

Iraq officially exits the list of countries  
subject to monitoring and follow up  
by FATF



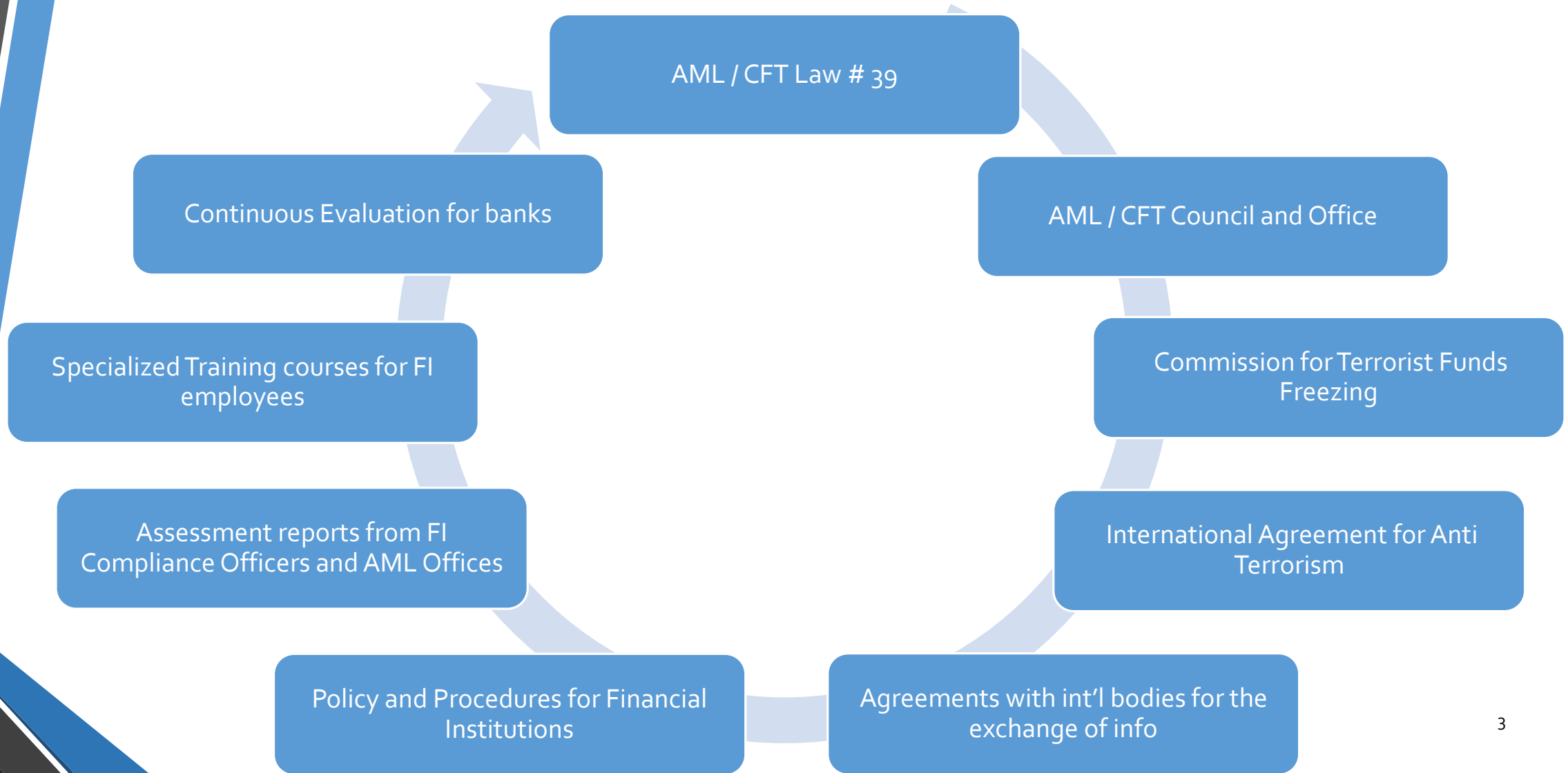
البنك المركزي العراقي  
CENTRAL BANK OF IRAQ

