



Anti-money laundering and counter-terrorist financing measures

Middle East North Africa

The Republic of Iraq

Financial Action Task

Mutual Evaluation Report

Force



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The Republic of Iraq

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Executive Summary

1. This report provides a summary of AML/CFT measures in place in the Republic of Iraq during the on-site visit from 06 to 23 August 2023. This report also analyses the extent of compliance with the FATF 40 Recommendations and the extent of effectiveness of the AML/CFT system and provides recommendations on how the system could be strengthened.

Key findings

- a) Iraq demonstrated a good understanding of TF risks related to ISIL, being the main terrorist threat, while their understanding of TF risks not related to ISIL the other organizations was less accurate compared to their understanding of the TF risks of ISIL. Iraq did not have sufficient understanding of how funds are moved and the sectoral vulnerabilities in the country were being exploited in relation to these TF risks. Concerning ML risks, the understanding at the sub-national level, especially in the Kurdistan Region is still evolving, especially that it is limited in terms of shadow economy and use of cash, adding that various criminal activities have not been comprehensively analyzed, especially for complex ML, such as transnational crimes, ML linked to corruption and human trafficking, or in areas where investigations have not yet been carried in relation to cybercrimes. Except for drug trafficking, the NRA also did not sufficiently address the external threats facing Iraq. Iraq's national policies and activities do not adequately address ML/TF risks. Limited understanding of complex ML activities, structural and sectoral vulnerabilities and ML threats presented by certain types of crimes referred to above may lead to weak effective implementation of these policies. Authorities in Iraq cooperate well in ML/TF cases, but this cooperation is significantly limited regarding proliferation, despite the challenges Iraq faces in the context of proliferation financing risks.
- b) Law enforcement authorities (LEAs) in Iraq are accessing financial intelligence and other information directly or indirectly, and are using it to develop evidence and trace criminal proceeds in line with Iraq's risk profile to some extent. The gaps in the quantity and quality of STRs impact the financial intelligence support that can be provided by the Office for detecting ML, associated predicate offenses and TF and tracing criminal proceed particularly in sectors that present ML/TF risks.
- c) Iraq has a central authority responsible for identifying ML crimes, which is the specialized investigative courts for integrity, ML, and economic crimes. Iraqi authorities possess technical expertise to conduct parallel financial investigations, but need more improvement as they have not benefited from it sufficiently to initiate ML investigations and identify ML cases. Besides, prosecutions constitute a very

small percentage of ML investigations, and most prosecutions were for self-laundering, while most convictions were for stand-alone ML. The sanctions applied are considered proportionate and dissuasive, but the sanctions applied against the accused persons who were convicted in absentia for ML do not appear to be proportionate and dissuasive.

- d) Iraq has recently developed a written strategy that focuses on enhancing the effectiveness of confiscation within its strategic plan for 2023-2025, which considers confiscation as one of its main policy objectives. Iraq has confiscated huge sums of proceeds of corruption. Confiscation also extended to cover all serious crimes at varying degrees and is largely consistent with Iraq risk profile. Iraqi authorities have not previously confiscated property of equivalent value in cases where funds subject of confiscation have been disposed of, but rather impose a fine equivalent to the value of the disposed funds in cases where the accused person does not possess any property of equivalent value. Besides, Iraq has been able to recover funds from abroad related to corruption without extending to any funds generated from other predicate offenses (other than national antiquities), particularly drug trafficking, given it is considered a transnational crime. Substantial amounts of funds were confiscated as a result of false declaration or non-declaration, despite the low number of seizure reports. In addition, proportionate and dissuasive fines are applied in cases of non-declaration or false declaration.
- e) Investigation and prosecution of various TF activities in Iraq are pursued, although this is not always in a manner that is consistent with the risk profile and the TF threats to which Iraq is exposed, including the TF threats affiliated with and not affiliated with ISIL. Terrorist financing investigations depend primarily on investigations into terrorism cases and less from independent sources resulting in a low number of standalone TF cases or TF cases not linked to terrorist acts in Iraq. TF crime in Iraq is linked to transnational organized crime, and the sanctions applied upon conviction for a TF crime are considered proportionate and dissuasive, and in some of them the circumstances of the accused persons in TF cases are considered.
- f) Iraq applies UNSCRs related to TFS without delay in a limited manner, due to deficiencies in the procedures for disseminating the sanctions lists to stakeholders in a timely manner. Nonetheless, Iraq made a proposal to the relevant sanctions committee to designate several persons and entities and co-designated with foreign countries several persons and entities and listed many persons and entities on the domestic list pursuant to UNSCR 1373, in line with the country's risk profile and froze their assets. It also made good efforts that led to a remarkable increase in the size of frozen assets over the last five years and a successful confiscation of assets and instrumentalities of crime linked to TF that led to depriving terrorists of funds, assets, and instrumentalities of crime. This was achieved by taking provisional measures, such as seizing accounts and freezing suspected funds. On the other hand, the Non-Governmental Organizations (NGO) Department has not implemented focused and proportionate risk-based supervision of NPOs vulnerable to TF abuse, except starting 2023.
- g) Iraq implements UNSCRs related to PF in a weak manner due to delays in disseminating the sanctions lists and their updates to government entities and the private sector. Fundamental improvements are still needed regarding the implementation of TFS requirements to prevent PF, to undertake cooperation and coordination among relevant authorities to prevent sanctions evasion, and to develop and implement policies and activities aimed at combating PF.
- h) There is a clear discrepancy between FIs on the one hand and DNFBPs in terms of understanding the ML/TF risks and understanding and implementing AML/CFT requirements. On the one hand, FIs, particularly banks, have a better understanding of the risks they are exposed to and the related requirements, compared to DNFBPs. Nonetheless, there are several clear deficiencies in the practical application of AML/CFT obligations by all FIs, including banks and exchange companies engaged in foreign remittances, namely when

it comes to monitoring transactions and reporting suspicions. On the other hand, the DNFBP sector suffers greatly in understanding the ML/TF risks it is exposed to and the related requirements.

- i) The licensing and registration controls applied by the Central Bank of Iraq (CBI) prevent criminals from controlling FIs that are under its supervision. However, the controls applied by other regulatory authorities to companies engaged in securities and insurance, and by DNFBPs need to be developed in multiple areas to ensure an effective application and implementation of the fit and proper tests, especially toward the BOs of controlling interest, before and after granting the license, in order to prevent criminals or their associates from holding significant or controlling interest in the securities and insurance sector, or from being professionally accredited, or holding, or being the BO of, a significant or controlling interest, or holding a management function, in the DNFBP sector. Unlike the other supervisory authorities, the CBI took several measures to enhance a risk-based approach to supervision with respect to FIs that are subject to its supervision, without including e-payment companies, while the measures applied by other supervisors are still modest and considered insufficient. The sanctions applied by the CBI included warnings, financial fines and administrative sanctions achieve in most cases the elements of dissuasiveness and proportionality, while the sanctions applied by the Financial Regulatory Authority are not considered effective, proportionate, or dissuasive, and no sanctions are applied to insurance companies and DNFBPs.
- j) Iraqi authorities took several measures to prevent the misuse of legal persons for ML/TF purposes, but the absence of a mechanism at the CRD to verify the accuracy of the BO information provided by legal persons affects the effectiveness of these measures. Iraq applies three mechanisms to ensure that the BO information obtained from stakeholders is available and accessible, but such information was only available before 2022 through FIs and DNFBPs. However, the quality and accuracy of the information rely on the source of information and on the effectiveness of implementation, which is considered good among banks, unlike other subject entities. The sanctions applied to legal persons of various types were limited to some minor financial fines and do not achieve the elements of dissuasiveness and proportionality.
- k) Iraq resorts to formal and informal international cooperation in combating ML, predicate offenses, and TF. Regarding formal cooperation, mainly international cooperation for providing MLA, Iraq has reasonable mechanisms for exchanging information and cooperating with other countries, but cooperation in this aspect is not sufficiently commensurate with Iraq's risk profile, as there is an uneven focus between cooperation efforts in combating corruption and other related crimes. On the other hand, the informal cooperation that Iraq is engaged in is more active than formal cooperation. It has led to good results by seizing corruption proceeds in some countries, as well as prosecuting several individuals in Iraq and abroad, although it has not been demonstrated that information exchange takes place to a sufficient degree with foreign partners on TF and ML cases related to TF not related to ISIL.

Risks and General Situation

2. The Iraqi economy achieves an important gross domestic product (GDP), although Iraq is not a financial center. One of its pillars is the banking sector that represents around 96,2% of the total assets of the formal financial sector. It also has geographical, cultural, and economic characteristics which make it vulnerable to risks in view of its cash-based economy which was estimated at around 42% of the GDP in 2017 (i.e. approximately USD 73 billion), the length of its land borders, in addition to the presence of ISIL remnants in some regions of Iraq, the instability in some neighboring countries and the regional political instability overall, would increase Iraq's TF risks.
3. Corruption is among the major predicate offenses that generate significant proceeds and represent a source of threat in view of Iraq's

profile. It is no less important than the other offenses identified in the NRA, including drug trafficking, oil and oil derivatives smuggling and trafficking in national antiquities, namely when they are committed as part of a cross-border organized crime. Iraq is also considered exposed to TF risks due to the presence of terrorist organizations on its territories, such as ISIL which became mainly reliant on new sources of funding. This includes extortion, money theft, drug smuggling and foreign funding. It also became reliant on companies providing money transfer services without a license to move funds between Iraqi governorates and other countries, in addition to relying on cash couriers to transport funds across the borders and the use of funds to finance its terrorist activity and the daily needs of its militants and payment of their salaries.

4. Iraq identified the high or low-risk areas facing various sectors in the country, following the completion of the ML/TF NRA in October 2022. As to ML threats, the real estate and the exchange sectors ranked first with a “high” rating, followed by the banking sector which ranked second with a “moderate high” rating, then, companies engaged in e-payment which ranked third with a “moderate” rating, then DPMS sector which ranked fourth with a “moderate low” rating. As to the other sectors, (securities, insurance, lawyers, and accountants), they ranked fifth and last with a “low” rating. As to TF risks, the banking sector is rated “moderate”, and the NRA did not address the level of TF risks facing other sectors.

Overall level of effectiveness and technical compliance

5. Regarding the legislative and regulatory developments, law No.39 of 2015 on AML/CFT was published in the Iraqi official gazette, issue No.4387, on 16/11/2015. TF was criminalized under art. (1/tenth) of law No.39 of 2015. Art. (1/eleventh) of the said law defined the “terrorist act”, art. (1/twelfth) defined “the terrorist person” and art. (1/thirteenth) defined the terrorist organization. The said law does not criminalize financing the travel of persons to another State for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or receiving of training to commit such acts. Iraq ratified the regulation for freezing terrorists’ funds, by virtue of Council of Ministers decision No.5 of 2016 which required, under art.2, to establish a committee (named the Committee for Freezing Terrorist Funds – “CFTF”) that applies TFS pursuant to the UNSCRs. In 2022, Iraq made amendments to the said decision by virtue of decision No.4 of 2022, thereby allowing the implementation of TFS pursuant to UNSCRs for combating PF. In August 2023, Iraq made amendments to the new regulation for freezing terrorists’ funds by virtue of decision No.6 of 2023, to address the deficiencies that were detected at the TC level, with respect to R.6 and R.7.
6. The AML/CFT Office was established by virtue of law No.39 of 2015. Art. (8) thereof stipulates that “an Office shall be established (known as the Office) at the CBI having the status of Public Department and a legal personality, with financial and administrative autonomy. It undertakes, under art. (9) of the said law, several functions, including the receipt and analysis of reports, request and obtain additional information from reporting entities and the dissemination of reports based on reasonable grounds of ML/TF suspicion or predicate offenses to LEAs or to the presidency of the PP to take legal action in this respect.
7. Regarding the supervisory controls, supervisors issued AML/CFT controls to the entities subject to their supervision, where the CBI issued Instructions No.1 of 2017 on the CDD rules which included due diligence measures for AML/CFT for FIs (banks, money transfer, e-payment, securities, insurance). In 2023, the CBI canceled these Instructions by virtue of Instructions No.1 of 2023, as they became applicable to all FIs and DNFBPs. The CBI also issued controls No.1 of 2017 governing the declaration of funds (inbound and outbound) across the Iraqi borders. The declaration requirement extends to cover all forms of cross-border physical transportation, whether by person, mail, cargo, or through any other modes of transportation.

Risk assessment, coordination, and policy setting (Chapter 2: IO 1, R.1, 2, 33 & 34)

8. Iraq demonstrated a good understanding of TF risks related to ISIL, while their understanding of TF risks not related to ISIL was less accurate compared to their understanding of the TF risks of ISIL. Iraq did not have sufficient understanding of how funds are moved and the sectoral vulnerabilities in the country were being exploited in relation to these TF risks. Concerning ML risks, the understanding at the sub-national level, especially in the Kurdistan Region is still evolving, especially that it is limited in terms of shadow economy and use of cash, adding that various criminal activities have not been comprehensively analyzed, especially for complex ML, such as transnational crimes, ML linked to corruption and human trafficking, or in areas where investigations have not yet been carried in relation to cybercrimes. Except for drug trafficking, the NRA also did not sufficiently address the external threats facing Iraq.
9. Iraq's national AML/CFT policies and activities do not adequately address the ML/TF risks in the country to an acceptable extent. Limited understanding of complex ML activities, structural and sectoral vulnerabilities and ML threats presented by certain types of crimes referred to above may lead to weak effective implementation of these policies.
10. Authorities in Iraq cooperate well among each other in ML/TF cases, but in a limited manner regarding proliferation, despite the challenges the country faces, given the context of PF risks.

Financial intelligence, ML investigations, prosecutions, and confiscation (Chapter 3: IO 6, 7, 8; R.1, 3, 4, 29–32)

11. LEAs in Iraq are accessing financial intelligence and other information and are using it in investigations to develop evidence and trace criminal proceeds in a manner that is consistent with Iraq risk profile to some extent.
12. STRs received by the Office are generally weak in terms of number, as opposed to the quality of information contained therein. Many relevant sectors of FIs (except for banks and exchange companies engaged in money transfer activity) and DNFs do not report any STRs, with the exception of the lawyers sector that filed two STRs. Besides, the Office receives Cash Transactions Reports (CTRs) whose value is equal to or exceeds ten thousand dollars in any currency and receives from the GAC reports on currency declarations by travelers to or from Iraq; the Office exploits the data contained therein to feed its database for use in strategic and operational analysis. The FCOI benefits from reports and disclosures it obtains regarding the inflation of government employees' financial assets, in the field of prosecuting corruption.
13. The quality of operational analysis conducted by the Office is uneven, and this is due to the scope of the reported information in terms of the number of parties involved and the number and value of transactions carried out at the internal and international levels, yet the Office was able to produce a good operational analysis in many cases, which led to supporting the operational needs of the PP and LEAs, whether in ML, related predicate offences, and TF. The Office also contributed to the designation of persons and entities on the national sanctions list, and the freezing of their assets. The Office participates in parallel financial investigations when so required by investigating courts as well as in joint investigations and conducts strategic analysis that is useful to relevant entities. Iraq has reasonable mechanisms for the exchange of information between competent authorities.
14. Iraq has a central authority responsible for identifying ML crimes, which is the specialized investigative courts for integrity, ML, and economic crimes assisted by several agencies as sources of information. They mainly include the FCOI, the Ministry of Interior's Organized Crime Division and the Office.
15. Prosecutions focus on ML derived from corruption without sufficiently focusing on other serious crimes according to Iraq's risk profile, and most judicial prosecutions were for self-laundering, while convictions for stand-alone ML represent most convictions. There are no investigations, prosecutions, convictions, or sanctions against legal persons. Authorities do not resort to alternative measures for criminal justice, as the measures applied are limited to placing the accounts of the concerned person under monitoring and depriving them of

obtaining a license to practice activities in specific sectors, especially since ML convictions constitute a small percentage of the prosecutions. Additionally, there are no ML convictions related to drug trafficking, oil and oil derivatives smuggling, and trafficking in national antiquities. The penalties imposed are considered proportionate and dissuasive, but the penalties applied against accused persons who were convicted in absentia for ML do not appear to be effective or dissuasive.

16. Iraq has recently developed a written strategy that focuses on enhancing the effectiveness of confiscation within its strategic plan for 2023-2025, which considers confiscation as one of its main policy objectives. Iraq has confiscated huge sums of proceeds of corruption; confiscation extended to cover all serious crimes at varying degrees and is largely consistent with Iraq risk profile. Iraqi authorities have not previously confiscated property of equivalent value in cases where funds subject of confiscation have been disposed of, but rather impose a fine equivalent to the value of the disposed funds in cases where the accused person does not possess any property of equivalent value. Iraq was able to freeze and confiscate large sums abroad related to corruption and to recover a large part thereof (61 %), without including any funds generated from other predicate offenses (except for looted national antiquities smuggled abroad), particularly drug trafficking, given it is considered a transnational crime. Large amounts were confiscated because of false declaration or non-declaration, while the penalties applied, in cases of non-declaration or false declaration, are considered proportionate and dissuasive.

[Terrorist financing and financing proliferation \(Chapter 4: IO 9, 10,11; R.1, 4, 5-8, 30, 31 & 39\)](#)

17. Various TF activities are being pursued in Iraq, including raising funds from legitimate or illegitimate sources, transporting, and transferring funds, either through the formal or informal sector or through cross-border physical transportation, and in a manner that is largely consistent with Iraq's risk profile. TF investigations and prosecutions mainly involve ISIL and to a lesser extent other terrorist organizations. Besides, Iraq has provided information on the methods of financing these organizations.
18. TF crime in Iraq, especially during ISIL enablement period, is linked to transnational organized crime, such as drug trafficking, human trafficking, trafficking in national antiquities, and smuggling and selling oil. Authorities pursue TF when it is linked to the said offenses, however, it did not appear whether this is sufficiently pursued.
19. While Iraqi authorities conduct TF investigations, they collect financial intelligence and use several special investigative techniques to identify TF. The sanctions applied for TF conviction are considered proportionate and in some of them, the circumstances of the accused in TF cases are considered. However, the sanctions applied are considered dissuasive overall. Although there are no convictions and sanctions for TF against legal persons in the form of companies, there are convictions for NPOs, and strict administrative penalties applied by the CBI against exchange companies. LEAs apply alternative measures when it is not possible to secure a TF conviction, such as human and technical surveillance, and monitoring bank accounts and social media sites, although there is no significant need for these alternative measures, given that the conviction rate out of TF prosecutions is (84,6%), which is high.
20. Iraq applies UNSCRs related to TFS sanctions without delay in a limited manner, due to deficiencies in the procedures for disseminating the sanctions lists to stakeholders in a timely manner. Nonetheless, Iraq made a proposal to the relevant sanctions committee to designate several persons and entities and co-designated with foreign countries several persons and entities and listed many persons and entities on the domestic list pursuant to UNSCR 1373, in line with the country's profile and froze their assets.
21. The NGO Department, as well as NPOs, had a recent understanding of the nature of TF threats and risks facing the organizations' activity. Moreover, the NGO Department has implemented focused and proportionate risk-based supervision of NPOs vulnerable to TF abuse, only starting 2023.

22. Iraq made good efforts to combat TF that led to depriving criminals of assets and instrumentalities of crime, in view of the remarkable increase in the size of frozen assets over the last five years and successful confiscation of assets and instrumentalities of crime linked to TF, and implemented provisional measures in TF cases, including the seizure or freezing of suspicious accounts, activities and funds.
23. The measures taken by Iraq are consistent with the level of TF risks in varying degrees, ranging between reasonable in terms of the provisional measures taken to deprive terrorists of funds, assets, and instrumentalities of crime, and weak in terms of protecting NPOs against TF abuse.
24. Iraq implements UNSCRs related to PF in a weak manner due to the delays in disseminating the sanctions lists and their updates to government entities and the private sector. Most FIs and all DNFBPs in Iraq, except for banks and insurance companies, have a weak understanding of how to implement TFS requirements related to PF.
25. Fundamental improvements are still needed regarding the implementation of TFS requirements to prevent PF, the cooperation and coordination among relevant authorities to prevent sanctions evasion, and the development and implementation of policies and activities aimed at combating PF.

[Preventive measures \(Chapter 5: IO 4; R.9-23\)](#)

26. Banks have a good understanding of the ML/TF risks and their obligations to reduce those risks, while the remaining FIs have an unconsolidated understanding of risks that ranges between basic and weak. Exchange companies, including money exchange companies that practice money transfer activity, have an undeveloped understanding of risks. They are exposed to high-risk do to the nature of products and services offered, and are classified as high risk in the NRA (although the NRA was limited to assessing the ML risks without the TF risks). This is also the case with respect to real estate agents who have almost no understanding at all of the risks. While banks and exchange companies are applying reasonable risk mitigating measures, the other remaining FIs that are subject to the CBI supervision are taking risk mitigating measures which are however insufficient. Banking FIs are satisfactorily applying CDD and record-keeping measures, as well as EDD measures applied in relation to correspondent banking relationships, higher-risk countries, and politically exposed persons (PEPs) without having a clear mechanism in place to verify the source of their wealth and that of their relatives.
27. The application of CDD and EDD measures by other FIs is insufficient particularly when it comes to the application of TFS and PEPs. Banks and exchange companies are considered the entities that have filed the most STRs with the Office, without receiving in some cases useful feedback. This would affect the quality of STRs, especially those received from exchange companies that are considered of less quality than those filed by banks. Banks have good internal controls and procedures in place and apply their obligations in line with the high risks to which they are exposed in view of the country's context, while other FIs have insufficient internal controls.
28. DNFBPs' understanding of their risks, and their application of their AML/CFT obligations, especially regarding beneficial ownership, record-keeping, EDD, reporting STRs, internal procedures to ensure compliance, and TFS related requirements is considered weak and inconsistent with the ML/TF risks to which DNFBPs are exposed, especially the real estate sector which is rated high-risk according to Iraq's context.

[Supervision \(Chapter 6: IO 3; R.14, 26-28, 34-35\)](#)

29. The measures taken by competent authorities to license and accredit FIs vary. In general, the CBI verifies the reputation and non-conviction of shareholders and managers and the extent to which they are associated with criminals at the time of incorporation and as necessary when any modification is made to the ownership structure or when new persons assume positions in senior management. The measures applied by the ISC are insufficient as they are limited to shareholders and managers, to the exclusion of BOs of the controlling interest, in

addition to the fact that the reputation of shareholders, managers and BOs and the extent to which they are associated with criminals are not verified. In parallel, the measures applied by the Insurance Diwan (ID) to identify the BO of the controlling interest in insurance companies are not always sufficient, given that the ID resorts to the CRD, which does not have a mechanism in place to verify the accuracy of the information provided by legal persons in accordance with the controls for declaring BO information. The ID does not regularly apply fit and proper tests to verify that the shareholders, BOs and managers are still fit and proper. As to DNFBPs, licensing authorities verify, in general, the non-conviction, before granting the license, without having sufficient measures in place to identify the BO of the significant or controlling interest in DNFBPs, and these measures do not cover real estate agents.

30. There is an acceptable cooperation between the CBI and LEAs to identify natural or legal persons who provide money or value transfer services (MVTs) without a license. The sanctions applied to violators are not considered proportionate and dissuasive. There is no effective mechanism for identifying virtual asset service providers (VASPs) without a license or registration.
31. The CBI has taken a number of measures to enhance its understanding of the ML/TF risks facing banks and financial services companies, and this understanding is based on its participation in the NRA process and on the sectoral assessments it has conducted during and after the completion of the NRA process, thereby ensuring an ongoing development of its understanding of the threats and vulnerabilities in the banking sector, without including e-payment companies. The ISC's understanding of the ML/TF risks that securities brokerage firms are exposed to is acceptable, unlike the ID, whose understanding of risks is still modest, while the DNFBP supervisors' understanding remains very limited. Risk-based supervision varies among supervisory and regulatory authorities over the banking and non-banking sectors. At the CBI's level, risk-based supervision is considered good after the CBI has taken some measures to develop the risk-based approach to supervision without covering e-payment companies. The risk-based approach to supervision for the ISC and the ID is still undeveloped. As to DNFBP supervisors, they do not apply a risk-based approach to supervision, while some began in 2022 to include in their inspections few AML/CFT components.
32. The sanctions applied by the CBI are considered proportionate, effective, and dissuasive, as they included fines, warnings and administrative sanctions. The sanctions applied by the Financial Regulatory Authority are not effective, proportionate, or dissuasive, and no sanctions are applied against insurance companies and DNFBPs.

[Legal persons and arrangements \(Chapter 7: IO 5; R. 24-25\)](#)

33. Information on the creation of most legal persons is publicly available through the websites of the CRD in Baghdad and the Kurdistan Region, and the NGO Department in Baghdad (for NPOs), while information on the establishment of NPOs in the Kurdistan Region is not publicly available. As for endowments, the information is available by approaching the endowment offices directly.
34. Iraqi authorities assessed how legal persons are being misused for ML/TF purposes. Most important authorities in Iraq have an acceptable understanding of the vulnerabilities relating to legal persons, but this understanding is not consistent. Although the CRD participated in the NRA process and prepared a sectoral assessment for legal persons through which vulnerabilities related to legal forms that could be or have been misused for ML/TF purposes were assessed, the Department's understanding of vulnerabilities is modest and needs to be developed.
35. Iraq has several measures in place to prevent the misuse of legal persons for ML/TF purposes, and these measures are considered satisfactory to some extent, considering that the CRD does not have any mechanism for verifying the accuracy of the BO information submitted by legal persons, which would affect the effectiveness of these measures.

36. All Iraqi authorities can timely access basic information held by the CRD. As for obtaining BO information, Iraq has taken a holistic approach in this context, by implementing three mechanisms to verify that BO information can be accessed through the reporting entities, the CRD, and Legal Persons. The 1st mechanism is considered effective, especially regarding information held by banks under the due diligence measures. The competent authorities use this mechanism to access in a timely manner BO information. The information that can be accessed through the 2nd mechanism was not available through the CRD before 2022. As for the information that can be accessed through the 3rd mechanism, it was not available through legal persons before 2023, and it is not possible to test the effectiveness of this mechanism due to the recent issuance of controls for declaring BO of legal persons.
37. The sanctions applied to legal persons of various types were limited to some simple financial fines and do not achieve the elements of dissuasiveness and proportionality.

International cooperation (Chapter 8: IO 2; R.36–40)

38. Iraq cooperates with other countries by providing and obtaining reasonable MLA. It has an automated system for managing and following up incoming and outgoing requests for legal assistance. All incoming MLA requests were executed within reasonable periods of time. On the other hand, the number of requests sent by Iraq to other countries requesting MLA is limited and not consistent with Iraq's risk profile and the most serious crimes according to the NRA. Also, the number of requests made by Iraq to other countries that have not yet been executed is relatively large. This may be due to the lack of sufficient information provided by the requested countries, which in turn has led to the non-closure of these requests. As to MLA relating to extradition, requests made by Iraq are good in terms of number and are consistent with the country's risk profile. Iraq executed extradition requests that it received, except for those relating to the extradition of its own nationals, as the Iraqi Constitution prohibits the extradition of Iraqi nationals. In this case, Iraq refers the persons concerned to the Iraqi judiciary, where a number of those persons have been prosecuted and convicted within reasonable periods of time.
39. Levels of mutual informal international cooperation by LEAs and the Office are reasonable. The Office also sends informal information requests on behalf of other government entities such as the CBI and the GAC, in addition to the FCOI, which led to good results by seizing corruption proceeds in other countries. The international cooperation provided by Baghdad's Interpol National Central Bureau and the General Directorate for Combating Crime, Narcotic Drugs and Psychotropic Substances has contributed to the prosecution of several persons. For its part, the informal international cooperation provided by the Iraqi NIS in terms of executing the requests received on terrorism and TF issues related to ISIL is good. However, it has not been demonstrated that information exchange takes place to a sufficient degree with foreign partners on TF and ML cases related to TF not related to ISIL. Iraq Money Recovery Fund is making significant efforts to recover Iraq financial rights related to the misuse of the oil-for-food program and has been able to recover some of the amounts, despite the challenges it faced considering the failure of some countries to provide the necessary information to the Iraqi authorities in a timely manner.
40. The Office exchanges BO information with counterparts, as it made a good number of such requests to other countries. The results of those requests and the information obtained accordingly were, however, unclear.

Priority actions

The priority actions for Iraq are as follows:

- a) Upon updating the ML/TF NRA, Iraq should undertake more comprehensive financial network analysis on (i) TF techniques in regard to TF not affiliated with ISIL so as to strengthen risk-based mitigation measures (ii) ML techniques associated with criminal activity that present high ML threats including corruption committed by government officials and PEPs, drug-trafficking and cross-border cash

smuggling, including in the Kurdistan Region. This involves employing comprehensive and consistent criteria for assessing ML/TF risks and enhancing the quality of sectoral assessments and implementing effective measures to mitigate these risks and enhance understanding of cross-border threats and predicate offences committed abroad, including their impact on TF. The objectives and procedures of the supervisory authorities should be harmonized with the ML/TF/PF risks and coordination among them should be strengthened.

- b) The awareness and competence of reporting entities should be raised, especially those that did not report, as well as those from which filed STRs were poor in terms of number and quality, thus serving the Office in its operational and strategic analysis. Access to and use of information held by DNFBPs should be enhanced, especially from the Office and the Ministry of Interior (MOI).
- c) Iraq should enhance training on confiscation procedures including training on using the mechanisms mentioned in the related manual more efficiently by holding specialized training courses, and strengthen the measures adopted by the GAC, conduct more risk-based inspections and raise awareness on the declaration system requirements and strengthen the use of international cooperation to trace, confiscate and recover criminal proceeds (other than corruption) that have been transported or transferred abroad and adopt a unified statistical system for all State institutions that applies specific concepts for funds, assets and instrumentalities of crime and their seizure and confiscation, provided that their total estimated value is determined under clear basis.
- d) Iraq should establish policies and procedures for all competent authorities to identify, investigate and prioritize the ML offense. Iraq should also take the necessary steps to enhance the technical expertise and human resources required to conduct parallel financial investigation into the ML offense by intensifying training on parallel financial investigation, and benefit from these financial investigations for the purpose of opening ML investigations, and expand the scope of investigations and prosecutions to include all serious proceeds-generating crimes in line with Iraq's risk profile. Iraq should review the approach applied for convictions in absentia and the extent to which it achieves the desired objective, which is to punish and deter crime perpetrators, and apply alternative measures for criminal justice in ML cases when it is not possible to secure a ML conviction.
- e) Iraq should consider making a legislative amendment to the AML/CFT law, to include criminalizing financing the travel of individuals who travel to States or jurisdictions other than their States of nationality for the purpose of the perpetration, planning, or preparation of, or participation in, terrorist acts or the providing or receiving of training, as well as criminalizing contributing, organizing and directing others when this is done by a terrorist person, and incorporating the place where the terrorist act was supposed to take place into the criminalization, in addition to the application of sanctions to legal persons that are used or exploited in TF cases. It should also consider applying alternative sanctions when it is not possible to secure a TF conviction. Iraq should prioritise the investigation of transnational TF activities in line with its risk profile as identified in IO.1, including crimes that involve cross border cash smuggling, and increase focus on investigating and prosecuting TF not affiliated with ISIL in line with its TF threats and risk profile.
- f) Iraq should implement TFS without delay and complete the subscription of all entities concerned with the implementation to the electronic notification program as soon as possible to receive updates made to the sanctions lists in a timely manner in order to ensure the immediate implementation of the freezing of funds and other assets subject to sanctions under the freezing mechanisms. The NGO Department should also take proactive and effective supervisory actions to detect violations committed by NPOs, in order to ensure that the non-profit sector is not being exploited for TF purposes, enhance its understanding of the nature of threats and risks related to NPOs, engage NPOs to obtain more accurate and comprehensive information on their activities and financial operations to benefit from them, and make more effective decisions on the oversight and supervision of NPOs.
- g) Iraq should circulate listing decisions and their updates to government entities and the private sector concerned with the application of

freezing measures without delay. It should take measures to address vulnerabilities in order to reduce proliferation financing risks, strengthen efforts to build the capacity of FIs and DNFBPs concerning the requirements for implementing relevant TFS. The GAC should review its procedures regarding the inspection of shipments and goods at borders, to detect dual used goods that could be used in proliferation programs, while ensuring that the Administration effectively monitors relevant UN embargo lists through the application of enhanced measures to monitor international trade related to shipments (import and export) with Iran in particular.

- h) Iraq should enhance the understanding of FIs, in particular non-bank FIs and DNFBPs, of the ML/TF risks to which they are exposed as well as their understanding of related obligations, especially with regard to enhancing the BO concept among FIs that rely mainly on the customer’s statement in this regard and also among all DNFBPs, including procedures for identifying the BO and activating ongoing monitoring of their customers’ transactions. Competent authorities should also undertake ongoing outreach with the reporting entities in coordination with the Office in order to improve the quality and quantity of STRs, while providing useful feedback to all reporting entities in order to improve the quality of the reporting process as a whole.
- i) Regulatory authorities (other than the CBI) should incorporate clear procedures into the licensing and registration controls to ensure that fit and proper tests are effectively applied to prevent criminals or their associates from holding controlling interest or management functions in financial and non-FIs. Besides, supervisory authorities should enhance their understanding of the ML/TF risks in the sector of companies engaged in e-payment, securities, and insurance and the DNFBP sector, and develop an effective risk-based approach to supervision. All supervisory authorities (except for the CBI) should also apply administrative sanctions to the sectors subject to their supervision in case of non-compliance and activate supervision of insurance companies and all DNFBPs regarding the AML/CFT requirements.
- j) The CRD’s understanding should be enhanced with respect to the vulnerabilities related to the legal forms that can be misused or have already been misused for ML/TF purposes, and the Department’s beneficial ownership concept should be expanded to include cases where ownership or control is done through a chain of ownership or control by other means, in order to increase the quality of information held by the Department, in addition to amending the provisions of the Companies Law to enable the concerned authorities to apply effective administrative sanctions against legal persons, for non-compliance with the requirements of keeping basic and BO information, and updating such information in a timely manner.
- k) Iraq should strengthen the capacities of entities involved in providing formal international cooperation so that they can respond to requests for MLA they receive from other countries within an appropriate time frame. It should also follow up on the use and usefulness of the information obtained by other countries by virtue of the MLA provided by Iraq. More requests for MLA should be sent to other countries in line with Iraq’s risk profile, including raising awareness among all competent authorities to focus on the international aspect when conducting investigations and prosecuting crimes with a cross-border dimension, and strengthening the follow-up process for MLA requests sent by Iraq to other countries, when there is a delay in responding to such requests.

Effectiveness & Technical Compliance Ratings

Effectiveness Ratings:

| | | | | | |
|-------------------------|-----------------------|---------------------|-----------------------------|---------------------------|--------------------------------------|
| IO.1 Risk and policy | IO.2 International | IO.3 Supervision | IO.4 Preventive measures | IO.5 Legal persons and | IO.6 Financial intelligence ML/TF |
|-------------------------|-----------------------|---------------------|-----------------------------|---------------------------|--------------------------------------|

| | | | | | |
|---|----------------------|---|---|---|----------|
| coordination | cooperation | | | arrangements | |
| Moderate | substantial | Moderate | Moderate | Moderate | Moderate |
| IO.7 ML investigation and prosecution | IO.8 Confiscation | IO.9 TF investigation and prosecution | IO.10 TF preventive measures and financial sanctions | IO.11 TFS related to proliferation financing | |
| Low | Substantial | Moderate | Moderate | Low | |

Technical compliance ratings

| | | | | | |
|---|--|---|--|---------------------------------------|---|
| R.1 Assessing risks and applying a risk-based approach | R.2 National cooperation and coordination | R.3 Money laundering offense | R.4 Confiscation and provisional measures | R.5 Terrorist financing offense | R.6 TFS related to terrorism and TF |
| LC | LC | LC | LC | PC | LC |
| R.7 TFS related to proliferation financing | R.8 NPOs | R.9 Financial institution secrecy laws | R.10 Customer due diligence | R.11 Record keeping | R.12 PEPs |
| LC | PC | C | C | C | C |
| R.13 Correspondent banking relationships | R.14 Money or value transfer services | R.15 New technologies | R.16 Wire transfers | R.17 Reliance on third parties | R.18 Internal controls and foreign branches and subsidiaries |
| C | PC | NC | C | C | C |
| R.19 Higher-risk countries | R.20 Reporting suspicious transactions | R.21 Tipping-off and confidentiality | R.22 DNFBPs: Customer due diligence | R.23 DNFBPs: Other measures | R.24 Transparency and beneficial ownership of legal persons |
| LC | C | LC | C | PC | PC |
| R.25 Transparency and beneficial ownership of legal arrangements | R.26 Regulation and supervision of FIs | R.27 Powers of supervisors | R.28 Regulation and supervision of DNFBPs | R.29 FIUs | R.30 Responsibilities of law enforcement and investigative authorities |
| PC | PC | C | PC | LC | C |
| R.31 Powers of law | R.32 Cash couriers | R.33 Statistics | R.34 Guidance and | R.35 Sanctions | R.36 International |

| | | | | | |
|---|--|---------------------|--|----|-------------|
| enforcement and investigative authorities | | | feedback | | instruments |
| LC | LC | C | LC | PC | PC |
| R.37 Mutual legal assistance | R.38 Mutual legal assistance: freezing and confiscation | R.39 Extradition | R.40 Other forms of international cooperation | | |
| LC | C | PC | PC | | |

MUTUAL EVALUATION REPORT

Preamble

This report summarizes the AML/CFT measures in place in the Republic of Iraq (referred hereinafter as Iraq) as of the date of the on-site visit. This report analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of the AML/CFT system and provides recommendations on how the system could be strengthened.

This evaluation was based on the 2012 FATF Recommendations and was prepared using the 2013 Methodology and the amendments made thereto. The evaluation was based on information provided by the country and information obtained by the assessment team (AT) during the on-site visit to Iraq from 06 to 23 August 2023.

The evaluation was conducted by an AT consisting of:

- Ahmad Ali Alfalasi, financial expert, chief of the national coordination division/targeted financial sanctions department at the Executive Office for Control and Non-Proliferation, UAE.
- Eman Ahmed Mohamed Elhady, financial expert, international cooperation specialist at the AML/CFT Unit, the Arab Republic of Egypt.
- Osama Hadeeyah Areebi, legal expert and director of legal affairs, Libyan FIU, the State of Libya.
- Ma'moun Ahmed Abdullah Assaf, financial expert, senior chief specialist - studies and strategic analysis - AML/CFT Unit, the Hashemite Kingdom of Jordan.
- Samah Lutfi Jarrar, legal expert, Head of the Legal Department at the Financial Follow up Unit, the State of Palestine.
- Abdesslem Ben Hamouda, legal expert, director of legal affairs, the Tunisian Financial Analysis Committee, the Republic of Tunisia.

The Secretariat team consists of:

- Antoine Mandour, senior officer - mutual evaluation, MENAFATF Secretariat.
- Hussameldin Imam, mutual evaluation expert, MENAFATF Secretariat.
- Rand Gharndoke, mutual evaluation expert, MENAFATF Secretariat.
- Shakib El Adib, mutual evaluation expert, MENAFATF Secretariat.

The report was reviewed by:

- The FATF Secretariat
- the Asia/Pacific Group (APG).
- the United Kingdom.
- the Republic of India.
- the Kingdom of Saudi Arabia.

Iraq has previously undergone a MENAFATF mutual evaluation in 2012, which was conducted according to the 2004 FATF Methodology.

The Mutual Evaluation Report (MER) was published in 2012 and is available on the MENAFATF website (<https://www.menafatf.org/ar/information-center/menafatf-publications>). This mutual evaluation concluded that Iraq is compliant with (2) Recommendations, largely compliant with (1) Recommendation, partially compliant with (13) Recommendations and non-compliant with (21) Recommendations. Two recommendations were assessed as not applicable to Iraq.

Iraq was subject to periodical follow-up undertaken by the MENAFATF immediately after the adoption of the MER in the 1st round. Iraq exited the regular follow-up process and moved to biennial updates in May 2018, on the basis that the progress achieved in all core and key recommendations was equivalent to an LC rating.

Chapter 1: ML and TF Risks and Context

41. The Republic of Iraq is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF). The official languages of Iraq are Arabic and Kurdish. The Iraqi dinar (IQD) is the currency used in Iraq. Iraq is a democratic parliamentary republic. It is situated in the western region of the continent of Asia. It has a population of approximately (40,150,174) ⁽¹⁾ and an area of about (437,072) km². Its land borders are about 3809 kilometers, with maritime borders overlooking the Arabian Gulf that are estimated at around 58 kilometers. It is bordered by six countries: Turkey (on the north), Iran (on the east), Jordan (on the west), Saudi Arabia (on the south), Syria (on the southwest) and Kuwait (on the southeast).
42. The Republic of Iraq consists of (19) governorates, including the governorate of Baghdad and the city of Baghdad as capital. The Kurdistan Region which is administered by the government of the Region was granted autonomy under the Constitution of Iraq in 2005 and has four provinces: Sulaymaniyah, Erbil, Dohuk, Halabja. Two major rivers, the Tigris and Euphrates, run from northwest to southwest of Iraq.

ML/TF Risks and Scoping of High-Risk Issues

Overview of ML/TF Risks

43. Iraq is not a financial hub for several reasons. This is mainly due to the restrictions imposed on the exchange of the IQD and the execution of foreign money transfers, as the US dollar can be obtained only through the Central Bank of Iraq (CBI) and only for commercial purposes. These restrictions gave rise to an alternative currency exchange system through unlicensed companies that are also active in the field of money transfers. The fast and easy execution of financial transactions and the low cost of executing financial transfers through unlicensed companies have contributed to criminals increasingly resorting to the informal sector, especially since most transactions executed through this sector are in cash.
44. Iraq faces ML threats stemming from proceeds of crime generated domestically and to a lesser extent from proceeds of foreign offenses, given Iraq's security situation. The banking, exchange and real estate sectors are among the most prominent sectors that are misused for ML.
45. Iraq is exposed to TF risks, as a result of the reliance on cash and the low rate of financial inclusion, despite its increase in 2021 compared to 2017. Other factors are manifested in the prevailing instability to date in some neighboring countries, the presence of ISIL, which still poses a threat to security and stability in some areas in Iraq (such as Al-Anbar governorate), despite the fact that Iraq regained its control over the territories controlled by ISIL at the end of 2017 (i.e. before the assessment started), in addition to the presence of other terrorist organizations. Iraq is also exposed to PF risks, considering its common borders with Iran which is subject to UNSCR 2231 and the commercial and financial ties and the religious tourism with Iran.
46. According to the ML/TF NRA, the main crimes that pose a high ML threat include corruption and illicit trafficking in narcotic drugs and psychotropic substances. These two crimes are ranked first and are rated "high-risk". They are followed by crimes of smuggling oil and oil derivatives, which are rated "moderate to high-risk". Tax evasion, trafficking in national antiquities, forgery and fraud are rated "moderate risk". Most of these crimes have a cross-border dimension, especially when committed within the framework of organized crime, such as drug trafficking, oil and oil derivatives smuggling, and trafficking in national antiquities.

⁽¹⁾ The Republic of Iraq's population census issued by the Ministry of Planning/Central Statistical Organization for 2020.

47. The NRA identified many sectors that are exposed to ML threats at varying degrees, including the real estate sector and exchange offices, which are rated high-risk. They are followed by banks rated moderate to high-risk, then e-payment companies rated moderate risk. DPMS are rated moderate to low risk, while securities brokerage firms and insurance companies and lawyers face low risks.
48. As for the ML methods and techniques used to deposit, disguise, or integrate illegitimate funds into the economic cycle, Iraq has an understanding in this regard. This is because the NRA findings showed that cash was largely used when executing financial transactions and that the proceeds of major crimes were transferred across the borders, especially when it comes to corruption. This information is still not comprehensive, especially since the NRA conducted by Iraq is the first of its kind and the next NRA is expected to address the ML methods, patterns and trends more accurately.
49. Regarding legal persons, Iraq conducted in 2023 a risk assessment for legal persons, according to which it classified the residual ML risks of all legal persons between “moderate” and “low”. This is as follows: solidarity companies and joint-stock companies were classified low risks; simple companies and individual projects were classified moderate-low risks; limited liability companies and branches of foreign companies were classified medium risks. As for the residual TF risks, the assessment concluded that limited companies and branches of foreign companies constitute the highest level of TF risks with moderate-high risks.
50. Iraq is highly exposed to risks associated with local terrorist organizations, including threats associated with ISIL, also known as the Islamic State of Iraq and the Levant (ISIL). It is also exposed to threats associated with terrorist organizations outside Iraq, specifically in neighboring countries, and other terrorist organizations targeting foreign interests in Iraq. The TF risks consist of collecting, transporting and transferring funds from legitimate or illegitimate sources, whether through the formal sector (such as banks and money transfer companies) or informal sector (such as hawala Dar) or through physical cross-border transportation of currency. The funds are used to finance the activities of terrorist organizations, the daily needs of terrorists (such as food, housing, transportation), and payment of salaries to terrorists.
51. The risks of the NPO sector in Iraq are rated “moderate”, given the number of NPOs (16) that were misused for TF purposes during the years 2018-2022. Most of these organizations received suspicious foreign funding or were active in conflict areas that fell under the control of ISIL.

Country’s Risk Assessment & Scoping of Higher Risk Issues

52. Iraq has a good understanding of TF risks related to ISIL, being the main terrorist threat, while their understanding of other terrorist organizations was of less quality compared to Iraq understanding of TF risks of ISIL. The understanding of ML risks is still evolving, given that it is limited at the subnational level, specifically in the Kurdistan Region, especially that this understanding is limited in terms of shadow economy and use of cash. Moreover, the assessment process was complemented by subsequent sectoral assessments conducted between 2021 and 2022.
53. The NRA was carried out under the supervision of the AML/CFT Council, which authorized the Office to form a technical team with the participation of representatives of several national entities at the public and private levels. They are represented by the judicial authorities, the CBI, the MOI in the center and the region, the Office, the FCOI, the NIS, the NSS, the CTS, the GAC, the GAT, the ISC, the ID, the CRDs, the NGOs Department, the DNFBPs (including representatives of lawyers, DPMS and the real estate sector). Representatives of the private sector also include the Iraqi Banks League, a selected sample of representatives of private and government banks, exchange, and e-payment companies, as well as representatives of insurance companies.
54. In order to prepare the NRA, Iraqi authorities relied on statistics available in the databases of various entities, intelligence reports and technical team meetings. They also relied on open sources to obtain some statistics published on the official websites of governmental

and non-governmental institutions and reports of international organizations. As for the qualitative aspect, the assessment relied on interviews with specialists, each according to their respective sector, experts and the opinions of academics concerned with sectors.

55. Iraqi authorities used the World Bank's methodology to carry out the NRA process. The work was distributed to nine working groups, each within its competence, as follows: 1) a team for the identification of threats, 2) a team for the identification of vulnerabilities, 3) a team for the assessment of banking FIs, 4) a team specialized in financial inclusion, 5) a team specialized in securities, 6) a team specialized in insurance services, 7) a team specialized in DNFBPs, 8) a team specialized in NPOs, 9) a team specialized in the identification of TF risks.
 56. The NRA conducted by Iraq is the first of its kind. The assessment process was completed in October 2022 and approved by the Council of Ministers in January 2023. ML risks were rated "moderate to high" because the overall threats and vulnerabilities were rated "moderate to high". As for the TF risks, they were rated "high", as terrorist threats were rated "high", while the vulnerabilities were rated "moderate to high".
 57. When the AT identified the issues that should be focused on, they reviewed the information provided by Iraq regarding the above-mentioned national ML/TF risks and information from credible external sources (such as relevant international reports). The AT focused on the following priority issues, which are all consistent with the issues identified in the NRA, but the assessment remained silent on other issues that were not mentioned in the assessment, especially in relation to the ML risks in the Kurdistan Region of Iraq and external threats faced by Iraq. The authorities' understanding is still evolving with respect to more complex ML activities, such as ML linked to trafficking in national antiquities and oil smuggling or in areas where investigations have not been broadly carried out, such as human trafficking, which may have an impact on the objectives and activities of competent authorities in combating ML.
- **Terrorist Financing:** The NRA report indicates that ISIL is still present in Iraq and has turned into remnants inhabiting deserts, valleys and rugged areas after Iraq regained its control over the territories controlled by ISIL at the end of 2017. The report tackles the sources of funding for ISIL, and notes that the TF patterns varied between the empowerment and the post-empowerment period. During the empowerment period (i.e. before 2017), the terrorist organization ISIL and the takfiri organizations that pledged allegiance to it (such as Ansar Al-Islam, Al-Qaeda, the Islamic Army, the Mujahideen Army, the Army of the Naqshbandi Order and its branches) relied on funding from legitimate sources (such as internal and external aids, the use of small economic enterprises, and the establishment of associations by using the names of charities to presumably raise funds for the poor, but the money was actually transferred to support ISIL militants) and from illegitimate sources (such as oil smuggling, kidnappings for ransom, trafficking in natural resources, imposing royalties and taxes, dealing with drug traffickers, trafficking in stolen antiquities, arms trafficking, exploitation of unlicensed money transfer companies and trafficking in human beings). Following the empowerment period (i.e. after 2017), the terrorist organization began to rely mainly on new sources of funding, including extortion, money theft, drug smuggling and foreign funding. As for the methods and means used to transport funds, ISIL still relies on companies engaged in the activity of money transfer without a license to transport money between Iraqi governorates and other countries such as Syria, Turkey, Belgium, and Sudan, in addition to resorting to cash couriers to transport currency across the borders.

- Iraq is exposed to terrorism and TF risks posed by terrorist organizations² other than ISIL. These organizations mostly rely on self-financing sources, which include providing logistical support to their members to enable them to carry out terrorist acts compared to ISIL (see IO 9).
- **Proliferation Financing:** Iraq's geographical location, the length of its common border with Iran (around 1480 km), the religious tourism and the financial dealings with Iran increase the PF risks, especially the risks related to the import and export of dual use goods.
- **Corruption Crimes:** This crime has different facets in Iraq, which are represented in the theft of public money, bribery, embezzlement, illicit gain, employees exceeding the limits of their positions. This crime also includes smuggling oil derivatives when it is classified as a crime against public funds. According to the NRA findings, corruption is rated high-risk, as it ranks first in terms of the value of the proceeds confiscated during 2018-2022, which amounted to approximately USD 2.6 billion. It also ranks first, as a predicate offense, in the convictions for ML with 15 convictions imposed between 2018-2022 (see IO.7).
- **Trafficking in Narcotic Drugs and Psychotropic Substances:** Iraq is a drug transit country due to its geographical location surrounded by some countries where drug trafficking activities are taking place. The Iraqi authorities discovered and seized large quantities of drugs (17 tons). They also confiscated proceeds of around USD 60 million during the period between 2018 - 2022. Several players are involved in the drug trafficking activity, where the supplier and agent play the primary role. Transactions between the supplier and the agent involve the sale of significant quantities of narcotic substances. They result in proceeds that are subject to ML. As for the distributor, who comes in third place, their role is limited to purchasing drugs from the agent and selling them to the consumer through the courier. The quantities of drugs that the distributor sells to the consumer are considered small and therefore do not generate huge proceeds. The most prominent narcotic substances traded locally (crystal and Captagon) are characterized by their low prices. As for narcotic substances that are difficult to sell in Iraq due to their high price, they are transported through Iraq to other countries. The Iraqi authorities did not rely on the size of the proceeds to classify the risks of this crime as much as they relied on the external and internal threats resulting from. This crime was rated high according to the NRA outcomes. The value of the proceeds resulting from this crime, which was ruled to be confiscated, amounted to approximately USD 60 million during 2018-2022. Despite the risks of this crime which is rated high, and the criminal proceeds generated thereof after being transported from abroad and partially trafficked in Iraq, no convictions for ML were recorded between 2018-2022.
- **Smuggling Oil and Oil Derivatives:** The threat resulting from smuggling oil and oil derivatives is rated "moderate to high". The value of the proceeds resulting from smuggling reached approximately USD 13.6 million during 2018-2022. If the smuggling is within the customs territory for the purpose of manipulating oil quantities to reduce customs duties, it is counted among customs crimes. If it is a crime against public funds, it is counted among corruption crimes. Oil smuggling is one of the most complex crimes of smuggling. Smuggling has increased, especially in areas that were under the control of ISIL, which are characterized by the presence of many large oil fields. Smuggling activities were carried out through tank trucks using rural routes, in addition to the use of pipelines to smuggle crude oil and its derivatives in areas located on the borders of neighboring countries. Since Iraq does not have accurate data on the quantities of oil smuggled from Iraqi wells and fields and the size of the relevant financial revenues, the quantities of smuggled

² Terrorist organizations other than ISIL mean any individual or entity or group or gang that, by any means, directly or indirectly, provide or collect funds, knowing they are to be used in whole or in part, to carry out any of the acts mentioned in Article 2 of the International Convention for the Suppression of the Financing of Terrorism.

oil per day, according to experts' estimates, is however estimated at approximately 10,000 barrels per day (equivalent to approximately USD 800,000 if the price of a barrel of oil is calculated at 80 dollars per barrel). Nonetheless, no convictions were recorded for laundering the proceeds generated from this crime between 2018-2022, while considering that smuggling activities are still ongoing with some neighboring countries.

- **Tax and Customs Evasion:** The threat resulting from tax evasion is rated “moderate”. Tax evasion includes all types of direct and indirect taxes, but most of the proceeds were the result of sales tax and import activities. The highest percentage of tax evasion activities was carried out by legal person. This is done by distorting and manipulating the financial statements of companies and not disclosing the size of real commercial and investment activities, which may be deposited in personal accounts or accounts of legal persons; in addition to falsifying import invoices and preparing licenses for importing goods under different names not active in trade and import, thus concealing the identity of the beneficial owner. Iraqi authorities did not rely on the size of the proceeds to classify the risks of this crime as much as they relied on the frequency of the occurrence of this crime. The value of the proceeds of tax evasion that was confiscated amounted to approximately USD 43.6 million during 2018-2022. Tax evasion ranks third, as a predicate offense, in the convictions for ML convictions, with 8 convictions recorded between 2018-2022 (see IO.7).
- **Trafficking in National Antiquities:** The threat resulting from this crime is rated “moderate”. Smuggling involves trafficking in rare antiquities, artifacts, sculptures, manuscripts, and statues. Most of the proceeds derived from trafficking in are generated in the form of cash revenues that are transported or transferred between traffickers and smugglers at the national and international levels. Antiquities smuggling gangs randomly excavate and dig up archaeological sites spread over large areas in Iraq, totaling about 200,000 sites, taking advantage of weak security control over those sites. Most of the antiquities that were dug up were smuggled abroad during ISIL enablement period. Owing to cooperation with their foreign counterparts, the Iraqi authorities were able to recover around 350,000 artifacts whose estimated value, according to the Iraqi Antiquities Authority, is around USD 5 billion. They were not traded and therefore no proceeds were generated from. The value of the proceeds of trafficking in national antiquities that were confiscated amounted to approximately USD 600 thousand. Despite the foregoing, this crime is still among the common offenses due to the spread of many archaeological sites in many governorates, yet most of those involved in this crime seek to smuggle artifacts abroad for the purpose of selling them at better prices to yield profits. Iraqi authorities did not rely on the size of the proceeds to classify the risks of this crime. No convictions for laundering the proceeds generated from this crime were recorded between 2018-2022 (see IO 7).
- **Forgery:** The threat resulting from forgery is rated “moderate”. This crime includes forging official documents, commercial invoices, and medical reports. The value of proceeds from forgery confiscated between 2018-2022 amounted to a total of USD 56.4 million. Iraqi authorities did not rely on the size of the proceeds to classify the risks of this crime. This crime ranks second, as a predicate offense, in the ML convictions with 9 convictions imposed between the said period (see IO.7).
- **Fraud:** The threat resulting from this crime is rated “moderate”. The number of crimes registered according to the data of the MOI reached 2481 cases. This crime has taken various forms, including several persons defrauding citizens through social media, whether in the field of remittances or the creation of unlicensed companies for the purpose of providing loans and investment opportunities for citizens. The value of proceeds from fraud confiscated between 2018-2022 amounted to a total of USD 65 million, knowing that the Iraqi authorities did not rely on the size of the proceeds to classify the risks of this crime. This crime ranks fourth and last, as a predicate offense, in the ML convictions with 5 convictions imposed between 2018-2022 (see IO.7).

- **Human trafficking:** This crime ranks eleven among the most serious proceeds-generating predicate offences. The total value of the proceeds that was confiscated at sentencing between 2018 - 2022 amounted to a total of USD 170,000, in addition to the confiscation of phones that constitute instrumentalities of crime. This crime includes a group of offences represented in engaging in prostitution (i.e. providing sexual services in exchange for financial compensation), which constituted the vast majority of investigations conducted by the investigative courts (371), followed by forced child labor (131), begging (108), trafficking in foreign labor (51), forced marriage (51), and selling human organs (31). Sexual trafficking and selling human organs are concentrated in the northern regions of Iraq, while forced marriage, forced child labor, and begging are concentrated in the southern regions. Foreign labor trafficking, begging, and sexual trafficking are concentrated in the central regions. This crime emerged due to the security conditions in Iraq and neighboring countries, which contributed to the high rate of poverty and homelessness, in addition to the high number of refugees from neighboring countries, especially the inflow of refugees to the Kurdistan region, where investigations into this crime reached (361), constituting 48% of the total investigations in Iraq (743).
58. The NRA addressed the internal threats faced by Iraq. The authorities consider corruption, drug trafficking, smuggling of oil derivatives, tax evasion, trafficking in antiquities, forgery and fraud as crimes committed at the local level and the proceeds of which are laundered at the local and external levels. Corruption is among the crimes committed at the local level, and the proceeds generated from are laundered locally and largely abroad. The assessment considered the external threats related to the drug trade to which Iraq is exposed to, especially when drugs are transported to Iraq either to be sold or to be re-transported to other countries. However, the assessment did not provide a classification of external threats Iraq is exposed to. The absence of a sufficient analysis of the external threats missed the opportunity for the Iraqi authorities to benefit from the information that this analysis could have provided. However, this should not affect the goals and activities of the Iraqi authorities, given that Iraq's threats are internal in nature; this is due to some factors that limit Iraq's attractiveness to criminal proceeds emanating from abroad, such as the security conditions that Iraq has witnessed in recent years.
59. The NRA considered, to a limited extent, the particularity of the Kurdistan Region and the nature of the risks it faces, among them are human trafficking crimes. According to the authorities, this crime does not constitute a major threat for ML or TF, especially since it generates proceeds in amounts smaller than those generated by other more serious crimes. Despite this, reports from reliable and credible sources indicate that human trafficking, especially in the Kurdistan region, poses a major threat alongside cybercrime. The AT also addressed the cybercrime issue in the discussions, but the authorities clarified that it does not pose a threat at all in all governorates of Iraq, including the Kurdistan region, especially since no party has ever filed a complaint or notification of having been victim of a cybercrime in Iraq. Due to the absence of any statistical data, it is not possible to prove the level of cybercrime risks in Iraq.
60. The CBI and the ISC are the only two supervisory authorities having conducted a sectoral risk assessment for the institutions that are subject to their supervision. The CBI conducted several sectoral assessments of the ML/TF risks in the banking sector. The first was in 2019, and extended to cover the years 2020, 2021 and 2022. It conducted, for the first time in 2022, a sectoral assessment for all remaining sectors subject to its supervision, except for the e-payment companies. Sectoral assessments covered customer activities, risks associated with customers' geographic areas, and risks with respect to services and service delivery channels. The ISC conducted a sectoral assessment for the first time in 2023. Its results were not any different from what was stated in the NRA. The sectoral assessment is considered as an update of what was cited in the NRA, as it relied on data dating back to 2021 and 2022.
61. The Office conducted a strategic analysis during the period 2018-2022. To this end, it relied on data and statistics related to STRs, notifications, customs declarations and transactions made in cash and exceeding USD 10,000, financial crimes, and any other data,

whether from previous reports issued by the Office, or other entities subject to the AML/CFT Law, or data from counterpart FIUs. Open sources and data published on official websites and published international statistics related to Iraq were also among the data relied on. During the said period, the Office prepared several strategic reports, including a report in 2021 that comprised the sources of funding for ISIL.

Elements of Specific importance (Materiality):

62. The size of Iraq's GDP, according to World Bank data, is about USD 207 billion. Iraq is still a cash-based society. Iraq's economic activity is mainly focused on refining and selling oil and its derivatives, whose revenues constitute around 95% of its total exports.
63. The number of banks operating in Iraq in 2022 is 76 banks, including 7 banks owned by the public sector, 40 private banks (Iraqi and foreign), and 16 branches of foreign banks. The total volume of assets of banks operating in Iraq in 2022 amounted to about USD 128 billion, representing 61.8% of Iraq's GDP. The banking sector represents about 96.2% of the total assets of the formal financial sector, while the non-banking financial sector represents 3.4 % of the total assets of the formal financial sector. The number of adults who have bank accounts in 2021 reached about 14.57 million persons, while the financial inclusion rate in 2021 reached about 33.5%, compared to 20.8% in 2017. The increase in the financial inclusion rate was due to various reasons, including Iraq's efforts to reduce dependence on cash by activating electronic collection in the public sector, as a measure to combat corruption and tax evasion.

| Table 1.1: Share of the non-banking sector of the total assets of the financial system | |
|--|--|
| Sector | The ratio of the sector's assets to the total assets of the financial system |
| Institutions engaged in the insurance sector | 0.50 % (839,795,200,000 IQD) |
| Institutions engaged in trading in the stocks and bonds sector | 0.50 % (839,795,200,000 IQD) |
| Assets value of exchange companies + currency exchange companies (c) | 0.43 % (Class A exchange companies 722,223,872,000 IQD) |
| | 0.71 % (Class B exchange companies 1,192,509,184,000 IQD) |
| | 1.16 % (Currency exchange companies(C) 1,948,324,864,000 IQD) |
| Assets value of e-payment service providers | 0.10 % (167,959,040,000 IQD) |

64. The non-financial sector consists of many DNFBPs which are subject to the AML/CFT requirements. The AT was not provided with any information on the volume of sales recorded through DPMS in 2022.
65. Gambling is banned in Iraq under the Penal Code (of 1969), which punishes any person who opens or runs an establishment for gambling and opens it to the public or any person who organizes gambling in a public place or place that is open to the public or location or house for such purpose.
66. Expatriate remittances are considered one of the secondary sources of the Iraqi economy, pursuant to the World Bank data for 2022, Iraq ranked tenth (10) in the Arab world and one hundred (100) globally in terms of the volume of remittances received from expatriates in 2022, amounting to about USD 624 million³, which represents about 0.3% of the GDP, while outgoing remittances totaled about USD 852 million⁴ in 2021, which places Iraq in the 46th rank globally.

Structural Elements:

67. Iraq is more stable than it has been in the previous years after having regained its control over the territories controlled by ISIL at the end of 2017; however, Iraq is still exposed to internal and external threats, especially from some neighboring countries that are insecure and politically unstable.

³ <https://data.worldbank.org/indicator/BX.TRF.PWKR.CD.DT>

⁴ <https://www.knomad.org/data/remittances>

68. Iraq has the necessary structural elements for the implementation of an effective AML/CFT regime. Those elements are supported by political and institutional commitment, the rule of law, the high-level political commitment demonstrated through the ratification of all international conventions (the Vienna Conventions, the Palermo convention, the Merida convention and the Terrorist Financing Convention) and through a variety of mechanisms. These mechanisms include close bilateral relations between all key authorities involved in combating ML/TF, including the AML/CFT Council as the main body concerned with supervising internal cooperation and coordination. Also, through Iraq's membership of the Global Coalition against ISIL, through Iraq's cooperation with UNITAD in prosecuting crimes committed by ISIL, and through Iraq's accession to the membership of the Egmont Group in 2023, and its relationship with OFAC of the U.S. Treasury Department.
69. Iraq has stable institutions that are subject to accountability and an efficient and independent legal system, despite the limited (human and technical) resources available to most LEAs and investigative authorities concerned with identifying and prosecuting ML (see IO.7 below).

Background and Other Contextual Factors:

70. Iraq has introduced a wide range of changes to strengthen its AML/CFT regime in terms of financial inclusion policy and legal framework. In this regard, the CBI has taken many measures that contributed to the issuance of the national strategy for financial inclusion, and the formation of a higher committee for financial inclusion in 2018. Several subcommittees have derived (7) from the said committee. To promote financial inclusion in a sustainable manner and to reach comprehensive financial services for the target groups, several e-payment service providers have been licensed to practice various activities and carry out projects and initiatives that contribute to increasing financial inclusion indicators. These include salary domiciliation, financing banks and payment service providers to purchase ATMs and points of sale, activating electronic tax collection for all citizens through banks and e-payment service providers, and exempting e-payment and collection devices from all forms of customs and tax duties. These efforts led to an increase in the percentage of financial inclusion in 2021 to 33.5%, from 20.8% in 2017. However, the effect of the shadow economy (especially cash) in Iraq, and how it may be used as a channel for ML/TF in the Iraqi context has not been reflected on policy and operational arrangements in a comprehensive way.
71. Iraq has the legal, regulatory, and institutional frameworks to combat corruption, and the efforts of the FCOI in cases of corruption and illicit gain have led to the recovery of funds, the pursuit of accused persons wanted from outside Iraq, and the recovery of funds smuggled abroad in cooperation and coordination with the concerned authorities at the internal and external levels. According to the Corruption Perception Index for 2022, Iraq ranks 159th out of 180 countries, while it ranks thirteenth (13th) out of 18 Arab countries.

The AML/CFT strategy:

72. The AML/CFT Council has developed two national AML/CFT strategies in the Republic of Iraq. The first covered the period of 2017-2020, and the second the period 2021-2023. The first strategy sets out institutions and, such as institutional development, outreach, and coordination with local institutions, and strengthening foreign relations. As for the second strategy, which is complementary to the first, it included what has been achieved through the first strategy, the most important obstacles that prevented the implementation of the objectives of the first strategy (these are caused by security instability, economic instability which caused an increase in public debt due to military expenditures, and the disruption of most of the public facilities due to the Covid 19 pandemic etc...), and the necessary measures to implement policies in the form of time-bound programs. It also identified several objectives to be achieved, including the NRA, updating the legal and regulatory AML/CFT frameworks, combating TF, institutional development,

and strengthening local and international cooperation and coordination. After the completion of the ML/TF NRA process, the Council started updating the second strategy, and issued the third national strategy and action plan for combating ML/TF for the years 2023-2027.

73. Iraq has developed a counter-terrorism strategy for 2021 – 2025 after having formed a national committee chaired by the National Security Advisory with the membership of several national entities. In 2021, the committee disseminated this strategy to all stakeholders to implement its provisions. The strategy included a number of objectives, including suppressing and preventing the various capacities and sources of support and financing for terrorism, hindering and preventing the flow of FTFs to Iraq, controlling international borders, combating extremism conducive to terrorism and the aberrant ideology of terrorism and depleting its sources, in addition to intensifying and activating national cooperation and coordination, and strengthening and developing cooperation with the regional and international surroundings. During the NRA process, these objectives were considered to determine the strategy for combating terrorist financing (strategic objective No. 6)

Legal and Institutional Framework:

Authorities responsible for AML/CFT supervision

74. The Central Bank of Iraq: It operates by virtue of Law No. (56) of 2004 as amended. Its major functions include ensuring price stability, maintaining a sound financial system, establishing a monetary policy, contributing to improving economic growth rate, issuing licenses for banking and non-banking FIs (exchange companies, currency exchange firms (C), e-payment and money transfer companies) and monitoring their compliance with AML/CFT requirements through on-site and off-site desk supervision.
75. Iraq Securities Commission (ISC): It operates by virtue of Law No. (74) of 2004. It is the supervisory and monitoring authority of the sector engaged in the sale and purchase of securities and Iraq securities market.
76. The Insurance Diwan (ID): It operates by virtue of Law No. (10) of 2015. It is the supervisory and monitoring authority of insurance companies.
77. The Non-Governmental Organizations (NGO) Department: It operates by virtue of Law No. (12) of 2010. It is the official governmental entity in Iraq concerned with the civil society and NPOs affairs. Its functions include promoting the role of NPOs operating in Iraq, supporting, and developing them and maintaining their autonomy.
78. The Iraqi Bar Association: It was founded by virtue of Law No. (61) of 1933. Its functions include monitoring lawyers' compliance with AML/CFT requirements, after it was given this competence by virtue of Cabinet decision No.188 of 2022.
79. The Union of Iraqi Accountants and Auditors: It was founded by virtue of Law No. 185 of 1969 (amended by Law No.77 of 1973 and Law No.94 of 1988 amended by Law No.10 of 2021). Its functions include monitoring accountants, auditors, chartered accountants, and comptrollers' compliance with AML/CFT requirements, after it was given this competence by virtue of Cabinet decision No.188 of 2022.
80. The Ministry of Planning - Central Organization for Standardization and Quality Control: It was founded by virtue of Law No. (54) of 1979 (as amended). Its functions include monitoring DPMS compliance with AML/CFT requirements, after it was given this competence by virtue of Cabinet decision No.61 of 2018.
81. The Real Estate Registration Department (RERD): It is specialized in registering real estate acts and monitoring real estate agents for their compliance with AML/CFT requirements, after it was given this competence by virtue of Cabinet decision No.61 of 2018.

