ANNEX A

CENTRAL BANK OF IRAQ

Law No. [ ] of 2004

Section 1—Definitions, Autonomy, Objectives and Functions 4
Article 1 ..... Definitions 4
Article 2 ..... Legal capacity and autonomy 5
Article 3 ..... Objectives 6
Article 4 ..... Functions 6

Section 2—Capital, Reserves and Net Profits 8
Article 5 ..... Capital and reserves 8
Article 6 ..... Computation of profits and losses; allocation of net operating loss 8
Article 7 ..... Treatment of unrealized gains 8
Article 8 ..... Distribution of net profits 9
Article 9 ..... Coverage of shortfalls in capital 9

Section 3—Management 9
Article 10 ..... Board of Directors and committees 9
Article 11 ..... Composition of the Board 10
Article 12 ..... Eligibility for appointment and service 10
Article 13 ..... Appointment and terms of service of Board members 11
Article 14 ..... Resignation and removal of Board members 11
Article 15 ..... Disclosure of interests 13
Article 16 ..... Powers and functions of the Board 13
Article 17 ..... Meetings 15
Article 18 ..... Quorum 15
Article 19 ..... Decisions of the Board 15
Article 20 ..... Governor as chief executive 15
Article 21 ..... Conflicts of interests 16
Article 22 ..... Confidentiality and exchange of information 16
Article 23 ..... Immunity from legal action 17

Section 4—Relations with the Government 17
Article 24 ..... Consultation with the Government 17
Article 25 ..... Actions on behalf of Government 17
Article 26 ..... Prohibition on lending to the Government 18

Section 5—Official Foreign Reserves 18
Article 27 ..... Management of official foreign reserves 18

Section 6—Monetary Functions 19

Article 28 ..... Open market operations and standing facilities 19
Article 29 ..... Reserve requirements 20
Article 30 ..... Lender of last resort 20

Section 7—Currency 20
Article 31 ..... Unit of currency 20
Article 32 ..... Issuance of currency 20
Article 33 .... Printing of banknotes and minting of coins; accounting treatment of currency issued 21
Article 34 ..... Withdrawal of unfit banknotes and coins 21
Article 35 ..... Disposition of Counterfeit Currency 22
Article 36 ..... Redemption of currency 22
Article 37 ..... Freedom of currency 22
Article 38 ..... Enforcement of foreign currency obligations 23

Section 8—Other Functions 23
Article 39 ..... Payment systems 23
Article 40 ..... Supervision of Banks 24
Article 41 ..... Compilation and publication of financial statistics 24
Article 42 ..... Unlicensed persons 24

Section 9—Miscellaneous 25
Article 43 ..... Ownership of property 25
Article 44 ..... Exemption from certain taxes 25

Section 10—Financial Statements and Audit 26
Article 45 ..... Books and records; financial statements and reports 26
Article 46 ..... Internal audit 27
Article 47 ..... Chief internal auditor 27
Article 48 ..... External audit 28

Section 11—Criminal Offenses 28
Article 49 ..... Interpretation 28
Article 50 ..... Making 29
Article 51 ..... Possession 29
Article 52 ..... Uttering 30
Article 53 ..... Slugs and tokens 30
Article 54 ..... Defacing 30
Article 55 ..... Likeness of banknotes 31
Article 56 ..... Instruments or materials 32
Article 57 ..... Conveying instruments for coining out of mint 32
Article 58 ..... Advertising and trafficking 32
Article 59 ..... Special provisions as to proof 33
Article 60 ..... Unauthorized issue of banknotes, coins, instruments, tokens 33
Article 61 ..... Forfeiture 34

Article 62 ..... Administrative penalties 34

Section 12—Financial Services Tribunal 35
Article 63 .....Establishment and jurisdiction of Tribunal 35
Article 64 .....Composition of Tribunal 36
Article 65 ..... Administration of Tribunal 38
Article 66 .....Authority of Minister of Justice 38
Article 67 .....Evidence 39
Article 68 .....Decisions of the Tribunal 39
Article 69 .....Procedure for review by Tribunal 39
Article 70 ..... Appeals 41

Section 14—Final Provisions 41
Article 71 .....Precedence over inconsistent laws 41
Article 72 ..... Immunity from prejudgment attachment 41
Article 73 ..... Repeal 42
Article 74 ..... Entry into force 42

SECTION 1—DEFINITIONS, AUTONOMY, OBJECTIVES AND FUNCTIONS

Article 1 Definitions

The following terms shall have the meanings set forth below:

"*Appointing Authority*" means the head of the Government;

"*bank*" means a person holding a license or permit under the Banking Law to engage in banking business and other banking activities;

"*banking business*" means 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;

"*Board*" means the Board of Directors of the CBI;

"*CBI*" means the Central Bank of Iraq;

"*credit*" means any disbursement or commitment to make a disbursement of a sum of money in exchange for the right to repayment of the amount disbursed and outstanding and to payment of interest or other charges on such amount, whether secured or unsecured, any extension of the due date of a debt, any guarantee issued, and any purchase of a debt security or other right to payment of a sum of money that may provide for the payment of interest either directly or by a discounted purchase price;

"*currency*" means the monetary unit of a country;

"*deposit*" means a certain sum of money paid to a person, whether or not evidenced by any entry in a record of the person receiving the sum, on terms under which the deposit will be repaid or transferred to another account, with or without interest or a premium, either on demand or at a time or in circumstances agreed to by or on behalf of the depositor and that person;

"*Deputy Governor*" means a Deputy Governor of the CBI;

"*dinar*" means the Iraqi dinar;

"*fit and proper person*" means a person who is regarded as honest and trustworthy and whose professional qualifications, background and experience, financial position, or business interests do not disqualify that person in the judgment of the Appointing Authority or, with respect to Article 64, the Minister of Justice, provided, however, that no person shall be regarded as a fit and proper person if the person:

(i) has been convicted by a criminal court of an offense for which the person was or could have been sentenced to imprisonment for a term of one year or more without

the option of a fine unless such sentence, in the judgment of the Appointing Authority, or, with respect to Article 64, the Minister of Justice, was or would have been motivated by his religious or political views or activities;

(ii) has been declared bankrupt by a court of law within the past seven years;

(iii) has been disqualified or suspended by a competent authority from practicing a profession on grounds of personal misconduct unrelated to his religious or political views or activities; or

(iv) has been declared unfit to manage a company by a court of law or under an order issued by a competent agency;

"*foreign exchange*" means any bank note or coin, cheque, draft, promissory note, bill of exchange, payment order, credit, balance of account or any other means of effecting payments in any currency other than the Iraqi currency;

"*Government*" means the entity exercising temporary governmental authority in Iraq on the date this law enters into force and then the transitional Iraqi administration upon the transfer to it of full governmental authority and the recognition of the sovereignty of that administration by the CPA, and then the internationally recognized representative government of Iraq once it assumes the responsibilities of such authority;

"*Governor*" means the Governor of the CBI;

"*legal tender*" means banknotes and coins which any creditor is obligated to accept in payment for a debt denominated in Iraqi *dinars*;

"*Legislature*" means the principal legislative body of Iraq, or a component or subordinate body thereof empowered for purposes of oversight of the CBI pursuant to this Law.

"*Official Publication*" means the *Official Gazette* or such other general publication of wide circulation as specified by the Appointing Authority;

"*State*" means the Republic of Iraq;

"*Tribunal*" means the Financial Services Tribunal as described in Articles 63 through 70 of this Law.

Article 2 Legal capacity and autonomy

1. The CBI, established under the Central Bank of Iraq Law, Law No. 64 of 1976, as amended from time to time, is a legal entity with the full capacity to enter into contracts, to sue and be sued, and to carry out its functions under this and any other law. In carrying out its functions, the CBI may: (i) administer and hold property, (ii) hire staff, define their duties,

and determine their compensation; and (iii) determine and fund its own budget. Nothing in this Law shall be construed to interfere with the continuation of the existence of the CBI as a legal entity under prior law, or with any of the authority, rights, duties or obligations of the CBI under prior law, except as otherwise provided for under this Law.

2. In the pursuit of its objectives and the performance of its tasks, 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 or entity, including government entities. The autonomy of the CBI shall be respected and no person or entity 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.

3. The CBI's head office shall be located in the City of Baghdad and, in order to discharge its functions within Iraq and abroad, it may open such branches, agencies and bureaus, and appoint such correspondents as it may require.

Article 3 Objectives

The primary objectives of the CBI shall be to achieve and maintain domestic price stability and to foster and maintain a stable and competitive market-based financial system. Subject to these objectives, the CBI shall also promote sustainable growth, employment, and prosperity in Iraq.

