensing authority reviews the proposed strategic and operating plans of the bank. This includes determining that an appropriate system of corporate governance will be in place.	p3e8	4	<b>LB Article 5 (2) (g)</b> states an application will include "...a business plan setting out the business objectives and types of activities envisaged for the proposed bank, including a description of its organizational structure and internal control systems (including adequate measures to counter money-laundering and terrorist financing) together with projected balance sheets, profit and loss accounts and cash flow statements for the next three full financial years <b>Proposed Regulations: 8.1</b> – The CBI shall approve an application filed by a foreign bank under Article 6 or Article 7 and grant a permit on being satisfied regarding ...(f) the viability of the business plan;..."	Further accounting study is necessary.	
9. The operational structure is required to include, inter alia, adequate operational policies and procedures, internal control procedures and appropriate oversight of the bank's various activities. The operational structure is required to reflect the scope and degree of sophistication of the proposed activities of the bank.	p3e9	4	<b>LB Article 8 (6) (e)</b> - Requires adequacy of the staffing, operational and financial resources and capital structure of the proposed bank to cover all obligations and liabilities incurred in the conduct of the proposed banking activities.	CBI regulations / guidelines must be established for policies .	
10. The licensing authority reviews pro forma financial statements and projections for the proposed bank. This includes an assessment of the adequacy of the financial strength to support the proposed strategic plan as well as financial information on the principal shareholders of the bank.	p3e10	4	<b>LB Article 5 (2) (g)</b> - Requires a business plan setting objectives and types of activities, including organizational structure and internal control systems, together with projected balance sheets, profit and loss accounts and cash flow statements for the next three full financial years. <b>LB Article 8 (6) (g)</b> - Requires a viable business plan.	This must be tested in practice .	
11. If the licensing authority and the supervisory authority are not the same, the supervisor has the legal right to have its views considered on each specific application.	p3e11	3		n/a	
12. In the case of foreign banks establishing a branch or subsidiary, prior consent (or a statement of "no objection") of the home country supervisor is obtained.	p3e12	4	<b>LB Articles 5 (2) (n)</b> - In any case where the applicant is a subsidiary of a foreign bank or bank holding company a statement is required that the foreign supervisory authority has no objection to the proposed establishment of operations in Iraq, and exercises global consolidated banking supervision over the applicant.	This is evidenced in practice.	

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13. If the licensing, or supervisory, authority determines that the license was knowingly based on false information, the license can be revoked.	p3e13	4	<b>LB Article 13 (1)</b> - A license or permit may be revoked if the license or permit has been obtained on the grounds of fraudulent statements or other material irregularities that occurred in connection with the	While the law gives the CBI the power , this has not yet been tested in practice.	
1. The assessment of the application includes the ability of the shareholders to supply additional financial support, if needed.	p3a1	4	<b>LB Article 5 (2) (g)</b> - Applications shall include copies of the latest three audited annual financial statements, including balance sheets and profit and loss accounts of the applicant, if applicable. <b>LB Article 5 (2) (j)</b> -Applications shall include for the applicant and for each owner of a qualifying holding, including the ultimate beneficial owner of such qualifying holding, a list of undertakings in which participations exist, specifying the size of such participations and the registered addresses of those undertakings.	Shareholder F/S are required for significant shareholders.	
2. At least one of the directors must have a sound knowledge of each of the types of financial activities the bank intends to pursue.	p3a2	4	<b>LB Article 18 (1)</b> - The board of directors shall appoint one of its members as the authorized manager of the bank. <b>LB Article 18 (4) (b)</b> - Specifies that an authorized manager must possess the banking competence and expertise required for the conduct of banking operations.	This is required by law.	
3. The licensing authority has procedures in place to monitor the progress of new entrants in meeting their business and strategic goals, and to determine that supervisory requirements outlined in the license approval are being met.	p3a3	4	<b>LB Article 5 (2) (i)</b> - The application shall include such other information as the CBI may require for the purpose of the application.	This is not evidenced in practice.	
<b>Principle 4:</b> Banking supervisors must have the authority to review and reject any proposals to transfer significant ownership or controlling interests in existing banks to other parties.	p4	4			5.25
1. Law or regulation contains a clear definition of "significant" ownership.	p4e1	7	<b>LB Article 1</b> - Defines "qualifying holding" as a direct or indirect holding alone, or through or in concert with other persons in an undertaking which represents 10% or more of the capital or voting rights or which makes it possible to exercise significant influence of the management of the undertaking in which the holding exists.		
2. There are requirements to obtain supervisory approval or provide immediate notification of proposed changes that would result in a change in ownership or the exercise of voting rights over a particular threshold or change in controlling interest.	p4e2	6	<b>LB Article 22 (1)</b> - Any person, acting directly or indirectly or through or in concert with other persons, who proposes to acquire a qualifying holding in the bank, shall obtain prior approval of the CBI and shall give at least 90 days prior notice to the CBI. <b>LB Article 22(4)</b> states that any person intending to increase an existing qualifying holding in a bank in a manner that would reach or exceed a threshold of 20%, 33%, or 50% of the bank s capital or the voting rights, respectively, shall give at least 30 days prior notice to the CBI.	Article 22 , Section - Management of a bank Any Person acting directly or indirectly or through or in concert with other persons, who proposes to acquire a qualifying holling in a bank, shall obtain prior approval of the CBI and shall give at least 90 days prior notice to the CBI.	
3. The supervisor has the authority to reject any proposal for a change in significant ownership or controlling interest, or prevent the exercise of voting rights in respect of such investments, if they do not meet criteria comparable to those used for approving new banks.	p4e3	4	<b>LB Article 22 (3)</b> - CBI shall not approve a proposed acquisition if it would substantially lessen competition, jeopardize the financial soundness of the bank or endanger the interests of the bank s depositors.	Article 22. Section Management of a bank. The CBI shall assess the expected effects on the financial soundness of the bank and satisfy itself as to the identity and character of the proposed owners, in particular owners of a qualifying holding. The CBI shall not approve a proposed acquisition referred to in p4, e2 if it would substantially lessen competition, jeopardize the financial soundness of the bank or endanger the interests of the banks depositors.	
1. Supervisors obtain from banks, either through periodic reporting or on-site examinations, the names and holdings of all significant shareholders, including, if possible, the identities of beneficial owners of shares being held by custodians.	p4a1	4	<b>LB Article 106 (3)</b> – Every bank that, on the date that this Law enters into effect, carries a banking license or permit shall provide the CBI with a list of shareholders as described in paragraph (2), sub-paragraph (e) of Article 5, and for each owner of a qualifying holdings, including the ultimate beneficial owner of such qualifying holding, the information and an affidavit as described in paragraph (2), sub-paragraphs (d), (f) and (j) of Article 5, and such other information on their owners, in particular owners of qualifying holding, as requested by the CBI, within one year of the law s entry into force.	1- CBI must write regulation requiring reporting. 2- Supervisors must review bank shareholder records on-site to determine compliance.	
<b>Principle 5:</b> Banking supervisors must have the authority to establish criteria for reviewing major acquisitions or investments by a bank and ensuring that corporate affiliations or structures do not expose the bank to undue risks or hinder effective supervision.	p5	4			3.75
1. Laws or regulations clearly define what types and amounts (absolute and/or in relation to a bank's capital) of acquisitions and investments need supervisory approval.	p5e1	3	<b>LB Article 27 (1) (e)</b> - The bank may buy and sell money market instruments (including checks, bills of exchange, promissory notes and certificates of deposit); foreign currencies and precious metals; exchange and interest rate instruments; stocks and other transferable securities, forward contracts, swap agreements, futures, options, and other derivatives. <b>LB Article 33 (1)</b> - Prohibits without the CBI s approval the investment in stocks, shares, or equity-linked bonds of any undertaking in an amount that exceeds 20% of the bank s unimpaired capital and reserves. <b>LB Article 33 (2)</b> -Prohibits investment in real estate other than that needed for conducting banking business. <b>LB Article 33 (3)</b> - Prohibits acquisition of a participation in another bank or financial institution without first obtaining CBI prior written approval. <b>LB Article 33 (4)</b> - Prohibits possessing shares in other banks or financial institutions without the CBI s prior approval. <b>LB Article 33 (5)</b> - Prohibits any bank without first obtaining the CBI s prior written approval to acquire stock or shares in a company established	While some categories are established ; value limitations are not provided in all cases.	