LEAs in Iraq including the Kurdistan Region:

82. **The Iraqi National Intelligence Service (NIS):** it is subject to legislative oversight. Its tasks include gathering and analyzing intelligence information related to espionage, terrorism, rebellion, the manufacture of weapons of mass destruction, whether biological, nuclear, or chemical, as well as the production and trafficking of drugs. Its functions also involve protecting national heritage and natural resources from acts of sabotage and transnational organized crime, conducting investigations into TF crimes, and providing advice to the Iraqi government.
83. **The Counter-Terrorism Service (CTS):** It was established in 2007 and operates by virtue of Law No. 31 of 2013. Its tasks include combating terrorism in all its forms by implementing measures and procedures to prevent, deter, and eliminate terrorism. This is achieved through surveillance, investigation, and inspection operations, as well as coordination and information exchange with various departments and ministries inside and outside Iraq to trace the sources of funding and drying up the sources of terrorist financing.
84. **The Ministry of Interior (MOI):** it is tasked with maintaining internal security in Iraq, as well as regulating and monitoring the borders with neighboring countries, combating terrorism, and conducting investigations into ML cases resulting from other predicate offences, including drug trafficking, tax evasion, smuggling oil and its derivatives, trafficking in national antiquities, forgery, fraud, and more. It is also responsible for collecting information, conducting investigations, and tracing the proceeds of crimes, whether those that have been disposed of and whether any form of ML has occurred. The Ministry includes several directorates, including the Directorate of Organized Crime Control, the Directorate of Drug Control, the Directorate of Civil Status, Passports, and Residence, in addition to several other directorates.
85. **The Federal Commission of Integrity (FCOI):** it is an independent body that is subject to the oversight of the Parliament. It has legal personality and financial and administrative independence. Its prominent tasks include investigating ML cases resulting from predicate offences, such as financial and administrative corruption committed within the framework of public offices, including embezzlement, bribery, and illicit enrichment. It also collects information and conducts investigations into the whereabouts of funds obtained from corruption, whether those that have been disposed of and whether any form of ML has occurred.

Investigative authorities or bodies in Iraq including the Kurdistan Region

86. **The Special Investigation Court for Integrity, Money Laundering, and Economic Crime:** it is a judicial authority with financial and administrative independence, in accordance with the provisions of Article 87 of the current Iraqi Constitution. It was established in 2015 and began its work at the Presidency of the Rassafa Court of Appeal to consider ML cases and issue judicial decisions in all criminal matters. Since 2023, a specialized investigative judge in ML cases in each appellate court was appointed.
87. **The Special Investigation Court for Terrorism:** it is a judicial authority with a federal competence. It specializes in considering cases related to terrorism, its financing, issuing relevant judicial decisions, and conducting investigations through investigative judges.
88. **The Public Prosecution (PP):** it is a judicial authority with financial and administrative independence, in accordance with the provisions of Article 87 of the Iraqi Constitution. Its tasks include examining STRs disseminated by the Office, as well as referrals received from LEAs. It subsequently disseminates them to the specialized investigation courts.

Other authorities and ministries in Iraq including Kurdistan Region

89. **The AML/CFT Office (The Office):** it was established within the structure of the CBI, by virtue of Article 8 of the AML/CFT Law No. 39 of 2015. It enjoys legal personality, and financial and administrative independence. It is responsible for acting as a national center for receiving, obtaining, and analyzing STRs or information suspected of representing proceeds of crime, ML, or TF from reporting

entities. It is also authorized to request information from reporting entities and any other entity it deems appropriate for the performance of its duties, and the dissemination of STRs based on reasonable suspicion to the PP for appropriate legal action.

90. **The General Authority of Customs:** it is an entity established by virtue of Customs Law No. 23 of 1984 and falls under the umbrella of the MOF. It is responsible for implementing the provisions of the AML/CFT Law, particularly regarding the inbound and outbound currency cross-borders declaration requirements. It is also responsible for setting the threshold amounts of money that travelers can carry, in addition to seizing funds in cases of false or non-declaration and notifies the Office accordingly.
91. **The General Authority for Taxes (GAT):** it operates to implement several laws, including the Income Tax Law No. 113 of 1983 (as amended), the Property Tax Law No. 163 of 1959 (as amended), and the Property Transfer Tax Law No. 120 of 2002. One of its main tasks is to contribute to the financing of the country's budget and to enforce tax laws in terms of collecting amounts due. It also aims to find new sources of income and expand the tax base to reduce tax evasion.
92. **The Companies Registration Department (CRD):** it was established by virtue of the Companies Law No. 21 of 1997. One of its main tasks is to prevent the exploitation of legal persons by money launderers and terrorist financiers, and to prevent them from holding shares or stocks in companies by applying several regulations, out of which the regulation No. 1 of 2023 on the obligation of disclosing BO information and the obligations of legal persons.
93. **The Ministry of Foreign Affairs (MOFA):** it was established in 1924 by virtue of Decree No. 753 dated 24/11/1924. It enjoys administrative and financial independence. One of its main tasks is to enhance and develop relations with Arab countries, neighboring countries, and countries around the world based on mutual respect. It also works to activate Iraq's role in international organizations and conferences to serve Iraq's interests, enhance national security and peace, and protect Iraq's political, social, and citizens' interests abroad.
94. **The authority responsible for the affairs related to endowments (Waqf) in Iraq:** it supervises endowments through two authorities. The first is the authority of the Sharia judge (Personal Status Court under the Supreme Judicial Council), which applies the conditions of the endowers and holds the administrators (the Waqf director) accountable within a committee chaired by a judge of the Personal Status Court for holding administrators accountable. The second is the administrative authority of the endowment departments affiliated with the state authority under the Endowment Administration Law, which determines the management and supervision systems for endowment funds. These departments include the Sunni Endowment Department, the Shia Endowment Department, and the Department of Endowments for Non-Muslims, in addition to the Ministry of Endowments and Religious Affairs in the Kurdistan Region.

Commissions and Councils in Iraq including Kurdistan Region

95. **The AML/CFT Council:** it was established by virtue of the AML/CFT Law No. (39) of 2015. It is chaired by the Governor of the CBI, who is represented in their absence by the Office Director General. It includes members from the Supreme Judicial Council, the MOJ, the Ministry of Trade, the MOI, the MOF, the NGOs Department, the MOFA, the Iraqi NIS, the NSS, the CTS, and the ISC. Its tasks include drawing up AML/CFT policies and programs, developing and monitoring their implementation, and facilitating the exchange of information and coordination among relevant authorities.
96. **The CFTF:** it was established in the General Secretariat of the Iraqi Council of Ministers by virtue of the AML/CFT Law No. (39) of 2015. It is chaired by the Deputy Governor of the CBI, with the Director of the Office acting on their behalf. The Committee includes representatives from the MOF, the MOI, the MOFA, the MOJ, the Ministry of Communications, the Ministry of Trade, the FCOI, the CTS, and the Iraqi NIS. It is considered the competent authority responsible for identifying individuals or entities targeted for

designation and proposing names of individuals and entities to the Security Council committees, preparing a local list of the names of individuals (natural or legal) who satisfy the criteria for designation pursuant to Resolution 1373, and examining requests from other countries and processing them if appropriate.

97. **The National Committee for Countering Terrorism:** it is chaired by the National Security Adviser and includes several national entities, including the Supreme Judicial Council, the Office, the MOFA, the CTS, the NSS, the Intelligence Service, the MOI, and the Ministry of Defense. The Committee holds regular meetings throughout the year and issues a set of recommendations that are disseminated to national authorities for implementation. The Committee serves as a point of contact between ministries and national bodies and monitors the various ministries and national bodies responsible for combating terrorism in relation to the implementation of UNSCR 1373, and the preparation of periodic reports related to countering terrorism. The National Counter-Terrorism Committee oversees the implementation of the Iraqi National Counter-Terrorism Strategy for 2021-2025 that was approved by the Cabinet in 2019.
98. **The Committee for Engaging with Parties for Asset Recovery:** it was established by virtue of Diwani Order No. 23035 dated 17/1/2023. It includes various entities, including the Director of Office. The Committee is responsible for engaging with individuals who are willing to return embezzled funds to Iraq and taking appropriate measures to do so, by reviewing the results of the information requests received by the Office from foreign counterpart units, as well as utilizing the feedback model provided by counterpart units.
99. **The Committee for assessing the Financial Intelligence Capabilities of the terrorist organization ISIL 2022:** it consists of the NIS, the NSS, the CTS, the Federal Intelligence and Applications Agency, the Intelligence and Security Directorate, the Military Intelligence Directorate, and the Office.
100. **The Committee for Reviewing United Nations Convention against Transnational Organized Crime:** it was established by virtue of the presidency of the MOJ and includes representatives from the Office, the MOFA, the PP Office, the MOI, the NIS, and the NSS. The Committee is responsible for reviewing the United Nations Convention against Transnational Organized Crime and its related protocols.
101. **The Committee for Preparing Financial Investigation Procedures Guide:** it was established by virtue of the presidency of the Judiciary Council in collaboration with the United Nations Development Program (UNDP) and includes several government entities such as the Office, the MOI, the Federal Board of Supreme Audit, the FCOI, and equivalent departments in the region. The Committee prepared the Financial Investigation Procedures Guide, which was issued in 2023 to be used for parallel financial investigations.
102. **The Committee for Amending the AML/CFT Law and the Terrorist Asset Freezing System:** it prepared a draft amendment to the AML/CFT Law, which was presented to the State Council in May 2023 for discussion and approval. Additionally, amendments were made to the terrorist asset freezing mechanism by incorporating resolutions of the Security Council aimed at preventing the financing of arms proliferation. The first amendment to the terrorist asset freezing system was published by virtue of Law No. 4 of 2022, and the second amendment was published by virtue of Law No. 6 of 2023.
103. **The Committee for Identifying Sanctions and Fines against Financial and Non-FIs:** it is a committee established at the CBI (renewed periodically) and is responsible for imposing administrative sanctions, including financial fines against license holders, employees, directors, and agents of license holders. It also has the authority to impose sanctions on any person subject to the provisions of the CBI Law No. 56 of 2004 and to refer violations suspected of involving ML/TF to the Office.

104. **The Virtual Currencies Monitoring and Assessment Committee:** it was established by a decision issued by the AML/CFT Council in 2023. It is chaired by a representative from the Banking Supervision Department at the CBI and includes members from the Office, the Commercial Bank Supervision Department, and the E-payment Companies Supervision Department, as well as LEAs such as the Organized Crime Directorate. The Committee is responsible for monitoring the implementation of the ban imposed on trading in virtual currencies and assessing the risks associated with virtual currencies in Iraq.
105. **The Committee for Addressing the Informal Economy (Shadow Economy) in Iraq:** it was established by a decision issued by the AML/CFT Council in 2023. It is chaired by the Ministry of Planning and includes members from the Office, the CBI, the Ministry of Trade / CRD, the Federation of Chambers of Commerce, and a representative from the Kurdistan Region, as well as an economic expert representing the private sector. The Committee is responsible for conducting a study on the actual shadow economy in Iraq and assisting relevant authorities in adopting economic policies and strategies that ensure the provision of data and statistics on shadow economic activities and making them available to the judicial authorities.
106. **The Committee for the Implementation of Coordination and Information Exchange Mechanism at the operational level in Iraq:** it was established by a decision issued by the AML/CFT Council. It is chaired by the Vice President of the AML/CFT Council and includes relevant entities. The Committee serves as a contact point for the purpose of exchanging information and maintaining its confidentiality.
107. **The Committee for Assessing NPOs Risks in Iraq (Sectoral Assessment):** it was established by a decision issued by the AML/CFT Council. It is chaired by the NGOs Department (the regulatory and supervisory body for the non-profit sector) and includes members from the Office, the CBI, the Federal Board of Supreme Audit, and a representative from the private sector. The Committee is responsible for preparing a sectoral assessment of the NPOs risks in Iraq.
108. **The Committee for Assessing the Risks of Legal persons in Iraq (Sectoral Assessment):** it was established by a decision issued by the AML/CFT Council. It is chaired by the Ministry of Trade / CRD and includes members from the Office, the CBI, the Iraqi Business Council, and the State Company for Iraqi Fairs and Commercial Services. The Committee is responsible for preparing a sectoral assessment of the legal persons' risks in Iraq and identifying vulnerabilities that could be exploited for ML/TF purposes.

Financial sector, DNFBPs and VASPs

109. This section provides general information on the size of the financial and non-financial sectors in Iraq. Not all sectors are equal in terms materiality given the threats facing all institutions, according to the ML/TF NRA findings, and according to the context of Iraq. The degree of ML/TF risks affecting the subject entities varies greatly, as is the case of the ML/TF risks facing specific sectors.
110. The AT rated the sectors based on their materiality and the level of ML/TF risks facing them. The AT used these ratings to set out their conclusions in the report. Positive and negative issues were more weighted for important sectors, and less for less important sectors. This rating applies to all chapters of the report and is most evident in Chapter 5 related to CDD measures and Chapter 6 related to supervision.
111. Considering their materiality and risks in the context of Iraq, issues related to implementation are weighted heavily for the banking and exchange sectors, and moderately weighted for the e-payment sector, DPMS, and real estate brokers. They are less heavily weighted for the less important sectors, especially for securities and insurance sectors, and lawyers.
- **The banking sector:** It is subject to the supervision of the CBI. This sector includes 76 banks, with total assets estimated in 2022 at around USD 128 billion, and a market share of approximately 96.2% of the total financial sector assets. In terms of the ML threats in the banking sector, the sector is rated "medium/high risk" due to its size and the diversity of services it offers, which are attractive to

money launderers, especially those related to international transfers. Meanwhile, the TF threats in the sector are generally rated "moderate" but are very low at the money transfer stage.

- **The exchange sector:** This sector is subject to the supervision of the CBI. It includes 77 Class A companies, 50 Class B companies, and 402 Class C companies. Class A companies are specialized in executing domestic and international financial transfers through globally recognized money transfer companies, but they do not have the ability to transfer independently and are prohibited from opening bank accounts. Class B companies can also engage in activities carried out by Class A companies, but their capital is 2.5 billion IQD, while Class A companies have a capital of 5 billion IQD, allowing them to have multiple branches. Class C companies are limited to currency exchange only. In terms of ML threats, the exchange sector is rated "high risk" due to the nature of services provided by licensed exchange offices and the number of cases related to the unlicensed sector, totaling 1028 cases between 2018 and 2022, some of which have been referred to the competent court on ML suspicion. The NRA did not address the level of TF threats in the sector.
- **The e-payment sector:** This sector is subject to the supervision of the CBI. It includes 17 companies that provide the services of collection, processing, issuance and managing the clients' transactions related to cards. Only 4 companies provide e-payment through mobile phones. This number is considered sufficient, and it is likely that the number of companies will increase in the upcoming period as required by the Iraqi market. In terms of ML threats, this sector is rated "medium risk" due to the possibility of misusing the sector by criminals through depositing and withdrawing illegal funds using many ATMs inside and outside Iraq. The NRA did not address the level of TF threats in the sector.
- **The securities sector:** This sector is subject to the supervision of the ISC. It includes 39 companies specialized in trading stocks and bonds, including 10 companies rated high-risk due to their high-value transactions and dealings with foreign portfolios. The value of traded stocks in 2022 amounted to approximately USD 354 million for 564 billion shares. The widespread use of cash by clients is prohibited. In terms of ML threats, this sector is rated "low risk" due to the absence of any cases of the sector being exploited for ML purposes, and the verification procedures of investor and shareholder data at the Depository Center in the Iraqi Stock Exchange are conducted through the banking sector. The NRA did not address the level of TF threats in the sector.
- **The insurance sector:** This sector is subject to the supervision of the ID and includes 44 companies, 7 of which provide life insurance services. The total value of life insurance premiums during the years 2020, 2021 and 2022 amounted to USD 57, 80, and 85 million, respectively. Life insurance premiums, compared to other products, account for the largest percentage of total insurance premiums by up to 30%. This is mainly because the majority of insured individuals are public sector employees, and to a less extent they are private sector employees. In terms of ML threats, this sector is rated "low risk" due to the absence of any cases of the sector being exploited for ML purposes, and due to the limited use of cash in the insurance sector. The NRA did not address the level of TF threats in the sector.
- **The DNFBPs sector:** This sector includes dealers in precious metals and stones, real estate brokers and lawyers. It does not include accountants, companies and trust service providers, virtual asset service providers, casinos and notaries for the reasons set out below. This sector represents approximately 0.4 % of the total assets of the official financial sector. Most transactions in this sector are conducted in cash, including the real estate sector, provided that the value of the real estate transaction does not exceed 500 million IQD, equivalent to approximately USD 380,000. If the value of the sale or purchase transaction exceeds the specified limit, the transaction must be completed through banks. The real estate sector is rated "high" in terms of ML risks, due to various reasons including the unregulated nature of the sector, the possibility of widespread use of cash, the large number of real estate brokers, and

the difficulty of supervising them. As for other sectors (lawyers, DPMS), the classification of ML threats facing lawyers is rated "low risk" due to the non-exploitation of the services provided by them for ML purposes. The classification for DPMS is rated "medium/low risk" for the same reasons. The NRA did not address the level of TF threats in the sector.

Table 1.2: number of the persons subject to the AML/CFT requirements

| Sector | Number of subject persons in each sector as at the end of 2022 |
|---------------------|--|
| Lawyers | 68,546 |
| Accountants | 116 (consultant offices) |
| DPMS | 2,286 |
| Real estate brokers | Not specified |

- **Lawyers:** lawyers in Iraq provide a variety of services, including registering companies and associations, organizing sales contracts, buying, and selling properties and organizing their contracts, brokerage in real estate, all forms of POAs, and many other legal services. This makes it very difficult to estimate the volume of sales or services provided by them, considering the diversity of lawyers' activities that may intersect in many sectors.
- **Dealers in Precious Metal and Stones:** they are subject to AML/CFT requirements, and the Ministry of Planning/Central Organization for Standardization and Quality Control is responsible for regulating this sector. Cash is widely used in the buying and selling of precious metals and stones.
- **Real Estate Brokers:** they have not been subject to the supervision of the Land Registration Department during the period between 2018 and 2022, despite being granted this authority by a decision issued by the Council of Ministers in 2018. However, brokers do not deal with cash amounts in real estate transactions, nor do they prepare or execute financial transactions for the benefit of their clients in relation to buying and selling properties. The activity carried out by brokers in Iraq is limited, as they engage in one of the least important activities among the seven activities listed in the guidance issued by the FATF⁵. Brokers do not legally represent the seller nor the buyer, and the contract signed in the presence of the broker does not have legal implications related to the transfer of property ownership. It cannot be used to process the sale or purchase transaction before the department. It is instead prepared in the presence of the seller and the buyer to determine the agreed-upon selling price and to ensure that the broker receives their commission.
- **Accountants:** Accountants in Iraq are subject to AML/CFT requirements by virtue of the current law. However, in practical terms, they do not engage in any of the activities specified in R. 22 (Criterion 22.1) of the FATF Methodology. Code No. 3 of 1999 issued by the Iraqi Council of Ministers regulating the profession of auditing and accounting, does not allow them to engage in activities other than auditing and accounting.
- **Companies and Trusts Service Providers Sector:** it is subject to AML/CFT requirements, but there are no independent professions related to companies and trusts service providers in Iraq. Additionally, there is no activity in Iraq under the name of trusts, due to the absence of an entity responsible for licensing or regulating this activity, which prevents the issuance of a license to practice the activity. Furthermore, Iraq has not ratified the Hague Convention dated 1st July 1985, regarding the law applicable to trusts and their

⁵ The guidance introduced by the FATF includes 7 activities that fall within the scope of Rec. 22, including the activity practiced by real estate brokers.

recognition. However, lawyers engage in the activity of establishing companies on behalf of their clients. These combined reasons explain why this sector is not included in IO 1, 3, and 4 independently.

- **Virtual Assets Service Providers:** VASPs are not covered within the financial activities that fall under the scope of AML/CFT laws. Except for the warning statement and the decision issued by the CBI in March 2022, which prohibited the use of cards and electronic wallets for the purpose of trading in digital currencies through banks and non-banking FIs, there are no specific legal texts that explicitly regulate or prohibit all activities of virtual asset service providers as defined by the FATF. The mentioned statement and decision only apply to certain entities and do not apply to all natural and legal persons. Therefore, it is still possible to provide this service in Iraq, as the legislation has not explicitly prohibited the activities of virtual asset service providers as defined by the FATF. However, the gaps in the VA/VASP legislation, activities of the non-prohibited VASPs, should not affect IO 3 and 4, especially since Iraq ranks 10 among the least users of virtual assets in Arab countries and ranks 121 out of 157 countries in terms of the value of transactions in currencies and virtual assets, according to the Chainalysis report released in 2021.
- **Casinos:** this sector is prohibited in Iraq as it contradicts with the Iraqi Constitution and is punishable under the Iraqi Penal Code.
- **Notary Public:** The Methodology requirements do not apply to notaries in Iraq since they are affiliated with the public sector as government employees.

Preventive Measures

112. Generally, FIs, especially banks, have AML/CFT internal controls, policies, and procedures. These controls include implementing CDD measures, records keeping, appointing a compliance officer, training employees, allocating an independent audit function to test compliance with internal policies and procedures at the group level, as well as training programs in the AML/CFT field. However, the efficiency and effectiveness of these measures vary among different categories of FIs.
113. Generally, DNFBPs do not have specific written AML/CFT policies, procedures, or controls. They do not take any clear actions upon appointment, except for public gold shops, where employees undergo security checks before appointment to ensure their files are free of misdemeanors or crimes. On the other hand, lawyers are subject to the usual requirements related to joining the Bar Association to practice various activities (including establishing companies). None of the DNFBPs have undergone any internal training in the AML/CFT field.

Legal Persons and Arrangements

114. Different types of legal persons can be established in Iraq according to the legislative frameworks, including, joint-stock companies, limited liability companies, solidarity companies, sole proprietorship companies, simple partnership companies, and branches of foreign companies. Information related to the establishment of legal persons in Iraq, including the Kurdistan region, is available to the public through the websites of the CRD in Baghdad⁶ and the Companies and Commercial Entities Registration Department in the Kurdistan Region⁷. The process of establishing legal persons requires submitting an application to the CRD accompanied by several documents, including the company's articles of incorporation, a bank statement comprising the amount deposited for capital subscription, and a technical and economic feasibility study. The information provided to the CRD includes the company's name, legal form, address, names of partners, authorized agents, names of board members in joint-stock companies, activity, purpose of establishment, and capital.

⁶ <https://tasjeel.mot.gov.iq/newtasjeel/dalel-new.htm>

⁷ <https://business.digital.gov.krd/ar/guidelines/local-company>

115. The registration of a legal person is conditional upon including in the application submitted to the CRD a BO disclosure form. The controls for declaring BO No. (1) of 2023 requires legal entities in Iraq to identify the BO, take necessary measures to verify their identity, and maintain records, documents, and data related to that. The guidance issued by the Iraqi authorities in 2023 includes procedures for obtaining BO information.
116. All legal persons operating in Iraq must be registered with the CRD. Companies cannot engage in any activity unless they are registered with the Department. The registration process requires verification of the accuracy of the information related to the company, its founders, and its directors before commencing the registration procedures. The verification process involves reviewing the required documents for the company's registration, including the MOA, the AOA, the document authorizing a person to represent the company, and the supporting documents for identity verification. The registration process also requires verifying whether the name of any of the founders or directors is designated on local sanctions lists or lists of individuals rejected for security reasons, whether at the time of establishment or regularly when any changes occur in the ownership or management structure.
117. There are no explicit legal arrangements in Iraq, but there is a type of legal arrangements similar to trusts in Iraq known as "Waqf" (endowment). The types of endowments in Iraq are divided into charitable endowment, family endowment, and joint endowment. There are four different entities responsible for managing endowments, namely the Sunni Endowment Department, the Shia Endowment Department, and the Department of Endowments for Non-Muslims, in addition to the Ministry of Endowments and Religious Affairs in the Kurdistan Region.
118. Endowments are primarily established for charitable purposes and not as asset protection vehicles as in the case of trusts. This may make them less attractive for ML. Additionally, the inability of transferring ownership of the endowment makes them unattractive for being misused for ML/TF.
119. There are no independent commercial providers of companies and trusts services in Iraq. Lawyers typically establish companies for their clients in the usual manner, and there is nothing preventing trustees located in Iraq from providing services to funds established abroad. Trustees (if any) are subject to several procedures when dealing with FIs in Iraq. They are required to maintain adequate and accurate information on the identity of the settlor, the trustee(s), the protector (if any), the beneficiaries or class of beneficiaries, or any other natural person exercising effective control over the trust. They are also obligated to disclose their status to FIs and DNFBPs when forming a business relationship or carrying out an occasional transaction that exceeds the specified threshold.

Table 1.3: Legal Persons established in Iraq up to 2022-year end.

| Type of Legal Person | Registered companies ⁸ | Foreigners ⁹ | Iraqis ¹⁰ |
|--|-----------------------------------|-------------------------|----------------------|
| Individuals (proprietorship) companies | 3911 | 0 | 3911 |
| Simple partnership companies | 742 | 0 | 742 |
| Limited Liability Companies | 105241 | 7079 | 101694 |
| Solidarity companies | 702 | 0 | 702 |
| Joint stock companies | 432 | 0 | 0 |
| Branches of foreign companies | 7611 | 7611 | 0 |

⁸ Companies registered up to 31st December 2022 in which foreigners and Iraqis are shareholders.

⁹ Including the companies in which foreign natural or legal persons established abroad are shareholders.

¹⁰ Including companies in which Iraqis or legal persons established in Iraq and owned by Iraqis are shareholders.

NPOs

120. The NPOs sector in Iraq includes both local and foreign organizations working in various fields, including providing humanitarian aids to children and orphans with special needs. NPOs are subject to the oversight of the NGOs Department, which has the authority to establish binding regulations for NPOs, conduct on-site inspections of NPOs, request the submission of documents and records for offsite inspections, and enforce compliance through the imposition of sanctions.
121. The NGOs Department in Iraq has started, as of 2023, to carry out oversight of NPOs on a risk sensitive basis, after having completed the first sectoral assessment of the risks of NPOs sector. This assessment allowed the Department to identify the sub-set of organizations that fall within the FATF definition and classify them into three categories of risk (high, medium, low) to subject them to oversight according to the risk-based approach. The Department relies on offsite supervision more frequently than onsite inspections, giving priority to monitoring financial records which constitutes a pivotal role therein.
122. Inspections of NPOs resulted in the discovery of some violations that led to dissuasive penalties. Among the discovered violations, some NPOs received foreign funding without obtaining prior approval from the Department. In addition, many NPOs have had their activities suspended for violating the provisions of the NPO Law, such as failure to submit annual financial reports and other requirements for compliance with AML/CFT requirements.
123. Cooperation between the NGOs Department and the NPOs sector is still limited in the field of combating TF in the country. This is because the Department has not communicated with NPOs or provided awareness publications or training courses on the threats surrounding the NPOs sector and the risks of their misuse for TF and related preventive measures to protect themselves against such abuse.

Supervision

124. The CBI is responsible for supervising banks and financial service companies (including exchange companies (category (a) and (b)) engaged in money transfer activity, companies engaged in buying and selling foreign currencies, e-payment companies) in the field AML/CFT. Securities brokerage firms are subject to the supervision of the ISC, while the ID is responsible for overseeing insurance companies.
125. DNFBP supervisors did not inspect at all AML/CFT requirements prior to 2022. Some of these authorities, such as the Iraqi Bar Association, started including them in their inspection plans.

International Cooperation

126. International cooperation is important in the context of Iraq due to its geographical location, the length of its land borders, as well as the instability in the neighboring countries. Additionally, most crimes in the context of Iraq, such as drug trafficking and smuggling oil and its derivatives, are of cross-border nature.
127. Iraq has a legal and institutional framework for sending and receiving MLA and extradition requests, while observing international and regional agreements, international treaties, and MOUs signed by Iraq. For this purpose, Iraq uses various forms of international cooperation to exchange different types of information, including financial and intelligence information, for the purpose of combating ML, related predicate offences, and TF.
128. Jordan, the United Arab Emirates, Lebanon, Turkey, Egypt, Qatar, Saudi Arabia, Tunisia, the United States, the United Kingdom, Germany, and France are among the countries with which Iraq engages the most in the field of international cooperation and information exchange. This is attributed to the fact that some of these countries share borders with Iraq. Additionally, many Iraqi

communities are present in some of these countries, and some of these countries are considered significant destinations or sources for financial transfers compared to other countries.

129. Iraq exchanges BO information through the Office. There are several requests made in this regard, but the outcome of these requests was not clear, nor was the usefulness of the information obtained and the local authorities that were provided with the information collected from foreign counterpart FIUs.

CHAPTER 2. NATIONAL AML/CFT POLICIES AND COORDINATION

Key Findings and Recommended Actions

Key Findings:

Immediate Outcome 1:

- a) In October 2022, Iraq completed the first NRA. Several entities participated in the Assessment, at the public and private sectors' level, including the Kurdistan region. The NRA process was complemented by subsequent sectoral assessments that were undertaken in 2021-2022.
- b) Iraq demonstrated a good understanding of its TF risks related to ISIL, while their understanding of TF risks not related to ISIL was less accurate compared to their understanding of the TF risks of ISIL. Iraq did not have sufficient understanding of how funds are moved and the sectoral vulnerabilities in the country were being exploited in relation to these TF risks. Concerning ML risks, the understanding at the sub-national level, especially in the Kurdistan region is still evolving, especially that it is limited in terms of shadow economy and use of cash, adding that various criminal activities have not been comprehensively analyzed, especially for complex ML, such as cross-border threats and crimes, ML linked to systemic corruption and human trafficking, or in areas where investigations have not yet been carried in relation to cybercrimes. Except for drug trafficking, the NRA also has not sufficiently addressed the external threats facing Iraq.
- c) The financial sector supervisory authorities showed varying levels of understanding of ML/TF risks, ranging from adequate to weak. The CBI understanding of risks was acceptable in some of the sectors subject to its supervision and weak with regard to e-payment companies, which might be due to the absence of a sectoral assessment of these companies. The ISC has an acceptable understanding of the ML/TF risks to which securities brokerage firms are exposed to, unlike the ID, whose understanding of the risks is still modest, in addition to the lack of a sectoral assessment of the risks of insurance companies. Supervisory authorities' understanding of the risks facing DNFBPs remains very limited.
- d) National AML/CFT policies and activities in Iraq do not adequately address ML/TF risks identified in the country. Starting 2017, Iraq developed three national strategies to follow up on its implementation and implements the action plan issued in its regard. However, Iraq has not demonstrated that its strategy involves sufficient dissuasive measures to deter financial crimes and corruption from being enabled or committed by government officials and PEPs through specific mitigating and enforcement measures. The AT is of the opinion that the limited understanding of complex ML activities, structural and sectoral vulnerabilities and ML threats presented by certain types of crime may lead to weak effective implementation of these policies.
- e) The necessary integration between the various strategies and the third National Strategy for Combating ML/TF has not been achieved, particularly regarding high-risk channels in the financial or non-financial sectors, and high-risk criminal activities for ML/TF. These include senior-level corruption in the government and banking sectors, poor risk understanding and supervision of financial institutions and DNFBPs, the abuse of the informal financial sector and links with cross-border cash smuggling, illicit drug trafficking, smuggling oil and oil derivatives, tax evasion, trafficking in national antiquities, and human trafficking.
- f) The objectives and activities of the main financial sector supervisors, such as the CBI and ISC, are reasonably consistent with national AML/CFT policies and the identified risks. However, the remaining supervisory bodies that oversee FIs, such as the ID, the CRD, the GAT, and the NGOs Department (the body responsible for supervising and overseeing the NPOs sector) and all DNFBPs

supervisors, are still in the process of developing their understanding of defining objectives and activities that are clear and consistent with ML/TF risks. Inadequate levels of supervision of FIs and DNFBPs coupled with insufficient understanding by Iraqi authorities of the TF-risk posed by non-ISIL affiliated terrorists and how they raise and move funds to support their activities may have an adverse effect on the operational role of such authorities.

- g) The Iraqi authorities cooperate well with each other regarding ML/TF cases through a variety of mechanisms, including close bilateral relations between all the main authorities concerned with combating such crimes. They cooperate in a limited way on proliferation financing-related issues, despite the challenges facing Iraq, taking into consideration the context of PF risks.
- h) Banks, exchange companies, and e-payment companies have an understanding of the ML/TF risks that ranges between good and moderate, while the understanding of the other FIs of the risks to which they are exposed, such as Insurance companies and securities brokerage firms is in the initial stages. DNFBPs and NPOs have a poor understanding of the ML/TF risks, especially since they did not supplement their understanding by conducting self-risk assessments as required, which had a significant impact on their understanding of the ML/TF risks facing them.

Recommended Actions:

- a) Upon updating the ML/TF NRA, Iraq should:
- Undertake more comprehensive financial network analysis especially on TF techniques in regard to TF not affiliated with ISIL as to strengthen risk-based mitigation measures to address their activities and links and shadow economy.
 - Analyze better and enhance understanding of ML and some predicate offenses, including in the Kurdistan Region, by employing comprehensive and consistent criteria for assessing ML/TF risks. This involves enhancing the quality of sectoral assessments and implementing effective measures to mitigate these risks.
 - Enhance understanding of cross-border threats, including cross-border cash smuggling, and predicate offences committed abroad, including their impact on TF.
 - Undertake more comprehensive financial network analysis especially on ML techniques associated with criminal activity that present high ML threats including corruption or crimes committed by government officials and PEPs and drug-trafficking.
 - Enhance the risk understanding regarding the use of DNFBPs sectors for ML/TF (especially the legal sector, DPMS and real estate).
- b) Enhance coordination and cooperation between relevant authorities to achieve integration and effectiveness in using the available strategies, while giving priority to continued efforts related to promoting financial inclusion.
- c) Relevant authorities in Iraq should enhance their understanding of the risks associated with the abuse of NPOs for TF. This can be achieved by accurately identifying and categorizing potential risks related to the NPOs involvement in TF, and by developing unified and effective methodologies for assessing TF risks through NPOs.
- d) Expand the scope of the national AML/CFT strategic objectives and seek to achieve the integration of the various strategies as required with the 3rd AML/CFT National Strategy, by enhancing coordination and cooperation among the stakeholders to ensure the use of the strategies in an integrated and effective manner.
- e) Align the supervisory authorities' objectives and procedures with the ML/TF and proliferation financing risks, as well as enhance coordination between them.
- f) Increase the awareness of insurance and securities brokerage firms and DNFBPs, of the identified ML/TF risks, and ensure their

active participation in the subsequent update of the NRA so that they can develop procedures and take measures to mitigate ML/TF risks.

- g) Build upon the National Strategy for Combating Corruption to develop dissuasive measures to deter financial crimes and corruption from being enabled or committed by government officials and PEPs through specific mitigating and enforcement measures.
- h) Build upon national strategies to address and mitigate insufficient risk understanding as well as customer due diligence/your-customer (CDD/KYC) practices of financial institutions and DNFBPs and the abuse of the informal financial sector.

130. The relevant IO considered and assessed in this chapter is IO1. The recommendations relevant for the assessment of effectiveness under this section are R. 1, R.2, R.33, R.34 and elements of R. 15.

131. The AT's conclusions on IO1 are based on the AT's review of key documents, such as the full version and executive summary of the NRA, sectoral risk assessment reports, as well as key documents at policy level such as the National Strategy for 2023-2027 and AML/CFT action plan emanating therefrom. The AT also held meetings with the Iraqi authorities, including authorities and entities affiliated with the Kurdistan region, including the judiciaries concerned with investigating ML/TF cases, LEAs, the AML/CFT supervisory authorities, and a certain number of FIs, DNFBPs and NPOs. The AT also based their conclusions on reports of international organizations such as the World Bank.

IO.1 Risk Policies and Coordination

Country's Understanding of ML/TF risks

132. Overall, Iraq demonstrated a good understanding of TF risks related to ISIL but not ones affiliated with non-ISIL terrorist organizations. However, the understanding of ML-related risks is still evolving in Iraq in general, while it is limited at the subnational level. This understanding is primarily derived from the NRA exercise undertaken by Iraqi authorities. The AT based this conclusion on a review of the NRA and interviews with authorities.

133. The NRA, which was completed in October 2022, is the first assessment of its kind for the Republic of Iraq, which was prepared using the World Bank's tool. It sought to identify each of the vulnerabilities in the AML/CFT regime and the threats. The Cabinet adopted the NRA Report on 03/01/2023.

134. The AML/CFT Council appointed a national team to conduct the NRA. Nine working groups were formed that included Iraqi authorities, private sector representatives, and international partners. These working groups analyzed the intersection of threats and vulnerabilities and the levels of the sectoral assessments of FIs and DNFBPs in addition to products and services in these various financial and non-financial sectors. It also considered the mitigation measures in place to determine the remaining vulnerability and level of risk, based on quantitative data for the period from 2018-2020, such as STRs, investigations, prosecutions, and seizures. The analysis was also based on qualitative data, such as analyzes carried out by competent authorities and responses from the private sector and DNFBPs on the questionnaires. In addition, relevant international reports were taken into consideration as well.

135. During the on-site visit, the AT had access to the full copy of the NRA Report. This report is a confidential document and has been provided by the Iraqi authorities to all members of the AML/CFT Council, who have decided to share it with all supervisory authorities of the financial and non-financial sectors and government (public) authorities that are members of the AML/CFT Council, including the relevant authorities in the Kurdistan region. In addition, the NRA committee, with the assistance of the Office, organized a series

of workshops that benefited members of the financial and non-financial private sectors. It also prepared a brief document highlighting the key outcomes of the NRA and published it to the general public.

136. The NRA was completed through several sectoral risk assessments prepared before, during and following the issuance of the NRA. These assessments relate to specific issues, such as assessing the risks of legal persons, legal arrangements, ML/TF risks arising from virtual asset activities, and the activities or operations of VASPs in the country. CBI also conducted several sectoral assessments of bank risks and a sectoral assessment of exchange companies engaged in money transfer and currency exchange activity, but not e-payment companies.
137. During the onsite visit, the Iraqi authorities¹¹ reported that the update of these risks assessments would take place every two years for high-risk sectors, such as the real estate sector and exchange companies, and every three years for other sectors that were assessed and found to be of medium risks. The AT found that a period was not considered in the NRA, which was 2021-2022, although the assessment process took some criminal activities into account, such as smuggling and illicit drug trafficking. This is because the process relied on statistics for the year 2021 and on some sectoral assessments following the adoption of the NRA. This would reduce the impact of some gaps in assessing risks that are constantly evolving and, in the context of Iraq, are characterized by an accelerating pace, especially regarding threats emerging during that unforeseen period.

Money Laundering

138. The residual ML risks were assessed as relatively high, while recognizing that Iraq's vulnerabilities are mainly due to a cash-based economy, and a low rate of financial inclusion¹², despite its increase between 2017 and 2021, as it rose in 2021 to 33.5 % after it was 20.8 % in 2017. The ML risks were assessed as well based on (22) variables related to the country's ability to combat ML, such as the quality of policies, the effectiveness of regulatory, supervisory and border controls, and local and international cooperation.
139. The NRA considers corruption and illicit trafficking in narcotics and psychotropic substances as posing the highest ML threat, as these two crimes ranked first with a rating of (High), followed by smuggling oil and oil derivatives with a rating of (Medium-High), and tax evasion, trafficking in national antiquities, forgery, and Fraud as (Medium). These classifications are based in part on estimating the size of the proceeds of these crimes, such as corruption crime. This is because the FCOI was able to obtain convictions to recover 73 billion IQD and 537 thousand USD; however, the criterion on the size of the proceeds was not adopted in other crimes, such as trafficking in antiquities, or drugs and ML based on the underlying predicate offence, such as trafficking in narcotics and psychotropic substances and smuggling oil and oil derivatives. The authorities justified this fact by the specificity of these crimes in Iraq, as explained below.
140. Drug trafficking is considered high-risk in nature, but it does not always generate proceeds in large amounts, given that Iraq is a transit country. The most prominent narcotic substances (crystal and Captagon) traded locally are characterized by their low price, and the narcotic substances that are characterized by their high price are not traded locally but are rather transported through Iraq to other countries. Regarding smuggling oil derivatives, the largest number of cases considered by the authorities relate to seized oil derivatives before being sold, and thus no proceeds were generated from them. In some cases, smuggling oil derivatives are counted among corruption crimes, as a crime against public funds. In other cases, it is considered a customs crime when the quantities of oil are

¹¹ As per recommendation of the Cabinet dated 03/01/2023.

¹² According to World Bank's data.

manipulated for the purpose of reducing customs duties imposed on them. As for trafficking in national antiquities, the largest number of artifacts was smuggled out of Iraq during the period of ISIL control. Iraq was able to recover about 35,000 artifacts (during the assessment period) before being sold abroad, and thus a major part of these artifacts did not generate any proceeds.

141. The authorities classified the risks of corruption crimes based on the size of the proceeds, unlike other crimes. Corruption is considered a stand-alone crime. As for other crimes, they are governed by other conditions, as no proceeds are generated from them before drugs, oil derivatives, or artifacts are sold. Most of the cases examined by the authorities (see Chapter 1) involves seized drugs, oil derivatives, and artifacts before they were sold, so that no proceeds were generated. This data altogether explains why the size of the proceeds was used to classify the risks of corruption unlike other crimes.
142. Regarding corruption, the authorities have identified financial and administrative corruption crimes committed within public offices, such as embezzlement, bribery, and illicit enrichment. However, both at the central level and in the Kurdistan Region of Iraq, there is a lack of detailed understanding of the sectors exploited for laundering the proceeds of corruption, the most common patterns, or the categories of individuals involved in corruption cases, such as senior state officials. According to the authorities, the proceeds of corruption are primarily reinvested in the real estate sector. However, there does not appear to be an advanced understanding of the most common patterns that would allow for identifying typologies, channels used for laundering systemic and high-level corruption proceeds, and thus the most exposed sectors (banks, lawyers), and types of real estate, which has an impact on the operational activities of the concerned authorities to some extent. Furthermore, the authorities indicated that a portion of the proceeds from corruption might be moved abroad, but they did not demonstrate a good knowledge of the methods used for this purpose.
143. The authorities did not rely on sufficient criteria to assess the level of threat in a comprehensive and consistent way with the risk profile of Iraq. For example:
- The number of investigations, trials and convictions related to these crimes by comparing them to the number of ML offences and whether the same crimes have been identified as predicate offences.
 - The number of crimes committed in a specific area during a specific period. These figures can be used to compare different regions or to identify crime trends over time, except for human trafficking as mentioned in Chapter 1.
 - Socio-economic factors and technological developments that could lead to the emergence of new forms of crime. For instance, the Internet can be used to commit crimes such as financial fraud.
 - The degree of complexity of crimes, such as the increasing complexity of some predicate offences, such as smuggling oil and its derivatives and trafficking in national antiquities, because of its connection to international networks and the use of its proceeds to finance terrorism. (See IO 9).
144. Accordingly, the AT believes that the level of threat classification posed by some predicate offences does not reflect the context of their actual risks. This is because they are based on estimates that were limited to incomplete information and statistics that were not supplemented by additional inputs such as the opinions of other national agencies like investigation and prosecution authorities, and information on formal and informal international cooperation held by various stakeholders, as well as reports of competent international organizations.
145. The NRA addressed the cases in which the proceeds of predicate offences committed in Iraq are transported or transferred to foreign countries for the purpose of laundering them, especially since this cross-border scenario seems more likely in crimes with a cross-border dimension (such as corruption, drug trafficking, smuggling oil and oil derivatives, and trafficking in national antiquities, when committed within the framework of organized crime) according to the risk context of Iraq. In addition, shadow economy phenomena,

especially the heavy dependence on cash, has an additional adverse effect in this context. Moreover, no statistics clarifying the size of proceeds of cross-border serious crimes which are laundered inside Iraq and abroad have been provided, which affected the sufficiency of authorities' understanding of such crimes. On the other hand, the NRA did not sufficiently consider the external threats to which Iraq is exposed to, except for those related to drugs when transported to Iraq, either to be sold or re-transported abroad. Therefore, the NRA did not provide a classification of the external threats Iraq is exposed to. However, the competent authorities who were interviewed during the onsite visit (such as judicial investigation and LEAs and the Office) considered that Iraq's threats are internal in nature and this is due to some factors that limit Iraq's attractiveness to criminal proceeds emanating from abroad, such as the security conditions which Iraq has witnessed in recent years. In addition, Iraq has not received any request for international cooperation related to tracing funds generated from a foreign predicate offence.

146. The AT agrees with the Iraqi authorities' understanding that Iraq's threats are internal in nature; however, the absence of an external threat analysis in the NRA (except what is related to drug trafficking) constitutes a loss of opportunity for the Iraqi authorities to sufficiently benefit from the information that this analysis could have provided in terms of understanding the volume of foreign trade exchange of commodities and funds. This loss of opportunity includes as well the sectors and countries that has the most activities with Iraq, the volume of outgoing and incoming transfers to Iraq, as well as the information that could be provided through formal and informal international cooperation channels. The absence of adequate analysis of the impact of shadow economy practices that are relevant to external threats, such as the informal money service providers and the heavy use of cash, is yet another gap in the risk understanding of Iraqi authorities.
147. Regarding understanding risks and threats at the sub-national level, namely the semi-autonomous Kurdistan Region, Iraqi authorities do not have a uniform understanding. This understanding does not take into account the specificity of this Region and the nature of some of the risks it faces, such as human trafficking, cybercrime, and the related ML threats. The AT addressed these issues in the discussions during the on-site visit, but it was clear that it is not seen by the authorities as a risk in the Kurdistan Region.
148. While law enforcement and investigation authorities in the Region (the MOI in the Kurdistan Region) conduct investigations into human trafficking crimes, totaling 361 cases (constituting 48% of the total investigations in Iraq) during the assessment period, the authorities' understanding of the risks of these crimes and the proceeds generated from them do not reflect the actual reality of these crimes. The AT reached this conclusion in view of what was mentioned in one of the credible international reports that human trafficking represents a threat in Iraq, but the authorities in the Region do not see this as a major threat. This is because human trafficking is ranked 11 among the serious proceeds-generating predicate offences. The authorities also do not believe that cybercrime in the Region constitutes a threat, and the AT did not find any information that supports this conclusion due to the absence of any statistics related to cybercrime.
149. Considering that the understanding of the authorities in the Region is not comprehensive, this may lead to increased complexity in investigating and combating crimes associated with ML at the subnational level, and reduce the effectiveness of procedures and policies adopted to mitigate these risks; which may provide opportunities for refugees to be exploited in criminal activities like trafficking in human beings ¹³, such as forced labor, sexual exploitation, and other related crimes. Therefore, the AT believes that the risk understanding process missed these factors and their impact on potential risks in the Kurdistan region, particularly with respect

¹³ [20221020-2022-TIP-Report.pdf \(state.gov\)](#) (see pages 296-297-298) of this report.

to areas regarding which the country did not keep comprehensive statistics, those which were limited or for which it did not conduct investigations, such as cybercrimes.

150. As for the sectors, the NRA concluded that the residual ML/TF risks regarding exchange offices and the real estate sector were classified at a high level, followed by banks with a medium-high risk level, and e-payment companies and DPMS classified at a medium level, while the risk level of securities brokerage firms and insurance companies were estimated at a low-medium level. As for lawyers, they were classified low risk.
151. Overall, the AT observed, as would be analyzed below, that most sectoral assessments, except for assessments of banks and currency exchange sector, and to a lesser extent, assessments of securities brokerage companies, were not of sufficient quality as they relied on theoretical analysis without having regard to the existing and potential vulnerabilities and threats to which Iraq is exposed. These assessments involved gaps that were characterized by (1) the adoption of inputs with insufficient information that did not take into account a wide and diverse range of information and statistics, nor did they reflect the real risks of the sectors based on the activities of investigation authorities and international reports. (2) This led to an unclear understanding of the sectors and channels used, as these assessments did not show an accurate understanding of the targeted sectors nor did they clearly identify the channels used, whether in money laundering or terrorist financing. For example, the risks of the electronic payment sector were classified as moderate, despite detecting its use in some ML/TF cases. This may generally affect the quality of elaborating effective risk mitigating measures.
152. Although the real estate sector is considered a high-risk sector in terms of ML, the assessment conducted did not demonstrate sufficient understanding of the risks posed by the wide range of professions intertwined in this sector. These professions include the real estate broker, which is a profession that has not been previously subject to monitoring by the RERD (see IO3), the real estate developers, and law firms that can also provide services that might be used for ML in the real estate sector. In addition, it did not specify the risks of misusing this sector as a channel in ML schemes, despite the high risks posed by some crimes, such as financial corruption, as a result of the potential laundering of their proceeds in the real estate sector as one of the most common methods in Iraq.
153. The AT also has concerns about assessing the residual vulnerability of some sectors such as lawyers. This is because when interpreting the data and assessing the mitigation measures adopted, the probability of threats and the impact of their occurrence was not sufficiently considered, although the authorities indicate that they took these points into account in the assessment. As an example, much weight was given to some measures, such as the quality of supervision and regulation, or the publication of instructions and guidelines as stringent measures, which the AT sought to differ to varying degrees according to sectors.
154. Despite the importance of the above-mentioned criteria, it appears that they did not adequately reflect the actual reality and its impact. For example, in the DPMS and legal sectors their subjection to AML/CFT requirements was considered per se sufficient to mitigating the risk levels existing in these sectors, resulting in a risk rating of low-medium. However, these weights appear to be inconsistent with the underlying risks and the relatively limited awareness of these sectors towards AML/CFT obligations. Regarding e-payment companies, the key measures to mitigate risks was deemed to be the presence of general AML controls in inspection and monitoring, providing central records for maintaining documents and easy access to them, and implementing a customer due diligence framework. However, in assessing the risks of this type of FIs insufficient consideration was given to the risks of unregulated spread of these activities in Iraq, as the result of unlicensed activities.

155. The supervisory authorities of the financial sector showed a varying understanding, ranging from adequate understanding to weak understanding. The CBI's understanding of risks was acceptable in some sectors subject to its supervision, as it used a wide range of information required to assess the vulnerabilities in both the banking and exchange sectors, through reports held by the offsite supervision department, such as auditors' reports, onsite supervision reports, remedial actions report, and compliance officer reports; and weak regarding the activity of e-payment companies. Unlike the information mentioned in the NRA of this sector's risks, the CBI did not complete its understanding through a sectoral assessment, first because it omitted the statistical gap of 2020 and 2021, as it did when assessing the banking and exchange sectors and second, because it does not appear that there is a consistent understanding of the risks that this sector may pose.
156. ISC has an acceptable understanding of ML/TF risks to which securities brokerage firms are exposed, as it relied on information provided through both offsite or onsite supervisory reports and on statistics that covered the period that followed the NRA. Unlike the ID, its understanding of the risks was recent, as the discussions held during the onsite visit revealed that the ID has not taken into account the basic information regarding the sector's activity and the information provided in other reports, such as (auditor's reports, remedial actions report, compliance officer report), which prevented it from clearly identifying the vulnerabilities and understanding their interaction with the current and potential threats given Iraq's risk profile. The understanding of the DNFBPs' supervisory authorities of the risks remains very limited.

Terrorist Financing

157. Based on interviews with the relevant Iraqi authorities showed that they understand TF risks related to ISIL to be the main threat, and to a lesser extent with regard to the other terrorist organizations¹⁴. However, the country's understanding of TF risks appears to be based on the prevalence of terrorist acts rather than the risk related to the movement of funds and assets to finance terrorists and terrorist activity. This understanding was sometimes more detailed than the NRA, which rated TF risks as high. However, the NRA reflected in good manner and systematically the various stages of financing, starting from the fundraising stage, through the transfer stage, to the stage of using the funds. As explained below, the Iraqi authorities distinguished between two main paths of threats related to TF, which differ in chronological order depending on the period of enablement¹⁵ and beyond¹⁶. This is important because it allows the Iraqi authorities to develop tailored responses based on each pathway and the threats it poses.
158. The competent authorities concerned with investigation and prosecution are well aware of the TF risks and effectively determine the paths and methods of financing terrorist activities in Iraq. All the competent authorities indicated that TF at the national level was mainly done through self-financing in the enablement stage. Financing was done from outside the country, to a lesser extent, through financial services companies (exchange companies), individuals and NPOs. Funding sources, whether legitimate or illegitimate, were various.

¹⁴ See Chapter 1.

¹⁵ Enablement period: This is the period from 2014-2017 during which the terrorist organization ISIL controlled large parts of Iraq. It is a term used in the NRA and adapted from the literature of the terrorist organization ISIS, which considers that controlling territory is an important part of empowerment.

¹⁶ Post-enablement period: It started after the defeat of ISIL in 2017.

159. During the period of enablement, ISIL controlled large parts of Iraq, accounting to a third of Iraq's area. ISIL declared it an Islamic caliphate and imposed its laws on the population. The geographic boundaries of the period of enablement were wide-ranging, including the following areas:

- In Anbar Governorate, the organization took control of the city of Fallujah, and its neighboring cities and villages.
- In Nineveh Governorate, the organization took control of the city of Mosul, and its neighboring cities and villages.
- In Saladin Governorate, the organization took control of the city of Tikrit, and its neighboring cities and villages.

160. In that period, terrorism was self-financed through raising funds locally from a variety of sources, including in particular:

- Looting banks and financial resources from state departments in areas under its control: During 2014, the organization looted more than USD 500 million in cash from the CBI branch in Mosul.
- oil exports: The organization was able to operate the oil fields using primitive means to extract approximately 50,000 barrels per day at a selling price of between USD 20-30 in the field, followed by brokers affiliated with the organization transporting it to the markets at a price ranging between USD 60-100.
- Phosphate, cement, and sulfur: The organization was able to control a very large area rich in natural resources, such as the Akashat phosphate mine located in the city of Rutba in Anbar Governorate. The annual income from selling phosphate is estimated at the equivalent of USD 50 million annually, and sulfuric and phosphoric acid is equivalent to USD 620 thousand annually after selling it to neighboring countries within the framework of organized smuggling networks.
- Royalties and taxes on the population, and zakat funds: ISIL imposed fees on residents in the areas under its control on transit goods, including a "road tax" worth USD 200 in northern Iraq and USD 800 customs tax on trucks entering Iraq along the borders adjacent to the areas under its control. In addition, royalties were taken from individuals and farmers in the form of zakat.
- Working with drug traffickers: By helping them transport drugs between countries of the world, especially "Captagon pills" which is manufactured and traded by the organization's gangs.
- Funds collected from informal companies, i.e., those not licensed by CBI, such as exchange companies.
- Selling antiques and artifacts: The NRA, based on some specialized reports, indicated that during the enablement period, Iraq lost more than 35,000 artifacts at the hands of ISIL terrorist gangs during 2014 and 2015. This was the result of the vandalism and theft of more than 46 archaeological and religious sites, as well as museums, especially the Iraqi Museum and the Mosul Museum and other archaeological sites.
- Human trafficking in markets called (the slave market) and arms trade.

161. As for funds collected from external sources, the NRA reflected external funds coming from NPOs and donations from some merchants from neighboring countries as well as from some of their collaborators. However, the relevance of shadow economy practices, such as informal money service providers and the prevalence of cash, has not been clarified enough in the NRA.

162. Following the enablement period in 2017, Iraqi forces and the international coalition were able to pursue ISIL in the areas that were under its control. ISIL turned into remnants inhabiting deserts, valleys, and rugged areas¹⁷. However, the organization still poses a threat to security and stability in Iraq in some areas, such as Anbar Governorate, where its sources of funding have decreased significantly, as the organization is no longer able to control the lands or produce and smuggle oil and gas. The organization's assets in banks were also frozen and other financing lines were cut, forcing it to resort to new sources of financing, including extortion,

¹⁷ Especially the Hamrin Hills, Mutaybja, the Baaj Desert, Hatra Island, and Wadi Houran

money theft, drug smuggling, and foreign financing. As a result, the organization has become weaker and suffers from a lack of funds and liquidity. According to the testimony of the competent authorities, this was reflected in the activity of this terrorist organization gradually, as it decreased during the years that followed its defeat.

163. The TF NRA also identified some of the main weaknesses that can be exploited for terrorist financing purposes in Iraq as an important first step in addressing the gaps. They include a set of criteria that were assessed with relatively high weaknesses related to the effectiveness of national and international cooperation, and the extent of the availability and effectiveness of laws and regulations related to the TFS system, the effectiveness of reporting suspicious transactions, and the proportionality of human resources to combat terrorist financing. In addition to geographical factors, such as the length of the land borders between Iraq and neighboring countries, or other demographic and ideological factors, such as religious extremism and sectarian fanaticism. However, the effect of inadequate levels of supervision of FIs and DNFs have not been given sufficient consideration in this context.
164. During the onsite visit, the Iraqi authorities presented case studies in which they demonstrated a very good understanding of the TF risks due to their ability to conduct proactive financial investigations to identify potential links between organized crime, such as drug trafficking, human trafficking, and terrorist financing. These investigations covered operations to launder crime proceeds within criminal networks run by terrorist cells linked to ISIL and involved in oil smuggling, the issuance of false passports, and funds in tax havens. The authorities succeeded in seizing large amounts of funds used to finance terrorist activities (see IO9). Besides, the AT did not come across any cases or cases indicating that organizations present in Iraq (during the assessment period) received external funding (except from countries where ISIL maintains a presence) or have financed terrorist acts targeting neighboring countries or used Iraqi territory as a launching ground to target any of them. From this it is concluded that terrorism and TF risks in Iraq are limited to its territory and do not appear to extend to cover neighboring countries, except for countries where ISIL is present. This is also evidenced by the fact that formal and informal cooperation (other than intelligence cooperation) with counterparts did not cover cases related to terrorism or TF acts in neighboring countries initiated by terrorist organizations present in Iraq.
165. Regarding the other terrorist organizations, although the NRA addressed other terrorist organizations, it did not include an analysis of the risks of their financing. Investigation and prosecution authorities reported that these organizations consist of gangs and small groups that have split from the Popular Mobilization Forces¹⁸, and their activities are primarily concentrated in Iraq.
166. Regarding the terrorist acts committed by these organizations, they target diplomatic missions and carry out criminal acts against foreigners in Iraq, acting as mercenaries. These attacks have been characterized by inconsistency and lack of sequence, being active during certain periods. The criminal acts have been concentrated in the provinces of Salah al-Din, Anbar, Erbil, and Baghdad. The number of acts committed by these groups amounted to 196 terrorist acts, concentrated during the years 2020-2021. LEAs notify the affected countries of all investigation results through the Joint Operations Command.
167. The other terrorist organizations rely on traditional means for moving funds (through vehicles) according to Iraqi authorities. However, the specific types and channels of terrorism financing used by these organizations have not been precisely identified, except for some information derived from court rulings. This information indicates that the funding of these organizations is primarily self-

¹⁸ In November 2016, Iraq issued legislation known as the Popular Mobilization Forces (PMF) Law, which aims to integrate the PMF into the Iraqi armed forces. Under this law, the PMF factions and formations are considered legal entities that enjoy rights and bear obligations as a supplementary and supportive force to the Iraqi security forces, with the right to maintain their identity and distinctiveness as long as it does not pose a threat to Iraqi national security. The PMF participated in the Battle of Mosul and had previously participated in operations by Iraqi forces to reclaim other areas in western and central Iraq from ISIL personnel.

financing, derived from legitimate sources such as personal salary donations, savings, and artisanal work, as well as from illicit sources such as kidnapping and extortion. None of these rulings showed the use of banking products as a channel for financing their activities.

168. The authorities also confirmed that these organizations do not receive funding from external sources, and no evidence has been found to suggest otherwise. The funds they collect are used to finance their activities within Iraq and, to a lesser extent, in neighboring countries. The authorities explained that the risks posed by these terrorist organizations, despite their severity, are considered less threatening compared to the terrorist threat posed by ISIL. This is due to several determinants, including:

- Frequency of terrorist activities: The terrorist acts of these organizations occur sporadically, indicating weak internal organization and a lack of solid organizational structure compared to ISIL.
- Targeted victims: Most attacks were directed against diplomatic missions and criminal acts against foreigners, driven by an ideology that rejects the presence of foreign forces in the country. Therefore, their objectives are less comprehensive and widespread compared to ISIL.
- Means used in committing terrorist acts: These organizations relied on weapons and equipment they seized during the liberation of areas from ISIL.
- Complexity of the mechanism of terrorist acts and the provision of necessary funding: The authorities believe that these organizations rely on traditional methods in carrying out their acts, reflecting their lack of complexity and funding that was available to ISIL.

169. The above determinants highlight the difference in the level of threat between the other terrorist organizations and ISIL, as the latter had greater organizational and financial capabilities, making its threat more comprehensive and dangerous. However, the assessment team believes that the other terrorist organizations pose current and future TF risks, necessitating a more comprehensive and high-quality understanding.

170. Competent authorities' understanding of the risks of NPOs was mixed. At the level of the supervisory authority represented by the NGOs Department, whether in Iraq (the center) or in the Kurdistan Region, there was an emerging understanding of the risks of exploiting the NPOs sector as a conduit for TF. The Department did not start assessing the risks of the sector until the beginning of 2023. However, this understanding lacked accuracy not only in identifying vulnerabilities or threats and consequences, but also in the methods that were adopted in misusing these organizations for TF. This is because the Department was unable to clarify the methodology and standards that led to identifying the risks of exploitation of the sector for TF at a medium-high level. In addition, the AT believes that the level of risks is inconsistent with the actual risks to which the sector is exposed, based on the high threat from terrorist entities active in Iraq. However, in practice, the Department has submitted high-quality suspicious reports to the Office (IO.9)

171. In the same context, LEAs and judicial investigation authorities demonstrated a good understanding of the risks of misuse of this sector as a conduit for TF. Although their understanding of the risks of misusing NPOs is primarily derived from practical field experience, it represents a strong point that can be utilized to enhance the fight against TF. Through this practical experience, these authorities gained a good understanding of the risks associated with this sector, allowing them to make better decisions on how to address them. Through this integrated approach, we believe that Iraqi authorities will be able to improve their ability to combat terrorism and its financing and mitigate risks.

172. On the date of the onsite visit, the Iraqi authorities completed an assessment of the risks of VAs and their service providers (VASPs). Their understanding of the risks associated with the use of VAs and VASPs was still emerging. This is because VAs and VASPs were

classified at a low level because they were prohibited from dealing in Iraq pursuant to a decision issued by the CBI. The AT believes that this assessment needs to be developed on multiple levels, as the prohibition issued by the CBI only applies to FIs subject to its supervision. On the other hand, the quality of the data and inputs used in the risk assessment was inaccurate and comprehensive, as it was based mainly on theoretical information. It did not fully reflect the context of risks in Iraq, including the situation in the Kurdistan region, which is characterized by the development of communications infrastructure and other technological services compared to the remaining governorates in Iraq.

173. Regarding ML/TF risks arising from legal persons and legal arrangements, Iraq conducted in 2023 two separate risk assessments, the first relating to legal persons and the second to endowments. The first assessment of legal persons was focused and clear. The residual ML risks were classified for all legal persons, which amounted to 118,639 national companies and branches of foreign companies in Iraq by the end of 2022. In general, the risks of joint liability companies and joint stock companies were classified as “low-risk”, while simple companies and individual ventures were classified as “low to moderate-risk” and the residual risks of limited liability companies and branches of foreign companies were classified as “moderate”. As for the residual TF risks, the assessment concluded that limited liability companies and branches of foreign companies pose the highest level of residual TF risks, which is moderately high, given that the assessment was able to establish the misuse of exchange companies for TF purposes (17 limited liability companies and branches of foreign companies) according to the investigations conducted by LEAs during 2018-2022 and the statistics received from the Cabinet Affairs Department related to the CFTF. The residual risks of joint-stock companies and joint liability companies were classified as low risk.
174. As for assessing ML/TF risks posed by endowments of various types, it became clear to the AT that what the authorities have reached requires more details and accurate information to ensure its outcomes so that they can later be adopted. Once adopted, they would serve for taking the necessary measures to address the identified risks and ensure consistency of the policies and procedures applied with the level of these risks, regardless of discussing the level of risks, considered low in Iraq, as the assessment concluded.
175. In general, and in addition to the above, there are several structural weaknesses that have not been considered in understanding most predicate offences. These include the shadow economy, the widespread reliance on cash, and low financial inclusion rates, all of which create an environment conducive to illicit financing activities without effective oversight. On one hand, the shadow economy facilitates ML/TF due to the lack of formal systems and controls. On the other hand, the heavy reliance on cash hinders the process of tracing the flow of funds and identifying their source. The link with cross-border cash smuggling has also not been adequately considered in the NRA. Further, inadequate customer due diligence/know-your-customer (CDD/KYC) understanding and supervision of financial institutions and DNFBPs contribute to sectoral vulnerabilities to ML and TF. Adding to these factors are the security disturbances in some neighboring countries, which amplify the impact of cross-border crimes in Iraq.

National Policies to address the identified ML/TF risks.

176. National AML/CFT policies and activities in Iraq address, to an acceptable extent, ML/TF risks identified in the country. During the past six years, Iraq has introduced a wide range of changes to strengthen its system to combat ML/TF. These include financial inclusion policy, its legal framework, law enforcement, and its supervisory approach. The AML/CFT Council led system-wide efforts to implement fundamental reforms regarding Iraq's approach to combating ML/TF.
177. Since the enactment of Law No. 39 of 2015, the AML/CFT Council has developed two national strategies to combat ML/TF in Iraq. The first covered the period from 2017-2020, and the second the period 2021-2023. The second strategy is considered complementary to the first national strategy, and following the completion of the ML/TF NRA, the second strategy was updated in

light of the outcomes of the assessment by setting strategic objectives at the level of the country. Recently, after adopting the NRA in 2023, the AML/CFT Council issued the third national strategy and action plan to combat ML/TF for 2023-2027 based on the results of the NRA outcomes.

178. Before adopting the third strategy and following the initial outcomes of the NRA, many major bodies sought to address the risks that were monitored in the assessment, which led to the introduction of several changes in the Iraqi AML/CFT system. On its part, the CBI took several measures in this regard that contributed to issuing the national strategy for financial inclusion and ensuring the delivery of financial services to a wide segment of groups, and a project to automate the work of government ministries. Among these measures, electronic collection was activated, as a decision was issued by the General Secretariat of the Cabinet No. (378) concerned with approving and activating electronic collection in accordance with the CBI's strategy. This strategy aims to provide the service of viewing and paying bills electronically through the Iraqi payments system and the electronic clearing system, and the optimal use of POS channels. A Circular dated 06/03/2023 was issued to all banks licensed in Iraq to publish this service, especially since e-payment and collection devices were exempted from customs fees and taxes of all forms. Measures have also been put in place within the country's general budget for 2023 to increase the share of the budget to support financial inclusion.
179. As for the FIU, the Office, developed at the end of 2022 (on a pilot basis at that time) an advanced electronic reporting system to receive STRs from the reporting entities, as well as to receive cash transactions reports. It also started linking some of the main entities to this system such as (several banks, financial sector institutions, DNFbps, the MOI, and the CRD), and work was underway at the time of the onsite visit to complete the linkage with the remaining authorities.
180. Within the framework of the third AML/CFT strategy, Iraq is currently applying a risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF. The national strategy highlights 13 strategic objectives as follows: 1) Strengthening the legislative AML/CFT framework. 2) Enhancing the understanding of the competent authorities and reporting sectors of the ML/TF risks, and proliferation. 3) Strengthening the capabilities of investigation, prosecution, litigation and confiscation of money laundering crimes and other financial crimes in accordance with the risk-based approach. 4) Enhancing the effectiveness of local and international coordination and cooperation in the field of combating ML/TF. 5) Improving the quality and processing of information related to the Office. 6) Strengthening the capabilities of investigation, prosecution, and litigation of TF crimes. 7) Strengthening the capabilities of FIs and DNFbps in reporting and applying preventive measures and risk-based approaches. 8) Strengthening market entry procedures in the FIs sectors and providing oversight and supervision thereof in accordance with the risk-based approach. 9) Completing the regulation of DNFbps sectors and providing oversight and supervision over them in accordance with the risk-based approach. 10) Developing and enhancing the reliability of financial records, books, and evidence used in ML/TF-related investigations. 11) Enhancing the effectiveness of implementing Security Council resolutions immediately and without delay. 12) Promoting financial inclusion and combating the informal sector. 13) Strengthening the customs system and declaration of funds transported across borders. All these strategic objectives include specific procedures for all major entities concerned with combating ML/TF in the country, as each entity has developed its own action plan.
181. The third national strategy addresses the risks identified per the outcomes of the NRA process, appropriately, by focusing the Iraqi authorities on the effective implementation of the package of legislative and policy reforms by building the entities' understanding and capacity to combat ML/TF. This included several major structural reforms regarding the automation of procedures and processes for implementing transfer operations related to the implementation of external transfer transactions. Accordingly, in 2023, CBI issued external transfer controls No. 5/11/1083 dated 19/02/2023 directed to all banks, to avoid risks related to foreign transfer, which for

many years constituted a major vulnerability in the combating system. Within the framework of this reform approach, the CBI also issued a decision requiring the completion of the process of purchase and sale of real estate through banks for real estate whose value exceeds the specified threshold, which is 500 million Iraqi Dinar, equivalent to about USD 380 thousand.