Article 4 Functions

1. The functions of the CBI in achieving the objectives set forth in Article 3 and as further described in this Law, shall be to:

a. formulate and implement monetary policy, including exchange rate policy, for Iraq in accordance with Section 6;

b. hold and manage all official foreign reserves of Iraq, other than working balances of the government, in accordance with Article 27;

c. hold gold and manage the State reserves of gold;

d. provide services as advisor and fiscal agent to the Government in accordance with Section 4;

e. provide liquidity services to banks in accordance with Articles 28 and 30;

f. issue and manage Iraqi currency in accordance with Section 7;

g. compile and publish data on the banking and financial system and the economy in accordance with Article 41;

h. establish, oversee and promote sound and efficient payment systems in accordance with Article 39;

i. issue licenses or permits to banks and to regulate and supervise banks as further specified in this Law and in the Banking Law;

j. open and maintain accounts on the books of foreign central banks and international financial organizations;

k. open and maintain on its own books accounts for foreign central banks, foreign governments and international organizations; and

l. carry out any ancillary tasks or transactions incidental to the exercise of its functions under this Law.

2. In addition, the CBI may take whatever action it deems necessary to: (i) counter money laundering and terrorist financing, and (ii) regulate and supervise lending companies, microfinance companies, and any other non-bank financial institutions not otherwise regulated under Iraqi law.

3. The CBI shall have the power to issue regulations for the purpose of implementing this Law and carrying out its functions under this Law. Regulations issued under this Law, and any subsequent amendments thereto, shall be published in the Official Publication.

4. If the CBI proposes to issue a regulation pursuant to this Law, it shall publish a draft of the proposed text of the regulation in a form and in a manner determined by it to be best calculated to bring the proposed regulation to the attention of the domestic financial sector and the general public. The draft shall be accompanied by an explanation of the purpose of the proposed regulation and a request for comments within a specified time of not less than one month after the date of publication of the draft. The CBI shall have regard to any comment received and issue the final text of the regulation accompanied by an account in general terms of the comments. The procedure set out in this paragraph shall not apply if the CBI determines that the delay involved would be a serious threat to the interests of the financial system or hinder the effective conduct of monetary policy, provided that such decision by the CBI shall be explained in the preamble to the regulation.

5. In carrying out its functions in accordance with the provisions of this Law, the CBI shall have the power to issue legally-binding orders addressed to specified individuals or entities and directing such persons or entities to undertake specific actions which are in accordance with this Law.

6. The CBI shall have the power to issue internal rules or guidelines on the organization and administration of the CBI.

SECTION 2—CAPITAL, RESERVES AND NET PROFITS

Article 5 Capital and reserves

1. The authorized capital of the CBI shall be 100 billion *dinars* and shall be fully paid in by the State in exchange for one hundred percent of the CBI's capital stock.

2. The authorized capital stock of the CBI shall held solely by the State, shall not pay a dividend, and shall not be transferable or subject to encumbrance.

3. The authorized capital may be increased by such amounts as the Minister of Finance may approve upon the recommendation and approval of the Board.

4. The CBI shall hold a general reserve account, an unrealized profits reserve account and such other reserve accounts as may be appropriate under international accounting standards.

Article 6 Computation of profits and losses; allocation of net operating loss

1. Within three months after the end of each financial year, the CBI shall determine in accordance with the rules set out in Articles 7 and 45 its net profits available for distribution or its net losses.

2. If the CBI incurs a net operating loss for any financial year, that loss shall first be charged to the general reserve and subsequently to capital.

Article 7 Treatment of unrealized gains

1. Where unrealized gains for a financial year on assets or liabilities of the CBI that are recorded at fair value or are denominated in foreign currency are included in the net income of the CBI for that year, the net profits of the CBI available for distribution under Article 8 shall be determined as follows:

a. by deducting from the net income the total amount of any unrealized gains included in the net income, and by allocating an equivalent amount to the unrealized profits reserve account; and

b. by deducting from the unrealized profits reserve account and adding to the net profits available for distribution as determined in sub-paragraph (a) the amount of any unrealized gain that was deducted from the net income for one or more previous years and was realized during the financial year.

2. No other deductions shall be made from the unrealized profits reserve except those permitted under this Article.

Article 8 Distribution of net profits

1. Within three months after the end of each financial year, the Board shall distribute the net profits available for distribution as follows:

a. 80 percent of any net profits available for distribution shall be transferred to the general reserve account until such time as the general reserve account of the CBI reaches a sum equal to 10 percent of the total assets of the CBI;

b. any remaining net profits available for distribution shall be transferred to any other reserve account that may be established by the CBI pursuant to paragraph (4) of Article 5.

2. No distribution shall be made out of retained or current income of the CBI, except as permitted by paragraph (1). No distribution of net profits shall include any portion of unrealized gains.

3. No distribution shall be made under paragraph (1) if, as a result thereof, the assets of the CBI would be less than the sum of its liabilities and unimpaired capital and reserves.

Article 9 Coverage of shortfalls in capital

In the event that the audited annual balance sheet of the CBI prepared in accordance with paragraph (3) of Article 45 shows that the value of its assets falls below the sum of its liabilities and unimpaired authorized capital, the Board shall, with the advice of the external auditor of the CBI, assess the situation and prepare a report on the causes and extent of the shortfall. If the Board determines that a capital contribution is required, the Board shall consult with the Minister of Finance and request a capital contribution be made on behalf of the State. Upon the receipt of this request, the Minister of Finance shall, within a period of no more than two months, make a request to the Legislature for the approval of the capital contribution for the CBI over such period and in such amount as is necessary to remedy the shortfall.

SECTION 3—MANAGEMENT

Article 10 Board of Directors and committees

1. The Board shall be responsible for conducting the business, and carrying out the responsibilities of the CBI, as further described in this section.

2. The Board may, as it deems necessary, establish committees composed of members of the Board to consider particular issues and to make recommendations to the Board, and to grant such committees executive authority to take decisions, within guidelines established by the Board.

Article 11 Composition of the Board

The Board shall consist of nine members as follows:

a. the Governor as chairman of the Board;

b. two Deputy Governors;

c. three Senior Managers of the CBI, including Branch Managers on a rotating basis; and

d. three other individuals with suitable monetary, banking or legal expertise and who have not been employed by the CBI in any capacity within one year of the date of their nomination to the Board.

Article 12 Eligibility for appointment and service

1. The Governor, the Deputy Governors and other members of the Board shall be persons of recognized integrity who hold a university degree or who have extensive professional experience in a field related to banking, economics, finance, commerce, or law.

2. A person shall be ineligible for appointment to serve on the Board if, in the judgment of the Appointing Authority:

a. the person is not a citizen of Iraq;

b. the person is not a fit and proper person; or

c. the person, or any person who is related to the person by marriage, blood or kinship, including adopted children or foster children of the person, and any other person residing in such person's household, holds direct or indirect business interests that would make it necessary for that person to refrain, to an unacceptable extent, from taking part in the decision-making of the Board.

3. The Governor, the Deputy Governors and other members of the Board shall not, during their tenure:

a. hold any employment other than with the CBI, whether remunerated or not, except that they may engage in a limited amount of lecturing and other academic activity so long as such activity is not remunerated and does not interfere with the performance of the individual's duties and responsibilities at the CBI;

b. hold any position, other than with the CBI, in public service, except as nominee of the CBI;

c. be a member of the Legislature;

d. be an employee or official of the Government; or

e. be a director, officer, employee or shareholder of any bank or other entity subject to the supervision of the CBI.

Article 13 Appointment and terms of service of Board members

1. The Governor, the Deputy Governors and the other members of the Board shall be nominated by the Appointing Authority and confirmed by the Legislature. The Appointing Authority shall consult with the Governor and his two Deputies with respect to the nomination of Senior Managers as Board Members. All members of the Board shall have a five-year term of office and may be re-appointed upon the recommendation of the Appointing Authority and confirmation by the Legislature, provided that, in order to achieve staggered terms of office, the initial terms of office shall be: (i) for the Governor, five years; (ii) for one Deputy Governor, four years and, for the other Deputy Governor, three years; (iii) for one Senior Manager five years, for another Senior Manager, four years, and for the third Senior Manager, three years; and (iv) for two of the Board Members appointed pursuant to Article 11, paragraph (d), three years, and for the other Board Member appointed pursuant to Article 11, paragraph (d), two years.

2. Any vacancy on the Board shall be filled by the appointment of a new member of the Board to serve the remaining term of the Board member replaced.

3. The Governor shall determine in advance the order in which the Deputy Governors shall succeed the Governor during any period of the Governor's absence or disability.