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2. Laws or regulations provide criteria by which to judge individual proposals.	p5e2	4	<b>LB Article 8 (6)</b> – The CCBI shall grant a license or permit on being satisfied regarding (a) the validity of the documents submitted pursuant to Article 5 or Article 6, as applicable; (b) the financial status and history of the applicant; (c) the character and professional experience of the administrators as fit and proper persons; (d) the identify and character of the owners as fit and proper persons, in particular persons with qualifying holdings; (e) the adequacy of staffing, operational, and financial resources and capital structure of the proposed bank to cover all obligations and liabilities incurred in the conduct of the proposed banking activities to be authorized under the license or permit; (f) the soundness of the proposed operations; (g) the viability of the business plan; (h) the applicant's intention to maintain a physical presence at a fixed address in Iraq; and, (i) in any case where the applicant is a subsidiary of a foreign bank or bank holding company or concerning the permit for a branch of a foreign bank or bank holding company or concerning the permit for a branch of a foreign bank, that an adequate level	CBI must establish regulations regarding individual proposals.	
3. Consistent with the licensing requirements, among the objective criteria that the supervisor uses is that any new acquisitions and investments do not expose the bank to undue risks or hinder effective supervision. The supervisor determines that the bank has, from the outset, adequate financial and organizational resources to handle the acquisition/investment.	p5e3	4	<b>LB Article 23 (2)</b> – Any bank which intends to engage in any merger, consolidation, acquisition or assumption of liability under paragraph (1) shall give at least 90 days notice to the CBI, and provide...such information as the CBI may require; (3) The CBI shall assess the financial and managerial resources and future prospects of the existing and proposed bank, and shall not approve the proposal unless the bank to result from the transaction would satisfy all criteria were it seeking to be licensed as a new bank. The CBI shall not approve a proposed transaction referred to in paragraph (2) which would substantially lessen competition.	This has not been tested in practice.	
4. Laws or regulations clearly define for which cases notification after the acquisition or investment is sufficient. Such cases should primarily refer to activities closely related to banking and the investment being small relative to the bank's capital.	p5e4	4	<b>LB Article 33 (1)</b> – It shall be prohibited for any bank...to invest in the stock shares, or equity linked bonds of any undertaking in an amount that exceeds 20% of the bank's unimpaired capital and reserves.	n/a	
<b>Principle 6:</b> Banking supervisors must set minimum capital adequacy requirements for banks that reflect the risks that the bank undertakes, and must define the components of capital, bearing in mind its ability to absorb losses. For internationally active banks, these requirements must not be less than those established in the Basel Capital Accord.	p6	2			2.58
1. Laws or regulations require all banks to calculate and consistently maintain a minimum capital adequacy ratio. At least for internationally active banks, the definition of capital, method of calculation and the ratio required are not lower than those established in the Basel Capital Accord.	p6e1	2	<b>LB Article 16 (1)</b> -Each bank is required to maintain capital and reserves equivalent to 12% of total assets whereby not less than one-half of such capital shall consist of core capital. <b>LB Article 16 (2)</b> - The amount of any holding of capital in another bank or financial institution shall be deducted from the bank's capital for purposes of calculating the ratio pursuant to paragraph (1) <b>LB Article 16 (3)</b> – The CBI shall specify by regulation principles for establishing and holding a bank's paid-up minimum capital. <b>LB Article 106 (4)</b> – The capital requirements of Article 14(1) and Article 16 shall not apply through December 31, 2005 for every bank that, on that date that this law enters into effect, carries a banking license or permit by the CBI and which has obtained CBI's approval of a plan and timetable detailing the proposed increase of its capital by December 31, 2005.	The CBI must issue regulations concerning the calculation of capital including the definition of capital elements.	
2. The required capital ratio reflects the risk profile of individual banks, in particular credit risk and market risk. Both on-balance-sheet and off-balance-sheet risks are included.	p6e2	2	<b>LB Article 16(1)</b> - Requires capital to be at least 12% of total assets determined on a risk-adjusted basis.	see above 6.1	
3. Laws or regulations, or the supervisor, define the components of capital, ensuring that emphasis is given to those elements of capital available to absorb losses.	p6e3	2	<b>LB Article 16(1)</b> requires the CBI to define capital, core capital, reserves and categories of risk asset in regulations.	See above 6.1	
4. Capital adequacy ratios are calculated and applied on a consolidated bank basis.	p6e4	2	<b>LB Article 41 (1) (d)</b> – Requires information concerning its various accounts and activities, either in a consolidated form or for each of its branches separately.	n/a Consolidated accounting rules are not get in effect.	
5. Laws or regulations clearly give the supervisor authority to take measures should a bank fall below the minimum capital ratio.	p6e5	7	<b>LB Article 56 (1)</b> - The CBI may take any measure or impose any administrative penalty stipulated in paragraph (2) of this article in cases where it is evident that a bank, an administrator of a bank, or any other person violated the provisions of this law or any regulation or order issued by the CBI or conducted unsafe or unsound banking operations. <b>LB Article 59 (1) (b)</b> - The CBI shall appoint a conservator for a bank when the CBI determines that the capital of the bank is less than 50% of the minimum capital required by law or by regulation of the CBI. <b>LB Article 59 (2) (b)</b> - The CBI may appoint a conservator for a bank when the CBI determines that the capital of the bank is less than 75% of the minimum capital required by law or by regulation of the CBI.	This is provided in law but not proven in supervisory action.	
6. Regular (at least semi-annually) reporting by banks to the supervisor is required on capital ratios and their components.	p6e6	2	<b>LB Article 41 (1)</b> - states bank shall furnish the CBI at the relevant intervals statements showing assets and liabilities, foreign currency exposure, capital adequacy ratio, reserve position, liquid assets, large exposures and credit to related persons, deposit, credit and contingent liabilities.	Regulatory reports are not yet formatted.	
1. For domestic, as well as internationally active banks, the definition of capital is broadly consistent with the Basel Capital Accord.	p6a1	2	<b>LB Article 16(1)</b> - The definition of capital, core capital, reserves and assets shall be consistent with international standards.	See 6.1 above	

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2. The supervisor clearly sets out the actions to be taken if capital falls below the minimum standards.	p6a2	2	<b>LB Article 59 (1) (b)</b> – The CBI shall appoint a conservator for a bank when the CBI determines that the capital of the bank is less than 50% of the minimum capital required by law or by regulation of the CBI pursuant to paragraph (1) of Article 16. <b>LB Article 59 (2) (b)</b> – The CBI may appoint a conservator for a bank when the CBI determines that the capital of the bank is less than 75% of the minimum capital required by law or by regulation of the CBI pursuant to paragraph (1) of Article 16. <b>LB Article 56 (1)</b> – The CBI may take any measure or impose any administrative penalty stipulated in paragraph (2) of this article in cases where it is evident that a bank, an administrator of a bank or any other person violated the provisions of this Law or any regulation or order issued by the CBI or conducted unsafe or unsound banking operations.	This is provided by law but not yet applied.	
3. The supervisor determines that banks have an internal process for assessing their overall capital adequacy in relation to their risk profile.	p6a3	1		There is no requirement, the CBI must provide guidance in this area.	
4. Capital adequacy requirements take into account the conditions under which the banking system operates. Consequently, minimum requirements may be higher than the Basel Accord.	p6a4	1	<b>LB Article 16 (1)</b> – requires capital to be at least 12% of total assets determined on a risk-adjusted basis, or such higher percentage as specified by regulation of the CBI, whereby not less than one-half of such capital shall consist of core capital.	The minimum standards are set higher than the Basel capital accord required but disciplinary action is not taken.	
5. Capital adequacy ratios are calculated on both a consolidated and a solo basis for the banking entities within a banking group.	p6a5	7	<b>LB Article 16 (2)</b> – requires capital holdings of other banks or financial institutions to be deducted from the bank's capital for the purpose of calculating the risk-adjusted capital.	n/a	
6. Laws or regulations stipulate a minimum absolute amount of capital for banks.	p6a6	1	<b>LB Article 14</b> - Requires at all times maintenance of paid-up capital that is not less than 10 billion dinars <b>LB Article 16</b> and not less than the equivalent of 12% of the total value of its assets determined on a risk adjusted basis..		
<b>Principle 7:</b> An essential part of any supervisory system is the independent evaluation of a bank's policies, practices and procedures related to the granting of loans and making of investments and the ongoing management of the loan and investment portfolios.	p7	1			1.00
1. The supervisor requires, and periodically verifies, that prudent credit-granting and investment criteria, policies, practices, and procedures are approved, implemented, and periodically reviewed by bank management and boards of directors.	p7e1	1	<b>LB Article 36</b> – No bank may grant any credit, including loans and advances, or provide a guarantee or security to a customer that uses the customers' shares in the bank as collateral to secure the loan.	1-The CBI must issue guidelines regarding policy 2-The CBI must conduct seminars with bankers to raise level of policy process.	
2. The supervisor requires, and periodically verifies, that such policies, practices and procedures include the establishment of an appropriate and properly controlled credit risk environment, including:	p7e2	1			
> a sound and well-documented credit granting and investment process;	p7e2a				
> the maintenance of an appropriate credit administration, measurement and ongoing monitoring/reporting process (including asset grading/classification);	p7e2b				
> ensuring adequate controls over credit risk.	p7e2c				
3. The supervisor requires, and periodically verifies, that banks make credit decisions free of conflicting interests, on an arm's-length basis, and free from inappropriate pressure from outside parties.	p7e3	1		Must be verified by on-site activity.	
4. The supervisor requires that a bank's credit assessment and granting standards are communicated to, at a minimum, all personnel involved in credit granting activities.	p7e4	1		see 7.3	
5. The supervisor has full access to information in the credit and investment portfolios and to the lending officers of the bank.	p7e5	1		By Law the CBI has access to all .	
1. The supervisor requires that the credit policy prescribes that major credits or investments, exceeding a certain amount or percentage of the bank's capital, are to be decided at a high managerial level of the bank. The same applies to credits or investments that are especially risky or otherwise not in line with the mainstream of the bank's activities.	p7a1	1		see 7.1	
2. The supervisor requires that banks have management information systems that provide essential details on the condition of the loan and investment portfolios.	p7a2	3		The CBI must provide guidance to commercial banks on adequate Management Information systems.	
3. The supervisor verifies that bank management monitors the total indebtedness of entities to which they extend credit.	p7a3	1		This must be verified by on-site activity.	
<b>Principle 8:</b> Banking supervisors must be satisfied that banks establish and adhere to adequate policies, practices and procedures for evaluating the quality of assets and the adequacy of loan loss provisions and reserves.	p8	1			1.17

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1. Either laws or regulations, or the supervisor, sets rules for the periodic review by banks of their individual credits, asset classification and provisioning, or the law/regulations establish a general framework and require banks to formulate specific policies for dealing with problem credits.	p8e1	1	<b>LB Article 29 (2) (c)</b> - Banks shall establish and apply internal policies on prudential ratios governing the classification and evaluation of assets, and provisions to be made on the basis of such classification and evaluation, and the time when earnings on non-performing loans may no longer be accounted for as income except as received in cash. <b>LB Article 29 (3)</b> The CBI shall by regulation prescribe prudential requirements as well as the common procedures and methods of calculation to be followed by banks in their application.	1- prudential regulations must be issued. 2- Bankers must be trained. 3- Regulatory reporting must be enhanced.	
2. The classification and provisioning policies of a bank and their implementation are regularly reviewed by the supervisor or external auditors.	p8e2	1		This must be verified by on-site activity.	
3. The system for classification and provisioning includes off-balance-sheet exposures.	p8e3	1	<b>Article 29 (1)</b> - Each bank shall develop and maintain internal policies in the form of maximum and minimum ratios, exposure limits, risk-management standards, investment policies and other prudential ratios to be maintained by the bank concerning its assets, off-balance sheet items and various categories of capital and reserves. Such internal policies shall be consistent with regulations on prudential requirements issued by the CBI pursuant to paragraph (3) of this article.	See 8.2	
4. The supervisor determines that banks have appropriate policies and procedures to ensure that loan loss provisions and write-offs reflect realistic repayment expectations.	p8e4	1		See 8.1(1-3)	
5. The supervisor determines that banks have appropriate procedures and organizational resources for the ongoing oversight of problem credits and for collecting past due loans.	p8e5	1	<b>LB Article 29 (2) (c)</b> - Banks shall establish and apply internal policies on prudential ratios governing the classification and evaluation of assets, and provisions to be made on the basis of such classification and evaluation, and the time when earnings on non-performing loans may no longer be accounted for as income except as received in cash. <b>LB Article 29 (3)</b> - The CBI shall by regulation prescribe prudential requirements as well as the common procedures and methods of calculation to be followed by banks in their application.	This must be verified by on-site activity.	
6. The supervisor has the authority to require a bank to strengthen its lending practices, credit-granting standards, level of provisions and reserves, and overall financial strength if it deems the level of problem assets to be of concern.	p8e6	1	<b>LB Article 56 (1)(b)</b> - The CBI may take any measure or impose any administrative penalty stipulated in paragraph (2) in cases where it is evident that a bank, an administrator of a bank or any other person conducted unsafe or unsound banking operations. <b>LB Article 56 (2)(e)</b> - The CBI may impose any restriction on the granting of credit deemed appropriate	Law provides this power.	
7. The supervisor is informed on a periodic basis, and in relevant detail, concerning the classification of credits and assets and of provisioning.	p8e7	1		Regulatory reporting process must be improved.	
8. The supervisor requires banks to have mechanisms in place for continually assessing the strength of guarantees and appraising the worth of collateral.	p8e8	3		See 8.1(1-3)	
9. Loans are required to be identified as impaired when there is reason to believe that all amounts due (both principal and interest) will not be collected in accordance with the contractual terms of the loan agreement	p8e9	1		See 8.1(1-3)	
10. The valuation of collateral is required to reflect the net realizable value.	p8e10	1		See 8.1(1-3)	
1. Loans are required to be classified when payments are contractually a minimum number of days in arrears (e.g., 30, 60, 90 days). Refinancing of loans that would otherwise fall into arrears does not lead to improved classifications for such loans.	p8a1	1		See 8.1(1-3)	
2. The supervisor requires that valuation, classification and provisioning for large credits are conducted on an individual item basis.	p8a2	1		See 8.1(1-3)	
<b>Principle 9:</b> Banking supervisors must be satisfied that banks have management information systems that enable management to identify concentrations within the portfolio and supervisors must set prudential limits to restrict bank exposures to single borrowers or groups of related borrowers.	p9	2			2.43
1. A "closely related group" is explicitly defined to reflect actual risk exposure. The supervisor has discretion, which may be prescribed by law, in interpreting this definition on a case-by-case basis.	p9e1	4	<b>LB Article 30 (4)</b> – For the purposes of applying this article or any regulations issued pursuant thereto, a person shall be deemed to include any other person with whom such person is connected, directly or indirectly, in such a way that the financial soundness of any of them may affect the financial soundness of the other or others, or the same factors may affect the financial soundness of some or all of them, or if as a result of the structure of their relationship the other person is in fact ultimately responsible for the credit outstanding. <b>LB Article 1</b> - This article does not specifically define "closely related group", however, it does define control as directly or indirectly, or acting through one or more persons, owns, controls or has the power to vote 25 percent or more of the voting shares of the company; has the power to elect a majority of the directors of the company; or exercises a controlling influence as the CBI may determine.	The CBI should write a regulation to further define closely related groups and to require banks to identify these relationships via regular reporting.	