182. On 02/03/2022 the Supreme Judicial Council issued a circular appointing a specialized investigating judge in each appellate presidency (court) that will look into the investigation of ML cases. It also created a database for statistics related to investigations and cases and made it available to the Office and CBI. Other databases have also been created by the investigation authorities, which include statistics and information related to ML/TF investigations, and statistics on the ruling and conviction decisions issued on the persons and companies convicted and against whom judicial decisions were issued. These statistics are available upon request by the Office or for the purpose of completing the investigation procedures and the parallel financial investigation, as well as seeking on strengthening the staff resources working in investigating this type of crime by launching the Financial Investigations Guide.
183. With the aim of ensuring the achievement of the objectives of the national strategy, Iraq has established a good mechanism to follow up on its implementation and implement the action plan issued in its regard. This is because the AML/CFT Council has formed a working group among its employees and the employees of the Office to follow up on all parties concerned with the implementation on an ongoing basis. They are required to submit periodic reports to the AML/CFT Council that include the status of each party and the percentages of completion. Official letters are sent to the relevant authorities concerned with the implementation to complete the remaining procedures. The same applies to entities that are faltering in implementation or that have not been able to implement some of the items of the action plan.
184. During the onsite visit, the AT reviewed the level of general implementation of the sectoral action plans for each of the entities. Most of the percentages ranged between 5% and 25% of the target to date (at the time of the onsite visit), apart from the thirteenth strategic objective related to strengthening the customs system and declaring cross-border funds, which reached 60%, and the Iraqi authorities explained this high percentage that this strategic objective relies on legislative reforms and issuing instructions¹⁹, such as the Customs Instructions No. 3 of 2023, and the AML/CFT Council Controls No. 1 of 2023 issued to FIs and DNFBPs in relation to the due diligence requirements.
185. Not enough time has passed since the adoption of the third national strategy to allow for assessing the impact of implementing these policies in addressing vulnerabilities to mitigate risks and allocate resources. However, it is expected that over time the third national strategy will contribute to addressing the vulnerabilities identified by the NRA. The CBI has in place procedures to mitigate the risks of practicing money exchange activities without a license. These procedures have led to the closure of 174 exchange offices that had not obtained a license to practice MVTs, but the penalties applied were not considered proportionate and dissuasive (see IO 3). On the other hand, the limited understanding of complex ML activities and certain types of crimes referred to above may lead to weak effective implementation of these policies.
186. In addition to the other strategies for combating organized crime in Iraq, various strategies related to some high-risk crimes have been developed. These are represented by the National Strategy for Integrity and Combating Corruption, the Iraqi Strategy for Combating Terrorism, and the Strategy for combating Organized Crime.

¹⁹ The instructions are effective one month after the date of publication (i.e. publication in the Official Gazette), which is on 31/08/2023, that is, after the onsite visit that ended on 23/08/2023.

187. National Strategy for Integrity and Combating Corruption (2021-2024): This strategy comes to fulfil international obligations imposed on Iraq, such as the UNCAC. This strategy aims at promoting integrity and combating corruption at all government levels, with the participation of legislative, executive, judicial and supervisory authorities. It was approved for the period extending from 2021 to 2024 and includes identifying partners from the private sector and civil society, for implementation and support.
188. An executive plan was formulated to implement the National Strategy for Combating Corruption which laid out high level goals but does not sufficiently detail dissuasive measures to deter financial crimes and corruption from being enabled or committed by government officials and PEPs through specific mitigating and enforcement measures.
189. The Iraqi Strategy for Combating Terrorism (2021-2025): It was prepared with the efforts of the CTS and approved for the period (2021-2025) based on the decision of the National Security Council. This strategy aims at providing a safe and stable environment, preventing, and combating TF effectively, and promoting regional and international cooperation.
190. Strategy for combating Organized Crime (2023-2027): Developed by a team from the MOI and the Ministry's Agency for Federal Intelligence and Investigations. It aims at making Iraq free of organized crime and promoting international peace and security. Key objectives have been set, such as raising intelligence capabilities and using modern technologies for combating organized crime.
191. Despite the efforts made, the AT was unable to ensure that the various strategies were properly integrated with the 3rd National Strategy for combating ML/TF, especially with regard to high-risk channels through the financial or non-financial sectors, and high-risk criminal activities identified for ML/TF, such as corruption, drug trafficking, smuggling oil and oil derivatives, tax evasion, trafficking in national antiquities, and human trafficking. This indicates the need to enhance consistency between these strategies to ensure that they are used in an integrated and effective manner, in order to achieve harmony between objectives, activities and resources, and ensure that maximum results are achieved, thus serving national AML/CFT policies and activities.
192. Considering that the NRA did not consider adequately the impact of structural and sectoral weaknesses in the country and the mitigating measures to address these so as to reduce their vulnerability to ML/TF, national policies and strategies to address these are not sufficiently concretised. In particular, this includes measures to improve financial inclusion, that address abuse of the shadow economy and enforcement measures against cross border cash smuggling.

Exemptions, enhanced and simplified measures.

193. Iraq does not allow any exemptions for FIs or DNFBPs in their application of measures to combat ML/TF. FIs and DNFBPs may apply simplified measures when low risks are identified, based on the NRA and their self-assessment of risk. For example, these simplified measures could be applied to low-risk sectors such as stock exchanges, insurance companies and government entities or, to accommodate special cases, such as when dealing with cash, simplified measures have been adopted in Iraq to increase financial inclusion. These measures aim to provide broad segments of the population with access to basic financial services, such as the use of electronic points of sale (POS). This was achieved by incorporating these procedures into the government program and issuing appropriate executive decisions. Additionally, electronic collection has been adopted and implemented based on the CBI strategy, facilitating individuals and companies in paying bills electronically and dealing in secure and transparent ways. Furthermore, circulars have been issued to licensed banks to promote the use of electronic points of sale (POS), encouraging the use of electronic payments instead of cash.
194. Where high risks of ML/TF are identified, FIs and DNFBPs must apply EDD measures, in particular, for clients from countries identified by the AML/CFT Council and the Office as representing high risk, and correspondent banking relationships.
195. Iraq took enhanced measures about the following high risks:

- **Real Estate Sector:** A number of measures have been taken in coordination between the RERD and the CBI. The CBI has issued a circular to licensed banks to apply EDD measures for completing real estate sale transactions through the following mechanism:
 - The seller and buyer, or the buyer, must be present to deposit the agreed amount between the parties through the banking financial institution when the amount or value of the property exceeds USD 380,000, which is the amount specified by the AML/CFT Council.
 - The amount is deposited with the banking financial institution by opening accounts after the concerned bank has conducted EDD measures.
 - The property ownership transfer process is completed after the RERD receives a notice confirming that the necessary measures have been taken and the financial transaction is sound based on the above.
- **Foreign Remittances for Trade Purposes (High-Risk):** An electronic platform has been established specifically for the foreign remittance product in USD. It operates under the supervision and monitoring of the CBI and an international auditing company to ensure that this product is not exploited for transferring criminal proceeds (such as from corruption) through the use of fake invoices.

Objectives of the competent authorities and their activities

196. The objectives and activities of the competent authorities are variably consistent with the ML/TF risks identified between acceptable to limited. This disparity is due, on the one hand, to the failure of the NRA to adequately assess risks in the Kurdistan region, which may affect authorities' objectives and activities related to risks that are relevant to this region as explained above. On the other hand, this is also due to the existence of challenges related to the country's understanding of some of the risks and threats associated with some criminal activities regarding areas in which the country did not keep statistics or those in which it was limited or did not conduct investigations. Therefore, these factors can affect, as described above, on the objectives and activities of competent AML/CFT authorities.
197. The Office, the CBI, the investigating judges, LEAs, and the intelligence agency have demonstrated good commitment to implement the action plans of each of these agencies, which emerged from all the national strategies that were approved, including the latest national strategy. These agencies allocated basic resources with the aim of improving their ability to target ML/TF, investing in training officials and employees, and developing systems to prioritize cases.
198. However, the GAC, as well as the GAT, is working toward developing their expertise, especially regarding ML/TF cases related to tax evasion or international trade, including with high-risk neighboring countries. This includes the ability to identify suspicious transactions and collect evidence (proof) and analysis and enhance cooperation with other supervisory authorities. Especially considering the challenges that face the country in identifying ML resulting from customs evasion and TBML, not to mention that some of them were detected by the Office while they were not known to the customs authorities (see IO6). This indicates that the Iraqi customs system faces challenges in adopting the country's strategic approach in dealing with ML/TF issues.
199. The objectives and activities of the main financial sector supervisors, such as the CBI and ISC, are to a certain extent consistent with national AML/CFT policies and the identified risks. Despite the efforts exerted at the legislative level, these policies still need to be developed to adapt to continuous risk changes, by keeping pace with ML/TF developments, methods and new patterns of financial crimes that constantly arise. They also need to update their policies and procedures regularly and ensure that they cover all potential

aspects of new risks through cooperation and coordination with other stakeholders, such as judicial and LEAs, to exchange information and experiences and identify best practices in combating financial crimes.

200. The remaining supervisory bodies that oversee FIs, such as the ID, the CRD, the GAT, and the NGOs Department (the body responsible for supervising and overseeing the NPOs sector) and all DNFBPs, are still in the process of defining objectives and activities that are clear and consistent with ML/TF risks. (See IO3 and IO10)

Domestic Coordination and Cooperation

201. The Iraqi authorities cooperate with each other to a large extent regarding ML cases and well regarding TF. This is done through a variety of mechanisms, including close bilateral relations between all the main authorities concerned with combating such crimes. The authorities also emphasize the close nature of coordination between them, including in the Kurdistan region. However, cooperation between the authorities regarding proliferation was limited, despite the challenges facing Iraq in the context of PF risks (see IO11).

202. The AML/CFT Council and the Office are the two main bodies concerned with supervising cooperation and coordination. Both enjoy great political support, as the Council is chaired by the Governor of the CBI. It is the highest national coordination committee and consists of membership of the relevant and concerned parties represented in each of the: Supreme Judicial Council, MOJ, MOC, MOI, MOF, Department of NPOs, the MOFA, the Iraqi NIS, the NSS, the CTS, and the ISC; and the position of each representative shall not be less than the rank of Director General, and a judge whose rank shall not be less than the third category shall be nominated by the Supreme Judicial Council, and the President of the Council shall also have the right to inviting any specialist who deems necessary to seek their opinion, without having the right to vote. Since its formation, until now, the Council has worked on coordination among the relevant institutions in the AML/CFT system. It is responsible for drawing up policies and strategies for combating ML/TF at the national level and determining the strategic and sub-objectives for all sectors. It also worked to complete the identification of the regulatory and supervisory bodies for the DNFBPs sector, to strengthen the status of Iraq to comply with international standards, such as lawyers, real estate brokers and DPMS.

203. In addition to the AML/CFT Council, other aspects of coordination and cooperation with investigative and LEAs have been strengthened. A committee was formed chaired by the Judicial Council and the membership of several government agencies such as the Office, the MOI, the Financial Supervision Bureau, and the FCOI. This committee cooperated with the United Nations to prepare guidance for financial investigations. These efforts aim to enhance local cooperation and raise the capabilities of investigators in financial investigation procedures, provide appropriate tools and methods, and benefit from local and international sources of information.

204. As for combating TF, Iraq has formed the National Committee to Combat Terrorism, chaired by the National Security Advisory and membership of various bodies relevant to the subject, such as: the Supreme Judicial Council, the Office, the MOFA, the CTS, the NSS, Intelligence Service, MOI, Ministry of Defense. This committee supervised the implementation of the Iraqi strategy to combat terrorism, which it circulated during 2021 to all parties to implement what was stated therein.

205. Iraq also formed a committee chaired by the National Security Advisory and membership of various bodies such as: the Office, the MOJ, the NIS, the Counter-Terrorism Agency, the MOFA, and the High Commission for Human Rights. This committee will undertake to follow-up on the implementation of the strategy for combating terrorism.

206. Iraq has also formed several committees with different formations and topics to enhance coordination and cooperation between various government authorities, including:

- A committee concerned with the intelligence assessment of the financial capabilities of the terrorist organization ISIL in 2022. It consists of members of the NIS, the NSS, the CTS, the Federal Intelligence, the Intelligence and Security Directorate, as well as the Military Intelligence Directorate and the Office. This committee aims to assess the financial capabilities of the terrorist organization ISIL, determine its sources of funding, and develop plans to confront it.
- A committee at the level of Iraq, pursuant to Diwani Order (23035) dated 17/01/2023, to take appropriate measures to recover Iraqi funds that were seized by the terrorist organization ISIL. This committee consists of members from the Office, and the MOFA, the Presidency of the PP, the MOI, the NIS, and the NSS.
- A joint national committee (Customs Order Committee 20 of 2020) chaired by the MOJ to follow up on the implementation of the United Nations Convention against Transnational Crime and the protocols attached thereto. This committee consists of members from the Office, the MOFA, the Directorate of PPs, the MOI, the NIS, and the NSS. This committee aims to develop plans to implement this convention in Iraq.
- The AML/CFT Council: The Director-General of the Office serves as Vice-Chairman of this Council. This council includes representatives of the General Secretariat of the Council of Ministers, the Iraqi NIS, the MOI, the MOFA, the MOF, the MOJ, the MOC, the ISC, the CTS, and a judge nominated by the Supreme Judicial Council. This council is considered the most important form of institutional cooperation. It provides the opportunity and possibility for a high level of institutional representation in the combating field.
- The CFTF: It is chaired by the Deputy Governor of the CBI, with the Director General of the Office acting on their behalf. It consists of representatives of the MOF, the MOI, the MOFA, the MOJ, the Ministry of Communications, the MOC, the FCOI, the CTS, and the Iraqi NIS. The committee is responsible for the implementation of the resolutions issued by the UN Security Council and related committees (See IO 10).

207. Iraq has a range of other informal channels for cooperation, such as face-to-face conversations, informal email, and social media, while also relying primarily on other forms of formal cooperation, including MOUs. The Republic of Iraq has signed 16 cooperation agreements with other national stakeholders for the purpose of activating the process of exchanging information between the two parties as quickly and securely as possible. These stakeholders include: the MOI, CTS, Recovery Department of the FCOI, Iraqi NIS, CBI - Office for Compliance Monitoring, Banking Monitoring Department, Integrity Commission of the Kurdistan Region, MOI of the Kurdistan Region, Department of NPOs, Iraq Assets Recovery Fund, the Inspector General Department of the MOI, the Hajj and Umrah Authority, the MOC, the CRDs, the NSS, the GAT, and the RERD at the MOJ. These agreements aim to enhance cooperation between relevant national authorities to combat ML/TF. However, shortcomings identified in relation to the understanding of ML and TF risk as indicated above eventually affect the activities of the concerned authorities.

Private Sector Awareness of the Risks

208. The CBI involved representatives of the private sector in the assessment process, such as (the banking, e-payment companies, and exchange companies' sectors), as well as representatives of the Iraqi Banks Association. They participated by attending workshops and training courses provided by the World Bank to explain the assessment mechanism. They also participated by seeking their opinion by filling out questionnaires.

209. Representatives of the remaining components of the financial and DNFBBPs sectors participated in the NRA. Their understanding of risks was mainly limited to filling out some simple questionnaires and participating in meetings with the competent authorities as part of the initial steps of the NRA process. This had a significant impact on the varying level of their understanding of risks, especially

since the said sectors have not completed their self-risk assessments with the required quality or have not completed them at all (See IO 4).

210. The level of FIs' understanding of the ML/TF risks varies between financial sectors. Banks, exchange companies, and e-payment companies have an understanding of the ML/TF risks that ranges between good and medium, while the understanding of the other FIs of the risks to which they are exposed, such as Insurance companies and securities brokerage firms are in the initial stages (see IO4).
211. For DNFBPs, there is weak awareness of the ML/TF risks, as their participation in the NRA process was limited to filling out some questionnaires without supplementing their understanding by conducting self-risk assessments as required. This had a significant impact on their understanding of the ML/TF risks facing them.
212. **Overall Conclusion on IO 1:** In general, Iraq demonstrated a good understanding of TF risks in relation to ISIL but an inaccurate understanding of non-ISIL related TF risks, while ML risks understanding was still evolving. However, there is still room for substantial improvements regarding Iraq's understanding of ML risks in the Kurdistan Region and in more complex ML activities, such as ML linked to human trafficking, high-level corruption and cybercrime, as well as cross-border and foreign threats facing Iraq.
213. National policies and activities to combat ML/TF in Iraq do not adequately address the ML/TF risks identified in the country and the limited understanding of complex ML activities, structural and sectoral vulnerabilities and ML threats presented by certain types of crimes referred to above may lead to weak effective implementation of these policies.
214. The remaining supervisory bodies that oversee FIs, such as the ID, the CRD, the GAT, and the NGOs Department (the body responsible for supervising and overseeing the NPOs sector) and all DNFBPs, still require developing their procedures to identify objectives and activities that are clear and consistent with ML/TF risks.
215. The authorities in Iraq cooperate well with each other regarding ML/TF cases, and to a limited extent regarding proliferation, despite the challenges that Iraq faces, given the context of the PF risks. The understanding of FIs' ML/TF risks ranges from good (for banks) to poor (for insurance companies), likewise for DNFBPs that is still poor.
- 216. Iraq is rated as having a Moderate level of effectiveness for IO 1.**

CHAPTER 3. LEGAL SYSTEM AND OPERATIONAL MATTERS

Key Findings and Recommended Actions

Key Findings:

Financial Intelligence (Immediate Outcome 6):

- a) Iraqi LEAs and investigative authorities obtain, review, and use financial and other relevant information (intelligence) before and during the investigation in order to develop their data and process them into evidence and trace proceeds of crime. It is noticed that 89 % of the total cases in which financial intelligence was obtained for corruption. While financial intelligence is generally used during the course of ML/TF investigations to some extent, it has not been demonstrated how financial intelligence is used effectively in detecting ML, associated predicate offenses and TF and tracing criminal proceed in line with risks as noted in IO.1.
- b) The Office receives STRs from subject entities, which consist of FIs, mainly banks and exchange companies engaged in money transfer activity, as well as from supervisory authorities over some subject entities. The number of STRs filed by banks and exchange companies is considered low in general, and non-existent in the case of insurance companies and securities brokerage firms. STRs received from DNFBPs, including those in higher risk sectors such as DPMS and real estate, are almost non-existent. The quality of STRs received from banks and exchange companies is generally acceptable, although STR filed by banks are better in terms of quality than those received from exchange companies. The quality of TF related STRs is relatively better than ML related STRs. The types of crimes subject of the STRs are consistent to some extent with the serious crimes identified in the NRA, whereas it is noted that STRs related to drug-trafficking and other key risk areas not adequately covered in the NRA (see IO.1) are poor. These gaps impact the financial intelligence support that can be provided by the Office for detecting ML, associated predicate offenses and TF and tracing criminal proceed in those sectors.
- c) The Office has acquired an electronic system for receiving STRs and exchanging information with the relevant parties. It became operational in the second half of 2022, while all banks and many FIs were registered, as well as regulatory authorities and LEAs concerned with the combating regime. Pending the provision of the technical assistance from the party that developed this electronic system, Iraq must complete the process of linking all other subject entities, which would enhance the Office's ability to better benefit from the technical features of this system in terms of arranging and processing data based on priority and relative importance.
- d) The Office conducts operational analysis not only of STRs, but also of reports received from LEAs and other entities. The Office accesses and uses a wide range of financial and other information, but does not sufficiently access information held by DNFBPs, thereby missing the opportunity of benefiting from the information that the sector would have provided. Despite this, the Office was able to conduct a good operational analysis in many cases that have led to supporting the operational needs of the PP, whether in ML or TF crimes, given that they ended, following their referral to the court of first instance, with the issuance of a good percentage of convictions. In cases where the Office does not find serious ML or TF or predicate offence indicators, it refers them at its own motion to LEAs to exploit or make use of the information contained therein for investigation. This resulted in a good percentage of investigations initiated and convictions rendered. The Office contributes to the designation of several individuals and entities on the national sanctions list, and the freezing of their assets. The Office also produces reasonable strategic analysis to determine ML/ TF trends and patterns. The Office contributes to joint investigations by virtue of judicial permission or at the request of LEAs, given the competence of financial analysts, on the one hand, and the information available in the Office's

databases that helps them carry out their tasks.

- e) The competent authorities in Iraq cooperate with each other to a large degree and exchange relevant information. The Office and the competent authorities cooperate effectively with each other by exchanging information at the operational level. In addition, the Office also cooperates with supervisory authorities, especially the CBI, as a reporting authority on suspicions on the one hand, and to inform it of violations committed by entities subject to its supervision on the other hand. The Office ensures confidentiality and security of information and methods of exchange.

ML Investigation and Prosecution (Immediate Outcome 7):

- a) Iraq has a central authority responsible for identifying ML crimes, which is the specialized investigative courts for integrity, ML, and economic crimes assisted by a number of agencies as sources of information. They mainly include the FCOI, the Ministry of Interior's Organized Crime Division and the Office.
- b) Iraqi authorities possess technical expertise to conduct parallel financial investigations, yet they need further improvement as they have not benefited sufficiently from them to initiate ML investigations and identify ML cases.
- c) Although there is an increase in the number of ML investigations for the years (2018-2022), and although the investigative court has largely resorted to parallel financial investigations in relation to the most serious proceeds-generating offences and in specific those that are committed within the framework of an organized crime; however, this was not reflected in the identification of the ML offence, in line with the country's risk profile, since the evidence gathered through parallel financial investigations was not always considered sufficient as it has led to a limited number of ML investigations and prosecutions.
- d) Only 35% of the ML investigations have been prosecuted, which is a low percentage that does not align with Iraq risk profile.
- e) Prosecutions are primarily focused on ML derived from corruption, but not sufficiently on other high-risk crimes in Iraq. Other acts that do not constitute a crime that were categorized by the country as "financial suspicions", were also pursued.
- f) ML convictions covered most forms of this offence, where self-laundering represented the vast majority of ML prosecutions, while the vast majority of ML convictions were for stand-alone laundering cases.
- g) There are no ML convictions related to drug trafficking, smuggling oil and oil derivatives, and trafficking in national antiquities.
- h) Most ML cases that are prosecuted and convicted ranged from simple to complex, except for those related to corruption that is often considered a complex crime.
- i) The penalties imposed for ML convictions range between simple to life imprisonment and are considered proportionate and dissuasive; however, the penalties applied against the accused persons who were convicted in absentia for the ML offence do not appear to be effective and dissuasive.
- j) The Iraqi authorities do not apply other criminal justice measures in the event that a ML conviction is not possible, given that it is limited to placing the accounts of the concerned person under monitoring and depriving them of obtaining a license to practice activities in certain sectors.

Confiscation (Immediate Outcome 8):

- a) Iraq has recently introduced a written strategy that focuses on enhancing the effectiveness of confiscation within its strategic plan for the years 2023-2025, which considered confiscation as one of its main objectives. Iraq confiscated huge amounts of proceeds derived from corruption. Confiscation also covered all serious crimes at varying degrees and is largely consistent with Iraq risk profile.

- b) Iraqi authorities have not previously confiscated property of equivalent value in cases where funds subject of confiscation have been disposed of, but rather impose a fine equivalent to the value of the disposed funds in cases where the accused person does not possess any property of equivalent value.
- c) The RERD in Iraq has been performing its functions since 1982 to manage confiscated assets. As for seized property, a judicial guardian is appointed to manage such property and prevent its business from being disrupted until a final decision is issued.
- d) Considering the total amounts confiscated in various predicate offenses, corruption ranks first with 85% of the total confiscations, which is consistent with the crime being identified as high-risk, and the efforts of the FCOI in prosecuting and tracing criminal proceeds are evidenced; although confiscations related to the remaining serious crimes were less, totaling (8,9%) of the overall confiscated amount, they are largely consistent with Iraq's risk profile due to the specificity and nature of the crimes in Iraq, especially that the latter does not rely on the size of the proceeds to classify the risks of the serious crimes, other than corruption.
- e) The investigating authorities trace and seize the proceeds of crime and have succeeded in tracing and seizing proceeds estimated at large amounts in the crimes of tax evasion, fraud, and forgery, but due to circumstances related to some cases, such as insufficient evidence, the seizure of property is lifted without being subject to confiscation.
- f) The effectiveness of international cooperation as part of combating corruption is evidenced by the fact that Iraq was able to freeze and confiscate large sums abroad related to corruption and to recover a large part of it (61%). This does not extend to any funds generated from other predicate offenses (except for national antiquities), particularly drug trafficking, given that it is considered a transnational crime.
- g) Most of ML convictions did not result in assets confiscation. This is mainly due to the fact that most of the convictions were related to stand-alone ML, with 25 out of 62 convictions.
- h) Substantial amounts of funds have been confiscated as a result of false declaration or non-declaration, despite the low number of seizure reports. In addition, proportionate and dissuasive fines are applied in cases of non-declaration or false declaration.

Recommended Actions:

Immediate Outcome 6:

The competent authorities, each within their field, should do the following:

- a) Further seek to access and benefit from financial and other information held by DNFBPs to support their operational needs and make use of such information in developing evidence and tracing criminal proceeds.
- b) Supervisors should, in cooperation with the Office, take the appropriate measures aimed at increasing the number of STRs and enhancing their quality. In particular, Iraqi authorities should enhance oversight of DNFBPs, particularly those in higher risk sectors such as DPMS and real estate, to increase the number and quality of STRs and other financial intelligence to support ML and TF investigations in line with Iraq's risk profile as noted in IO.1.
- c) The Office should provide more feedback and enhance its content, especially for exchange companies and other subject entities, other than banks, and establish a mechanism for awareness raising among reporting entities on enhancing the quality of STRs.
- d) Support the capacities of the GAC and other relevant authorities filing reports and information to the Office, so that these reports become more useful.
- e) Establish a legal framework requiring subject entities to disclose to the office cash transactions whose value is equal to or greater than the equivalent of USD 10,000.

- f) The Office must complete the electronic linking process with other subject entities to benefit more from the technical and functional characteristics of this system in arranging STRs based on risks or importance, analyzing, disseminating them, and exchanging information with competent authorities.
- g) LEAs and investigative authorities should augment and demonstrate their use of financial intelligence to develop evidence and trace criminal proceeds related to ML/TF in accordance with the country's risks as identified in IO.1.
- h) Iraq should significantly reduce the threshold for payments for real estate to be made through FIs in line with its risk profile, to enhance suspicious transactions involving real estate.

Immediate Outcome 7:

The following steps are required from Iraq:

- a) Enhance the necessary technical expertise and the human resources for conducting parallel financial investigations in ML cases through intensifying training on parallel financial investigation, and benefit from these financial investigations for the purpose of opening ML investigations.
- b) Ensure that investigations and prosecutions encompass all high-risk crimes generating significant proceeds, which shall in turn affect the identification of the ML offence and expand the scope of prosecutions to include other ML cases resulting from drug trafficking, trafficking in national antiquities, and smuggling oil and oil derivatives, in line with Iraq's risk profile.
- c) Review the approach applied for convictions in absentia and the extent to which it achieves the desired objective, which is to punish and deter crime perpetrators.
- d) Take alternative measures to criminal justice in ML cases, when it is not possible to secure a ML conviction, since the measures taken by Iraq fall within the scope of the regulatory measures.

Immediate outcome 8:

Iraq should undertake the following:

- a) Enhance training on confiscation procedures including training on using the mechanisms mentioned in the related manual more efficiently by holding specialized training courses in this regard.
- b) Strengthen the measures adopted by the GAC as set out in the 13th strategic objective of the 3rd AML/CFT strategy, conduct more risk-based inspections and raise awareness on the declaration system requirements.
- c) Resort to international cooperation to trace, confiscate and recover the proceeds of crimes abroad, especially the proceeds of transnational crimes that are transported, transferred, or laundered abroad and enhance the efforts exerted to trace and confiscate proceeds of high-risk predicate offenses (other than corruption) through international cooperation requests.
- d) Adopt a unified statistical system for all State institutions that uses specific concepts for funds, assets, and instrumentalities of crime, as well as their seizure and confiscation, and determine their overall estimated values using clear basis.

217. The Immediate Outcomes considered and assessed in this chapter are IOs.6-8. The relevant Recommendations under this section are R.1, R.3, R.4, R.29-32 and elements of R.2, 8, 9, 15, 30, 31, 34, 37, 38, 39 and 40.

Immediate Outcome 6 (Use of Financial Intelligence ML/TF)

218. The AT based their conclusions on the meetings conducted with the AML/CFT Office (the Office) and the remaining concerned authorities, especially the FCOI, the Directorate for Combating Organized Crime, the Directorate for Anti-Narcotics and Psychotropic Substances, the Kurdish Security Organization (Asayish) in the Kurdistan Region, the Intelligence Service, the GAC, and the GAT, in

addition to various regulatory authorities, especially the CBI. The information was also obtained from the meetings held with the investigating judges concerned with combating corruption, organized crime, terrorism, and combating narcotics and psychotropic substances, as well as through reviewing the statistics²⁰ and data that were provided to the AT, as well as the official published statistics. The headquarters of the Office was visited twice. During which, a number of Office reports referred to the PP and parallel financial investigation reports were reviewed.

The use of financial intelligence and other information

219. Iraqi LEAs and investigative authorities obtain, review, and use financial and other relevant information (intelligence) before and during the investigation in order to develop their data and process them into evidence that confirm or dismiss ML or related predicate offenses and TF crimes. The use of this information extends to tracing and freezing criminal proceeds, with respect to most of the serious crimes in line with Iraq risk profile to a large extent (See IO 8). LEAs regularly exchange information with the Office to obtain financial analysis results and spontaneously receive information from the Office and use it to open investigations into new cases. They also participate in joint investigations to develop evidence and use it to support investigations and trace and seize criminal proceeds. The CTS and the relevant directorates of the Ministry of Interior use financial intelligence and other information on a regular basis and systematically to identify TF activities before and during the investigation of a terrorist act. The Office uses a set of financial intelligence and other information to develop information contained in STRs, whether on suspected ML or TF, and disseminates quality reports for the benefit of the PP; it also shares information spontaneously with other parties, including LEAs, the CFTF, regulatory bodies and counterpart FIUs.
220. There are several databases in Iraq that contain important financial and non-financial information that LEAs can access, either directly or indirectly. Competent authorities rely on special cooperation and coordination mechanisms with the Office to obtain the necessary information within a period not exceeding eight days. This period is considered reasonable to obtain the required information. In important cases, including those related to terrorism and TF, the authorities receive information within very short periods of time.

Box No. (3.1): The most important databases in Iraq for financial intelligence

- Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT Database): Suspected ML related STRs, Suspected TF related STRs (TFR) Cash transaction reports above the specified threshold (CTR). Requests for information from and to counterpart FIUs.
- Companies Registry Database: Companies database and the names of natural persons in the ownership structure and their beneficiaries (data of shareholders and founders, members of their boards of directors, managing director, etc.
- Real estate records: all information of sold and bought properties, names of sellers and buyers, real estate numbers and locations, details of sales operations (citation of the property)
- Tax register: financial statements of companies and persons and their tax position
- Customer data of banks: CBS system linked with banks allows direct access to customer information, accounts associated with them, companies, their shareholders and managers without the need to refer to banks

²⁰ Iraqi authorities provided statistics showing that the competent authorities in Iraq, including the Kurdistan Region, resort to financial information and other information in a combined manner. Although the AT requested separate statistics, the Iraqi authorities preferred to provide consolidated data for considerations related to the country's unity. This note applies to all data related to reports that authorities receive or request and how they use financial and other information.

- Criminal record. National ID information: Criminal record (direct access) National ID card for individuals, passports, residence and vehicle owners' information
- Customs records: related information, import and export records, customs/shipping brokers, exporting country, importing country, goods, amounts from import. Declarations received from the GAC.
- Investment record: investor records, exemptions provided to investors, legal and financial position of investors.
- Local and international freezing lists: A database that includes information on natural and legal persons whose funds are frozen locally on the basis of local indicators or international requests.
- Records of NPOs: includes the registration of the NPO (public register), the data of its founders, members, board of directors and authorized signatories, projects, contracts for development projects between the NPO and its implementing bodies, the integrity of the legal and financial position of these NPOs, inspection reports, sources of funding.
- Central Organization for Standardization and Quality Control database: information about licensed goldsmiths, imported quantities of jewelry and gold jewelry, inspection reports and violations.
- Import permits database: company/importer data, material description, quantity, license amount, origin, license number, border crossing through which the goods entered.

Use of financial intelligence by competent authorities in investigations of money laundering and related crimes

Anti-Money Laundering and Combating the Financing of Terrorism Office

221. The Office has the necessary legal powers to access databases, including those referred to above, and to obtain financial information without judicial authorization and without being confronted with professional or banking secrecy.
222. In addition to the databases accessed by the Office, it requests additional information directly from persons subject to the reporting obligation, when it comes to documents. It also requests information from regulatory authorities and other governmental and private bodies. This information is used to carry out its analytical tasks or to respond to requests for cooperation at the international or national level. It also uses the information to produce quality reports for the benefit of the PP and spontaneously shares information with regulatory authorities, LEAs, counterpart FIUs, and the CFTF. During the years 2018-2022, the number of information requests sent by the Office to various entities reached a total of 35,111, of which 581 were addressed to counterpart FIUs based on the operational needs of the Office or at the request of other local authorities (see IO2).
223. This number is significant as shown above and reflects the pivotal role of the Office in receiving, gathering, and disseminating financial intelligence to various authorities, despite the low number of information requests from DNFBPs, and especially DPMS. The Office's failure to resort sufficiently to DNFBPs missed the opportunity of benefiting from the information these entities would have provided.

Box No. (3.2): Case Study of the Office cooperating with LEAs.

The Office received two STRs from two local banks about the repetition of suspect (X) cashing out cheques at the expense of the entity in which she works for and depositing the value of those cheques in her accounts with both banks. The said woman withdrew part in cash, and the rest represented in the purchase of saving/term deposits. The Office examination ended with a request for investigations by a LEA.

Investigations by LEAs resulted in revealing the suspect's possession/misappropriation of funds from the account of government agency, as she manipulated the books of accounts she was entrusted with, to issue 31 cheques collected in her personal two

accounts, and in light of the results of the investigations, the Assistant Minister of Justice at the Illicit Gaining Service was contacted and they stated that the aforementioned had been referred to the criminal court which rendered a judgment ordering her imprisonment for 7 years.

224. Through the numerous cases that Iraq has provided, it was established that the Office, through STRs and other information is, to some extent, using financial intelligence and producing analysis that led to the identification of suspicious financial operations and transactions, as well as the identification of property through inquiries of suspects at banks or other parties, and abroad through cooperation with counterpart FIUs. The use of information it received from various sources led to the detection of accused persons and other persons involved, whether in ML or TF activities, who were not visible to the competent authorities, or the detection of beneficial owners (See the case study in box No. 3.3). However, this is affected by the gaps in the quantity and quality of STRs particularly in sectors that present ML/TF risks as noted in IO.1.

Box No. (3.3): Case study on the Office’s access to and use of financial information to develop evidence and trace proceeds.

Case Description:

During 2018, the Office received a notification from one of the banking FIs against one of its customers, BSN Company, for making suspicious foreign money transfers to another country.

Actions taken by the Office with the relevant authorities, including (the regulatory authority, the GAC, banks, counterpart units, the Office’s databases, and LEAs):

Findings and legal proceedings against the company:

- It was found that there are no customs permits supporting the entry of goods against the transferred amounts, which are estimated at (2,039,000) dollars to (Bustan) company.
- The CBI has been informed for the purpose of suspending the company from conducting foreign transfers.
- It was found that there are bank accounts with other banks used for external transfer purposes, and the total transfers to the company amounted to (14,503,894) dollars
- The GAT was approached about the tax accounting status of two companies.
- The counterpart FIU indicated the existence of suspicious transactions of the beneficiary company bearing the same name, which turned out to be the beneficiary of the transfers.
- Accordingly, the supervisory authority in the Central Bank suspended and deprived the two companies from making transfers.
- The company’s managing director was referred to the competent court under a suspicion report, to take legal action against them.
- His movable and immovable property has been seized by the competent court.
- Subsequently, a sentence was issued by the competent court against the authorized director of the company (BSN) to life imprisonment and the right to the affected parties (the CBI, the reporting bank) to claim compensation.

Federal Commission of Integrity (FCOI)

225. The FCOI is the most important authority to investigate corruption offences and shall conduct financial investigations before initiating investigations into predicate offences. This body has access to wide segments of financial information provided by various administrative and non-administrative entities, such as DNFBPs which are directly contacted when it comes to requesting documents. However, the impact of this is little because the information held by these entities is superficial compared to other entities that the Office resorts to (such as banks, the CRD, and the RERD), especially since the measures for identifying customers by DPMS are limited to requesting ID documents. As for real estate brokers, it is limited to taking a copy of the identity of the seller and buyer only, and the information available through lawyers is available to the Office through banks and the CRD (See IO 4). This explains why the number of requests exceeds the number of those made by the Office or other authorities. It also received disclosure forms (total financial rights and debts) and reports of inflated funds and illicit gains (see the following core issue). During 2018-2022, the FCOI used 155,274 financial disclosure forms as financial intelligence, made match inspection of 21,185 disclosures, and concluded that 754 disclosures did not match the persons' positions. The Commission also inspected 22,383 disclosures in 2018-2021 to extract indicators of inflation and illicit gain in the funds of those required to submit disclosure forms. The number of criminal cases filed by the Commission in relation to the disclosure forms reached 125 cases, which indicates that the information accessed by the Commission is being used by it reasonably in the development of evidence and tracing criminal proceeds.

Table No. (3.1) Number of Information Requests Issued by the FCOI

| Entity | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------------------|------|------|------|------|------|-------|
| Bank and non-bank FIs | 3221 | 3740 | 3228 | 3340 | 3716 | 17245 |
| DNFBPs | 227 | 257 | 96 | 135 | 164 | 779 |
| RERD | 1128 | 1231 | 1195 | 1340 | 1600 | 6493 |
| CRD | 313 | 248 | 184 | 278 | 358 | 1381 |
| The Office | 66 | 53 | 50 | 84 | 123 | 376 |
| Total | 4954 | 5429 | 4753 | 5177 | 5961 | 26274 |

226. The FCOI conducted a total of 192 ML investigations during 2018-2022. It identifies ML cases by tracing proceeds generated from corruption crimes. The Kurdistan Region has an Integrity Commission that performs its functions in coordination with the FCOI (see IO.7). The AT concluded that the crimes on which the Commission focuses are highly complex crimes involving PEPs²¹. To this end, it relies on financial analysis that led to ML convictions (15 cases), to tracing proceeds derived from these crimes, and to freezing and confiscating significant amounts (see IO.8). This data shows that the FCOI is able to use financial intelligence and other information to develop evidence and trace criminal proceeds generated from corruption crimes which are among the serious crimes according to the NRA outputs.

Departments of the MOI concerned with combating crime in Iraq, including the Kurdistan Region

²¹ The number of convictions of PEPs (Director General and above) during 2018-2022 reached (172) persons and 14 ministers and persons of equivalent ranking.

227. These departments request financial information to a large extent and have access thereto. The number of requests for information has increased relatively during the period 2018-2022 and they turn to the Office for direct access to financial information.
228. Most departments of the Ministry of the Interior, such as the Directorate for Combating Organized Crime, prepare intelligence reports and use financial information, including information obtained from the Office, for the purposes of combating ML and related crimes for the purpose of producing or developing evidence, or tracing criminal proceeds. More recently, since 2021, these authorities have strengthened their resources and capacity to carry out investigations and rely on financial information, especially with regard to crimes committed in the framework of an organized crime, as shown through the significant number of parallel financial investigations (IO.7). These authorities were able to use financial intelligence by accessing a wide range of database which is available either directly or indirectly. Although the use of intelligence information varies among LEAs, these authorities have in general technical capabilities in establishing networks and links between information available in databases and in making use of such information to develop evidence and trace criminal proceeds. Professional and banking secrecy does not constitute an obstacle for LEAs to access the necessary information from FIs and DNFBPs in order to complete their investigations, develop evidence and trace criminal proceeds.

Table (3.2): Number of cases in which the MOI / FCOI resorted to collecting financial information during the investigation of the most serious predicate crimes in the country for the years (2018-2022)

| Predicate offence | Type (from execution point of view) | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|---|------|------|------|------|------|-------|
| Corruption | Executed within unregulated, individual efforts | 4229 | 4697 | 4194 | 4616 | 5042 | 22778 |
| | Executed within organized crime efforts | 423 | 522 | 413 | 342 | 632 | 2332 |
| Trafficking in Drugs and Psychotropic Substances | Executed within unregulated, individual efforts | 86 | 77 | 47 | 76 | 97 | 383 |
| | Executed within organized crime efforts | 32 | 22 | 12 | 19 | 23 | 108 |
| Smuggling oil derivatives | Executed within unregulated, individual efforts | 89 | 37 | 67 | 78 | 98 | 369 |
| | Executed within organized crime efforts | 34 | 22 | 13 | 17 | 32 | 110 |
| Tax Evasion | Executed within unregulated, individual efforts | 130 | 97 | 89 | 123 | 78 | 517 |
| | Executed within organized crime efforts | | | | | | |
| Trafficking in national antiquities | Executed within unregulated, individual efforts | 51 | 68 | 110 | 92 | 132 | 453 |
| | Executed within organized crime efforts | 14 | 19 | 13 | 31 | 21 | 98 |
| Forgery | Executed within unregulated, individual efforts | 65 | 87 | 68 | 82 | 89 | 391 |
| | Executed within organized crime efforts | 2 | 7 | 3 | 5 | 9 | 24 |
| Fraud | Executed within unregulated, individual efforts | 79 | 83 | 74 | 92 | 115 | 443 |
| | Executed within organized crime efforts | 12 | 7 | 9 | 12 | 16 | 56 |
| Total | | 5246 | 5745 | 5112 | 5585 | 6384 | 28072 |

229. It appears from the table above that, cases of gathering financial information related to corruption crimes alone account for 89 percent. This is because corruption involves five major crimes, represented in bribery, fraud, abuse of public office, nepotism, and embezzlement of public funds, which in some cases involves smuggling oil derivatives and trafficking in national antiquities, while

financial intelligence is being used in other serious crimes to target most of the players in these crimes based on specific criteria, including the size and type of seized funds, other information available on the concerned person, the number of persons dealing with them, and the volume of funds in their possession, directly and indirectly (see IO 7). However, it was not demonstrated that these involved corruption among high-level government officials. In view of the gaps in information held with DNFBPs, authorities are using financial intelligence and other information, developing evidence and tracing proceeds generated from all serious crimes to some extent. However, despite the high numbers of requests for information and data being acquired from the parties concerned, the use of financial intelligence emanating from such information collection has not been sufficiently demonstrated to result in an adequate number of investigations and prosecutions of complex ML cases. The AT reached this conclusion based on the efforts exerted by authorities in developing evidence and tracing proceeds that resulted in seizing and confiscating criminal proceeds and instrumentalities of crimes of significant amounts in line with Iraq risk profile to a large extent (see IO 8).

Use of Financial Intelligence by Competent Authorities in Terrorist Financing Investigations

230. LEAs and investigative authorities, whether at the level of the Center or the Region, request financial intelligence from various entities to develop their investigations and trace criminal proceeds linked to the financing of terrorism. They also resort to the Office either to request financial information or to rely on its reports and analysis, as the number of requests for information addressed to various bodies in Iraq by the directorates of the Ministry of the Interior reached 20,999. The number of TF cases that LEAs investigated and referred to the competent investigative courts reached 1,221 cases, of which 538 have been referred to the courts of first instance, and convictions were issued in 568 cases.

Table No. (3.3) Information requests sent from the MOI to various entities in the context of TF investigations between 2018-2022:

| MOI/General | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------|------|------|------|------|------|-------|
| Fls | 697 | 777 | 3437 | 6916 | 7902 | 19729 |
| RERD | 8 | 2 | 5 | 4 | 2 | 21 |
| CRD | 43 | 13 | 8 | 16 | 12 | 92 |
| Office | 182 | 180 | 224 | 205 | 366 | 1157 |
| Total | 930 | 972 | 3674 | 7141 | 8282 | 20999 |

231. Case studies and data reveal that the Counter-Terrorism Agency and the concerned departments at the MOI have made good use of financial intelligence to trace proceeds, their destination and how they are used. Information and data, including those derived from dialogues held during the on-site visit, indicate that these entities have technical resources and capacities to use financial intelligence and other information in a regular and systematic manner to proactively identify TF cases in relation to Daesh, and to a lesser extent in relation to other terrorist organizations.

232. Requests for information from LEAs to banks in cases involving TF amounted to 343 requests. The authorities attributed this low number to the LEAs resorting to the Office for direct access to this information. This information is related to the delivery of bank documents.

Table No. (3.4) Number of information requests submitted by LEAs to banks in cases involving TF between 2018 – 2022.

| Authority | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------|------|------|------|------|------|-------|
| Banks | 61 | 107 | 22 | 80 | 63 | 343 |

233. The following table shows the number of cases in which LEAs at the MOI have formally and informally resorted to the Office for the purpose of requesting information. The disproportionate number of requests for information sent to the Office and the risks of these crimes in Iraq is due, as reported by authorities, to the presence of a staff member from the Office (assigned) to follow up on referred cases and support the operational needs of the investigative courts on an ongoing basis.

Table No. (3.5) Information requests sent formally and informally by LEAs to the Office.

| Entity | Information requests sent formally | | | | | | Information requests sent informally | | | | | |
|----------------------|--|------|------|------|------|-------------|--------------------------------------|------|------|------|------|-------------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | Total | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| MOI | 152 | 138 | 213 | 168 | 341 | 1012 | 63 | 78 | 42 | 97 | 182 | 462 |
| National Security | 18 | 17 | 6 | 23 | 10 | 74 | 35 | 41 | 23 | 45 | 74 | 218 |
| CTS | 4 | 13 | 0 | 7 | 15 | 39 | 85 | 74 | 32 | 67 | 117 | 375 |
| Intelligence Service | 8 | 12 | 5 | 7 | 17 | 49 | 45 | 67 | 19 | 54 | 68 | 253 |
| Total | 182 | 180 | 224 | 205 | 366 | 1157 | 228 | 260 | 116 | 263 | 441 | 1308 |
| Grand total | 2465 information requests sent by LEAs to the Office | | | | | | | | | | | |

234. LEAs and investigative authorities, whether in the center or the Kurdistan region of Iraq, operate under the supervision of the judiciary. The investigative judges represent the second stage of the judicial proceedings and supervise the special investigative techniques. The judicial investigation uses financial intelligence and the analysis of the Office. By reviewing all the judgments that have been submitted, there is no investigation into a TF crime without a financial investigation conducted by the Office or with its participation in joint investigation teams.

235. The number of terrorist financing cases referred to the PP amounted to 580 cases and trial courts handed down convictions in 491, of which 16 were convicted based on stand-alone TF. It shows the quality or usefulness of financial or other information obtained from various sources in relation to terrorism and TF to some extent considering that financial intelligence is used to a lesser extent to identify TF and trace assets for TF not related to ISIL.

236. Through investigations into companies engaged in money transfer activity without a license, LEAs have developed some evidence and traced proceeds used to finance terrorism, which led to 55 convictions during the period 2018-2022 (See IO.9).

237. It is noted that the agencies of the MOI do not sufficiently resort to DNFbps to request information. This leads to the conclusion that part of the information that can be accessed and used in developing evidence and tracing criminal proceeds is not sufficiently requested, especially since these sectors constitute a source for financial intelligence and other information that the MOI agencies can use in their investigations for the purpose of developing evidence and tracing criminal proceeds. Despite the foregoing, this situation does not significantly affect the operational needs of the agencies of the MOI (see the analysis above).

STRs received and requested by Competent Authorities**AML/CFT Office**

238. As a financial intelligence unit, the Office receives reports of suspected ML from subject entities consisting of FIs and DNFBPs as well as from the supervisory authorities of some reporting entities. The Office receives reports from other official bodies, such as the NIS and even from individuals, although the law does not stipulate this. The Office treats these reports that come from parties not mentioned in the law as suspicious reports. It also receives customs declarations regarding the physical transportation of currency carried out by travelers to and from Iraq. Since 2022, it has been receiving information on transactions equal to or exceeding USD 10,000 in cash. It also receives information from counterpart FIUs in the form of information requests as well as spontaneous disclosures.
239. During the period 2018-2022, the Office received 2,239 reports of suspected ML, of which 2026 persons subject to the reporting obligation, 175 from the supervisory authorities over such persons and 38 from citizens, and (115) reports of suspected TF, including 88 from FIs and 27 from the CBI and the Presidency of the Council of Ministers/NGO Department. Regarding the Kurdistan Region, the Office received 671 reports from FIs that have a presence in the Region.

Table No. (3.6): Number of reports received by the Office on suspected ML

| Entity | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|------|------|------|------|------|-------|
| CBI | 31 | 30 | 24 | 24 | 5 | 114 |
| MOC | 1 | 0 | - | - | - | 1 |
| Financial Supervision Bureau | 1 | 1 | 1 | 1 | 1 | 5 |
| Ministry of Planning | - | - | - | - | 5 | 5 |
| Iraq's Stock Exchange | 16 | 13 | 12 | 5 | 4 | 50 |
| Total of reports from supervisors and regulators | 49 | 44 | 37 | 30 | 15 | 175 |
| E-payment companies | 1 | 1 | 13 | 59 | 38 | 112 |
| Exchange companies (category (a) & (b)) | 5 | 3 | 437 | 397 | 428 | 1270 |
| Exchange companies (category c) | - | - | - | - | 14 | 14 |
| Total report from non-bank FIs | 6 | 4 | 450 | 456 | 480 | 1396 |
| Total of banks | 158 | 143 | 110 | 135 | 82 | 628 |
| Lawyers | 0 | 1 | 0 | 0 | 1 | 2 |
| Natural persons | 4 | 11 | 8 | 7 | 8 | 38 |
| Total | 217 | 203 | 605 | 628 | 586 | 2239 |

Table No. (3.7): Number of reports received by the Office on suspected TF.

| Entity | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|------|------|------|------|------|-------|
| CBI | - | 1 | 10 | 5 | - | 16 |
| Ministerial Cabinet / NGO Dept | 1 | 7 | - | 1 | 2 | 11 |
| Exchange companies (category (a) and (b)) | - | - | 31 | 21 | 9 | 61 |
| Banks | 9 | 7 | 5 | 4 | 2 | 27 |

| | |
|-------|-----|
| Total | 115 |
|-------|-----|

240. It is clear from the table above that FIs in Iraq, like other countries, are the most reporting entities regarding suspicious transactions. The peculiarity lies in the fact that money exchange companies are the reporting body that ranks first among FIs, followed by banks that ranked second.
241. The number of STRs filed by exchange companies (category (a) and (b)) has largely increased, starting 2020, and this is due, according to the Iraqi authorities, to activating the role of the reporting departments in FIs and taking CDD measures, monitoring transactions, and notifying the Office of any suspicious ML/TF activity as well as, an increase of awareness of ML/TF risks by participating in training workshops. However, STRs received from exchange companies of categories (a) and (b) were of lower quality than those submitted by banks. The AT reached this conclusion in light of the outcome of the reports after referring them to the PP and LEAs. The STRs submitted by banks (which are less than those submitted by exchange companies) led to ML convictions, totaling 11, compared to 3 convictions based on STRs submitted by exchange companies. This conclusion also applies to the reports spontaneously referred by the Office to LEAs, which contributed to opening investigations at varying degrees, totaling 131 investigations based on the STRs submitted by banks, which ended with (59) convictions for predicate offences, compared to 113 investigations based on the STRs submitted by exchange companies, which ended with 43 convictions for predicate offences.
242. The number of STRs received from banks and exchange companies is generally low and non-existent for other FIs.
243. The low number of STRs received from banks may be due to the fact that 27 banks out of 76 banks provide money transfer services and deal in US Dollar. Among the banks that do not provide this service and do not deal in US dollars, one of them has an 85 % share of the total assets of the banking sector. This data might explain the reason behind the low number of STRs received from banks, in addition to the fact that banking products in Iraq are not developed and their lack of use by large segments of Iraqis, especially that the financial inclusion rate was 33.5 % in 2021, while it was 20.8 % in 2017, in addition to the COVID pandemic.
244. The low number of STRs received from exchange companies Category (C), totaling 402 companies, is attributed to their role which is limited to exchanging the Iraqi dinar into the US dollar to execute specific financial transactions (scholarship, medical treatment grant, and tourism grants). Besides, it should be noted that the said companies began reporting in 2022, when they were reorganized. There are no STRs from insurance companies and securities brokerage companies during the entire assessment period, but the impact of this is relatively limited, given that insurance companies that offer life insurance products (totaling 7) and securities brokerage companies (totaling 39) were ranked low according to the NRA outcomes and account for a small percentage of the total assets of the financial sector (see Chapter 1). The gaps in the quantity and quality of STRs from banking and non-banking FIs identified above, including in relation to risk factors and threats such as the ones related to the shadow economy, impact the financial intelligence support that can be provided by the Office for detecting ML, associated predicate offenses and TF and tracing criminal proceeds, particularly in sectors that present ML/TF risks as noted in IO.1. On the other hand, the absence of STRs by almost all DNFBPs, including those in higher risk sectors such as DPMS and real estate, represents a lack of information that could be made available to the Office, and which might lead to detecting and tracing ML, associated predicate offenses and TF in those sectors. It is noteworthy that since 2023 a new rule was introduced regarding the purchase of real estate, requiring payments in the value of USD 380 000 or more to be made through a bank. This threshold is significantly high and impacts the ability for suspicious transactions to be identified and reported FIs.

245. The AT believes that the quality of STRs received by the Office is acceptable. STRs received from banks are of good quality and better than those received from exchange companies. It is also noted that the quality of STRs filed by banks is improving from year to year, unlike those submitted by exchange companies that remain unstable and uneven.

Table No. (3.8): The Office’s assessment of the quality of STRs received from banks and non-banking FIs (2018 - 2022)

| Reporting entity | Year | Good | Moderate | Acceptable | Poor | Total | |
|------------------|---------------|------|----------|------------|------|-------|-------|
| Banks | 2018 | 86 | 60 | 12 | 9 | 167 | |
| | | 51 % | 36 % | 7 % | 5 % | 100 % | |
| | 2019 | 84 | 52 | 8 | 6 | 150 | |
| | | 56 % | 35 % | 5 % | 4 % | 100 % | |
| | 2020 | 68 | 38 | 6 | 3 | 115 | |
| | | 59 % | 33 % | 5 % | 3 % | 100 % | |
| | 2021 | 89 | 38 | 9 | 3 | 139 | |
| | | 64 % | 27 % | 7 % | 2 % | 100 % | |
| | 2022 | 76 | 3 | 2 | 3 | 84 | |
| | | 90 % | 4 % | 2 % | 4 % | 100 % | |
| | Non-banks FIs | 2018 | 2 | 3 | - | 1 | 6 |
| | | | 33 % | 50 % | - | 17 % | 100 % |
| 2019 | | 1 | 2 | 1 | - | 4 | |
| | | 25 % | 50 % | 25 % | - | 100 % | |
| 2020 | | 95 | 206 | 125 | 55 | 481 | |
| | | 20 % | 43 % | 26 % | 11 % | 100 % | |
| 2021 | | 103 | 188 | 145 | 41 | 477 | |
| | | 22 % | 39 % | 30 % | 9 % | 100 % | |
| 2022 | | 117 | 220 | 122 | 30 | 489 | |
| | | 24 % | 45 % | 25 % | 6 % | 100 % | |

246. In addition, the Office disseminates its analysis and the intersections regarding the information contained in the STRs regarding which it does not find serious and connected indicators of a ML/TF crime to LEAs, for the existence of, or potential commission of, a crime. In view of the investigations that were opened in this regard and the convictions rendered in relation to non ML/TF offences (see the related analysis in the core issue below), it could be concluded that STRs generally contain useful information that LEAs were able to use.

Box No. (3.4): Case study showing an investigation by the Public Integrity Commission in the light of intelligence obtained from the Office.

The Office received a report in 2021 stating that there were financial suspicions associated with transfers made in favor of the bank's customer, one of the commercial companies concerned with importing fertilizers. After collecting information and analyzing the reporting by the Office, it was found that the company has an import contract with the government sector to import

fertilizer, and it was found that the transfers were made to beneficiaries in two different countries, country (A) and country (B). It was found that the transfer sent to country (A) was to cover the amount of import and the other to country (B) for which there was no logical justification, and therefore the Office's counterpart FIU in country (B) was approached to inquire about the destination of the transfer. The Office analyzed the documentary credit data for remittances, which shows that what was transferred to country (A) covers all import dues.

The Office referred the case to the FCOI because of a corruption related suspicion (bribery), especially since the source of the transferred funds is legitimate (from the country). The FCOI began its investigation into the case and examined the contracts concluded. It was found that there were suspicions of corruption when the contract was awarded. A parallel financial investigation case was initiated for the purpose of following up the funds under the supervision of the Investigation Court specialized in integrity and ML issues. The FCOI sought the assistance of the Office to approach the FIU for the purpose of providing them with the BO of the company receiving the remittances for the purpose of cross checking it with the information reached among those who were suspected of the predicate offense. The counterpart FIU was contacted and provided information.

Box No. (3.5): Case study showing the Directorate for Combating organized Crime benefiting from information it received from the Office.

The Office received a report from the Iraq Stock Exchange stating that there is a fake page on website claiming to be an (investment portfolio) inviting citizens to invest through the securities portfolio of joint-stock companies. The SE also informed the Office that these persons did not have an account in the Deposit Center, and what they are promoting is in violation of the laws, instructions and controls, as it was not an official portfolio and that the mechanism for collecting funds is suspicious and does not contain names and amounts other than a phone number.

The authorities (the Iraqi NIS, the Iraqi NSS, the MOI/Organized Crime Directorate) were approached to provide the Office with information about the phone number listed on the fake page.

The Iraqi NIS reported that the number belonged to an Iraqi person (A), whose address was (Baghdad Governorate)

The Ministry of the Interior/Directorate for Combating Organized Crime reported that the number is registered with the company in the name (A) and its address is (Baghdad Governorate). Through investigation and follow-up of the contacts of the above number, it was determined that the number is used by the so-called (M), who is the owner of Company (S) and Company (X).

The banks licensed by the CBI were approached to find out the accounts available in the name of the accused above. The banks responded that there were no accounts, except for two banks, and the Organized Crime Directorate was provided with the information obtained.

The MOJ/RERD was contacted to find out the properties registered in the name of the accused.

The Organized Crime Directorate reported that the matter was presented to the attention of the investigating judge and that he decided to record the statements of the legal representative of the Iraq Stock Exchange. The judge issued an arrest warrant against the accused (A) and issued a travel ban. The Directorate informed the Office that the matter had been referred to the investigative court specialized in integrity and money laundering issues.

The Supreme Judicial Council/Presidency of the Baghdad Court of Appeal - Al-Rusafa Misdemeanor Court, which specializes in integrity cases, reported that the accused was sentenced to rigorous imprisonment for a period of (three years)

247. The AT noted that the numbers of STRs received by the Office (see Table above) are relatively consistent with the outcomes of the NRA, which assigned a moderate high rating to the level of residual risks related to banks, while it rated exchange companies engaged in money transfer activity (category (a) and (b)) as high risk. Statistics show that the STRs received from exchange companies are more than double the STRs received from banks. This may be understandable in light of the fact that the number of these institutions is much greater than the number of banks in Iraq (especially those that provide foreign money transfer services). However, the quality of the STRs received from exchange companies, which represent more than half of the total number of STRs, is of less quality than those filed by banks, although these STRs have contributed to supporting the operational needs of the Office.
248. The Office received, in 5 years, (115) TF related STRs; this number is largely limited in a country like Iraq, even after having regained control over the territories controlled by ISIL at the end of 2017, as the possibility of the exploitation of the financial sector by terrorists and terrorist financiers cannot be completely ruled out. The court convictions reviewed by the AT indicate that ISIL and other terrorist organizations often use traditional channels to finance their activities, as they mainly rely on the physical transportation of currency and transfers through the informal sector. This is corroborated by the fact that the bank accounts prudentially frozen totalled only 36. In addition, the Iraqi authorities believe that the number of individuals (4497) designated on the local sanctions list, in implementation of UNSCR 1373, would reduce the risks of exploiting the financial sector for TF purposes.
249. The fact that the Office disseminated 42 files related to TF to the PP, and the fact that some of the files encompass more than one STR, suggests that a reasonable number of these STRs is of good quality and are better compared to STRs related to ML and predicate offences.
250. The types of crimes subject of the STRs are reasonably consistent to some extent with the serious crimes identified in the NRA. TF ranked first (115), followed by corruption (94), then fraud (92) and forgery (88). It is noted that the number of STRs related to drug trafficking is low. However, the impact of this on the operational needs of the Office is not significant given that most of the investigations into drug trafficking, as confirmed by the Iraqi authorities, led to the seizure of cash in the possession of the accused persons without seeking to deposit them in the financial sector. However, this does not completely rule out the exploitation of the financial sector to launder the proceeds of drug trafficking.

Currency Declarations

251. The GAC (“Customs”) refers declarations of currency to the Office when they exceed USD 10,000 through an automated system linking the Office with the Customs. It is clear from the table below that during the period 2018-2022, the Office received 1,137 declarations via a secure channel and instantaneously. The GAC seizes the undeclared funds or those it suspects that they involve ML/TF and communicates this fact to the Office (see R.32). In this regard, the Office deals with these declarations that involve suspicion as if they are STRs and referred to the PP 36 customs declarations related to 49 persons and archived the remaining declarations (1086). However, despite having archived many of them, the Office exploits the data contained in the declarations to feed its databases for use in strategic and operational analysis. Yet, the number of declarations remains clearly low (see the table below).

Table No. (3.9): number of declarations from Customs to the Office and the amounts declared and seized during 2018-2022:

| Year | Number of declarations received by the Office | Amounts declared (to shy 1 million USD) | Number of STRs sent to the PP |
|------|---|---|-------------------------------|
| 2018 | 153 | 316.191.062 | 4 |

| | | | |
|-------|------|-------------|----|
| 2019 | 67 | 3,128,961 | 10 |
| 2020 | 75 | 3,383,990 | 4 |
| 2021 | 480 | 9,219,877 | 12 |
| 2022 | 362 | 7,246,374 | 23 |
| Total | 1137 | 339,170,264 | 53 |

Cash Transaction Reports

252. During 2022, cash transactions, withdrawals and deposits equal to or exceeding USD 10,000, were disclosed via an automated system specialized for this purpose. The number of CTRs reached 32,380 file and each file contains large numbers of movements that reached 76,369 transactions, which is a mechanism imposed by administrative authorities in the absence of a legal text imposing such obligation. Despite the relative low number of disclosures in a cash-based economy, this data was used for strategic analysis to reduce the use of cash and develop visions that help with financial inclusion. This mechanism allowed, at the level of operational analysis tracing persons against whom reports have been received on suspected TF (see IO9). The obligation to disclose these transactions does not cover all entities subject to the reporting obligation, except for banks.

Reporting the inflated funds and illicit gain received by the Integrity Commission

253. The FCOI (“Commission”) sets a time period during which it launches a campaign urging citizens to report the inflation of funds and illegal gain, that is, any increase in the funds of employees, appointed officials, managers, their spouses, or their children that is non-proportionate or inconsistent with their normal resources in a particular sector. The campaigns began in the tax sector, including customs, and the ministries of interior, oil, and defense. In this context, several channels are dedicated to receiving reports, including hotlines, the “Where did you get this” web page, as well as e-mail. The information contained therein is investigated by the Commission’s investigators before being presented to the competent investigating judge affiliated with the Supreme Judicial Council.

Table No. (3.10): number of reports²² and their processing status

| Year | Reports | Number of reports | Completed reports | Percentage |
|------|---------|-------------------|-------------------|------------|
| 2018 | | 3650 | 2842 | 77.86 |
| 2019 | | 5687 | 4341 | 76.33 |
| 2020 | | 6884 | 4203 | 6.38 |
| 2021 | | 9184 | 6385 | 69.52 |
| 2022 | | 10840 | 8680 | 70.76 |

254. The Commission makes good use of this information, as this information was the source of 33,019 criminal cases in which 4,154 judicial non-definitive rulings were issued²³ (see IO7 for details related to the prosecution of corruption cases in Iraq).

Table No. (3.11): number of criminal cases as part of the Commission’s efforts which were sourced from Reports.

| Year | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------|------|------|------|------|------|-------|
| Number of | 3676 | 4533 | 5646 | 4188 | 8922 | 33019 |

²² According to the reports of the Commission, reporting means a report in which the information contained is verified and investigated by the Commission’s investigators and inspectors before it is presented to the investigating judge affiliated with the Supreme Judicial Council.

²³ Annual reports 2018, 2019, 2020, 2021 and 2022, pages respectively 32-36-32-34-30

| | | | | | | |
|--------------------------|-------|-------|-------|-------|-------|-------|
| Percentage ²⁴ | 29.65 | 32.64 | 41.88 | 47.05 | 48.61 | 37.36 |
|--------------------------|-------|-------|-------|-------|-------|-------|

Operational needs supported by the FIU’s analysis and disseminations.

255. The Office has good human and logistical resources. The number of employees in 2022 was 64 employees. 17 employees were dedicated to the Financial Analysis Department, including 11 employees who were dedicated to participate in parallel financial analysis processes based on requests from judicial authorities and LEAs. According to the Office’s internal rulebook, this department includes three divisions concerned with suspected ML, suspected TF, receiving reports and preparing statistics. Financial analysts have a good educational and professional level (obtaining a certificate of completion of 4 years and 6 years at university successfully), most of them obtained ACAMS certificates in addition to continuing in-depth training courses related to combating ML/TF. Their practical experience varies between two and ten years in relevant fields.
256. The Office’s analysis and referrals led to supporting the operational needs of the competent authorities. The Office dissemination of files to the PP led to judicial proceedings that resulted in ML convictions (20) and TF convictions (10), the confiscation of funds totaling around USD 700 million (representing around 22 % of the total confiscated funds), while funds that are still seized (frozen) amounted to a total of USD 675 million. They also led to new investigations that were opened by LEAs, resulting in convictions for predicate offences (102), in addition to the detection of persons involved in TF activities who were not known to the competent authorities. The Office analysis also contributed to supporting the operational needs of the CFTF by designating persons (59) and entities (17) on the national sanctions list, as well as the freezing of around USD 1.2 million belonging to them. This data indicates that a reasonable percentage of the Office’s analysis and disseminations contributed to supporting the operational needs of the competent authorities (see the analysis below).
257. The Office’s referrals to the PP contributed to the issuance of 112 convictions for predicate offenses distributed between crimes committed in the framework of individual unorganized network (103) and crimes committed within the framework of an organized crime (9). These convictions included (3) PEPs, along with freezing and confiscating their assets. It is noted that the size of the amounts confiscated in corruption represented around 75% of the total amounts confiscated, while other crimes apart from corruption (forgery, fraud, tax evasion and stand-alone ML conviction) accounted for the remaining percentage of the amounts that have been confiscated at sentencing. As for the (102) convictions based on the Office’s spontaneous referrals to the LEAs, they were divided between fraud (31), forgery of official documents (25), the practice of unauthorized banking activities (4) and corruption in all its forms (42).

Operational Analysis

258. The Financial Analysis department (division) conducts operational analysis not only of STRs filed by reporting entities, FIs and DNFBBPs, but also of reports received from LEAs and other entities. This is done by giving the Office analysts access to available databases, in addition to those that can be accessed through written communication and open sources.
259. Upon receipt of the STR, the Office manually classifies the quality of the STR according to a set of criteria specified in a form prepared for this purpose. Among these criteria is whether the STR includes real indicators of suspicion (Such as the value or frequency of transactions (deposits / withdrawals / transfers) not in line with the information available on the suspect (their activity, income), or transfers of equal amounts to several individuals in different countries, etc...), supported by all documents and measures taken by the

²⁴ annual reports of the Commission in pages 21, 24, 27 and 27

reporting entity. The processing path of the STR varies depending on the classification level, with priority given to STRs rated good, moderate, and acceptable. As for STRs rated poor, the reporting entity will be notified directly to complete the required measures, in addition to notifying the supervisory authority (see Table 3.15 below). The Office adopted this mechanism starting 2017, and after adopting the GoAML late 2022, the classification process became automated (see table 3.8 above).

260. During the onsite visit, the AT examined a sample of referrals to the PP and found that the quality and accuracy of the analysis results vary from one report to another. While a reasonable number of referrals was characterized with good and thorough analysis of the financial flows and the establishment of links between the concerned parties, it is noticed that some others are of a lesser quality in terms of depth of analysis. This is due to the scope of reporting, in terms of the number of concerned parties and the number and value of transactions executed at the internal and international levels. Besides, the Office's analysts use information programs that contain functions that help them in their financial analysis. The analysts' experience, in addition to the information programs they rely on while conducting operational analysis, has led to the preparation of some high-quality reports, especially since a reasonable percentage of them triggered investigations and prosecutions, which accounted for 39 % for ML, and 100 % for TF.
261. By the end of 2022, the Office acquired an electronic system to receive STRs and exchange information with relevant parties. This system serves as a platform developed for the benefit of FIUs by the UNODC. This system became operational in the second half of 2022. All banks and a large number of FIs have been registered, as well as regulatory and LEAs concerned with combating ML/TF. Pending more technical assistance to be provided by the UNODC, the IT department at the Office made headway in making it operational. Linking all subject entities would enhance the Office's capability and capacity to better benefit from the operational features of this system in terms of arranging and processing STRs based on priority and importance. This system has also increased the maintenance of confidentiality of the information collection and dissemination process.

Office Disseminations to the PP

262. The Office received 2239 ML related STRs and 115 TF related STRs and referred 181 reports to the PP, divided into 139 referrals related to suspected ML (based on 224 STRs) and 42 referrals related to suspected TF (based on all TF related STRs totaling 115). Nearly 11 % of ML related STRs and 100 % of TF related STRs were referred to the PP. Despite the noticeable low number of ML-related STRs sent by the Office to the PP, compared to the number sent to other authorities, yet all of them were referred to the investigative courts, which in turn referred 54 of them (which accounts for 39 % of STRs) to the court of first instance that issued conviction in 20 cases, i.e. 33 %, and archived only 7 cases. Regarding the Office's TF related referrals totaling 42 cases related to 115 STRs, 10 convictions were rendered, while 32 are still being considered (see IO.9). It can be concluded that a reasonable percentage of the Office's analysis and referrals contributed to supporting the operational needs of the investigative and judicial authorities, as it is noted that the percentage of the Office's ML related referrals that reached the Court of First Instance amounted to 33%, while the percentage of TF related referrals is around 24%, knowing that there are cases that are still under consideration by the Court of First Instance, either for ML or TF.