4. The Appointing Authority shall establish the terms and conditions of service of the members of the Board. When establishing the remuneration for the members of the Board, the Appointing Authority shall be guided by need to attract and retain highly qualified individuals to serve as members of the Board.

5. The remuneration and other terms and conditions of service of a Board member shall not be rendered less favorable during the term of office for which the Board member has been appointed.

Article 14 Resignation and removal of Board members

1. The Governor, a Deputy Governor or any other member of the Board may resign his office after giving at least one month written notice to the Appointing Authority, if such resignation is accepted. If the Appointing Authority does not accept such resignation, the relevant member of the Board may be required by the Appointing Authority to serve not more than three additional months from the date of the member's original resignation notice.

2. The Governor, a Deputy Governor or any other member of the Board shall be removed from office by the Appointing Authority only if the person:

a. has been convicted by a criminal court of an offense for which the person was or could have been sentenced to imprisonment without the option of a fine unless, in the judgment of the Appointing Authority, such sentence was motivated by his religious or political views or activities;

b. has been declared bankrupt by a court of law;

c. has been found guilty by a court of law of conduct involving a lack of probity in financial matters or other serious misconduct;

d. has been disqualified or suspended by a competent authority from practicing a profession on grounds of personal misconduct unrelated to his religious or political views or activities;

e. has been declared unfit to manage a company by a court of law or under an order issued by a competent agency;

f. has taken up any office, position or employment in violation of paragraph (3) of Article 12 or paragraph (3) of Article 21;

g. is suffering from such mental or physical infirmity which , in the opinion of the Appointing Authority, renders him unfit to discharge his duties under this Law;

h. has been found by the Appointing Authority to have violated the provisions of paragraphs (1) or (2) of Article 15; or

i. has been absent from meetings of the Board for a consecutive period or more than three months without approval of the Board.

3. No member of the Board shall be removed from office on any ground specified in paragraph (2) without first being given the opportunity of hearing before the Appointing Authority.

4. Any decision on removal from office under paragraph (2):

a. shall be made public along with a statement of the reasons for removal, and any written response received from the Board member concerned; and

b. may be appealed to the Court of Cassation within two months of service of the decision.

5. Any member of the Board having been removed from office shall continue to receive remuneration and other benefits applicable under the terms and conditions to a member of the Board until such time that any hearing or appeal in the matter, whichever is later, has been decided.

Article 15 Disclosure of interests

1. Each member of the Board shall, upon his appointment and annually thereafter, declare in writing to the Board, in compliance with any instructions that may be issued by the Board, the direct and indirect business interests that he or any person who is related to the Board member by marriage, blood or kinship, to the extent provided by regulation, may hold, and the Board shall submit such declarations for information to the Appointing Authority, the Minister of Finance and to the external auditor.

2. Before a matter concerning a declared interest as mentioned in paragraph (1) is raised for discussion by the Board, the Board member concerned shall again disclose his interest and shall not thereafter participate in any discussion or decision on that matter.

3. For a period of one year immediately following his or her departure from the CBI, no former Governor, Deputy Governor or chief internal auditor shall serve or represent another bank or other entity subject to the supervision of the CBI or deal with the CBI in any way in connection with any matter or issue the former Governor, Deputy Governor, or chief internal auditor worked on or was otherwise involved in while employed by the CBI, without the prior written consent of the Board. The Board may establish the remuneration to be paid to such former Governor, Deputy Governor or chief internal auditor together with any other terms and conditions that shall be applicable during this period. In the event the Board does elect to provide such remuneration, this remuneration shall be automatically reduced by an amount equal to any income the former Governor, Deputy Governor or chief internal auditor may receive from any employment while he or she is receiving the remuneration.

Article 16 Powers and functions of the Board

While observing the primary objective and other objectives set out in Article 3, the Board shall, within the limits set out in this Law:

a. develop and define the primary monetary policy objective;

b. formulate policies to attain the primary monetary policy objective, including the exchange rate policy, limits on open market operations to be conducted by the CBI, policies regarding interest rates for other provisions of funds to the banking sector, and the types and levels of reserves that banks will be required to maintain; except that the Board shall not have the power to enter into a fixed exchange rate regime, such as a monetary union or currency board.

c. decide on the issuance of Iraqi banknotes and coins in accordance with Article 32;

d. issue licenses or permits and adopt procedures to regulate the safety and soundness of banks as further specified in the Banking Law;

e. determine the terms for the provision of services as banker, advisor and fiscal agent to the Government in accordance with Section 4;

f. adopt the rules for payment systems in accordance with Article 39;

g. approve all reports and recommendations that the CBI is to make to the Government or the Legislature;

h. decide on the participation of the CBI in international organizations whose membership is open to central banks;

i. decide whether the CBI will open and maintain an account on its books for a foreign central bank, foreign government or international organization, and also whether the CBI will open and maintain an account in its name on the books of a foreign central bank or international financial organization;

j. decide whether debt securities should be issued by the CBI, and if so, the terms and conditions thereof;

k. determine the categories of assets that shall be suitable for the investment of the foreign exchange reserves and other financial resources of the CBI;

l. determine the terms pursuant to which discount operations may be engaged in by the CBI in accordance with Article 28;

m. approve, with the consent of at least three-fifths of the members of the Board present, each loan or guarantee to be extended to a bank under Article 30;

n. adopt by-laws, internal guidelines and rules applicable to the administration and operation of the CBI, and determine the organizational structure of the CBI, including the locations of any CBI branches;

o. approve procedures to be followed in the CBI's internal decision-making process;

p. approve systems of internal controls within the CBI;

q. determine the annual budget and the personnel plan of the CBI;

r. approve, issue and publish the annual report and the annual financial statements;

s. adopt all regulations and guidelines of general application to be issued by the CBI; and

t. take action upon any other matter, within the competence of the CBI, responsibility for which is not specifically assigned in this Law to any other person or group.

Article 17 Meetings

The Board shall convene upon the initiative of its chairman or upon the initiative of at least one-third of its members but in any event at least once a month.

Article 18 Quorum

A quorum shall exist for the Board's meetings when at least a majority of its members, including the Governor or, in his absence, a Deputy Governor acting as chairman, are present.

Article 19 Decisions of the Board

1. Board decisions shall be adopted by majority vote of the members present. If the vote is evenly divided, the chairman's vote shall be the deciding vote.

2. Board decisions shall take effect in whatever way and at whatever time as may be directed by the Board as recorded in the minutes of the meeting or, absent such direction, immediately. Any abstentions or dissenting opinions shall be recorded in those minutes.

Article 20 Governor as chief executive

1. The Governor shall, as chief executive of the CBI, be responsible for the implementation of the decisions of the Board. The Governor shall conduct the day-to-day operations of the CBI and may exercise any powers delegated to the Governor by the Board.

2. The Deputy Governors shall assist the Governor in conducting the day-to-day operations of the CBI.

3. The Board may establish provisions regulating the extent to which the Governor may delegate any of his powers to other members of the Board or to senior staff of the CBI, including whether delegation may be made to a single person, or to two persons jointly.

4. The Governor shall appoint and terminate the appointment of the employees, agents and correspondents of the CBI, within the general terms and conditions of the personnel plan and other guidelines, if any, adopted by the Board.

Article 21 Conflicts of interests

1. During their service or employment by the CBI, the Governor, Deputy Governors, other members of the Board, and employees of the CBI shall not receive credit from any bank or other entity subject to the supervision of the CBI, except with the prior approval of the Board. The person to receive such credit shall not participate in any decision by the Board concerning such credit. The Board shall authorize routine borrowings made on market terms from such institutions to enable the borrowers to finance the purchase of a residence for the borrower's own use, to pay for educational or medical expenses, and for other family purposes. The Board may establish internal guidelines specifying relevant criteria for such credits.

2. The Board may establish a facility to provide credits on market terms to the Governor, Deputy Governors, other members of the Board, and employees of the CBI for the purchase of a residence for the borrower's personal use, to pay for educational or medical expenses, and for other family related purposes. The Board shall establish and publish internal guidelines specifying relevant criteria for such credits.

3. While holding office, the Governor, the Deputy Governors, and other members of the Board shall devote the whole of their professional services to the CBI, and none of them shall occupy any other office or employment, whether remunerated or not, except (i) as nominee of the CBI or (ii) a limited amount of lecturing and other academic activity so long as such activity is not remunerated and does not interfere with the performance of the individual's duties and responsibilities at the CBI.

4. No employee of the CBI shall simultaneously have any other employment, whether gainful or not, provided, however, that the Board may establish internal guidelines exempting certain categories of staff positions or certain categories of other employment, such as teaching, from this requirement if the Board is satisfied that no conflict of interest will arise.