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2. Laws or regulations, or the supervisor, set prudent limits on large exposures to a single borrower or closely related group of borrowers. "Exposures" include all claims and transactions, on-balance sheet as well as off-balance sheet.	p9e2	4	<b>LB Article 30 (1)(a)</b> - No bank, without CBI prior approval, shall grant credit to a person, if as a result thereof the aggregate outstanding principal amount of all of the bank's credits to that person would exceed the equivalent of 15% of the bank's unimpaired capital and reserves. <b>LB Article 30 (1)(b)</b> No bank shall grant credit to a person the aggregate outstanding principal amount of all of the bank's credits to that person would exceed 25% of the bank's unimpaired capital and reserves.	See 9.1	
3. The supervisor verifies that banks have management information systems that enable management to identify on a timely basis concentrations (including large individual exposures) within the portfolio on a solo and consolidated basis.	p9e3	1		See 8.1	
4. The supervisor verifies that bank management monitors these limits and that they are not exceeded on a solo and consolidated basis.	p9e4	3	<b>LB Article 31 (2)</b> - Every credit provided by a bank to a related person shall be promptly reported to the audit committee of the bank.	CBI must issue regulatory reporting requirements which include loans to one borrower exceptions. These reports must be verified through on-site activity.	
5. The supervisor regularly obtains information that enables concentrations within a bank's credit portfolio, including sectoral and geographic exposures, to be reviewed.	p9e5	4			
1. Banks are required to adhere to the following definitions:	p9a1	1	<b>LB Article 30 (1)(c)</b> - No bank shall grant credit if as a result of paragraphs (a) and (b) the aggregate large credit exposures would exceed the equivalent of 400% of the bank's unimpaired capital and reserves.		
> 10 percent or more of a bank's capital is defined as a large exposure;	p9a1a			CBI needs to issue a regulation.	
> 25 percent of a bank's capital is the limit for an individual large exposure to a private sector non-bank borrower or a closely related group of borrowers.	p9a1b		<b>LB Article 30(1)(b)</b>		
Note: Minor deviations from these limits may be acceptable, especially if explicitly temporary or related to very small or specialized banks.	p9a1bn				
<b>Principle 10:</b> In order to prevent abuses arising from connected lending, banking supervisors must have in place requirements that banks lend to related companies and individuals on an arm's length basis, that such extensions of credit are effectively monitored, and that other appropriate steps are taken to control or mitigate the risks.	p10	1			3.00
1. A comprehensive definition of "connected or related parties" exists in law and/or regulation. The supervisor has discretion, which may be prescribed in law, to make judgments about the existence of connections between the bank and other parties.	p10e1	7	<b>LB Article 1</b> - definition of related person means (i) any administrator of the bank; (ii) Any person related to administrator by marriage, blood or kinship up to the second degree, including adopted children or foster children and any other person residing in the administrator's household; (iii) any person who has a qualifying holding in the bank and any undertaking in which any such person or administrator has a qualifying holding and any administrator of such person or undertaking; and (iv) any undertaking, not subject to consolidation, in which the bank holds a qualifying holding, and any administrator of such undertaking.	The Law gives a comprehensive definition of "Related person" in Article 1. The CBI must issue a regulation pertinent to related lending	
2. Laws and regulations exist that exposures to connected or related parties may not be extended on more favorable terms (i.e., for credit assessment, tenor, interest rates, amortization schedules, requirement for collateral) than corresponding loans to non-related counterparties.	p10e2	7	<b>LB Article 31 (1) (e)</b> - No bank may extend credit to a related person if the credit is granted on terms and conditions that are less favorable to the bank than the terms and conditions that are offered by the bank to the public in the ordinary course of business at the time when the credit is granted.		
3. The supervisor requires that transactions with connected or related parties exceeding specified amounts or otherwise posing special risks are subject to approval by the bank's board of directors.	p10e3	1	<b>LB Article 31 (1)</b> - No bank may extend credit to a related person if the credit and its financial terms and conditions have not been approved by the board of directors or, in the case of a branch of a foreign bank, the designated branch manager.	The Law requires this, but it must be tested on-site in practice.	
4. The supervisor requires that banks have procedures in place to prevent persons benefiting from the loan being part of the preparation of the loan assessment or of the decision itself.	p10e4	1	<b>LB Article 21 (2)</b> - Whenever any matter related to such significant personal financial interest comes up for discussion by the board of directors or in any other committee or working group of the bank with decision-making authority, the administrator concerned shall disclose the interest at the beginning of the discussion and shall not thereafter participate in the discussion, shall withdraw himself from the meeting while discussions on the matter are ongoing, and shall take no part in the decision on such matter; and the administrator's presence shall not be counted for the purpose of constituting a quorum.	The CBI must give guidelines to banks on insider lending and appropriate internal controls	
5. Laws or regulations set, or the supervisor has the mandate to set on a general or case-by-case basis, limits for loans to connected and related parties, to deduct such lending from capital when assessing capital adequacy or to require collateralization of such loans.	p10e5	1	<b>LB Article 31 (1) (b)</b> - No credit shall be granted if the credit would cause the aggregate amount of credits disbursed to all related persons and outstanding to exceed 10 percent of the unimpaired capital reserves of the bank. <b>LB Article 31 (5)</b> The CBI may instruct a bank to deduct any lending to a related person from capital for purposes of calculating the ratio pursuant to Article 16 (1)	The Law stipulates that the CBI should enact regulations in this regard.	
6. The supervisor requires banks to have information systems to identify individual loans to connected and related parties as well as the total amount of such loans, and to monitor them through an independent credit administration process.	p10e6	1	<b>LB Article 31 (4)</b> - Every credit provided by a bank to a related person shall be promptly reported to the audit committee of the bank.	This must be tested in on-site activities.	
7. The supervisor obtains and reviews information on aggregate lending to connected and related parties.	p10e7	1	<b>LB Article 31 (1) (b)</b> - No credit shall be granted if the credit would cause the aggregate amount of credits disbursed to all related persons and outstanding to exceed 10 percent of the unimpaired capital reserves of the bank.		

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1. The definition of "connected or related parties" established in law and/or regulation is broad and, generally, includes affiliated companies, significant shareholders, board members, senior management, key staff as well as close family members, corresponding persons in affiliated companies, and companies controlled by insiders and shareholders.	p10a1	7			
2. There are limits on aggregate exposures to connected and related parties that are at least as strict as those for single borrowers, groups or related borrowers.	p10a2	1		The regulations should specify.	
<b>Principle 11:</b> Banking supervisors must be satisfied that banks have adequate policies and procedures for identifying, monitoring and controlling country risk and transfer risk in their international lending and investment activities, and for maintaining appropriate reserves against such risks.	p11	1	<b>LB Article 32</b> – The CBI may issue regulations to set the maximum foreign currency exposure which banks may incur in foreign currency generally or in any specified currency or currencies.		<b>1.00</b>
1. The supervisor determines that a bank's policies and procedures give due regard to the identification, monitoring and control of country risk and transfer risk. Exposures are identified and monitored on an individual country basis (in addition to the end-borrower/end-counterparty basis). Banks are required to monitor and evaluate developments in country risk and in transfer risk and apply appropriate counter-measures.	p11e1	1	<b>LB Article 29 (1)</b> - Each bank shall develop and maintain internal policies in the form of maximum and minimum ratios, exposure limits, risk-management standards, investment policies and other prudential ratios to be maintained by the bank concerning its assets, off-balance sheet items and various categories of capital and reserves. Such internal policies shall be consistent with regulations on prudential requirements issued by the CBI.	The CBI should give guidelines on country risk specifically (now) for privately owned banks. - The CBI Should also set up its own country risk working group, to issue country risk opinions on a regular basis.	
2. The supervisor verifies that banks have information systems, risk management systems and internal control systems to comply with those policies.	p11e2	1	No regulations are in place at the time of this update.	The CBI should issue regulations and/or guidelines on MIS risk management and internal support systems.	
3. There is supervisory oversight of the setting of appropriate provisions against country risk and transfer risk. There are different international practices which are all acceptable as long as they lead to reasonable, risk-related, results. These include, inter alia:	p11e3	1	Country risk will be assessed according to international rating assignments.		
> The supervisor (or some other official authority) decides on appropriate minimum provisioning by setting fixed percentages for exposures to each country.	p11e3a		Country risk will be assessed according to international rating assignments.	See item P11-1	
> The supervisor (or some other official authority) sets percentage intervals for each country and the banks may decide, within these intervals, which provisioning to apply for the individual exposures.	p11e3b		Country risk will be assessed according to international rating assignments.	See item P11-1	
> The bank itself (or some other body such as the national bankers' association) sets percentages or guidelines or even decides for each individual loan on the appropriate provisioning. The provisioning will then be judged by the external auditor and/or by the supervisor.	p11e3c		Country risk will be assessed according to international rating assignments.	This must be tested by on-site activities.	
4. The supervisor obtains and reviews sufficient information on a timely basis on the country risk/transfer risk of individual banks.	p11e4	1	Country risk will be assessed according to international rating assignments.	Must review reporting.	
<b>Principle 12:</b> Banking supervisors must be satisfied that banks have in place systems that accurately measure, monitor and adequately control market risks; supervisors should have powers to impose specific limits and/or capital charge on market risk exposures, if warranted	p12	1			<b>1.00</b>
1. The supervisor determines that a bank has suitable policies and procedures related to the identification, measuring, monitoring and control of market risk.	p12e1	1	<b>LB Article 29 (1)</b> – Each bank shall develop and maintain internal policies in the form of maximum and minimum ratios, exposure limits, risk-management standards, investment policies and other prudential ratios to be maintained by the bank concerning its assets, off-balance sheet items and various categories of capital and reserves. Such internal policies shall be consistent with regulations on prudential requirements issued by the CBI pursuant to paragraph (3) of this article.	Market risk at present is not an issue.	

