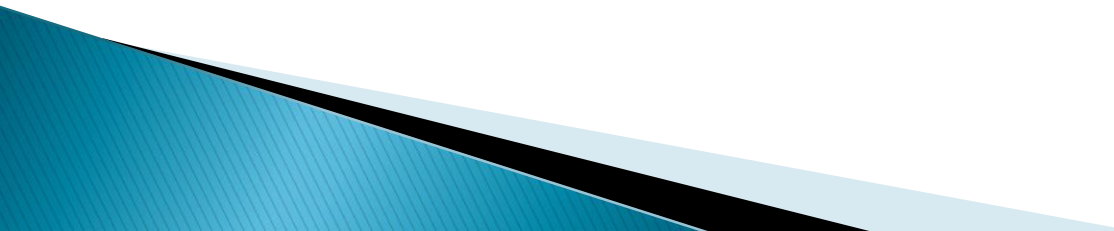



# Central Bank of Iraq “The Development of Its Monetary Policy & Banking Surveillance”

Prepared by  
Waleed Eidy Abdul Nabi  
Advisor to the Governor of the Central Bank Of Iraq

- The Central Bank of Iraq is one of the oldest central banks in the Arab region established on November 1947.
  - Capital is ID(100)billion; with two branches in Al Basrah and Al Mousl.
  - The Central Bank is fully independent in designing & implementing its monetary policy and fulfilling its other functions like other international developed central banks, that made financial, administrative, and legislative independence available.
- 

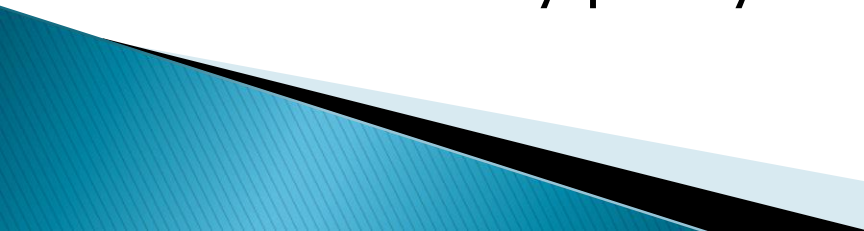
- **It's independence further assured through the following aspects:**

- a. Being Responsible in front of The Parliament in accordance to the Article (103) of the Constitution, and not being subject to any other party according to its above mentioned law.
  - b. No loans to the state or institutions or guarantee loans to others, or buying governmental public debt instruments.
  - c. Loans only to minor market with the goal of providing liquidity to banks in necessary situations.
  - d. Auditing its accounts by an International Audit, in addition to the regular auditing performed by the Supreme Audit Office; according to the International standards.
  - e. Publish its reports and financial statements on its website; these data are available for different institutions and public.
- 

# CBI Monetary Policy and its development

- Monetary policy aims at achieving economic stability, improving Iraqi dinar exchange rate against other foreign currencies, in addition to the economic welfare, through combating inflation & limiting its undesirable growth rates to contribute in improving incomes by magnifying its real value.
- From a historical view, CBI monetary policy has been through many stages and was captured by two factors that have weakened its activity and limited the achievement of its goals before 2004.

# Main procedures taken by CBI

- Reduce policy rate from 6% to 4% according to board of directors reported in financial operations.
  - Monetary authority taken a lot of important procedures and steps on cash level, which aims to enhance and improve financial and economic stability.
  - Keeping on stability of domestic prices to create a competitive economic environment based on supply and demand mechanism which is keep Central Bank of Iraq independent in designing and implementing its monetary policy.
- 

# These procedures are:

- National currency was changed in 15/1/2004 amounted old ID(4) billion, and legislate anew law for banks no.94 in 2004 and CBI law no.56 for the same year which aims reformation goals and functions for CBI and its monetary policy instruments in coordination with Iraqi economy orientation towards market economy .
- CBI allowed for foreign banks to open branches in Iraq amounted (18) branch or share in private Iraqi banks capitals with no limits (7)shares, as well as open a window to deal with foreign currency to supply it for banks and customers through regulatory instructions prepared for this purpose.
- Issuing anti money laundry law no. 39 in 2015 and Islamic banks law no. 43 in 2015 then, a draft of state banks law project, more than that Deposit guaranty company system.