5. No Governor, Deputy Governor, other member of the Board, or employee of the CBI shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business or financial connections, if the acceptance thereof would result, or give the appearance of resulting, in diminishing his impartial devotion to his duties to the CBI.

Article 22 Confidentiality and exchange of information

1. No person who serves as Governor, Deputy Governor, other member of the Board, or employee, agent or correspondent of the CBI, shall:

a. permit access to, disclose or publicize nonpublic information which was obtained in the performance of official duties except when required to do so pursuant to paragraph (2) of this Article, as necessary for the fulfillment of any duty or responsibility imposed by this Law, the Banking Law, or any other relevant legislation; or

b. use such information, or allow such information to be used, for personal gain.

2. The CBI may exchange information on supervisory matters, preferably based on a memorandum of understanding, with central banks and with financial supervisory authorities. 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.

3. The CBI may enter into memoranda of understanding with central banks or with financial supervisory authorities setting out the scope, procedures and further details for the exchange of information.

Article 23 Immunity from legal action

1. 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 his employment or engagement under this Law.

2. The CBI shall indemnify a member of the Board, employee or agent of the CBI against any legal costs incurred in the defense against legal action brought against such person in connection with the discharge or purported discharge of official functions within the scope of his employment or engagement under this Law, provided that no such indemnification shall apply if such person has been convicted of a crime arising out of the activities that are covered by such legal action.

SECTION 4—RELATIONS WITH THE GOVERNMENT

Article 24 Consultation with the Government

1. The Governor and other representatives of the CBI and officials of the Government shall hold regular meetings to exchange information and opinions on the extent to which monetary and fiscal policies can, each within their own areas of responsibility, be coordinated, and on other matters of mutual interest and responsibility.

2. The Governor and the Deputy Governors may, upon invitation by an official of the Government, attend meetings with the Government at which they may provide, on behalf of the CBI, advice and information within the CBI's area of competence.

Article 25 Actions on behalf of Government

1. The Government may entrust the CBI with the following:

a. hold the Government's accounts;

b. engage in and manage, as fiscal agent, domestic and foreign borrowings by the Government;

c. participate with other representatives of the Government or, with the Government's permission, represent the Government in negotiations with foreign countries as well as with international institutions on monetary and financial issues;

d. perform financial operations, at market rates, in relation to deposits, foreign exchange operations or other operations based on payment, clearing or economic agreements arising out of international financial arrangements concluded by the Government with foreign parties, provided that (i) the Government shall bear all financial obligations and liabilities incurred by the CBI with respect to such performance and (ii) the CBI shall not perform any financial operation which involves bearing financial obligations or liabilities (direct or indirect) on behalf of the Government ; and

e. perform, to the extent the Government determines, tasks derived from the State's membership in international, financial and monetary institutions.

2. The CBI shall be remunerated by the Government on a cost recovery basis for carrying out the functions under this Article.

Article 26 Prohibition on lending to the Government

1. The CBI shall not grant any direct or indirect credits to the Government or any other public agency or State-owned entity, except that the CBI may provide liquidity assistance under Article 30 to government-owned commercial banks that are subject to the supervision of the CBI, provided that such assistance is granted on the same terms and conditions as would be extended for the benefit of privately-owned commercial banks.

2. The CBI may purchase government securities provided that such purchases are only made in the secondary market and are only made in connection with market operations.

3. Nothing in this Article 26 shall be construed to prohibit the use of government securities in connection with any aspect of open market operations or as collateral for standing facilities.

SECTION 5—OFFICIAL FOREIGN RESERVES

Article 27 Management of official foreign reserves

The CBI shall conduct transactions in foreign assets and manage all official foreign reserves of the State consistent with international best practices and subject to the objectives of monetary policy. The Board may invest such reserves in any or all of the following assets:

a. monetary gold held in the vaults of the CBI;

b. banknotes and coins in foreign currencies normally used in the making of international payments held by or for the account of the CBI;

c. credit balances that are payable on demand or within a short term in foreign currencies normally used in the making of international payments and that are maintained in accounts of the CBI, or otherwise invested through repurchase agreements, with foreign central banks, international financial organizations or major international banks designated by the Board;

d. special drawing rights held in the account of Iraq in the International Monetary Fund;

e. the reserve position of Iraq in the International Monetary Fund; and

f. any readily-marketable debt securities issued by, or bearing the full faith and credit of, foreign governments, central banks, or international financial institutions, that are paid in foreign currencies normally used in the making of international payments and that are held by or for the account of the CBI.

SECTION 6—MONETARY FUNCTIONS

Article 28 Open market operations and standing facilities

The CBI may, for the achievement of its objectives, (i) perform open market operations with commercial banks that are licensed or hold permits issued by the CBI under the Banking Law or, at the discretion of the CBI and subject to regulations set forth by the CBI, other appropriately licensed financial intermediaries; and (ii) provide standing facilities to commercial banks that are licensed or hold permits issued by the CBI under the Banking Law and subject to regulations set forth by the CBI by:

a. purchasing or selling outright (spot and forward), or under repurchase agreements or other similar financial instruments, debt securities issued by the CBI or by the Government, bearing market yields provided that purchases of debt securities issued by the Government through open market operations shall only be made in the secondary market.

b. purchasing or selling outright (spot and forward) foreign exchange;

c. discounting bills of exchange or promissory notes;

d. making loans fully secured by pledges of collateral; and

e. accepting interest-bearing deposits from banks.

Article 29 Reserve requirements

1. In order to implement the monetary policy of Iraq, the CBI shall, by regulation, require that banks maintain reserves in the form of cash holdings or deposits with the CBI. Such reserves shall be kept at prescribed minimum levels, calculated as the average of end-of-day reserve levels over such time periods as determined by the CBI and which relate to the size, type or maturity of the banks' deposits, borrowed funds and such other liabilities as the CBI may designate. Banks shall not be permitted to operate overdrafts on reserve accounts at any time. These required reserve levels shall be the same for all banks for each category of liabilities and may be remunerated.

2. The CBI may impose on and collect from any bank that fails to maintain required reserves at the minimum levels prescribed in accordance with paragraph (1) a penal interest rate on the shortfall in such bank's required reserves, until the shortfall is corrected.

Article 30 Lender of last resort

In exceptional circumstances, the CBI may, on such terms and conditions as it determines, act as lender of last resort for a bank that is licensed or holds a permit issued by the CBI under the Banking Law. Such support may be provided by granting financial assistance to the bank, or for the bank's benefit, for periods not exceeding three months that may be renewed by the CBI on the basis of a program specifying the measures that the bank concerned will be taking, provided, however, that no such commitment shall be made by the CBI unless:

a. the bank, in the opinion of the CBI, is solvent and provides adequate collateral, and the request for financial assistance is based on the need to improve liquidity; or

b. such assistance is necessary to preserve the stability of the financial system and the Minister of Finance has issued to the CBI a guarantee in writing on behalf of the Government securing the repayment of the loan.

SECTION 7—CURRENCY

Article 31 Unit of currency

The national monetary unit in Iraq shall be the *dinar*.

Article 32 Issuance of currency

1. The CBI shall have the exclusive right to issue banknotes and coins intended for circulation in Iraq. Banknotes issued under this Article shall be a first charge on the assets of the CBI. The CBI shall make appropriate arrangements for the issue of its banknotes and coins as required for circulation in Iraq. Banknotes and coins issued by the CBI and intended

for circulation in Iraq are not promissory notes, bills of exchange, or any other type of commercial document under the applicable commercial law, and the CBI is obligated to honor them only as provided for in this Law.

2. Only banknotes and coins issued by the CBI that have not been demonetized shall be legal tender in Iraq.

3. The CBI may, by regulation, limit the amounts of banknotes and coins that must be accepted as a legal tender in payment for an obligation and restrict the denominations of such banknotes and coins in which payment may be made to specified amounts or a range of amounts.

4. The CBI shall be responsible for the supply of Iraq's banknotes and coins and shall endeavor to maintain the availability of an adequate number of banknotes and coins in all regions at all times.

Article 33 Printing of banknotes and minting of coins; accounting treatment of currency issued

1. The CBI shall determine by regulation the denominations, measures, form, material, content, weights, designs, and other features of banknotes and coins. The plates necessary to print or mint the currency and the intellectual property rights to the designs of the currency shall be the property of the CBI.

2. The CBI shall arrange for the printing of banknotes and the minting of coins, and for the security and safekeeping of banknotes and coins that have not yet been issued.

3. The CBI shall be exclusively responsible for the safe and secure destruction of banknotes and coins and for the custody and destruction, as may be necessary, of plates, dies, and retired banknotes and coins. The CBI shall have the exclusive right to melt coins and to sell the metals derived thereby.