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2. The supervisor determines that the bank has set appropriate limits for various market risks, including their foreign exchange business.	p12e2		<b>LB Article 29 (3)</b> – The CBI shall by regulation prescribe prudential requirements as well as the common procedures and methods of calculation to be followed by banks in their application. The CBI may specify requirements, prescribed in response to exceptional circumstances, concerning the rate of interest, maturity and other conditions applicable to any type or form of financing extended or received (including deposits) or applicable to contingent liabilities.	There is no FX regulation. This must be regulated and bankers must be trained in the development of the FX market. There is little or no interbank foreign currency dealing.	
3. The supervisor has the power to impose a specific capital charge and/or specific limits on market risk exposures, including their foreign exchange business.	p12e3	1	no regulations have been issued.		
4. The supervisor verifies that banks have information systems, risk management systems and internal control systems to comply with those policies, and verifies that any limits (either internal or imposed by the supervisor) or adhered to.	p12e4	1		Training is necessary in this area.	
5. The supervisor satisfies itself that there are systems and controls in place to ensure that all transactions are captured on a timely basis, and that the banks' positions are revalued frequently, using reliable and prudent market data.	p12e5	1		Training is necessary in this area.	
6. The supervisor determines that banks perform scenario analysis, stress testing and contingency planning, as appropriate, and periodic validation or testing of the systems used to measure market risk.	p12e6	1		Training is necessary in this area.	
7. The supervisor has the expertise needed to monitor the actual level of complexity in the market activities of banks.	p12e7	1		Training is necessary in this area.	
1. Either through on-site work, or through internal or independent external experts, the supervisor determines that senior management understands the market risks inherent in the business lines/products traded and that it regularly reviews and understands the implications (and limitations) of the risk management information that they receive.	p12a1	1		Training is necessary in this area.	
2. The supervisor reviews the quality of management information and forms an opinion on whether the management information is sufficient to reflect properly the banks' position and exposure to market risk. In particular, the supervisor reviews the assumptions management has used in their stress testing scenarios, and the banks' contingency plans for dealing with such conditions.	p12a2	1	Many banks do not have a MIS or sufficient automation to warrant	Training is necessary in this area.	
3. The supervisor who does not have access to the adequate skills and capacity does not allow banks to determine their regulatory capital requirements based on sophisticated models, such as VaR.	p12a3	1	There is no specific regulation which prevents banks from using VaR models.	A regulation from the central bank must be issued in this regard.	
<b>Principle 13:</b> Banking supervisors must be satisfied that banks have in place a comprehensive risk management process (including appropriate board and senior management oversight) to identify, measure, monitor and control all other material risks and, where appropriate, to hold capital against these risks.	p13	1			<b>0.77</b>
1. The supervisor requires individual banks to have in place comprehensive risk management processes to identify, measure, monitor and control material risks. These processes are adequate for the size and nature of the activities of the bank and are periodically adjusted in light of the changing risk profile of the bank and external market developments. These processes include appropriate board and senior management oversight.	p13e1	1		1- The CBI must issue risk risk management regulations. 2- The CBI must give guidelines on risk management policy formulations.	
2. The supervisor determines that the risk management processes address liquidity risk, interest rate risk, and operational risk as well as all other risks, including those risks covered in other Principles (e.g. credit and market risk). These would include:	p13e2	1		See 13-1	
> Liquidity: good management information systems, central liquidity control, analysis of net funding requirements under alternative scenarios, diversification of funding sources, stress testing and contingency planning. Liquidity management should separately address domestic and foreign currencies.	p13e2a			The CBI must train supervisory staff on liquidity assessment.	
> Interest rate risk: good management information systems and stress testing.	p13e2b			Currently interest rate risk is insignificant.	
> Operational risk: internal audit, procedures to counter fraud, sound business resumption plans, procedures covering major system modifications and preparation for significant changes in the business environment.	p13e2c			Guidelines on operations policies and procedures should be issued.	
3. The supervisor issues standards related to such topics as liquidity risk, interest rate risk, foreign exchange risk and operational risk.	p13e3	1		These should be issued , liquidity guidelines should be issued.	
4. The supervisor sets liquidity guidelines for banks, which include allowing only truly liquid assets to be treated as such, and takes into consideration undrawn commitments and other off-balance- sheet liabilities, as well as existing on balance sheet liabilities.	p13e4	1			
5. The supervisor determines that limits and procedures are communicated to the appropriate personnel and primary responsibility for adhering to limits and procedures is placed with the relevant business units.	p13e5	1		adequate public education must be must be conducted to ensure proper understanding of risk management.	
6. The supervisor periodically verifies that these risk management processes, capital requirements, liquidity guidelines and qualitative standards are being adhered to in practice.	p13e6	1		This must be verified by on-site activity.	
1. The supervisor has the authority to require a bank to hold capital against risks in addition to credit and market risk.	p13a1	1	<b>LB Article 16 (1)</b> – Each bank shall at all times maintain capital, including its unimpaired capital and reserves, in Iraq of not less than the equivalent of 12 percent of the total value of its assets determined on a risk-adjusted basis, or such higher percentage as specified by regulation of the CBI.	This would be incorporated in practice with based 2	
2. The supervisor encourages banks to include a statement on their risk management policies and procedures in their publicly available accounts.	p13a2	1		This should be subject to CBI audit report guidelines .	
3. Supervisors obtain sufficient information to enable them to identify those institutions carrying out significant foreign currency liquidity transformation.	p13a3	1		A regulatory report regarding this must be issued.	

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4. The supervisor determines that, where a bank conducts its business in multiple currencies, management understands and addresses the particular issues this involves. Foreign currency liquidity strategy is separately stress tested and the results of such tests are a factor in determining the appropriateness of mismatches.	p13a4	1		N/A at this time.	
<b>Principle 14:</b> Banking supervisors must determine that banks have in place internal controls that are adequate for the nature and scale of their business. These should include clear arrangements for delegating authority and responsibility; separation of the functions that involve committing the bank, paying always its funds, and accounting for its assets and liabilities; reconciliation of these processes; safeguarding its assets; and appropriate independent internal or external audit and compliance functions to test adherence to these controls as well as applicable laws and regulations.	p14	1			2.81
1. Corporate or banking laws identify the responsibilities of the board of directors with respect to corporate governance principles to ensure that there is effective control over every aspect of risk management.	p14e1	4	<b>LB Article 17 (1)</b> – The board of directors shall be responsible for conducting the business and establishing the policies of the bank. In particular, the board of directors shall establish the risk-management standards, investment policies, minimum prudential ratios, accounting standards and internal control systems of the bank.		
2. The supervisor determines that banks have in place internal controls that are adequate for the nature and scale of their business. These controls are the responsibility of the board of directors and deal with organizational structure, accounting procedures, checks and balances and the safeguarding of assets and investments. More specifically, these address:	p14e2	1	There is no regulation for banks instituting a requirement for internal control activities.	A regulation must be issued, training must be provided in this area.	0.00
> Organizational structure: definitions of duties and responsibilities including clear delegation of authority (for example, clear loan approval limits), decision-making procedures, separation of critical functions (for example, business origination, payments, reconciliation, risk management, accounting, audit and compliance).	p14e2a				
> Accounting procedures: reconciliation of accounts, control lists, information for management.	p14e2b				
> Checks and balances (or “four eyes principles”): segregation of duties, cross checking, dual control of assets, double signatures.	p14e2c				
> Safeguarding assets and investments: including physical control.	p14e2d				
3. To achieve a strong control environment, the supervisor requires that the board of directors and senior management of a bank understand the underlying risks in their business and are both committed to, and legally responsible for, the control environment. Consequently, the supervisor evaluates the composition of the board of directors and senior management to determine that they have the necessary skills for the size and nature of the activities of the bank and can address the changing risk profile of the bank and external market developments. The supervisor has the legal authority to require changes in the composition of the board and management in order to satisfy these criteria.	p14e3	1		Training for directors should be instituted.	
4. The supervisor determines that there is an appropriate balance in the skills and resources of the back office and control functions relative to the front office/business origination.	p14e4	1	n/a		
5. The supervisor determines that banks have an appropriate audit function charged with (a) ensuring that policies and procedures are complied with and (b) reviewing whether the existing policies, practices and controls remain sufficient and appropriate for the bank’s business. The supervisor determines that the audit function:	p14e5	4	<b>LB Article 18 (2)</b> – The board of directors shall appoint a chief internal auditor who shall be a qualified member of a recognized professional association with extensive professional experience in the field of accounting or audit.		3.50
> has unfettered access to all the bank’s business lines and support departments;	p14e5a	4	There is no regulation in this regard	A regulation must be issued, training must be conducted.	
> has appropriate independence, including reporting lines to the board of directors and status within the bank to ensure that senior management reacts to and acts upon its recommendations;	p14e5b	6	see above		
> has sufficient resources, and staff that are suitably trained and have relevant experience to understand and evaluate the business they are auditing;	p14e5c	2	see above		
> employs a methodology that identifies the key risks run by the bank and allocates its resources accordingly.	p14e5d	2	see above		
6. The supervisor has access to the reports of the audit function.	p14e6	6	<b>LB Article 46 (6)</b> – Each bank shall send copies of the audit report to the CBI not later than 30 days after it becomes available. <b>LB Article 47 (1)</b> – The CBI may impose on an auditor the duty to submit to the CBI additional information in relation to the audit, submit a report specified by the CBI, submit to the CBI a report on financial and accounting systems and internal controls or certify whether adequate measures are in place to prevent money laundering or terrorist financing.	Audit reports are received by the CBI. Banks are not audited in accordance with ISA.	
1. In those countries with a unicameral board structure (as opposed to a bicameral structure with a supervisory board and a management board), the supervisor requires the board of directors to include a number of experienced non-executive directors.	p14a1	6	<b>LB Article 17</b> – The board of directors shall have not less than 5 members, possess legal capacity, be fit and proper persons, be at least 30 years old, and the majority must have significant banking experience and shall not work full time for the bank.	No review has been performed to determine if the boards are acting in an appropriate manner.	
2. The supervisor requires the internal audit function to report to an Audit Committee.	p14a2	6	<b>LB Article 24 (1)</b> – The audit committee reviews and recommends approval of annual audit plan, requests reports from the bank’s chief internal auditor, and reviews operations and transactions of the bank on the basis of plans adopted by the audit committee.	A regulation should be writing to implement the law in this respect.	