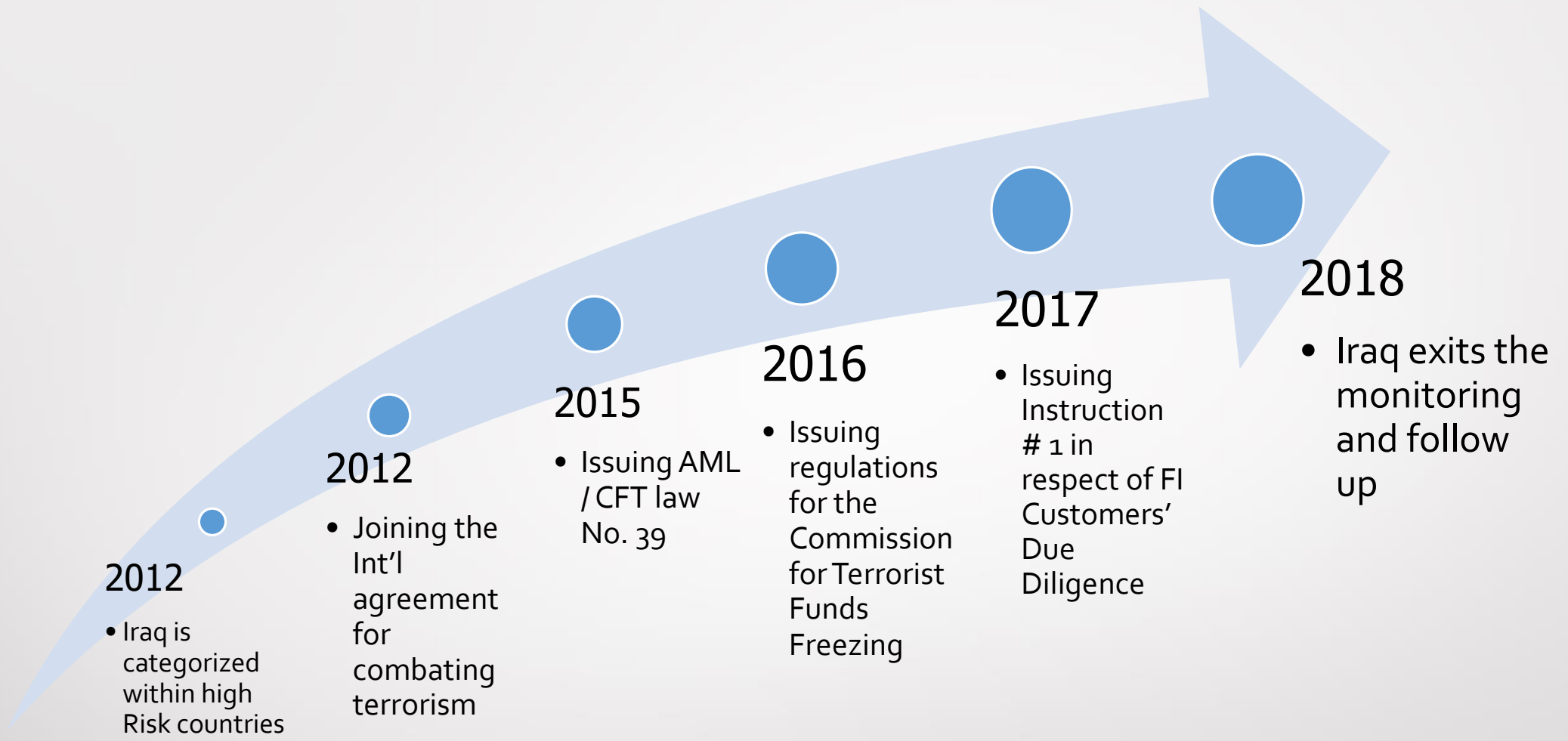


# Press Release – May 2018

Financial Action Task Force (FATF) has officially announced Iraq's exit from the follow up area for the achievements of the Central Bank of Iraq and AML / CFT Office, after they have made significant progress in improving and addressing deficiencies and meeting all its obligations towards FATF recommendations, and addressing the requirements of CBI's AML / CFT Strategy, as well as the legislation of the Anti-Money Laundering law No. 39 of 2015, and the issuance of instructions and controls, and the establishment of the AML/ CFT council, and the Committee of freezing terrorist funds. Therefore Iraq is no longer subject to monitoring and follow up by FATF

# Iraq procedures for Anti-money Laundering & Combating the Financing of Terrorism.





## Law

- Legislation of AML / CFT law Number 39 for the year 2015, published in the official Gazette No. 4387

## Bodies

- Establishing AML / CFT office with full Financial and Administrative independence, and the authority to receive Indictments and refer them to the judiciary in accordance with Law No. 39.
- Formation of AML/ CFT Council chaired by CBI Governor, and the membership of Ministries Representatives, law enforcement agencies and the Supreme Judicial Council.
- Formation of the "Commission for Terrorist Funds Freezing" at the General Secretariat of the Council of Ministers, in accordance to regulations No.6 of 2016, under UN resolutions 1267 & 1373, chaired by CBI Deputy Governor, membership of ministries representatives, and law enforcement agencies.

## Agreements

- Joining and rectifying International Agreements for combating Terrorism under Law No. (3) of 2012.
- Signing Bilateral agreements with other countries to exchange information and legal assistance on recovery of funds and individuals.
- Signing a contract with the International Monetary Fund - Legal Section - to provide technical support in relation to anti-money laundering legislation and procedure
- Contracting KPMG to set standards consistent with AML Law No. 39 of 2015, in respect of classifying banks' compliance to policies & procedures, to participate in Foreign Currency Auction.