4. Upon request by any individual or entity, the CBI shall exchange, free of charge or commission, banknotes and coins with other banknotes or coins in equivalent amounts.

5. The aggregate amount of circulating banknotes and coins issued by the CBI shall be noted in the financial statements of the CBI as a liability; such liability shall not include banknotes and coins in the currency reserve inventory.

Article 34 Withdrawal of unfit banknotes and coins

1. Banknotes and coins in circulation that are unfit for circulation shall cease to be legal tender. Subject to paragraph (2) of this Article, the CBI shall withdraw, destroy, and replace, with banknotes or coins of an equivalent amount, any banknotes or coins presented to it that are unfit for circulation.

2. The CBI may decline to replace an unfit banknote or coin if its designs are illegible, misshaped or perforated, or if more than fifty percent of its surface has been lost; such a banknote or coin shall be withdrawn and destroyed without indemnity to the owner, unless there is evidence satisfactory to the CBI that the missing portions have been totally destroyed, in which case the CBI may, in its sole and absolute discretion, grant compensation in whole or in part.

3. The CBI shall not be required to provide any compensation for banknotes or coins that were lost, stolen or destroyed; it may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

Article 35 Disposition of Counterfeit Currency

Every person who comes into possession of counterfeit banknotes or coins shall forward to the CBI all such counterfeit banknotes or coins.

Article 36 Redemption of currency

1. The CBI may decide to redeem banknotes or coins by issuing, free of charge, other banknotes or coins in equivalent amounts. A decision to redeem banknotes or coins shall be issued in the form of a regulation of the CBI specifying the period during which the exchange shall take place and the locations and times at which withdrawn banknotes or coins shall be presented for redemption.

2. At the end of the exchange period, or at any other time specified by the CBI, redeemed banknotes and coins shall be demonetized and cease to be legal tender.

3. The CBI shall notify the public, by publication in the Official Publication, of the banknotes and coins that are legal tender.

Article 37 Freedom of currency

Parties to a contract or any other voluntary undertaking or transaction, including a bill, note or instrument or security for money, may denominate a payment obligation in any currency agreed upon. Payment in discharge of any debt or liability arising from a contract or any other voluntary undertaking or transaction, including on a bill, note, instrument or security for money, may be made in any currency agreed upon as the currency of payment. An agreement under this Article may be express or implied from surrounding circumstances including course of dealing, usage of trade, or course of performance.

Article 38 Enforcement of foreign currency obligations

A foreign currency obligation may be enforced according to its terms. When a person obtains an order to enforce an obligation in a foreign currency, the order shall require payment of an amount in the currency of Iraq sufficient to purchase the amount of the obligation in the foreign currency at a bank in Iraq at the close of business on the first day on which the bank quotes a *dinar* rate for purchase of the foreign currency before the day payment of the obligation is due to be received by the creditor, provided, however, that if the court determines that such method would, under the circumstances, be inequitable, it shall select a method of conversion that is equitable.

SECTION 8—OTHER FUNCTIONS

Article 39 Payment systems

1. The CBI shall establish and maintain or promote the establishment and maintenance of sound and efficient systems for the clearing and settlement of payment transactions in accordance with international standards and best practices.

2. The CBI shall be exclusively responsible for the regulation, registration, licensing, and supervision of payment systems operated by parties other than the CBI.

3. In connection with its supervision of payment systems and payment system operators, the CBI may by regulation:

a. require the registration or licensing of any payment system or payment system operator; and

b. require any payment system or payment system operator to observe such safe and sound conditions and requirements as may be established by the CBI, including those designed to facilitate supervision of such operators by the CBI and to preserve the safety of the assets entrusted by the public to their care.

4. The CBI shall be authorized to take such action as it deems necessary to carry out the tasks described in paragraph (1), including promoting, organizing, participating in and operating payment systems and establishing the applicable charges.

5. The CBI may make arrangements to facilitate:

a. the integration of its payment system and related arrangements with other payment systems;

b. the development of new methods and technologies for payments in domestic or foreign currencies; and

c. the design and periodic modification of a plan for the evolution of the national payment system of Iraq.

Article 40 Supervision of Banks

The CBI shall have the exclusive authority to take all such actions as may be necessary: to license, regulate and supervise banks and their subsidiaries to obtain compliance with this Law and in the Banking Law, including the authority to conduct off-site surveillance and on-site examinations of licensees and their subsidiaries in the manner and at the times chosen by the CBI; to require banks and their subsidiaries to provide all such information as the CBI may request regarding the affairs of a bank, its subsidiaries, and their customers; and to take remedial action, as provided in this Law and in the Banking Law, to enforce compliance by licensees and their subsidiaries with such laws and with any regulations, prudential standards, guidelines or directives issued by the CBI in connection with its implementation of such laws. Actions by an entity of the Government other than the CBI to regulate the lending and credit activities of banks are without legal force.

Article 41 Compilation and publication of financial statistics

1. At the request of the CBI, banks and any other entities supervised by the CBI according to this Law or the Banking Law shall provide the CBI with such information or data as the CBI determines necessary to:

a. follow developments in foreign exchange, credit, deposit, money and capital markets;

b. establish and publish monetary statistics;

c. establish and publish balance of payments statistics;

d. collect and compile financial data that reflect the risk positions of banks or any other entities supervised by the CBI; and

e. compile and, provided that no confidential business relationship is thereby disclosed, publish any other financial statistics.

2. In carrying out its responsibilities as specified in this Law and other legislation, the CBI shall endeavor to develop and implement policies consistent with international standards and best practices for central banks.

Article 42 Unlicensed persons

1. The CBI shall be empowered, upon obtaining a warrant from the appropriate authorities, to enter the offices and to examine the accounts, books, documents and other records of any

person if the CBI determines that there are reasonable grounds to suspect that such person engages in an activity that is subject to the jurisdiction of the CBI without the appropriate license, permit or registration from the CBI even though such license, permit or registration is required by law or is an activity otherwise contrary to this Law; upon request of the CBI, law enforcement officials shall, if necessary by force, assist the CBI to gain access to the premises of such persons and to examine the accounts, books and other records of such person.

2. If the CBI determines that a person engages in an activity without the appropriate license, permit or registration issued by the CBI when such license, permit or registration issued by the CBI is required by law, the CBI shall serve an order directing that person promptly to cease such activity. The order shall be accompanied by a statement describing the facts and law supporting the existence of a violation, and shall request such person to provide a written response within three days after the date of service of such order. If, after a review of any such response and, in any event, within one calendar week from the date of service of its order, the CBI determines that the activity has not ceased, the CBI may impose administrative penalties on such person, the amount of which shall be established pursuant to paragraphs (2) and (3) of Article 62.

SECTION 9—MISCELLANEOUS

Article 43 Ownership of property

1. The CBI may acquire such movable and immovable properties and equipment as may be required to carry out its functions.

2. Notwithstanding the limitations of paragraph (1), the CBI may, in order to protect, secure or collect a claim, acquire all types of property. Such property shall be sold as soon as possible, consistent with the CBI's interest in minimizing losses and, in any case, not later than at a date at which such disposition may occur without incurring a loss.

Article 44 Exemption from certain taxes

1. The CBI shall be exempted from the following taxes and duties:

a. taxes on income or profits of the CBI;

b. personal property taxes on assets of the CBI;

c. taxes on transfers of funds and other financial transactions;

d. taxes in the form of stamp duties on issuance of the CBI's securities and banknotes;

e. customs duties, import duties, sales taxes, value added taxes on imports of gold, banknotes, and coins to be delivered to the CBI; and

f. sales tax on domestic supplies of gold, banknotes, and coins to the CBI.

2. The CBI shall be liable for property taxes on immovable property only if, as a general rule, Government ministries are liable for such taxes and duties on the immovable property in their ownership or use.

3. The CBI shall be liable for any other taxes or duties, except as otherwise stipulated in the specific laws regulating such taxes or duties.

SECTION 10—FINANCIAL STATEMENTS AND AUDIT

Article 45 Books and records; financial statements and reports

1. The Board shall at all times ensure that the books and records of the CBI, including its financial statements, are prepared and maintained in conformity with internationally-accepted accounting standards.

2. The CBI shall, as soon as possible after the end of each month, prepare and publish in the Official Publication and on its official Internet website balance sheets showing the condition of the CBI as of the close of business on the last business day of the month that has just ended.

3. The CBI shall, within three months after the end of each financial year, prepare annual financial statements that shall ensure a correct and complete reporting in a tränsparent manner of the CBI's financial status.