Table No (3.12): Sources of STRs referred by the Office to the PP as per the reporting entity.

| Agency | year | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---------|------|------|------|------|------|------|-------|
| Banks | | 10 | 14 | 9 | 16 | 15 | 64 |
| LEAs | | 3 | 10 | 6 | 11 | 13 | 43 |
| Customs | | 3 | 1 | 1 | 6 | 25 | 36 |

| | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| CBI | 5 | 6 | 5 | 2 | 2 | 20 |
| Other Supervisory Authorities | 2 | 3 | 3 | | | 8 |
| Exchange Companies | | | | 2 | 2 | 4 |
| Discovered by the Office | 1 | | | | | 1 |
| Total | 25 | 34 | 24 | 39 | 59 | 181 |

Table No. (3.13): ML related STRs referred from the PP to the Investigative courts during 2018-2022.

| | | | | | | |
|---|------|------|------|------|------|-------|
| Years | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| STRs referred to the investigation court | 23 | 18 | 14 | 34 | 50 | 139 |
| STRs investigated by the Investigation Courts | 23 | 18 | 14 | 34 | 50 | 139 |
| STRs archived by the Investigation Courts | | 4 | | 3 | | 7 |
| Files referred to the Trial Court | 4 | 13 | 12 | 16 | 9 | 54 |

263. Although the law specifies the reporting entities, the Office treats the reports it receives from other parties as if they were suspicious reports and refers them to the competent authorities. These reports from LEAs were the source of 59 cases being referred to the PP after they have been analyzed by the Office.

Table No. (3.14): number of referrals to PPs that were the source of reports from LEAs.

| Authority | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-----------|------|------|------|------|------|-------|
| LEAs | 3 | 15 | 6 | 22 | 13 | 59 |

Office referrals to LEAs and others

264. The Office spontaneously notifies parties other than the PP of its analysis of the information contained in STRs. 684 pieces of information included in 540 STRs were shared with LEAs, 763 pieces of information were shared with supervisory authorities, 89 pieces of information were shared with a specific party(ies), and 6 were spontaneously shared with foreign counterpart FIUs. LEAs opened investigations into all these referrals, which led to a good percentage of convictions before the Courts of First Instance (102 cases), (34) of which were archived, while the rest (91) is still under investigation.

Table No. (3.15): Office Referrals of information to LEAs or the Supervisory Authorities

| Year/Action: | referral to LEAs | Referrals to Supervisory Authorities | Referral as per competence | Total |
|--------------|------------------|--------------------------------------|----------------------------|-------------|
| 2018 | 90 | 99 | 10 | 199 |
| 2019 | 89 | 145 | 18 | 252 |
| 2020 | 210 | 226 | 19 | 455 |
| 2021 | 125 | 164 | 17 | 306 |
| 2022 | 170 | 129 | 25 | 324 |
| Total | 684 | 763 | 89 | 1536 |

Table No. (3.16): outcome of the Office’s spontaneous referrals to LEAs

| Reporting entity | Number of referrals | Number of STRs | Investigations opened | Referrals to the investigative courts | Archived by the investigative courts | Cases under investigation | Convictions for an offence |
|--------------------|---------------------|----------------|-----------------------|---------------------------------------|--------------------------------------|---------------------------|----------------------------|
| Banks | 131 | 309 | 131 | 120 | 22 | 39 | 59 |
| Exchange companies | 113 | 231 | 113 | 107 | 12 | 52 | 43 |
| Total | 244 | 540 | 244 | 227 | 34 | 91 | 102 |

265. Through meetings with the competent authorities, such as the General Directorate for Combating Organized Crime, it confirmed that it relies on the Office’s information and reports, especially that the Office is used to carry out the task of parallel financial investigation. This explains that 11 financial analysts were assigned to parallel financial investigations out of 17 analysts.

Box No. (3.6): case study showing the Office’s conducting financial analysis with the competent authorities within a parallel financial investigation.

Description:

Information was received by the Office from the competent investigative court, including conducting a parallel financial investigation in the case of a detained accused, the owner of Company (F), for having delivered and received through unofficial money transfer offices in Iraq funds transfers from countries within proximity to Iraq. The court decided to inform the Office of the subject of the case to conduct a parallel investigation regarding the company used by the accused.

The Office conducted investigations and collected information from relevant parties, including (the CBI in its capacity as a supervisory authority, LEAs, an electronic payment company, and money transfer companies), which led to the following:

The accused is an agent for a money transfer company in a neighboring country.

There was information about the company from open sources that it operated in a neighboring country with a high percentage of residents from high-risk countries in addition to Iraqis.

The company received transfers through a company that is not licensed to conduct money transfers.

There were cross-border transfers to several countries (86 transfers), all in USD, totaling (USD 325,295).

Legal measures were taken by the competent court against the accused. They were sentenced to life imprisonment based on the provisions of Article (37) of the AML/CFT No. (39) of 2015.

Box No. (3.7): parallel financial analysis at the request of the investigation court that led to identifying a terrorist as a BO of a money transfer company.

Al-Karkh Investigation Court specializing in terrorist cases (Referral Decision No. 1405 of 11 September 2019)

The Office received information from the Al-Karkh Investigation Court, which specializes in terrorist cases, to conduct a parallel financial investigation into a case involving a detained accused who allegedly received and made financial transfers between Iraq and foreign countries through unofficial exchange companies.

The Office reviewed the information in its databases and contacted various administrative authorities, such as the CRD, as well as banks and e-payment companies.

It turned out that the BO of the exchange company was the accused himself, which he denied. The transactions were analyzed to reveal the existence of a network that illegally transfers Funds abroad. They deposit the funds with a company owned by a

member of the network and then transfer the funds in foreign currency and transfer it to other countries. The Office identified accounts, companies and outlets belonging to network members.
The Investigative Court utilized the Office report, the referral was made, and the conviction was issued.

Feedback provided to reporting entities.

266. As for feedback, it takes different forms. It begins with informing the reporting party of receipt and acceptance of the STR, as well as its outcome. It also informs the reporting party to refrain from carrying out the transaction as necessary (86 STRs). The Office also requests additional information about clients and their accounts. The Office also requests follow-up on the implementation of EDD measures and sometimes information on their nature, such as the documents that must be submitted by the client. The supervisory authorities are also informed of the poor quality of STRs submitted by their subject entities; they are also informed of the CDD violations by reporting entities that the Office discovers and their compliance with AML/CFT requirements.
267. Owing to the feedback provided by the Office on the STRs received and accepted and following their analysis, the quality of STRs filed by banks has improved over time; however, this was not reflected similarly for exchange companies (See table 3.8 above).

Joint investigation teams

268. In some cases, the Iraqi authorities form joint investigative teams that include several national bodies for the purpose of collecting financial intelligence and other information and using it to develop evidence and trace criminal proceeds. Joint investigative teams are usually formed by judicial order and are considered one of the effective mechanisms used to develop evidence and trace proceeds. The AT reached this conclusion given that the investigative teams allow the participation of several bodies, the exchange of expertise among them; they also allow resorting to special investigation techniques (depending on the powers of some of them) and use the best channels available for the purpose of accessing financial and other information at the local and international levels in a timely manner.

Table No. (3.17): number of the Office’s contribution to the joint investigation teams formed by virtue of judicial permission (40 cases)

| Authority | 2018 | 2019 | 2020 | 2021 | 2022 |
|------------------|------|------|------|------|------|
| Competent Courts | - | 3 | 6 | 7 | 10 |
| LEAs | 1 | 2 | 4 | 3 | 4 |

Box No. (3.8): Case Study showing the participation of several bodies in using and developing information and tracing criminal proceeds.

An investigative body was formed by judicial order in a case involving a person (SK) for committing a crime related to the abuse of his position and bargaining with a person to grant him investment licenses, which was carried out jointly with his relatives. Through the follow-up of the criminal proceeds, the competent investigative court found the existence of forms of money laundering.

Actions taken:

1. The investigation and evidence collection were conducted with the involvement of a number of authorities, represented by the FCOI, the Criminal Evidence Investigation Directorate at the MOI, the Office, and the CBI, and the phones of the participants in the crime were emptied and some evidence was obtained from those phones.
2. The investigative authorities conducted follow-up with the relevant authorities for the purpose of accessing the real estate and accounts of the convict and accessories.
3. The Office has been notified to address one of the counterparts FIU regarding the accounts, real estate, vehicles, and remittances issued or received by those participating with him.
4. Through the investigation, it was found that the convict (SK) used a third-party real estate in the name of a third party because he fears legal accountability from those in office, which constitutes suspicion against him.
5. The RERD provided the court with the real estate registered in the names of the defendants, the real estate valuation amounting to (2,014,000,000) IQD, and the real estate auctioneer who mediated the sale of real estate.
6. Through the minutes of seizure and unloading of phones duly by the Criminal Evidence Investigation Directorate / Electronic Crimes Division and the RERD, it was concluded that the real estate is still in the name of the third party.

The following was reached:

7. Registering real estate in the name of a third party for the purpose of concealing and disguising its illegal source, as the party being far from their family cannot be doubted, and thus, legal accountability would be dismissed.
8. The defendant in whose name the real estate was registered was aware of the source of the funds with which the real estate was purchased, and who organized an absolute general power of attorney for the son of the convict for the purpose of disposing of the sale and purchase of such real estate.
9. The exchange of information with the counterpart FIU revealed the existence of funds abroad, in addition to financial intelligence that was used to determine the transfers routes.

Legal action against convicts

- S.K. was sentenced to imprisonment for a period of (one year) for being an adult and a fine of (the value of the real estate subject of the crime) and;
- J was sentenced to temporary imprisonment for a period of (6) years, confiscation of real estate registered in her name, and seizure of movable and immovable property.
- Sentencing the convict (p) to imprisonment for (4) years with a fine of the amounts of real estate and (one million dollars).
- Sentencing in absentia the son of (S.K.) to temporary imprisonment for a period of (6) years and a fine of (2,014,000,000) JD.
- Giving the right to the affected party to claim compensation before the civil courts.

Box No. (3.9): joint Team efforts concerning the dismantling of drugs smuggling network.

In coordination and through exchange of information between the Iraqi MOI/General Anti-Narcotics Directorate and the Syrian counterpart/Narcotics Control Administration to work on dismantling an international drug smuggling network to and from Iraq, a qualitative operation was carried out between the two sides that resulted in the dismantling of an international drug smuggling network and 11 kilograms of narcotic substances were seized in their possession (Methamphetamine (Crystal) - Captagon), through the formation of a specialized joint work team between the two sides in cooperation with the competent security services in the Kurdistan Region of Iraq, given that the process of transporting drugs to Iraq takes place through the Kurdistan Region based on the intelligence information received from the Syrian side, and the accused were detained by a judicial decision on the grounds of international drug trafficking, with the continuation of parallel financial investigation to determine the proceeds of the crime and seize them for confiscation.

Box No. (3.10): Office benefiting from information concerning a drug trafficking case that turned out to be linked to terrorist financing.

The Organized Crime Directorate was informed that persons (S) and (H) were arrested in Anbar Governorate, riding in a vehicle containing narcotic pills. During the investigation, they declared that they were brothers, and based on their father's requests, they went to Anbar to collect goods from person (F) and transport them. The Directorate asked to be informed if there was any updated information.

By referring to its databases, it was revealed that there was previous information about person (F) as part of a parallel financial investigation issued by the Al-Karkh Federal Court regarding the crime of terrorism financing. There are three detainees, (E), (M) and (A) who were running a transfer (exchange) office, and "A" was working in drug trade with (F) and transferring it to a neighboring country.

The Office conducted research and investigation and provided the court with the results of the parallel financial analysis and all financial information and accounts with the banks and relevant parties. It explained the mechanism of informal transfer networks and their role in the terrorist financing process.

Investigation is still ongoing.

Box No. (3.11): a parallel financial analysis requested by the judiciary concluded that a terrorist was identified as the real beneficiary of a money transfer company.

Information was received by the NIS that a terrorist (B) received funds, outside Iraq, holding the position of Administrative Emir of Nineveh Province, using forged passports. Delivering funds to (AEE) The latter was lured by the intelligence service to Iraq, traced and information was collected about its circle of relations. After the arrest, a parallel financial investigation was opened with the Office, where they analyzed the accounts of all the persons who dealt therewith the accused, and the Office contacted counterpart FIUs.

The parallel financial analysis revealed that the person (AEE) is the BO of a money transfer company and that it receives donations through it from a group of countries. It was also revealed that there is a network of money transfer companies in Iraq and Syria that were dealt with.

The Office contacted the relevant international money transfer company (Western Union) and determined the total amounts received and the sources of funding.

The National Security Agency has wide powers to obtain information related to any assets owned by persons subject to investigation. It is customary for the Agency to request financial information from the Office due to its ability to access, at the required speed, all the information held by FIs and request information about persons subject to Investigations at the international level, and the financial information available to the Agency is used to develop evidence or track funds at the stage of conducting investigations or research into TF cases. The National Security Agency can determine the assets used in TF operations, whether in case of financing in the form of financial or logistical support, or in the recruitment of personnel. Financial investigations are not limited to identifying the funds used to finance the terrorist individual, but rather the funds that are used to finance the terrorist act or terrorist organization.

Through the cases submitted by Administrative Control Authority (“ACA”) , which included all stages of investigation, ACA can access a wide range of accurate and detailed information and data held by a large number of entities (commercial registry, tax reports, social insurance, civil registry, criminal record, car property, ships, land and aircrafts, water utility documents, cross-border movement data, building permit documents, electricity utility documents, judicial rulings and sanctions, civil societies, real estate taxes, real estate registration, real estate property). As for the information kept with FIs and DNFBPs, it can be obtained directly or through the Unit. The ACA has an information system that can be used to analyze information and run investigations.

269. In terms of receiving and requesting information, the Office has generally become the hub around which many parties revolve, most notably the Anti Organized Crime General Directorate, to receive information, products, and information materials that can be used to develop evidence and trace proceeds of crime. It is noted from the following table that the vast majority of information requests sent to the Office came from the CBI (which is a body concerned with the application of fit and proper tests), then from the MOI, the CFTF, and the FCOI. The CBI draws upon information it receives from the Office, at its request, before granting licenses to establish financial and banking institutions or when a change to the ownership or management structure occurs. The CBI also draws upon the supervisory work it conducts and which in some cases necessitates requesting information from the Office.

Table No. (3.18) of the number of requests submitted to the Office as per the requesting authority.

| Authority | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--------------------------|------|------|------|------|------|-------|
| CBI | 1009 | 580 | 385 | 1263 | 995 | 4232 |
| MOC | 18 | 9 | 2 | 12 | 20 | 61 |
| CFTF | 43 | 52 | 87 | 105 | 141 | 428 |
| MOI | 152 | 138 | 213 | 168 | 341 | 1012 |
| National Security | 18 | 17 | 6 | 23 | 10 | 74 |
| CTS | 4 | 13 | 0 | 7 | 15 | 39 |
| Supreme Judicial Council | 19 | 10 | 8 | 4 | 8 | 49 |
| FCOI | 66 | 53 | 50 | 84 | 123 | 376 |
| Intelligence services | 8 | 12 | 5 | 7 | 17 | 49 |
| Cabinet Secretary | 1 | 4 | 2 | 2 | 6 | 15 |

| | | | | | | |
|---------------|-------------|------------|------------|-------------|-------------|-------------|
| Recovery Fund | 0 | 0 | 0 | 0 | 20 | 20 |
| Total | 1338 | 888 | 758 | 1675 | 1696 | 6355 |

270. The Office received 11 reports from the NGOs Department regarding suspicion of NPOs being linked to TF. LEAs and the investigative court seek the assistance of several entities during the parallel financial investigation, most notably the Office. The latter was able to identify predicate offences, the proceeds of which were used to finance terrorist acts, which differ from the predicate offences for ML.

Box No. (3.12): case study showing the Office’s conducting financial analysis with the competent authorities within a parallel financial investigation.

Information was received by the Office from the competent investigative court, which includes conducting a parallel financial investigation in the case of a detained accused, the owner of Company (F), about its sending and receiving of fund transfers with neighboring countries to Iraqi territory through unofficial money transfer offices in Iraq.

The Office conducted investigations and collected information with relevant parties, including (the supervisory authority, i.e. the CBI, LEAs, and the e-payment company and money transfer company). It was concluded that:

The accused is an agent for a money transfer company in a neighboring country.

The company receives transfers through a company that is not licensed to transfer.

The company operates in a region of the neighboring country where there is a presence of a community from high-risk countries, as well as Iraqis.

There were external transfers to several countries (86 transfers), all in USD, totaling (USD 325,295).

The information was analyzed and prepared and sent to the competent court.

Legal measures were taken by the competent court against the accused, who was sentenced to life imprisonment based on the provisions of Article (37) of the AML/CFT Law No. (39) of 2015.

271. The investigative court having recourse to the Office is limited (only 4 requests for information), given that it directly resorts to other entities to collect financial intelligence and to complete its financial investigations.

Table No. (3.19): number of information requests submitted by LEAs and investigative courts to the Office.

| Authority | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|------------|
| LEAs | 35 | 43 | 23 | 87 | 80 | 268 |
| Competent investigative court | | 1 | 1 | 2 | | 4 |
| Total | 35 | 44 | 24 | 89 | 80 | 272 |

Box No. (3.13) Case Study: Reporting from a supervisory authority on suspicion of exploitation of a NPO in TF

The Office received a report from the NGOs Department that, based on the financial report of an NPO, it was suspected of being involved in transactions with terrorist organizations in Anbar, which is under ISIL's control.

The Office's investigations concluded that the NPO committed financial violations and found out suspicions of corruption, as it carried out unauthorized activities according to the NPOs Law and paid fictitious salaries to members of the Board of Directors without the source(s) of these funds being revealed. Also, one of the members of the Board of Directors' name was on the lists of persons affiliated with ISIL. The Office obtained information from the NIS.

The committee on freezing terrorist funds was asked to freeze the funds of the NPO and the suspected persons (12).

The file was referred to the PP, a decision was issued to dissolve the NPO, and the accused were tried and sentenced with imprisonment.

Box No. (3.14): case Study: Using the Office to access information for the benefit of a LEAs

Information was received by the NIS that a terrorist (B) received funds, outside Iraq, holding the position of Administrative Emir of Nineveh Province, using forged passports. The terrorist sent funds to another person (called (A)). The latter was lured by the intelligence service to Iraq, traced and information was collected about its circle of relations. After the arrest, a parallel financial investigation was opened with the Office, where they analyzed the accounts of all the persons with whom the accused dealt therewith, and the Office contacted counterpart FIUs.

The parallel financial analysis revealed that the person (A) is the BO of a financial transfer company and that it receives donations through it from a group of countries. It was also revealed that there is a network of money transfer companies in Iraq and Syria that were dealt with or used.

The Office contacted the relevant international money transfer company and determined the total amounts received and the sources of funding.

Strategic analysis

272. The Office produces analysis of a good strategic nature. The available information and data are used to determine ML/TF patterns and trends, and methods for detecting suspicious transactions, the mechanism for analyzing and referring them, and identifying the ML/TF risks.
273. The Office prepared a strategic study on the physical transportation of currency despite the low number of declarations referred to it by the GAC. The Office cross-checked the data contained in these declarations with banks' CTR as well as STRs. For this purpose, the Office concluded a cooperation agreement with the Hajj and Umrah Authority, which in turn disseminated information by following up on the funds allocated to Umrah pilgrims.
274. The Office prepared many strategic analysis reports, including:
- (1) Sources of ISIL and movement of funds. This report was issued in 2021. Whereby reporting and cases were approved by courts and international reports. The aim of the report is to identify sources that are feared to be re-used by ISIL,
 - (2) ML and TF scenarios for the electronic systems of banks, e-payment companies, exchange companies, and exchange companies engaged in money transfer activity,

- (3) Financial transactions linked to human trafficking and migrants smuggling, (4) Endorsing government cheques to others, (5) Annual reports prepared by the Office and published on the website, (6) Contributing to the study and development of regulations and instructions, and studying, developing and submitting proposals to update the regulations and instructions of the Office, FIs, and DNFBBs that regulate their obligations towards the AML/CFT Law, (7) Participating in preparing drafts of instructions and controls for AML/CFT for entities subject to the AML/CFT Law, (8) Publishing several guidelines in cooperation with regulatory authorities, including a 2018 Guidance on CFT, guidance on indicators of suspected ML/TF related to DNFBBs, guidance on indicators of suspected ML/TF related to banking operations and participating in preparing the Financial Investigations Guide with the Supreme Judicial Council, other national bodies, and the United Nations Development Program (UNDP).

Box No. (3.15): case of a strategic analysis process on the phenomenon of endorsement of government cheques:

It was noted that there was a phenomenon of repeatedly using endorsements for government cheques, as a result of which issues received by the Office were studied, qualitative information and open sources included the endorsement of government cheques several times, which raised suspicion of the possibility of money laundering through them. Several results and proposals were reached on the subject, which were referred to the office of the Prime Minister/Ministerial Council for the Economy, based on the results of this Office's analysis of that phenomenon, as a result of which a decision was issued by the aforementioned council including the deposit of government cheques in the accounts of the persons who benefit therefrom when the amount of the bond is more than one hundred million IQD and should never be endorsed to others, disbursement of cheques whose amounts are less than fifty million IQD in cash and endorsed to the first beneficiary without limitation. Government cheques whose amounts are fifty million IQD and up to one hundred million IQD are disbursed in cash to the first beneficiary and endorsed only once (to the second beneficiary).

Cooperation and exchange of Information/financial intelligence

275. There is a good cooperation between the Office, LEAs, and judicial authorities with respect to the exchange of information, which is undertaken through formal and informal mechanisms, within a reasonable, and sometimes, very good timeframe.
276. In 2018, the Office concluded a memorandum of cooperation and exchange of information with the AML/CFT Division at the MOI of the Kurdistan Region, where formal cooperation resulted in processing more than 300 cases. Besides, judicial cooperation is good between the Kurdistan Region courts and the Baghdad courts, according to the documents and correspondence that have been provided.
277. The Office worked to complete the signing of bilateral cooperation agreements with various parties at the national level, as the number of cooperation agreements until the end of 2022 reached (17) cooperation agreements with the aim of involving all parties related to the AML/CFT regime in Iraq. The Office has a liaison officer with the GAT. The declarations submitted by travelers to and from Iraq are obtained by the Office electronically, in a timely manner, and in a completely secure manner. In addition, the Office joined the Egmont Group in July 2023, which will enable it to obtain information in a fast and secure manner from counterpart FIUs. With regard to ensuring the confidentiality of information, data, and suspicious reports, the Office has adopted a high level of security for the data included in its databases by setting strict rules for access thereto. This high or high level of requirements also applies to access to its headquarters and offices. Also, the methods of communication with the various parties that it deals with are now done through the electronic reporting system or paper correspondence according to strict procedures. The Office is located at the

headquarters of the CBI (a separate wing) and is heavily guarded by security and guard agents, in addition to the presence of cameras, and entry and exit are subject to strict security rules. The Office is also subject to procedures that ensure the security and confidentiality of documents, whether when processing or archiving, and has its own servers and a secure system or a backup system of its own.

278. Cooperation was also enhanced between the Office and the FCOI by concluding a cooperation agreement in the field of information exchange between the two parties since 2017, based on which the Office resorts to the FCOI for the purpose of obtaining information related to the financial disclosure of taxpayers. The financial disclosure includes information on the taxpayer, family members, relatives, contributions and shares in companies that they own with their family members inside and outside Iraq, real estate properties that they own or that they purchased and their family members inside and outside Iraq, the funds that they and their family members own, whether in possession or in banks, the average monthly expenses, and valuables and bonds, among other information. Correspondence and exchange of information takes place through the GoAML system.

Box No. (3.16): Case study showing the use of the Office of the Financial Disclosure Statement when collecting information and analysis.

A lawyer reported to the Office that he had information about one of his clients (A PEP) making a bank transfer whose value exceeds \$100,000.

The Office approached the FCOI for the purpose of informing it whether the amount was declared in the financial receivables statement.

The Office was informed that the financial disclosure was not declared for the existence of the relevant accounts.

The Office provided the FCOI with the results of its financial analysis.

279. In addition to exchanging information with LEAs and investigative authorities, the Office also cooperates with supervisory authorities, especially the CBI, as a reporting authority on suspicions on the one hand, and to inform it of violations committed by entities subject to its supervision in terms of quantity and quality. They also conducted a field inspection visit together.

280. LEAs notify the Office of amounts of cash found in the possession of persons on the border roads. This information led to the detection of links between the persons carrying these funds and terrorist organizations.

281. Cooperation takes many forms structurally and institutionally as the Office takes part in several teams and committees formed at the national level for the purpose of combating predicate offences, ML/TF/PF. This includes the AML/CFT Council and the CFTF, in addition to its participation in the preparation of national plans and strategies, such as the national strategy for combating corruption and violent extremism conducive to terrorism (see IO.1).

282. **Overall Conclusion on IO 6:** Iraqi LEAs and investigative authorities obtain, review, and use financial and other relevant information (intelligence) before and during the investigation in order to develop indicators and process them into evidence and trace criminal proceeds. Cases of collecting financial intelligence related to corruption alone account for 89% of the total number of cases, although it was not demonstrated that these involved corruption among high-level government officials and while information is used in serious crimes in a manner that is consistent with Iraq risk profile to some extent.

283. The Office receives STRs from subject entities, which mainly consist of FIs, as well as from supervisory authorities of subject entities. The Office receives STRs from other official entities. The number of STRs received from FIs is generally low for banks and exchange companies engaged in money transfer activity, and non-existent in the case of insurance companies, securities brokerage firms, and

DNFBPs. The quality of the STRs received by the Office from reporting entities is considered acceptable to some extent. It is considered relatively good with respect to banks and to a lesser degree with respect to exchange companies (category (a) and (b)) but still does not sufficiently correspond with the threats and risks identified. The operational analysis conducted by the Office varies but is of good quality in a reasonable number of cases. The number and quality of files referred to the competent authorities by the Office on ML/TF suspicion is considered acceptable, given that they contributed to supporting their operational needs, after they ended with ML convictions (20 cases), TF convictions (10 cases), predicate offence convictions (102), the designation of 59 individuals and 16 entities on the national sanctions lists, the confiscation of significant sums of money and freezing funds. The Office contributes to joint investigations by virtue of judicial permission or at request of LEAs. The Office produces good strategic analysis.

284. The competent authorities in Iraq cooperate and coordinate the exchange of information, which is in line with the Iraqi context, which involves many agencies that carry out tracing and investigation techniques. The Office and the competent authorities cooperate in good manner with each other by exchanging information at the operational level. In addition to exchanging information with investigative authorities in the described manner. The Office also cooperates with supervisory authorities, especially the CBI, as a reporting authority on suspicions on the one hand, and to inform it of violations committed by entities subject to its supervision.

285. The competent authorities use financial information and other information in investigations to develop evidence and trace proceeds in a manner that is consistent with Iraq's risk profile to some extent. The Office's referrals contributed to supporting the operational needs of the authorities to an acceptable degree. The gaps in the quantity and quality of STRs particularly in sectors that present ML/TF risks as noted in IO.1 were weighted heavily, and therefore have a major impact on the overall effectiveness for IO 6.

286. Iraq achieved a “moderate” level of effectiveness for IO 6.

Immediate Outcome 7 (ML investigation and prosecution)

287. The AT based their conclusions on meetings held with relevant authorities, including the Office, the FCOI, the MOI, the specialized investigative courts for integrity, ML, and economic crimes in Iraq and the Kurdistan Region, the specialized investigative courts for drug trafficking cases in Iraq and the Kurdistan Region, the Kurdish Security Organization (Asayish), the GAC, and the GAT. Additionally, the AT relied on statistical data and case studies provided by the authorities concerning investigations and judicial pursuits related to ML and predicate offences in line with the country's risk profile, as well as a number of court rulings provided to the AT.

ML identification and investigation

288. The specialized investigative courts for integrity and ML cases in Iraq is the central authority responsible for identifying ML crimes and is assisted by a number of agencies that provides the needed information for the investigative courts. Those agencies include the FCOI, the MOI's Organized Crime Division and the Office.

Table No. (3.20): No. of ML Investigations as per the authority initiated the case for 2018-2022:

| Entity/Year | 2018 | 2019 | 2020 | 2021 | 2022 | Total | % |
|------------------------|------|------|------|------|------|-------|-----|
| Court of Investigation | 45 | 55 | 46 | 88 | 81 | 315 | 39% |
| FCOI | 12 | 28 | 33 | 37 | 82 | 192 | 23% |
| MOI | 70 | 23 | 29 | 25 | 18 | 165 | 21% |
| The Office | 23 | 18 | 14 | 34 | 50 | 139 | 17% |

| | | | | | | | |
|-------|-----|-----|-----|-----|-----|-----|--|
| Total | 150 | 124 | 122 | 184 | 231 | 811 | |
|-------|-----|-----|-----|-----|-----|-----|--|

289. The table above illustrates that there is a diversification in the sources of information due to the different competencies of each authority whereby the primary source of investigations is the specialized investigative courts. This is mainly due to their involvement in investigating the predicate offenses, which provides them with evidence prompting them to initiate ML investigations and thus those courts were able to identify these offences in a good manner. On the other hand, it is notable that the number of investigations originating from the Office is relatively low compared to other authorities. The Office explained that the cases mentioned in the table may be cases where several reports received by the Office may have been integrated into a single case to analyse links and relationships between the individuals mentioned in those reports. This mechanism was agreed upon between judges of the investigative courts and the Office notwithstanding the fact that in some cases the judge may allocate separate cases if needed or if the investigation revealed the presence of new connections. In this context, the number of reports referred to the PP reached (139), based on (224) STRs. The table below shows the number of natural and legal persons mentioned in all STRs disseminated by the Office to the PP annually .

Table No: (3.21) the number of STRs disseminated by the Office to the PP and the number of natural and legal persons in each STR.

| The year | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|------|------|------|------|------|-------|
| Total number of STRs disseminated to PP | 23 | 18 | 14 | 34 | 50 | 139 |
| Individuals | 39 | 95 | 31 | 41 | 77 | 283 |
| Entities | 27 | 56 | 79 | 82 | 136 | 380 |

290. The specialized investigative court for integrity, ML, and economic crimes is responsible for handling ML crimes. The specialized investigative court for integrity, ML, and economic crimes identifies ML cases through four main channels: 1) Spontaneously during its investigations into predicate offenses. 2) Through investigations conducted by LEAs under the supervision of an investigating judge. 3) Via analysis of STRs referred by the Office to the PP, which, in turn, refers them to investigative judges for ML investigations. 4) Through international judicial requests received from other countries containing information on proceeds whereby the court depends on such information to initiate a judicial investigation. However, this channel is conditional on the receipt of MLA from abroad to trace proceeds (if any) and identify the ML offence resulting from crimes committed abroad.

291. The specialized investigative court for integrity, ML, and economic crimes heavily relies on the Office to gather essential financial information for parallel financial investigations, identify and trace the proceeds of the crime, and seize them, particularly in cases with significant proceeds, cases involving PEPs, or when there is public interest in the subject of the investigation. During its investigations, the court may also request information from institutions such as the Federal Bureau of Financial Control, the FCOI, banks, and the CBI to enhance its financial investigations. The competent investigative courts clarified that it resorts to the Office largely due to various reasons, including the databases available directly to the Office, allowing it to collect financial information, especially from banks²⁵, in a timely manner. Nevertheless, the statistics provided by Iraq showed that the total number of requests sent by the investigative

²⁵The Office has an automated system tied to the databases of banks, allowing it to identify the bank accounts belonging to individuals under investigation and their balances.

courts to the Office were (49) requests to conduct financial analysis and identify whether they constitute proceeds of crime or not. As for the Kurdistan Region, the specialized investigative judges there follow the same procedures and coordinate with the specialized investigative judges in Iraq. The AT viewed cases of cooperation between LEAs at the MOI and al Ashayesh in Kurdistan province which were limited to handing over detainees, executing arrest warrants of accused with ML crimes and embezzlement. The statistic provided showed that the financial intelligence information requests made by al Asayesh totalled 536, of which 176 were addressed to the AML/CFT Office.

292. The regular investigative courts presided by investigative judges handle cases related to predicate offenses such as drug-related crimes, theft, oil derivatives smuggling, financial and administrative corruption, fraud, forgery, and more. In cases where these judges, through parallel financial investigations, discover financial proceeds from the predicate offense (pending investigation), they refer them to the specialized investigative judge at the court responsible for integrity, AML, and economic crime cases.
293. The FCOI assists the investigative courts in identifying ML cases by tracing proceeds derived from financial and administrative corruption crimes committed within the public sector, such as embezzlement, bribery, and unjust enrichment. A total of 35 investigators within the Commission gather information and conduct inquiries regarding the destination of funds derived from corruption crimes, whether they have been disposed of or subjected to any type of money laundering. Afterwards, these cases are presented to specialized investigative judges. In the Kurdistan Region, a separate Integrity Commission conducts its tasks in coordination with the FCOI in Baghdad.
294. The Iraqi MOI, specifically the Drug and Psychotropic Substances Control Directorate and the Organized Crime Control Directorate, as well as the Asayish in the Kurdistan Region, assist the investigative court in identifying ML cases through their investigations conducted while looking into the predicate offences that fall within their jurisdiction. These predicate offences encompass offenses like drug trafficking, tax evasion, trafficking in national antiquities, various forms of smuggling, financial crimes, counterfeiting currency, industrial fraud, and others. All procedures undertaken within the framework of these investigations are supervised by specialized investigative judges. These agencies also perform parallel financial investigations to trace criminal proceeds before referring the cases to the relevant investigative judge. In some cases, they may seek assistance from the Office to obtain additional information that aids the investigation through the available databases and analysis.
295. The Office is considered one of the sources to identify the ML offence based on STRs of suspected money laundering and predicate offenses received from reporting entities or according to information the Office receives from foreign counterparts. The Office receives STRs and information and, after gathering and analysing the data, it can make one of two decisions. If there are insufficient grounds for suspicion, the case is archived. If there are reasonable grounds for ML suspicion, the results of the STRs are referred to the General Prosecution, which then forwards them to the relevant courts. The Office and the AML/CFT division at the MOI in Kurdistan province play an integral role in exchanging information related to ML crimes as well as predicate offences. This is evident from the number of cases whereby the Office and the division cooperated which exceeded 143 cases. The Office, and after a judicial approval, in (40) cases, participated officially in ML joint investigations. These investigations focused on most of the serious criminal proceeds-generating crimes in accordance with the country's risk profile, as per the following statistical table.

| Type of crime | Number of crimes |
|----------------|------------------|
| Corruption | 16 |
| Tax evasion | 5 |
| Forgery crimes | 11 |

| | |
|--------------|----|
| Fraud crimes | 8 |
| Total | 40 |

Box No. (3.17): Case study on forming an investigative working team for a major forgery case.

The Office received the judicial decision comprising the formation of an investigation, audit and inquiry team which brought together many national entities, namely (the RERD, the GAT, the FCOI, the Office). The team was headed by an investigative judge of the Karkh Court for the purpose of a major case related to the forgery of documents to inquire. The purpose of the team is to trace proceeds and any opened bank accounts, money transfers or companies belonging to the accused persons who committed forgery.

The Office, through its representative in the investigation team, accessed, through its databases, the accounts of the accused persons opened at banks, as well as the companies, the BO and real estate properties registered in their names. It was found that proceeds were sent to another country. After tracing such proceeds, the following was reached:

- 1- Several account balances belonging to the forgers have been seized after being identified.
- 2- It was found that the wife of one of the forgers has a controlling interest in a commercial company; therefore, all her shares have been seized.
- 3- The court was provided with several property title deeds belonging to the said persons, which have been seized by the court.
- 4- Inquiry about them is still ongoing outside Iraq, while inquiry about the other parties that will be uncovered during the investigation is still underway.

296. The GAC is considered an entity that assists Investigative Courts in identifying ML crimes through investigations it conducts. If the Commission suspected the existence of financial proceeds, the case is referred to the specialized Investigative Court for Integrity, AML, and Economic Crimes. The judge at this court then requests assistance for parallel financial investigation from the Office. The Office complements the necessary information and conducts the appropriate analysis as part of this process. The GAC coordinates daily activities with the Kurdistan Region through a specialized customs office in the Region.

297. The GAT is not considered a law enforcement agency. Instead, it focuses on identifying tax evasion crimes and auditing financial data, particularly those of major taxpayers, through its financial auditors. In the event of a case of tax evasion, it will be referred to the competent courts.

298. Iraq has a Financial Investigation Procedures Manual, which was circulated on 1 February 2023, by the PP after obtaining the approval from the Head of the Supreme Judicial Council. This manual was prepared with the involvement of various national entities²⁶. The manual covers the roles of the entities involved in inquiries, investigations, auditing, general investigation procedures, evidence collection, and international cooperation mechanisms. The manual was issued pursuant to the AML/CFT strategy for the years (2017-2022). Training on using the procedures of the manual started early 2021 as stated by Iraq.

²⁶ The Supreme Judicial Council and the Judicial Council of the Kurdistan Region, the MOJ in the Kurdistan Region, the Federal Financial Control Bureau and the Financial Control Bureau in the Kurdistan Region, the FCOI and the Integrity Commission in the Kurdistan Region, the Federal Ministry of Interior and the Ministry of Interior in the Kurdistan Region, the Asayish in the Kurdistan Region, and the Office.

299. The statistics provided demonstrate that the specialized investigative judge has been actively requesting information from specific FIs, DNFBPs, the CRD, and the RERD. These requests serve the purpose of gathering the necessary data for parallel financial investigations. Over the years from 2018 to 2022, there were a total of 827 requests made, 380 of which were directed towards FIs. Moreover, the investigative judge, as needed, requests information upon receiving referrals from various sources, with the most significant ones being the Bureau of Financial and Administrative Control, the CBI, and the FCOI.
300. During the examination of ML crimes, the specialized court for integrity, AML, and economic crimes conducts financial investigations to trace the assets held by the accused or linked to ML and predicate offences. Assets of the accused's spouse and their ascendants and descendants, as well as family members are subject to seizure. Cases provided by the country, show that parallel financial investigation aim to target the proceeds of the crime that exit Iraq, which was conducted through the collaborative efforts of multiple national entities, including the Bureau of Financial and Administrative Control, the FCOI, the Office, and the CBI. However, the country did not demonstrate that this is an approach applied consistently for all serious crimes, in line with the specific risk profile in Iraq.

Box No. (3.18): case Study about identification of ML case based on a parallel financial investigation in a corruption case.

The specialized court for integrity, AML, and economic crime initiated an investigation into the embezzlement of funds from a government bank. The accused, identified as (Y), was alleged to have embezzled 47 billion IQD around (USD 3,5814,000) using fraudulent notifications, manipulating the accounts and lists of retirees, and fictitiously disbursing these funds. In parallel with their ongoing investigation, they requested the MOF to conduct an administrative investigation. Furthermore, the investigative court requested that several entities, including the Bureau of Financial and Administrative Control, the FCOI, the Office, the CBI, the RERD, and the General Traffic Department, take various measures within their jurisdictions to track the proceeds of this crime both inside and outside Iraq. They were also tasked with examining the financial files of all the suspects involved in the case. Upon reviewing the bank accounts associated with the accused, it became apparent that there were financial transactions directed towards a neighbouring country. Subsequently, the Office requested cooperation from the counterpart unit in that country. They were provided with the accounts and assets linked to the accused and her relatives for further investigation.

- Through the investigation of the assets, it was revealed that the accused (Y) had purchased a property in her daughter's name worth \$7 million and another property in her name in an upscale area in Baghdad. Additionally, she had collected rent amounting to \$1.2 million for one of these properties. Furthermore, it was discovered that there were properties registered under her name and her husband's name in the neighbouring country, along with various bank accounts. There was also a fleet of cars, gas stations, transportation companies, and asphalt plants registered under her husband's name. The accused was found to have forged letters of guarantee on behalf of her husband.
- The FCOI was provided with the information available in the neighbouring country. Subsequently, a request for MLA was organized. This led to the identification of the funds and assets belonging to the individuals involved in the crimes, enabling the tracking of their assets.
- It was revealed that the other suspect in the embezzlement case, identified as (D), has properties registered under his name, his wife's name, and one of his friends' names. In addition, there are other properties that were investigated for potential unjust enrichment before the occurrence of the crime. The investigative procedures are still ongoing in this aspect.
- The defendant (Y) was sentenced to life imprisonment based on the provisions of Article (315) of the Iraqi Penal Code. Additionally, the other individuals involved, who were employees of the bank, were sentenced to 15 years in prison based on the aforementioned legal provisions related to the embezzlement crime, which is the predicate offense.

- The defendant (Y) was sentenced to 15 years in prison for the ML crime, based on the provisions of Article (36) of the AML/CFT Law No. 39 of 2015. She was also fined an amount of 10 million dollars, with the confiscation of 1.2 million dollars, which was the rental income from the property. Furthermore, her share of the seized properties was confiscated in accordance with the provisions of Article (38) of the same law.

Box No. (3.19): case study about identifying ML case resulting from tax evasion and conducting parallel financial investigations during the consideration of the predicate offences.

The accused (B.A), who was the authorized representative of the company (K.K), provided incomplete information and concealed details related to the company's accounts, causing harm to public funds resulting in the tax evasion crime. A committee of financial assessment experts determined that the amount of tax evasion was (15,152,745,000) IQD, which is approximately equivalent to (USD 11,591,849). It is worth noting that this case was opened after the former General Director of the Tax Authority was convicted and sentenced to imprisonment and a fine. She had issued a letter to five banks confirming that the company (K.K) was tax compliant until 2019. The movable and immovable assets of the company's accounts were seized, as well as the assets of the accused, his wife, brothers, and children in Iraq, under a provisional reservation for the purposes of the AML/CFT law. Investigative documents have been prepared to trace the company and its authorized representative funds and proceeds. The defendant's attorney has notified the court of the amounts to be paid by the company. Investigative procedures are in the final stages for referring the company and its authorized representative to the competent court.

As for ML, the investigating court has requested a detailed report from the Office that shows the movement of funds and accounts of the company (K.K), its authorized representative, his children, wife, and brothers. It has been confirmed that there are properties registered in upscale areas under the name of the authorized representative and his brothers. There were also properties under the name of the authorized representative in country (S), and it has been found that there were transfers between company (K.K) and company (K.A). The latter company provides consulting services, and the transfers ranged from one to three million dollars. It was further revealed through the Office's investigation that the accused's wife is one of the founders of that company.

A MLA request has been prepared to address the issues related to the properties in coordination with the FCOI.

The ML investigation is at final stages to be referred to the competent court.

301. The above case study shows the role of the GAT in determining the predicate offence (tax evasion) is evident. Additionally, the role of the Office in tracing the smuggled funds and natural and legal persons investigating the movement of funds inside and outside Iraq is clear. The role of the Corruption Court in seizing assets to prevent their dissipation and initiating the process of MLA is also evident.

Box No. (3.20): A suspected overseas ML case identified following information request received by the Office from a foreign counterpart.

The Office received a request for information from a foreign counterpart concerning an Iraqi national named (H) residing in their country. This individual also owns a trading and contracting company in Iraq. The request was prompted by several reports from banks operating in the foreign country, indicating that (H) was making cash deposits into his accounts with these banks without clear or justifiable purposes.

Scanning the Office's database revealed that four siblings own the company, with (H), the subject of the aforementioned suspicion, holding the largest share. This company has a partnership agreement with an Iraqi trading and contracting company. Further investigation and information gathering were conducted regarding bank accounts, financial transactions, tracking money flows, internal and external transfers, etc. Several significant external transfers to a company located within the country's borders, the subject of the request, were noted. These transfers were related to legal consulting fees.

Upon further investigation into the sources of the company's funds, it became apparent that the company had government contracts in the Republic of Iraq. The company also had a contract to develop a government project, which was initiated over three years before the suspicious financial transactions involving the company. Due to deteriorating security conditions in the project area, it became impossible to complete the project. Additionally, it was discovered that the company's shareholders had a criminal history and engaged in illegal activities. The company was tax non-compliant. Based on this information, the relevant unit initiated legal actions and furthered the necessary legal procedures. Simultaneously, the Office referred a STR about ML to the appropriate court regarding the matter.

Table No. (3.22) Number of investigations in the predicate offences²⁷ in which the competent investigative court gathered financial information for the years (2018-2022).

| Investigative court's investigations in predicate offences committed within the framework of | | | Parallel financial investigations when considering crimes committed within the framework of | | Percentage of parallel financial investigations of predicate offences committed within the framework of | |
|--|--------------------------------|-----------------|---|-----------------|---|-----------------|
| | Individual Unorganized Network | Organized Crime | Individual Unorganized Network | Organized Crime | Individual Unorganized Network | Organized Crime |
| Corruption | 7351 | 1404 | 6789 | 932 | 92.3 % | 66.4 % |
| Drug trafficking ²⁸ | 410 | 135 | 280 | 59 | 68.3 % | 43.1 % |

²⁷ The AT was provided with new statistics before the face-to-face meeting, showing that Iraq relies on detailing crimes based on the generated proceeds so as to target its investigations on specific segments.

²⁸ During 2018 - 2022, the authorities conducted a total of 37,194 investigations into drug trafficking offences. The authorities reported that the main players are divided into two categories. The first category involves the supplier and the agent, while the second category involves the distributor and courier. Criminal activity at the supplier and agent levels often generates proceeds unlike the activity at the distributor and courier levels (selling or carrying a small quantity of drugs). The authorities resort to a parallel financial investigation based on a set of criteria, including the size and types of drugs seized, the

| | | | | | | |
|---|-------|------|------|------|--------|--------|
| Oil derivatives ²⁹ smuggling | 144 | 81 | 117 | 72 | 81 % | 88.8 % |
| Tax Evasion | 109 | - | 88 | - | 80.7 % | - |
| Trafficking in National antiquities ³⁰ | 76 | 36 | 75 | 31 | 98 % | 86 % |
| Forgery | 1120 | 202 | 391 | 26 | 34.9 % | 12.8 % |
| Fraud | 2150 | 345 | 443 | 56 | 20.6 % | 16.2 % |
| Total | 11360 | 2203 | 8138 | 1176 | 71.6 % | 53.3 % |

302. The above statistics show that there is a large percentage of investigations into predicate crimes in which parallel financial investigations were resorted to. The percentage of investigations into serious crimes carried out within the framework of organized crime and in which the investigative court resorted to collecting financial information was 66.4% for corruption, 43.1% for drug trafficking, 88.8% for smuggling oil derivatives, and 86% for trafficking in national antiquities. However, the AT believes that the large number of parallel financial investigations has not led to sufficient ML investigations. This is because ML investigations were only 547 investigations, compared to 9,314 parallel financial investigations conducted for serious crimes. Perhaps this leads to the conclusion that parallel financial investigations have not been adequately utilized to identify the ML offence associated with the most serious proceeds-generating crimes according to Iraq’s risk profile.

Table No. (3.23): No. of ML Investigations as per type of predicate offence/ violation or suspicion for (2018-2022)

| Type of Crime/ violation or suspicion | No. of ML Investigations as per predicate offence / violation or suspicion committed as part of | |
|---------------------------------------|---|-----------------|
| | Unorganized individual | Organized crime |
| Corruption | 311 | 59 |

information available on the person in whose possession the drugs were found, and the number of people dealing with them. This approach is followed by the Narcotics Control Department, which seeks to allocate its resources to target the most prominent players in the crime. Consequently, the investigations, totaling 545, targeted the most prominent players in this crime, regarding whom the authorities conducted a parallel financial investigation based on these criteria to trace and seize proceeds and identify the ML elements.

²⁹ During 2018-2022, the authorities conducted a total of 8,321 investigations into smuggling oil derivatives. The competent authorities resort to a parallel financial investigation after a set of criteria is met, including the size and types of the seized oil and oil derivatives, the means of transport (whether by means of a vehicle, a tank, or a group of tanks), and information available on person in whose possession the oil and oil derivatives were found, when seeking to smuggle or sell, or whether the person had previously participated in the process of selling, smuggling, or transporting oil and oil derivatives, and the number of people dealing with them. This approach is followed by the competent authority to target the most prominent players in this crime (225 investigations according to the table above) through a parallel financial investigation to trace and seize proceeds and identify the ML elements.

³⁰ During 2018-2022, the authorities conducted a total of 1,943 investigations into trafficking in national antiquities. The competent authorities resort to a parallel financial investigation after a set of criteria is met, including the type of antiquities seized, their estimated value (and whether they are authentic or counterfeit), and the information available on the person in whose possession the seized antiquities were found when was seeking to smuggle or trade in and whether the person had previously participated in the process of selling, smuggling or transporting antiquities, and the number of people dealing with them. This approach is followed by the competent authority to target the most prominent players involved in this crime (112 investigations according to the table above) through a parallel financial investigation to trace and seize proceeds and identify the ML elements.

| Type of Crime/ violation or suspicion | No. of ML Investigations as per predicate offence / violation or suspicion committed as part of | |
|--|---|-----------------|
| | Unorganized individual | Organized crime |
| Illicit trafficking in narcotics and psychotropic substances | 36 | 13 |
| Oil derivatives smuggling | 15 | 9 |
| Tax Evasion | 17 | |
| Trafficking in National antiquities | 29 | 6 |
| Forgery | 25 | 8 |
| Fraud | 12 | 7 |
| Dishonesty | 1 | |
| Sub-total | 446 | 102 |
| Violation of cross-border money declaration | 53 | |
| Financial suspicions | 189 | 21 |
| Grand Total | 688 | 123 |

303. The ML investigations are commensurate with Iraq's risk profile to some extent, as they included most of the serious crimes. The statistics above indicate that there were 547 ML investigations compared to 13,563 investigations into the seven high-risk predicate offences, of which 2,203 investigations into offences committed in the context of organized crime, which generate significant proceeds. It is concluded that the percentage of ML investigations is around 4 %, which is considered extremely low. This is due to various reasons, including the fact that authorities do not make sufficient use of parallel financial investigations in most of the high-risk predicate offences to gather enough evidence for initiating ML investigations (as analysed above). In addition, the evidence collected through parallel financial investigations is not always considered sufficient, as it has led to a limited number of ML investigations. Hence, it is concluded that the investigative court is unable to identify the ML offence, in view of the limitedness of ML investigations and prosecutions. As for the ML investigations (a total of 210) related to financial suspicions, Iraq pointed out that they were suspicions related to a certain activity whereby the existence of illicit funds resulting from a predicate offence was not proven, despite some being committed in an organized framework.
304. The number of investigations conducted by investigative courts in ML cases reached 315. Out of these, 148 were referred to the relevant court for trial, 114 were closed, and 53 cases are still under consideration by investigative courts. The Iraqi authorities have indicated that the reason for closing these cases was the insufficient evidence required to prove the crime, including the absence of proceeds or the defendant's ability to prove the legitimacy of the funds.
305. The Office referred 139 STRs to the PP, which in turn referred 54 cases to the competent court, which represents around 39% of the STRs referred by the Office, and this percentage is considered acceptable. These data indicate the Office's is an important source of information that assists investigative courts in identifying ML crimes.

Table No. (3.24): statistics on the cases referred by the Office to the PP on ML suspicion and their results for 2018-2022

| | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|------|------|------|------|------|-------|
| Cases referred to investigative courts | 23 | 18 | 14 | 34 | 50 | 139 |
| Cases investigated by investigative courts | 23 | 18 | 14 | 34 | 50 | 139 |
| Cases archived by investigative courts | - | 4 | - | 3 | - | 7 |
| Cases under review by investigative courts | 23 | 14 | 14 | 31 | 50 | 132 |
| Cases referred to the competent court | 4 | 13 | 12 | 16 | 9 | 54 |

306. The table above shows that 132 cases under consideration out of 139 cases referred to investigative court. It can be concluded that the investigative procedures take a long time to refer the cases to the competent court. This delay may be attributed to the limited number of judges specialized in ML cases. In the given period, from 2018 until early 2023, a central investigative court that has 3 judges handled all ML cases. Additionally, the complexity of identifying the crime and its proceeds due to funds crossing borders, as well as the commingling of illicit funds with legitimate ones, could be contributing factors to the delays.
307. Considering the number of investigations, especially in the most serious predicate offences, it becomes clear that the role of the FCOI and the MOI in conducting ML-related investigations from corruption and drug trafficking crimes is relatively limited. Both authorities have not been able to identify ML cases in proportion to the risk profile in Iraq.
308. Regarding human resources, 3 investigating judges handled all the ML-related cases throughout Iraq from 2018 to early 2023. The priority in conducting investigations was given to cases involving significant financial proceeds. On 2 March 2022, the Supreme Judicial Council introduced a directive appointing specialized investigative judges in each Court of Appeals presiding ML investigations. The directive also emphasized the importance of developing a data base of the statistics related to investigations and prosecutions and making them available to the Office and the CBI. The system was developed based on the NRA results, as it includes all the particulars of the case, as well as its stages, which means that it is referred from the investigative court to the court of first instance, until the rendering of the final decision. Furthermore, a mechanism for monitoring proceeds-generating crimes was also put in place, in the event where no parallel financial investigation is conducted, in order to alert the investigative authority of this. A judge was nominated for each court of appeal, totalling 17 investigative judges. In 2023, another judge was nominated in the Kurdistan Region, based on the NRA outputs.
309. The number of investigative judges specialized in looking into predicate offences reached 256 in Iraq (including Kurdistan region), whilst the number of individuals involved in conducting parallel financial investigations within the FCOI is 35, while the MOI has 130 financial investigators. As for the Office, it has 17 specialized analysts. Given the low number of cases that have been investigated and prosecuted, which remains quite low. The conviction rate of cases investigated ranges between 11.3 % and 63 %, depending on the authority that initiated the case. This indicates that the technical expertise of the Iraqi authorities varies from one authority to another, but in general needs improvement, which will reflect positively on the identification of the ML offence.
310. According to the statistical data provided by the authorities regarding training courses and the participants thereof, a total of 720 individuals, including officers, officials, and investigators from LEAs, such as the NIS, the MOI, the FCOI, investigative courts in Iraq and Kurdistan, the Supreme Judicial Council, and National Security, received training from 2018 to 2022. The training courses focused on conducting investigations, parallel financial investigations, financial investigation techniques, criminal evidence, and the principles of criminal investigation. The highest number of training courses was conducted in 2021 and 2022, with a total of 8 and 10 courses, and participated by 178 and 415 individuals, respectively. The lowest number of courses was in 2020 when only two training courses were held, with 28 participants from LEAs and the FCOI.

311. The AT found that the training courses are beneficial. This was drawn from the number of ML investigations in 2022 whereby there were 231 investigations compared to 150 investigations in 2018 which constitute a 58 % increase that is considered good; however, the quality of evidence gathered by the authorities through investigations remains insufficient, given that convictions constitute around 8% of the total ML investigations. From which it can be concluded that the training courses had a positive impact on the overall investigations, but this did not extend to cover convictions.

Consistency of ML investigations and prosecutions with threats and risk profile, and national AML policies

312. The most prevalent predicate offences, which generate significant financial proceeds and have a substantial impact on a national level, as per the outcomes of the NRA, are corruption (high), drug and psychotropic substance trafficking (high), smuggling of oil derivatives (medium/high), tax evasion (medium), trafficking in national antiquities (medium), forgery (medium), and fraud (medium). The outcomes of the NRA indicated that cash was extensively used in financial transactions, which increased the ML risks. (See IO.1)

313. The total number of ML investigations totalling 811 (derived from predicate offences and stand-alone ML), 287 of which were prosecuted, which represents only 35%. This is a low percentage that does not align with the nature of the serious crimes according to Iraq risk profile, which is known to generally generate proceeds that could be laundered. The AT sees that LEAs do not provide sufficient evidence in most cases, making it difficult for the judicial authorities to prosecute. This can be attributed to several factors, including a lack of technical expertise and human resources needed to conduct investigations effectively. (See table below).

314. The statistics below show that the prosecutions included most of the serious crimes committed in the framework of organized crime, and which generate significant amounts of proceeds Prosecutions focused primarily on corruption in the first place by 41%, followed by trafficking in narcotics and psychotropic substances by 14%, fraud by 8,2% and to a lesser degree oil derivatives smuggling by 7% and forgery by 5,8%; this is not sufficiently consistent with the degree of risks posed by each crime. In addition, authorities give importance to the prosecution of stand-alone ML which accounted for 11,3% of the total prosecutions.

Table No. (3.25): No. of ML prosecutions as per predicate offence for (2018-2022)

| Crimes | Prosecutions | |
|--|--------------------------------|-----------------|
| | Unorganized individual network | Organized crime |
| Corruption | 87 | 35 |
| Illicit trafficking in narcotics and psychotropic substances | 30 | 12 |
| Oil derivatives smuggling | 5 | 6 |
| Tax Evasion | 13 | 0 |
| Trafficking in national antiquities | 13 | 5 |
| Forgery | 21 | 5 |
| Fraud | 11 | 7 |
| Standalone ML | 21 | 15 |
| Breach of trust | 1 | |
| Total | 202 | 85 |

Types of ML cases prosecuted.

315. The NRA did not sufficiently address the external threats Iraq faces in terms of identifying ML cases related to crimes committed abroad. According to the information provided by investigating authorities, the predicate offence is usually committed entirely or partially in Iraq, with its proceeds potentially being laundered abroad. In such cases, ML crimes are prosecuted through MLA requests. The authorities provided statistics related to funds seized abroad as a result of corruption crimes, amounting to \$218,262,708. However, similar statistics for other major transnational predicate offences, especially those committed as organized crime, were not provided (see IO.8). Consequently, the AT believes that Iraq is not putting in sufficient efforts to trace the proceeds of cross-border predicate offences being laundered outside of Iraq. Moreover, the efforts in this regard are not proportional to the country's risk profile.
316. The Iraqi authorities did not receive during 2018-2022 MLA requests to trace, seize, or confiscate proceeds resulting from predicate offences committed abroad. This explains the reason for the absence of ML convictions resulting from crimes committed abroad. This information intersects with what was mentioned in IO 1, that Iraq's threats are internal in nature and the security conditions that Iraq has witnessed in recent years limit Iraq's attractiveness to criminal proceeds generated from abroad (See IO.2).
317. Local prosecutions of various types of ML reached 287. The statistic below reveals that Iraqi authorities are prosecuting various forms of ML. Self-laundering cases constituted the vast majority by 63.7% as a result of ML prosecutions and to a lesser extent stand-alone laundering by 28.7%, followed by third-party laundering by 7.6% and cases involving self-laundering and third-party laundering by 0.69 %. Six cases involving external authorities were also prosecuted due to the involvement of external parties. They consisted of two cases of self-laundering and 4 cases of third-party laundering. The country did not clarify the outcomes of these prosecutions and whether they led to final conviction or not.

Table No. (3.26): Prosecutions divided as per ML Types

| ML Types | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|------|------|------|------|------|-------|
| Self-laundering | 39 | 25 | 13 | 33 | 73 | 183 |
| Third-party ML | 10 | 4 | 6 | 1 | 1 | 22 |
| Cases involving self-laundering and third-party ML | | 1 | | 1 | | 2 |
| Stand-alone laundering | 13 | 14 | 9 | 21 | 23 | 80 |
| Total | 62 | 44 | 28 | 56 | 97 | 287 |

Table No. (3.27): Local ML Types with conviction

| ML Types | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|------|------|------|------|------|-------|
| Self-laundering | 1 | 4 | 4 | 3 | 5 | 17 |
| Third party ML | 2 | 1 | | 2 | 1 | 6 |
| Cases involving self-laundering and third-party ML | | 1 | | 1 | | 2 |
| Stand-alone laundering | 6 | 7 | 8 | 12 | 4 | 37 |
| Total | 9 | 13 | 12 | 18 | 10 | 62 |

318. Considering the statistics above related to types of domestic ML with convictions, stand-alone laundering cases ranked first with 37 convictions compared to 17 convictions for self-laundering. This accounts for 59% of the total convictions. The AT believes that the

reason for the higher conviction rate for stand-alone laundering is because when a case is referred to the competent court as self-laundering, the court, due to the absence of a clear predicate offence. This was obvious in most of the cases examined by the AT related to foreign currency auctions through forged waivers or transferring money abroad without importing goods or declaring the legitimacy of the funds. Another observation is that the Iraqi authorities tend to prosecute ML as a separate crime without proving the predicate offence. In cases where the defendant cannot prove the source of their funds, they are tried on the basis of stand-alone ML crime. Regarding the decrease in convictions for self-laundering, the AT reviewed a single case where three individual cases were merged due to common links. However, the AT notices a significant and unjustifiable difference between prosecutions and convictions in cases of self-laundering.

319. The AT did not come across any convictions related to self or third-party money laundering, except in the context of corruption. There are no ML convictions related to drug trafficking and psychotropic substances, smuggling oil derivatives, tax evasion, or trafficking in national antiquities. This situation does not align with the nature of the risks associated with these crimes in Iraq, as revealed by the results of the NRA.
320. ML cases that are being prosecuted and convicted vary between simple and complex, except for those related to corruption, which tend to be more complex, as they often involve the use of multiple accounts, money transfers, exchanging funds for the purchase of vehicles and properties, transferring money abroad, owning foreign properties and assets, and using third parties who are not close relatives or family members of the accused. This conclusion is based on the cases and judicial court rulings that the AT reviewed.

Effectiveness, proportionality, and dissuasiveness of sanctions

321. The ML convictions in the years 2018-2022 totalled 62 verdicts. Of these, 23 originated from the investigative court and LEAs, while (12) from the FCOI, (7) from the MOI and (20) from the Office. The convictions were linked to corruption (15 cases), tax evasion (8 cases), forgery (9cases), and fraud (5 cases). There were also 25 verdicts for stand-alone ML cases (not linked to another crime). However there were no ML convictions related to drug trafficking, smuggling oil derivatives, trafficking in national antiquities, which is not in line with the nature of these crimes according to Iraq risk profile, and known that they generally generate proceeds that could be laundered.
322. Upon reviewing all convictions by the AT to identify whether the sanctions are proportionate and dissuasive, it appeared that 23 verdicts out of 62 were in absentia and 39 in person, 5 of which included suspension of sentences due to factors like the criminal being young, providing for a large family, or having a good character. Furthermore, it wasn't clear to the AT whether these court rulings were final or not, except for two cases in person and related to ML generated from embezzlement and forgery and involved an appeal at cassation level, and resulted in confirming the verdict, and 3 verdicts in absentia and pertained to unknown sources of transfers and foreign currency auctions³¹ with an objection that was overruled and the verdict was confirmed. Furthermore, most of the verdicts included simple imprisonment, seizing movable and immovable assets, or travel ban. 17 verdicts included confiscation (confiscation of criminal proceeds or application of a penalty equivalent to the value of the proceeds that were disposed of). The sanctions ranged from simple to lifetime imprisonment and imprisonment for 6-10 years in addition to imposing proportionate fines of about USD 278 million (for the 62 verdicts), of which USD 88.4 million (for 17 verdicts according to the below table). The table below shows the sanctions imposed during (2018-2022) which the AT considers proportionate and dissuasive.

³¹ Foreign currency auction is the CBI's window to support foreign imports using foreign currencies.

323. In most of the verdicts reviewed, the criminal act and imposed sanction were adapted based on the repealed AML Law No. 93 of 2004.

This means that committing the criminal act in these cases occurred before the current law, which was enacted in 2015. Therefore, it cannot be definitively stated whether the convictions mentioned are linked to investigations into ML crimes conducted in the years 2018-2022. Therefore, the AT has identified significant obstacles facing the prosecutions under the AML/CFT Law No. 39 of 2015. This is evident in the absence of a predominant number of convictions at the time of the onsite visit (i.e., eight years after the mentioned law was enacted), specifically during the period 2018-2022. The suspension of sentences in ML cases reveals the ineffectiveness of the penal system for this type of crime. The AT believes that the use of seizure rather than confiscation in these verdicts may indicate that either the court rulings are not final and cannot be relied upon to determine the effectiveness of imposed penalties, or the judicial system does not rely on confiscation as a penalty for ML crimes.

324. Regarding the penalties imposed against legal persons that have been misused for ML, criminal penalties are applied to their managers or directors. Several administrative measures are applied against them by the competent regulatory authorities. These measures led to the withdrawal of the license and the liquidation of the legal person. The table below shows different types of penalties imposed by virtue of the ML convictions.

Table No. (3.28): ML offence penalties

| Year | Simple sentence (6 months to 1 year) | Hard sentence (2-4) years | Life sentence | 15 years sentence | 10 years sentence | 6-7 years sentence | confiscation | fine |
|------|--------------------------------------|---------------------------|---------------|-------------------|-------------------|--------------------|-------------------------------|---|
| 2018 | 1 | 4 | | | 2 | | Confiscation of 1 real estate | -480,000,000 IQD which is equivalent to USD 365,760; - 245,000,000 IQD which is equivalent to USD 187000; - USD 577,859 |
| 2019 | 3 | 2 | | | | 1 (7 years) | | 12,500,000,000 which is equivalent to USD 10 million |
| 2020 | 4 | 5 | | | | | | 80,000,000,000 IQD which is equivalent to USD 60000 |
| 2021 | 1 | 9 | | | | | | |

| | | | | | | | |
|------|---|---|---|---|-------------|--|---|
| 2022 | 6 | 6 | 3 | 6 | 3 (6 years) | <ol style="list-style-type: none"> 1) Confiscation of a share in real estate registered in the accused daughter's name and the rent allowance amounts. 2) Sale of the property where the proceeds were laundered and a fine of an equal amount was imposed. 3) The two properties that were used to launder money and registered in the name of a third party were confiscated (the third party was convicted of a money laundering offence) and a fine corresponding to the value of the two real estates was imposed. 4) Confiscation of two properties 5) Confiscation of a property 6) Confiscating two properties and imposing a fine of an equal value. 7) Real estate. | <ul style="list-style-type: none"> - USD 10 million - USD 42,825,000. - 1,747,612,000 IQD which is equivalent to USD 1,331,000. - 2,014,000,000 IQD which is equivalent to USD 1,534,668. - USD 1 million - 2,014,000,000 IQD which is equivalent to USD 1,534,668. - USD 21,322. - USD 19 million. |
|------|---|---|---|---|-------------|--|---|

Use of alternative measures

325. Iraq does not use alternative measures in case of non-conviction in ML cases, especially since the convictions in ML cases, which totalled 62, constitute 21.6 % of the prosecutions, which were 287. Additionally, reconciliation in Iraq is not a reason for the expiration of criminal charges and does not halt the pursuit of ML crimes. The General Amnesty Law No. 27 of 2016 allows for indirect reconciliation with the accused under Articles 3 and 4/tenth, which stipulate the exclusion of perpetrators of embezzlement, theft of public funds, and wilful financial waste from the General Amnesty Law unless they have settled the amounts they owe before their release. However, the AT did not receive any court decisions demonstrating Iraq's use of reconciliation as an alternative measure.

326. If a conviction is not reached, Iraq applies some measures, represented by the Office resorting to all FIs to monitor the financial activities of the concerned person and to notify the Office of any financial transactions processed at the person's request. For its part, the regulatory authorities would refrain from granting the concerned person a license to practice any sectoral activity, including establishing or holding shares in FIs. Despite this, these measures fall within the scope of the administrative measures and not within scope of the criminal justice measures.

327. **Overall conclusion on IO.7:** Iraq has a central authority responsible for identifying ML crimes which is the specialized investigative courts for integrity, AML, and economic crimes, assisted by several entities that serve as an important source of information to identify ML crime such as the FCOI, the MOI, and the Office. The Iraqi authorities resort to parallel financial investigations in an appropriate and reasonable manner without making sufficient use of these investigations to develop evidence, given the limited number of ML investigations, which constitute a small percentage (about 4%) of the total investigations into the serious crimes according to Iraq risk profile. Although drug trafficking, generates significant proceeds and is considered a high-risk crime in Iraq, there have not been any convictions for ML resulting from drug trafficking, especially given the international links of this crime, as it is transnational in nature. Likewise, there are no ML convictions related to smuggling oil and oil derivatives and trafficking in national antiquities, which is not consistent with the nature of the risks of these crimes in Iraq, as identified in the NRA outcome. The ML investigations, despite being limited in number, did not lead to proportionate prosecutions. Furthermore, the conviction rate is not satisfactory, as it does not exceed 8% of the conducted investigations.

328. Although the sentences applied are dissuasive, proportionate, and diverse, the concern remains in relation to the verdicts in absentia and verdicts issued pursuant to the repealed AML Law no. 39 for the year 2004 as well as the verdicts related to foreign currency auctions through forged waivers or transferring money abroad without importing goods or declaring the legitimacy of the fund, which is punishable as a misdemeanour. These were classified as stand-alone ML cases and constituted the vast majority of convictions. Penalties have also been applied to legal persons that have been misused for ML, represented by imposing criminal penalties on their managers or directors, and the application of several administrative measures against them by the competent regulatory authorities. These measures led to the withdrawal of the license and liquidation of the legal person. Authorities do not resort to criminal justice measures in the event that a ML conviction is not possible, given that the measures applied are limited to placing the accounts of the concerned person under surveillance and depriving them of obtaining a license to practice activities in certain sectors.

329. Iraq achieved a low level of effectiveness for IO.7

Immediate Outcome 8 (Confiscation)

Confiscation of proceeds, instrumentalities, and property of equivalent value as a policy objective

330. The AT based their conclusions on the meetings they held with the competent authorities, represented in (investigating judges of the Court of Integrity, AML and Financial Crimes in Iraq and the Kurdistan Region, for the investigative court concerned with narcotics affairs in Iraq and the Kurdistan Region, the State Real Estate Administration at the MOF, Iraq Money Recovery Fund, GAC, GAT, and the Office, the MOI, and the Asaysh Service in the Kurdistan Region) and on the review of the statistical data provided by the country regarding confiscation of funds, assets and instrumentalities of crime seized during investigations by LEAs, investigations conducted by the judges of competent investigative courts and those that have been sentenced to confiscation by the trial courts in the crime of money laundering and associated predicate offences. Besides, the analysis below covers the measures taken by competent authorities in the Kurdistan Region.