# Circulars issued by CBI for Financial Institutions

- CBI Governor issued instruction No. (1), in respect of due diligence rules towards FI customers.

## Due diligence rules

- All Financial institutions to immediately inform the AML / CFT office for any suspicious transaction suspected to involve money laundering or terrorist financing

## Suspicious Transactions

- Issuing FI Corporate Governance Guide for organizing banks' operations and decision making.

## Corporate Governance

- Banks are required by CBI to classify their clients on the basis of money laundering and terrorist financing risks

## Segmenting Clients' Risk

- Banks are required to prepare and issue a Manual Guide approved by board of directors, and to include Compliance Officer duties and responsibilities

## Manual Guide

- Guiding banks and Financial Institutions about all procedures required to follow for verifying FOREX source of funds

## FOREX source of funds

- Issuing circulars to prevent dealing with any internationally sanctioned banks and institutions:
  - US Dollar trade with Iranian Banks
  - Prohibiting to deal with North Korea. .

## Sanctioned Institutions

- Applying AML/ CFT law in Kurdistan region
- Opening 2 CBI branches in KRG under Administrative Order # 3819 in 2016

## Enforcing law in KRG

# Regulations set by CBI to regulate the work of Financial Institutions

- Preparing comprehensive supervisory controls for Banks and FIs, derived from FATF recommendations

## Supervisory Controls

- Directing licensed banks to acquire electronic banking systems for combating money laundering and terrorist financing

## Acquiring Electronic Systems

- Prepared a manual for inspection procedures to guide CBI employees during inspecting banking and non-banking financial institutions.

## Inspections Procedures

- Cooperating and exchanging information between the Central Bank of Iraq and AML / CFT Office.

## Cooperating with AML/CFT office

- Issuing a guide for Financial Institutions Awareness on the most important risk indicators

## FIs Awareness

- The AML/CFT Council issued regulation No. (1) of 2017 related to the declaration of funds when entering and exiting the Iraqi borders

## Declaring funds across Borders

- Preparing a standard and specific account opening form (to include fields for high risk customers such as politicians and US citizens)

## Standard Account Opening Form

- Arranging specialized training courses in financial institutions with (60) trainees per class covering all governorates (Baghdad-Erbil-Basrah-Sulaymaniyah).

## Training

## Periodic Evolutions

- All Compliance, Anti-Money Laundering, and Risk Management Unit Heads in financial institutions are examined quarterly to evaluate their competency to perform well in their assigned jobs.
- Follow-up on Int'l AML developments to update knowledge and upgrade local policy and procedures.
- Developing Inspection procedures and means of evaluating FIs' compliance with AML/CFT policy and procedures, means and standards to follow on FI compliance with the requirements of combating money laundering and financing of terrorism in accordance with the provisions of Law No. 39
- Preparing an annual schedule for CBI inspectors to visit Financial Institutions in all governorates.

## Reports

- AML/CFT Managers in FIs and NBFIs are requested to submit quarter evaluations reports about their institutions compliance with policy and procedures
- All AML / CFT circulars and guidelines are posted on the Central Bank of Iraq website
- Reviewing Compliance Officer reports and assessing their observations on Banks' operations.
- All Financial Institutions are required to submit reports concerning any suspicious terrorist transactions.
- CBI to prepare periodic reports and Audit to evaluate the effectiveness of AML/CFT suspicious Transactions section in banks.

# MENA FATF Report – May 2018

## Core Recommendations

- Iraq's level of compliance with these recommendations is rated Largely Compliant "LC"
- R1 Money laundering offense
- R5 Customer due diligence
- R10 Record keeping
- R13, SRII (FI CDD)
- SRIV Criminalizing the financing of terrorism
- R1 Money laundering offense