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3. In those countries with a unicameral board structure, the supervisor requires the Audit Committee to include experienced non-executive directors.	p14a3	2	<b>LB Article 24 (1)</b> – Each bank shall establish an audit committee. <b>LB Article 24 (2)</b> – The audit committee shall have not less than three members. The members are appointed by the shareholders from among the members of the board for periods of not more than four years. The chairman of the board and the authorized manager of a bank shall not be members of the audit committee. The majority of the members of the audit committee shall not work full time for the bank.	there is no such requirement.	
<b>Principle 15:</b> Banking supervisors must determine that banks have adequate policies, practices and procedures in place, including strict "know-your-customer" rules, that promote high ethical and professional standards in the financial sector and prevent the bank being used, intentionally or unintentionally, by criminal elements.	p15	2			1.56
1. The supervisor determines that banks have in place adequate policies, practices and procedures that promote high ethical and professional standards and prevent the bank from being used, intentionally or unintentionally, by criminal elements. This includes the prevention and detection of criminal activity or fraud, and reporting of such suspected activities to the appropriate authorities.	p15e1	1	No regulation , no review	1- the CBI should issue KYC" Know your customer " regulations 2- The CBI should issue Public information on sample policy guidelines. 3- The CBI should train their staff on AML" anti- money laundering" procedures. 4- CBI issue deadline on on policy establishment. 5- Supervision activities.	
2. The supervisor determines that banks have documented and enforced policies for identification of customers and those acting on their behalf as part of their anti-money-laundering program. There are clear rules on what records must be kept on customer identification and individual transactions and the retention period.	p15e2	1	1- AML Section 5 , Article 15 <b>2- LB Article 38 (1)</b> – Banks shall keep on file for at least seven years the pertinent documents for each of their transactions, namely customer identification records, application and all contract documents, financial records concerning counterparties, account agreements with its customers, such other documents as the CBI may specify in regulation	1- refer to steps in p15 e1 2- CBI supervisors should verify banks compliance with their own retention policies.	
3. The supervisor determines that banks have formal procedures to recognize potentially suspicious transactions. These might include additional authorization for large cash (or similar) deposits or withdrawals and special procedures for unusual transactions.	p15e3	2	<b>LB Article 35</b> – If a bank or any of its administrators, officers or employees learns that the execution of any banking transaction or the receipt or payment of any sum of money pertains or may pertain to any crime or illegal act, the bank shall immediately notify the appropriate official or judicial authority to this effect. The bank shall inform the CBI on a monthly basis about suspicious transactions reports submitted, if any, and concerning any need for additional action regarding this matter.	1-The bank shall inform the CBI on a monthly basis about suspicious transaction reports submitted , if any, and concerning any need for additional action regarding this matter. 2- refer to steps in p15 e1. 3- Large transaction regulations. ie banks should have special procedures for large transactions.	
4. The supervisor determines that banks appoint a senior officer with explicit responsibility for ensuring that the bank's policies and procedures are, at a minimum, in accordance with local statutory and regulatory anti-money laundering requirements.	p15e4	2	The CBI must write a regulation for commercial banks to assign a senior officer to do these duties	1- The CBI issues call for banks to appoint AML senior officer with deadline. 2.CBI should train appointed officers in AML procedures.	
5. The supervisor determines that banks have clear procedures, communicated to all personnel, for staff to report suspicious transactions to the dedicated senior officer responsible for anti-money laundering compliance.	p15e5	1	<b>LB Article 35</b> – If a bank or any of its administrators, officers or employees learns that the execution of any banking transaction or the receipt or payment of any sum of money pertains or may pertain to any crime or illegal act, the bank shall immediately notify the appropriate official or judicial authority to this effect.	CBI may mandate that banks require their staff to sign a document acknowledging training.	
6. The supervisor determines that banks have established lines of communication both to management and to an internal security (guardian) function for reporting problems.	p15e6	2	There is no regulation in this regard.	1- CBI should review policies for provision of this requirement. 2- CBI supervision should verify on-site that banks follow policies in this regard.	
7. In addition to reporting to the appropriate criminal authorities, banks report to the supervisor suspicious activities and incidents of fraud material to the safety, soundness or reputation of the bank.	p15e7	2	There is no regulation in this regard.	1- The CBI must issue and update regularly a list of types of suspicious transactions. 2- CBI supervision must verify that banks maintain staff awareness of suspicious transactions.	
8. Laws, regulations and/or banks' policies ensure that a member of staff who reports suspicious transactions in good faith to the dedicated senior officer, internal security function, or directly to the relevant authority cannot be held liable.	p15e8	2	<b>LB Article 35 (2)</b> – A bank s disclosure of any information in good faith under this article shall not be considered a breach of banking confidentiality. In addition, neither the CBI nor the bank shall bear any liability as a result thereof.	AML Section 5, article 23	
9. The supervisor periodically checks that banks' money laundering controls and their systems for preventing, identifying and reporting fraud are sufficient. The supervisor has adequate enforcement powers (regulatory and/or criminal prosecution) to take action against a bank that does not comply with its anti-money laundering obligations.	p15e9	2	There are no implementing regulations.	see P15, e1 Penalties and enforcement section 2 Penalties Article 3 money laundering for CBI enforcement powers.	
10. The supervisor is able, directly or indirectly, to share with domestic and foreign financial sector supervisory authorities information related to suspected or actual criminal activities.	p15e10	1	There are no implementing regulations.	Section 4 mutual administrative assistance. Article 13, Article 14 The CBI must sign cross border agreements of AML efforts, with relevant host and cooperating countries	

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11. The supervisor determines that banks have a policy statement on ethics and professional behavior that is clearly communicated to all staff.	p15e11	1	see above	1- The CBI should issue regulation or guideline on ethics and professional behavior establishing basic requirements to be addressed with deadline for completion. 2- Supervision should review bank ethics policies offsite. 3- Supervision should verify on-site that banks train staff on ethics policies.	
1. The laws and/or regulations embody international sound practices, such as compliance with the relevant forty Financial Action Task Force Recommendations issued in 1990 (revised 1996).	p15a1	2	see above	AML is in compliance with FAFT recommendations	
2. The supervisor determines that bank staff is adequately trained on money laundering detection and prevention.	p15a2	1	see above	Training must be conducted.	
3. The supervisor has the legal obligation to inform the relevant criminal authorities of any suspicious transactions.	p15a3	2	<b>LB Article 35</b> – If a bank or any of its administrators, officers or employees learns that the execution of any banking transaction or the receipt or payment of any sum of money pertains or may pertain to any crime or illegal act, the bank shall immediately notify the appropriate official or judicial authority to this effect.		
4. The supervisor is able, directly or indirectly, to share with relevant judicial authorities information related to suspected or actual criminal activities.	p15a4	2		Articles 13, 14 CBI must establish AML unit	
5. If not performed by another agency, the supervisor has in-house resources with specialist expertise on financial fraud and anti-money laundering obligations.	p15a5	1		1- CBI must establish MLRO. 2- Staff must be hired and trained. 3- Software must be developed. 4- Reporting formats must be developed and transmitted to banks. 5- Data mining procedures must be developed. 6- Enter Agency agreement must be signed for data sharing procedures.	
<b>Principle 16:</b> An effective banking supervisory system should consist of some form of both on-site and off-site supervision.	p16	1			<b>1.38</b>
1. Banking supervision requires an in-depth understanding, periodic analysis and evaluation of individual banks, focusing on safety and soundness, based on meetings with management and a combination of both on-site and off-site supervision. The supervisor has a framework that (1) uses on-site work (conducted either by own staff or through the work of external auditors) as a primary tool to:	p16e1	2	<b>LB Article 53 (3)</b> - The CBI may cause at any time an on-site examination of a bank, its subsidiaries or affiliates. The exam shall review operations to ascertain the bank's financial position and the extent to which the bank complies with laws and regulations.	Examination practices must be observed on site, however, improvements in examiner education I the field of accounting have improved.	<b>2.00</b>
> provide independent verification that adequate corporate governance (including risk management and internal control systems) exists at individual banks;	p16e1a	2			
> determine that information provided by banks is reliable;	p16e1b	2			
> obtain additional information needed to assess the condition of the bank.	p16e1c	2			
2. And (2) uses off-site work as a primary tool to:	p16e2	2	<b>LB Article 53 (1)</b> - The CBI shall review the statements, documents, information, clarifications, and proof submitted by banks.		<b>2.00</b>
> review and analyze the financial condition of individual banks using prudential reports, statistical returns and other appropriate information, including publicly available information;	p16e2a	2			
> monitor trends and developments for the banking sector as a whole.	p16e2b	2			
3. The supervisor checks for compliance with prudential regulations and other legal requirements through on-site and off-site work.	p16e3	1	<b>LB Article 53 (3)</b> - The CBI may cause at any time an on-site examination of a bank, its subsidiaries or affiliates. The exam shall review operations to ascertain the bank's financial position and the extent to which the bank complies with laws and regulations.	Prudential regulations should be issued.	
4. The appropriate mix of on-site and off-site supervision is determined by the particular conditions and circumstances of the country. In any event, the framework integrates the two functions so as to maximize the synergy and avoid supervisory gaps.	p16e4	2			
1. The supervisor has procedures in place to assess the effectiveness of on-site and off-site functions, and to address any weaknesses that are identified.	p16a1	1			
2. The supervisor has the right to access copies of reports submitted to the board by both internal and external auditors.	p16a2	1	<b>LB Article 45 (1)</b> - Each bank shall send copies of the annual report to the CBI not later than 30 days after it becomes available, and within six months after the end of the bank's financial year at the latest. <b>LB Article 46 (6)</b> - Each bank shall send copies of the audit report to the CBI not later than 30 days after it becomes available. Where the CBI is not satisfied with the auditor's report, it may require the appointment of another auditor to prepare a new audit report within a specified time.		