331. Iraq has a written strategy related to confiscation which is pursued as one of its strategic objectives. This is evident in the third strategic objective of the National AML/CFT Strategy 2023-2027, which is to strengthen the capacities of investigation, prosecution, trial and confiscation in money laundering and other financial crimes in accordance with the risk-based approach. The 2021-2023 strategy also stipulates in its fifth strategic objective to enhance local and international cooperation and coordination in the AML/CFT field, leading to the confiscation of funds derived from the predicate offence. The thirteenth strategic objective of the strategy also provides for the strengthening of the customs system as well as the declaration of cross-border system, including the development of mechanisms for controlling Iraqi borders and customs ports, in addition to the establishment of strict controls to detect any attempts to smuggle money when moving the money in or out of, and from the Iraqi borders³². Besides, the previous strategy for 2017-2020 that covers part of the assessment period (2018-2020) did not refer to confiscation as a policy objective; this had no impact on the effectiveness of the confiscation regime, especially since the strategy for 2021 – 2023 covers the remaining assessment period (i.e. 2021- 2022). Therefore, considering the amounts that the concerned authorities have confiscated in Iraq, it appears that the authorities pursue confiscation as a policy objective even if it is not expressed in writing, especially during 2018 - 2020.

³² The Iraqi authorities issued new instructions for monitoring the cross-border transportation of funds, but their effective date falls after the on-site visit (see Core Issue 8.3 below).

332. The legal system in Iraq does not adopt the principle of non-conviction-based confiscation, while funds and assets are confiscated based on a judicial ruling rendered by the competent courts (see Recommendation 4). As for funds and BNI transported across borders, they are subject to administrative confiscation in cases of false declaration or non-declaration.
333. With regard to predicate offenses or ML crimes, confiscation is not limited to the proceeds of crime that are seized at the time of committing the crime, but it also extends to the criminal proceeds that are identified through the parallel financial investigation conducted by the judicial authorities, LEAs and the Office. In this context, the investigating judge determines the value of the criminal proceeds before referring them to the trial judge, and this was evident regarding the confiscation of the proceeds of corruption and other serious crimes that generate large proceeds as per the NRA outputs.
334. During the investigations initiated by the investigating judge or the investigations conducted by LEAs under his supervision, the investigating judge seizes the movable and immovable property belonging to the accused persons and their family members. Competent customs officials assume the powers of investigation, tracing and seizure of funds related to smuggling. In the event where there is sufficient evidence to suspect that these funds are related to ML or derived from a predicate offence, or intended for financing terrorism, the GAC seizes them. These measures shall reduce the potential disposal of the funds to secure them for confiscation at sentencing.
335. Pursuant to the AML/CFT national strategy for the years 2017-2022, Iraq issued a guiding manual on how law enforcement, investigation and judicial authorities carry out seizure, and confiscation procedures. The Higher Judicial Council disseminated the guide to the competent courts. Iraqi authorities started providing training regarding this manual since the beginning of 2021.
336. During the assessment period, Iraqi authorities have not previously confiscated, property of equivalent value but they impose fines equivalent to the amounts disposed of instead, when they find that there are no assets owned by the convict. As such, the AT considers that the objective of confiscating equivalent value is achieved where fines are imposed, as they resulted in depriving criminals from the proceeds of crime. This is evident from the case studies provided by Iraq. The fines imposed in cases where the proceeds were disposed of before being seized amounted to USD 66,428,740. A total sum of USD20,603,740 actually entered the state treasury, while the remaining sum was not collected. This is because the accused persons are still serving their prison sentence, and it is customary in Iraq for the fines to be paid before the accused person's (or prisoner's) sentence ends. The Iraqi authorities reported that they did not face any difficulties in collecting the value of the fines from the criminals.

Box No. (3.29): Amounts imposed (as fines) and amounts imposed (as fines) when funds subject of the confiscation were dissipated or disposed of for 2018-2022.

| | Fines imposed regardless of cases where proceeds were dissipated | Fines equivalent to the proceeds dissipated or disposed of |
|--------------|--|--|
| Total in USD | 11,872,026 | 66,428,740 |

337. As for the measures for preserving the value of confiscated funds and assets and managing them, the Real Estate Administration at the MOF manages the confiscated funds of persons against whom judicial decisions have been issued to confiscate their movable and immovable property, as included in the judgment decision. In implementation of the confiscation decisions, the Real Estate Administration counts the confiscated funds and registers them in the name of the MOF in preparation for disposing them as ordered by the decisions in force. The AT reviewed the Real Estate Administration's procedures, however the team was not provided with a

sufficient number of case studies that clarify the mechanism for disposing of the different types of funds (shares, companies, funds that are feared of being deteriorated).

Box No. (3.21) Case study showing the mechanism for managing confiscated assets (real estate and movable funds) by the MOF (State Real Estate Administration)

A decision was issued by the Presidency of the Baghdad Court of Appeal / Rusafa Misdemeanor Court against a number of accused persons for committing the act of trafficking in narcotic drugs and psychotropic substances. The decision ordered the confiscation of their movable and immovable funds, and accordingly:

- The MOF / State Real Estate Administration as being the authority concerned with confiscation procedures was informed in order to execute the decision by taking the necessary legal measures with a view to collecting the funds of the convicts in coordination with all relevant departments and authorities, selling them and recording their value as final revenue to the State treasury account.
- The Appraisal Committee formed by virtue of article (7) of Law No. (21) of 2013 for Selling and Renting State Funds as amended pursued its work regarding the shares of the confiscated real estate that belong to the accused in order to prepare an appraisal report for the selling price. According to the law, it is responsible for appraising them based on the above-mentioned articles of the law. The procedures were completed, and the Minister of Finance approved upon the estimated value of the property and its area according to the Selling and Renting State Funds Law
- The MOF issued a circular to all banks informing them of the confiscation of movable and immovable funds of the convicts as well as requesting them to inform the MOF of all their account balances and others in order to register them in favor of the treasury.
- The funds of the convicts were counted, and the cash was sent to the treasury. Regarding the in-kind property owned by the convicts, they were sold in a public auction and the funds were deposited in favor of the State treasury.

338. The investigating judges determine the value of the proceeds through a range of procedures such as resorting to real estate registration committees at the GAT. In the event where legal persons are involved in ML crimes, the investigating judge takes a range of procedures, including appointing a Judicial Guardian to prevent their business from being disrupted, managing their revenues and rents, and then providing the investigation court with financial reports and depositing the amounts of money in the court's treasury, until a judicial ruling is issued in their regard. Regarding the penalties imposed on legal persons that have been misused for ML, criminal penalties are applied to their managers or directors. Several administrative measures are applied against them by the competent supervisory authorities in line with the gravity of the crime committed. These measures led to the withdrawal of the license and the liquidation of the legal person.

339. Iraq has legal basis to appoint a judicial guardian for the purpose of managing seized funds and before ruling to confiscate them in the context of all predicate offenses. This is to preserve their value (by selling them as they may lose their value over time), according to what is determined by the judiciary in each case individually.

Box No. (3.22): Case study on the role of the Judicial Guardian in administrating seized funds and assets.

The Central Corruption Felonies Court decided in case no. (228/1k) to reach out to the prevention department to prepare an annex demonstrating the amount of unexplained wealth in addition to the property estimated value located in (Raghebet Khatoun).

In order to direct the legal proceedings in this case, the court decided to appoint a legal guardian to the property related to the accused lady, provided that the guardian maintains the management of the property, funds and rents receivables and to exert the usual care regarding their management and provides the court with a balance sheet of the receivables and expenses along with the supporting documents on monthly basis. In addition to keeping a register of rentals identifying the number of properties, and rental amounts. The guardian was not allowed to conduct any administration act unless they get the court’s approval, and were not allowed to assign their work whether wholly or partly to another person. The court decided to allocate a wage of (USD 500) as a monthly salary, to be deducted from the property rentals. The rental amounts are to be deposited in the account of the FCOI at one of the government banks in coordination with the Anti-Corruption higher commission.

This ruling was issued pursuant to the provisions of articles (147,148) of civil procedures law no (83/1969) as amended.

340. The AT reviewed case studies and sample rulings proving the confiscation of seized funds and assets such as movable and immovable property, including those in the possession of a third party. There are many cases whereby rulings did not order the confiscation of funds, in particular cases related to stand-alone ML, regarding which the rulings were limited to imprisonment for a period not exceeding 5 years and seizure of the accused person’s funds. Although the legal system in Iraq allows confiscation in misdemeanors, it is clear from the rulings provided by the country to the AT that confiscation is not applied in misdemeanors, but only the penalty of severe or simple imprisonment for a period not exceeding five years or a fine is imposed. The AT is of the opinion that this should not significantly affect the effectiveness of the confiscation regime, given that most of the serious crimes fall within the crimes classified as a felony, not as misdemeanor.

Box No. (3.23): Case study on the confiscation of immovable property in the possession of a third party

The convicted husband of the female accused embezzled funds from the Ministry of Labor where he was working. The afore-mentioned female convict transferred the embezzled funds for the purpose of concealing their source, and accordingly, the court issued its decision to confiscate the real estate which was registered in her name. The charge was brought against her according to the provisions of article 36 of AML/CFT law No. 39 of 2015, and the court sentenced her to one year of imprisonment, a fine of 245,000,000 million IQD which is equivalent to 187425 U.S dollars, and the confiscation of the property that was registered in her name in favor of the Ministry of Labor and Social Affairs.

Confiscations of proceeds from foreign and domestic predicates, and proceeds located abroad.

341. The table below represents the amounts confiscated for the years (2018-2022), totaling USD (3,157,573,642, which are significant amounts that would go to the State treasury as revenues and whose ways of disbursement shall be determined in a manner that achieves the country's objectives.

Table No. (3.30): Statistics on the total amounts confiscated for (2018-2022)

| Years | 2018 | 2019 | 2020 | 2021 | 2022 |
|--------------------------------|---------------|-------------|-------------|-------------|---------------|
| Amounts which were confiscated | 481,432,940 | 659,772,555 | 126,056,112 | 264,156,560 | 1,626,155,475 |
| Total in USD | 3,157,573,642 | | | | |

342. Iraq confiscates funds, assets, and instrumentalities of crime in most of the ML predicate offenses, in particular in corruption crime. The amounts derived from some crimes were not incorporated into the table below, due to the lack of relevant statistics from the country (such as the illicit trafficking in stolen goods, participation in an organized criminal group, piracy). The total value of confiscated instrumentalities of crime (vehicles, gold, and silver) in each crime was not assessed, but the total value of some of them, regardless of the predicate offense, was determined, and was estimated at approximately USD 136,365,418, which is a significant amount. The large volume of confiscated funds derived from corruption is evident, as it is the most serious crime identified in the NRA. This is because the value of confiscated proceeds from corruption comes in the first place (85%), followed by customs evasion in the second place. Customs confiscations amounted to USD 91,364,553, of which a total of USD 22,077,910 resulting from smuggling oil derivatives classified as a customs offence because the smuggling took place within the customs territory. As for cross-border smuggling of oil, it falls within the framework of smuggling oil derivatives, and the total value of the funds confiscated amounted to USD 13,683,516. This is because the Iraqi authorities have determined the nature of the crime based on the location where it is committed. It is also noticed that ML related confiscations reached at least USD 18 million and around USD 66 million, representing the fines imposed due to the disposal of funds that are the subject of crime. The prices of real estate have not been estimated, although some case studies on the confiscation of laundered funds derived from corruption have been examined and the confiscated real estates were estimated at large amounts; therefore, failure to estimate them as a whole would make it impossible to draw a conclusion in this regard.

Table No. (3.31): Statistical data on the proceeds, instrumentalities of crime that were sentenced to confiscation in respect of the following crimes for (2018-2022) in USD.

| Type of Crime | Total Value of confiscated Funds and Assets | Type of confiscated Funds and Assets | Instrumentalities of crime |
|---|---|--------------------------------------|--|
| Corruption | 2,691,130,306 | cash& real estate | Real estates Vehicles Cash |
| Trafficking in narcotic drugs and psychotropic substances | 60,483,293 | cash | 2878 vehicles & motorcycles 2588 arms |
| Smuggling of oil derivatives | 13,683,516 | oil derivatives | 252 vehicles |
| Tax Evasion | 43,619,636 | cash | Companies & Accounts |
| Trafficking in National Antiquities | 600,531 | cash | phones Arms vehicles |
| Forgery | 56,438,721 | Cash | Deeds Stamps |

| | | | |
|--|------------|--|--|
| | | | written letters forgery of traffic signs forged evidentiary documents. phones vehicles |
| Human trafficking | 170,000 | Cash | phones vehicles |
| Counterfeiting of currency | 1,254,860 | Cash | phones vehicles |
| Fraud | 65,035,363 | Cash | Precious stones and metals Bonds Vehicles Goods trading Phones computers |
| Customs evasion | 91,364,553 | Miscellaneous goods and items Vehicles& motorcycles...etc | |
| Kidnapping, illegal restraint and hostage-taking | 409,508 | cash | phones arms |
| Illicit trading in arms | 51,076,097 | | 84,969 pieces of arms 5 tons of war materiel |
| Theft | 64,540,909 | Miscellaneous types of funds | Arms vehicles Phones Electronic devices...etc |
| Money Laundering | 18,087,122 | Real estate + USD 66,428,740 representing fines imposed for the disposal of criminal proceeds. | Companies Transfers between bank accounts Money transfers Opening of several accounts |
| Terrorism& terrorist financing | 2,156,541 | Funds Gold silver | Arms Phones Vehicles |

| | | | |
|--|--|--|--------|
| | | | Houses |
|--|--|--|--------|

Table No. (3.32): Instrumentalities of crime confiscated between 2018 and 2022 in cases of ML, associated predicate offenses and TF.

| Types of criminal instrumentalities | Value in US dollar |
|--|--------------------|
| Miscellaneous Electronic devices (Computers, phones, printers, unclassified) | 2,011,676 |
| Miscellaneous Vehicles | 129,599,050 |
| Other criminal instrumentalities (light arms) | 1,701,085 |
| Motorcycles | 1,067,974 |
| Miscellaneous goods, precious metals, bonds, stamps & others | 1,985,633 |
| Total | 136,365,418 |

343. The case studies below show the ability of the investigating authorities to trace criminal proceeds through the participation of several national authorities represented in the FCOI, the MOI and the Land Authority. They include tracing bank accounts and records of ownership transfer. The case on international cooperation with counterpart FIUs reflects tracing and identifying criminal proceeds, pending their confiscation.

Box No. (3.24): Case study showing the confiscation of funds in a ML case resulting from a predicate offense (bribery)

The investigating body formed by virtue of a judicial order referred accused persons to the court for a predicate offense (bribery). By tracing the criminal proceeds, money laundering was detected. Inquiry was made at several entities (the FCOI and the Criminal Evidence Investigation Directorate at the MOI). The accused persons’ mobile phone content was extracted, and some evidence was captured. The land authority provided the court with the real estates registered in the names of the accused persons and assessed

their value. Assistance was sought from the CBI, the real estate broker who acted as an intermediary in the sale of the real estates, and the Office, in order to approach a counterpart unit regarding the accused persons' accounts and real estates abroad.

The following was reached:

- 1- The investigation course revealed that the convict (A.T.) received an amount of USD (2,525,750) from the fugitive accused person (A.S.), who is the husband of his wife's sister, the female accused (C), and from the accused person (Sh). They asked him to deposit sums of money with him for fear of being subjected to accountability and because it is not possible to deposit these funds with banks, considering that the accused (Sh) occupies a prominent position, which would constitute a suspicion against them if they make any bank deposits.
- 2- The accused person (A.T.) converted the form of the proceeds into other forms by purchasing real estates. The value of the first real estate amounted to (1,222,000,000) IQD, equivalent to USD (926,276), the second amounted to (792,000,000) IQD, equivalent to USD (60,000), and the third USD (1,000,000). He also registered these real estates in the name of his wife, the female fugitive accused person (C) for the purpose of hiding and disguising their illegitimate source, given that the female accused (C) is a party who is distant from their family and would not be suspected, knowing that she was aware of the source of funds which were used to purchase those real estates. Investigations revealed that she would fill out a purchase form at the RERD and then draw up a general and absolute power of attorney for the accused person (Sh).
- 3- The investigating authorities followed up with the relevant authorities for the purpose of reaching the real estates and accounts of the accused persons. The Office was notified to approach a counterpart unit regarding the accounts, real estate, vehicles and remittances issued or received by the accused (A.T.). On this note, the Office inquired about him at the concerned counterpart unit, information was exchanged, and the competent authority was provided with the results received.
- 4- According to the seizure report to seize the phones and extract their content in due form by the Criminal Evidence Investigation Directorate/Cybercrime Division and the RERD, it was concluded that the real estates were still in her name at that time.

The legal action taken against the accused persons (A.T.) and (C)

Investigations revealed that the accused persons hid and possessed funds obtained from a crime committed by the convict (Sh) by registering real estates in the name of the wife of (A.T.) who is the female accused (C). The court decided to sentence the criminal (A.T.) to imprisonment in accordance with the provisions of article (36) of AML/CFT law No. (39) of 2015, and a fine of (two billion and fourteen million IQD) and (one million dollars), and his wife (C) was sentenced to (6) years of imprisonment, confiscation of the real estates registered in her name, and upholding of the decision to seize her movable and immovable property. Investigations are still ongoing regarding (Sh) who is the perpetrator of the predicate offense and the other accused persons.

Box No. (3.25): Case study on the confiscation of funds resulting from a corruption crime.

The Investigation Court specialized in integrity and AML cases received a notification that the female accused (y), committed a crime of embezzlement of funds (retirement salaries) amounting to approximately (47) billion IQD, equivalent to approximately (USD 36,000,000), from a government bank, through fake notes (manipulating accounts and lists of retirees / manual exchange sheets and disbursing them in a fictitious manner). Arrest warrants were issued against other implicated persons and a decision was issued to seize the movable and immovable property of all the participating accused persons and their family members as a prudential

measure. After examining the bank accounts, it was found that there was a movement of funds towards one of the neighboring countries and the accounts and property of the female accused and her relatives were traced.

The female accused (y) was sentenced to life imprisonment according to the provisions of article (315) of the Iraqi Penal Code, and the other involved persons who were the bank employees were sentenced to 15 years of imprisonment, according to the provisions of the above-mentioned law for the crime of embezzlement, which is the predicate offense.

The female accused (y) was sentenced to (15) years of imprisonment for the ML crime, according to the provisions of article (36) of AML/CFT law No. (39) of 2015 and a fine of (ten million dollars), with the confiscation of the amount of (1.200) million dollars representing the rental of the real estate, and the confiscation of the accused person's share of the seized real estates.

Table No. (3.33) Statistical data on funds and assets frozen and seized in the context of high-risk predicate offenses during 2018-2022

| Type of crime | Frozen and seized funds and assets | | | Type of instrumentalities of crime |
|---|------------------------------------|--------------------------------------|-----------------------|--|
| | Total Value of frozen Funds | Total Value of seized funds & assets | Type of seized assets | |
| Corruption | 38,600,504 | 2,851,706,843 | Cash + real estates | Legal instruments Manipulation of Salary slips Exploitation of position |
| Trafficking in narcotic drugs and psychotropic substances | 60,483,293 | 60,483,293 | Cash | 2878 vehicles 2588 arms |
| Smuggling of oil derivatives | 13,638,516 | 13,638,516 | oil derivatives | 252 vehicles |
| Tax evasion | - | 778,694,876 | | |
| Trafficking in national antiquities | 600,531 | 600,531 | Cash | phones |
| Forgery | 86,794,573 | 86,794,573 | Cash | Deeds Stamps written letters forgery of traffic signs forged evidentiary documents phones |

| | | | | |
|-------|-------------|-------------|------|--|
| | | | | vehicles |
| Fraud | 189,629,251 | 189,629,251 | Cash | Precious stones and metals Bonds Vehicles Goods trading Phones |

344. The table above shows the value of the seized funds and assets and the type of instrumentalities of crime and seized assets without being estimated. The total value of funds and assets seized is USD 3,981,457,886, which is a large amount. This value is attributed to the corruption crime in the first place, which is a high-risk crime in Iraq, then the crime of tax evasion and fraud, which are two moderate-risk crimes according to the country's risk profile. The same table shows the total value of frozen funds which amounted to USD 389,746,668, representing only 10.2% of the total value of seized funds. The frozen funds related to fraud ranked the highest followed by the frozen funds related to forgery which are two moderate-risk crimes according to Iraq's risk profile. Concerning funds and properties seized in the context of tax crimes, the amount referred to in the table above (i.e. USD 778,694,876) represents an estimated value of seized funds and not an estimated value of seized criminal proceeds.

Table No. (3.34): Statistical data on funds, assets and instrumentalities of crime seized and confiscated in the context of all serious crimes between 2018-2022 (excluding assets seized or confiscated at the border)

| Funds/assets/ criminal instrumentalities | Corruption/ bribery | Drug trafficking | Smuggling of oil derivatives | Tax evasion | Trafficking in national antiquities | Forgery | Fraud |
|--|---------------------|------------------|------------------------------|-------------|-------------------------------------|------------|-------------|
| Seized | 2,815,706,843 | 60,483,293 | 13,638,516 | 778,694,876 | 600,531 | 86,794,573 | 189,629,251 |
| Confiscated | 2,691,130,306 | 60,483,293 | 13,638,516 | 43,619,636 | 600,531 | 56,438,712 | 65,035,363 |
| Percentage of confiscated funds compared to seized funds | 94% | 100% | 100% | 6% | 100% | 65% | 34% |

345. The table above reveals that most of the funds related to corruption that were confiscated were previously seized since 94% of the seized funds were confiscated. The percentage of confiscated funds compared to seized funds appears low, in the crime of tax evasion, since it is only (6%). Iraqi authorities explained that the reason for this low percentage is that the decisions to seize the funds and assets of the tax evader are issued and disseminated to all stakeholders in the country, afterwards the actual amount of the tax evasion crime is determined, so the confiscation will be according to the actual amount of the evasion, as well as the fines imposed, and the remaining amount of seized funds shall be released. This constitutes a precautionary measure to secure assets for confiscation at sentencing and deter any possible flight or disposal of assets. Furthermore, not all funds seized in forgery and fraud crimes were

subject to confiscation, as the confiscated funds and assets compared to the seized funds and assets accounted for (65%) and (34%) respectively. In this context, all the accused persons' funds are seized, and after the final decision is issued, all that is related to these two crimes is confiscated and the rest is released. In some cases, the charge against the accused is also dropped for lack of evidence, which consequently necessitates the release of funds. In other cases, when the accused flee Iraq, a decision is issued to uphold the seizure of their movable property without issuing a confiscation decision until they are arrested and brought to trial, and subsequently to confiscate the funds. It can be concluded that the authorities seek to trace and seize assets to secure them for confiscation at sentencing.

346. According to what was reported by the Iraqi authorities, the estimated value of the quantities of drugs seized by the MOI during the arrest of the accused persons, which were confiscated and destroyed, was approximately USD 71 million. The quantities of drugs that were seized during the investigation of the accused persons, and which were searched and inspected, reached (17) tons. They were destroyed as per the 2023 report. Their value is estimated at approximately USD 193,181,818 for 2018-2022. This can be viewed as a precautionary measure taken by the Iraqi authorities in combating the predicate crime in terms of seizing drugs, prosecuting those involved, and preventing them from trafficking drugs (internally or externally) and thus preventing them from generating proceeds that could be laundered. Narcotic drugs were also seized by the Customs Department at border crossings and were for personal use and not for trafficking. The Iraqi authorities affirmed that most types of high-value drugs are not sold in Iraq but are rather transported across borders. Therefore, they are not expected to generate criminal proceeds inside Iraq. Manufactured low-priced types of drugs are sold in Iraq. They are transported from other countries and do not generate large proceeds; the authorities were able to seize and confiscate proceeds amounting to USD 60 million, in addition to instrumentalities of crime (vehicles, motorcycles and weapons). The overall value of the confiscated proceeds and the seized narcotics that were subsequently destroyed amounted to USD 253 million. Therefore, it can be said that the total value of the proceeds that were confiscated is approximately 24% of the total value of the proceeds and of the seized narcotics. This is considered sufficient based on what Iraq indicated that it is a drug transit country. This is also in line with the number of investigations into drug trafficking, totaling 545 investigations, including 135 investigations aimed at targeting the most prominent players as part of an organized criminal framework (see IO 7)³³.

347. Concerning trafficking in national antiquities, all seized funds were confiscated, totaling USD 600,531. They represent funds that were in the possession of the accused persons during their arrest. What explains the small value of the proceeds that was confiscated in this crime, compared to other crimes, is that most artifacts were looted during ISIL enablement period and were smuggled abroad. The authorities were able to recover about (35,000) artifacts from abroad. They are considered a national treasure as they reflect the cultural and historical heritage of Iraq. Their value cannot be estimated. Nevertheless, the Iraqi Antiquities Commission estimated the value of those artifacts at USD 5 billion. They were not traded, and thus no criminal proceeds were generated. Artifacts that were not smuggled abroad are seized by the authorities by resorting to special investigative techniques. This is done by creating (alleged) websites promoting the purchase or sale of artifacts. Owing to these techniques, the authorities were able to limit the sale of artifacts in the black market. By doing so, they succeeded in reducing the value of the criminal proceeds that could have been generated. This concludes that the authorities' efforts at the international and local levels contributed to reducing the trafficking of looted national antiquities and prevented the culprits from generating large revenues or proceeds. The confiscated amount (USD 600,531) represents

³³ Iraq reported that it is a drug transit country, where small quantities of low-priced types of drugs are sold, which explains why the derived criminal proceeds are low compared to other serious proceeds-generating offences (such as corruption).

the fruits of the crime, to which the investigations were focused. 112 investigations were carried out, of which only 36 are related to individuals operating within the framework of an organized crime. Therefore, it can be concluded that the confiscated amount, although small, is commensurate with the specificity of this crime according to Iraq context (See IO 7).

348. Concerning smuggling oil derivatives, confiscated funds, whether considered within the jurisdiction of the customs courts or criminal courts, amounted to USD 35,761,426. This amount constitutes 1.1% of the total confiscations, which is a good percentage when compared to the few numbers of investigations totaling only 225, of which 41 investigations targeted the most prominent players in this crime operating within the framework of an organized crime. What reinforces this conclusion is that the authorities conducted 2,184 investigations related to the transportation of oil derivatives via tankers and were able to seize them before being sold, so that no criminal proceeds were generated.

349. The country did not provide a statistic on the funds returned to the rightful owners but rather stated that the aggrieved person has the right to recourse to the civil courts to claim compensation.

350. Iraq established the Iraq Money Recovery Fund, which aims to recover the financial rights of Iraq illegally obtained by Iraqi and foreign third parties in 2003. The table below shows the value of funds / assets recovered from abroad based on the efforts of Iraq Money Recovery Fund as a result of the misuse of the oil-for-food program, which reached approximately USD (41,204,926). The largest amounts were recovered during 2019 and 2020 compared to the remaining years. According to Iraq, this is due to the fact that most of the countries with which the funds were deposited have not provided information in this regard to the Iraqi authorities in a timely manner.

Table No. (3.35): Value of funds/assets recovered from abroad based on the efforts of Iraq Money Recovery Fund

| Year | Country | Total value of funds/assets recovered from abroad (in USD) |
|-------|----------|--|
| 2019 | Jordan | 70,858 |
| | Bahrain | 6,192 |
| | Spain | 12,967,609 |
| 2020 | Jordan | 750,000 |
| | Germany | 20,495,415 |
| 2021 | KSA | 3,290,424 |
| 2022 | Hungary | 354,787 |
| | Malaysia | 81,641 |
| Total | | 41,204,926 |

351. During 2018-2022, Iraq did not receive any requests for tracing, seizing, confiscating, or recovering funds. This may be due to the fact the Iraq is not a main destination for proceeds generated from foreign crimes.

352. The number of requests for legal assistance made by Iraq during that period reached (132), of which 21 were fully and definitively executed by seizing, confiscating, recovering funds, or obtaining documents and information. 75 of them were partially answered, 101 requests (of which those that were partially answered) are still under execution and none have been rejected. According to the authorities, 36 of the requests related to the recovery of antiquities are being processed, and since there is no complete and accurate information regarding them, this has resulted in these requests not being closed. However, Iraq was able to recover 35,000 artifacts

from abroad. This shows the effectiveness of international cooperation in recovering looted and smuggled national antiquities abroad.

353. The type of cooperation requested by Iraq when seeking MLA focused on requests for tracing funds totaling (7) requests, temporary seizure of funds/assets totaling (77) requests, representing 58% of the total outgoing MLA requests. It can be concluded that the Iraqi authorities give priority to precautionary measures within the framework of international cooperation to seize assets to secure them for confiscation at sentencing after being recovered from abroad. Requests for confiscation of funds/assets reached (8) requests, recovery of funds/assets reached (39) requests and one request for conducting an investigation (see IO.2).

354. As for the proceeds that have been transferred abroad, Iraqi authorities have frozen, confiscated, and recovered significant amounts related to corruption crimes only, and no similar statistics regarding the remaining predicate offenses which are also considered transnational, were provided.

Table No. (3.36): Amounts frozen /confiscated abroad and recovered from abroad (estimated in USD).

| Type of crime | Amounts frozen abroad | Amounts confiscated abroad | Amounted recovered from abroad |
|---------------|-----------------------|----------------------------|--------------------------------|
| Corruption | 8739040 | 218,262,708 | 133,114,020 |

355. Iraq provided a statistical table of the proceeds of corruption that were seized abroad during 2018-2022. They consisted of cash amounts in different currencies, in addition to real estate, vehicles, shares in companies and securities. It was also found that there were no seizures applied in 2020, due to the Corona pandemic, as reported by the Iraqi authorities.

Table No. (3.37) Proceeds of corruption seized abroad during 2018-2022

| Year | Corruption proceeds seized (outside Iraq) | | | |
|------|---|------------------|----------------|--|
| | Seizure in USD | Seizure in Euros | Seizure in IQD | Real estates and other funds |
| 2018 | 19,690.125 | 5,327.540 | 308,457,32 | <ol style="list-style-type: none"> 1. 3 plots of land 2. 3 vehicles ((2) Toyota, (1) Audi) 3. Seizure of shares in 5 companies specialized in trade project development and investments. 4. Seizure of shares in companies for engineering services 5. Seizure of 4 vehicles ((2) Toyota, a Bentley and a Mercedes) 6. Title to a security in the name of Specialized Investment Compounds Company |
| 2019 | | | 141.25 | <ol style="list-style-type: none"> 1. Real estate 2. Shares in an investment company |
| 2020 | | | | None |
| 2021 | | | 473 | <ol style="list-style-type: none"> 1. Seizure of a share in a real estate and two companies 2. (2) plots of land |
| 2022 | | | | <ol style="list-style-type: none"> 1. A share in a company for import and export |

356. Below are two case studies, the first shows a request for legal assistance by the FCOI to impose a provisional seizure and recover amounts related to a deceit and fraud crime, and the second shows a request for legal assistance by the FCOI to impose a provisional seizure for causing harm to public money. These two case studies highlight the role of the FCOI in detecting and preventing the disposal of the funds subject of the corruption crime, through preventive measures, during the course of investigative procedures in a number of corruption cases and its role in monitoring and recovering criminal proceeds through MLA requests.

Box No. (3.26) Case study demonstrating the role of international cooperation in the context of seizing funds generated from a predicate offense (deceit and fraud)

A request for legal assistance was sent by the FCOI / Recovery Department to the British counterpart through diplomatic channels, in order to seize the movable and immovable property belonging to the fugitive convict (S) who is wanted by the Iraqi authorities, according to the judicial decision issued by the Higher Judicial Council / Presidency of the Baghdad Rusafa Federal Court of Appeal / Court for the investigation of Integrity to seize his movable and immovable property in accordance with the provisions of article (456) of the Penal Code, given that the above accused person entered into a contract with the Iraqi MOI to equip it with explosive detectors, but these devices proved to be ineffective, not in conformity with the specifications, and technically worthless, and that the above accused person deliberately resorted to deceit and fraud in the contracting process.

The request for legal assistance was executed by seizing the account of the above convict and recovering the equivalent of (2,423,540) dollars, and the amount was returned to the State treasury.

Box No. (3.27): Case study showing cooperation with external authorities in the recovery of criminal proceeds from abroad.

A request for legal assistance was sent by the FCOI to the counterpart entity in country (R) through diplomatic channels, in order to apply seizure on the movable and immovable property belonging to the fugitive accused person (A. D. Y) according to the judicial decision issued by the Investigation Court specialized in cases of integrity, AML and economic crimes in Baghdad, which included a travel ban and seizure of his movable and immovable property, for causing deliberate harm to the funds of the Iraqi Ministry of Oil, by accepting bribes and commissions in contracts for the Iraqi Ministry of Oil, since he was working as an engineer in the South Oil Company. The request for legal assistance made by the PP / PP Office in country (R) / International Cooperation (70/2021) was executed by imposing precautionary seizure on the amount of (USD 12,997) deposited in a bank in country (R), provided that the matter shall be followed up by the Iraqi MOI, in coordination with the affected party for the purpose of filing a lawsuit outside Iraq to recover the seized amounts.

357. The Supreme Judicial Council/PP, in coordination with the competent authorities, is responsible for ensuring that the process of sharing confiscated funds, proceeds, or instrumentalities of crime with the requesting country is done in accordance with the bilateral or international multilateral agreements that Iraq has signed. On this note, the country stated that there have been several cases of sharing with several countries in accordance with the international agreements and procedures for the recovery of funds are still in process.

Deprivation of TF funds and instrumentalities.

358. Iraq is exerting good efforts to combating TF. This is demonstrated by the size of frozen assets which has noticeably increased over the last five years, the successful confiscation of assets and instrumentalities of crime and the provisional measures taken in TF cases, including the freezing of accounts and funds of suspected source or origin.

359. The total value of funds that have been frozen in Iraq under UNSCR 1373 is equivalent to USD 8,92 million and USD 28,108 under UNSCR 1267. The total value of frozen funds and assets reached USD 8,94 million (see IO.10).

Table No. (3.38): Size of frozen funds, shares and other assets under UNSCR 1373 (in USD).

| Year | Size of frozen amounts (in USD) | Size of frozen shares (in USD) | Other frozen assets – real estate (in USD) |
|------|---------------------------------|--------------------------------|--|
| 2018 | 72,193 | 822,850 | - |
| 2019 | 85,930 | 416,666 | - |
| 2020 | 854,895 | - | 445,204 |
| 2021 | 342,012 | 6,164,988 | - |
| 2022 | 457,000 | - | - |

Confiscation of falsely or undeclared cross-border transactions of currency/BNI

360. With respect to the incoming and outgoing funds transported across the borders, Iraq was applying, until the date of the on-site visit, the declaration system (see recommendation 32), and it is noticed that the country introduced on 1/8/2023 new instructions for the application of the system for declaring funds transported across borders. However, the AT did not take these instructions into account, as they were not effective at the time of the on-site visit³⁴. In all cases, the AT cannot test the effectiveness of their implementation in practice.

361. According to the old system, customs authorities would seize and confiscate incoming and outgoing funds transported across the borders for failure to declare or for making a false declaration. It is noticed that Iraq's efforts were focused on seizing incoming transported funds, reducing cash smuggling, and applying fines. In such cases, the law permits to impose the penalty of imprisonment for up to two years and a fine of no less than the value of the funds and up to three times that value in case of non-declaration or false declaration, regardless of the means used to transport these funds. The country provided statistics on the fines imposed, which are proportionate and dissuasive. The following case study indicates that the authorities apply the penalty of imprisonment in cases of false declaration.

Box No. (3.28) Case study showing a false declaration and concealment of a sum of money by a traveler:

The MOF / GAC seized in the possession of a passenger (Iraqi citizen) while leaving Iraq an amount of (400,000) Saudi Riyals which is equivalent to USD (106673) and an amount of (24,377) Bahraini Dinars which is equivalent to USD (64678).

The funds were seized, and the case referred to the competent court.

Actions taken:

- The Office was provided with the seizure report.

³⁴ The AT was provided with a signed copy of the instructions on 11/8/2023, and article "third" of the final provisions stated that these instructions are effective after the elapse of one month from the date of publication (i.e. publication in the Official Gazette), the instructions were published in the Official Gazette in 2/10/2023 so it won't be effective until 3/11/2023, and in all cases, the effective date of these instructions falls after the on-site visit that ended on 23/8/2023.

- The passenger revealed during the investigation conducted by the GAC that the seized funds came from the sale of a real estate that belongs to them and when asked about the reason behind having the funds in Saudi Riyals and Bahraini dinars instead of IQD, they stated that the price of the USD is high and therefore they had to buy the said currencies.
 - Part of the seized currencies were hidden in the defendant's clothes (about 100000) Saudi Riyals. Afterwords the passenger took out 300000 Saudi riyals from their clothes and following inspection they pointed out that their suitcase had only clothes and denied having any money in there.
 - The Office conducted an analysis and gathered information and disseminated the results to the competent court.
- The passenger was convicted by the court and sentenced to imprisonment for one year pursuant to article (43) of the AML/CFT Law no 39 of 2015 and a fine of (134,674800) IQD which is equivalent to USD (102,622.20) to be paid in cash. The seized funds were also confiscated for the benefit of the MOF.

362. The Border Ports Commission, the Intelligence Service and the Anti-Narcotics Authority are stationed alongside the GAC at all border ports. Some measures are adopted to reduce cash smuggling into the country, including increasing the number of employees in the search areas, especially during religious visits, and whereby a complete search is conducted. A unit has also been formed and named (Anti-Money Laundering and Terrorism Financing) at the GAC, which is directly linked to the Director General by virtue of the Administrative Order No. (2769)/2023 issued on 13/8/2023. In addition, the Administration has been linked with the Office through an advanced automated system, and the Office is provided with declaration forms daily (See IO.6).

Table No. (3.39): Statistical data on the total seizure reports and the amounts related to the seizure of funds and BNI transported across the borders into the country in relation to non-declaration or false declaration for 2018 – 2022.

| Year | Number of seizure reports | Transported funds in all currencies | The equivalent value in USD |
|------|---------------------------|---|-----------------------------|
| 2018 | 2 | 525,000,000 Iraqi dinar USD 50,000,000 EUR 232,682,500 | 301,133,014 |
| 2019 | 21 | 436,376,480 Iraqi dinar USD 1,063,930 300,000 Indian rupees | 1,400,948 |
| 2020 | 7 | 56,000,000 Iraqi dinar USD 1,376,143 | 1,418,927 |
| 2021 | 16 | 143,451,000 Iraqi dinar USD 485,670 50,000 Saudi riyals | 608,599 |
| 2022 | 21 | 234,260.000 IQD USD 598,750 275,000 Euros | 1,074,056 |

| | | | |
|-------|----|--|-------------|
| Total | 67 | 870,087,480 IQD USD 53,524,493 EUR 232,275,000 300,000 Indian rupees 50,000 Saudi riyals | 304,499,003 |
|-------|----|--|-------------|

363. The table above shows that there is a large disparity in the number of seizure reports between the years 2018-2022, which are already very few. This could be attributed, according to what Iraq reported, to the fact that there were travel impediments during the COVID 19 pandemic, where part of the border crossings and airports was closed. This in turn has led to a significant decrease in the number of (incoming and outgoing) persons crossing the borders and a decrease in both the number of declarations and the cross-border transportations of funds for more than two years. The AT considers that this could be also attributed to weakness in the measures taken in the context of seizing funds and BNIs, and this may be due to the lack of human resources concerned with the implementation of these measures or a lack of sufficient technical capacity for their implementation.

364. Within the framework of addressing the ML/TF risks, the Iraqi authorities introduced the National Strategy for combating ML/TF/PF for 2023-2027. Its thirteenth strategic objective stipulates strengthening the customs declaration system of cross-border funds by taking a set of procedures and measures. These include developing mechanisms to monitor the Iraqi borders and customs ports, establishing strict controls to detect any attempts to smuggle funds on exit from or entry to Iraq. This is considered a positive step, as it is expected to strengthen the quality of border controls over time, by adopting electronic systems, modern equipment, and technologies, such as cameras and inspection devices for travelers. It is concluded that the Iraqi authorities give importance to strengthening the declaration system and seizing funds in cases of false declaration or non-declaration; however, given that these measures were not applied during the assessment period, it is impossible to test the effectiveness of their implementation on the ground, especially since the authorities' efforts were focused during 2023 (After the strategy entered into force) on introducing legislative reforms and issuing instructions (see IO 1).

Table No. (3.40): Statistical data on the total amounts related to the seizure of funds and BNIs transported across the borders out of the country in relation to non-declaration or false declaration for 2018 – 2022.

| Year | Number of seizure reports | Transported funds in all currencies | the equivalent value in USD | Bullions or any other assets are valued in USD |
|------|---------------------------|--|-----------------------------|--|
| 2018 | 3 | 124,513,206 IQD 240,000 Saudi riyals USD 515,200 | 673,528 | -- |
| 2019 | 1 | USD 45,000 | 45,000 | -- |
| 2020 | 5 | 400,000 Saudi riyals 24,377 Bahrain dinars USD 617,000 | 788,672 | -- |
| 2021 | 3 | 45,960,000 IQD USD 240,000 | 274,818 | 151,874 |

| | | | | |
|-------|----|----------------|-----------|--|
| | | | | (2,559) Kg of gold ³⁵ (representing the equivalent of USD 145,341,648) |
| 2022 | 3 | 57,000,000 IQD | 43,182 | --- |
| Total | 15 | | 1,825,200 | 145,493,522 |

365. An incoming amount of approximately USD 304,499,000 and an outgoing amount of approximately USD 145,493,522 were seized. From this it can be concluded that the GAC gives some importance to monitoring the entry of cash into the country, in addition to preventing the smuggling of gold bullion abroad. The seizure of incoming funds is considered a preventive measure to combat the financing of terrorism, but the seizures of incoming funds were in different currencies (Saudi riyal, Indian rupee, US dollar, euro). The state explained that the reason for the diversity of currencies is that Iraq is a country attractive for religious tourism from various countries. The seized bullion transported on exit in 2021 is based on a single case of seizure and not on a significant number of seizure reports. This leads to the conclusion that this measure, despite its importance and effectiveness, is not applied on a regular basis. The AT reached this conclusion based on the small number of seizure reports between 2018-2022. As for the seized Iranian toman transported across the border, the AT was only provided with a single case in this regard, whereby the seized funds did not exceed the threshold. This is due to the restrictions on the movement of passengers coming from related ports; nevertheless, there were cases where funds were seized from Iranian passengers but in currencies other than the Iranian toman.

³⁵ The price of an ounce of gold was calculated at USD1,826.

Box No. (3.29): Case study showing seizure of Iranian Toman

An amount of (84,000,000) Iranian Toman was seized in the possession of a person (of Iranian nationality) by the customs and intelligence official during inspections at the passenger's gate.

The defendant's statement was taken and submitted to the Investigative Judge of al Mashrah Court, who decided to conduct an investigation in accordance with article (43) of the AML/CFT Law No 39 of 2015. A detailed seizure report of the seized currency was prepared and sent to the CBI/ Al Basrah branch to examine the currency and determine whether it was authentic or forged. The defendant was then released on bail of (30,000,000) IQD which is equivalent to USD 229,200.

All the documents and seizure reports were sent to the Office, which ran a search of the defendant's name in its database to identify whether he was the subject of a previous STR or cross border transaction report.

The investigations and analysis were presented to al Mashrah Court, including the CBI letter indicating that the currency is authentic and not forged. The judge decided to notify the Office to conduct analysis and to search for the source of the seized currency, its use and the purpose of using it in coordination with other governmental and local entities.

After the Office concluded its analysis, it was revealed that the seized amount (84,000,000) of Iranian Toman which is equivalent to USD (2,016) was below the threshold and no other indicators were identified.

366. The AT reviewed the declaration forms analysis report received by the Office, which revealed indicators of criminals exploiting some pilgrims, Umrah performers and persons accredited by Hajj and Umrah companies for cross-border money transportations. As a result, the Office took interest in the development of procedures for limiting the transportation of funds out of the country, in coordination with the relevant authorities, and the report recommended to conclude a cooperation agreement between the Office and the Hajj and Umrah Authority, signed in 10/9/2023.

Table No. (3.41): showing the total incoming and outgoing funds and BNIs transported across the borders which were sentenced to confiscation in relation to non-declaration or false declaration for 2018-2022.

| Year | Funds transported into the country in USD | Funds transported out of the country in USD | Total of incoming and outgoing funds |
|------|---|--|--|
| 2018 | 304,156,961 | 166,666 | 304,232,627 |
| 2019 | - | 49000 | 49000 |
| 2020 | - | 415751 | 415751 |
| 2021 | - | 533,818 (2,559) Kg of gold (representing the equivalent of USD 145,341,648) | 533,818 (2,559) Kg of gold (representing the equivalent of USD 145,341,648) |
| 2022 | 59,506 | 151,874 2,272 | 213,652 |

| | | | |
|-------|-------------|-------------|-------------|
| Total | 304,216,467 | 146,661,029 | 450,877,496 |
|-------|-------------|-------------|-------------|

367. It is noticed from the table above that the incoming funds confiscated, despite their large amount, were concentrated the most during 2018, while no incoming funds were confiscated for the period (2019-2020-2021), although funds and assets had been seized at that time.

368. Also, in 2018, the incoming and outgoing funds totaling USD 304,323,627 were confiscated. The seized funds on entry and exit reached at that time USD (301,806,542). This indicates that confiscation exceeds seized funds by a reasonable degree. In 2021, an amount equivalent to around USD 146,661,029 was confiscated as a result of the seized gold bullion, the value of which constitutes around 99.1% of the total value of the seized funds. The AT examined a number of court rulings issued in accordance with article (43) of the AML/CFT Law no. 39 for the year 2015, whereby fines of the same amount or twice that amount were imposed. Fines totaling USD (2,039,222) were also imposed for non-declaration or false declaration. Therefore, the fines are considered proportionate and dissuasive.

Table No. (3.42): Statistic on fines applied due to non-declaration of funds transported across the borders or in relation to false declaration for (2018-2022).

| Year | Fines in USD (incoming) | Fines in USD (outgoing) |
|-------|-------------------------|-------------------------|
| 2018 | 397,727 | 166,666 |
| 2019 | - | 50,000 |
| 2020 | - | 445,296 |
| 2021 | - | 533,818 |
| 2022 | 59,506 | 386,209 |
| Total | 457,233 | 1,581,989 |

369. The foregoing reveals that despite the low number of reports, the GAC confiscated significant amounts of incoming and outgoing funds (around USD 450 million) and exerted great efforts to detect undeclared or falsely declared funds and BNIs, including those that may be related to ML, associated predicate offenses or TF, which would be reflected on the effectiveness of the seizure and confiscation regime.

Consistency of confiscation results with ML/TF risks and national AML/CFT policies and priorities.

370. The total value of the confiscated funds was over USD 3 billion. Confiscation of corruption related proceeds constituted the largest value estimated at approximately USD 2.7 billion, which accounts for (85%) of the total confiscations. The confiscations related to the other serious crimes constituted a small percentage (8,9%) of the total confiscations. In this context, the confiscation of drug trafficking related proceeds accounted for (1,9%) of the total confiscations. The confiscation of the proceeds of smuggling oil derivatives and trafficking in national antiquities represented respectively around (4%) and (0.19 %) of the total confiscations. The specificity of these crimes (other than corruption) is that they do not always generate significant proceeds due to the authorities' efforts that contributed to seizing large quantities of drugs, petroleum derivatives, and artifacts before being sold. This has prevented from generating criminal proceeds in large amounts. It is concluded that the amounts confiscated are largely proportional to Iraq's risk profile, in terms of the value of the proceeds that were confiscated at sentencing. It should be noted that the classification of these

crimes (other than corruption) according to the NRA outcome does not depend on the size of the proceeds, but rather on other criteria (See IO 1 and chapter 1).

371. Fraud ranked second in terms of the value of proceeds from serious crimes, amounting to approximately USD 65 million, and constitutes a small percentage (2.1 %) of the total confiscations, followed by drug trafficking, forgery, and tax evasion in the third, fourth and fifth place, where the value of the funds confiscated reached USD 60, 56 and 43 million respectively. As for the crime of smuggling oil derivatives, it ranked sixth.
372. The AT was provided with statistics on the number of ML convictions that included confiscation, totaling 17 convictions out of 62, which is the equivalent to 27.4% of the total convictions. In cases where the confiscated funds were disposed of, the authorities apply fines equivalent to the value of the dissipated funds. It is concluded from this that the Iraqi authorities give importance to implementing confiscation at sentencing, whether by confiscating the criminal proceeds or applying fines equivalent to the value of the proceeds that were disposed of.
373. The value of the confiscated instrumentalities of crime was estimated at approximately USD136 million without being classified according to the years and the type of the predicate offense, and the total value of instrumentalities of crime, such as real estates, bank accounts, gold and silver, was not calculated, nor included in Table No. (3.32) and the country did not explain why their estimated value was not calculated.
374. Iraq resorted to international cooperation regarding the freezing and recovery of funds resulting from corruption crimes that took place in Iraq and whose proceeds were transferred abroad, and data was found indicating that large amounts were frozen abroad and funds resulting from corruption crimes were confiscated and recovered, without providing a similar statistic regarding the remaining predicate offenses which are also considered transnational.
375. The funds that were sentenced to confiscation included different types of assets (according to the above statistical data) excluding virtual assets, due to the absence of an effective mechanism in Iraq for identifying persons who engage in the VASP activities without obtaining the necessary license or registration and the failure to consequently apply proportionate and dissuasive sanctions against them (see IO.3).
376. By reviewing a sample of stand-alone ML convictions, it is found that the funds and assets of the accused who was unable to prove the legitimacy of their funds were not confiscated, but only seized. It should be noted that most of the convictions are attributed to stand-alone ML totaling (25) convictions out of (62) ML convictions, representing 40% of the total ML convictions. This does not appear to have significantly affected the effectiveness of the confiscation regime given the total value of the funds confiscated at sentencing exceeded USD 3 billion.
377. **Overall conclusion on IO.8:** It appears that Iraq is pursuing confiscation as one of its strategic objectives, which was particularly evident with regard to corruption more than the other predicate offenses, because of the specificity of these crimes given Iraq context. Although Iraq does not resort to confiscation of property of equivalent value, Iraqi authorities impose a fine equivalent to the value of the disposed funds. The authorities also confiscated a good amount of funds and instrumentalities of crime. Iraq takes preventive measures and actions such as precautionary seizure to prevent the disposal and dissipation of property before a judgment ordering their confiscation is rendered. It has demonstrated its ability by seizing significant amounts of funds, particularly in corruption, followed by tax evasion and fraud, which is consistent in varying proportion with the risks facing Iraq. Confiscations were largely focused on corruption, which is a high-risk crime in Iraq; proceeds derived from drug trafficking were confiscated in a sufficient manner and in line with the nature of this crime in Iraq, as it is mainly a cross-border crime. The GAC, despite the small number of

seizure reports, confiscated significant amounts of funds on entry and exist totaling around USD 450 million, and exerted great efforts to discover funds that were not disclosed or were falsely disclosed. The fines applied in cases of non-declaration or false declaration are considered proportionate and dissuasive. The RERD at the MOF manages the confiscated funds of persons against whom judicial decisions have been issued to confiscate their movable and immovable property. The RERD showed (through some case studies) that there are appropriate measures in place for managing confiscated funds. As for the seized properties, a legal guardian is appointed to ensure their management and not disrupt their work until a final judicial ruling is issued.

378. Iraq achieved a “substantial” level of effectiveness for IO.8.

Chapter 4. Terrorist Financing and Financing of Proliferation

Key Findings and Recommended Actions

Key Findings:

TF investigation and prosecution – TF offense (Immediate Outcome 9)

- a) Various activities of TF in Iraq are being prosecuted consistent with the structure of terrorist risks in the country to some extent based on TF risks presented by ISIL but it has not been sufficiently demonstrated that TF prosecutions are being pursued for non-ISIL related TF which also presents significant TF risks. The prosecution mainly includes all the activities of ISIL including collecting funds from licit or illicit sources, transporting them, and transferring them, whether through the formal or informal sector, or through physical transportation across borders, but has not demonstrated that it sufficiently prosecutes TF not related to ISIL. To a limited extent, Iraq pursues prosecution related to the terrorist activities (apart from ISIL) under the provisions of the counter terrorism law and to a lesser degree under the provisions of the AML/CFT law, especially that most of the activities of these organizations are represented in providing logistical support to facilitate committing terrorist acts. Authorities conduct TF investigations independently or within the framework of investigations conducted in terrorism cases.
- b) TF in Iraq is linked to cross-border organized crime, such as drug trafficking, human trafficking, trafficking in national antiquities, oil smuggling and sale. The authorities prosecute TF crime when it is linked to these crimes, but no information has been found to show that Iraq has done so to a sufficient extent.
- c) The investigative courts specialized in terrorism and its financing functioning under the PP are the main body responsible for investigating TF activities, and cooperate with many national entities such as the Iraqi NIS, MOI's Department of Organized Crimes and the Office. They rely on various information sources to identify TF activities through intelligence or information or based on the terrorism investigation results, and to a lesser degree, based on information received from foreign counterparts.
- d) The investigative courts specialized in terrorism and its financing conduct proactive financial investigations into terrorist financing crimes when there is suspicion of the existence of any terrorist financing operation, and they also identify possible links with organized crime. For this purpose, they seek the assistance of several national authorities when conducting financial investigations, one of which is the Office. Nevertheless, no information has been found to show the mechanism used by Iraq to prosecute the predicate offence whereby its proceeds is used in TF, and whether their investigation is conducted in parallel with predicate offence investigation.
- e) Terrorist financing investigations depend primarily on investigations into terrorism cases. Over the past six months, Iraqi courts have been prosecuting terrorist financing cases independently where these have been related to ISIL. Investigating authorities rely on appropriate evidence to proceed with cases to reach convictions.
- f) Iraq relied on the lessons learnt in combating terrorism and its financing over the past years while preparing the strategies related to combating terrorism and its financing, such as the National AML/CFT Strategy and the Iraqi Strategy for Combating Terrorism for the period (2021-2025), which included many objectives, including cutting off and preventing the various capabilities and sources of support and financing of terrorism; TF investigations are consistent with the aforementioned strategies.
- g) The penalties imposed in cases of TF convictions are considered proportionate and dissuasive, and the circumstances of convicts in terrorist financing cases are considered.
- h) Iraq issued convictions and imposed penalties against NPOs and their administrators based on financing terrorism. Concerning

the penalties imposed against legal persons when involved in TF activities, criminal penalties are applied to their managers or directors. Several administrative measures are applied against them by the competent authorities, leading to the withdrawal of the license and their liquidation.

- i) Iraq applies many alternative measures in the event where it is not possible to secure a TF conviction. These measures are proportionate, especially that most of TF prosecutions ended with convictions.

Implementation of targeted financial sanctions for TF without delay, and NPOs (IO.10)

- a) Iraq has a proper legal framework for the implementation of TFS without delay, as Security Council resolutions take effect within the country upon publication by the Security Council. Iraq adopted a complementary mechanism that allows the parties concerned with implementation to be notified in writing of updates to the UN lists. This mechanism showed a delay of an average of 6.5 days, which affected the effective implementation of TFS without delay, as some of the parties concerned with implementation rely on receiving the circular as an alternative instead of following updates on the Security Council website. By the end of 2022, Iraq adopted a new complementary mechanism that allows concerned entities, FIs and DNFBPs to be notified without delay through notifications; however, this mechanism does not extend to include all DNFBPs, and other entities concerned with the freezing obligation, including the “CRDs” and the “RERD,”; however, it was not clear to the AT whether TFS are applied without delay within 24 hours..
- b) Iraq proposed designating several persons and entities to the relevant sanctions committee, participated with foreign countries in co-designating group of persons and entities, provided detailed information on some of those listed under Security Council Resolution 1267, listed on its own motion and at the request of other countries many persons and entities on the local list in accordance with Resolution 1373, took temporary measures (seizing accounts and freezing suspected funds) and confiscated funds, assets, and instrumentalities of crime in large amounts (equivalent to USD 8.92 million under Resolution 1373, and USD 28,108 under Resolution 1267), and confiscated funds and instrumentalities of crime related to terrorism and TF, totaling an equivalent amount of USD 4.5 million, in line with Iraq risk profile, with a lack of information that the freeze occurred without delay. Also, the weak application of measures for the identification of the BOs, at the level of FIs (except Banks) and DNFBPs, affects the effectiveness of the application of TFS related to TF.
- c) Although the procedures that were adopted during the assessment period required that requests for the payment of basic expenses be decided within a period not exceeding 15 days, the time taken by the CFTF to decide on requests (totaling 8) and approve the payment of basic expenses ranged between 36 and 141 days, with an average of 100 days.
- d) Most FIs and DNFBPs demonstrated a poor understanding of their obligations to apply TFS without delay, except for banks which had an acceptable understanding of the TFS requirements.
- e) The NGOs Department has an emerging understanding of the nature of threats and risks related to TF and has not effectively applied focused and proportionate risk-based supervision of NPOs vulnerable to TF abuse, except starting 2023.
- f) Iraq dissolved 12 local NPOs that were abused for TF and suspended the work of 441 others for violating the provisions of the NPO Law, yet it does not have in place a mechanism for managing dissolved or suspended NPOs to ensure that collective or charitable work is not disrupted. Cooperation between the NGOs Department and the NPO sector is limited in CFT field, the training courses provided to NPOs are few and insufficient, adding that the criteria adopted for classifying NPO risks (totaling 1439) within the subset, in Iraq including the Kurdistan Region, are considered insufficient and unclear.
- g) The measures taken by Iraq are consistent with the level of TF risks to different extent, ranging from reasonable; in terms of

provisional measures taken to deprive terrorists of funds, assets, and instrumentalities of crime, and weak; in terms of the procedures taken to protect NPOs against TF abuse.

PF financial sanctions (Immediate Outcome 11)

- a) Iraq has been implementing UN TFS requirements related to CPF to a limited extent, although the relevant Security Council resolutions take effect in Iraq from the date of their publication on the Security Council Sanctions Committee official website, as some subjected entities rely on receiving the notification or circular as an alternative instead of directly accessing the UN website to implement their obligations, with the absence of evidence indicating that customs and some other parties are notified of changes made to the relevant lists.
- b) Iraq has not been able to identify, seize or freeze any funds or assets belonging to any person or entity listed on the sanctions lists related to CPF. There have been no positive matches with any of the listed names, with the absence of cooperation between the competent authorities such as Customs, the CBI, and relevant LEAs to deal with PF risks. The weak application of beneficial ownership identification measures at the level of FIs (other than banks) and DNFBPs affects the effective application of TFS related to PF.
- c) Except for the CBI, the supervisory authorities have not conducted any onsite and offsite inspections on the private sector, including FIs and DNFBPs, to ensure their compliance with the implementation and enforcement of the TFS requirements related to CPF. This is due to the lack of clear criteria or inspection plans, and sufficient awareness by the regulatory authorities of their responsibilities towards the private sector.
- d) The GAC does not effectively follow the relevant UN sanctions lists and has not been proven that it has received notifications of updates from the CFTF, not does it have sufficient procedures for the inspection of shipments and goods across borders to monitor international trade related to shipments (import and export) with Iran in particular.
- e) Most FIs (except for Banks and insurance companies) and the entire categories of DNFBPs in Iraq have a weak understanding of the requirements for implementing TFS related to PF, and sanctions evasion.

Recommended Actions

Immediate Outcome 9

- a) The Iraqi authorities must continue to identify and investigate the TF offence apart from terrorist acts by focusing investigations on TF and TF networks independent of terrorist acts and further leverage financial intelligence to identify TF.
- b) Investigative courts must continue to cooperate with the Office to identify terrorist financing activities, conduct investigations into them, prosecute terrorist financiers, and bring them to trial.
- c) Introduce a legislative amendment that includes criminalizing the financing of the travel of persons to countries or territories other than their country of nationality to commit, organize, prepare, participate, provide or receive training, as well as criminalizing the contribution, organization and direction of others when this is done by a terrorist person, and including criminalizing the place where it was assumed that the terrorist act will take place so that Iraq can conduct investigations into it and prosecute and convict its perpetrators.
- d) Iraq should prioritize the investigation of transnational TF activities in line with its risk profile as identified in IO.1, including crimes that involve cross border cash smuggling.
- e) Iraq should increase focus on investigating and prosecuting TF not affiliated with ISIL in line with its TF threats and risk profile.

Immediate Outcome 10

- a) Iraq must enhance the implementation of TFS without delay and complete the registration of all relevant authorities (including the CRDs and the RERD) and DNFBPs concerned with implementation in the Electronic Notification Program and develop a mechanism to proactively communicate changes to sanctions lists to the private sector in a timely manner to ensure the immediate implementation of the freeze of funds and other assets subject to sanctions under the freezing mechanisms, and ensure that this mechanism warrants notifying the relevant entities of any updates, even during weekends and official holidays.
- b) Iraqi supervisory authorities should increase the capacity of FIs (except banks) and DNFBPs to implement TFS through training programs and awareness-raising materials.
- c) The CFTF must observe the specified time limits while deciding on requests submitted for basic or extraordinary expenses.
- d) The NGOs Department should enhance its understanding of the nature of threats and risks relevant to NPOs and involve NPOs to obtain more accurate and comprehensive information on their activities and financial transactions, and apply RBA and specified supervisory measures to detect the violations committed by NPOs, to ensure that the NPO sector is not abused for TF purposes; in addition to adopting a mechanism for managing dissolved NPOs or whose work has been suspended, to ensure that collective or charitable work in Iraq is not disrupted.
- e) The NGOs Department must develop training courses and guidelines and focus on NPOs classified as high risk and clarify the threats and patterns used to protect NPOs against any potential TF abuse.

Immediate Outcome 11

- a) The Iraqi authorities should proactively and without delay communicate PF related designations and their updates to government agencies (including customs) and private sector, and ensure that the approved mechanism warrants notifying the entities concerned with implementation, even during weekends and official holidays. They should also raise awareness on PF requirements and sanctions evasion through specialized training programs and guidelines on the characteristics and typologies of sanctions evasion related to PF, and educate the government and private sectors in this regard.
- b) The Iraqi authorities should enhance capacity-building efforts for FIs and DNFBPs regarding the requirements for implementing TFS related to PF. They should also develop procedures and detailed guidelines to assist the concerned entities to implement their obligations related to Rec 7.
- c) The supervisory authorities (except the CBI) should enhance their human resources to effectively conduct supervision tasks, and develop an RBA compliance plan to ensure that FIs and DNFBPs comply with TFS without delay. The supervisory authorities should also impose effective, dissuasive, and proportionate penalties on non-compliant entities.
- d) The GAC should review its procedures regarding the inspection of shipments and goods at borders, including:
 - Enhancing the technical and human capabilities of the GAC in inspecting shipments and goods at borders to detect dual used goods that could be used in weapons proliferation programs.
 - Ensuring that the GAC effectively monitors relevant United Nations Sanctions lists.
 - Implementing enhanced measures to monitor international trade related to shipments (import and export) with Iran in particular.

379. The relevant Immediate Outcomes considered and assessed in this chapter are IOs.9-11. The Recommendations relevant for the assessment of effectiveness under this section are R.1, 4, 5–8, 30, 31 and 39, and elements of R.2, 14, 15, 16, 32, 37, 38 and 40.

Immediate Outcome 9 (TF Investigation and prosecution)

380. The conclusions reached by the AT in IO9 are based on the team’s review of the data and statistics provided thereto by the country and the meetings held with the relevant national authorities, which are: The Iraqi NIS, the NSS, the CTS, the Security Forces Service (Asaysh) in the Kurdistan Region, the competent investigative courts for terrorism and its financing in Iraq and the Kurdistan Region, and the MOI/Organized Crime Directorate. The AT also reviewed a number of conviction rulings, decisions of judges of the competent investigative courts, and case studies involving various types of TF related to ISIL and other organizations present in Iraq and neighboring countries, all of which reflected the awareness and understanding of the security services in Iraq of the risks to which it is exposed, whether internal or external, and their efforts in cooperation with neighboring and allied countries in dealing with and mitigating such risks.
381. The results of the ML/TF NRA showed that the TF risks are high, and that the context of terrorist risks in Iraq is unique due to the presence of six border countries, some of which are witnessing a state of instability. In addition to the fact that ISIL took Iraq as its headquarters and the continued presence of ISIL related dormant cells in Iraq³⁶, in addition to the presence of a number of other terrorist organizations including Al-Qaida and al Naqshabandieh. However, the NRA and authorities do not demonstrate sufficient understanding of the TF risks not affiliated with ISIL and how funds are moved and the sectoral vulnerabilities in the country were being exploited in relation to these TF risks.
382. According to the Global Terrorism Index for 2023, Iraq ranked third in the Arab world (after Somalia and Syria) and seventh in the world with a score of (8.139) in the number of deaths due to terrorist acts. This index decreased from 2022, when Iraq was ranked first in the Arab world and second in the world with a score of (8.511). This was a result of the decrease in the activity of ISIL in Iraq and because of the measures taken by Iraq to combat the organization at all levels. A decrease in the number of terrorist acts was observed during the last five years, except for 2021. Terrorist acts in 2018 reached (1530), in 2019 (898), in 2020 (466), in 2021 (930), and in 2022 (474). The increase in the number of terrorist acts in 2021 was due to the major operations launched by the Iraqi forces and allied parties against ISIL. These operations led to the killing and arrest of senior figures in the terrorist organization. In 2021 specifically, one of the organization’s most important figures, the Emir of the Treasury, and the deputy successor (leader) of the organization, was arrested.

Prosecutions/convictions in TF activities in commensurate with the country’s risks

383. Iraq secures convictions for various TF activities, including collecting and transferring funds from legitimate and illegitimate sources whether through formal or informal sectors and for transporting them internally through borders, in a manner that is largely commensurate with the country’s TF risk profile where these relate to ISIL financing activities and there are being prosecuted and the criminals are convicted for the TF offence. However, it has not been sufficiently demonstrated that TF prosecutions are being pursued for non-ISIL related TF activities even as these are being prosecuted and their criminals are convicted based on the counter terrorism law and to a lesser degree the AML/CFT law. It is noted that the stand-alone TF cases were not apparent until recently (6 months before the date of the onsite visit) as TF was investigated while investigating terrorism in general, but several rulings were available to the AT whereby convictions were issued independently of terrorism. By studying the cases provided by the Iraqi authorities, it was revealed that the court considered the case of a person accused of carrying out terrorist acts and sentenced them to death, and in another independent case, it sentenced the same person on the basis of financing terrorism to life imprisonment. As for the other

³⁶ Iraq regained its control over the territories controlled by ISIL at the end of 2017 i.e. before the beginning of the assessment.

cases, the convicts were sentenced for having committed TF without being linked to a terrorist act, pursuant to the provisions of the AML/CFT Law No. 39 of 2015.

Box No. (4.1): TF related court judgements

Federal Court of Cassation, Issue No. 8638/Criminal Authority 2019, A. S. Nouri contributed to financing other terrorist organizations (apart from ISIL). He received and delivered funds belonging to those organizations, by having established a Key Card office in the Fallujah area. He used this office to receive and deliver amounts of cash belonging to these organizations.

Karkh Criminal Court/H3 No. 3316/C3/2021 dated 08/12/2021.

In Salah al-Din Governorate, the convict (IAA) assisted and financed ISIL members by providing, collecting, managing, and using funds for terrorist acts through his work in money transfer and exchange offices.

Al-Karkh Criminal Court/Third Authority No. 2989/C3/2023 dated 8/8/2023.

(SJM Jaata) was arrested for being the subject of an arrest warrant for committing the crime of belonging to ISIL. He occupies a leadership position, as he smuggles oil derivatives and is responsible for selling crude oil and bringing cash to the terrorist organization. The Funds from economic conquests and spoils was spent to finance the activity of terrorist organizations. He was sentenced to life imprisonment for the crime of financing terrorist organizations by collecting funds for kidnapping and taking funds from merchants and factory owners (royalties), as well as through the sums collected from smuggling crude oil from wells after the terrorist organization took control of Nineveh Governorate

384. The Iraqi authorities showed effectiveness in prosecuting ISIL in a special and systematic way given that it represents the highest terrorist threat, and the other organizations to a lesser degree. The statistics provided by Iraq show that the number of individuals convicted of financing terrorism and belonging to ISIL during (2018-2022) reached (552) persons. During the same period, 24 persons, who do not belong to ISIL or claimed that they belong to other organizations were convicted pursuant to 9 convictions, which is a relatively smaller number, due to that most criminal acts of persons belonging to other organizations are accommodated to be included under the provisions of the counter terrorism law. This is because most cases are related to persons providing logistical support or service (and cash was rarely provided, and if it was, it was in very small amounts). As evident from the rulings, most of those convicted of the TF crime are ISIL financier or members and of Iraqi nationality. The authorities clarified that most of the ISIL members of foreign nationalities (i.e. the foreign terrorist fighters) are whether killed or travelled again to their country of residence or nationality, which explains the limited convictions of foreign individuals.