- CBI sought to change policy instruments for indirect quantitative instruments as in developed countries, because upsurge in using them will expand the ability of central bank of Iraq effecting on banking system especially open market operations.
- Legal monetary base witnessed substantial changes representing reconsidering the mechanism of calculating it to guarantee depositors rights.
- Determining levels liquidity according to market requirements from another side, the average of monetary base amounted 15% deposited in CBI trigger ( ) % of it to the banks which have financial scarcity.
- Provided that banks should use this ratio to extend more loans combat unemployment, and develop real sector.

# Reducing inflation levels

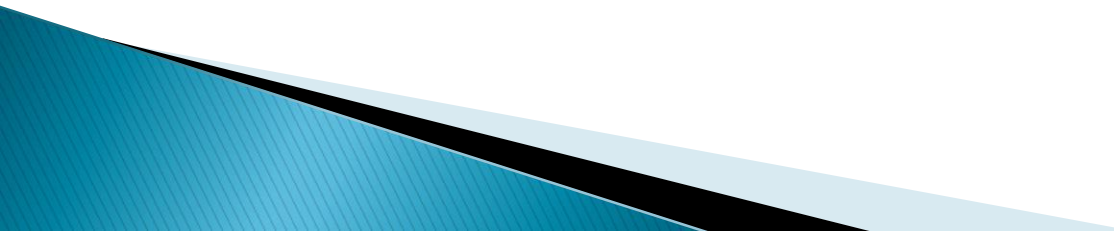
- The bank achieved key indicators in reducing inflation levels from 33.6% of 2003 to 5% of 2011 and to 6.1% on December 2012 and reduced to 2.1% at the end of 2015.
- Exchange rate of Iraq Dinar improved against dollar about 40% of its exchange rate of 2003 which amounted 2000 Dinar per Dollar TO BE 1300 Dinar /Dollar recently.
- In addition to the ongoing work to develop Anti-Money laundry office and granting it full independence of legal, administrative and accounting aspects to contribute in the soundness & efficiency of Iraqi Banking System to exclude suspicious fund.
- Opening offices in Banks and non-banking Financial Companies for this purpose to coordinate and Co-operate between them & Anti-Money laundry office in this Bank for reporting on suspicious money.

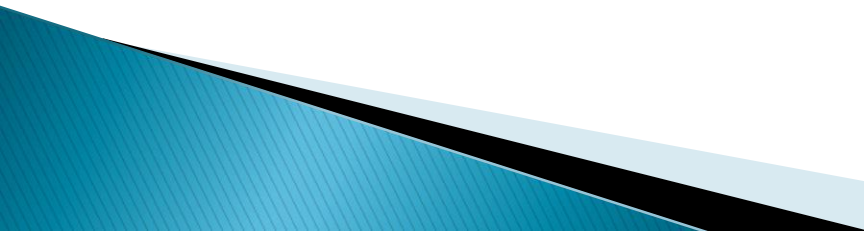


# CBI relation with the State

- The strength of the relationship between the CBI & the Government start from the strong of the relationship with Ministry of Finance. It is the relationship that looking forward to design stable frame for all country economy through consultation with Ministry of Finance.
- The exchange rate stability of Iraqi dinar against the foreign, as the researcher finds that controlling exchange rate isn't in itself, to absorb the inflation and secure the price stability in Iraq often.
- The internal environment stability of the currency and its soundness by controlling of inflation and the annual price growth rates, and it's reflection on the assessment of prevailing prices and the price support of the basic goods, which it is the contact of the public finance objectives and its annual budget.

# Government's Economic Program

- Accordingly, the economic program of the government has achieved a great success during the past years, and as part of what the monetary policy has achieved to access its objectives and what to be stated in CBI law.
  - Providing flexibility in the foreign exchange, and easing the burden on the financial and commercial policies.
  - The central bank of CBI with MOF contributes to negotiate with Paris club, and reaching to The External Debt Reduction Agreement for Iraq to 80 % of the total debt.
- 

- The monetary policy, which adopted by CBI, has achieved its basic objectives by controlling of the liquidity levels in the economy, and reducing the core inflation levels to the single digits.
  - The exchange currency window, through which has been controlled on liquidity levels of the exchange currency, and providing it in the market for the various purposes, deposit of the decline oil export revenues in 2014.
  - The excess banking revenues were managed by the control of the monetary policy to the public liquidity through the payments systems and the liquidity management options representing by draft auctions that develop dealing with secondary market through intra-bank selling and buying operations.
- 

**Thank you for your  
attention!**