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3. The supervisor has a methodology for determining and assessing the nature, importance and scope of the risks to which individual banks are exposed, including the business focus, the risk profile and the internal control environment. Off-site and on-site work is prioritized based on the results of that assessment.	p16a3	1			
4. The supervisor is legally required to treat as confidential information received as part of the supervisory process. However, the supervisor is given powers under the law to disclose information in certain defined circumstances. The law prevents disclosure of confidential information unless the supervisor is satisfied that it will be held confidential by the recipient, or unless disclosure is otherwise required by law.	p16a4	3	<b>LB Article 53 (4)</b> – Any person authorized to carry out an examination under this article shall be subject to confidentiality requirements.		
5. The supervisor is able to reasonably place reliance on internal audit work that has been competently and independently performed.	p16a5	1		Internal Audit training should be provided for banks and for supervisors. Internal audit policies and procedures should be issued.	
<b>Principle 17:</b> Banking supervisors must have regular contact with bank management and a thorough understanding of the institution's operations.	p17	1			<b>1.00</b>
1. Based on the risk profile of individual banks, the supervisor has a program of regular meetings with senior and middle management (including the board, non-executive directors and heads of individual units) to discuss operational matters such as strategy, group structure, corporate governance, performance, capital adequacy, liquidity, asset quality, risk management systems etc.	p17e1	1	<b>LB Article 25 (2)</b> – In the absence of specific provisions to the contrary set out in this Law, for banks that are solely owned by the State the provisions of the Public Companies shall be observed regarding matters pertaining to the internal organization and management of a bank.	This must be verified	
2. The supervisor has a thorough understanding of the activities of its banks. This is accomplished through a combination of off-site surveillance, on-site reviews and regular meetings.	p17e2	1	<b>LB Article 18 (4)</b> – A person appointed to serve as authorized manager of a bank, designated branch manager, or other senior bank official as specified by the CBI, must possess the banking competence and expertise required for the conduct of banking operations.	A program for on-site and off-site work must be implemented.	
3. The supervisor requires banks to notify it of any substantive changes in their activities or any material adverse developments, including breach of legal and prudential requirements.	p17e3	1	<b>LB Article 19 (1)</b> - Banks shall obtain the prior written approval of the CBI before appointing or electing an administrator. <b>LB Article 19 (3)</b> - Banks shall notify the CBI of the dismissal or the acceptance of the resignation of an administrator, as well as the reasons for said dismissal or resignation, within a period of three days of such event.	This must be regulated and verified by on-site activities.	
4. As part of the licensing process, and on an on-going basis during routine supervision, the supervisor considers the quality of management.	p17e4	1		This Should be verified by on-site activities.	
<b>Principle 18:</b> Banking supervisors must have a means of collecting, reviewing and analyzing prudential reports and statistical returns from banks on a solo and consolidated basis.	p18	2			<b>2.38</b>
1. The supervisor has the legal authority to require banking organizations to submit information, on both a solo and consolidated basis, on their financial condition and performance, at regular intervals. These reports provide data on matters such as on and off-balance sheets assets and liabilities, profit and loss, capital adequacy, liquidity, large exposures, loan loss provisioning, market risk and deposit sources.	p18e1	2	<b>LB Article 53 (1)</b> - The CBI shall review the statements, documents, information, clarifications and proof submitted by banks in the application of this Law. <b>LB Article 26 (2)</b> – Banks shall maintain adequate accounting and other records of businesses.	Changes are in process for the entire reporting system.	
2. Laws and regulations establish, or the supervisor has the authority to establish, the principles and norms regarding the consolidation of accounts as well as the accounting techniques to be used.	p18e2	2		Changes are in process for the entire reporting system.	
3. The supervisor has a means of enforcing compliance with the requirements that the information be submitted on a timely and accurate basis. The supervisor determines that the appropriate level of senior management is responsible for the accuracy of supervisory returns, can impose penalties for deliberate mis-reporting and persistent errors, and can require that inaccurate information be amended.	p18e3	4	<b>LB Article 56 (3)(a)</b> – The CBI may impose an administrative penalty on a bank of up to 5 million dinars per day until the violation has eased or compliance is obtained, and not to exceed 5% of its paid-up capital overall in the following case if the bank intentionally submitted to the CBI statements, statistics, or information that are deficient or false. Penalties do not preclude further recourse	Changes are in process for the entire reporting system.	
4. The information that is required to be submitted includes standardized prudential and statistical reports, and detailed balance sheets and income statements, as well as supporting schedules that provide details concerning on and off balance sheet activities and on reserves included in capital. Inclusion of data on loan classification and provisioning is also required.	p18e4	2	<b>LB Article 41 (1)</b> – Each bank is required to submit to the CBI at regular intervals statements showing its assets and liabilities, foreign currency exposure, capital adequacy ratio, reserve position, liquid assets, large exposures and credits to related persons, information on deposits, loans and contingent liabilities and other information as requested by the CBI.	Changes are in process for the entire reporting system.	
5. The supervisor has the authority to request and receive any relevant information from banks, as well as any of their related companies, irrespective of their activities, where the supervisor believes that it is material to the financial situation of the bank or the assessment of the risk of the bank.	p18e5	2	<b>LB Article 53 (2)</b> - The CBI may request that banks, or any of its subsidiaries or affiliates, provide, and corroborate in writing when it deems necessary, any additional information, reports, documents, clarifications, or proof.	Changes are in process for the entire reporting system.	
6. The supervisor has an analytical framework that uses the statistical and prudential information for the ongoing monitoring of the condition and performance of individual banks. The results are also used as a component of on-site supervision planning. This requires that the supervisor has an adequate information system.	p18e6	2		Changes are in process for the entire reporting system.	

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7. In order to make meaningful comparisons between banking organizations, the supervisor collects data from all banks and all other relevant entities within a banking organization on a comparable basis and related to the same dates (stock data) and periods (flow data).	p18e7	2		Changes are in process for the entire reporting system.	
8. The supervisor collects data from banks at a frequency (e.g., monthly, quarterly and annually) commensurate with the nature of the information requested, and the size, activities and risk profile of the individual bank.	p18e8	3		Changes are in process for the entire reporting system.	
<b>Principle 19:</b> Banking supervisors must have a means of independent validation of supervisory information either through on-site examinations or use of external auditors.	p19	6			5.14
1. The supervisor has in place a coherent process for planning and executing on-site visits, using either in-house examiners, or making use of the work of external auditors, as appropriate. There are policies and procedures in place to ensure that examinations are conducted on a thorough and consistent basis with clear responsibilities, objectives and outputs. The supervisor holds meetings with banks and their auditors to discuss the results of work by the external auditors and to agree on the responsibilities for corrective work.	p19e1	6	<b>LB Article 53 (3)</b> - The CBI may at any time schedule an examination to review operations, ascertain financial position, and compliance with laws and regulations and management adherence to internal policies. The CBI shall examine all banks on a regular basis, and at least once every year, except representative offices shall be examined at least once every two years.		
2. The supervisor has the authority to monitor the quality of work done by external auditors for supervisory purposes. The supervisor has the authority to directly appoint external auditors for conducting supervisory tasks or oppose the appointment of an external auditor that is deemed to have inappropriate expertise and/or independence.	p19e2	6	<b>LB Article 46 (6)</b> – Each bank shall send copies of the audit report to the CBI not later than 30 days after it becomes available. Where the CBI is not satisfied with the auditor's report, it may require the appointment of another auditor to prepare a new audit report within a specified time. <b>Article 47 (1)</b> – The CBI may impose on an auditor a duty to submit to the CBI such additional information in relation to the audit as the CBI considers necessary.		
3. The supervisor can also make use of external auditors to examine specific aspects of banks' operations, provided there is a well developed, professionally independent auditing and accounting profession with skills to undertake the work required. The respective roles and responsibilities for the supervisor and the auditors in these circumstances are clearly defined by the supervisor.	p19e3	6	<b>LB Article 47 (1) (b)</b> – The CBI may impose on an auditor a duty to submit a report, carry out an inspection or establish any procedure as specified by the CBI.		
4. The supervisor has the legal right of full access to all bank records for the furtherance of supervisory work. The supervisor also has similar access to the board, senior management and staff, when required.	p19e4	6	<b>LB Article 53 (4)</b> - Any person authorized to carry out an examination may require administrators, officers, employees or agents of a bank, or its subsidiaries or affiliates, to provide access to all necessary books, accounts, documents and records. Any information deemed necessary and requested by the examiner shall be furnished in a timely manner during the course of the examination.		
5. The supervisor has a program for the periodic examination of supervisory returns by examiners or through the work of external auditors. There is a requirement that certain key supervisory returns such as that for capital adequacy be examined at least annually by the auditors and a report submitted to the supervisor.	p19e5	4	<b>LB Article 53 (1)</b> – The CBI shall review the statements, documents, information, clarifications, and proof submitted by banks in the application of this Law.		
1. The supervisor meets with management and the board of directors each year to discuss the results of the supervisory examination or the external audit. Such visits should allow for the supervisor to meet separately with the independent board members.	p19a1	4			
2. The supervisor meets periodically with external audit firms to discuss issues of common interest relating to bank operations.	p19a2	4			
<b>Principle 20:</b> An essential element of banking supervision is the ability of the supervisors to supervise the banking group on a consolidated basis.	p20	4			4.44
1. The supervisor is aware of the overall structure of banking organizations (i.e., the bank and its subsidiaries) or groups and has an understanding of the activities of all material parts of these groups, including those that are supervised directly by other agencies.	p20e1	2			
2. The supervisor has a supervisory framework that evaluates the risks that non-banking activities conducted by a bank or banking group may pose to the bank or banking group.	p20e2	1			

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3. The supervisor has the legal authority to review the overall activities of a bank, whether the activities are conducted directly (including those conducted at overseas offices), or indirectly, through subsidiaries and affiliates of the bank.	p20e3	7	<b>LB Article 53 (2)</b> – The CBI may request that banks, or any of its subsidiaries or affiliates, provide, and corroborate in writing when it deems necessary, any additional information, reports, documents, clarifications, or proof. <b>LB Article 53 (3)</b> – The CBI may at any time cause an on-site examination of a bank, its subsidiaries or affiliates, to be made by one or more employees of the CBI, or by any other person or persons appointed by the CBI for this purpose.		
4. There are no impediments to the direct or indirect supervision of all affiliates and subsidiaries of a banking organization.	p20e4	7			
5. Laws or regulations establish, or the supervisor has the authority to impose, prudential standards on a consolidated basis for the banking organization. The supervisor uses its authority to establish prudential standards on a consolidated basis to cover such areas as capital adequacy, large exposures and lending limits.	p20e5	4	<b>LB Article 53</b> – The CBI shall supervise banks on a consolidated basis. <b>LB Article 29 (3)</b> – The CBI shall by regulation prescribe prudential requirements as well as the common procedures and methods of calculation to be followed by banks in their application		
6. The supervisor collects consolidated financial information for each banking organization.	p20e6	4	<b>LB Article 43 (1)</b> – Each bank shall prepare financial statements. Each bank that has one or more subsidiaries shall also prepare consolidated financial statements. <b>LB Article 43 (2)</b> – The CBI may specify other affiliates of a bank, in particular a company that controls a bank and any other company that is controlled by the company that controls the bank, for which consolidated financial statements shall be submitted. <b>LB Article 43 (3)</b> – Each foreign bank with one or more branch offices in Iraq shall prepare accounts and financial statements for its operations in Iraq as if such offices together were to constitute a single entity.		
7. The supervisor has arrangements with functional regulators of individual business vehicles within the banking organization group, if material, to receive information on the financial condition and adequacy of risk management and controls of such business vehicles.	p20e7	1			
8. The supervisor has the authority to limit or circumscribe the range of activities the consolidated banking group may conduct and the overseas locations in which activities can be conducted; the supervisor uses this authority to determine that the activities are properly supervised and that the safety and soundness of the banking organization is not compromised.	p20e8	7			
1. For those countries that allow corporate ownership of banking companies:	p20a1	7	<b>LB Article 4 (3) Licenses and permits</b> – In the case of a subsidiary, a license may be issued only if the parent bank is subject to consolidated supervision by a supervising authority in the country in which the parent bank's head office is located. <b>LB Article 1</b> – Affiliate means a company that controls a bank, any other company that is controlled by the company that controls the bank, and any other company as determined pursuant to criteria specified in regulation by the CBI.		7.00
> the supervisor has the authority to review the activities of parent companies and of companies affiliated with the parent companies, and utilizes the authority in practice to determine the safety and soundness of the bank;	p20a1a	7			
> the supervisor has the authority to take remedial actions, including ring-fencing, regarding parent companies and non-bank affiliates concerning matters that could impact the safety and soundness of the bank	p20a1b	7			
> the supervisor has the authority to establish and enforce fit and proper standards for owners and senior management of parent companies.	p20a1c	7			
<b>Principle 21:</b> Banking supervisors must be satisfied that each bank maintains adequate records drawn up in accordance with consistent accounting policies and practices that enable the supervisor to obtain a true and fair value of the financial condition of the bank and the profitability of its business, and that the bank publishes on a regular basis financial statements that fairly reflect its condition.	p21	1			1.93
1. The supervisor has the authority to hold management responsible for ensuring that financial record keeping systems and the data they produce are reliable, and that supervisor-required reports are submitted on a timely and accurate basis.	p21e1	1	<b>LB Article 42 (1)</b> – Banks shall maintain records in accordance with international accounting standards and prepare financial statements that reflect the reality of the financial positions of the bank and its branches. <b>LB Article 42 (2)</b> – Banks shall comply with any regulations issued by the CBI with respect to rules under (1). The CBI shall issue, by regulation, provisions on the accounting system and rules applicable to the banks.	Reports must be directly verified during on site examinations.	
2. The supervisor has the authority to hold management responsible for ensuring that the management report and financial statements issued annually to the public receive proper external verification and bear an external auditor's opinion.	p21e2	3	<b>LB Article 42 (2)</b> – The CBI shall issue, by regulation, provisions on the accounting system and rules applicable to banks. <b>LB Article 44 (1-2)</b> – Banks are required to publish audited consolidated financial statements not later than four months after the end of the financial year. Audited financial statements should be prominently displayed with a list on the names of the members of its Board of Directors. <b>LB Article 46 (1)</b> – Each bank shall appoint an independent external auditor. <b>LB Article 56 (3)(a)</b> – The CBI may impose an administrative penalty on a bank of up to 5 million dinars per day until the violation has eased or compliance is obtained, and not to exceed 5% of its paid-up capital overall in the following case if the bank intentionally submitted to the CBI statements, statistics, or information that are deficient or false.	The CBI has the authority but does not exercise this authority punitively.	
3. The supervisor ensures that information from bank records is verified periodically through on-site examinations and/or external audits.	p21e3	1	<b>LB Article 46 (1)</b> – The CBI requires the bank's BOD to appoint an independent, qualified, and experienced external auditor and if the bank fails to appoint one satisfactory to the CBI, the CBI shall appoint one.	Training is needed in this area.	
4. The supervisor ensures that there are open communication lines with the external auditors.	p21e4	1		The CBI consults with the Supreme audit body on banking issues regularly. Training for both entities is necessary.	