4. The Board shall, within three months after the end of each financial year, submit to the Appointing Authority, with copies to the Minister of Finance and to the Legislature:

a. the annual financial statements of the CBI, approved by the Board, signed by the Governor and certified by the external auditor, together with any reports or remarks that the external auditor may wish to make; and

b. a report on the CBI's operations during the financial year that has just ended, in particular in relation to its monetary policy objectives and events that affected the economy of Iraq. This report should also include a statement regarding the CBI's outlook for the economy for the coming year with emphasis on monetary policy issues. In its review of policy developments, the report shall include: (i) a review of the policies and measures adopted by the Board during the year and an analysis of the economic and financial circumstances which prompted those policies and measures; (ii) a discussion of the condition of the financial system of Iraq with special emphasis on the banking and payment systems; and (iii) the texts of the major legal enactments and administrative measures adopted by the Government and the CBI during the year

which relate to the functions or operations of the CBI and of banks and other financial institutions operating in Iraq.

5. The CBI shall publish the audited annual financial statements in the Official Publication and on its website. The reports referred to in paragraph (4) shall be published.

6. The CBI shall, on a quarterly basis, publish reports on monetary policy and financial stability that provide information on developments in the current year, including events that affect the economy of Iraq as described in paragraph (4), sub-paragraph (b).

7. The Governor shall report on the CBI's operations and its monetary policy objectives, including events that affect the economy of Iraq as described in paragraph (4), subparagraph (b), to the Legislature no less than once a year.

Article 46 Internal audit

The CBI's internal audit department, headed by the chief internal auditor, shall perform internal audit functions which shall include the following:

a. the review and recommendation to the Board of procedures and practices for proper risk management and, thereafter, the supervision of their implementation on a continuing basis;

b. the performance of periodic audits of the administration and operations of the CBI to ensure proper observance of laws applicable to the CBI and of decisions of the Board;

c. the review of the periodic financial statements referred to in Article 44, paragraphs (2) and (3), and related documents of the CBI;

d. the preparation and delivery to the Board, whenever deemed appropriate by the Board and at least once every quarter, of reports and recommendations regarding the financial statements and records, the budgetary and accounting procedures, the risk management and other controls within the CBI, the efficiency and cost effectiveness at which the CBI operates, and any other matter within its competence and area of responsibilities on which a report may be requested by the Board; and

e. any other assignment that may be given to the internal audit department by the Board, provided that such assignments do not disrupt its principal task set forth herein.

Article 47 Chief internal auditor

1. The chief internal auditor shall be appointed by the Board for a term of five years, and shall be selected from among that pool of distinguished candidates comprised of persons with

extensive professional experience in the field of accounting or audit appropriate to prepare them for the responsibilities of the position. The chief internal auditor may be reappointed.

2. The chief internal auditor, as head of the internal audit department, shall be responsible to the Board for the proper discharge of the functions of the internal audit department.

3. The salary and other employment benefits of the chief internal auditor shall be commensurate with those received by persons in equivalent positions in commercial banks and other financial institutions and shall be determined by the Board.

4. The chief internal auditor may resign from office after giving not less than three months' written notice to the Board and shall be subject to the provisions of Article 15(3).

Article 48 External audit

1. The financial statements of the CBI shall be audited in accordance with international standards on auditing at least once a year by a reputable external audit firm with recognized experience in the auditing of central banks and major international financial institutions.

2. The external audit firm shall be appointed annually by the Minister of Finance. No external audit firm shall be appointed consecutively for a cumulative period exceeding five years.

3. The CBI shall provide the external auditor with such assistance as the external auditor may require and the external auditor shall have access, upon request, to all accounts, books, minutes, records, and other documents or written or oral information or data.

4. The Minister of Finance shall determine the compensation to be paid to the external auditor, taking into consideration the size and nature of the task normally to be performed. Such compensation shall be included as expenses in the budget of the CBI and borne by the CBI.

5. The CBI shall be subject to audit by the Board of Supreme Audit.

SECTION 11—CRIMINAL OFFENSES

Article 49 Interpretation

In this section:

"*banknote*" includes any instrument intended to be used as money or as the equivalent of money, immediately on issue or at some time subsequent thereto, issued under lawful authority in Iraq or elsewhere;

"*counterfeit money*" includes

a. false coin or false paper money that resembles or is apparently intended to resemble or pass for a current coin or current paper money,

b. a forged banknote or forged blank banknote, whether complete or incomplete,

c. a genuine coin or genuine paper money that is prepared or altered to resemble or pass for a current coin or current paper money of a higher denomination, including an instrument prepared by placing or connecting together different parts of two or more banknotes or other genuine instruments,

d. a current coin from which the milling is removed by filing or cutting the edges and on which new milling is made to restore its appearance,

e. a coin cased with gold, silver or nickel, as the case may be, that is intended to resemble or pass for a current gold, silver or nickel coin, and

f. a coin or a piece of metal or mixed metals that is washed or colored by any means with a wash or material capable of producing the appearance of gold, silver or nickel and that is intended to resemble or pass for a current gold, silver or nickel coin;

"*counterfeit token of value*" means a counterfeit excise stamp, postage stamp or other evidence of value, by whatever technical, trivial or deceptive designation it may be described, and includes genuine coin or paper money that has no value as money;

"*current*" means lawfully in use in Iraq or elsewhere by virtue of a law in force in Iraq or elsewhere as the case may be;

"*utter*" includes sell, pay, tender and put off.

Article 50 Making

Each person who makes or begins to make counterfeit money is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both.

Article 51 Possession

Each person who, knowingly and with intent to defraud

a. buys, receives or offers to buy or receive,

b. has in his custody or possession, or

c. introduces into Iraq,

counterfeit money is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both.

Article 52 Uttering

1. Each person who, knowingly and with intent to defraud

a. utters or offers to utter counterfeit money or uses counterfeit money as if it were genuine, or

b. exports, sends or takes counterfeit money out of Iraq,

is guilty of an indictable offense and liable to a fine not exceeding one hundred million *dinars* or to imprisonment for a term not exceeding ten years or to both.

2. Each person who, with intent to defraud, knowingly utters

a. a coin that is not current, or

b. a piece of metal or mixed metals that resembles in size, figure or color a current coin for which it is uttered,

is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both.

Article 53 Slugs and tokens

Each person who, knowingly and with intent to defraud

a. manufactures, produces or sells, or

b. has in his possession

anything that is intended to be fraudulently used in substitution for a coin or token of value that any coin or token-operated device is designed to receive is guilty of an offense and liable to a fine not exceeding twenty-five million *dinars* or to imprisonment for a term not exceeding two years or to both.

Article 54 Defacing

Each person who

a. defaces a current coin,

b. utters a current coin that has been defaced,

c. without the authority of the CBI defaces any banknote by printing, stamping or by any like means impressing on it any words, letters or figures, or

d. utters a current banknote that has been defaced contrary to sub-paragraph (c),

is guilty of an offense punishable on summary conviction and liable to a fine not exceeding one million *dinars* or to imprisonment for a term not exceeding six months or to both.

Article 55 Likeness of banknotes

1. No person shall make, publish, print, execute, issue, distribute or circulate, including by electronic or computer-assisted means, anything in the likeness of

a. a current banknote, or

b. an obligation or a security of a government or bank.

2. Paragraph (1) does not apply to:

a. the CBI or its employees when they are carrying out their duties under Section 7 of this Law;

b. the police or its members or employees when they are carrying out their duties to prevent and investigate any violation of this Law; or

c. any person acting under a contract or license from the CBI or the police in connection with the duties described in (a) and (b) of this paragraph 2.

3. A person who contravenes paragraph (1) is guilty of an offense punishable on summary conviction and liable to a fine not exceeding one million *dinars* or to imprisonment for a term not exceeding six months or to both.

4. No person shall be convicted of an offense under paragraph (3) in relation to the printed likeness of a banknote issued by the CBI if it is established that the length or width of the likeness is less than three-fourths or greater than one-and-one-half times the length or width, as the case may be, of the banknote and

a. the likeness is in black-and-white only, or

b. the likeness of the banknote appears on only one side of the likeness.

Article 56 Instruments or materials

Each person who knowingly

a. makes or repairs,

b. begins or proceeds to make or repair,

c. buys or sells, or

d. has in his custody or possession,

any machine, engine, tool, instrument, material or thing that he knows has been used or that he knows is adapted and intended for use in making counterfeit money or counterfeit tokens of value is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both.

Article 57 Conveying instruments for coining out of mint

Each person who, without lawful justification or excuse, the proof of which lies on him, conveys out of any mint licensed or authorized to mint coins in Iraq,

a. any machine, engine, tool, instrument, material or thing used or employed in connection with the manufacture of coins,

b. a useful part of anything mentioned in sub-paragraph (a), or

c. coin, bullion, metal or a mixture of metals,

is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both .