Table No. (4.1): Summary of case studies reviewed by the AT.

| Number of Case Studies | Financed entity | Nature of the funds | Methods of transporting funds and the sectors exploited | Sanctions imposed |
|------------------------|--|---------------------|--|---------------------------|
| 1 | External Terrorist organization (financing terrorist organizations in a bordering country) | Financial Amounts | Exchange Offices (official sector) Transfer through trust (unofficial sector) | Imprisonment for 15 years |

| | | | | |
|---|--|---|--|---|
| 1 | Local Terrorist organization | Rocket Launchers bought through self-financing. Military Clothes | Delivery through vehicles | Imprisonment for 15 years |
| 1 | Unclear Kidnapping of individuals holding an Arab nationality for ransom | USD 15,000 from theft USD 108,000 USD 10,200 | In-hand Delivery (Incomplete operation) | Imprisonment for 15 years |
| 4 | Local Terrorist organization ISIL | Financial Amounts The court ruling did not mention the amount | An Office providing salaries for employees (official sector) | - Capital punishment. - 3 cases Imprisonment for 15 years |
| 1 | Local Terrorist organization | Delivery and receipt of financial amounts | Cash point (Official Sector) | |
| 1 | Local Terrorist organization ISIL | Financial amounts resulting from smuggling oil derivatives. 3,000 Kgs. of gold bullions Financial amounts resulting from kidnapping for ransom. | In-hand Delivery | Imprisonment for 15 years |
| 1 | Local/External Terrorist organization | Financial amounts (USD 60,000) resulting from kidnapping for ransom | In-hand Delivery (Incomplete operation) | Imprisonment for 15 years |

385. The table below shows that the number of cases referred to the investigative courts is 580 cases out of 683 investigations, representing 85%. Also, the conviction is secured in 491 cases, representing 85%. Both percentages are significant and reflect clear effectiveness for prosecution and conviction in TF cases.

| | 2018 | 2019 | 2020 | 2021 | 2022 | Total ³⁷ |
|------------------------------------|------|------|------|------|------|---------------------|
| Number of Terrorists Acts (actual) | 1530 | 610 | 466 | 791 | 645 | 4,042 |

³⁷ The difference between the number of terrorist acts (4042) and the number of investigations (683) is due to the fact that ISIL resorts to the funding of several terrorist acts through one member called “the economic prince”.

| | | | | | | |
|--|-----|-----|-----|-----|-----|-----|
| Number of persons investigated in TF cases | 235 | 188 | 121 | 178 | 134 | 856 |
| Number of investigations | 139 | 147 | 93 | 171 | 133 | 683 |
| Number of cases referred to the prosecution regarding TF (Courts of investigation) | 101 | 126 | 70 | 159 | 124 | 580 |
| Cases referred to courts concerning TF and a ruling was issued (Courts of Trial) | 55 | 109 | 56 | 154 | 117 | 491 |
| Number of convictions in TF against natural persons | 63 | 126 | 72 | 162 | 129 | 552 |
| Number of convictions in stand-alone TF | | 13 | 1 | 1 | 1 | 16 |

386. Based on the understanding of investigative judges and representatives of LEAs during the onsite visit as well as the documents related to prosecutions and rulings issued in terrorism and TF cases, the financing of terrorist organizations (except for ISIL) is simple, whether in terms of the methods and source of financing or the size of financial amounts. The funding is carried out in cash and derives directly from legitimate sources such as personal donations out of salaries. Supporting a terrorist act takes the form of contribution by providing technical and professional skills to the terrorist, including metalworking to manufacture bombs or making modifications to vehicles to use them as platforms for launching rockets. It also relies on illegitimate sources such as theft and ransom proceeds (See IO 1). However, the NRA and authorities do not demonstrate sufficient understanding of the TF risks not affiliated with ISIL and how funds are moved and the sectoral vulnerabilities in the country were being exploited in relation to these TF risks.

Box Number (4.1): Case Study on convicting Self-Financing related to the other terrorist organizations (apart from ISIL)

Information was provided by LEAs to the relevant investigative court regarding the targeting of Baghdad International Airport on 28 January 2022, by four individuals. The court conducted thorough investigations, and subsequently contacted the MOI and the Office to inquire about the aforementioned individuals. It was found that there were no financial transactions associated with them. Additionally, two of the accused had prior criminal records, as indicated in the database.

During the investigation, it was revealed that the primary suspects had enticed two other individuals with financial rewards, falsely claiming to be affiliated with armed factions, for the purpose of carrying out terrorist acts. These acts involved setting up a platform for launching rockets mounted on a pickup truck. One individual was recruited to launch the rockets in exchange for USD 400. Subsequently, three of the suspects were apprehended, in addition to another who was arrested in cooperation with the authorities in the Kurdistan Region.

The actions of the aforementioned individuals were the result of individual ideology and self-financing, without support from any other entity. The four individuals were sentenced to 15 years in prison each by the relevant investigative courts, for committing the TF offence in violation of the provisions of the AML/CFT Law.

387. As for ISIL, the situation is entirely different and falls into a unique context, as its funding is either by a third party or through self-financing. Financing operations are mostly complex and closely linked to a number of transnational organized crimes, including drug trafficking, oil and oil derivatives smuggling, trade-based ML (See IO 1), and kidnapping for ransom. However, the mechanism used in prosecuting the predicate offense, the proceeds of which are used to finance terrorism, and whether the investigation is carried out in parallel with the investigation of the predicate offense, could not be perceived. Iraqi authorities reported that when the involved person uses the proceeds of the predicate offense to finance a terrorist act, they are prosecuted for the crime with the most severe penalty, which is the TF crime. ISIL is also financed through the physical transportation of currency and its use in domestic or international financial transfers through both official and unofficial sectors (especially authorized and unauthorized money transfer

offices) and exploiting NPOs. The sources of funding for ISIL are multiple and complex, and this observation also applies to the methods used by the organization to preserve, transfer, move, and invest funds. The organization's main source of funds is illegal and stems from local crimes, generating significant amounts. The organization relies on both official and unofficial methods to transfer and use funds to support terrorist activities in Iraq or to support terrorist organizations branching out from it or cells associated with it in neighboring countries. Despite ISIL transferring funds from Iraq abroad to finance terrorist organizations, whether its branches or other jihadist organizations, it has also received funds from abroad through official and unofficial channels.

Box No. (4.2): Case Study: Terrorism Financing through Organized Crime Proceeds

In 2023, an ISIL prince known as (S) was arrested for smuggling oil derivatives and financing terrorist organizations from the proceeds of sales. It was revealed during the investigation that he was responsible for selling crude oil derivatives from oil fields in a neighboring border country and in Iraq. The revenues generated from these sales were transferred to the treasury of ISIL to finance terrorist acts. It was also discovered that a portion of the funds was collected through the sale of oil tankers and taxes imposed by the organization on shop owners and factories. Additionally, funds were obtained from kidnapping for ransom and from the proceeds of selling real estate, agricultural crops, and livestock to finance the organization's activities.

Based on the confession of the accused (S) and the court's review of the organization members' list, which showed the presence of the defendant's name along with his special number within the organization, as well as his receipt of financial aid, and after reviewing the reports of security agencies, the accused (S) was convicted of financing ISIL. He was sentenced to life imprisonment under the provisions of Article (37) of the AML/CFT Law No. 39 of 2015.

388. It must be noted that ISIS's financial status at the time of the on-site visit was not the same as in the years 2018-2021 and much less than the years of empowerment. After having lost control of the areas "under their rule" during the period of empowerment, despite this, dormant cells are still forcing citizens to pay money to finance their terrorist acts, and judicial prosecutions are still being pursued against them.

389. It appears from the table below a decrease in the volume of funds used or earmarked for TF throughout the mentioned years, based on investigations, inquiries, convictions, and the seizure of funds in the possession of terrorists while being transported across borders. The reasons for the decrease can be attributed to the diminished capacity of the terrorist organization ISIL to collect funds after authorities liberated vast areas from its control, where the organization imposed taxes and levies on the inhabitants of such areas. Additionally, ISIL lost funds hidden in secret locations known only to leaders who were either killed or captured (such as Al-Jubouri). Iraqi authorities also seized hidden funds totaling USD 1.6 million, as detailed in the chart (4.1) hereunder.

Table No. (4.2): The volume of funds transported across borders and prepared for use in TF by ISIL outside Iraq during 2018 to 2022 (amounts in USD).

| Year | Funds transferred from Iraq which are intended for use in financing foreign terrorist organizations |
|------|---|
| 2018 | 870,800 |
| 2019 | 546,000 |
| 2020 | 365,400 |
| 2021 | 248,080 |
| 2022 | 196,000 |

390. The funds received by ISIL from abroad through licensed and unlicensed exchange companies, as well as funds transferred through remittances or by exploiting NPOs and relief organizations were pursued, in addition to physical transportation of funds and goods across borders with neighboring countries. This also includes the funds captured by the organization after laundering the proceeds of organized crime.

391. The exchange sector, especially unlicensed ones, is considered one of the most important channels exploited for transferring funds. Iraqi authorities (LEAs, security, and judicial authorities) have successfully dismantled ISIL financial networks through cooperation among themselves and with the authorities in the Kurdistan region, as well as other countries and allied parties. This collaboration includes exchanging and utilizing intelligence information, as well as field operations, to cripple the organization's ability to generate, store, and utilize funds for recruiting, paying fighters, and financing terrorist acts. Several terrorist networks involved in laundering the organization's money have been dismantled, with funds being provided to fighters' families and invested in various sectors such as real estate, fish farming, car trading, and cannabis cultivation, both domestically and internationally, to benefit from their proceeds.

Box No. (4.3): Case Study: Terrorism Financing through Money Transfer Companies inside and outside Iraq

Information was received by the Iraqi NIS about the terrorist (T), known only by his nickname, who holds the position of administrative prince in the Nineveh Governorate affiliated to ISIL and located in one of the neighboring countries. He was receiving financial remittances from individuals outside Iraq and transferring them to ISIL members in a camp in another neighboring country (S). The individual in question was using passports belonging to other individuals, which he obtained through deception after using them to receive financial remittances from European countries through the system of a globally renowned money transfer company. The money was then handed over to an Iraqi individual named (S) in the neighboring country.

The Iraqi NIS lured the suspect (S) back to Iraq and closely monitored him to obtain detailed information about his network of relationships. He was subsequently apprehended and interrogated by the specialized investigative court, followed by a financial investigation. The FIUs were also contacted through the Office to obtain information about the case.

The results of the financial investigation revealed that the suspect (S) owned a money transfer company and acted as an agent for a money transfer company in another neighboring country, through which he received donations from various countries. Evidence found with the suspect indicated links to several money-transfer companies in Iraq and another neighboring country, as well as financial transfers between them.

Information obtained from one of the global money transfer companies, along with auditing financial transactions, led to the total amount received and the sources of funding. Additionally, information was gathered about the affiliated companies in Iraq, and the movement of funds within the transfer network was identified. He was prosecuted for committing the crime of terrorism financing under the provisions of the AML/CFT Law No. 39 of 2015.

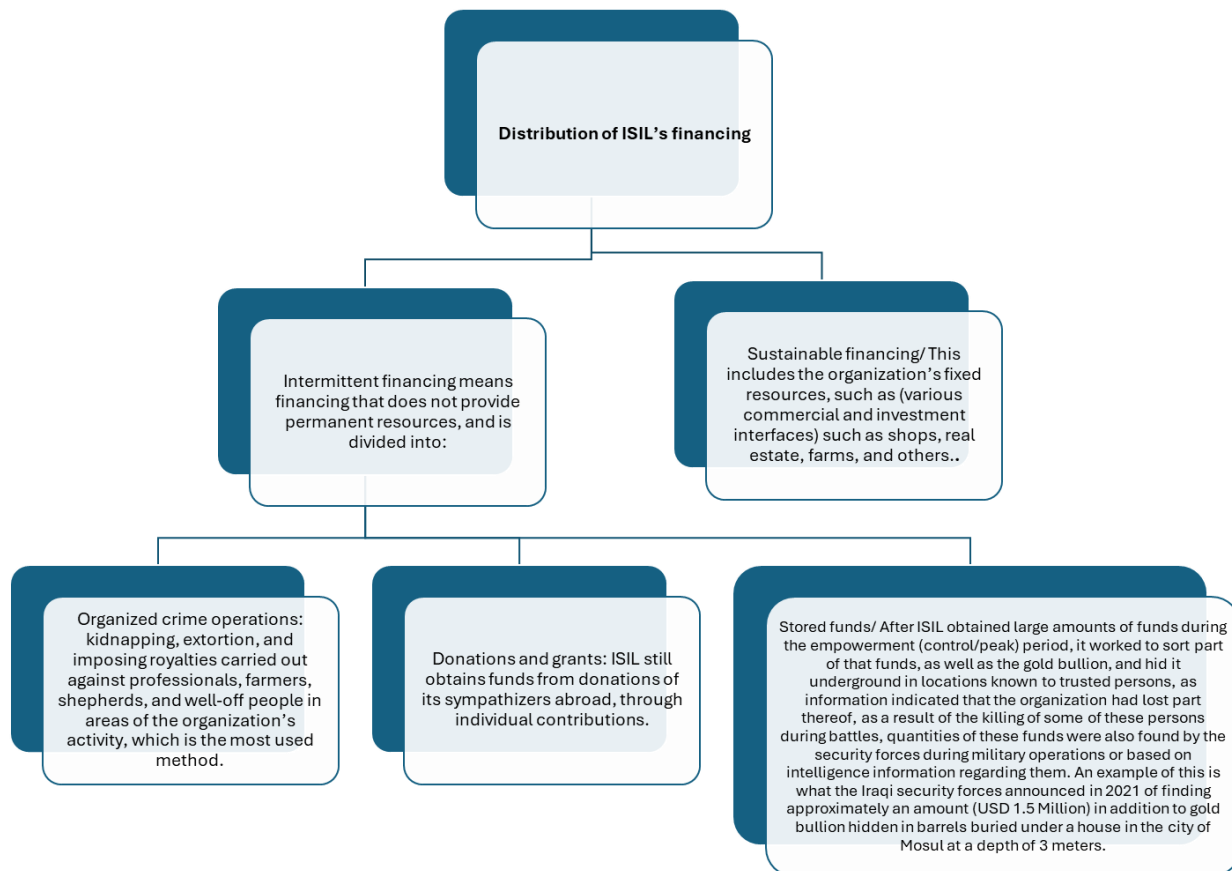
Box No. (4.4): Case Study: Terrorism Financing through Official Channels

Through investigations conducted by the investigative court in 2019 with the suspect (S), it was found that he was associated with other suspects who were involved in aiding and financing ISIL terrorists by providing, collecting, managing, and using funds for terrorist activities. After conducting inquiries and gathering information from relevant authorities, it was revealed that the suspect (S) worked in one of the exchange offices, and disbursed salaries for employees and retirees using the Key Card system in Al Anbar Governorate, Iraq. He was apprehended, and his statements, along with documents belonging to ISIL,

indicated that the office where the suspect (S) worked was one of the financial transfer offices that facilitated money transfers to the organization. Additionally, it was discovered that the financial office had been designated by the US Treasury Department as a supporter of terrorism. Both the CBI and the Office were notified accordingly. The suspect's phone and computer were examined, and he and other suspects confessed to conducting financial transfers for the benefit of ISIL. Legal measures were taken against him, as he was sentenced to life imprisonment under the provisions of Article (37) of the AML/CFT Law No. 39 of 2015 for the crime of financing ISIL by providing, managing, and using funds for terrorist activities.

392. The Iraqi authorities focus on tracking down ISIL, where information has been provided regarding the amount of funds used or earmarked for terrorist financing during the years 2018-2022. This information is based on documents belonging to ISIL that were seized by the Iraqi authorities during their operations against the organization. These documents indicate that the funding of the so-called Iraqi province relies on specific funding sources which were identified in the NRA (See Chart 4.1 below and IO.1). The contribution of the Iraqi province to ISIL's treasury ranged from 25% to 40% of the total revenues and taxes collected by the organization. The amounts transferred from Iraq abroad and designated for funding terrorist organizations overseas during that period were estimated during 2018 – 2022 as shown in the table below.
393. As for the funds used by other organizations besides ISIL for the purpose of financing their terrorist activities, some of these funds were legitimate, while others were illegitimate. Legitimate sources of funds include personal donations, personal savings, and various craft activities that generate income for individuals (i.e. funds generated from such crafts or fabricating tools related to terrorist acts). Illegitimate funds, on the other hand, result from various crimes such as kidnapping for ransom and extortion. The Iraqi authorities estimated the size of these funds at approximately USD 175,000 for the period extending from 2018 to 2022. Regarding the volume of funds transferred across borders (from/ into Iraq), the Iraqi authorities confirmed that the activities of these organizations primarily take place within Iraq. The funds they collect are primarily used to finance their activities within Iraq and, to a lesser extent, in some neighboring countries. The Iraqi authorities also confirmed that these organizations do not receive funding from external sources, and no information to the contrary was available to the AT.

Chart No. (4.1): Illustrative chart on the distribution of ISIL financing



394. As for the funds received, the Iraqi authorities were generally not able to estimate them accurately. However, the Iraqi authorities were able to identify the countries from which the funds were received³⁸.

395. The NRA showed the presence of external funds for the purposes of financing ISIL terrorist acts, originating from NPOs and donations from some merchants from neighboring countries, as well as from some of their collaborators (see IO1). In addition, many NPO have been prosecuted and convicted for financing terrorism. The Office received 11 STRs from the NGOs Department and referred them all to the PP.

Box No. (4.5): Case study showing abuse of an NPO for financing ISIL.

³⁸ The AT reviewed the names of these countries. However, Iraq has reservations about mentioning their names in the MER.

The Office received a report from the NGOs Department attached to the letter of one of the parties concerned with financial auditing. The report included the Department's suspicion that the organization is involved with terrorist gangs in Anbar Governorate, which is under the organization's control.

It was found that one of the members of the organization was designated on lists of members of ISIL.

It was found that both the Iraqi NIS and the Anti-Organized Crime Directorate had negative indicators towards the executive director of the organization, as well as the presence of evidence of the involvement of one of the organization's members with ISIL.

He was arrested and a one-year prison sentence was issued against him.

The Office requested the CFTF to freeze the organization's movable and immovable assets due to the presence of indications of its involvement with ISIL. It also filed a suspicion report and referred it to the Head of PP to take the necessary action according to their jurisdiction.

A decision was issued to judicially dissolve the organization pursuant to the letter of the Supreme Judicial Council/Karkh First Instance Court 2/2020 based on what was stated above.

396. During the onsite visit, Iraqi authorities affirmed that no convictions were issued against legal persons which are some companies engaged in or provide financial services without obtaining a license or other services within regions falling under the control of ISIL and provided money to ISIL (in tax form). This is because it was proven that they did so under coercion, which is one of the impediments to punishment from a legal standpoint.

Table No (4.3): Number of TF prosecutions and convictions, divided by type of TF Activity

| TF Activity | | Investigations | Prosecutions | Convictions |
|--|-----------------|----------------|--------------|-------------|
| Collecting funds from licit | Sources | 43 | 27 | 23 |
| | Illicit sources | 216 | 165 | 161 |
| Transfer of funds through the official | sector | | 42 | 4 |
| | Unofficial | 86 | 63 | 55 |
| Transport of funds | Internally | 141 | 101 | 98 |
| | Cross-Border | 17 | 10 | 6 |
| Use of funds in supporting terrorist organizations | Internally | 139 | 108 | 103 |
| | Externally | 83 | 64 | 41 |
| Total | | 725 | 580 | 491 |

397. Although the absence of prosecution and conviction of individuals involved in funding the travel of other individuals to countries or regions to commit, organize, prepare, or participate in terrorist acts (see Rec. 5); however, the weighting of this deficiency is minor. This is attributed to the specificity of Iraq as a primary destination for FTFs³⁹. Iraq is the land of the caliphate and the duty of migration and jihad to it. These reasons explain the lack of convictions for funding the travel of terrorist fighters outside Iraq to commit terrorist acts or participate in training and other activities. The Iraqi territory was also a scene for committing terrorist acts.

³⁹ Foreign Terrorist Fighters, Manual for Judicial Training Institutes in MENA region. United Nations Office on Drugs and Crime - First Edition, page 10 onwards. https://www.unodc.org/pdf/terrorism/FTFs_manual_final_version_09.04.2021_AR.pdf

398. Based on the table below, which represents investigations and prosecutions resulting in convictions, the number of investigations and prosecutions ending in convictions for terrorism financing not affiliated with ISIL is low and not in line with the TF risks in the country. Iraq has noted the lower number of domestic terrorist acts committed by these organizations, most of which are dealt with through the provisions of the counter terrorism law, as well as their limited resources, compared to ISIL. As noted in IO.1, deeper understanding of their TF risks is needed and as such it cannot be concluded that the low number of investigations, prosecutions and convictions for TF not related to ISIL is in line with the Iraq's TF risks.

Table No. (4.4): Statistics on the number of investigations, prosecutions, and convictions for the TF offence during the years 2018-2022, specifically concerning the other terrorist organizations apart from ISIL.

| Year | Investigations | Prosecutions | Convictions | No. of convicted persons |
|------|----------------|--------------|-------------|--------------------------|
| 2018 | 21 | 15 | 3 | 14 |
| 2019 | 2 | 2 | 0 | 0 |
| 2020 | 5 | 3 | 2 | 7 |
| 2021 | 10 | 8 | 2 | 6 |
| 2022 | 3 | 2 | 1 | 1 |

Identifying and investigating TF crimes

399. Iraq is making good efforts in identifying and investigating TF activities. The NIS, the CTS, the Police Forces in the Kurdistan Region, and the investigative courts specialized in terrorism and its financing cases, which are distributed according to regional jurisdiction including Kurdistan Region, have appropriate human resources that have attended many specialized training courses which resulted in empowering competent authorities with sufficient experience to use financial intelligence, special investigation techniques and in collecting evidence. This is evident in light of the fact that the percentage of prosecutions compared to investigations reached (80%), which is considered a good percentage.

400. The investigative courts specialized in terrorism, operating under the supervision of the PP, are considered the primary authority responsible for investigating TF activities. They collaborate with several national entities in Iraq, such as the Iraqi NIS, the MOI's Department for fighting Organized Crime and the Office. These investigation courts handle TF activities based on reports or intelligence information, which sometimes include financial aspects, provided by the mentioned authorities. They also initiate their investigations based on the results of terrorism-related cases or information received from foreign counterparts. These bodies use several special investigation techniques. . The number of investigators at the competent investigative courts is (147), including (38) investigators who are specialized in investigating TF. The Anti-Terrorism Agency has (9) investigators, while the MOI has 10, all of which are specialized in TF investigations. It appears from the investigations carried out by the investigation court that resulted in conviction that there is good experience among these investigators in identifying the TF offence.

401. TF cases are conducted by relevant LEAs, including the Iraqi NIS, under the supervision of judges of investigative courts specialized in terrorism and terrorism financing cases, based on information received from the Office or from counterparts abroad, or based on the information which is viewed or collected during the investigation conducted in terrorist cases or from the information that is analyzed or obtained during the investigation with the accused and determining their circles of relationships and connections, cells or organizations, including identifying their sources of funding and tracing them for the purposes of suppressing them and cutting off

the sources of funding. The issues of terrorism and its financing are of utmost importance, especially in light of the context of Iraq's risks.

402. The investigative courts specialized in terrorism and its financing cases conduct proactive financial investigations into terrorist financing crimes when there is suspicion of the existence of any terrorist financing act and identify possible links with organized crime. For this purpose, they seek assistance from a number of entities during the financial investigation, including the Office, due to its available capabilities, databases in addition to the CBI for the purposes of providing the investigative courts with private financial transactions carried out through banking and non-banking FIs, as well as the CFTF, the CRD, and the RERD for the purposes of placing a seizure on real estate and notifying banks for the purposes of placing non-disposition of funds, in addition to communicating with other related entities. The higher Judicial Council issued a circular in 26/2/2023 requesting investigative courts specialized in ML/TF to conduct parallel financial investigation and to develop a data base for statistics.
403. During the assessment period (2018-2022), the number of formal requests referred from the investigative courts specialized in terrorism to the Office amounted to (49) requests. Additionally, the number of informal requests where these courts informally engaged with the Office was (151). The Office appointed an analyst who is almost permanently present at these courts to ensure direct access to the information available in the Office's databases as quickly as possible. The working methodology adopted aims at enhancing the operational functions of the investigative courts in accessing intelligence information, developing evidence, tracing the sources and destination of the funds used, and to support their operational needs (see IO6).
404. Once the investigation is over, if the evidence indicates the presence of a TF offence, the case is referred to the competent court (Criminal Court), and the remaining legal proceedings continue until a conviction is reached. If the evidence is deemed insufficient, the case is dismissed.
405. In this context, the Supreme Judicial Council, in agreement with the Kurdistan Judicial Council, has specified administrative and operational procedures to coordinate work according to the rules of jurisdiction, both geographically and concerning the execution of requests for the arrest of criminals or suspects, and their extradition. Upon completion of the investigations, the competent authorities in the Region hand over the investigative documents and assign specified personnel within the federal courts to translate them from Kurdish to Arabic. The trial courts in Baghdad, in accordance with the procedures approved by the Supreme Judicial Council, pursue the judicial proceedings.
406. As for Terrorism cases, LEAs have identified TF cases independently depending on various information from different sources including the Office. However, it is not demonstrated that Iraqi authorities sufficiently identify and investigate TF offence independently of terrorism cases and terrorist plots or acts. Aside from data relating to the identification of TF from STRs below, there was no data regarding TF cases identified from other sources, to demonstrate that sufficiently identify and investigate TF offence apart from where terrorism cases and terrorist plots or acts.
407. As for the Office, it referred 42 files to the PP, covering all TF related STRs (totaling 115), including 27 reports received from banks classified as medium risk according to the NRA. From these, 10 convictions were issued, including 4 for TF and the remaining for involvement in terrorist activities. There are still 23 cases under investigation. Additionally, the Office plays a vital role in parallel financial investigations at the request of LEAs or investigative courts. Most of the investigations and convictions related to TF rely on information and analysis provided by the Office.

Table No. (4.5): Number of cases referred by the Office regarding suspected TF and their outcome during the period between 2018 and 2022.

| Result of referral | Number |
|--|--------|
| Issuance of convictions for terrorism financing based on Article 37 of Law No. 39 of 2015. | 4 |
| Issuance of court orders including (travel bans, seizure of funds, freezing of assets). | 5 |
| Dismissal for insufficient evidence | 4 |
| Reclassifying suspected TF into other crimes. | 6 |
| Under investigation | 23 |
| Total | 42 |

408. According to statistics provided by Iraq in IO2, there are no official cooperation requests with regards to TF offences, whilst Iraq provided three (3) cases as shown below. The Iraqi authorities, whether security or judicial, have stated that the main challenge they face in prosecuting and convicting terrorists and financiers lies in the weak response of other countries to outgoing requests for international cooperation.

Box No. (4.6): Case Study explaining how intelligence information was invested to prosecute and convict a terrorist person for financing terrorism.

The Intelligence Service received intelligence information on the designation of the terrorist (S.J.) as Emir of the Diwan al-Rikaz with ISIL. He was managing the process of extracting oil from areas that were under the control of ISIL and then selling it to black market traders in one of the neighboring countries. Numerous attempts were made to target him in conjunction with the international parties, and his name was marked on the list of highly important targets. It was ensured that all his financial transactions were banned and was prosecuted internationally. The Office conducted a financial analysis, and after he settled in State (R), he was arrested and handed over to the intelligence service. Legal proceedings were taken by the competent court against the accused and a life imprisonment sentence was issued pursuant to the provisions of Article (Fourth/A) of the AML/CFT Law No. (13) of 2005. A separate TF case was opened as well, and a life imprisonment sentence was issued pursuant to the provisions of Article (37) of the AML/CFT Law No. (39) of 2015.

Box No. (4.7): A case study showing the analysis conducted by the Office within a financial investigation in coordination with the competent authorities.

Description:

The Office received a request from the competent investigative court, for conducting a financial investigation in a case of an accused detained by the court, being the owner of a company (F), for sending and receiving money transfers from neighboring countries to the Iraqi territory through unofficial money transfer offices in Iraq. The court decided to notify the Office of the subject of the case (TF suspicion) to conduct a parallel financial investigation regarding the company used by the accused.

The Office conducted investigations and collected information in cooperation with several relevant parties, including (the supervisory authority, i.e., the CBI, LEAs, and one of the e-payment companies). The following was revealed:

- The accused is an agent of a money transfer company in a neighboring country.
- The company received transfers through a company that is not licensed to transfer.
- The presence of external transfers to several countries (86 transfers), all in the USD, totaling (USD 325,295).

- The information was analyzed, and the Office prepared a report and sent it to the competent court.

Legal measures were taken by the competent court against the accused. He was sentenced to life imprisonment for having committed TF based on the provisions of Article (37) of the AML/CFT No. (39) of 2015.

Box No. (4.8) case study showing financial transfers executed through the formal sector.

The Office received in 2019 information from the Commander-in-Chief of the Armed Forces/(Intelligence Services) stating that a vehicle was seized in which both (M) and (B) were traveling, carrying an amount of (3,700,000,000 IQD) (three billion and seven hundred million IQD), equivalent to (USD 2,824,427), smuggled from (L) Governorate.

Hence, the AML/CFT took several relevant measures:

1. It was revealed that both of them dealt with (3) persons, namely: (Sh), (K), (R). After accessing the Office's databases, it became clear that there are e-payment offices registered in their names.
2. There is a case in 2018 related to the financing of terrorism in which legal measures were taken by the Office shortly before the information was received regarding the above-mentioned person (Sh) carrying out suspicious, unofficial financial transfers through an (e-payment office), and subsequent investigations proved that he owns unlicensed office at one of the border areas and that he was exploiting the office to carry out informal financial businesses.
3. Each of (Sh), (R), and (K) owns e-payment offices specialized in disbursing the salaries of employees, retirees (Key Card). Upon tracking the financial operations of the offices of both (S), (K), it was noted that the amounts recorded in statements of the company providing the service do not match the statements of BS Bank.
4. After checking the preliminary facts of the case regarding the defendant (Sh)/ it was noted that the report of the mobile phone extraction revealed text conversations with both (M) and (B) who were arrested, which indicates that the defendant (Sh) was exploiting the said persons in transporting funds across Iraqi borders and governorates.
5. Due to the failure to find a relationship linking the suspected persons (Sh), (K), (R), after examining the account statements, the preliminary facts, and all evidence of crime, and in light of the inability to identify the source of the seized funds, in addition to the presence of many unjustified transfers between one another, although there was no business relationship between them, or a clear economic purpose, and because the so-called (K) and (R) were connected to (S) who was accused of financing terrorism, the Office requested the competent court to place a seizure on all movable and immovable funds and economic resources for all suspected persons and entities related to the above case, until the completion of the legal proceedings.
6. The funds were sent to the CBI, which in turn verified the amount of funds and deposited it in a special depository account.
7. A report was disseminated to the competent court containing all the information and results of the analysis, and in turn the court issued a decision approving the Office's request to place a seizure on all movable and immovable funds and economic resources for all persons and entities suspected in the above case, while issuing arrest warrants and travel bans against all those involved in the case.
8. The Office of the Commander-in-Chief of the Armed Forces has been informed of all the measures taken regarding the matter and related suspicions, as well as the procedures of the competent court, and the proceedings are not concluded yet.

Table No. (4.6): Table demonstrating the source of information in which TF case was established and ended in securing a conviction.

| Year | Number of TF convictions | Office | | NIS | | Competent investigative court | | MOI (Terrorist Intelligence) | |
|--------------|--------------------------|----------|----------------------------|------------------|----------------------------|-------------------------------|----------------------------|------------------------------|----------------------------|
| | | STRs | Report from foreign entity | TF investigation | Report from foreign entity | TF investigation | Foreign letter of rogatory | TF investigation | Report from foreign entity |
| 2018 | 55 | 1 | | 20 | 2 | 19 | | 13 | |
| 2019 | 109 | | | 42 | | 31 | | 36 | |
| 2020 | 56 | | | 31 | 2 | 10 | | 13 | |
| 2021 | 154 | 1 | | 57 | | 26 | | 70 | |
| 2022 | 117 | 2 | | 54 | | 22 | | 39 | |
| Total | 491 | 4 | | 204 | 4 | 108 | | 171 | |

409. The number of cases investigated by LEAs in relation to TF amounted to (725) cases during the period (2018-2022). The competent investigative courts investigated (580) cases thereof, and convictions were made for the crime of financing terrorism in (491) cases. The conviction rate compared to investigation is approximately 84.6% which is a high percentage. This indicates the effectiveness of the work of the authorities conducting investigations and providing appropriate evidence to rely on during the prosecution and sentencing stage. In this regard, it is noteworthy that the context of TF in Iraq is different from other countries in light of it being previously under the control of ISIL, which relied on the workers in the financing side, as it is the backbone of jihad, according to their claims, and that any breach in the financing side would weaken the structure of the organization and those working in the field of administration, zakat and any department related to financial matters. It is possible that one person is responsible for distributing salaries for an entire province, or five persons responsible for collecting zakat from an entire one. This is what was confirmed by the Emir of the Bayt al-Mal for the organization, who stated that: The staff of the so-called central Bayt al-Mal of the entire organization, to which the rest of the relevant departments are connected, consists of only 17 persons.
410. LEAs and competent investigative courts use many investigative techniques, including extracting information from mobile phones, reviewing photos that show persons wearing uniforms belonging to terrorist organizations, and photos of defendants carrying weapons, and reviewing financial transfers made through these phones, offices, and the geographical areas to which the transfer was made, which are under the control of terrorist organizations, extracting information from computers belonging to the accused, in addition to extracting information from the records seized from terrorist organizations that show the presence of financial transfers, referring to the documents of ISIL, extracting information from electronic storage units seized with the accused, and monitoring the WhatsApp application groups of the accused, in addition to requesting information and financial data from the competent authorities. Iraq provided a case of intercepting the WhatsApp application after arresting one of the accused and entering into a conversation with a terrorist organization in a neighboring country and arresting its members (see IO2). However, the authorities may need to use other types of Investigation techniques such as controlled delivery and undercover operations.
411. Regarding the investigation and prosecution of terrorist activities committed in Iraq by terrorist organizations linked to organizations in neighboring countries, the Iraqi authorities reported that this type of terrorist acts was not committed within the Iraqi territory.

Box No. (4.9): Case study demonstrating the use of special investigative methods to detect TF activity.

Through the investigating the accused (S) by the investigating court on suspicion of TF, it was revealed that there was a connection with the accused (R). After conducting investigations and collecting information from the relevant authorities, he (S) was arrested, and it was found that he is the owner of an entity that pays employees' salaries. Through the investigation with him and through extracting information from his mobile phone, and reviewing his conversations, all of which revealed that he was sending unofficial money transfers to terrorist conflict areas. Accordingly, the Court of Investigation contacted the Office to investigate (the entity belonging to Accused (R)) which his license was revoked due to carrying out unofficial transfers in violation of the instructions and controls issued by the CBI. Legal proceedings were taken against him and he was sentenced to life imprisonment in accordance with the provisions of Article (37) of the AML/CFT Law No. 39 of 2015.

Box No. (4.10): Case study explaining the exploitation of an exchange company in one of the governorates that was controlled by ISIL.

Information was received from a secret source to the Court of Investigation through the Iraqi NIS, showed that members of the terrorist organization ISIL deposited sums of funds with an exchange company in one of the governorates that was under the control of ISIL for the purpose of transferring them to terrorist organizations. After the arrest of the authorized director of the company, he confessed that there are records of funds transfers buried underground. These records were dug out and reviewed, and it was found that they contain scraps stamped with the seal of ISIL, in addition to the names of known members of the terrorist organization. Accordingly, communication was made with the Office and the CBI for the purpose of investigating the exchange company mentioned in the above-mentioned records, those communications showed that most of the companies had their licenses withdrawn in violation of the instructions and controls issued by the regulatory authorities. Legal proceedings were taken against the above authorized director, and he was sentenced to life imprisonment for having committed TF pursuant to Article (37) of the AML/CFT Law No. 39 of 2015.

412. Suspected TF is identified through NPO by NGOs Department, which is considered a reporting entity to the Office, which received during the period from 2018-2022 (11) reports. Most of these reports were related to organizations operating in hotspot areas that fell under ISIL's control. The number of STRs that the Office referred to the Head of the PP on suspected TF during the same period reached (6) STRs. The Office has issued the "Manual on Indicators of suspected ML and TF related to NPOs Transactions," but it requires updating and further depth. Additionally, the NGOs Department in Baghdad needs more training and intensified outreach. As for the NGOs Department in the Region, it follows stricter and more frequent regulatory procedures on NPOs.

Box No. (4.11): Case Study: suspected TF through an NPO.

The Office received a report from the NGOs Department (the supervisory authority for NPOs) regarding an organization's involvement in terrorist operations in Anbar Governorate, which was then under the control of ISIL. Financial investigations revealed that the organization pays fictitious salaries and funds to members of the board of directors, without the source of these funds being clear. It turned out that one of its members was named among the persons affiliated with ISIL. Through intelligence information about the executive director, it was determined that he is on the blacklist of the CBI.

A request was made to freeze the organization's funds from the CFTF. It issued a decision to freeze the organization's activities, as well as the funds of 12 persons connected thereto. The file was referred to the PP, and a judicial ruling to resolve the NPO was issued.

Box No. (4.12): case study: terrorism financing suspicion through an NPO resulting in conviction and asset freezing.

Case Description:

A notification was received by the Office from the General Secretariat of the Council of Ministers / NGOs Department, along with an audit report of an NPO (L), indicating suspicions related to its possible cooperation with terrorist organizations.

Actions Taken:

- After investigation and gathering relevant information, it was noted that substantial amounts were transferred to the account of the NPO (L) from five external organizations, which were not in line with its stated activities. There was no clear business relationship found between the transferring party and the beneficiary NPO (L). Additionally, it was discovered that a member of the NPO was linked to a terrorism-related case and referred to the competent authorities by the Office.
- The results of the audit conducted by the Federal Board of Supreme Audit also confirmed suspicions regarding the NPO (L) involvement in cooperation with terrorist organizations, as well as providing loans for projects that are not consistent with the NPOs' work law; funds are of unknown origin.
- Analysis results indicated indicators related to NPO (L) committing multiple financial violations and corruption suspicions, such as granting fake loans, disbursing fake salaries, and issuing amounts for delegation purposes to members of the NPO. Furthermore, the Fin-Scan system examination indicated that the NPO is listed on the CBI blacklists.

Based on the above, a request was made by the Office to freeze the movable and immovable assets belonging to the NPO (L), and an STR regarding the said NPO was referred to the competent court, containing all indicators related to ML/TF activities.

Approval was granted for the Office's request by the CFTF to freeze the movable and immovable assets and economic resources of the NPO and its members. Furthermore, the competent court also took a decision to dissolve the NPO based on the NPOs Law (being the authority responsible for granting licenses), while issuing arrest warrants and travel bans against all involved members.

Integrating investigations into terrorist financing cases with national CT strategies and investigations thereinto

413. Investigations into TF cases are integrated and are used to support national strategies. This is evident by the fact that the counterterrorism strategy falls within a comprehensive strategy, namely the National Strategy for Combating Money Laundering, Terrorism Financing, and Proliferation of Arms 2023-2027. This strategy was built upon the outcomes of the NRA, which was prepared collaboratively with the participation of key entities such as the NSS, the NIS, and the Counterterrorism Service. The strategy comprises thirteen (13) objectives, including enhancing the understanding of relevant authorities and sectors regarding TF risks (Objective Two), strengthening investigation, prosecution, and convictions capabilities in TF crimes (Objective Three), enhancing the effectiveness of implementing UNSCRs (Objective Eleven), and combating the informal sector (Objective Twelve). Each strategic objective includes a set of sub-objectives that outline the responsibilities and action plans of the entities involved in CFT, such as the Departments within the MOI, investigative bodies, judicial authorities, and the NGOs Department. However, the recentness of the strategy has prevented the AT from determining the extent to which it is implemented.

414. The Iraqi CTS also issued the Iraqi CT strategy for (2021-2025), based on National Security Council Resolution No. (23) of 2020, which included approving this strategy and obliging all parties to work together to implement it. It was prepared by all concerned parties in Iraq and relied on the lessons learnt and achieved in combating terrorism over the past years. This strategy was circulated in 2021. It includes many objectives, including cutting off and preventing the various capabilities and sources of support and financing for terrorism by establishing effective legislation and legal procedures, as well as preventing the flow of foreign terrorist fighters into Iraq, controlling international borders, combating the extremist ideology of terrorism and the deviant doctrine of terrorism, and cutting off its sources; in addition to intensifying and activating cooperation and coordination between all components of the Iraqi national capacity to achieve integration and interaction between its elements in a way that ensures the best use thereof in the field of combating terrorism, following up and assessing these measures, and strengthening and developing cooperation with the regional and international parties through the exchange of experiences, expertise, and information at various levels and to ensure an effective contribution to the field of combating terrorism (see IO1).
415. The National Strategy for Combating TF integrates with the National Strategy for Counterterrorism in terms of the comprehensive approach to combating terrorism. It includes addressing financing as a part of a holistic view. This strategy aims at safeguarding against terrorism, prosecuting terrorists, and preventing terrorism through criminal law and LEAs measures aimed at disrupting or thwarting terrorist attacks. It also involves multidimensional long-term measures aimed at preventing terrorism and combating extremism that leads to terrorism, including combating recruitment, training, dissemination of terrorist and extremist ideologies, as well as the ideological formation of terrorists. The strategy encompasses all institutions, including educational, religious, cultural institutions, and civil society organizations.
416. The AT has been provided with several cases indicating that Iraqi authorities have started to consider terrorism financing in all terrorism-related cases. Iraq has also demonstrated that terrorism and terrorism financing cases lead to decisions for inclusion on the national sanctions list, almost automatically. However, it is not clear whether investigations were conducted on charges of TF against individuals listed on the UN lists and whether convictions were issued against them. It was also not demonstrated that Iraqi authorities sufficiently identify and investigate TF offence apart from where terrorism cases and terrorist acts by focussing investigations on TF networks that support but are not directly involved in terrorist acts.

Case No. (4.7) Number of persons designated on the national list based on requests received by the CFTF from investigation authorities.

| 2018 | 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|------|
| 52 | 505 | 1434 | 1501 | 999 |

Effective, Proportionate and Deterrent Sanctions

417. Iraq applies effective, deterrent, and proportionate penalties to terrorist financing crimes. This is evident from the rulings indicating that Iraq conducts investigations into TF within the framework of investigating terrorism cases, and through stand-alone TF cases. The AT found a few cases of stand-alone TF.
418. Based on the cases reviewed by the AT and the statistics provided by the country, the penalties imposed in relation to TF crimes range from life imprisonment, which is the punishment stipulated in Article 37 of Law No. 39 of 2015, to six years when mitigating conditions are applied.

Table No. (4.8): Penalties applied according to the rulings of TF convictions reviewed by the AT.

| Case reference | | | | Number of sentenced persons | Penalty |
|---|--|--|--|-----------------------------|--|
| Sentence Number 2981/c2018/2 dated 15/04/2019 | | | | 1 | 15 years |
| Sentence Number 3153/c2019/3 dated 17/12/2019 | | | | 12 persons | 4 accused persons sentenced to life imprisonment 5 accused persons sentenced to 6 years imprisonment. 3 accused persons - acquittal due to insufficient evidence |
| Sentence Number 179/c2020/3 dated 4/10/2020 | | | | 1 | 15 years |
| Sentence Number 3316/c2021/3 dated 8/12/2021 | | | | 1 | Life sentence |
| Sentence Number 125/cn/2021 dated 15/7/2021 | | | | | Life sentence (in absentia) for a director of NPO |
| Sentence Number 536/c2022/3 dated 8/03/2022 | | | | 1 | Life sentence |
| Sentence Number 1/cn2/2022/3 dated 8/05/2022 | | | | 1 | Life sentence (in absentia) |
| Sentence Number 311/c2023/3 dated 29/01/2023 | | | | 1 | 15 years |
| Sentence Number 898/c2023/3 dated 12/03/2023 | | | | 1 | 10 years of imprisonment |

419. On the other hand, the judicial authorities have clarified that the exchange offices that were owned by the convicted persons are entrusted to the CBI, which appoints a custodian thereof until their legal status is settled through transfer to others or liquidation. The NGOs Department also indicated that the number of NPOs that were judicially dissolved on suspicion of money laundering and terrorist financing for the period from 2018-2022 reached (12) organizations. (The case presented above, Supreme Judicial Council/Al-Karkh First Instance Court 2/2020). Those penalties can be considered dissuasive and proportionate. As for penalties imposed against legal persons exploited in TF, criminal penalties were imposed on their managers or administrators in general. A number of administrative measures were applied against them by the competent regulatory authorities, particularly the CBI, as one of the plaintiffs in the lawsuit filed against the legal person suspected of being exploited in TF. These measures led to the withdrawal of the license and liquidation of the legal person.

Resorting to alternative measures when difficult to secure TF conviction.

420. Iraq does not face difficulties in issuing convictions in relation to TF crimes, as the conviction rate from prosecution for this crime is 84.6%, and this percentage is very high, which indicates that there is not much need to apply alternative measures on a large scale, especially since the percentage of cases of non-conviction is 15%.

421. The Iraqi judicial authorities explained that legal reconsideration of the facts is resorted to when the conviction of persons accused of terrorism or TF is not possible. In cases where antiquities were being traded and the proceeds were exploited to finance terrorism, when persons were arrested and the seized antiquities were examined, and when it was clear that these antiquities were fake, and it

was not possible to convict them of financing terrorism, these persons were being prosecuted on charges of fraud for trading in forged antiquities, which can be considered a type of alternative measure when it is difficult to secure a TF conviction.

422. The Iraqi authorities apply several alternative measures at the level of LEAs in terms of subjecting a person who is not proven guilty of a TF offence to human and technical surveillance. This includes monitoring their social relations circle and their accounts on social media. In addition, the name of that person is included in the databases of the security authorities for the purposes of taking the necessary security precautions when dealing with them by government departments, including not granting them a license to practice any sectoral activity, and establishing or owning shares in FIs. In the same regard, the Office is responsible for following up on the financial activities of that person by requesting all FIs to place their accounts under monitoring and to notify the Office of any financial transactions they undertake.

The Criminal Court of Al-Karkh issued a ten-year prison sentence against a defendant for the crime of glorifying and promoting terrorism through online platforms. The defendant confessed to managing websites and electronic accounts affiliated with terrorist organizations, glorifying ISIL members, and promoting their extremist ideologies.

The ruling was issued in accordance with the provisions of Article (10) of Law No. 32 of 2017, which prohibits the Baath Party, entities, parties, and activities related to terrorist and extremist ideologies. Supreme Judicial Council.

Source: (<https://www.sjc.iq/view.72454/>)

423. The Iraqi authorities also take measures regarding foreigners who have been prosecuted for terrorism and TF offences but have not been convicted. They are deported and included in the list of unwelcome individuals, and they are not granted permission to re-enter Iraqi territory.

424. **Overall Conclusion on IO 9:** The investigative courts specialized in terrorism and terrorist financing cases are considered the main body for investigating cases of terrorism and its financing. They cooperate with various parties inside and outside Iraq to eliminate ISIL, by identifying terrorist financing cases and prosecuting their perpetrators. Iraq has been able to prosecute most of the multiple patterns of TF to a large extent, including the collection, transfer, and use of funds. Recently (the last six months before the date of the onsite visit) Iraq has been conducting independent investigations into terrorist financing in addition to investigating terrorism cases, using many investigative methods, including financial investigation and several special investigative techniques. However, this has not yet resulted in stand-alone TF cases or TF not directly related to terrorist acts, to a sufficient extent. Iraq applies effective, dissuasive, and proportionate penalties for TF offences, and the number of convictions for financing terrorism is constantly declining because Iraq regained its control over the territories that were controlled by ISIL, which constituted the greatest terrorist threat in Iraq. Iraq, in cases where it is not possible to secure a conviction for TF, applies several alternative measures, although there is not much need for that, since the conviction rate was around 85%. As for the penalties applied against legal persons that have been exploited in TF, criminal penalties are applied to their managers or directors. Several administrative measures are applied by the competent regulatory authorities that led to the withdrawal of the license and liquidation of the legal person.

425. Iraq showed effectiveness in prosecuting various activities related to financing ISIL, which poses the greatest threat in Iraq. However, the shortcomings related to TF not affiliated with ISIL (such as the low number of investigations, prosecutions, and convictions compared to those issued against ISIL members and financiers) which is not in line with its TF risk (see IO.1) and therefore have a major impact on the overall effectiveness for IO.9.

426. Iraq achieved a “moderate” level of Effectiveness for IO9.

Immediate Outcome 10 (Preventive measures and financial sanctions in combating terrorism financing)

Implementation of Targeted Financial Sanctions (“TFS”) for TF without delay:

427. The AT’s conclusions are based on the meetings they conducted with the CFTF, the NGOs Department in Baghdad and the Kurdistan Region, and several NPOs, banks, FIs, and DNFBPs. Their conclusions are also based on statistics and documents provided by the country related to the application of TFS and the seizure and confiscation of funds related to terrorist organizations or TF, as well as the penalties applied against NPOs, as well as reviewing the Office website.
428. Iraq has a proper organizational and institutional framework that allows for the implementation of TFS without delay. Over the past five years, the CFTF⁴⁰ has proposed the designation of several persons and entities to the relevant sanctions committee. The CFTF also participated with foreign countries in co-designating a group of persons and entities, provided detailed information on some of the designated persons and entities, and followed up on the freezing of funds and other assets in accordance with Security Council Resolution 1267. The Committee also designated many persons and entities on the local list pursuant to Resolution 1373, in line with Iraq risk context and froze their assets.
429. In 2016, Iraq established, under the mechanism for freezing terrorist funds adopted by the Cabinet, two sanction lists for all designated persons based on Security Council Resolutions 1267, 1988, 1373 and successor resolutions. The first list (i.e., the consolidated list) relates to Security Council resolutions, while the second list concerns local designations. The latter is classified into two categories; the first related to the designation on the local list at the request of other countries, and the second concerned with local designation requests issued by the CFTF.

Listing:

430. The CFTF in Iraq plays a major role in monitoring and implementing UNSCRs, including the designation of natural and legal persons on local sanctions lists. It is also tasked with identifying individuals and entities that meet the designation criteria and submits requests unilaterally to propose their designation to the Security Council's committee established under 1988 and 1267 resolutions and subsequent resolutions, by coordinating with relevant ministries, such as the MOI and the MOFA.
431. In order to enhance effectiveness, the Iraqi government has established a legal framework to identify targeted individuals and entities and assigned the Committee to coordinate and implement these measures. This framework also includes specifying the criteria that must be met in cases for proposing the designation of a person or entity on the local or international sanctions lists, whether done automatically or at the request of a local competent authority or at the request of a foreign state. When there is reasonable suspicion or belief that the individual or entity meets the designation criteria outlined in relevant UNSCR (including resolutions 1267 and 1373), it falls within the mandate and authority of the Committee to decide whether or not to propose designation proposal (See Rec. 6).

Security Council Resolution 1373

⁴⁰ A committee has been created at the General Secretariat of the Cabinet called (the CFTF) which is responsible for freezing terrorist funds or other assets of persons designated by the United Nations Sanctions Committee established pursuant to Security Council resolutions, or those who have been designated at the national level, or at the request of another country based on Security Council resolutions. It is chaired by the Deputy Governor of the CBI, with the Director General of the Office acting as Vice Chairman, and representatives of the following entities whose job title is not less than Director General or Brigadier General for the military: the MOF, the MOI, the MOFA, the MOJ, the MOC, Ministry of Communications, Ministry of Science and Technology, the FCOI, the CTS, the NIS.

432. Regarding designation on the 1373 list, Iraq designated during the period from 2018 to 2022, a total of 4,497 natural persons, all of which were Iraqi nationality, and 16 local entities. These designations were based on decisions issued by the CFTF, in accordance with UNSCR 1373. The assets and funds of the designated persons and entities have been frozen since that date. On the other hand, during the same period, Iraq received 4 requests from foreign countries to designate persons and entities on the local list in implementation of UNSCR 1373. The CFTF processed 3 requests (comprising one person and 13 entities) and rejected one request (comprising 29 natural persons) due to the lack of additional information requested from the requesting country (See table below).

Table No. (4.9) Number of persons and entities designated on the sanctions list based on UNSCR 1373

| | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|------|------|------|------|------|-------|
| UNSCR 1373: | | | | | | |
| Designation of persons by Iraq | 53 | 509 | 1434 | 1501 | 1000 | 4497 |
| Designation of entities by Iraq | 4 | 4 | 7 | 1 | - | 16 |
| Requests received from foreign countries approved by Iraq | 3 | - | - | - | - | 3 |

Source: The CFTF

433. The number of persons and entities designated on the local list is consistent with Iraq's risk profile, considering the number of terrorist organizations present in Iraq, primarily ISIL (See Chapter 1). Nevertheless, it is always expected that the number of individuals exceeds the number of entities, especially since entities usually consist of a group of individuals in thousands, as is the case of ISIL. On the other hand, it is noted that the number of requests received from foreign countries during the period from 2018 to 2022, although relatively low (3), can be justified by the fact that the foreign terrorist fighters who joined ISIL during the empowerment period either passed away or traveled back to their states of residence, or nationality after Iraq regained its control over the territories that were controlled by ISIL at the end of 2017.

434. The following is a case study of a designation on the local sanctions list under a joint action with another country.

Box No. (4.13): Case study: Designation on the local sanctions list under a joint action with another country.

On 16/06/2019, the CFTF received a request from country (A) seeking to provide it with information on a person named (M.Q.). The CFTF sought the assistance of the Iraqi national authorities to provide it with the information available on the concerned person. It subsequently provided the embassy of the concerned country through the MOFA with a report containing the information gathered on the subject person. In light of the above, the concerned person was designated on the local list and on the list of country (A).

Security Council Resolution 1267 and successor resolutions

435. Regarding designation pursuant to Resolution 1267, during the period from 2018 to 2022, Iraq proposed on its own motion four (4) requests for the designation of persons who meet the designation criteria to the 1267/1989/2253 Sanctions Committee. Three (3) requests were approved. Until the end of the onsite visit, Iraq was still awaiting approval of the fourth request, which included 19 persons. The measures taken by the CFTF by ensuring that the criteria and requirements for listing are met according to Security Council Resolution 1267 are appropriate and effective. Although the number of proposals for designation (4) submitted to the Sanctions committee is considered small compared to the number of persons and entities included on the local list pursuant to Resolution 1373, this is justified by the strict criteria for designation on the UN list, and the decrease in the terrorist acts in Iraq compared to previous years.

Table No. (4.10) Number of persons and entities proposed for designation to the 1267 Committee.

| UNSCR 1267 | | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|------------|--|----------|----------|------|------|------|----------|
| | Number of persons proposed for designation by Iraq | 3 | 5 | 4 | 4 | 1 | 17 |
| | Number of entities proposed for designation by Iraq | 1 | - | - | 4 | 1 | 6 |
| | Number of requests proposed to the 1267 Committee | 3 | 1 | - | - | - | 4 |

Source: The CFTF

Sanctions Application

436. TFS related to Security Council resolutions are effective in Iraq from the date of their publication on the official website of the Security Council Sanctions Committee. The subject entities are required to follow up any changes on the Security Council's lists and implement the freezing obligation without delay. It is also the responsibility of the subject entities to follow the Office website to review the consolidated sanctions list and the updates that occur thereto. The concerned authorities have issued instructions to these entities regarding the periodic access to the Office's website to review the list and the current updates thereto.
437. In order to enhance this legal obligation, and once the United Nations designation decision is issued, a notification is sent to the Iraqi MOFA, which in turn sends it to the CFTF. The Office coordinates with the CFTF in order to include all updates on their website and notifies supervisory authorities, LEAs, and the private sector.
438. Local designation decisions take effect in Iraq as soon as they are published in the Official Gazette. To support this, the Office notifies regulatory authorities, LEAs, and the private sector.
439. The complementary mechanism adopted in Iraq (before November 2022) for circulating UN designations in writing, showed a delay of 6.5 days. The AT did not find evidence indicating whether there was a delay in circulating the local sanctions list, based on the mechanism adopted before November 2022. Despite this, communicating updates to the international and local sanctions lists is considered a notification to the reporting entities and does not replace the legal obligation to directly follow up any changes published on the Security Council's website or upon publication in the Official Gazette. However, some entities (some FIs - other than banks, and DNFBPs) rely on the receipt of notifications as an alternative instead of directly accessing the United Nations website in implementation of their obligations. This may affect the implementation of TFS without delay. The AT did not find that there was a delay in implementing UN TFS requirements following the adoption of the electronic notification system starting November 2022 until the end of the on-site visit.

Table No. (4.11) Communicating the designations on the ISIL and Al-Qaeda's Sanctions list issued by the 1267 Committee.

| UNSCR No. (1267/1989, 1988 and successor resolutions) | Date of publication by the Security Council | Date of communication by the CFTF | Number of days taken to communicate the Decision |
|---|---|-----------------------------------|--|
| SC/13427 | 17/7/2018 | 18/7/2018 | 1 |
| SC/13365 | 5/6/2018 | 6/6/2018 | 1 |
| SC/13758 | 29/3/2019 | 31/3/2019 | 2 |
| SC/13924 | 20/8/2019 | 21/8/2019 | 1 |
| SC/14256 | 16/7/2020 | 27/7/2020 | 11 |
| SC/14321 | 8/10/2020 | 15/10/2020 | 7 |
| SC/14555 | 17/6/2021 | 26/6/2021 | 9 |

| | | | |
|----------|-----------|-----------|----|
| SC/14622 | 6/9/2021 | 15/9/2021 | 9 |
| SC/14773 | 24/1/2022 | 7/2/2022 | 14 |
| SC/14822 | 7/3/2022 | 17/3/2022 | 10 |

Source: *The CFTF*

440. In November 2022, the Office established an electronic platform that allows reporting entities to be notified of designations and updates to the UN list and the local list immediately and without delay. The number of entities registered on the platform reached 2,241 entities, which included all banks and non-banking FIs (exchange, insurance, and securities). The registered DNFBPs totaled 534 entities, equivalent to 19% of the total number of those operating in the DNFBP sector. Notifying registered entities through automatic notifications is considered a complementary measure or additional precautionary measure that would help the subject entities implement their obligations, alongside the legal obligation requiring them to directly access the Security Council lists (see Rec. 6).
441. 81% of the DNFBP sector is not registered on the platform. There is a lack of information that other parties that hold funds (such as the CRDs and the RERD) have been informed. These data would affect the effective implementation of TFS without delay, especially since the non-registered entities (some of the DNFBPs) rely on receiving notifications as an alternative instead of directly accessing the UN website to implement their obligations.
442. Banks have shown a good understanding of their obligations to implement TFS, including reviewing the lists published on the Office’s website on an ongoing basis. All banks in Iraq use commercial electronic systems that are automatically linked to international sanctions lists, allowing them to verify on a daily basis whether the designated name belongs to any of their clients. These systems also allow monitoring any potential match (including false positives) with any of the names designated on the UN lists.
443. As for the remaining FIs, they have a less and non-unified understanding of the risks associated with TFS. Some of them such as insurance companies have less developed mechanisms for implementing TFS without delay; however, they started using the electronic notification platform in 2022 (See IO4).
444. As for DNFBPs, they have a very weak understanding of their obligations regarding applying seizing, freezing measures, or refraining from providing financial services pursuant to the relevant Security Council resolutions. They also do not follow the website of the CFTF/Office to review the published lists and updates thereto, except for lawyers who resort to the website of the CFTF/Office only in the event of suspicion of the client’s personal actions.
445. Except for banks, there are no mechanisms that warrant the implementation of TFS without delay by other subject entities, if inclusion on the UN lists and the local list takes place during weekends or official holidays.

Targeted approach, outreach, and oversight of at-risk NPOs.

446. Since 2018, Iraq has made significant efforts to identify the subset of NPOs most at risk of TF abuse. However, the NGOs Department has an emerging understanding of the nature of TF-related threats and risks posed to NPOs by virtue of their activities. This understanding stems from the sectoral assessment recently carried out by the NGOs Department. This has led to the first identification of the subset of NPOs, according to which they were classified based on risk levels they represent. This allows subjecting them to supervision on a risk sensitive basis; however, the Department did not actually apply focused and proportionate risk-based supervision of NPOs vulnerable to TF abuse, except starting 2023.

Understanding of risks and identification of the subset

447. The number of local NPOs active in Iraq until the date of the onsite visit reached a total of 4,012 NPOs. They are divided between NPOs for purposes of carrying out good work, such as humanitarian aid, relief, children and orphans, disabled persons, human rights, sustainable development, women’s affairs, youth, economic development, health, media, democracy, environment, culture, and public services. In addition to foreign NPOs, 1,493 NPOs that fall within the subset as defined by the FATF.
448. According to the NRA, the TF risk rating is high as a result to the local and neighboring countries terrorists organizations’ threats (see IO1).
449. The risks of NPOs abuse are also considered high, according to the NRA. This is because donations are generally considered one of the most important sources for TF. During the last five years, 16 NPOs have been misused for the purposes of financing terrorism, this is according to the outcomes of investigations, prosecutions, and TF convictions; some of these organizations had received financing from abroad or were operating in areas that fell under the control of ISIL (see IO 9).
450. After having defeated the terrorist organization ISIL, in 2018, Iraq prepared a study (sectoral assessment) titled “Protecting the NPOs Sector against the risks of TF abuse”. It concluded that terrorist organizations active in Iraq misused NPOs through a variety of means, including the exploitation of funds received by some organizations, exploiting the areas designated for spending these funds, exploiting the channels used to receive and disburse funds, and exploiting the organization’s staff and officials.
451. This study (i.e. the sectoral assessment) formed the first pillar in the monitoring and supervisory approach for NPOs in Iraq, which relied entirely on security research and investigations conducted by LEAs. Despite the importance of the approach used in understanding the risks facing NPOs in Iraq, this study has not considered other risks faced by NPOs, such as financial or legal risks, which vary depending on the regional context. In the Kurdistan region, for example, licenses are renewed annually for NPOs, while they are granted only once for the entire period of activity in the remaining provinces of Iraq. Since NPOs did not participate in this study; therefore, the Iraqi authorities missed the information that they could have obtained regarding NPOs activities and programs, including their areas of work and target population, financial operations, including revenues and expenses. This helps the NPO supervisory authority make more effective decisions regarding oversight and supervision, such as those related to financing, outreach, and participation.
452. Security research and investigations conducted by LEAs led to the judicial dissolution of 12 NPOs, and the suspension of the operations of 441 others. The AT noted that the dissolution and suspension of the operations of NPOs is not due to the application of the risk-based oversight (a proactive measure), but rather resulted after NPOs were abused for TF. There is absence of an established mechanism in Iraq to manage dissolved or suspended NPOs, thereby ensuring that charitable or community work is not disrupted.
453. As shown below, Iraq did not implement focused and proportionate risk-based supervision of NPOs most at risk of TF abuse, except starting 2023. At that time, the NGOs Department completed the first sectoral risk assessment of NPOs. Based on the outcomes, Iraq identified the subset of NPOs, including in the Kurdistan region, where the number reached “1,493” NPOs (out of the subset of 4012); they were classified into three categories: high risk (438), medium risk (692), and low risk (363).
454. In classifying the risks of NPOs within the subset, the NGOs Department relied on a set of criteria as shown in the table below. The criteria adopted in classifying the subset are considered unclear, and some of them intersect with the tasks of the NGOs Department (poor oversight or lack of follow-up through offsite desk monitoring).

Table No. (4.12) Criteria adopted in assessing the risks of NPOs that fall within the subset.

| Risk level | Criteria |
|------------|----------|
|------------|----------|

| | |
|--------|---|
| High | <ul style="list-style-type: none"> • NPOs are present and operate in conflict areas. • NPOs geographical location is within proximity to countries with terrorist organizations. • NPOs that have not renewed their license and continue to operate. • NPOs or their members with many complaints against them. • PEPs (when applying to register an NPO, they violate the proper registration procedures, and it is necessary to take due diligence measures towards them and their close associates). • NPOs that receive grants from high-risk countries. • Individual or institutional donors banned internationally under Security Council resolutions. • Lack of control over organizations’ funds derived from other sources, such as charity concerts, charity markets, and donation boxes placed in public places. |
| Medium | <ul style="list-style-type: none"> • Presence of many bank accounts for one NPO. • Activities that do not correspond to the assets and properties of the NPOs • Poor periodic monitoring and assessment process and poor financial capabilities allocated to the NPO. • Absence of off-site desk monitoring. • Presence of foreigners affiliated with NPOs in the governorates. |
| Low | <ul style="list-style-type: none"> • Nature of the NPO’s work in terms of the technical sector that requires direct financial support. • Persons controlling the NPO’s management. • Donor identity. • The identity of the BOs of the NPO’s funds. • Large budgets that do not correspond to NPOs activities. • The credibility of financial reports audited by a certified auditor |

455. Based on the sectoral assessment process, Iraq also established a database for the NPOs sector. It includes information on all licensed NPOs in Iraq, including their activities, judicial orders issued against them, investigations conducted by LEAs in relation to the misuse of NPOs for TF, and NPOs whose movable and immovable assets have been frozen.

456. Although there is a good opportunity for the NGOs Department to benefit from the context of terrorist activity in Iraq - after the Iraqi authorities regained the territories controlled by ISIL, the sectoral assessment did not clearly identify the different methods through which NPOs can be misused for TF. The assessment limited to mentioning the same outcomes of the study that was prepared in 2023; therefore, it missed important details on the most common TF trends in Iraq. These may include the misuse of NPOs through the collection of donations by resorting to fraudulent means by actors not affiliated with them, or by individuals affiliated with them who may use the funds for TF purposes. In addition, the sectoral assessment did not identify how shell NPOs are used as a channel to raise funds for TF purposes.

457. Iraq still needs to develop an in-depth understanding of the TF risks posed to NPOs, by identifying the nature of threats posed by terrorist entities to NPOs most vulnerable to TF risks, with the aim of strengthening the capacity of the NGOs Department to take the necessary measures to protect the NPO sector against any potential TF abuse.

Supervision and monitoring

458. Iraq established the NGOs Department chaired by the Cabinet as the main body responsible for protecting NPOs against TF abuse. The Department is responsible for supervising all NPOs in the country that fall within the subset. The Department has all the resources and powers necessary to perform its tasks. In terms of resources, the NGOs Department in Baghdad and in the Kurdistan Region has 66 and 40 employees respectively; in addition, it has 54 observers (inspectors) for all governorates, including the Kurdistan region. In terms of powers, it has the authority to establish binding regulations for NPOs, conduct on-site inspections of NPOs, request the submission of documents and records for offsite inspections, and enforce compliance through the imposition of sanctions.
459. Licensing procedures for NPOs differ in Iraq and the Kurdistan Region. This is because the license in the Kurdistan region is valid for one year, subject to renewal, while in Iraq, there is no specific validity period, and the license remains valid as long as the activity is carried out.
460. During the period from 2021 to 2023, the Central Department in Baghdad received (5,550) applications. (1,258) applications were rejected for various reasons (legal, financial, administrative) and (4,292) applications were accepted because they met the applicable conditions and other requirements.
461. The Department relies on offsite supervision more frequently than onsite inspections, giving priority to monitoring financial records which constitutes a pivotal role therein. The accounting report and the financial and literary reports of the NPO are referred to the competent supervisory authority (either in Baghdad or in the Kurdistan region). They in turn review the reports to verify the correctness of what is stated therein. The auditor annually, in accordance with the law, conducts an accounting audit of every NPOs whose record of financial transactions in terms of income or disbursement equals or exceeds 75 million IQD (equivalent of approximately USD 57,250). It is worth noting that NPOs are subject to AML/CFT requirements pursuant to a decision issued by the Cabinet, in accordance with the provisions of the AML/CFT Law No. (39) of 2015. They are obliged to report any suspected ML/TF transactions, similar to other obliged entities.
462. The NGOs Department conducts onsite inspections two to three times a year for high-risk NPOs, once a year for medium-risk, and once every two or three years for low-risk NPOs. Below is a table showing the onsite and offsite inspections of the NPOs that fall within the subset.

Table No. (4.13) Onsite and offsite desk-based monitoring of NPOs

| Year | Number of Subset of NPOs | High-risk NPOs | | | Medium-risk NPOs | | | Low-risk NPOs | | |
|------|--------------------------|----------------|--------------------|-------------------|------------------|--------------------|-------------------|---------------|--------------------|-------------------|
| | | Number | Offsite inspection | Onsite Inspection | Number | Offsite inspection | Onsite Inspection | Number | Offsite inspection | Onsite Inspection |
| 2018 | 1025 | 299 | 183 | 116 | 462 | 280 | 182 | 264 | 146 | 118 |
| 2019 | 1164 | 339 | 217 | 122 | 529 | 293 | 236 | 296 | 171 | 125 |
| 2020 | 1205 | 355 | 249 | 106 | 546 | 299 | 247 | 304 | 195 | 109 |
| 2021 | 1340 | 403 | 237 | 166 | 607 | 406 | 201 | 330 | 179 | 151 |
| 2022 | 1493 | 438 | 275 | 163 | 692 | 412 | 280 | 363 | 203 | 160 |

Source: NGOs department

463. It is clear, according to the table below, that the Department does not apply the established policy of risk-based supervision in terms of the assumed inspection rate, which reflects directing resources and capabilities to high risks. This is because the average number of on-site inspections for medium-risk NPOs (2.5 rounds per year) exceeds the assumed inspection rate (one round per year), while the number of on-site inspections for low-risk NPOs (2.3 rounds), exceeds the assumed inspection rate (one round per year). The AT believes that this is a long period, regardless of whether NPOs are classified low risk, given the context of Iraq TF risks.

Table No. (4.14) onsite inspections ratio

| Risk category | Number of onsite ⁴¹ | Expected inspection ratio |
|---------------|--------------------------------|---------------------------|
| High | 2.7 rounds | 2-3 rounds |
| Medium | 2.5 rounds | 1 round |
| Low | 2.3 round | 1 round |

Source: NGOs department

464. The table below shows that in the process of applying the risk-based approach, the Department does not effectively allocate resources to the NPOs most at risk of TF abuse. This analysis is supported by the data contained in table No. (4.13), which shows the frequency of on-site inspection rounds by year and by risk classification. In 2018, the average number of on-site inspection rounds for high-risk NPOs was (2.5 rounds per year), which is equal to the average recorded for Medium-risk NPOs (2.5 rounds per year). In 2020, the average for medium-risk NPOs (2.2 rounds per year), was less than the average for low-risk NPOs (2.8 rounds per year). As in 2020, the average number of inspection rounds for low-risk NPOs was (2.8 rounds per year), which exceeds the average number of inspections rounds for medium-risk NPOs (2.2 rounds per year). In 2021, the average number of inspection rounds for high-risk NPOs was (2.5 rounds per year), which is less than the average for medium-risk NPOs (3 rounds per year). This means that the frequency of inspection rounds is not consistent with the oversight requirements for NPOs most at risk of abuse for TF purposes.