## Key Recommendation:

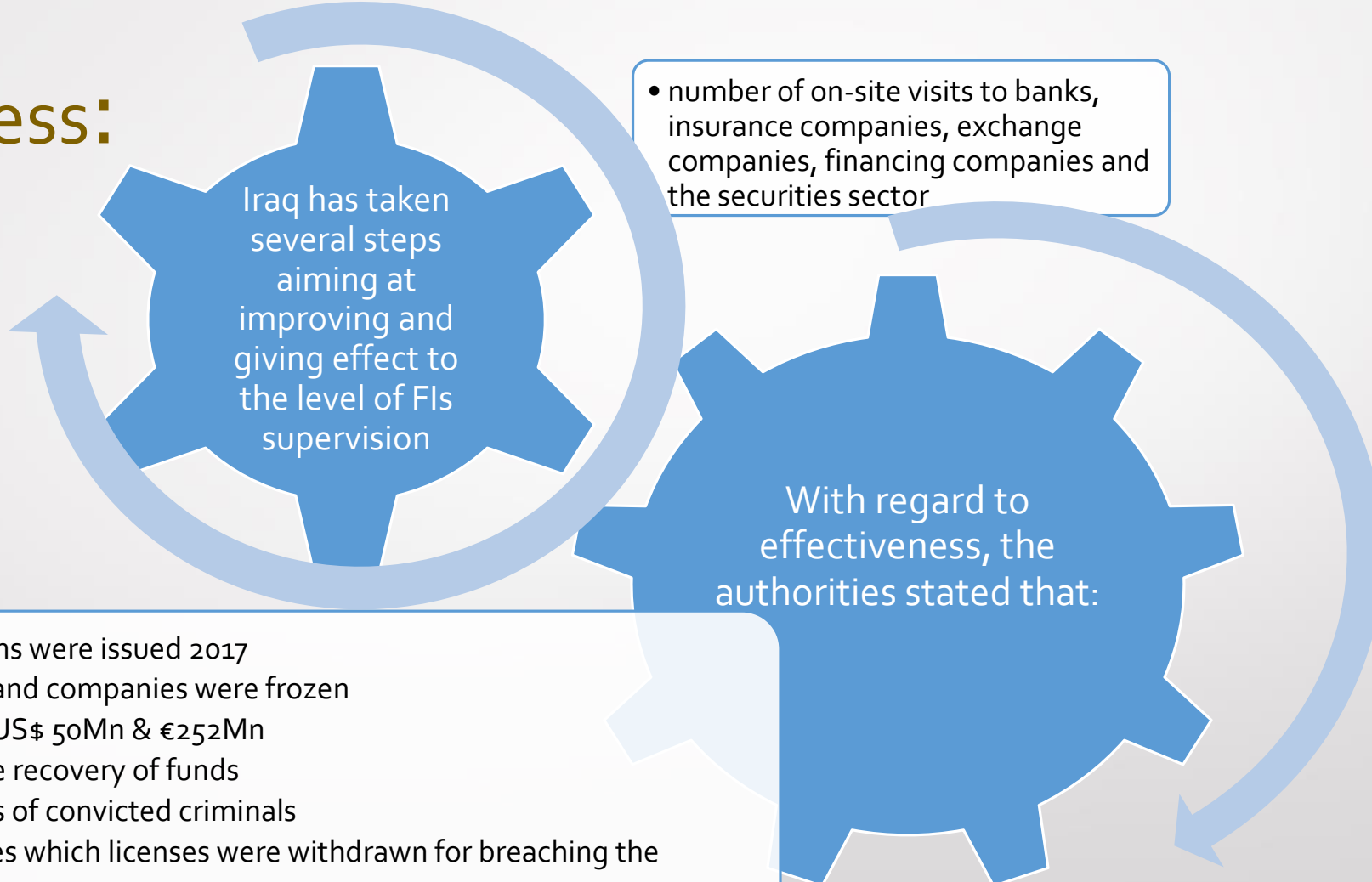
- Iraq's level of compliance with most of these recommendations is also rated "LC".
- R3 (Confiscation and provisional measures)
- R23 (Regulation, supervision and follow-up):
- R26 (Financial Intelligence Unit)
- R35 (Conventions)
- R36 (Mutual legal assistance)
- R40 (Other forms of international cooperation)
- SRI (implementation of UN instruments)
- SRIII (Freezing and confiscating terrorist assets)
- SRV (International cooperation)

## Other Recommendations

- level of compliance with these recommendations in general is equivalent to Largely Compliant "LC".

# MENA FATF Report – May 2018

## Effectiveness:



Iraq has taken several steps aiming at improving and giving effect to the level of FIs supervision

- number of on-site visits to banks, insurance companies, exchange companies, financing companies and the securities sector

With regard to effectiveness, the authorities stated that:

- (435) ML/CFT convictions were issued 2017
- Funds of (370) persons and companies were frozen
- Value of Frozen assets US\$ 50Mn & €252Mn
- 56 MLA requests for the recovery of funds
- 132 extradition requests of convicted criminals
- 1 bank and 31 companies which licenses were withdrawn for breaching the AML/CFT Law.
- Suspicious or suspected transactions ( 82 reports in 2016 + 140 report in 2017)

# Results

As a result, since Iraq's level of compliance with the core recommendations is rated "Largely compliant" at a minimum and the level of compliance with the key recommendations is also rated "Largely Compliant" at a minimum, Iraq status moves from regular follow-up to biennial update.

MENA FATF have scheduled 2021 to evaluate the effectiveness of Anti Money laundering and Combating the Financing of Terrorism policy and procedures in Iraq.