Article 58 Advertising and trafficking

1. Each person who knowingly

a. by an advertisement or any other writing, offers to sell, procure or dispose of counterfeit money or counterfeit tokens of value or to give information with respect to the manner in which or the means by which counterfeit money or counterfeit tokens of value may be sold, procured or disposed of, or

b. purchases, obtains, negotiates or otherwise deals with counterfeit tokens of value, or offers to negotiate with a view to purchasing or obtaining them,

is guilty of an indictable offense and liable to a fine not exceeding fifty million *dinars* or to imprisonment for a term not exceeding five years or to both.

2. No person shall be convicted of an offense under paragraph (1) in respect of genuine coin or genuine paper money that has no value as money unless, at the time when the offense is alleged to have been committed, the person knew that the coin or paper money had no value as money and the person had a fraudulent intent in his dealings with or with respect to the coin or paper money.

Article 59 Special provisions as to proof

1. Every offense relating to counterfeit money or counterfeit tokens of value shall be deemed to be complete notwithstanding that the money or tokens of value in respect of which the proceedings are taken are not finished or perfected or do not copy exactly the money or tokens of value that they are apparently intended to resemble or for which they are apparently intended to pass.

2. In any proceedings under this section, a certificate signed by a person designated as an examiner of counterfeit by the CBI, stating that any coin, paper money or banknote described therein is counterfeit money or that any coin, paper money or banknote described therein is genuine and is or is not, as the case may be, current in Iraq or elsewhere, is evidence of the statements contained in the certificate without proof of the signature or official character of the person appearing to have signed the certificate.

3. A party against whom a certificate described in paragraph (2) is produced may, with leave of the court, require the attendance of the examiner of counterfeit designated by the CBI, for the purposes of cross-examination. No certificate shall be received in evidence pursuant to paragraph (2) unless the party intending to produce it has, before the trial, given to the other party reasonable notice of his intention and a copy of the certificate.

Article 60 Unauthorized issue of banknotes, coins, instruments, tokens

Each person who issues

a. a banknote or coin in violation of paragraph (1) of Article 32, or

b. any other instrument or token intended for circulation in Iraq as money other than as authorized by this section,

is guilty of an indictable offense and liable to imprisonment for a term not exceeding ten years.

Article 61 Forfeiture

1. Counterfeit money, counterfeit tokens of value and anything that is used or is intended to be used to make counterfeit money or counterfeit tokens of value belong to the Government.

2. A police officer may seize and detain:

a. counterfeit money;

b. counterfeit tokens of value; and

c. machines, engines, tools, instruments, materials or things that have been used or that have been adapted and are intended for use in making counterfeit money or counterfeit tokens of value, and anything seized shall be sent to the CBI to be disposed of or dealt with as he may direct, but anything that is required as evidence in any proceedings shall not be sent to the CBI until it is no longer required in those proceedings.

3. For the purpose of this Article, a banknote or coin issued in violation of Article 32(1), or any other instrument or token intended for circulation in Iraq as money other than as authorized by this section, is to be treated as counterfeit money or token for value.

Article 62 Administrative penalties

1. The CBI shall be authorized to enforce compliance with this Law, the Banking Law, and with all regulations and orders issued by the CBI under those laws, through the imposition of administrative penalties upon licensees, officers, directors and agents of licensees; and upon persons who, though not licensees, or officers, directors or agents of licensees, are required to take action, or to refrain from taking action, by this Law, the Banking Law, or by regulations or orders issued by the CBI under those laws.

2. Penalties as described in this Article are civil, not criminal, in nature, and may be imposed directly by the CBI. Administrative penalties may be imposed, at the discretion of the CBI, in amounts that range up to ten million *dinars* per violation; and, at the discretion of the CBI, they may be imposed on a daily basis for each day that the violation continues until the CBI determines that compliance is achieved. The CBI shall, before imposing administrative penalties, provide a detailed statement to the person against whom the penalty is to be imposed describing the facts and law supporting the existence of a violation, and shall give such person a full opportunity to provide facts and arguments as to why the penalty should not be imposed. The CBI shall issue regulations setting forth the procedures it will use in connection with its imposition of administrative penalties.

3. 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.

4. The imposition by the CBI of administrative penalties stipulated in this Article shall not bar any civil or criminal accountability under the provisions of any law.

SECTION 12—FINANCIAL SERVICES TRIBUNAL

Article 63 Establishment and jurisdiction of Tribunal

1. There is hereby established a tribunal to be known as the Financial Services Tribunal which shall have jurisdiction to review the following decisions and orders of the CBI:

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 under the Banking Law or this Law;

b. imposing enforcement measures or administrative penalties under the Banking Law or this Law;

c. enjoining a person engaged in an activity requiring a license or permit from engaging in such activity without such a license or permit issued by the CBI pursuant to paragraph (2) of Article 42 of this Law;

d. extending the term of a conservator;

e. taking any action provided for in Sections 11 through 14 of the Banking Law with respect to which an appeal to the Tribunal is provided therein; and

f. regarding any other matter as specified by the law.

2. The Tribunal shall also have jurisdiction to review actions taken by a conservator or receiver under Sections 11 through 14 of the Banking Law. Such review shall be limited to a determination as to whether the action of the conservator or receiver was taken in a manner that exceeded the authority granted to such conservator or receiver under the Banking Law.

3. The Tribunal shall also have jurisdiction to adjudicate any dispute between banks and between financial institutions that is referred to the Tribunal pursuant to a written agreement between the parties to the dispute, which agreement may provide either that an appeal of the Tribunal's decision may be taken to the Court of Appeal or that no appeal shall be permitted.

4. The Tribunal shall not have jurisdiction to review the CBI's decisions or actions with respect to developing and implementing monetary policy, including exchange rate policy.

5. The jurisdiction of the Tribunal shall be exclusive of the jurisdiction of any other tribunal or court of law.

6. Unless otherwise determined by the Tribunal, decisions and orders by the CBI shall, notwithstanding the filing of an appeal, remain in full force and effect until a final decision on review by the Tribunal annuls the decision or order, or until the decision or order is modified by the CBI, or until the decision or order terminates pursuant to its terms, or pursuant to a decision of the CBI, or pursuant to a provision of law.

7. The Tribunal shall not have jurisdiction over any violation of law which is punishable by imprisonment. The Tribunal shall refer any such matter to the Minister of Justice.

Article 64 Composition of Tribunal

1. The Tribunal shall be composed of one or more panels of three to five judges and shall be headed by a chief judge. The Minister of Justice shall appoint a judge of the Tribunal to serve as the chief judge of the Tribunal. The chief judge shall form one or more panels of judges, as the caseload of the Tribunal may require, by selecting judges from the pool of judges to be formed as described in paragraph (2) of this Article.

2. The pool of judges shall initially be comprised of five judges, three of whom shall be appointed by the Minister of Justice and shall be lawyers with professional experience as judges, practicing attorneys or professors of administrative, civil or commercial law. The other two judges in the pool of judges shall be appointed by the Minister of Finance; one of these shall be an experienced accountant by profession, while the other shall have extensive professional experience in financial transactions.

3. In selecting judges for a panel, the chief judge shall attempt to harmonize the qualifications of the members of particular panels to the needs of the specific cases to be resolved by those panels. On each panel, the chief judge shall designate a judge with legal training to serve as its presiding judge to preside over the discharge of the functions of the panel.

4. Judges in the pool of judges may serve on a full-time or part-time basis, as, in the judgment of the chief judge, the caseload of the Tribunal requires. If the chief judge determines that the pool of judges must be expanded in order to resolve the Tribunal's caseload within a reasonable period of time, the chief judge shall submit a request to the Ministers of Justice and of Finance to increase the pool of judges through the appointment of additional judges.

5. No person shall be eligible to serve as a judge on the Tribunal and, if appointed, the person shall be removed from the Tribunal by a decision of the Minister of Justice, if the person, in the judgment of the Minister of Justice:

a. is not a citizen of Iraq;

b. is not a fit and proper person;

c. is also serving as an officer or a full-time or part-time employee or consultant, with or without remuneration, of a bank or other entity subject to the supervision of the CBI;

d. is also serving as a member of the Board or full-time or part-time employee or consultant of the CBI;

e. is also a member of the Legislature;

f. is also serving as a Minister, Deputy Minister or other high ranking official of the State;

g. has been or is declared bankrupt or unable to pay his debts as they fall due by a court decision;

h. is, or would be, unable to perform the functions of this office because of an infirmity of body or mind that has lasted for more than six months;

i. has been engaged in a significant violation of the law or in serious misconduct in office, or has actively participated in political activities, diminishing or giving the appearance of diminishing the reputation of the Tribunal as an independent and impartial judicial institution; or

j. the person, or any person who is related by marriage, blood or kinship, including adopted children or foster children of the person, and any other person residing in such person's household, hold direct or indirect business interests that would make it necessary for that person to refrain, to an unacceptable extent, from taking part in the decision-making of the Tribunal.