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Principles and elements (essential- e, additional - a)	Code	Compliance Level 3/1/2005	Assessment of Legal and regulatory base and procedures	Steps needed to be done	Avg.
5. The supervisor provides report instructions that clearly establish the accounting standards to be used in preparing supervisory reports. Such standards are based on accounting principles and rules that command wide international acceptance and are aimed specifically at banking institutions.	p21e5	3	<b>LB Article 46 (5) (e)</b> This section of the law includes a long list of items which should be included within the external audit report.	The CBI has received training on IAS and intends to issue regulations regarding the application of these standards in banks.	
6. The supervisor requires banks to utilize valuation rules that are consistent, realistic and prudent, taking account of current values where relevant, and that profits are net of appropriate provisions.	p21e6	1	Valuation has improved during 2004, but still remains an issue of discussion.	Training is needed in this area.	
7. Laws or regulations set, or the supervisor has the authority, in appropriate circumstances, to establish, the scope and standards to be achieved in external audits of individual banks, and to make public issuance of individual bank financial statements subject to its prior approval.	p21e7	1	<b>LB Article 46 (5)</b> States that in accordance with internationally recognized auditing standards and any standards issued by the regulations of the CBI, the bank shall audit the bank's operations on a consolidated basis. <b>LB Article 47 (1)</b> – States that the CBI may require additional procedures and reports in internal and accounting controls	ISA are not adopted.	
8. The supervisor has the ability to treat as confidential certain types of sensitive information.	p21e8	6	<b>LB Article 48 (2)</b> Auditors shall observe professional and banking confidentiality requirements, provided that the auditor shall not incur legal liability for the disclosure of confidential information concerning a bank or a bank customer that the auditor provides in good faith to the CBI under this law.	The CBI has the ability to keep confidential certain types of sensitive information. This is maintained by appropriate practice in the supervision department.	
9. The supervisor requires banks to produce annual audited financial statements based on accounting principles and rules that command wide international acceptance and have been audited in accordance with internationally accepted auditing practices and standards.	p21e9	1	<b>LB Article 46 (5)</b> States that in accordance with internationally recognized auditing standards and any standards issued by the regulations of the CBI, the bank shall audit the bank's operations on a consolidated basis.	IAS and ISA are not required to be met. CBI intends that these principles be recognized and honored in the accounting and auditing of bank financial reporting.	
10. The supervisor has the right to revoke the appointment of a bank's auditors.	p21e10	4	<b>LB Article 46 (1)</b> The external auditor shall be appointed by the bank's shareholders at the general meeting of shareholders, provided that if the bank fails to appoint an auditor satisfactory to the CBI, the CBI shall appoint such auditor.	The CBI has this right, but has not exercised it.	
11. Where supervisors rely primarily on the work of external auditors (rather than on their own examination staff), banks are required to appoint auditors who are recognized by the supervisor as having the necessary professional skills and independence to perform the work.	p21e11	1	<b>LB Article 46 (1)</b> Each bank shall appoint an independent external auditor with qualifications and experience in the audit of banks acceptable to the CBI		
1. The supervisor promotes periodic public disclosures of information that are timely, accurate, and sufficiently comprehensive to provide a basis for effective market discipline.	p21a1	1	<b>LB Article 44 (1)</b> A bank shall publish, in two newspapers of general circulation, its audited financial statements, including audited consolidated financial statements, if applicable, not later than four months after the end of the financial year. <b>LB Article 44 (2)</b> Each bank shall display in a prominent location at its head office and its branches its most recent financial statements, including audited consolidated financial statements, if applicable, and a list of the names of the members of its board of directors. <b>LB Article 46 (5)</b> – Requires external auditors to express an audit opinion as to whether the financial statements are complete, fair and properly drawn up and present a full and fair view of the financial condition of the bank. <b>LB Article 52 (2)</b> – The CBI may publish, in its entirety or in part, information provided to it by banks, provided such publication does not disclose confidential information. Unless the CBI first obtains the consent of the bank, the CBI shall not disclose particulars of the bank's operations other than as may be contained in the financial statements approved by the bank's board		
2. The supervisor has guidelines covering the scope and conduct of audit programs that ensure that audits cover such areas as the loan portfolio, loan loss reserves, non-performing assets, asset valuations, trading and other securities activities, derivatives, asset securitizations, and the adequacy of internal controls over financial reporting.	p21a2	1			
3. Auditors have the legal duty to report to the supervisor matters of material significance, for example, failure to maintain the licensing criteria, or breaches of banking or other laws. The law protects auditors from breach of confidentiality when information is communicated in good faith.	p21a3	1	<b>LB Article 46 (5) (g)</b> - Auditor's report must inform the CBI about any act by an administrator, officer, employee or agent of the bank of which the external auditor has become aware that constitutes a material violation of a provision of this law or any regulation issued by the CBI. <b>LB Article 46 (5) (h)</b> - Auditor's report must inform the CBI about any irregularity or deficiency in the bank's administration or operations of which the external auditor has become aware and which could be expected to result in a material loss for the bank.		
4. Auditors also have the legal duty to report matters to the supervisor, in situations where they become aware of matters which, in the context of the available information, they believe is likely to be of material significant to the functions of the supervisor.	p21a4	1	<b>LB Article 46 (5) (g)</b> - Auditor's report must inform the CBI about any act by an administrator, officer, employee or agent of the bank of which the external auditor has become aware that constitutes a material violation of a provision of this law or any regulation issued by the CBI. <b>LB Article 46 (5) (h)</b> - Auditor's report must inform the CBI about any irregularity or deficiency in the bank's administration or operations of which the external auditor has become aware and which could be expected to result in a material loss for the bank.		

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<b>Principle 22:</b> Banking supervisors must have at their disposal adequate supervisory measures to bring about timely corrective action when banks fail to meet prudential requirements (such as minimum capital adequacy ratios), when there are regulatory violations, or where depositors are threatened in any other way. In extreme circumstances, this should include the ability to revoke the banking license or recommend its revocation.	p22	1	<b>LCBI Article 63</b> – The Financial Services Tribunal has jurisdiction to review (a) rejecting an application for a banking license or permit, attaching a condition or restriction to a license or permit, or revoking a license or permit; (b) imposing administrative penalties; (c) enjoining a person engaged in an activity requiring a license or permit from engaging in such activity without such a license or permit; (d) appointing or extending the term of appointment of a conservator; and (e) regarding any other matter as specified by law.		2.00
1. The supervisor has the authority, backed by legal sanctions, to take an appropriate range of remedial actions against, and impose penalties upon, banks, depending on the severity of a situation. These remedial actions are used to address such problems as failure to meet prudential requirements and violations of regulations. They range from informal oral or written communication with bank management to actions that involve the revocation of the banking license.	p22e1	4	<b>LB Article 56 (1) (a)</b> The CBI may take any measure or impose any administrative penalty stipulated in paragraph (2) in cases where it is evident that a bank, an administrator of a bank or any other person violated the provisions of this law or any regulation or order issued by the CBI. <b>LB Article 13</b> – A license or permit may be revoked by decision of the CBI. Paragraph 1 contains the numerous reasons which may be utilized for revocation of the license.	1- The CBI must issue guidelines for remedial actions. 2- Remedial actions must be taken in a transparent and consistent manner. 3- CBI must conduct public information campaign with abnks on remedial.	
2. The range of possible actions available is broad, including, in addition to the others mentioned, restricting the current activities of the bank, withholding approval of new activities or acquisitions, restricting or suspending payments to shareholders or share repurchases, restricting asset transfers, barring individuals from banking, replacing or restricting the powers of managers, directors, or controlling owners, arranging a take-over by or merger with a healthier institution, and imposing conservatorship.	p22e2	4	<b>LB Article 56 (1) (b)</b> The CBI may take any measure or impose any administrative penalty stipulated in paragraph (2) in cases where a bank, an administrator of a bank or any other person has conducted unsafe or unsound banking operations. <b>LB Article 56 (2)</b> – Lists all of the actions which the CBI make take for enforcement purposes.	See above 22(1-3)	
3. The supervisor ensures that remedial actions are taken in a timely manner.	p22e3	1		This must be evidenced by action.	
4. The supervisor applies penalties and sanctions not only to the bank, but, when and if necessary, also to management and/or the board of directors.	p22e4	1	<b>LB Article 56 (2) (k)</b> - If any of the violations stipulated in paragraph (1) occur, the CBI may impose an administrative penalty on the bank, provided that at the discretion of the CBI, administrative penalties may be imposed on a daily basis until the violation has eased or compliance is obtained, and such administrative penalties shall not exceed 5% of the bank s paid-up capital overall. <b>LCBI Article 62 (3)</b> In determining whether to impose administrative penalties, and in determining the amount of such penalties, the CBI shall take into consideration the severity of the violation; whether it was recurring; whether depositors or other persons were injured thereby; whether the person against whom the penalty is to be imposed profited from the conduct at issue; the financial resources of such person; any mitigating factors; and such other factors as, in its discretion, it believes to be relevant.	This must be verified by action.	
1. Laws and/or regulations mitigate against the supervisor unduly delaying appropriate corrective actions.	p22a1	1			
2. The supervisor addresses all significant remedial actions in a written document to the board of directors and requires that progress reports are submitted in writing as well.	p22a2	1	<b>LB Article 56 (2)</b> - The CBI may send a written warning, give orders to the bank, request program to eliminate violations, request the bank cease some operations, bar bank from distributing profits, restrict granting loans, etc.	An internal procedure must be established.	
<b>Principle 23:</b> Banking supervisors must practice global consolidated supervision over their internationally active banking organizations, adequately monitoring and applying appropriate prudential norms to all aspects of the business conducted by these banking organizations worldwide, primarily at their foreign branches, joint ventures and subsidiaries.	p23	2			2.13
1. The supervisor has the authority to supervise the overseas activities of locally incorporated banks.	p23e1	4	<b>LB Article 26 (4)</b> - The CBI shall issue regulations specifying how the operational requirements specified for banks by the provisions of this section, and in regulations issued by the CBI there under, apply to banks and their subsidiaries on a worldwide consolidated basis. <b>LB Article 41 (2)</b> – The CBI may request reports from any of the bank s subsidiaries or affiliates if deemed necessary for the exercise of consolidated supervision of the bank s activities. <b>LB Article 53 (3)</b> – The CBI shall supervise banks on a consolidated basis...The CBI may at any time cause an on-site examination of a bank, its subsidiaries or affiliates, to be made by one or more employees of the CBI, or by any other person or persons appointed by the CBI for this purpose.	Regulations must be issued for all prudential concerns. This must be tested in practice.	
2. The supervisor satisfies itself that management is maintaining proper oversight of the bank's foreign branches, joint ventures, and subsidiaries. It also satisfies itself that the local management of any overseas offices has the necessary expertise to manage those operations in a safe and sound manner.	p23e2	1		This must be tested through observation of on-site examination.	