Table No. (4.15) Average frequency of onsite inspections by year and by risk category

| Year | High-risk NPOs | Medium-risk NPOs | Low-risk NPOs |
|------|----------------|------------------|---------------|
| 2018 | 2.5 rounds | 2.5 rounds | 2.2 rounds |
| 2019 | 2.7 rounds | 2.2 rounds | 2.3 rounds |
| 2020 | 3.3 rounds | 2.2 rounds | 2.8 rounds |
| 2021 | 2.5 rounds | 3.0 rounds | 2.2 rounds |
| 2022 | 2.7 rounds | 2.4 rounds | 2.3 rounds |

Source: NGOs department

465. Inspections of NPOs resulted in the discovery of some violations that led to dissuasive penalties, as (12) NPOs were discovered to have received foreign funding without obtaining prior approval from the Department. Hence, they were referred to the judiciary. Judgments were issued to dissolve them due to their misuse for TF. In addition, the activities of (441) NPOs were suspended due to their violation of the provisions of the NPOs Law No. (12) of 2010. This is because they failed to submit annual financial reports and other requirements for the purpose of complying with the AML/CFT requirements.

Box No. (4.14) Freezing the funds of an NPO and convicting those in charge of misusing it for terrorist activities.

⁴¹ Average number of inspection visits = total number of inspection visits/number of NPOs

The NGOs Department received a report to which was attached an audit report of an NPO (L), suspected of cooperating with terrorist gangs.

As a result of the investigations, the competent authorities found that NPO (L) received financial transfers into its account from five external NPOs, in high amounts that are not in line with its activity. It was also found that there was a connection between one of the members of NPO (L) and a terrorist case that was being investigated. The results of the examination of the Fin-Scan system indicated that NPO (L) is listed on the CBI’s blacklist.

The Office has placed a precautionary freeze on the movable and immovable assets belonging to NPO (L) and disseminated the file to the competent court. The CFTF also took a decision to freeze the funds and economic resources of the NPO and its members. The competent court also took a decision to dissolve the NPO based on the NPOs Law (being the authority responsible for granting licenses), while issuing arrest warrants and travel bans against all involved members.

466. The NGO Department has imposed several sanctions against NPOs in Iraq during the period 2018-2022. These sanctions were imposed as a result of supervisory inspections of NPOs. It consisted of suspending the work of 17 NPOs for having raised funds without obtaining a license and depriving 21 NPOs of obtaining a license to raise funds for a specific period for having solicited funds under the pretext of humanitarian aid. It also referred 22 other NPOs to the competent authorities for the purpose of issuing judicial decisions to dissolve them for violating Iraqi laws and the Constitution and threatening state security.

Table No. (4.16) of sanctions applied to NPOs.

| Violation | Measures taken against the NPO | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|--|------|------|------|------|------|
| Raising funds without a license | Suspension Rejection of license | none | 1 | 2 | 4 | 10 |
| Violating the Iraqi laws and constitution and threatening state security | Referral to the concerned authority and issuance of judicial orders of dissolution | 1 | 5 | 12 | 3 | 1 |
| Soliciting funds under the pretext of humanitarian aid | Depriving NPOs from obtaining license to raise funds for a specific period of time | none | none | 2 | 10 | 9 |

Source: NGOs department

467. At the beginning of 2023, a risk-based approach to supervision was adopted. This was achieved by updating inspection plans, adopting a supervisory guidance that includes risk-based supervision procedures, and intensifying onsite visits to NPOs assessed to be most vulnerable to TF risks by virtue of their activity and the nature of their work, including the size of donations or aid that they receive or collect, the number of beneficiaries or their geographical locations.

468. Cooperation between the NGOs Department and the NPOs sector is still limited in the field of combating TF in the country. This is because the Department has not communicated with NPOs or provided awareness publications or training courses on the threats surrounding the NPOs sector and the risks of their misuse for TF and related preventive measures. On a few occasions, the last of which was in 2022 in the form of a workshop to disseminate the outcomes of the NRA. This is what became clear to the AT through interviews conducted with NPOs, which showed their keenness to take self-measures to verify that they are not being misused for TF purposes, the most important of which is direct communication with beneficiaries of financial aid, careful preservation of the NPOs’ records, as well as their keenness to seek safe banking channels for financial transactions.

469. The AT attaches great importance to this lack of cooperation between the department and the NPOs sector, as this represents a serious challenge to efforts to combat TF in the country. The NPOs sector plays an important role in the society and has access to information and networks that could be valuable in counter-terrorism efforts.
470. Despite the efforts of the NGOs Department, the Department's training plan did not cover topics relevant to combating TF for the benefit of relevant individuals in NPOs as well as for staff of the NGOs Department. The data showed that the targeted training courses by the governorate do not include a specification of the expected percentages of attendance. The training was limited to general topics such as the AML/CFT law, without directing specific awareness on the requirements for implementing TFS and the methods of using them to support TF. There is no information indicating whether the competent authorities have cooperated with the NGOs Department to guide the private sector and clarify procedures for compliance with the requirements of TFS. The table below shows that the competent authorities delivered training to the NGOs Department for only three years, with 4 training courses, which included 157 participants. Based on TF risks, which are still high according to the NRA, it can be said that the frequency of training courses and the topics trained on are not considered sufficient, especially in light of the continuing risks of misusing NPOs in Iraq after the sources of funding for terrorist organizations, especially ISIL, have diminished. ISIL became obligated to search for financing from legitimate sources due to the loss of control over the oil fields and vast areas that used to provide it with funds from various sources (see IO1).

Table No. (4.17) Training Courses provided to the NGOs Department

| Year | Number of courses | Participants |
|------|-------------------|--------------|
| 2018 | 1 | 12 |
| 2019 | 1 | 15 |
| 2022 | 3 | 130 |

Source: *The CFTF*

Deprivation of TF assets and instrumentalities

471. In general, Iraq is making good efforts to combat TF, as evidenced by the significant increase in the volume of frozen assets over the past five years. Success in confiscating criminal assets and instrumentalities of crime and taking temporary provisional measures in TF cases, including freezing suspected accounts and funds.
472. The total value of the funds frozen in Iraq pursuant to UNSCR 1373 is equivalent to USD 8.92 million, and USD 28,108 pursuant to UNSCR 1267. The total value of the frozen funds and assets amounted to USD 8.94 million.

Table No. (4.18) The value of frozen funds, shares, and other assets pursuant to UNSCR 1373 (in USD)

| Year | Value of frozen funds (in USD) | Value of frozen shares (in USD) | Value of other frozen assets - real estate (in USD) |
|-------|--------------------------------|---------------------------------|---|
| 2018 | 72,193 | 822,850 | - |
| 2019 | 85,930 | 416,666 | - |
| 2020 | 854,895 | - | 445,204 |
| 2021 | 342,012 | 6,164,988 | - |
| 2022 | 457,000 | - | - |
| Total | 1,812,030 | 6,663,939 | 445,204 |

Source: *The CFTF*

473. Statistics show that the value of the frozen funds, shares, and other assets pursuant to UNSCR 1373 has increased significantly over the last five years. This is because the value of the frozen shares constitutes most of the frozen assets (75%), followed by funds in bank accounts (20%) and other assets such as real estate, amounting to USD 445 thousand (5%).
474. The total value of frozen funds amounted to USD 1,812 million between 2018-2022. While the total value of frozen shares reached USD 6 million by 2021, compared to only USD 800 thousand in 2018. The total value of frozen properties reached USD 445 thousand by 2022.
475. The total value of funds frozen in 2018 in implementation of UNSCR 1267 and subsequent resolutions amounted to USD 28,108. Moreover, there is absence of frozen funds, assets, or balances belonging to the persons designated on the 1267 lists for the years (2019, 2020, 2021, 2022). The AT believes that this may be due to the absence of any funds or assets belonging to persons designated on that list.
476. In addition, the competent courts on TF cases for 2018 and 2022 issued rulings for the confiscation of funds and instrumentalities of crime related to terrorism and its financing. Iraq issued confiscation orders during that period for a total amount equivalent to USD 4.5 million.
477. No other amounts were confiscated in 2022 due to the decrease in terrorist activities. This is due, on the one hand, that the terrorist organization ISIL was under control, and the presence, on the other hand, of other cases that were judicially decided during 2023. The following are statistics regarding the amounts confiscated in TF cases after the issuance of a conviction for financing terrorism.

Table No. (4.19) Amounts confiscated in TF cases after the issuance of a conviction for financing terrorism.

| | | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------|-----------------------------------|---------|---------|---------|---|------|
| Natural persons | Number of bank accounts | 67,681 | 55,750 | 231,478 | 344,208 | |
| | Cash | 399,600 | | | 1,730,725 | |
| | In-kind funds | | | | (25 kg. of Silver) (17kg. of silver bullions) (458 g. of gold in the form of coins) | |
| NPOs | Number of bank accounts' balances | | 678,496 | 312,000 | | |

Source: *The CFTF*

478. Iraqi authorities have demonstrated their ability to take provisional measures in TF cases, including seizing or freezing suspected accounts and funds. The methodology when working on terrorist files stipulates that the authorities give priority to tracing criminal assets and instrumentalities of crime with the assistance of the Office, and to impose provisional measures to deprive potential terrorists, terrorist organizations, or terrorist financiers of their funds. (See IO.9).
479. Iraq provides persons designated by the United Nations with the possibility of receiving a monthly expenditure, and relevant legislation requires that this expenditure is in line with the United Nations Protocol on subsistence expenses. The authorities calculate the amount of expenditure necessary to cover basic needs, including housing, in consultation with the competent authorities in the state (such as the CFTF, the NGOs Department, and other relevant institutions).
480. During 2019-2022, Iraq received 8 requests to approve the disbursement of basic expenses for persons designated on the local list in implementation of UNSCR 1373. It is noted that the value of monthly expenditure generally covers the costs of living in the country.

The value of expenditures for persons designated on the local list pursuant to UNSCR 1373 ranged between 500,000 and 705,000 IQD (equivalent to USD 378 – USD 1,362).

Table No. (4.20) Requests for basic expenses approved in accordance with Resolution 1373

| Year | Reasons mentioned in the request | Date of the request | Date of the decision taken to disburse the funds | Amount allowed to be used | Date on which the amount was paid | Number of days taken to decide upon the request |
|------|----------------------------------|--|--|---------------------------|-----------------------------------|--|
| 2019 | Payment of basic expenses | # of requests (1) Sep 8, 2019 | Dec 16, 2019 | Salary payment only | 16/12/2019 | 99 |
| 2020 | | # of requests (1) Feb 9, 2020 | Mar 16, 2020 | | 16/3/2020 | 36 |
| 2021 | | # of requests (1) Apr 26, 2021 | Aug 2, 2021 | | 2/8/2021 | 98 |
| 2022 | | # of requests (2) June 27, 2022 and (3) requests on July 6, 2022 | Nov 15, 2022 | | 15/11/2022 | 132 (regarding 2 requests) 141 (regarding 3 requests) |

Source: The CFTF

481. Although the previous regulation stipulates that the period required for processing requests should not exceed 15 days (according to Article 24/Third of the Regulation for Freezing Terrorist Funds No. 5 of 2016), the time taken to process requests (totaling 8) ranged between 36 and 141 days with an average of 100 days. It should be noted that the new regulation issued in 2023 stipulates that the period for processing requests should not exceed 10 days (Article 17 of the Regulation for Freezing Terrorist Funds No. 6 of 2023)

482. Given Iraq's TF risk profile, and the number of TF cases prosecuted and convicted, Iraq deprives well terrorists, terrorist organizations, and terrorist financiers of their assets and instrumentalities of crime.

Consistency of measures with the overall TF risk profile

483. The measures taken by Iraq are consistent with the overall TF risk profile to different extent, ranging from reasonable; in terms of provisional measures taken to deprive terrorists of funds, assets, and instrumentalities of crime, and weak; in terms of the procedures taken to protect NPOs against TF abuse.

484. Iraq began 9 months ago (from Nov 2022 until Aug 2023) to implement TFS procedures and mechanisms that would improve its ability to implement sanctions issued by the Security Council without delay; however, at the time of the onsite visit it became clear that this mechanism is still emerging and the level of awareness in the private sector or even at the level of the authorities remains little or non-existent regarding their obligations related to TFS without delay or new measures taken, such as the electronic notification platform given the poor registration rate. Awareness of sanctions evasion methods or typologies by the authorities and private sector is very low.

485. Iraq proposed designating several persons and entities to the relevant sanctions committee, participated with foreign countries in co-designating group of persons and entities, provided detailed information on some of those listed under UNSCR 1267, listed on its own motion and at the request of other countries many persons and entities on the local list in accordance with UNSCR 1373. Iraq took temporary measures (seizing accounts and freezing suspected funds) and confiscated funds, assets, and instrumentalities of crime in large amounts. It also confiscated funds and instrumentalities of crime related to terrorism and TF, totaling an equivalent

amount of USD 4.5 million These actions are in line with Iraq risk profile, although it is not evident that the freezing measures occurred without delay.

486. Risk-based supervision was also emerging as Iraq recently (in 2023) conducted a risk assessment of NPOs. NPOs are subject to different licensing and financial supervisory controls in the Kurdistan Region and the remaining governorates linked to Baghdad. The NGOs department has not adopted clear criteria for classifying NPOs risks within the subset, nor has it applied focused and proportionate risk-based supervision of NPOs, except starting 2023, while the number of provided training courses remain insufficient. Accordingly, the measures taken still require the need to enhance the capacity and awareness of the NPOs sector of the potential threats and risks facing NPOs. They also require the development of effective measures and policies for NPOs exposed to risks to identify potential TF cases, consistent with the risk level to which the sector is exposed by individuals who raise funds through fraudulent means by claiming of belonging to NPOs.
487. Iraq has succeeded in confiscating assets and instrumentalities of crime linked to TF in light of the number of TF files that have been investigated and prosecuted, and the number of successful TF convictions. It has also taken temporary measures in TF cases, including seizing, or freezing suspected accounts, activities, and funds.
488. **Overall Conclusion on IO 10:** Iraq applies TFS related to UNSCRs without delay to a limited extent due to shortcomings in the procedures for disseminating the sanctions lists to the relevant concerned parties in a timely manner. However, Iraq proposed several persons and entities to the relevant sanctions committee. It also participated with foreign countries in co-designating group of persons and entities and designated several persons and entities on the local list pursuant to UNSCR 1373, in line with Iraq risk context, and froze their assets, with a lack of information that the freezing measures occurred without delay.
489. The NGOs Department, as well as NPOs, had an emerging understanding of the nature of TF-related threats and risks by virtue of NPOs' activities, whereas 16 NPOs were abused for TF purposes; however, the methods and patterns of abuse were unknown. The Department identified the subset and classified NPOs' risks into 3 categories (high, medium, and low) based on criteria considered insufficient and not comprehensive. Cooperation between the NGOs Department and the NPO sector is considered limited in CFT areas. Also, training courses provided to the sector in this area is little and non-sufficient. In addition, the Department did not actually apply focused and proportionate risk-based supervision of NPOs vulnerable to TF abuse, except starting 2023, when a sectoral assessment was carried out which included a sample of 16 NPOs that were abused for TF purposes. The results of the assessment included reliance on sectarian strife in areas where these NPOs operate, the practices of some NPOs beyond the scope of their activities, the financial sources of some of them is linked to NPOs designated on the international sanctions lists and the existence of organizations operating without a license.
490. Iraq made good efforts to combat the financing of terrorism, which led to depriving terrorists of assets and instrumentalities of crime, given the significant increase in the volume of frozen assets during the last five years, the success in confiscating assets and instrumentalities of crime related to the financing of terrorism, and taking temporary measures in TF cases, including seizing suspected accounts, activities, and funds, or freezing them, in line with the country's risk context.
491. The measures taken by Iraq are consistent with the TF risk profile to a different extent, ranging from reasonable; in terms of provisional measures taken to deprive terrorists of funds, assets, and instrumentalities of crime, and weak; in terms of protecting NPOs against TF misuse.
492. **Iraq achieved a "Moderate" Level of Effectiveness for IO10.**

Immediate Outcome 11 (PF financial sanctions)

493. The AT based their conclusions on the meetings they conducted with the competent authorities represented in the CFTF, the GAC, the Office, several banks, FIs, and DNFBPs, and by reviewing documents submitted by the country.
494. Iraq does not have any direct financial relations with North Korea, and there is no North Korean embassy in Baghdad. On the other hand, Iran has a strong diplomatic presence in Iraq, with an embassy in Baghdad and three consulates in Erbil, Sulaymaniyah, and Basra. Similarly, Iraq has an embassy in Tehran and three consulates in Kermanshah, Ahvaz, and Mashhad.
495. Iraq is directly and indirectly exposed to PF risks from Iran. This is primarily due to the long border between the two countries, extending to 1,599 km, and the economic ties related to Iraq imports of Iranian gas to power its electricity plants. Since 2019 until 2022, gas funding requests for the Iranian side reached approximately 3 billion dollars. They were transferred in euros using the Iraqi dinar, in exchange for financing purchases of animal feed, food items, and medications. This is because Iraq imports gas from Iran in exchange for financing purchase agreements worth 3 billion euros, and this trade exchange falls under a barter agreement due to the sanctions imposed on Iran.
496. Religious tourism is one of the most important economic sectors in both Iraq and Iran. This is because both countries have numerous sacred religious sites for the Shia sect, including Karbala and Najaf in Iraq, and Mashhad in Iran. Iranian tourists make up the majority of religious tourists visiting Iraq. The number of Iranian tourists who visited Iraq in 2022 was estimated around 1.5 million people. Similarly, Iraqi tourists also play an important role in religious tourism in Iran. The number of Iraqi tourists who visited Iran in 2022 was estimated around 1 million people.

Implementation of targeted financial sanctions related to proliferation financing without delay.

497. Iraq has in place a proper legal framework for implementing UNSCRs relating to the prevention, suppression, and disruption of proliferation of WMD and its financing (See Rec. 7). However, Iraq implements UN TFS requirements related to CPF to a limited extent, even though UN TFS requirements related to CPF are effective in Iraq from the date of their publication on the official website of the SC Sanctions committee.
498. The mechanism adopted for the implementation of TFS relating to CPF does not differ from the mechanism related to the implementation of TFS related to terrorism and TF (See IO 10). UN TFS requirements related to PF are effective in Iraq from the date of their publication on the official website of the SC Sanctions Committee. It is the responsibility of the subject entities to follow up any changes to the relevant Security Council lists and implement the freezing obligation without delay. The responsibility of monitoring the AML/CFT website to review the consolidated sanctions lists and changes made thereto falls on the subject entities. The concerned authorities have issued instructions to these entities regarding periodic access to the Office's website to review the lists and the changes made thereto.
499. Since November 2022, Iraq has been implementing a supplementary mechanism after having established an electronic platform that allows registered parties to be automatically informed of any changes to the UN lists, including the list pertaining to North Korea and Iran. This mechanism enhances the application of TFS without delay. The percentage of DNFBPs that are not registered on the platform is about 81%. This includes as well other entities that hold funds (such as the CRDs and the RERD). This impacts the effectiveness of the implementation of TFS without delay (See IO 10).
500. The competent Iraqi authorities acted on the update issued on August 16, 2023 (during the on visit) regarding UNSCR 1718 sanctions list pertaining to North Korea; however, the notification was delayed for three days given that the update occurred during the weekend. Although communicating changes to the UN list does not replace the legal obligation, it has been found that entities not

registered on the platform (DNFBPs) rely on receiving a notification as an alternative instead of directly accessing the UN website to monitor updates, which may affect the effectiveness of the implementation of TFS without delay.

Identification of assets and funds held by designated persons/entities and prohibitions.

501. Iraq faces factors that increase the vulnerabilities and risk exposure to PF. Some of these factors include:

- **Financial and commercial ties with Iran:** The trade volume between Iraq and Iran is considered very large and increases PF risks. Several Iranian banks operate in Iraq and barter with Iran in exchange for imported gas from Iran. This makes it more difficult to effectively trace the movement of funds and determine whether those funds end up in the hands of individuals or entities associated with arms proliferation programs. This is especially concerning as some of the products exchanged between the two countries can be used in arms programs.
- **Potential risks of unsupervised cash transactions:** The presence of unmonitored cash transactions can pose a challenge for FIs in effectively tracing the movement of funds. This vulnerability can be exploited by actors involved in financing arms proliferation programs by making cash settlements.
- **Cash movement and religious tourism:** One of the major challenges lies in cash movement, particularly regarding the flow of individuals between Iran and Iraq and the well-known religious tourism between the two countries. For example, measures were not adopted to address the risks of sanctions evasion imposed on Iran, which could involve the transfer of funds of legitimate or illegitimate origin.

502. On the other hand, the Iraqi authorities, in the implementation of UNSCR 2231, rely on appropriate mechanisms to settle Iran's dues arising from bilateral trade. This is done to mitigate the PF risks related to WMD or their development.

- **Mechanisms for funding gas and electricity imports from Iran:** The CBI and Trade Bank of Iraq supervise the use of these funds through strict mechanisms. Iraq affirmed that since 2019 until 2022, Iran has exclusively used the funds derived from exporting Iranian electricity and gas to Iraq for humanitarian purposes.
- **Mechanisms of funding private sector trading with Iran:** The CBI has contracted with a third party to examine the bank settlements submitted by the Iranian side to avoid any possible financing of Iran weapons proliferation program. Direct coordination is made with relevant foreign entities to obtain their approval for each request presented by the Iranian side. Additionally, the CBI has established an electronic platform for foreign transfers to monitor the use of the US dollar against financial transfers for bilateral trade.
- **Iraq procedures that warrant the non-exploitation of financial system:** There is a high-level coordination that takes place internally between the CBI, the Office, and security agencies to prevent any gaps that would increase PF risks. As a result, some cash smugglers were arrested recently. The CBI also collaborates with its counterparts in exchanging information to ensure that prohibited countries or their affiliated entities do not have access to the US dollar. It collaborates with central banks such as the US Federal Reserve, the Bank of England, and the French Central Bank through bilateral agreements, coordination, and regular meetings (both in-person and virtual) regarding CPF.

503. Despite the efforts made by the authorities, Iraq was unable to identify, seize, or freeze any funds or assets belonging to persons and entities designated on sanctions lists to prevent PF. There were no cases of sanctions evasion or positive matches identified with any of the relevant names on the UNSC lists. There is also a lack of cooperation between relevant authorities such as the GAC, the CBI, and LEAs in dealing with PF risks.
504. In general, the GAC does not have a sufficient understanding of its obligations regarding the application of TFS relating to CPF. This explains the absence of procedures to follow-up the changes made to the UN lists and check the names listed (whether for persons, entities, or ships) on a daily basis. There is also absence of any clear procedures for inspecting containers and imported or exported goods at borders, upon importing or re-exporting them to other countries.
505. According to the findings of the NRA, the Iraqi regime does not allow foreigners to establish shipping companies and engage in import and export activities. However, this does not exempt the lack of customs controls and legislation for monitoring exports, particularly due to the presence of shared borders with Iran.
506. The procedures applied by FIs (excluding banks), especially DNFBPs, to identify the BO (whether for a natural or legal person) are weak (See IO 4). In addition, the CRD does not have a mechanism in place to verify the validity and accuracy of the BO information (see IO 5). This altogether may affect the effectiveness of the implementation of TFS relating to PF.
507. Based on that, the AT believes that the measures taken by the authorities regarding the implementation of TFS relating to PF are weak and not consistent with the country's risk profile.

FIs and DNFBPs' understanding of and compliance with obligations.

508. Most FIs and DNFBPs in Iraq, except for banks and insurance companies, have a weak understanding of the requirements for implementing TFS to prevent PF.
509. Banks and insurance companies, among other FIs, are aware of the risks associated with TFS related to preventing the financing of arms proliferation, as well as the penalties imposed for non-compliance. They utilize tools and IT programs that help them review the lists published on the website of the Office regularly. Their electronic systems are automatically linked to international sanctions lists, and if a designated person is one of the bank's clients, a matching process is usually conducted on a daily basis.
510. As mentioned in IO.10 and IO.4, specific DNFBPs have a weak understanding and implementation of measures related to TFS. They are not fully aware of their minimum obligations regarding sanctions. Additionally, most of these DNFBPs do not conduct timely screening of their clients' names against relevant sanctions lists, including those related to preventing the financing of arms proliferation.
511. The CTF has organized several training courses for the private sector regarding the implementation of TFS in general, without allocating training material related to preventing PF and sanctions evasion. As shown in the table below, there are only a few training courses dedicated to specific DNFBPs, including the Union of Accountants and Auditors and the Lawyers' Bar Association. No courses have been allocated for DMPS and real estate brokers, despite the association of brokers (along with other entities) with the real estate sector classified high-risk, as indicated by the NRA outcomes.

Table No. (4.21) of training courses for private sector 2018-2021

| General | Classification | Targeted audience | Participants |
|---------|----------------|------------------------------------|--------------|
| 2018 | FIs | Banks and money transfer companies | 52 |
| 2019 | FIs | Banking FIs | 130 |

| | | | |
|------|--------|------------------------------|-----|
| | | Banking FIs/Kurdistan Region | 60 |
| | | ML/TF reporting officers | 88 |
| | DNFBPs | Accountants and auditors | 145 |
| | | Bar Association | 52 |
| 2020 | FIs | Banking and non-banking FIs | 119 |
| 2021 | FIs | Banks | 32 |
| | | Exchange companies | 18 |
| | | E-payment companies | 10 |
| | | Insurance | 20 |

Source: *The CFTF*

Competent authorities ensuring and monitoring compliance.

512. Except for the CBI, supervisory authorities are not effectively monitoring and supervising FIs and DNFBPs to ensure their compliance with the implementation and enforcement of relevant TFS requirements.
513. Supervisory authorities have weak capacities in monitoring and inspecting compliance with TFS requirements. This is due to the lack of clear inspection standards or plans and a specialized training plan for the sectors under their supervision. There appears to be insufficient awareness by supervisory authorities of their responsibilities towards the private sector, and these authorities did not provide sufficient clarification of their role in this context. The number of inspectors conducting inspections and the criteria they rely on are not clear. The supervisory authority did not also provide statistics on the number of participants from the private sector and the content of training courses held during the assessment period from 2018 to 2022. Furthermore, supervisory authorities lack clear standards for inspection processes and have not included the necessary elements to assess the private sector's understanding of the requirements for implementing TFS without delay.
514. The supervisory authorities did not provide statistics regarding PF-related inspections or related violations. This indicates that supervisory authorities do not prioritize monitoring the extent to which the entities subject to their inspection are implementing their TFS obligations relating to CPF.
515. During March 2023, the Office provided guidelines for the application of TFS, which includes in section seven thereof examples of methods and red flags related to PF. The written guidelines provided by the authorities regarding TFS lack some important details to assist the private sector in complying with their obligations related to TFS. These details may include information about the entities subject to sanctions, types of activities and businesses under sanctions, guidance on how to verify individuals and entities subject to sanctions, and specific procedures for addressing suspected cases of sanctions evasion.
516. During the period from 2018 to 2022, the CFTF conducted training programs for relevant government entities concerning the implementation of TFS in general. These training sessions included a total of 77 training courses, with the participation of 810 participants from LEAs. Additionally, 23 training courses were specifically organized for supervisory authorities, with the participation of 728 participants. Furthermore, there were 8 other training courses for licensing authorities, with the participation of 181 participants.

Table No. (4.22) of training courses for government sector 2018-2022

| General | Classification | Number of courses | Participants |
|---------|------------------------|-------------------|--------------|
| 2018 | Law Enforcement | 8 | 80 |
| | Supervisors | 1 | 12 |
| 2019 | Law Enforcement | 7 | 26 |
| | Supervisors | 2 | 51 |
| | Regulatory authorities | 3 | 73 |
| 2020 | Law Enforcement | 4 | 69 |
| | Supervisors | 2 | 40 |
| 2021 | Law Enforcement | 10 | 131 |
| | Supervisors | 2 | 61 |
| 2022 | Law Enforcement | 43 | 445 |
| | Supervisors | 16 | 564 |
| | Regulatory authorities | 5 | 108 |

Source: The CFTF

517. The table above indicates that the Iraqi authorities prioritize training to a wide range of stakeholders involved in the implementation of TFS in general. However, it is not clear to the AT whether these courses specifically include customs or modules on combating the financing of the proliferation of arms. Furthermore, it is not evident whether the authorities have a sufficient understanding of the relevant requirements related to combating the financing of the proliferation of arms and evading sanctions.
518. **Overall conclusion on IO.11:** Iraq implements TFS relating to CPF to a limited extent, even though the UNSCRs regarding TFS are effective in Iraq from the date of their publication on the official website of the SC Sanctions Committee. This is because some of the obliged entities rely on receiving notifications as an alternative instead of directly accessing the UN website to implement their obligations. In light of the delays in communicating some notifications, this affects the effectiveness of the implementation of TFS without delay. Most FIs and all DNFBPs in Iraq, except banks and insurance companies, have a poor understanding of the requirements for implementing TFS relating to CPF and sanctions evasion.
519. Despite the efforts made by the authorities, Iraq was unable to identify, seize or freeze any funds or assets belonging to any of the designated persons or entities to prevent PF. Iraq was also unable to detect any positive matches with any of the persons or entities designated on the relevant Security Council lists. There have been no cases of cooperation between the competent authorities, such as the GAC, the CBI, and the LEAs for dealing with PF risks. The weakness of the procedures applied for the identification of the BO by FIs (except banks), especially DNFBPs, affects the effectiveness of the implementation of TFS relating to CPF.
520. The supervisory measures taken by the competent authorities are weak, as no funds related to PF were frozen, despite the risks posed by neighbouring countries. There is a lack in the procedures of the GAC regarding the inspection of shipments and goods across borders, as well as a lack of effective monitoring of relevant UN lists. The GAC does not implement strict measures to monitor international trade, particularly shipments (import and export) with Iran, which increases the opportunities for supporting arms proliferation programs.

521. Therefore, there is still a need for substantial improvements in implementing the requirements of TFS to prevent PF. This includes enhancing cooperation and coordination among relevant authorities to prevent sanctions evasion and developing and implementing policies and activities aimed at combating the financing of WMD proliferation.

522. Iraq achieved a “Low” level of effectiveness for IO.11.

Chapter 5 Preventive measures

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 4

- a) Generally, FIs have varying levels of understanding of the ML/TF risks. Banks have a good understanding, while other FIs have a range of basic to moderate understanding of their risks and obligations related to AML/CFT. DNFBPs, in general, have a very weak and insufficient understanding of their risks and obligations related to AML/CFT, especially in high-risk sectors in the context of Iraq entirely (such as the real estate sector).
- b) FIs supervised by the CBI apply satisfactory policies and measures that are commensurate with the specific ML/TF risks identified in the NRA and sectoral assessments. However, some risk mitigation measures are generic. On the other hand, other FIs (insurance companies and securities brokerage firms) apply basic measures that are not related to the risks facing these institutions, while DNFBPs do not apply any risk mitigating measures, but some of them apply basic and insufficient measures that do not align with the risks faced by the relevant sectors.
- c) In general, FIs sufficiently apply CDD and record-keeping measures, and conduct ongoing monitoring in a varied manner among FIs. Similarly, procedures for identifying the beneficial owner vary; banks and exchange companies have more effective measures in terms of BOs and ongoing monitoring, compared to other FIs, which rely mostly on the client disclosure of the BO identity. As for DNFBPs, they apply insufficient CDD measures and record-keeping practices, and they often lack understanding of the concept of beneficial ownership and the mechanisms for identifying it.
- d) In general, FIs supervised by the CBI, especially banks, apply EDD measures, particularly when it comes to higher-risk countries, PEPs, correspondent banking relationships, and TFS. However, other FIs vary in their implementation of EDD measures, which may not be sufficient. Identifying whether potential or current clients or beneficial owners are relatives of PEPs or close associates of PEPs relies on the experience and knowledge of financial institution employees or directly asking the client about any association with a PEP. However, this alone cannot be relied upon in all cases. Additionally, DNFBPs apply unsatisfactory or close-to-no EDD measures at all, especially in high-risk sectors such as real estate brokers.
- e) Generally, the numbers of STRs related to ML and TF by all reporting entities are low. Banks and exchange companies (engaged in money transfer activity) are the ones with the most suspicious transactions reporting to the Office, followed by other FIs which have very limited reporting. On the other hand, DNFBPs have not reported any suspicious transactions except for two STRs from lawyers. The quality of the STRs submitted by banks to the Office is generally considered better than others, the types of crimes subject of the STRs are consistent to some extent with the country's risk profile. The feedback provided by the Office to reporting entities is considered inappropriate in all cases in light of what the institutions that were interviewed reported. The AT also reviewed good examples of feedback from the Iraqi authorities.
- f) Generally, FIs have internal AML/CFT controls and policies in place. However, the quality and comprehensiveness of such controls and policies vary among the different sectors. In addition, some FIs have insufficient human resources to effectively monitor and investigate alerts for STRs within a reasonable timeframe, especially considering the high number of alerts. As for DNFBPs, it has not been evident that there are sufficient and appropriate internal AML/CFT controls and systems in place, including those related to human resources, technology, and training.

Recommended Actions

The relevant authorities and supervisory bodies in Iraq should:

- a) Enhance the understanding of FIs, especially non-banking FIs and DNFBPs, of the ML/TF risks they face. Additionally, ensure their understanding of their AML/CFT obligations, and the implementation of a risk-based approach to take specific measures to mitigate those risks. Specifically, provide more detailed and explanatory information on the NRA results to the DNFBPs, and encourage them to conduct an appropriate self-assessment of the risks facing them.
- b) Enhance the understanding of the beneficial owner concept among certain FIs that basically depend on customer statements and all DNFBPs, including implementing measures to identify and activate continuous monitoring of transactions related to their customers.
- c) Enhancing the efficiency and effectiveness of FIs (except for banks) and DNFBPs by implementing EDD measures, particularly concerning TFS and politically exposed persons (PEPs).
- d) Maintain continuous communication with reporting entities in collaboration with the Office to enhance the quality and preparation of STRs, particularly in entities with low or no reporting, especially DNFBPs. This involves securing the necessary human resources and logistics to examine and review suspicious transactions and report them, while working to enhance the provision of feedback to reporting entities.
- e) Develop and implement specialized training programs on AML/CFT for reporting entities, specifically insurance companies, securities brokerage firms, and DNFBPs, to raise awareness of their AML/CFT obligations. Additionally, require all reporting entities to independently obtain appropriate training in this field.
- f) Ensure through audit processes that FIs and DNFBPs have effective internal AML/CFT policies and controls in place. Additionally, require FIs to effectively implement AML/CFT programs at the group level.
- g) Address the issue related to real estate brokerage sector in an integrated manner, aiming to educate and raise awareness among professionals in this field on their AML/CFT role. This should include familiarizing them with relevant concepts and risks, as well as ensuring their compliance with necessary risk mitigation measures and all related obligations.
- h) Address the status of accountants within the AML/CFT framework in Iraq, taking into account the relevant risks associated with that sector, after studying the scope of services they provide or may provide and reflect the same on their related obligations, and work to raise their awareness of these obligations, in order to achieve the expected effectiveness in the context of AML/CFT consistent with the risks related to this sector.

523. The related IO reviewed and evaluated under this Section is the IO.4, while the recommendations about the effectiveness assessment under this Section are Recommendations 9 to 23, and elements of Recommendations 1, 6 and 29.

IO4 (Preventive measures)

524. The AT relied significantly on interviews with FIs and DNFBPs in assessing the implementation of preventive measures. These entities include banks, exchange companies, e-payment companies, real estate brokers, dealers in precious metals and stones (DPMS), securities brokerage firms, insurance companies, lawyers, and certified accountants. The materiality and risks associated with these entities in the context of Iraq, including activities within the Kurdistan Region of Iraq, were taken into consideration. Banks and exchange companies that carry out money transfer services are the most important financial sectors in Iraq in terms of asset values and number and types of transactions, such as money transfer and trade financing transactions, which is reflected on the risks associated with those sectors. The other sectors, represented by e-payment companies, DPMS and real estate brokers were given a medium weight, while other sectors, especially the insurance and securities sectors, and lawyers, were given a less important weight (See Chapter 1). . As mentioned in IO.3,

there are no officially recognized virtual asset service providers in Iraq. Trading or dealing in virtual assets in Iraq is not prohibited by any legal provisions. However, the CBI has issued a warning statement prohibiting the use of cards and electronic wallets for the purpose of speculation and trading in digital currencies through banks and non-banking FIs (refer to Recommendation 15). Based on the information available to the team, there is currently no inclination in Iraq to regulate this activity and allow FIs to engage in related activities.

525. The AT found that certified accountants, although subject to AML/CFT requirements under the current law, do not actually engage in any of the specific activities outlined in Recommendation 22 (Criterion 22.1) of the FATF Methodology. However, the NRA found some risks related to this sector, even if they are low according to the NRA. The team reviewed Regulation No. 3 of 1999 issued by the Iraqi Council of Ministers, which regulates the profession of auditing and accounting, and it appeared that the mentioned law does not allow accountants to engage in activities other than preparing and auditing balance sheets and final accounts and related transactions, and other regular accounting tasks. This raises the question about the reasons that prompted the authorities for including the accounting profession within the categories addressed by the AML/CFT Law when its practitioners are unable to practically carry out such activities in accordance with the laws governing their work, even that the authorities have indicated that they have taken this as a precautionary measure to create an environment that is not conducive to ML/TF in general in the country. However, representatives of the accounting sector in Iraq have shown in interviews that they are not aware of the ML/TF risks, nor are they familiar with the obligations imposed on them under the applicable AML/CFT law. Therefore, this sector will not be referred to within the core issues below.
526. On the other hand, it should be noted that the various Iraqi authorities interviewed have indicated that the real estate brokerage profession is not subject to any sort of regulation in Iraq and that real estate brokers are not subject to the supervision of any supervisory authority, knowing that the AML/CFT law has subjected brokers to the supervision of the RERD in the AML/CFT field. However, the department has not started its supervisory tasks until the on-site visit has ended (See IO.3 below). The authorities mentioned that the contracts signed with real estate brokers have no legal value. However, the AT, through open sources, found Law No. 58 of 1987, which regulates the profession of brokerage in general, including “brokerage in legal transactions related to real estate”. According to the mentioned law, legal entities are allowed to engage in brokerage activities. Brokers, as stipulated by the law, are required to keep copies of the signed contracts for a period of five years, maintain a notarized record that includes the names of the contracting parties, the nature of the contract, its date, place, and value, and preserve the documents received from the contracting parties. These requirements fall within some elements of record-keeping measures according to Recommendation 11.
527. The activity of real estate brokers in Iraq falls within the scope of the activities included under the requirements of Recommendation 22, but it is limited to facilitating negotiations between sellers and buyers and preparing a contract for the transaction (which the broker signs with the contracting parties) in exchange for a fee. They do not handle cash or funds at all, nor do they act as representatives or agents for any of the contracting parties in the buying and selling process. As to AML/CFT requirements, they do not practically carry out any of them except those related to obtaining a copy of the customer’s identification document and keeping a copy of the relevant contracts as per their obligations prescribed by Law no. 58 of 1987, as they- as mentioned below- do not have any knowledge about the ML/TF risks or requirements. Practically, the remaining procedures related to the transfer and registration of property ownership and most aspects of relevant AML/CFT measures are carried out directly by employees of the RERDs, who have the ability to verify the sales and purchase transactions and implement some preventive measures, including the identification of the customer, the beneficial owner, suspicion reporting and implementing targeted financial sanctions. Additionally, cash deposits for property prices exceeding an amount equivalent to USD 380,000 can only be made through deposits in accounts at bank operating in Iraq. It is worth noting that the role played by the RERDs may lead to reducing the related risks to some extent, these departments are not subject to the obligations outlined in the Iraqi

AML/CFT Law, and they are not subject to supervision in this regard by any higher organizational or supervisory authority. Therefore, it is not possible to rely on the procedures taken as a replacement to what the real estate brokers are doing themselves according to the international standards and the same AML/CFT law requirements. Therefore, the AT believes that the AML/CFT responsibilities of the real estate brokerage sector are, to some extent, delegated to or distributed among multiple entities in Iraq, and only a portion of these responsibilities falls on real estate brokers (who are also required to maintain records according to the analysis above).

528. In general, the weaknesses referred to in the country's understanding within IO1, related to financial inclusion and also related to the size and nature of the shadow economy in Iraq (including the wide spread of dependence on cash, the existence of a parallel market for currency exchange, and those practicing in the financial transfers without a license), as well as understanding the risks related to corruption and the exploitation of the real estate sector to launder their proceeds, and the risks of cross-border crimes and terrorist organizations other than ISIL, have an impact on the effectiveness of understanding and the application of preventive measures by FIs and DNFBPs under all the Core Issues within this IO, even if in varying degrees. For example, the gap related to understanding the risks of corruption applies to all Core Issues with regard to subject entities as a whole, while reliance on cash will have an impact on some categories of FIs and DNFBPs, each according to their activity, although the authorities have imposed precautionary measures related to some of the risks referred to, as shown in the analysis contained in this MER. These measures do not adequately cover all relevant risks.

529. The AT findings in relation to IO. 4 are based on interviews with a sample of private sector representatives, information obtained during meetings with LEAs, supervisors, and associations, including the NRA outcomes.

Understanding of ML/TF risks and AML/CFT obligations

530. The level of understanding of ML/TF risks and the AML/CFT obligations varies significantly among the supervised entities. Generally, the NRA results were circulated to the relevant entities, including FIs and DNFBPs, at the beginning of 2023 (after the completion of the assessment process by the end of 2022). However, there is no evidence to suggest that FIs (except for banks) and DNFBPs (including those having a presence in Kurdistan Region) have actually or to a sufficient degree benefited from the outcomes of this assessment or from participating in it. This is primarily due to the delay in adopting and disseminating the final assessment results to the different relevant entities. The situation is different for banks, as they have conducted self-assessments of risks during the years 2017-2023, which has confirmed their already good level of risk understanding.

531. The limited understanding of ML risks specific to the Kurdistan region in terms of human trafficking would slightly affect the understanding of FIs, especially banks, of ML risks for various reasons. This is because all banks operating in Iraq are established by the CBI in Baghdad. Their affiliated branches in the Kurdistan region constitutes 17% of the total number of bank branches operating outside the region, and the fact that human trafficking, according to what the Iraqi authorities reported, ranks 11 among serious crimes, with relatively simple proceeds compared to serious crimes. Additionally, the Iraqi authorities have issued a guidance comprising indicators of suspicion regarding financial transactions related to human trafficking, with the aim of enhancing the ability of FIs, especially banks, to prevent the use of their products and services by those involved in this crime.

532. However, other entities responsible for implementing the preventive measures (other FIs and to a larger extent DNFBPs), they have either not completed their self-assessments to the required quality or have not completed them at all. Their understanding of the risks is primarily limited to filling out some basic questionnaires and through the participation of their representatives in meetings with the relevant authorities as part of the related initial steps of the NRA process. This has had a significant impact on the disparity in their understanding, ranging from basic to weak in most cases, and its absence in other cases (the case of real estate brokers sectors).

Financial Institutions

533. Banks (including those having a presence in the Kurdistan Region) have demonstrated a good understanding of the ML/TF risks they face by conducting self-assessments of risks and regularly updating them. The banks that were interviewed provided examples of what could pose ML/TF risks, including trade financing, foreign or non-resident clients, politically exposed persons, high-risk geographical areas, and cash transactions. Their understanding also reflected the NRA results, such as the highest risk predicate offences in the country and the most vulnerable and exploitable activities in ML/TF, including the real estate sector. Banks have generally showed an acceptable understanding of their AML/CFT obligations that they are required to implement, as some interviewed banks indicated that they depend on a set of measures for the identification of the beneficial owners regarding natural persons.
534. Exchange companies of categories A and B provide money transfer services domestically through their internal branches and internationally through globally recognized companies. They also offer foreign currency exchange services. These companies have shown a satisfactory understanding of ML/TF risks to some extent. This is because they participated in the sectoral assessment conducted by the CBI was limited to responding to questionnaires, through which they provided information in the context of that process. Exchange companies have also conducted self-assessments of risks, which have had limited findings but are considered relatively reasonable given the capabilities and technical expertise available to a large portion of these companies. They consider non-resident clients, real estate brokers, and politically exposed persons as high risks. They also perceive external transfers and high-risk border areas and countries as high-risk factors. These companies have provided examples of potential exposure to exploitation for ML/TF purposes, including the possibility of receiving external transfers from specific regions, or border regions or provinces that were previously under the control of ISIS during the empowerment period. There is also the possibility that some transfers may be related to suspicious or terrorist activities but are disguised behind legitimate activities. These companies are in the process of enhancing their understanding of the AML/CFT risks and requirements, in light of the NRA findings, in their view. Exchange companies that carry out money transfer activities, which are among the materially important and higher risk FIs, have demonstrated a basic understanding of their AML/CFT obligations that they must adhere to. However, the presence of important cases where exchange companies have been exploited for TF indicates insufficient understanding of their obligations and failure to fulfil them adequately (see IO 9). The CBI has taken action against violations by exchange companies regarding their AML/CFT obligations, resulting in the imposition of penalties, which have been published on the CBI's website. Additionally, the CBI has revoked licenses for some of these companies and published a list of their names on its website (see IO 3). These various measures indicate the need to enhance the sector's understanding of the ML/TF risks to a greater degree, which will lead to an improved performance in their compliance with the requirements imposed on them.
535. E-payment companies have a basic understanding of the ML/TF risks faced by the sector, as they were based on the low rating assigned to them according to the NRA. Therefore, they considered themselves to have no risks and provided few examples of potential exploitation for ML/TF purposes. Despite conducting a self-assessment of risks, the AT could not confirm the nature of the outputs of this assessment or the extent to which they were utilized in relation to understanding the risks of those institutions. Generally, the understanding of such companies of their AML/CFT obligations may be described as relatively acceptable in light of the low risks related to them as well as the limitation of e-payment companies in Iraq (17) and the transactions of their client are dependant and conducted through clients' accounts at banks.
536. Insurance companies have a limited and undeveloped level of understanding of the ML/TF risks faced by the sector. This understanding has been generated through the participation of some insurance companies in the limited workshops organized by the Insurance Bureau in coordination with the Office after the adoption of the NRA. Some insurance companies have conducted a self-assessment of risks, but

the outputs were limited. These companies also relied on the risk rating assigned to the insurance sector according to the national assessment, which was considered average to low, given the small size of the sector and the limited spread of insurance products in the country. Therefore, these companies consider that there are no high risks in the sector. However, one company provided an example of the potential exploitation of the insurance sector for ML purposes, specifically related to the one-time payment of a life insurance policy and then cancelling the policy and refunding the amount. These findings indicate that the understanding of risks in the insurance sector is still limited and need to be developed, although there is a slightly better understanding in some companies in this sector. On the other hand, the understanding of insurance companies of their AML/CFT obligations can be described as reasonable despite the fact as with other FIs (except basically banks) that they depend on the statements of customers in identifying the beneficial owners of the business relationship.

537. Securities brokerage firms have a moderate understanding of the ML/TF risks faced by the sector. These companies have not conducted a self-assessment of risks, but its outcomes were very limited, and their understanding of risks is not based on customer or product classifications. Instead, they primarily consider regions known for terrorism within the country as the main criterion related to risks. Additionally, these companies rely on the low-risk rating assigned to the sector according to the NRA. Therefore, they consider that they have no risks that can be exploited for ML/TF purposes. The understanding of the AML/CFT obligations by those institutions can be described as reasonable.

DNFBPs

538. In general, DNFBPs have a weak understanding of the ML/TF risks they face. The extent to which those DNFBPs benefit from the NRA outcomes is unclear to the AT, especially in sectors where high-risk ratings were assigned as part of such assessment. For example, the real estate brokers understanding of ML/TF risks in their sector and the potential for criminals to exploit it is non-existent. What reinforces this conclusion is the absence of any knowledge among them of indicators of suspicion related to ML/TF activities relevant to their operations (it should be noted that a guidance for real estate brokers that includes a set of indicators related to the sector was issued in 2023 - that is, outside the time frame of the assessment process - and did not affect their understanding, either before or during the on-site visit). Their knowledge of their AML/CFT obligations under Iraq's existing legislation is also lacking, since it was limited only to keeping documents and papers that they receive from the contracting parties. In light of the risks of the real estate sector in Iraq as per the NRA, the lack of real estate brokers' awareness of the ML/TF concepts, as well as their non-understanding of the sector's risks have significant effect represented in not dealing with those risks appropriately.

539. DPMS have a very limited understanding of ML/TF risks. The AT did not observe a positive impact of the NRA results on dealers' understanding of the threats facing this sector and transactions suspected of involving ML/TF, particularly concerning the trade of gold bullions and other precious metals.

540. Lawyers have a limited understanding of ML/TF risks. They perceive themselves as not being exposed to these risks, except in cases related to high-risk geographic areas from a security perspective or individuals involved in activities outside their declared business activities and counterfeit currency. Certified accountants have no knowledge of AML/CFT requirements in Iraq, including an understanding of ML/TF risks. However, their limited engagement in activities falling under the FATF standards in Iraq reduces related risks. In general, the understanding of DNFBPs of the AML/CFT requirements that they need to implement varies between basic, as in the case of lawyers and DPMS, and almost non-existent, as in the case of real estate brokers.

Application of risk mitigating measures

Financial Institutions

541. In general, banks in Iraq reasonably apply measures proportionate to the specific ML/TF risks identified in national and sectoral risk assessments. This allows them to take basic steps to mitigate the high risks they face, including transactions related to foreign trade finance and those involving higher-risk countries and customers. The classification of customers, services, products, and geographical regions by banks has enabled them to implement risk-mitigation measures. This includes EDD procedures and continuous monitoring of those operations based on RBA scenarios for the sector, although these institutions had no role in developing these scenarios, they were developed by the CBI based on the sectoral assessment of banks and required banks to implement them. Some banks require approval from the Compliance Department to establish a business relationship with a client, and in some cases, for any transactions, such as those involving NPOs or commercial transactions. Additionally, banks regularly update customer data for high-risk clients annually, medium-risk clients every two years, and low-risk clients every three years. Banks also verify the activities of legal entities before establishing business relationships with them. They do this by conducting field visits to companies' locations or warehouses to verify their actual existence and their engagement in the declared activities.
542. Currency exchange companies undertaking money transfer activities take reasonable measures to mitigate ML/TF risks to some extent, especially regarding the foreign transfers through reducing the threshold of transfer to approximately USD3,000, verifying the accuracy of the client's POA through a barcode system approved by notaries, and increasing Compliance Department inspections at branches with higher risks. Companies also track transfers when they are fragmented. They sell dollars to customers traveling (for study or treatment) after verifying their visa, residence permit, or work permit. Additionally, they use an electronic system to monitor transactions after identifying and categorizing risks based on transactions and geographical areas. These measures are not sufficiently proportionate to the entire sector's risks, considering the case studies and the cases in which there were TF convictions involving several companies in this sector, despite the applied measures (albeit limited) and the inspections targeting branches with high risks, especially concerning foreign transfers.
543. As for the rest of the non-bank institutions (e-payment companies, insurance companies, and securities brokerage firms), their applied measures are limited to implementing CDD measures based on customer and geographical risks and screen customers' names against local and UN lists. They also monitor transactions using electronic systems to track and prioritize alerts based on risk assessment. The AT believes that these measures fall under the scope of CDD measures. However, the measures applied by securities brokerage firms, such as setting a limit for deposit and withdrawal transactions not exceeding USD10,000 per day, are considered one of the elements of EDD measures, despite being limited, to mitigate risks. Given the low materiality and risks associated with those sectors in the context of Iraq, the measures taken by the concerned FIs can be considered reasonable.

DNFBPs

544. The application of DNFBPs of risk mitigation measures is quite similar. These measures are primarily limited to applying CDD procedures and scanning customer names against national and international lists. In addition, DPMS apply CDD measures when sales exceed \$10,000, which is lower than the international standard (Recommendation 22) of USD15,000, based on instructions from the AML/CFT Council. Regarding lawyers, there are no specific measures taken for risk mitigation purposes. They rely on their experience in dealing with clients, often refusing to work with clients engaged in activities that appear to deviate from their declared business. Real estate agents, on the other hand, only keep records (as per the above analysis) without applying any EDD measures based on client risks (such as the client's activity, non-residency, etc.).

Application of CDD and record-keeping requirements

545. Generally, FIs apply sufficient measures regarding CDD measures, record-keeping, and ongoing monitoring of customer transactions. The FIs generally use reliable sources to verify the identity of their customers, such as various national identity documents (ID cards, residential cards, ration cards), without relying on third parties. They also refuse to enter into business relationships or execute transactions if they cannot complete CDD measures to a reasonable degree.
546. As for identifying the beneficial owner, FIs typically rely in most cases on the customer's declaration (for clients who are natural persons) that they are the beneficial owner through the KYC form. However, this approach may vary depending on the type of financial institution. Banks and exchange companies, for instance, turn to the CRD to ensure ownership details for corporate clients with a 10% or higher stake. Additionally, managers of legal persons are also verified in this process. It should also be noted that exchange companies have very limited dealings with legal persons.

Financial Institutions

547. Banks have a good and advanced understanding of the CDD requirements. They identify customers both individual and legal entity and understand the nature and purpose of the business relationship. They also verify the identity of customers using official and reliable documentation, whether domestic or foreign, after confirming the validity of foreign documents through relevant authorities. They check for potential matches against national and international lists in their electronic systems, which are continuously updated to comply with targeted financial sanctions (the compliance with the targeted financial sanctions requirements is described in the related Core Issue).
548. Banks have a good understanding of the concept of the ultimate beneficial owner and have suitable systems and controls that allow for the identification of the beneficial owner. Banks do not rely solely on the client's declaration for identifying the beneficial owner's identity but extend it to the use of independent sources to verify the information provided by the client, whether it is a natural or legal person. Some banks also refuse to establish or continue business relationships if the requirements for identifying the beneficial owner or other CDD requirements are not met. Banks also examine various documents related to their customers of legal entities, such as memoranda of incorporations (MOIs), shareholder information, and annual financial statements. They do this both when initiating business relationships and when updating customer data. This may lead to a change to the risk rating of the customer and, consequently, the monitoring of their transactions through automated systems designed for that purpose as well.
549. The authorities reported that the number of fines imposed during the period 2018-2022 was 300 fines totalling approximately 180 billion IQD, with an average of 600,000 IQD per fine (approximately US\$450). The authorities provided statistics of all fines imposed against banks during the period in question for violating the obligations of the AML/CFT Act and other obligations as well, but these statistics did not clearly indicate the type of violations involved.
550. Exchange companies have procedures in place to identify customers, including verifying the authenticity of customers' identification documents through a reliable and independent official source. They also ensure compliance with the updated national and international sanctions lists through the notification system on the Office's website. Additionally, they request customers who wish to transfer money to provide documents regarding the beneficiary's name, the source of the transferred funds, and the purpose of the transaction. The records of transfer operations are kept for a period of 5 years after the completion of the transaction. Furthermore, if a company is unable to complete the necessary CDD measures, they refuse to establish a business relationship and terminate any existing one.
551. Based on the above analysis, banks and exchange companies have previously submitted STRs to the Office involving situations in which it was not possible to implement due diligence measures towards customers to a somewhat satisfactory extent. The number of STRs received from banks and exchange companies reached respectively 132 and 167 STRs, divided between situations in which it was decided

to refuse to establish a business relationship (97) and (123) and situations in which it was decided not to carry out a transaction (35) and (44).

Table No. (5.1) Number of STRs received by the Office from FIs for non-completion of due diligence measures:

| Reporting entity | Total number of STRs | Reason for reporting | |
|--------------------|----------------------|--|------------------------------------|
| | | Refusal to establish business relationship | Refusal to carry out a transaction |
| Banks | 132 | 97 | 35 |
| Exchange companies | 167 | 123 | 44 |

552. Other FIs such as e-payment companies, securities brokerage firms, and insurance companies have KYC procedures in place to identify natural and legal persons. They verify their identity through the customer’s identification documents and identify the beneficial owner. They also check whether the customer is designated on national and international sanctions lists. These institutions maintain records and refuse to establish or terminate a business relationship if they are unable to fulfil the requirements of CDD measures. The understanding of these institutions regarding the concept of the BO is largely primitive. Discussions with these institutions did not reveal a deeper understanding or precise practices related to understanding the legal persons’ risk structure, including their BOs. On the other hand, the continuous monitoring of customer transactions by these institutions can also be described as primitive. This is usually done, except for insurance companies, through electronic programs designed for this purpose. However, the effectiveness of these systems and the process of continuous monitoring, in general, do not seem to be sufficiently effective. This is evidenced by the significant lack of STRs from these institutions during the assessment period, even though the sectors to which these institutions belong are not highly developed in Iraq.

553. All FIs sufficiently maintain records and information related to customers and transactions, including copies of identity verification documents and customer identification documents for natural and legal persons, and beneficial owners. These records are updated as needed and kept for a period of at least five years after the completion of transactions or termination of the business relationship. Sometimes, supervisory authorities may draw attention to cases where FIs have minor deficiencies in information or outdated documents during onsite inspections, without imposing penalties in this regard. Despite the information gathered during interviews with some FIs, statistics reviewed by the AT indicate that the CBI has imposed penalties related to violations of CDD obligations during the period 2018-2022, amounting to 361 violations detected during onsite inspections and 1,318 violations during offsite inspections.

DNFBPs

554. Generally, the level of application of DNFBPs of the specific requirements of CDD and record-keeping measures varies. For DPMS, customer identification procedures are limited to requesting documents and proof of identity from the customer. As for real estate brokers, they verify the identity of customers by only obtaining copies of identification documents from the seller and buyer, and manually keeping them. They justify this by their limited role and reliance on RERDs to complete CDD procedures for all real estate transactions, as well as the requirement to deposit the prices of properties (exceeding the value of \$380,000) with banks that verify the sources and legitimacy of funds. Despite the validity of these procedures, it has become evident that real estate brokers do not take the required measures as mandated by the law, such as the beneficial owner identification and verifying the non-listing of the customer or the beneficial owner on domestic or UN sanctions lists upon customer identification and verifying whether the customer or persons that they are associated with are PEP, regardless of the existence of other state-level measures to mitigate related risks. This undermines the value of these legal

obligations and leads to a failure to take all possible measures to address risks in the real estate sector, which is considered high-risk as per the NRA outcomes.

555. The real estate brokers have indicated that the majority of their transactions are with natural persons. However, it appears that the concept of the beneficial owner is unclear or even unknown to the brokers when it comes to individuals, as well as the concept of the beneficial owner of legal persons when brokers deal with them in the context of facilitating real estate transactions. The brokers also stated that they retain documents and verify the identity of their clients without a specific time limit. However, due to the lack of oversight regarding AML/CFT aspects, it is not possible to verify whether this is indeed the case.

556. Lawyers have a basic understanding of the CDD requirements towards both natural and legal persons. They request all relevant documents related to identifying clients and beneficial owners, whether they are natural or legal persons. They also monitor updates to national and international sanctions lists through the notification system on the Office's website, ensuring that the names of clients and beneficial owners are not listed before commencing any business relationships with them during the client identification phase. Lawyers have stated that they are committed to keeping records and identity verification documents of clients and beneficial owners throughout the duration of their dealings with clients, and they retain this data without a specific time limit. As previously mentioned, accountants do not take AML/CFT measures due to the fact that the activities performed by accountants in Iraq are not included in the activities covered by the FATF standards.

Application of EDD measures

Financial Institutions

557. The implementation of EDD requirements varies among FIs. Banks tend to have better implementation of these requirements compared to other institutions due to their experience, relatively advanced tools, and well-established procedures in this field. FIs use electronic systems to periodically screen the names and data of their clients or potential clients against commercially available databases to identify politically exposed persons and high-risk individuals. In cases where a potential client or beneficial owner is listed on politically exposed persons lists, approval from senior management is obtained before starting a business relationship. The same applies to clients whose characteristics change after assuming prominent public positions. Banks also use these systems to verify the designation of client or potential clients on lists of persons subjected to targeted financial sanctions (UN or national lists) and higher-risk countries, taking appropriate actions such as refusing to initiate a business relationship, freezing funds, and reporting to relevant authorities, and preventing the provision of funds and services as necessary. For other FIs, the implementation of EDD requirements can be somewhat satisfactory.

Politically Exposed Person (PEP)

558. For politically exposed persons, FIs have a good understanding of the relevant requirements and classify both domestic and international PEPs as high-risk individuals. However, in practice, there is no actual differentiation in dealing with this category of clients, whether they are domestic or foreigners. Most FIs consider domestic PEPs to be of greater concern due to the sensitivity of the political situation in Iraq. Generally, banks obtain additional documents or information to determine the source of funds and verify them and take other enhanced measures such as continuous monitoring and senior management approval. However, there is no information available on how banks verify the source of wealth, and verifying the source of funds poses a challenge for some FIs (basically institutions other than banks).

559. In addition, identifying whether potential or existing customers or beneficial owners are family members of PEPs or closely associated with them relies on the knowledge of financial institution employees about the client or beneficial owner, or through recognizing the family name and its connection to political figures (primarily Iraqi) or directly asking the client about their association with a PEP as the beneficial owner. However, this approach is less effective in all cases to meet the requirements of the EDD measures for this category, especially in

the case of non-Iraqi clients or beneficial owners and considering the lack of specific criteria for determining the degree of kinship between the client or beneficial owner and political figures within the regulatory framework of any financial institution.

Correspondent Banking

560. Banks are aware of the risks associated with correspondent banking and implement EDD measures regarding AML/CFT requirements, shareholders, and the level of control in the correspondent bank. They use various tools, including correspondent banking CDD questionnaires, to ensure compliance. Banks refrain from dealing with FIs in countries subject to sanctions. Additionally, they do not act as correspondent banks and do not maintain correspondent accounts for respondent banks, including payable-through accounts.

New technologies

561. Regarding new technologies, banks and e-payment companies analyse new products and services (such as mobile payment services, delivery channels, and electronic wallets) within the framework of AML/CFT risks before adopting and launching them in the market, as they are required to obtain approval from the CBI to introduce such products or services based on a relevant risk assessment. Although the FIs interviewed by the AT have reported that they have not introduced any new types of products or services since obtaining their license to operate and commencing their activities, they have stated that their policies require such assessments if they intend to introduce new products or services, in line with CBI requirements.

Targeted Financial Sanctions

562. FIs verify customers and beneficial owners' designated on the sanctions lists before initiating a business relationship with the client. They also conduct daily checks and update the relevant lists through electronic systems in most cases and by referring to the local list published on the Office's website. Additionally, banks have more complex policies and procedures to manage risks and deal with targeted financial sanctions. In addition to the sanction list of the CFTF, banks, exchange companies and e-payment companies usually check names against other relevant international financial sanctions lists. As for other FIs, they have a lesser and uneven understanding of the risks associated with sanctions. Some of them have less advanced mechanisms to comply with sanctions, using the electronic notification platform which was introduced in the year of 2022 (such as insurance companies). In the case of a positive match, FIs freeze the funds and submit an STR to the Office. The institutions that were interviewed reported no cases of positive matches and false positives.

Wire Transfers

563. Exchange companies and banks execute wire transfers after scanning the sending and receiving parties against local and international sanctions lists in accordance with the requirements of wire transfers and ensure that the relevant information is included in the transfer messages. Banks and exchange companies also use advanced systems to verify that the parties involved in the transfer are not individuals subjected to targeted financial sanctions, whether at the UN or domestic level. However, the AT has reviewed several cases in which the CBI discovered violations related to many banks executing suspicious transfers where all the required information and data for the transfer were not taken into account. This prompted the CBI to ban several banks on more than one occasion from engaging in external transfers or foreign exchange, indicating that banks in previous periods did not adhere to the important requirements regarding external transfers. As to exchange companies that provide money transfer services, some of those companies were misused as mentioned above in ML/TF activities, which indicates their failure to adequately implement their due diligence obligations in general to a good extent. It should be noted that in 2023, the CBI established a system for monitoring all transfers, following the repeated discovery of such cases, so that no transfer can be processed if all the required data is not completed. As a result, the CBI has reduced the risks of banks and exchange companies providing money transfer services being exploited in suspicious transactions through financial transfer services. However, this

does not negate the need for banks and exchange companies to take their part, especially in terms of verifying the accuracy of transfer data and not just their completeness.

Higher Risk Countries

564. In general, FIs in Iraq adequately monitor higher-risk countries. In addition, all transfers are conducted through the CBI, and they are subject to thorough supervision and control and hence are subject to scrutiny by the parties of the transactions and the countries they are domiciled in. FIs usually refuse to establish any relationships with sanctioned countries. Additionally, all FIs have a sufficient level of awareness regarding higher-risk countries, through training and awareness activities they participate in or receive. This awareness also includes the geographical risks faced by Iraq. Furthermore, FIs classify clients based on several criteria, including nationality and location, whether they are legal entities or individuals. They also pay attention to the source and destination of transfers and related operations, including commercial transactions and parties involved. In such cases where transactions involve higher-risk countries, they apply enhanced measures for identifying the customers and beneficial owners including shareholders and managers of legal persons.

DNFBPs

565. Generally, the application of EDD measures for DNFBPs is insufficient in the case of lawyers and weak for other entities. These entities have not demonstrated a proper understanding of the concept of politically exposed persons and higher-risk countries, nor have they taken any actions regarding them. Their implementation of targeted financial sanctions appears to be very limited in terms of accessing the Office's website. Additionally, a large number of these DNFBPs remain unregistered on the Office's electronic notification platform regarding the circulation of international and local sanctions lists. DNFBPs do not deal in modern or advanced technologies but rather in traditional methods for both providing the services and in the collection of fees and charges for their products and services.

Reporting obligations and tipping off

Financial Institutions

566. FIs supervised by the CBI (banks, exchange companies, and e-payment companies) have automated systems to monitor financial transactions of both natural and legal persons. These systems, based on various scenarios, monitor transactions that may involve ML/TF suspicions and alert users of these systems in branches and central management to comply with AML/CFT requirements regarding those transactions. All banks, exchange companies, and e-payment companies use a set of standardized scenarios developed and disseminated by the CBI. The number of these scenarios has increased to 56 for banks for example after the completion of the sectoral assessment conducted by the CBI. Previously, the number of scenarios was 34. None of the institutions that were interviewed have developed additional scenarios based on the self-assessments conducted by them, which indicates that these institutions do not have sufficient expertise to develop scenarios which could be more specifically tailored to their own risks and more conducive to the identification of suspicious transactions.

567. Reasonable human resources are available to the aforementioned institutions, especially banks, enabling them to reasonably monitor their customers' transactions. Each branch of these institutions has a designated liaising officer who has been trained to use the automated systems for monitoring transactions. They initially examine the alerts generated by these systems, and then the employees of the AML/CFT central departments in these institutions review the decisions made by those employees, whether to close the alerts due to insufficient grounds for suspicion or to escalate them based on valid reasons. It is deduced from the large numbers of archived daily alerts with the low number of STRs submitted to the Office in general that the compliance units of some banks in particular are keen not to file defensive reports to maintain the quality of STRs. On the other hand, some other FIs generally lack adequate human resources, such as insurance

companies and securities brokerage firms, where a limited number of employees working in their AML/CFT departments who need more expertise in this domain.

568. FIs do not notify or tip-off the client of any suspicion regarding financial transactions attributed to them or reported to the Office. The interviewed institutions have stated that in case there is any doubts about informing the client of the suspicion (when making inquiries or requesting additional information), they do not request further information and immediately notify the Office of their suspicions, providing them with the available documents and data. They also stated that the specialized employees were educated about requesting information in this regard.

569. Overall, FIs (supervised by the CBI) have a good level of awareness of STR and tipping-off obligations in comparison to other FIs. This is evidenced by the number of STRs filed with the Office. According to the table below, there is an increase in the number of STRs submitted by banks during the year 2022, reaching 430 STR, compared to previous years. This increase is attributed to the banks being connected to the electronic reporting system. On the other hand, the number of STRs from exchange companies has decreased during the year 2022. The number of STRs submitted by e-payment companies to the Office ranges from 10 to 30 STR per company.

Box No. (5.1)

A case study regarding a STR from an exchange company

Case description:

The Office received a STR from a Company (H Exchange), involving their customer having presented an Iraqi passport for the purpose of transferring the sum of USD 7,400 to Turkey. After the transaction was completed by the relevant employee of the above company, the customer requested the execution of another transfer for (10,032,000) IQD and presented a second Iraqi passport different from the one used when the first transfer was executed.

Actions taken by the Office: The Office's searched and accessed all relevant databases:

- The Directorate of Passports and Residence advised of the validity of having issued the two passports mentioned above.
- Western Union advised that the said customer executed and received transfers through their company.

Results reached:

- The client executed two transfers for USD (7,400) and (10,032,000) IQD, and the second transfer was not processed and canceled by the company executing the transfer because the customer presented a second passport that differs from the first passport used when the first transfer was executed.
- The said customer executed transfers through a (money transfer) company and received (3) transfers from abroad.
- The customer used both passports to carry out external transfers, possibly for concealment purposes and engaged in suspicious transactions without being aware of the destination of the funds.

Legal procedures: The said person was referred to LEAs for further investigation.

Box No. (5.2)

A case study regarding a STR from a bank

A STR was received from one of the FIs that their client, company (A.A.) and its authorized director (W.M.), executed external transfers through their bank totaling USD 21 million over a period of two years for importing chemical materials. After taking due diligence measures by the bank, the company failed to provide sufficient evidence proving the full source of funds resulting from the financial transactions it carried out, which necessitated submitting an STR to the Office.