6. Judges of the Tribunal shall be appointed for a ten-year term of office and may be reappointed; however, upon giving written notice to the Minister of Justice, a judge may resign at any time. The Minister of Justice shall specify by regulation the remuneration and other benefits of the judges of the Tribunal.

7. No judge shall be removed from the Tribunal on any ground other than as stated in paragraph (5) and no judge shall be removed from the Tribunal before a hearing has been held by the Minister of Justice at which such judge or his legal representative has been afforded a reasonable opportunity to present his views.

Article 65 Administration of Tribunal

1. The Minister of Justice shall be responsible for the organization of the Tribunal and for the supervision of its administration.

2. The chief judge of the Tribunal shall be directly responsible for the administration of the Tribunal. He shall be assisted by a staff including a clerk of the Tribunal, an administrator of the Tribunal, and an accountant of the Tribunal. The staff of the Tribunal shall be appointed by the Minister of Justice, and shall have such duties and serve on such terms and conditions as may be specified by the Minister of Justice.

3. No person shall be liable in damages for an act done as chief judge or judge of the Tribunal, except that, if such person shall be convicted of a crime on account of such act, the person may be held liable in a civil proceeding for damages caused by that criminal act.

4. Each judge shall, upon first becoming a judge of the Tribunal and annually thereafter, disclose in full to the Minister of Justice the significant commercial interests which he or members of his household have, directly or indirectly. Whenever any case before a panel of the Tribunal is related to a significant commercial interest held by a judge or members of his household, directly or indirectly, the judge shall disclose his interest to the panel, recuse himself, and be replaced by another judge. Any failure to do so shall be deemed to be a significant violation of law constituting grounds for removal under, and following the procedures provided by paragraph (5) of Article 64.

5. No judge of the Tribunal and no member of its staff shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business or financial connections, if the acceptance thereof would diminish, or give the appearance of diminishing, the reputation of the Tribunal as an independent and impartial judicial institution.

6. No person who serves as a judge or as a member of the staff of the Tribunal shall:

a. 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 or as necessary for the fulfillment of any duty or responsibility imposed by this Law, the Banking Law, or any other relevant legislation; or

b. use such information, or allow such information to be used, for personal gain.

7. Failure to observe the provisions of paragraph (6) shall be considered a significant violation of law for purposes of paragraph (5), sub-paragraph (i) of Article 64.

Article 66 Authority of Minister of Justice

The Minister of Justice shall, by regulation: (i) make rules governing the place or places where the Tribunal shall sit; (ii) make rules governing the proceedings of the Tribunal; (iii)

make rules governing directions the chief judge of the Tribunal may give to panels of the Tribunal concerning procedures to be followed in individual cases; and (iv) specify the circumstances under which hearings of the Tribunal, for exceptional reasons, shall not be open to the public.

Article 67 Evidence

1. The Tribunal may, by summons, require any person to attend, at such time and place as is specified in the summons, to give testimony or to produce documents in his custody or control which the Tribunal considers it necessary to examine.

2. Each person who, without lawful justification or excuse,

a. refuses or fails to attend a session of the Tribunal following the issue of a summons by the Tribunal, or to give evidence, or

b. alters, suppresses, conceals or destroys, or refuses to produce, a document which he may be required to produce for the purposes of proceedings before the Tribunal,

is guilty of an indictable offense and liable to a fine not exceeding twenty-five million *dinars* or imprisonment for a term not exceeding two years or to both.

3. A person accused of violating Paragraph 2 of this Article bears the burden of proving lawful justification or excuse.

Article 68 Decisions of the Tribunal

1. Decisions of the Tribunal shall be taken by a majority of the judges on a panel. Decisions must be recorded in a document which states the reasons for the decision and is signed by the presiding judge of the panel dealing with the case addressed by the decision. The Tribunal must, as soon as is reasonably practicable, notify each party of the decision by sending each party a copy of the decision.

2. Decisions of the Tribunal may award expenses, damages and interest. Decisions shall take effect on the day specified in the decision or, if no effective date is specified, it shall take effect one week from the date of notification of the parties.

3. Decisions of the Tribunal shall be enforced as other court decisions.

Article 69 Procedure for review by Tribunal

1. An application for review of a decision or order of the CBI or an act of a conservator or receiver must be made by a written request submitted to the Tribunal by one or more parties aggrieved by the decision, order or act. The request must be filed within thirty days following the date of the decision, order or act or within such shorter period of time as is specified by

law. Upon receipt of the request, the clerk of the Tribunal shall send a copy of the request to the CBI and other interested parties and shall notify the parties to attend every hearing of the panel dealing with the request.

2. Decisions and orders of the CBI shall remain in full force and effect until: (i) a final decision on review by the Tribunal annuls the order or decision; (ii) the decision or order is modified by the CBI acting on remand from the Tribunal; or (iii) the decision or order terminates pursuant to its terms; provided, however, that the Tribunal may suspend such order or decision of the CBI prior to reaching a final decision either on the basis of a finding that there is a substantial likelihood that the aggrieved party will prevail in the case before it, or in exceptional circumstances where the immediate application of the decision or order would cause undue hardship or irreparable harm.

3. Notwithstanding any other provision in this section, in any case brought with respect to a decision, order or action adopted or taken by a conservator, receiver, the CBI, the Minister of Finance or the State under Sections 11 through 14 of the Banking Law, the Tribunal, or other appropriate court, may only award monetary damages, expenses and interest and shall not annul, remand, suspend, enjoin, terminate or bar such decision, order or action, except with respect to a decision by the Tribunal regarding the removal of a conservator under Article 63 of the Banking Law.

4. The Tribunal may annul or remand to the CBI for further consideration an order or decision of the CBI, or award of monetary damages, expenses and interest with respect to a decision or order of the CBI only on one or more of the following grounds:

a. in taking the decision or issuing the order, the CBI exceeded or abused its authority;

b. the procedures followed by the CBI in reaching its decision or order were materially inconsistent with the procedures prescribed by law in a manner which resulted in substantially prejudicing the rights, obligations or interests of an aggrieved party; or

c. the decision was adopted in an arbitrary and capricious manner.

5. The Tribunal shall give great weight to the evidence presented to the CBI and to the CBI's resolution of issues arising under any laws it is charged with the responsibility to administer.

6. Decisions and orders of the CBI that were remanded by the Tribunal to the CBI for further consideration and that are not modified or terminated by the final date specified by the Tribunal in its order of remand shall terminate on that date.

Article 70 Appeals

1. Final orders and decisions of the Tribunal shall be subject to appeal to the Court of Appeal.

2. A party to a decision rendered by the Tribunal pursuant to Articles 63 and 68 may appeal to the Court of Appeal; unless otherwise determined by the Court of Appeal, the decision, pending the conclusion of the appeal, shall remain in full force and effect.

3. The Court of Appeal may, upon appeal, remand or annul a decision of the Tribunal on one or more of the following grounds:

a. the Tribunal lacks jurisdiction;

b. the decision of the Tribunal is not supported by substantial evidence, or is predicated on false evidence, including false testimony and documents that are false, falsified or materially tampered with;

c. in cases involving paragraph (3) of Article 63, where the agreement referred to therein permits appeal, the decision of the Tribunal exceeds the scope of the agreement on which the jurisdiction of the Tribunal is based, or fails to address all or part of a dispute referred to the Tribunal; or

d. is otherwise contrary to law.

4. The appeal must be instituted within 30 days from the date of notification of the decision, except that, for the grounds described in paragraph (3), sub-paragraph (b) this period shall begin not earlier than the day of discovery of documents offering *prima facie* proof of false evidence, fraud or deception.

SECTION 14—FINAL PROVISIONS

Article 71 Precedence over inconsistent laws

Any provision of law that was enacted prior to the effective date of this Law and which is inconsistent with this Law shall be superseded by this Law.

Article 72 Immunity from prejudgment attachment

No attachment or execution shall be issued against the CBI or its property, including gold, special drawing rights, currency, credits, deposits or securities, and any proceeds thereof, before the issuance of final judgment in any legal action brought before the Tribunal or in the courts of Iraq.

Article 73 Repeal

The Central Bank of Iraq Law No. 64 of 1976, as amended, shall be repealed when this Law comes into effect.

Article 74 Entry into force

This Law shall enter into force on [ ], 2004.