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3. The supervisor determines that bank management's oversight includes:	p23e3	1			1.00
a) information reporting on its overseas operations that is adequate in scope and frequency and is periodically verified	p23e3a	1			
b) assessing in an appropriate manner compliance with internal controls	p23e3b	1			
c) ensuring effective local oversight of foreign operations.	p23e3c	1			
4. The home country supervisor has the authority to require closing of overseas offices, or imposing limitations on their activities, if it determines that the supervision of a local operation by the bank and/or by the host country supervisor is not adequate relative to the risks the office presents.	p23e4	7	<b>LB Article 9</b> – No domestic bank shall open a branch or representative office or establish a subsidiary outside Iraq without first obtaining the CBI's approval. Banks shall notify the CBI of any change in location or closure of any branch, representative office or subsidiary. <b>LB Article 56 (2) (i)</b> - The CBI may...revoke the bank's license or permit pursuant to the provisions of Article 13.		
1. The supervisor has a policy for assessing whether it needs to conduct on-site examinations or require additional reporting, and it has the legal authority and resources to take those steps as and when appropriate.	p23a1	1		This must be issued as a decision of the board of directors and observed in practice.	
2. The supervisor ensures that management's local oversight of foreign operations is particularly close when the foreign activities have a higher risk profile and/or when they differ fundamentally from those conducted in the home country, or are conducted at locations that are especially remote from the principal locations at which the bank conducts comparable activities.	p23a2	1			
3. The supervisor arranges to visit the offshore locations periodically, the frequency determined by the size and risk profile of the overseas operation. The supervisor meets the local supervisors during their visits.	p23a3	1			
4. The home country supervisor assesses the quality of supervision conducted in the countries in which its banks have material operations.	p23a4	1			
<b>Principle 24:</b> A key component of consolidated supervision is establishing contact and information exchange with the various other supervisors involved, primarily host country supervisory authorities.	p24	2			2.40
1. For significant overseas operations of its banks, the home country supervisor establishes informal or formal arrangements (such as memoranda of understanding) with host country supervisors for appropriate information-sharing on the financial condition and performance of such operations in the host country. Information sharing arrangements with host country supervisors include being advised of adverse assessments of such qualitative aspects of a bank's operations as the quality of risk management and controls at the offices in the host country.	p24e1	4	<b>LB Article 54 (2)</b> – The CBI may enter into Memoranda of Understanding with financial supervisory authorities in Iraq, or with banking supervisory authorities in other countries, setting out the scope, procedures and further details for the exchange of information.	The CBI has a BIS consistent document ready for execution between itself and other sovereign supervisors, this agreement contains all details required by this principle. To date, no agreements have been executed.	
2. The supervisor can prohibit banks or their affiliates from establishing operations in countries with secrecy laws or other regulations prohibiting flows of information deemed necessary for adequate supervision.	p24e2	4		See 24-1	
3. The home supervisor provides information to host country supervisors concerning the specific offices in the host country, concerning the overall framework of supervision in which the banking group operates, and to the extent appropriate, concerning significant problems arising in the head office or in the group as a whole.	p24e3	2	<b>LB Article 54 (1)</b> – The CBI may exchange information on supervisory matters, preferably based on a Memorandum of Understanding, with financial supervisory authorities in Iraq and with banking supervisory authorities in other countries. The exchange of such information may include confidential information, provided that the CBI has satisfied itself that reasonable steps have been taken to ensure the confidentiality of any such information submitted.	See 24-1. This has not yet been done in practice, but the CBI is capable of performing this element.	
1. A supervisor who takes consequential action on the basis of information received from another supervisor, consults with that supervisor, to the extent possible, beforehand.	p24a1	1		This must be tested by subsequent actions.	
2. Even for less than significant overseas operations of its banks, the home country supervisor exchanges appropriate information with host country supervisors.	p24a2	1		This is subject to executed agreements.	
<b>Principle 25:</b> Banking supervisors must require the local operations of foreign banks to be conducted to the same high standards as are required of domestic institutions and must have powers to share information needed by the home country supervisors of those banks for the purpose of carrying out consolidated supervision.	p25	2		The existing law is inequitable regarding branches of foreign banks but not requiring domestication of capital, this must be corrected.	2.57
1. Local branches and subsidiaries of foreign banks are subject to similar prudential, inspection, and regulatory reporting requirements as domestic banks.	p25e1	2	<b>LB Article 26 (6)</b> – The CBI shall issue regulations specifying how the operational requirements specified for banks by the provisions of this section, and in regulations issued by the CBI thereunder, shall apply to domestic branch offices of foreign banks. <b>LB Article 53 (3)</b> – The CBI may at any time cause an on-site examination of a bank, its subsidiaries or affiliates, to be made by one or more employees of the CBI, or by any other person or persons appointed by the CBI for this purpose.	CBI regulations must maintain the same prudential standards for banks and branches.	
2. For purposes of the licensing process as well as ongoing supervision, the host country supervisor assesses whether the home country supervisor practices consolidated global supervision.	p25e2	2	<b>LB Article 4 (4)</b> – Permits for branches may be issued only to foreign banks that are subject to comprehensive supervision or regulation on a consolidated basis by a supervisory authority in the country in which the foreign bank's head office is located.	This is required by law. Licensing regulations must be issued	

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3. The host supervisor, before issuing a license, determines that approval (or no objection) from the home supervisor has been received.	p25e3	7	<b>LB Article 5 (2) (n) License Application</b> – In any case where the applicant is a subsidiary of a foreign bank or bank holding company, a statement that the foreign supervisory authority responsible for the prudential supervision of the applicant in the country of formation of the foreign bank or bank holding company has no objection to the proposed establishment of operations in Iraq, and exercises global consolidated banking supervision over the applicant.	The CBI, in practice, contacts home country supervisors to determine approval for licensing branches or other offices.	
4. The host country supervisor can share with home country supervisors information about the local operations of foreign banks provided its confidentiality is protected.	p25e4	2	<b>LB Article 54 (1)</b> – The CBI may exchange information on supervisory matters, preferably based on a Memorandum of Understanding, with financial supervisory authorities in Iraq and with banking supervisory authorities in other countries. The exchange of such information may include confidential information, provided that the CBI has satisfied itself that reasonable steps have been taken to ensure the confidentiality of any such information submitted. <b>LB Article 54 (2)</b> – The CBI may enter into Memoranda of Understanding with financial supervisory authorities in Iraq or with banking supervisory authorities in other countries setting out the scope, procedures and further details for the exchange of information.	This is allowed by law.	
5. Home country supervisors are given on-site access to local offices and subsidiaries for safety and soundness purposes.	p25e5	1	<b>LB Article 4 (3)</b> - ...In the case of subsidiary, a license may be issued only if the parent bank is subject to consolidated supervision by a supervising authority in the country in which the parent bank's head office is located. <b>LB Article 4 (4)</b> – Permits for branches may be issued only to foreign banks that are subject to comprehensive supervision or regulation on a consolidated basis by a supervisory authority in the country in which the foreign bank's head office is located.	This must be subject to cross border supervision agreements.	
6. The host country supervisor advises home country supervisors on a timely basis of any material remedial action it takes regarding the operations of a bank from that country.	p25e6	2		Security issues preclude such activity at this time.	
1. The host country supervisor obtains from home country supervisors sufficient information on the banking group to allow it to put into proper perspective the activities conducted within its borders.	p25a1	2		To date this has not been done in practice, but CBI does have this capability.	
<b>Gross Results</b>	<b>Total</b>	<b>55</b>			
	<b>out of</b>	<b>175</b>			
	<b>%</b>	<b>31%</b>			
1. Non-compliant, and efforts to achieve compliance not underway					
2. Non-compliant, and efforts to achieve compliance underway					
3. Materially non-compliant, and efforts to achieve compliance not underway					
4. Materially non-compliant, and efforts to achieve compliance underway					
5. Largely compliant, and efforts to achieve full compliance not underway					
6. Largely compliant, and efforts to achieve full compliance underway					
7. Compliant					
<b>Explanations</b>					
<b>Compliant - All essential criteria must be met without any significant deficiencies</b>					
<b>Largely Compliant - only minor shortcomings are observed, and these are not seen as sufficient to raise</b>					
serious doubts about the authority's ability to achieve the objective of that Principle.					
<b>Materially Non-compliant Assessment - Shortcoming are sufficient to raise</b>					
doubts about the authority's ability to achieve compliance, but substantive progress had been made.					
<b>Non-compliant Assessment - No substantive progress towards</b>					
compliance has been achieved (e.g., for Principle 20 if banks do not report on a consolidated					
basis, or when insufficient information was available to allow a reliable determination that					
substantive progress had been made towards compliance).					