By accessing the Office's databases, it was revealed that the personal data of the authorized director of the above company matches that of that of an individual involved in corruption cases under investigation. The Office contacted the bank to place the client's account under strict monitoring and to report any financial transactions, while asking the client to provide evidence in support of the sources of the transferred funds. The Office found that part of the sources of funds is derived from checks issued by one of the state departments, which reinforces the presence of suspected corruption.

After expanding the investigation procedures, it became clear that the owner of the transferring company is among persons benefiting from checks withdrawn on the account (allocation/A) and owns all the shares of the said company. Likewise, investigation by the competent authority revealed that the customs permits do not correspond to the volume of the transferred amounts. The Office suspended the financial transactions on the account in accordance with the provisions of Article (9/First/C9) of the AML/CFT Law No. 39 of 2015 and requested the competent court to block the account until the procedures are completed. The counterpart FIU was approached and advised of the destination of the transferred funds, their beneficiaries, and any information available in their databases. The response indicated the existence of bank accounts and properties. It was found that there were (5) properties in upscale areas of Baghdad owned by them (the authorized director) and their family members, acquired during the period of the said corruption case.

Based on the above, a report was referred to the competent court. The court placed a freeze on the company and the properties and sent an MLA to the UAE. A decision was issued to link the case to the corruption case and freeze the properties valued at (8.2) billion IQD. Also, the decision required sending an MLA to the recipient country of the transfers.

570. Despite the relatively better awareness of the institutions supervised by the CBI regarding their obligation to report, the number of ML related STRs submitted by banks and exchange companies during the assessment period (2018-2022) is considered extremely low (see table 5.1 below) compared to the total number of relevant institutions (74 banks - 560 exchange companies - 17 e-payment companies). This conclusion applies to STRs related to TF, given Iraq risk profile, even if Iraq regained its control over the territories controlled by ISIL at the end of 2017, as the possibility of exploitation of the financial sector by terrorists and terrorist financiers cannot be completely ruled out. What reinforces this analysis is that the CBI observed during onsite inspections some violations related to the reporting process, especially by exchange companies whose activities pose higher ML/TF risks (refer to table 5.2 below and also the IO.3 result below for more detail). Broadly, the number of STRs received by the Office is low; however, the types of crimes subject of the STRs is reasonably consistent to a certain extent with the crimes identified in the NRA (see table 5.2.2 below), noting the relatively small number of STRs from institutions subject to the reporting obligation regarding some important crimes (for example, 88 STRs related to TF)

571. The quality of STRs submitted to the Office by entities subject to the reporting obligation can be judged based on the number of STRs (2114 STR, including 2026 STRs related to ML, predicate offences and 88 TF related STRs) and the number of the Office's referrals of files to the PP based on sufficient grounds for suspicion. Thus, the quality of STRs is considered acceptable. It is noted that STRs received from banks are of good quality and better than those received from exchange companies, which indicates the need to raise the quality of STRs received from exchange companies in particular. Additionally, there are cases in which the Office informed the CBI of the poor quality of STRs received from institutions subject to its supervision, with the aim of coordinating on raising the quality of STRs by the relevant institutions.

Table No. (5.2.1) of the number of STRs on ML suspicion, related predicate offences, and TF sent by institutions supervised by the CBI to the Office during the period between 2018-2022.

| STRs related to ML and Predicate Offences | | | | | | |
|---|------|------|------|------|------|-------|
| Entities | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| e-payment companies | 1 | 1 | 13 | 59 | 38 | 112 |
| Money transfer companies | 5 | 3 | 437 | 397 | 428 | 1270 |
| Currency exchange companies | - | - | - | - | 14 | 14 |
| Non-bank FIs total | 6 | 4 | 450 | 456 | 480 | 1396 |
| Banks total | 158 | 143 | 110 | 135 | 82 | 628 |
| Lawyers | 0 | 1 | 0 | 0 | 1 | 2 |
| Individuals | 4 | 11 | 8 | 7 | 8 | 38 |
| STRs related to TF | | | | | | |
| Entities | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
| Money transfer companies | - | - | 31 | 21 | 9 | 61 |
| Banks | 9 | 7 | 5 | 4 | 2 | 27 |

Table No. (5.2.2) shows the breakdown of all reports received by the Office according to the predicate offences (from all parties, including the Iraqi authorities)

| Predicate offence | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|--|------|------|------|------|------|-------|
| Corruption | 35 | 27 | 18 | 6 | 8 | 94 |
| Custom evasion | 1 | 3 | - | - | - | 4 |
| Fraud | 8 | 15 | 19 | 22 | 28 | 92 |
| Trafficking in antiquities | 1 | 1 | - | - | - | 2 |
| Terrorist financing | 10 | 15 | 46 | 31 | 13 | 115 |
| Extortion | 1 | 1 | 3 | 4 | 1 | 10 |
| Regulatory violations leading to suspicion | 3 | 2 | 1 | - | - | 6 |
| Forgery | 19 | 18 | 21 | 16 | 14 | 88 |
| Cheque endorsement | 8 | 8 | - | - | - | 16 |
| Suspicious transactions (suspicious deposits + income level + nature of activity or profession + value of invoices + suspicious transfers + failure to provide justifications for conducting financial transactions + providing false information, etc...) | 14 | 125 | 542 | 575 | 529 | 1911 |
| Drug trafficking | - | - | 1 | 1 | - | 2 |

| | | | | | | |
|--------------------|-----|-----|-----|-----|-----|------|
| Gambling | - | - | - | 2 | 1 | 3 |
| Tax evasion | 1 | 3 | - | | 2 | 6 |
| Virtual currencies | - | - | - | 2 | 3 | 5 |
| Total | 227 | 218 | 651 | 659 | 599 | 2354 |

Table No. (5.2) illustrating the violations discovered during the CBI’s inspections to the supervised FIs for non-compliance with reporting requirements (establishing appropriate systems to monitor and regularly update unusual transactions and promptly report suspected activities).

| Banks | | |
|--------------------|--|-------------------------------------|
| Year | Suitable systems to detect and update unusual transactions | Reporting the suspicion immediately |
| 2018 | 2 | No reporting for suspicious cases |
| 2019 | 1 | No reporting for suspicious cases |
| 2020 | - | No reporting for suspicious cases |
| 2021 | 1 | No reporting for suspicious cases |
| 2022 | - | / |
| Total | 4 | / |
| Exchange companies | | |
| Year | Suitable systems to detect and update unusual transactions | Reporting the suspicion immediately |
| 2018 | 0 | |
| 2019 | 0 | |
| 2020 | 0 | |
| 2021 | 18 | |
| 2022 | 20 | |
| Total | 38 | |

572. Other FIs (not supervised by the CBI) have a basic awareness of monitoring and reporting suspicious transactions, as well as the requirements for suspicious transactions and alerts. However, the experience of some of these institutions in the field of monitoring and analysing transactions is considered very limited despite the fact that the relevant requirements have been imposed by legislation for a long time. The lack of reporting of suspicious transactions by insurance companies and securities trading brokerage firms for extended periods is a clear indication that there is a need to raise the efficiency and effectiveness of this process in practice within those institutions. Although the Stock Exchange submitted 50 STRs during the assessment period, this does not exempt securities brokerage firms from implementing their obligations related to the reporting requirement.

573. FIs that were interviewed and submitted STRs to the Office indicated that the feedback by the Office only confirmed the receipt of the STR, without any additional information on the outcome of the case. This indicates that there is some deficiency in the quality of feedback

needed by the reporting entities, which can affect the ability of these entities to submit higher-quality STRs in the future. Despite the information provided by the interviewed FIs, the authorities showed the AT some good examples of feedback provided by the Office to reporting entities. Additionally, it was noted that with the use of the electronic reporting system, feedback is provided automatically.

DNFBPs

574. In general, and except for lawyers, who demonstrated some basic understanding, DNFBPs are not sufficiently aware of their obligations regarding reporting requirements (or not aware at all, as in the case of real estate brokers), and they have not taken any actions to detect suspicious transactions and report them to the Office in case of ML/TF suspicions. Except for one STR from a lawyer, there were no STRs filed by the DNFBPs sector. The almost complete absence of reporting by the DNFBP sector represents a noticeable gap in the implementation of preventive measures related to the reporting obligation. This has deprived the Office the opportunity to benefit from the information that could have been provided by the said entities in support of its operational needs.

Internal controls and legal/regulatory requirements impending implementation.

FIs and DNFBPs

575. In general, FIs have basic policies and procedures and rudimentary frameworks for internal controls. However, non-central bank regulated FIs have some deficiencies, such as not conducting timely audits or implementing policies that are not sufficiently aligned with AML/CFT controls in the country.

576. Banks and exchange companies have better AML/CFT programs and internal controls compared to other FIs. This includes implementing AML/CFT policies, appointing a compliance officer at the management level, conducting employee screenings, having an independent audit unit, and providing training programs for employees in various departments of the banks to comply with AML/CFT requirements. On the other hand, the internal systems of other non-bank FIs are still in less advanced stages, including weak policies. As for FIs belonging to financial groups, one institution that was interviewed has programs and policies at the group level, including arrangements for information sharing without violating data privacy rules.

577. Regarding recruitment and competence standards, all FIs have good criteria for selecting employees, including verifying background checks, academic and professional qualifications, and technical competence. The AT observed that a large number of employees in AML/CFT departments of FIs have good academic backgrounds and specialized professional qualifications. They also have suitable experiences to carry out the responsibilities of compliance, with some of them having more than 10 years of experience.

578. On the other hand, the human and technical capacities of bank vary between banks and other FIs. While some of the sectors to which these institutions belong may currently pose lower risks, such as insurance companies and securities brokerage firms, the AT has identified the need for these institutions to enhance their capacities to meet their AML/CFT obligations. This is particularly important regarding training on ML/TF methods, especially considering that Iraq appears to be on the verge of economic opening and revitalization in the coming period, owing to the increasing security and political stability it is experiencing. This may expose FIs of all types to further risks that require the completion of their internal frameworks and controls.

579. None of the DNFBPs have virtually any AML/CFT policies, procedures, or written controls, except for relying on some controls that have been issued by some regulators of those sectors. They do not take any clear actions during recruitment, except that DPMS subject their employees to security reviews before carrying out their duties to ensure that their files are free of misdemeanours or crimes. On the other hand, lawyers are subject to the usual requirements related to joining the Bar Association in order to practice various activities such as law and company formation. None of the DNFBPs interviewed have undergone any internal training in the AML/CFT field.

580. **Overall conclusion on IO.4:** Banks, which constitute the most part of the financial sector, have a good understanding of the ML/TF risks. However, the remaining FIs have varied levels of understanding of the risks, ranging from average to moderate. Exchange companies have a basic understanding of the risks and are classified as high-risk in the NRA. While banks and exchange companies implement somewhat satisfactory measures to reduce risks, other FIs under the supervision of the CBI take measures to mitigate risks but they are insufficient. The banking institutions apply KYC measures and keep records satisfactorily, but the understanding and practise of other FIs regarding KYC measures and BO identification and conducting ongoing monitoring need improvements. Regarding EDD measures, they are specifically and properly applied for correspondent banking, higher-risk countries, and politically exposed persons without a clear mechanism to verify their wealth sources and close associates. The application of CDD and EDD measures by the other FIs varies and is generally insufficient, especially when it comes to implementing TFS and dealing with PEPs. On the other hand, banks and exchange companies are the most compliant in reporting to the Office. There remains a need to enhance the quality of feedback related to STRs, which would positively impact the quality of STRs. Overall, the number of STRs sent to the Office is low, and there are some remarks regarding their quality and consistency with the most serious risks and crimes in Iraq to a sufficient extent. Moreover, banks have good internal controls and procedures. However, the remaining FIs have insufficient internal controls.
581. The DNFBPs' understanding and application of relevant AML/CFT obligations, particularly regarding beneficial ownership requirements, record-keeping, EDD measures, reporting, internal procedures for compliance, and targeted financial sanctions, is considered clearly weak, especially in terms of reporting, as there is an almost complete absence of STRs from all categories of DNFBPs.
582. **Iraq achieved a Moderate level of effectiveness for IO.4**

Chapter 6: Supervision

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 3

- a) The CBI verifies (for banks and financial service companies) the reputation and non-conviction of shareholders and managers and the extent to which they are associated with criminals. This is carried out upon incorporation or as necessary when any amendment is made to the ownership or management structure. The CBI also conducts ongoing screening of their names against the domestic and UN sanctions lists. The fit and proper tests applied by ISC are considered insufficient for being limited to the shareholders and managers, to the exclusion of the BOs of the controlling interests, adding that the reputation of the shareholders, managers and BOs is not verified, nor the extent to which they are associated with criminals. The measures applied by the ID are not always satisfactory for failure to regularly screen the names of shareholders, BOs and managers against domestic and UN sanctions lists to ensure that they are still fit and proper.
- b) The mechanisms for examining the names of shareholders, managers, and BOs of the controlling interests on the UN and domestic lists are limited and recent, for all DNFBP licensing authorities, and DNFBP supervisors do not have sufficient measures to determine the BOs of the control interests, with no fit and proper requirements for real estate agents.
- c) There is an acceptable cooperation between the CBI and LEAs to identify unlicensed money or value transfer service (MVTs) providers, while the sanctions applied to violators are not considered proportionate or effective, and there are no effective mechanisms in place to identify unlicensed or unregistered virtual asset service providers (VASPs).
- d) The CBI conducted a sectoral assessment of ML/TF risks in the sectors subject to its supervision with the exception of e-payment companies. The sectoral assessment allows the CBI to develop a continuous understanding of threats and vulnerabilities in the sectors subject to its supervision (except for e-payment companies). The ISC has a satisfactory level of understanding of the ML/TF risks to which securities brokerage firms are exposed to, unlike the ID, whose understanding of risks is still modest, as it has not yet conducted a sectoral assessment of the risks of insurance companies, while the DNFBP supervisors' understanding of risks remains very limited.
- e) Risk-based supervision varies among supervisory and regulatory authorities of the banking and non-banking sectors. The CBI, risk-based supervision is good, and the CBI took some measures to develop a risk-based supervisory approach after updating the risk matrix for banks and exchange companies but not for e-payment companies. The risk-based approach of the ISC and the ID, however, remains undeveloped. Although the inspections conducted by the ISC and the ID covered all companies classified as high-risk, they are not applied using the risk-based approach.
- f) DNFBP supervisors do not apply a risk-based approach to supervision, while some of them started in 2022 to include in their inspections few AML/CFT components. Among the reasons for not applying the RBA is that the NRA covered the period 2018-2020 and the outcome of the sectoral assessments for DNFBPs carried out as part of the NRA came in general form and was not supplemented by sectoral assessments to deepen supervisors' understanding of the ML/TF risks, especially for 2021-2022.
- g) The CBI applies a range of sanctions which are considered effective, dissuasive, and proportionate to the deficiencies identified. The sanctions applied by the Financial Regulatory Authority are not considered effective, proportionate, or dissuasive, which had a negative

effect on the securities brokerage firms' compliance with the AML/CFT requirements. No sanctions were applied by the ID and the DNFBP supervisors, which affect the compliance of the relevant sectors with the AML/CFT requirements.

- h) The efforts and measures taken by supervisors vary with respect to raising awareness and enhancing compliance of subject entities with the AML/CFT requirements, as the efforts exerted by the CBI toward exchange companies remain limited and need to be developed, also the efforts made by DNFBP supervisors are considered limited and did not help promote a clear understanding of the obligations related to AML/CFT and relevant risks.

Recommended Actions:

- a) The regulatory/supervisory authorities, each within its competences, should take appropriate measures to prevent criminals or their associates from holding controlling interests or assuming management functions in the non-banking financial entities and DNFBPs, as follows:
- 1- The ISC: should apply fit and proper tests upon incorporation and regularly after incorporation, especially regarding BOs of controlling interests, provided that these tests include verifying the reputation of shareholders, managers and BOs and the extent to which they are associated with criminals.
 - 2- The ID: should develop mechanisms to identify the BO and apply fit and proper tests on a regular basis to verify that shareholders, BOs and managers are still fit and proper; this also applies to the frequency of having their names screened against the domestic and UN sanctions lists.
 - 3- DNFBP regulators and supervisors: should adopt and activate clear practical procedures to ensure that fit and proper tests are applied to all managers, shareholders and BOs of controlling interests, prior to market entry/appointment, and on a regular basis, mainly upon any change in the management or ownership structure, and regularly conduct periodic screening against UN and domestic lists, and enhance understanding of how to identify the BO of controlling interests and control through other means as well.
- b) The CBI should continue cooperation with all competent authorities to identify persons who engage in money or value transfer services without a license, in addition to other informal activities, allowing the application of effective, proportionate, and dissuasive sanctions against them. In parallel, legislation should be issued, either to prohibit or to regulate and monitor all forms of virtual assets and VASP activities.
- c) Supervisors of e-payment companies, insurance companies and DNFBP sectors should conduct sectoral assessments of the ML/TF risks on a regular basis, and classify the subject institutions according to their risks, taking into account all risk factors.
- d) The supervisory authorities of securities brokerage firms and insurance companies should develop a risk-based supervisory approach, while the risk-based supervisory approach should be adopted by the DNFBP supervisors, provided that the supervisory authorities of the said sectors conduct an in-depth inspection and apply effective, proportionate and dissuasive sanctions commensurate with the nature and size of the violations, which would have a positive impact on the compliance of the subject entities with the AML/CFT requirements.
- e) Supervisors of non-banking FIs and DNFBPs should provide sufficient guidance, training sessions, workshops, and other outreach activities to enhance the understanding of AML/CFT requirements among subject entities, in particular the understanding of risks and due diligence measures.

583. The relevant Immediate Outcome considered and assessed in this chapter is IO.3. The Recommendations relevant for the assessment of effectiveness under this section are R.14, 15, 26-28, 34, 35 and elements of R.1 and 40.

Immediate Outcome 3 (Supervision)

584. The CBI is responsible for licensing the establishment of banks and financial service companies (exchange companies, currency exchange offices (C) and e-payment companies) in Baghdad. The said entities operate in all governorates of Iraq through their affiliated branches, including the Kurdistan region of Iraq. It also conducts supervision of banks and financial service companies in the AML/CFT field, through the Banking Supervision Department. It should be noted that there is no other competent authority (other than the CBI) in the Kurdistan region of Iraq that licenses banking and non-banking FIs subject to the license of the CBI. Securities brokerage firms are subject to monitoring and licensing by the ISC, while the ID is responsible for licensing insurance companies.
585. The Bar Association and the Union of Accountants in Baghdad and the Kurdistan Region, and the Ministry of Planning - the Central Organization for Standardization and Quality Control, issue, each within its competences, are responsible for licensing lawyers, accountants and DPMS. As to the profession of real estate agents (real estate brokers)⁴², their licenses are issued by the Chamber of Commerce and Industry at the MOC, and the real estate agents are not subject to any supervisory authority. Nonetheless, they do not deal with cash in real estate transactions, nor do they prepare or execute financial transactions for the benefit of their clients, with respect to the sale and purchase of real estate. The activity exercised by real estate agents in Iraq is limited, given that they are engaged in one of the least important activities among the seven activities set forth in the FATF guidance, and agents represent neither the seller nor the buyer legally. Casino business is prohibited in the Republic of Iraq as it contradicts the provisions of the Iraqi Constitution. Apart from the decision issued by the CBI in March 2023 to prevent the use of electronic cards and wallets for the purpose of speculation and trading in digital currencies, there is no legislation that prohibits VASP activities in Iraq (see R.15).
586. The findings in this chapter are based on interviews with all licensing and supervisory authorities of FIs and DNFBPs, as well as documents and evidence provided by authorities, and interviews with the private sector.
587. The FIs and DNFBPs mentioned above do not fall within the same level in terms of materiality and degree of risks to which they are exposed to. Therefore, the focus was given to assessing the positive and negative aspects of licensing and supervision controls of preventive measures applied mainly in the banking sector, to a large extent in the exchange sector and currency exchange offices (C), to a moderate extent in the sector of e-payment companies, securities brokerage firms, DPMS, and real estate agents, and to a lesser extent in insurance companies, lawyers and accountants (See Chapter 1).

⁴² The role of the real estate agent is to bring two persons together to conduct a purchase or a sale of real estate property.

Licensing, registration, and controls preventing criminals and associates from entering the market.

FIs including VASPs

The banking sector

588. The Banking Supervision Department (the licensing division⁴³) at the CBI considers the applications for a license to establish banks and financial service companies⁴⁴ and has sufficient human resources and expertise to consider the applications.
589. The CBI receives applications for a license to practice a banking activity. The regulatory measures applied prevent criminals or their associates from holding (or being the beneficial owner of) a significant or controlling interest, or holding a management function, in a bank. These measures are represented in verifying the criminal status of natural persons (whether Iraqis, foreigners, or representatives of foreign legal entities) who own shares up to 9.9%⁴⁵ of the capital, seeking information about them from the Office and LEAs. verifying the sources of funds allocated for the startup capital, and screening their names against domestic and UN sanctions lists. The CBI also verifies their reputation by relying on open-source information and commercial databases and to ensure that they are not associated with criminals The CBI applies these measures on a regular basis, mainly upon any change in the ownership structure or when receiving any updates to the domestic and UN sanctions lists⁴⁶.
590. Natural and legal persons (whether Iraqis, foreigners, or representatives of foreign legal entities) may own ownership interests in banks, at a percentage not exceeding 9.9% of the capital. When it is established that a shareholding interest exceeds the specified threshold is owned, the CBI refrains from granting an approval to acquire ownership interests exceeding 9.9%. For this purpose, the CBI verifies that the shareholder does not own, directly or indirectly, shares exceeding this percentage. The verification process includes any person who contributes to the ownership structure, either directly or jointly with any family members or natural persons (who contribute to the ownership structure of the bank and have a business or commercial relationship⁴⁷ with the shareholder) or legal persons (in which the shareholder or any family member contributes). The CBI verifies the business relationship through the financial data of the shareholder (their bank accounts and the transactions taking place on such accounts) or by searching the shareholders' database to verify whether the shareholder participates in the ownership structure of other institutions that own interest in the bank's share structure. It also examines the commercial relations between shareholders by verifying the existence of shares belonging to them in the same legal entities established in Iraq through the electronic system linked to Iraq Stock Exchange⁴⁸. These measures largely prohibit the acquisition by natural persons (Iraqis and foreigners) or legal persons (other than foreign banks) of controlling ownership interests in banks operating in Iraq.

⁴³ The Department is formed of three divisions, the first is the division for licensing and technical affairs for commercial banks and consists of 10 staff, the second is for licensing and technical affairs for Islamic banks and consists of 10 staff, while the third is for licensing and technical affairs for the non-banking financial institutions and consists of 28 staff. The staff working within the three divisions have an expertise ranging between two to 10 years in the licensing field.

⁴⁴ They include exchange companies, currency exchange offices (C), e-payment companies and money transfer companies.

⁴⁵ Any natural or legal person may own ownership interests in banks not exceeding 5%. This does not require the CBI approval. They may own ownership interests not exceeding 10%, subject to the approval of the CBI. In exceptional cases, the CBI grants its approval to own ownership interests exceeding this percentage (i.e. 9.9%).

⁴⁶ Through an automated system that enables to conduct the screening process against all UN and domestic sanctions lists and unilateral lists.

⁴⁷ A business relationship or a commercial relationship means participation in the same legal person or a cooperation by providing consulting services or any form of commercial cooperation (such as a relationship between a supplier and an importer).

⁴⁸ The CBI has a range of specific powers that allow it to access share trading activities in Iraq Stock Exchange

591. Only foreign banks are allowed to own controlling ownership interests⁴⁹ in banks operating in Iraq, provided that the CBI approval is obtained. Before granting a license, the CBI verifies the level of supervision that the foreign bank is subject to, checks its credit rating and obtains the approval of the foreign central bank granting the license.⁵⁰ It also seeks information from the Office and security agencies on the shareholders, BOs, and senior officials in the senior management of the foreign bank. It also verifies that they are not designated⁵¹ on the UN and domestic sanctions lists before granting the license and on a regular basis upon any update to the lists.

Box 6.1: Case example – Selling the shares of a shareholder as a result of their designation on one of the unilateral sanctions lists.

In 2019, the name of one of the shareholders of Bank (X) was designated on one of the unilateral sanctions' lists. The CBI has, accordingly, suspended all the transactions of the bank and appointed a new management, at the level of the board of directors, and the compliance and risk management officer. It has also sold all the shares owned by the listed shareholder, seized the amount resulted from the sale, changed the name of the bank, and compelled it to periodically submit reports to the CBI.

592. The CBI verifies the legitimacy of the sources of funds used to subscribe to the startup capital. The verification procedures include reviewing the documents in support of the source of funds⁵², verifying the financial assets, experience (C/V) and credit history of shareholders (natural persons residing in Iraq or legal persons established in Iraq) and reviewing the sources of information publicly available to verify their reputation and that they are not associated with criminals. To this end, the CBI makes use of commercial databases. As for foreign contributions, they present low risks. They are of known origin derived from annual revenues or profits achieved by internationally known banks. The CBI also obtains the approval of the Central Bank in the home country of the foreign bank⁵³ wishing to buy shares and the responsibility for verifying the integrity of the legal status lies with the Central Bank in the home country. In addition, the CBI requires that the funds allocated for the startup capital be transferred to its accounts with the US Federal Reserve Bank or the relevant foreign central bank. These measures would largely ensure verification of the legitimacy of the sources of funds allocated for the startup capital, or any capital increase.

593. During the period between 2018 and 2022, the CBI received 13 applications for a license to establish banks or branches of foreign banks. 10 applications were approved, and one was rejected for fit and proper tests issues as a result of negative information received from LEAs. Two applications are still under consideration, one of them dates to 2021, due to the failure to complete the documents required from the applicants. It is deduced from these facts that the CBI pursues due diligence through proper documentation and by seeking information from LEAs before approving upon granting a license.

594. The measures applied by the CBI (the Banking Supervision Department) upon incorporation are applied in the same way when new (natural and legal) persons enter the ownership structure or when assigning ownership interests in favor of other persons. During the

⁴⁹ Foreign banks may own ownership interests in banks operating in Iraq ranging from 5% to 99.9%, provided that the CBI approval is obtained.

⁵⁰ 12 foreign banks hold shares in banks operating in Iraq. The number of foreign banks whose shareholding percentage ranges between 50 and 99.9% is 7 in total, while the number of foreign banks whose shareholding percentage ranges between 10 and 50% is 5 in total.

⁵¹ screening names of shareholders BO and senior officials upon incorporation and licensing is done by the Compliance Department at the CBI and the verification is made periodically upon any update to the lists.

⁵² For example, if the source of money results from the sale of a property, the title deed and the date of ownership are reviewed, and if it results from the distribution of dividends, the financial statements of the company to which the shareholder contributes, the decisions of the General Assembly and copies of the transfers notices are examined.

⁵³ At least 3 years should have elapsed since its establishment in the home country.

period between 2018 and 2022, the CBI rejected 13 out of the total number of applications (67 applications) submitted regarding new persons seeking to acquire ownership interests in banks operating in Iraq. The applications that were rejected accounted for around 20% of the total number of applications received, while some of the rejected applications were for fit and proper requirements and financial integrity issues. Negative information was received from LEAs and Office as a result of the fit and proper tests, while the financial integrity issues were related to doubts about the source of the funds used to acquire ownership interests, as the documentation submitted was not sufficient to verify the legitimacy of the source of funds. It is deduced from these facts that the fit and proper tests applied to new shareholders or BOs are satisfactory.

595. Fit and proper tests applied to senior officials and managers in banks include verification of the reputation, experience, and criminal status. These tests are applied upon incorporation and regularly after entering the market, to verify that they are still fit and proper.

596. The CBI applies a set of measures⁵⁴ to ensure that candidates seeking to hold senior management functions are fit and proper. These tests are applied upon appointment, while the CBI relies during the periodic verification of the criminal status of managers on the notifications received from banks, if any of them is involved in a crime or based on the reports received from the security authorities when information about them is sought. These measures are considered satisfactory. As for the process of verifying that the names of managers are not designated on the domestic and UN sanctions lists, it is carried out upon appointment and on a regular basis upon any update to the lists.

597. Between 2018 and 2022, the CBI rejected 79 applications filed by Iraqi individuals seeking to hold managerial positions in banks operating in Iraq. The rejected applications account for 14.7% of the total number of applications filed by Iraqis (537 applications). The reasons for rejecting the applications are due to: 1) lack of qualifications required for the position; 2) failure to pass the interview held by the CBI to assess their competence; 3) the candidate for the position is covered by the decision to prevent them from working in the Iraqi banking sector as a result of having previously held a high administrative position in a bank that went bankrupt; 4) presence of negative indicators regarding the candidate from the security agencies and the Office.

598. Regarding the applications for positions in the management of local banks by foreign persons, the CBI applies a set of measures⁵⁵ upon appointment and regularly after appointment to ensure that they are still fit and proper. All 248 applications received between 2018 and 2022 were approved by the CBI.

Non-Bank FIs subject to CBI regulations

599. Regarding the licensing measures applied by the CBI for exchange companies and e-payment companies, they are not any different from those applied in banks.

⁵⁴ Include: 1) verifying that they are not designated on the domestic and UN sanctions lists; 2) seeking information from the Office and LEAs to verify the absence of negative information on them; 3) conducting personal interviews with them to verify their fitness⁵⁴; 4) reviewing and verifying the authenticity of the documents attached to the candidate's application, including documents related to academic achievement, work experience and specialized training certificates that the candidate has undergone. 5) verifying that the candidate is not covered by the decisions preventing them from working in the banking sector for having breached their job duties when holding previous leadership positions.

⁵⁵ Include: 1) obtaining a clearance from previous places of work in the candidate's country, 2) obtaining certificates of experience and academic qualifications approved by the MOFA in the candidate's country, 3) inquiring about the candidate's criminal status by communicating with the NSS and the Office; 4) verifying that the candidates are not designated on the UN and domestic sanctions lists, through an automated system intended for this purpose.

600. During the period from 2018 to 2022, the CBI received 18 applications for licensing e-payment companies, of which 17 were approved and one was rejected⁵⁶. The CBI stopped⁵⁷ granting new licenses to currency exchange companies (C) since 2015. During the said period, the CBI also received 243 applications for licensing exchange companies, of which 127 were approved, 18⁵⁸ rejected, and 98 are still under consideration until date. This is due to the presence of applications for licensing exchange companies in areas that were under the control of the terrorist organization ISIS or adjacent areas, in addition to the lengthy registration procedures applied by the CRD before granting the license by the CBI, and the need to coordinate in advance for this purpose with the US Federal Reserve Bank.
601. Foreign shareholders are not allowed to own exchange companies. Regarding the verification of the BO, the CBI verifies that the person with the controlling ownership is not a strawman. For this purpose, it seeks to verify the sources of their funds, looks into their business relationships and sources of income, obtains the names of banks they deal with, in addition to their account statements and how their accounts are fed, along with the supporting documents. It also reaches out to the concerned banks to verify the sources of funds deposited in their accounts. Current shareholders in exchange companies are the owners of currency exchange offices (C) and they have already submitted merger requests⁵⁹. Therefore, their funds are of a known origin. With respect to e-payment companies, the CBI applies the same procedures applied to verify the BO, in addition to obtaining a statement of the net assets belonging to the applicant for the incorporation, certified by a chartered accountant in Iraq. This procedure enables to verify the sources of funds used for subscription to the startup capital.
602. The CBI cooperates with the MOI in an acceptable manner to identify persons who provide financial services without a license that fall within the scope of the activities of banks and financial service providers (money transfer and currency exchange). The CBI adopts a proactive approach in the identification of unlicensed money transfer service providers, by relying on various sources of information to identify persons and offices that provide money transfer services without a license. The sources of information are represented in: 1) the complaints received from licensed offices, companies and also citizens about unlicensed companies; 2) the results of inspections conducted by the CBI inspectors; 3) social media monitoring in order to take notice of any advertisements about offices or persons who intend to provide or who provide exchange or transfer services without a license.
603. During the period from 2018 to 2022, 174 natural persons and two legal persons were brought to court in coordination with the FI Sanctions Committee at the CBI. The number of cases referred to the judiciary by the CBI as a result of practicing banking activities (including money transfer) without a license during the same period reached 347 cases. This comes within the framework of the CBI efforts referred to above.
604. The criminal sanctions applied to natural persons who provide financial services without a license were limited to imprisonment up to (6 months) and fines equivalent to USD 700. These sanctions are not considered proportionate, effective, or dissuasive, when compared with

⁵⁶ The reasons for rejection are because the applicant company is a foreign company whose activity is inconsistent with the activity of companies that provide e-payment services, as the application included the practice of transfers independently and such activities fall exclusively within the mandate of banks.

⁵⁷ The CBI withdrew licenses of currency exchange offices (C), due to the size of the market after the number of offices reached about 2000. The CBI does not have sufficient human resources to supervise them and monitor their compliance with the AM/CFT requirements.

⁵⁸ There are 7 applications that were rejected for being requests to merge offices located in areas that were under the control of the terrorist organization ISIS, and 11 applications due to negative security indicators against the offices seeking to merge.

⁵⁹ A Class B exchange company is established as a result of the merger of 5 intermediary offices, and a Class A exchange company is established as a result of the merger of 10 intermediary offices.

the penalty for fraud which applies to any person who engages in banking activities⁶⁰ without a license, and the crime of fraud is punishable by imprisonment for a period up to 7 years (See Rec 14).

The securities sector.

605. The Inspection and Monitoring Department at the ISC is responsible for considering applications for licensing the establishment of securities brokerage firms. The Department has sufficient human resources and expertise to study applications and submits relevant reports to the Commission's Board for approval or rejection.
606. All securities brokerage firms are wholly owned by local natural and legal persons, and the Commission has a set of procedures related to the conditions for granting a license. The main procedures are represented in verifying the criminal status of shareholders and managers⁶¹, verifying that their names are not included on the domestic and UN sanctions lists, and seeking information about them from the Office and LEAs. Managers must have at least 5 years of experience in financial and commercial matters. The fit and proper tests are considered insufficient for being limited to the shareholders and managers, to the exclusion of the BOs of the controlling interests, in addition to the fact that the reputation of the shareholders, managers and BOs is not verified, nor the extent to which they could be associated with criminals. Fit and proper tests are applied upon incorporation and annually upon renewal of the license of companies after entering the market, to verify that shareholders and managers (regardless of new persons entering the ownership structure or new persons assuming positions in the management of the company) are still fit and proper.
607. During the period between 2018 and 2022, the ISC received 3 applications for licensing securities brokerage firms, and 5 applications for licensing securities custody firms⁶². Of the eight applications, 4 were rejected for breaches not related to fit and proper tests or financial integrity issues. Therefore, there are concerns on the extent to which fit and proper tests are applied by the ISC, taking into account the observations raised above on the scope of the application of these tests, which are not considered fully satisfactory.

The insurance sector.

608. The ID grants licenses to insurance companies and has sufficient human resources and expertise to process incoming applications.⁶³ During the period between 2018 and 2022, the ID received 6 applications for licensing insurance companies, and all submitted applications were approved.
609. The ID verifies the status of founders, managers, and those assuming senior positions in insurance companies. This is done by verifying the criminal record, conducting a credit inquiry to know their financial solvency, identifying the soundness of the tax status, having their names screened against domestic and international sanctions lists, communicating with the Office to verify whether any of them is listed in the Office's database, and verifying the validity of the company's incorporation by communicating with the CRD. It also consults open sources to verify the reputation of shareholders and the extent to which they are associated with criminals. A committee chaired by the

⁶⁰ Banking business, according to the provisions of Article 27 of the Banking Law No. 94 of 2004, includes the provision of cash transfer services, bank transfers and wire transfers.

⁶¹ The authorized director of the company or any of the founders in the company should not have previously been convicted of a felony against honor or a crime of financial fraud.

⁶² Practicing the activity of buying and selling securities on behalf of the investor.

⁶³ The financial department, the legal department and the control department take part in this process, and each department consists of 10 staff having 6 to 10 years of experience.

Chief of ID conducts an interview with managers and officials with senior positions before approving to take up positions in the company's management.

610. Fit and proper tests do not include the BO of controlling ownership interests in insurance companies; there are no measures applied by the ID to identify the BO. This is because the ID relies on the procedures applied by the CRD to identify the BO before granting approval upon the license to establish an insurance company. Reliance on the CRD procedures is inefficient because of the absence of mechanisms in place at the level of the CRD to verify the accuracy of the BO information⁶⁴ (See IO 5)
611. The ID does not conduct ongoing verification against domestic and international sanctions lists to ensure that shareholders, BOs, and managers are still fit and proper. The AT is of the view that the lack of ongoing verification against sanctions lists does not have a large impact on the results of the fit and proper tests applied by the ID, given that other checks are taking place as explained above.
612. During the period between 2018 and 2022, the ID received 10 applications to appoint persons⁶⁵ at an administrative level in insurance companies, 9 applications were approved while one⁶⁶ was rejected. Fit and proper tests applied to foreign applicants seeking to assume managerial positions in insurance companies include obtaining experience certificates certified by the MOFA in the home country and seeking information about them from security authorities in Iraq to verify their criminal status. In the case of foreign applicants, be it shareholders or managers, no international cooperation to verify the information. This is because the legal framework does not empower the ID with the responsibility to communicate with foreign counterparts. Therefore, the measures applied by the Diwan to verify the reputation of foreign shareholders and BOs and to verify the extent to which they are associated with criminals are not considered sufficient or satisfactory.

VASPs

613. VASPs are neither licensed nor legally prohibited from conducting any of the 5 activities as per the FATF definition. There is no effective mechanism in place to ensure the identification of natural or legal persons who engage in VASP activities without a license or registration. The disciplinary measures that can be applied in the event where VASP activities are practiced by any natural or legal person in Iraq are not clear. Consequently, the absence of the element of dissuasiveness (see R.15).

⁶⁴ The AML/CFT Council introduced a guidance that includes sufficient details on how to verify the BO information. It entered into force in 2023, as such the AT was unable to test the effectiveness of its implementation in practice.

⁶⁵ Represented by members of the Board of Directors, executive directors and persons holding senior positions, including the compliance officer.

⁶⁶ The reason for rejection is that the person who filed the application did not fulfill the legal conditions, as they combined two positions, one of them was an authorized manager of a governmental company.

DNFBPs

614. The Bar Association grants licenses to lawyers⁶⁷ to practice the profession⁶⁸. It applies specific procedures before granting a license. These include verifying the good conduct of lawyers and their criminal status (they have not been punished with any crime against honor) and verifying that they are not designated on the domestic and UN sanctions lists. The verification process is also carried out on a regular basis when any updates to the lists are made (no matches were detected during the period between 2018 and 2022).
615. The Ministry of Planning - Central Organization for Standardization and Quality Control issues licenses for dealers in precious metals and stones. Before the Ministry grants a license, it applies some measures represented in verifying the criminal status of the applicants for the license, by communicating with the security authorities and verifying the headquarters of the dealer's shop. In 2021, the Ministry has established a unit⁶⁹ to follow up the process of verifying that the dealers' names are not included on the sanctions lists (no matches with the names included on the lists have been identified). The Ministry also relies on the BO information in the CRD. This approach is not effective because of the issues raised in IO 5 on the measures in place to verify the accuracy of the BO information.
616. The Union of Accountants is the authority concerned with granting approval to practice the accounting profession⁷⁰. It applies a set of measures before granting approval upon the license to practice the profession. The applicant for the accounting profession must meet a set of conditions, inter alia; 1) they must be Iraqis, 2) they must not have previously been convicted of a non-political felony or a misdemeanor against honor, 3) they must have a certificate recognized by the Iraqi authorities whose degree is not less than a bachelor's degree. An examination and a professional interview are conducted to verify their technical competence. The screening process against the sanction's lists published on the Office's website is carried out only when the license is granted and not regularly after licensing.
617. During the period from 2018 to 2022, the Union of Accountants received 5764 applications for licensing the practice of the profession. 5071 applications were approved and 417 were rejected for various reasons that are not related to financial integrity issues. The total number of applications that were withdrawn while being considered reached 102, while the total number of applications still under consideration reached 174.
618. The Chamber of Commerce and Industry at the MOC issues licenses to real estate agents (real estate brokers), but there are no measures taken to prevent criminals and their associates from being professionally accredited, also because the real estate agents' sector is a profession not subject to any supervisory authority. Yet, they do not deal with cash when it comes to transactions related to real estate, nor

⁶⁷ It is only permissible to establish law firms registered with the Bar Association, whether in Baghdad or in the Kurdistan Region. The Bar Association classifies lawyers who have a certificate of practicing the profession into three categories (A, B and C). Category (A) includes fresh graduates from the Faculty of Law at the University of Baghdad, category (B) includes persons who have completed one year of their affiliation to the Association and have undergone a development course and are entitled to act as agents in the purchase of real estate, and category (C) includes persons who have completed three years of their affiliation to the Association and have undergone a development course and are entitled to act as agents in the establishment of legal persons.

⁶⁸ A lawyer may practice the activity in all governorates of Iraq, regardless of whether he is affiliated with the Bar Association in Baghdad or in the Kurdistan Region.

⁶⁹ The Anti-Money Laundering Unit reports to the Follow-up Division in the Jewelry Section and consists of 5 staff responsible for following up the lists published on the Office's website.

⁷⁰ Accounting firms carry out their activities in the governorate where their place of work specified in the application submitted to the Union is located, and they are not allowed to practice any activity outside the governorate.

do they act on behalf of their clients. The activity carried out by real estate agents in Iraq is limited, as they practice one of the least important activities among the seven activities mentioned in the FATF guidance⁷¹, and the real estate agent does not represent the seller nor the buyer legally, they simply claim the commission by bringing both parties together.

619. There is no mechanism in place to screen the names of real estate brokers on the domestic and UN lists related to targeted financial sanctions.

Supervisors' Understanding and Identification of ML/TF Risks

FIs

620. The CBI has a good understanding of the ML/TF risks in the banking, exchange, and money transfer sector, but not for e-payment companies, because no risk assessment was conducted for this sector. This should not largely affect the CBI's understanding of risks, considering that e-payment companies are deemed to be of moderate materiality (See Chapter 1).

621. The CBI understanding of the vulnerabilities in the FIs subject to its supervision covers the gaps in the branches of institutions operating in the Kurdistan region of Iraq. The vulnerabilities are monitored through the risk matrix developed by the CBI, on the basis of which FIs' risks are rated and targeted by applying the RBA. The vulnerabilities on which the risk matrix is based were developed by the CBI owing to participation in the NRA process and as a result of the sectoral assessments it conducted. Addressing gaps in FIs aims to address the threats facing banking and non-banking FIs (not including electronic payment companies) in all governorates of Iraq, including the Kurdistan region of Iraq.

622. The CBI conducted several sectoral assessments of the ML/TF risks in the banking sector. The first was in 2019, and extended to cover the years 2020, 2021 and 2022. It also conducted a sectoral assessment for the first time in 2022 for the remaining sectors subject to its supervision, to the exclusion of the e-payment companies. Sectoral assessments covered customer activities, risks associated with customers' geographic areas, and risks of services and service delivery channels.

623. The risk matrix developed by the CBI on banks' risk scoring takes into account, among the risk determinants, exposure to cash as one of the factors that affect the rating of banks' risk classification, given the context of Iraq, where cash is largely used.

624. The participation of the CBI in the NRA process allowed it to develop a clear understanding of the risks inherent to the financial sector. Accordingly, it developed scenarios for financial transactions which are likely to involve ML/TF crimes. The CBI relied in the sectoral assessment of banks' risks in 2022 on statistical data dating back to years (2019, 2020, 2021 and 2022), which is seen as an extension of the NRA process. The CBI ongoing sectoral assessments of banks allow it to continue to develop an understanding of threats and vulnerabilities in the banking sector. The quality of the report on the sectoral assessment of banks in 2021 and 2022 is good compared to the previous sectoral assessments conducted in 2019 and 2020, because the CBI benefited from participating in the NRA, given that it adopted, accordingly, main criteria in assessing vulnerabilities that were not adopted in previous assessments⁷².

625. The information required to assess vulnerabilities is available to the CBI through the reports held by the Offsite Supervision Department (auditor's reports, offsite supervision reports, remedial action reports, compliance officer reports). The AT believes that these reports enable the CBI to continuously monitor the vulnerabilities in the banking sector (some of which are available periodically as needed, such as the

⁷¹ The FATF guidance paper includes 7 activities that fall under the scope of Rec 22, including the activities carried out by real estate brokers.

⁷² The adequacy of instructions and the extent to which they are incorporated in combating money laundering and terrorist financing, the effectiveness of the internal audit procedures at banks, the size of the sanctions applied, the efficiency, integrity, and level of understanding of bank employees, the effectiveness of the compliance function at the bank, the effectiveness of monitoring and reporting suspicious activities.

compliance officer reports and remedial action reports). They also enable the CBI to follow up any variables and reflect them in the sectoral assessment and adjust the measures to be taken to address vulnerabilities through onsite or offsite desk monitoring.

626. Sectoral assessments of banks required that several measures be taken to address vulnerabilities in the banking sector in particular and in Iraq in general. Among the measures related to the banking sector, some include the consideration to provide banks with the ability to access the database of each of the CRD and the National Identity Department. As for the measures related to Iraq in general, they recommend that governmental efforts be directed toward adopting mandatory methods for handling payment of dues through e-payment methods or bank accounts to enhance the financial inclusion strategy and reduce reliance on cash. It is deduced from this recommended action that the CBI is aware of the risks of using cash in the banking sector due to the difficulty of tracing the sources of funds paid in cash, as they can result from illegal acts.
627. According to the NRA outputs, the banking sector was rated moderately-high risk. This is because the sector provides a diverse range of banking products and services that are attractive to money launderers. Among these services, large cash deposits and transfers abroad, as the nature of money laundering patterns has been characterized by external flows in addition to the factor of high use of cash in Iraq.
628. The CBI conducted a sectoral assessment for the exchange sector for the first time in 2022, based on 12 key variables⁷³ and 6 intermediate variables to determine the risks of exchange companies' products⁷⁴. The sectoral assessment enhanced the CBI's understanding of ML/TF risks in the exchange sector. The AT reached this conclusion based on the information resulted by the sectoral assessment, including the dealings of some currency exchange firms (C) in a clandestine and invisible manner with unlicensed exchange service providers, and the fear of some employees in companies to report suspicious transactions because they believe that this will entail legal disputes. Their concern is in line with the AT analysis in Rec 21 as that they are not protected by law from criminal or civil liability if they report their suspicions in good faith. Dealing with unlicensed exchange service providers confirms the findings of the NRA, where the sector was rated as high-risk (see IO.1). They are also consistent with the findings of IO.4 and IO.6, where the level of STRs filed by the sector is still weak, as it accounts for 0.67% of the total number of STRs, despite the classification of the sector that is considered high-risk.
629. In the light of the sectoral assessment, the CBI has developed a risk matrix for exchange companies. It is now based on 7 variables (company category, geographical location, regulatory indicators, compliance risks, transaction volume, product risks, and service delivery channels risks,) after it was based on 3 variables during the years 2017-2019. These facts indicate that the CBI has developed regulatory tools that allow it to classify and target exchange companies on a risk-sensitive basis.
630. Although the CBI conducted various risk assessments in the banking sector during the years 2019-2022, the AT sensed during the onsite visit that the CBI understanding of the vulnerabilities in the risk matrix still needs to be improved. This is because the CBI was unable to clarify what the vulnerabilities in the updated risk matrix stand for, in addition to their impact on the bank's risk scoring. To note that the last risk assessment (2022) covered elements not included in previous assessments, as well as the mechanisms that were used in the risk scoring of banks. Accordingly, the AT believes that the CBI understanding of risks is good to some extent in the banking and exchange

⁷³ They are represented in the comprehensiveness of the legal framework, effectiveness of supervisory activities, availability and enforcement of administrative sanctions, availability and enforcement of criminal sanctions, availability of market entry controls, integrity of company employees, familiarity of company employees with the AML/CFT regime, effectiveness of the compliance function, effectiveness of monitoring and reporting suspicious activity, availability and accessibility of BO information, availability of reliable identification infrastructure, and availability of independent sources of information.

⁷⁴ These variables include the total size of the category of companies, customer base, the extent of use of agents, the level of monetary activity, and the frequency of international transactions.

sectors, but it needs to supplement this understanding regarding e-payment companies given the absence of any sectoral assessment of the risks of this sector.

631. In addition to the sectoral assessments conducted by the CBI, it prepared a study on emerging risks such as the risks of virtual assets. It issued accordingly a warning statement against dealing with virtual assets to reduce the ML/TF risks arising from virtual asset activities (see R.15).
632. The ISC has a good understanding of ML/TF risks which is consistent with the NRA outputs. It participated in the NRA process by providing the committee in charge of the assessment process with the required data and information. The ISC has an automated system that contains all the information related to financial brokerage firms, which enables it to classify the information within main and sub-criteria to measure the level of vulnerabilities in the securities sector. It is also aware of the threats that the sector may be exposed to, based on the main predicate offences identified in the NRA process. What limits the potential misuse of the sector is that customers are not allowed to deposit cash directly into their accounts, as they may only replenish their accounts through transfers from their bank accounts and not through any other means. As for the vulnerabilities identified according to the outputs of the sectoral assessment, they are represented in the limited number of STRs filed by financial brokerage firms, the failure of companies to classify customers to monitor their accounts on a risk sensitive basis, and the existence of a deficiency in the financial brokerage firms' AML/CFT policies and procedures manual.
633. The ISC conducted a sectoral assessment for the first time in 2023. Its results were not any different from the NRA output. The sectoral assessment is considered an update of what was cited in the NRA, as it relied on data dating back to the period between 2021 and 2023. This provides the Commission with a continuous understanding of the ML/TF risks to which the securities sector is exposed to.
634. The ID has a modest understanding of the ML/TF risks. It participated in the NRA process by providing the committee in charge of the assessment process with the required data and information. Following the adoption of the NRA, the ID developed in 2023 an action plan to focus on the vulnerabilities referred to in the NRA, without conducting a sectoral assessment to continue to develop an understanding of risks, just like the other supervisory authorities such as the CBI and the ISC.

DNFBPs

635. DNFBP supervisors participated in the NRA process; however, this participation has not contributed to improving their understanding of the ML/TF risks faced by the sectors subject to their supervision.
636. DNFBP supervisors have not conducted any sectoral assessment of the ML/TF risks, nor have they classified lawyers, DPMS, and accountants according to the degree of risk they are exposed to by virtue of the financial activities and transactions they carry out. It is worth noting that there is no supervisory authority over the real estate agents in Iraq; except for the real estate sector assessment conducted under the NRA that covered the period between 2018 – 2020, no sectoral assessment was conducted for real estate agents, covering the period between 2021 and 2022.
637. The absence of any sectoral assessments by DNFBP's supervisors affects the understanding of ML/TF threats in the sectors subject to their supervision and the understanding of vulnerabilities that can be or are actually being misused by money launderers and terrorist financiers. This is because the NRA covered the period between 2018-2020 and came in general form and was not supplemented by sectoral assessments covering the period between 2021-2022 to deepen the supervisory authorities' understanding of the ML/TF risks facing the sectors subject to their supervision. This was also not supplemented by self-assessments conducted at institutions' level that may help supervisors form an understanding of ML/TF risks. In addition, there are no appropriate mechanisms in place to provide self- risk assessment information to DNFBP supervisors unlike the mechanisms in place where self-risk assessments are made available to the CBI by FIs through offsite supervision. The lack of understanding also affects the ability of supervisors to classify sectors and develop

supervisory plans to target them through risk-based onsite and offsite supervision. The lack of understanding also impacts measuring the effectiveness of the actions taken by the CBI to reduce ML/TF risks, especially in the real estate sector (classified high risk) after having issued a decision requiring that the buying and selling of real estate be conducted through banks (see IO.1).

Risk-Based Supervision of Compliance with AML/CFT Requirements

Fls

638. The Banking Supervision Department (the department responsible for onsite and offsite supervision) at the CBI supervises banks and other Fls subject to its supervision. It consists of 140 staff⁷⁵ specialized in monitoring compliance by institutions with AML/CFT requirements. The Department staff have 5 to 10 years of experience. Approximately 116 inspectors have received specialized training courses in the AML/CFT field. Inspectors also benefit from workshops and seminars held by some international organizations in the AML/CFT. Based on the foregoing, it is noticed that the Banking Supervision Department has sufficient human resources and expertise to conduct onsite and offsite supervision.
639. The CBI has updated the onsite and offsite supervision plans in accordance with the outputs of the sectoral assessment. It also issued directives to inspection teams to focus on the vulnerabilities discovered through the sectoral assessment, including accounts of : customers of other nationalities, NPOs, PEPs, and legal persons established abroad.
640. The onsite supervision conducted by the CBI includes three types of inspection, the holistic periodic inspection, the extraordinary inspection, and the limited inspection⁷⁶. During the period (2018-2022), the inspection rounds that targeted banks included 297 holistic inspections, 122 extraordinary inspections and 39 limited inspections.
641. The CBI initiated the risk-based approach to supervision of banks and financial service companies in 2019 based on a risk matrix consisting of 3 main criteria⁷⁷ and 27 sub-criteria. The CBI adjusted the risk matrix in 2022 to take into account the findings of the NRA and other relevant sectoral assessments. It currently consists of 6 main criteria⁷⁸ and 55 sub-criteria.
642. Based on the risk matrix, the CBI identifies the risks of each bank separately. This allows the classification of banks under 5 levels of risk, and the number of banks in each of these categories. The supervisory inspection plans developed by the CBI determine the scope and frequency of onsite supervision of banks in the light of the degree of risk identified for each category. As a result, the classification of banks operating in Iraq was set in 5 risk categories (very high, high, Moderate, low, and very low risk):
643. The CBI relies on system sampling during onsite inspections. The size of the sample that the CBI inspectors examine varies according to the classification of banks, according to the five categories referred to above. For example, more samples of things to be checked (e.g., customer

⁷⁵ The Onsite Supervision Division related to the Banking Supervision Department has 80 staff, divided into 40 staff dedicated to onsite supervision, 33 staff dedicated to holistic auditing and 7 staff dedicated to auditing external transfers, while the Offsite Supervision Division consists of 60 staff distributed throughout the governorates, with 41 staff in Baghdad, 5 in Mosul, 5 in Basra and 9 in Erbil.

⁷⁶ The holistic periodic inspection includes an onsite examination of all the bank divisions, activities, and branches at the bank's headquarters to assess the bank's compliance and soundness of its measures in the AML/CFT field. The extraordinary inspection includes an onsite examination of some exceptional matters at the bank's headquarters (it is considered as a specific mission where exceptional issues are verified onsite). The limited inspection includes an onsite examination at the bank's headquarters to follow up on the status of the remedial actions or to address some important observations.

⁷⁷ The main criteria comprise the level of compliance and combating money laundering and the financing of terrorism, risk management, internal audit and corporate governance.

⁷⁸ The main criteria mentioned above include information resulted by the feedback from the offsite supervision, products risks, geographic areas risks, customers risks, product delivery channels risks, and the bank's internal AML/CFT system.

profiles, sample transactions, sample of procedures, etc....) are taken from banks rated as high risk, as opposed to banks classified as low and very low risk. The adequacy of the sample is also based on the vulnerabilities identified in the risk matrix and which vary from one bank to another. Accordingly, the CBI allocates its resources to follow up on the vulnerabilities detected, either through previous inspections or through reports received by the Offsite Supervision Department. The vulnerabilities as indicated are based on 6 main criteria and 55 sub-criteria and addressing them through onsite supervision would reduce the ML/TF risks in the banking sector. Therefore, it can be said that onsite inspections are conducted on a risk sensitive basis.

644. The CBI identified the risks of each financial service company separately, allowing the classification of companies under 3 levels of risk based on a risk matrix intended for this purpose. The e-payment companies were classified according to only two variables (namely the number of customers, and the seniority of companies). The two levels of risk categorization for the e-payment institutions could be improved by taking into consideration for instance the accumulated value of transactions processed during a given timeframe or the geographical distribution of clients and other variables. As a result, the CBI conducted inspections of financial service companies operating in Iraq, as shown in the following table:

Table No (6.1): Levels of risk of non-banking FIs subject to CBI supervision

| Type of FI | Year | Institutions classified high-risk | Institutions classified moderate risk | Institutions classified low risk | Total |
|----------------------------------|------|-----------------------------------|---------------------------------------|----------------------------------|-------|
| E-payment companies | 2018 | - | 6 | - | 6 |
| | 2019 | 1 | 6 | 4 | 11 |
| | 2020 | 3 | 6 | 3 | 12 |
| | 2021 | 4 | 8 | 4 | 16 |
| | 2022 | 4 | 8 | 5 | 17 |
| Exchange companies ⁷⁹ | 2020 | 5 | 20 | 9 | 34 |
| | 2021 | 9 | 39 | 36 | 84 |
| | 2022 | 12 | 30 | 85 | 127 |
| Currency exchange companies (C) | 2018 | 84 | 47 | 1780 | 1911 |
| | 2019 | 84 | 46 | 1515 | 1645 |
| | 2020 | 65 | 98 | 1443 | 1606 |
| | 2021 | 69 | 180 | 667 | 916 |
| | 2022 | 28 | 126 | 411 | 565 |

⁷⁹ Exchange companies classified under category (A) and (B) became operational in 2020, which explains the absence of any classification for them in 2018 and 2019.

645. The CBI conducted 1,607 periodic holistic inspections⁸⁰ and 551 limited inspections⁸¹ of financial service companies subject to its supervision between 2018 and 2022. The members of the inspection team⁸² do not vary according to the complexity of the institution to be inspected (large vs. small), as larger institutions require a larger number of inspectors. This also extends to the durations of inspections of e-payment companies, as they extend to 16 hours, regardless of the company's level of risks; while the durations of inspections vary according to the classification of exchange companies and currency exchange companies (C), as they extend for longer periods, ranging from a minimum of two hours to a maximum of 8 hours. Besides, there is a lack of information on the comprehensiveness of the inspection rounds, the files examined, the number of officials interviewed, and whether they vary according to the classification of FIs. Considering the foregoing, and despite CBI classification of institutions under 3 levels of risk, it may be said that inspections are not largely carried out on a risk sensitive basis. In addition, the durations of the inspections may not be sufficient, especially since the exchange companies classified under the high-risk category are inspected for a duration between 2 to 8 hours, and e-payment companies have a fixed duration of inspection, regardless of the company's complexity.

646. Offsite supervision of banks and FIs subject to the CBI supervision depends on the annual reports submitted by the auditors, in addition to the reports of the Onsite Supervision Department and remedial actions. The annual reports submitted by auditors contain information on the level of the institution's compliance with the AML/CFT obligations. The deficiencies highlighted in the reports are shared with the onsite supervision department that follows on the remedial actions as part of the onsite inspections.

Table No. (6.2): Reports reviewed by the Offsite Supervision Department during 2018-2022

| Type of institution | Type of report/Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--|------|------|------|------|------|
| Banks | Auditor's or external commissioner's reports (annual report) | 78 | 78 | 78 | 76 | 76 |
| | Onsite supervision sector reports | 258 | 258 | 269 | 268 | 265 |
| | Reports on remedial actions | 10 | 8 | 3 | 12 | 6 |
| | Report of the bank's compliance officer with respect to AML/CFT | 258 | 258 | 269 | 268 | 265 |
| Financial Service companies ⁸³ | Auditor's or external commissioner's reports ⁸⁴ | 1917 | 1656 | 1652 | 1015 | 714 |
| | Reports on remedial actions | 545 | 464 | 205 | 448 | 496 |
| | Annual report of the financial institution with respect to AML/CFT | 66 | 45 | 49 | 121 | 244 |

647. According to the organizational structure of the CBI, the offsite and onsite monitoring is under the supervision of one official, which allows the preparation of annual scrutiny plans in cooperation and coordination between the onsite and Offsite desk monitoring Departments. This enables meeting the requirements of ad-hoc supervision, by examining the compliance according to the results of feedback based on periodic reports submitted by the auditor or the external commissioner, and by the compliance officer and the

⁸⁰ An average of 18 rounds for e-payment companies, 69 rounds for exchange companies, and 1520 rounds for currency exchange offices (C).

⁸¹ An average of 40 rounds for e-payment companies, 41 rounds for exchange companies, and 470 rounds for currency exchange offices (C).

⁸² Supervisors were dedicated to carrying out supervision of all companies, regardless of the Commission's classification of the companies' levels of risk.

⁸³ The reports of financial service companies include e-payment companies, exchange companies, and currency exchange companies (C)

⁸⁴ The final accounts are submitted by exchange companies and currency exchange companies (C) on an annual basis, and the trial balance reports are submitted by exchange companies on a quarterly basis.

Onsite Supervision Department. Reports on remedial actions submitted by banks allow the Offsite Supervision Department to follow up on the banks' commitment to address deficiencies within the deadlines specified either by the Onsite Supervision Department or the Offsite Supervision Department.

648. The CBI develops inspection plans annually and inspections of exchange and brokerage companies are done annually. This rate is not consistent to some extent with the classification of those companies according to the NRA, which classified the exchange sector as high-risk. This is because the scope of the inspection (see above analysis) does not take into account the specific risk profile of these institutions. The CBI sectoral assessment of these companies enables to address the inspection plans to target companies that are most exposed to ML/TF risks.
649. The ISC initiated the risk-based approach to supervision in 2021. The inspections it conducts includes periodic inspection and unexpected inspection⁸⁵. The Monitoring and Supervision Department at the ISC has 4 staff specialized in monitoring AML/CFT requirements. Two (2) staff have been dedicated to onsite inspection and two (2) others to offsite inspection. The four staff specialize in onsite and offsite inspections. They have 7 to 12 years of experience. In parallel, Iraq Stock Exchange carries out inspections of securities brokerage firms regarding AML/CFT requirements. It has an inspection team consisting of 6 staff. Accordingly, it can be said that human resources in general are sufficient to carry out (onsite and offsite) supervision, considering the number of companies operating in the securities trading sector, totaling 39 companies, 9 of which are classified as high-risk.
650. The ISC inspects all financial brokerage firms once a year. The inspection rounds covered all companies classified under the three levels of risk. The number of companies classified under the high-risk category was 9. As for the companies classified under the moderate and low-risk category, they totaled 21 and 10 companies, respectively. The ISC relied on several criteria when classifying companies, namely the extent of dealing with foreign investment portfolios, the extent of implementing special contracts, in addition to the trading volume. It is also noticed that the number of examiners does not vary according to the classification of companies. The companies classified under the moderate-risk category have a duration of inspection (with an average of 94 hours) that exceeds the duration allocated to companies classified under the high-risk category, which in turn have a duration of inspection of 54 hours. The comprehensiveness of the inspection varies according to the categories of companies' risks; during the inspections of companies classified as high and moderate risk, the customer verification form and the extent to which companies meet the requirements are examined and the customers documentation is also perused. Following the NRA, the ISC amended the inspection form by adding new items, including reviewing the legal person identification form and the customer data update form, reviewing the policies and procedures manual, and subscribing to the Office's website to receive notifications regarding updates to the domestic and UN sanctions lists. Considering the foregoing, it can be said that inspections are largely carried out on a risk sensitive basis.
651. In parallel, during the same period (2018-2022), Iraq Stock Exchange conducted 206 onsite inspections of brokerage firms. The Stock Exchange targets companies based on several criteria such as the company's trading volume, the type of dealing with the company (cash or by cheques), the number and type of investors (individuals - companies - foreigners - Iraqis). There is a lack of information on the comprehensiveness of inspection rounds, the files that are examined and the number of officials interviewed.
652. The offsite supervision of financial brokerage firms draws upon the reports that are submitted annually to the Offsite Supervision Department at the ISC.

⁸⁵ An onsite visit by the ISC's supervisory staff to licensed brokerage firms without fixing a specific time and date, and often made as a precautionary measure or in light of the developments and information obtained by the Commission.

Table No. (6.3): Reports reviewed by the Offsite Supervision Department during 2018– 2022

| Type of institution | Type of report/Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|---|------|------|------|------|------|
| Financial brokerage companies | Auditor's (or external commissioner's) reports* | 40 | 40 | 40 | 40 | 39 |
| | Reports on remedial actions | 2 | 3 | 1 | 2 | 5 |

653. The Control and Internal Audit Section at the ID conducts supervision of insurance companies. The section has 8 staff responsible for inspection rounds in general, two of them specialized in inspecting insurance companies' compliance with AML/CFT requirements. They have an average of 5 years of experience. The onsite inspections include holistic inspection, periodic inspection, and limited inspection. The number of holistic inspection rounds in the period 2018-2022 was (32) holistic inspections, while the number of periodic inspection rounds was (2) and limited inspection (1) during the same period referred to above.

654. The inspection plan during 2018-2022 targeted life insurance companies (except for 2020 due to the COVID 19 pandemic) at least once a year. The criteria used to target life insurance companies are based on the business volume, the multiplicity of activities and complaints submitted against the company. These are considered as prudential criteria, with the absence of criteria relevant for AML/CFT. Besides, all life insurance companies are listed among the companies that the ID intends to target during the inspection rounds in 2023. The ID's participation in the NRA process contributed to the development of the inspection form which is being used in 2023. The form includes additional issues related to AML/CFT requirements, including verifying the availability of the AML/CFT policy in the company and the extent of compliance with such policy, filling out the KYC form, classifying customers, ensuring that the compliance officer is verifying that customers are not designated on the domestic and UN sanctions lists, and ensuring companies' compliance with the necessary remedial actions. This measure ensures that companies' compliance with AML/CFT requirements continues to be examined on a regular basis. Despite the limited human resources available to the ID, this does not prevent it from conducting inspections of all 7 insurance companies.

DNFBPs

655. DNFBP supervisors did not inspect at all AML/CFT requirements prior to 2022, when some of them started including them in their inspection plans. The inspections of DNFBPs' compliance with AML/CFT requirements are not risk based. The reason is that the NRA covered the period 2018-2020 and the outcome of the sectoral assessments for DNFBPs carried out as part of the NRA came in general form and was not supplemented by sectoral assessments to deepen supervisors' understanding of the ML/TF risks facing the sectors subject to their supervision, especially for 2021-2022.

656. The Union of Accountants has a special monitoring committee that conducts onsite visits to accounting offices for compliance with the profession's regulatory requirements, but only in 2022 they started monitoring compliance with AML/CFT requirements, after they included in the inspection checklist an item to verify that accounting firms maintain the STR form available on the Office website. The inspections conducted in 2022 covered all 116 accounting firms, but limited only to the compliance with the STR requirement with the absence of all other AML/CFT requirements.

657. In 2019, the Bar Association initiated monitoring and inspection of law firms through mandated bodies formed at the level of each governorate of Iraq. The mandated body is formed of 7 lawyers who have been affiliated to the Bar Association for not less than 3 years. During the inspections of lawyers classified under category (C), priority is given based on several criteria, inter alia, the number and activities of companies established by the lawyer, especially companies operating in the oil sector and companies with complex structures. In 2022, the mandated bodies initiated the monitoring of AML/CFT requirements. The inspection focuses on verifying whether the lawyer keeps documents related to the companies they have established, including evidentiary documents of founders, shareholders, authorized

signatories, board members, executive directors, residential addresses, and phone numbers. They also include checking whether due diligence measures cover verifying that the customers and associated persons are not designated on the domestic and UN sanctions lists. Even though the effectiveness of the inspections could not be determined due to their recent implementation, the AT is of the view that the supervisors are sensitive to risk in their inspection actions for targeting lawyers most at risk based on the number and activities of companies established by them.

658. The AT could not examine the information on the human resources available to the remaining supervisory authorities and the extent to which they are conducting (onsite and offsite) inspections of the entities subject to their supervision, especially for DPMS. The RERD has not started monitoring Real estate agents' compliance with the AML/CFT requirements.

Remedial Actions and Effective, Proportionate and Dissuasive Sanctions

FIs

659. The Offsite Supervision Department is responsible for following up on the implementation of remedial actions by FIs subject to the supervision of the CBI. The Department receives in this regard periodic reports from the concerned institutions. During 2018-2022, the Department received periodic reports on remedial actions from banks and financial service companies (i.e. exchange companies, currency exchange offices (c), e-payment companies and money transfer companies), totaling 39 and 2067 reports, respectively. The number of reports submitted by banks is low compared to the number of reports submitted by financial service companies. This is due to the size of the financial service companies' sector which is comprised of 551 companies⁸⁶, while the total number of banks is 76. Reports submitted to the Department enable to monitor the institutions' commitment to address the deficiencies within the deadlines specified, either by the Onsite Supervision Department or the Offsite Supervision Department.

660. The Banking Supervision Department of the CBI has a record of the administrative measures previously taken against each institution that has violated the AML/CFT requirements. The Department publishes on the CBI's website the names of exchange companies that have been suspended or whose licenses have been withdrawn, and the sanctions applied against them for violating the provisions of the instructions that regulate their work, including the provisions of the AML/CFT Law. The action taken by the Banking Supervision Department is considered satisfactory to some extent. This is because it is only limited to exchange companies and was not expanded to other FIs.

661. The sanctions applied by the CBI against banks included warnings and financial fines, and some administrative sanctions (such as prohibiting some bank officials from working in the banking sector). The sanctions applied extended to all banks operating in Iraq and the average fine applied against each violating bank amounted to approximately USD 18,314. The financial fines applied ranged from 10,000 IQD to 250 million IQD (equivalent to USD 76 and USD 190928). Most of the financial fines of 100,000 IQD were applied for each working day until the violating bank would acquire or activate an automated system to combat ML/TF. Even though the sanctions applied by the CBI were limited in some cases to simple fines and warnings, they are suitable as remedial measures specific to the deficiencies identified as in some cases more stringent actions were applied. As such, the AT considers that the sanctions applied are considered proportionate, effective, and dissuasive on the basis of the deficiencies identified. It should be noted that in some cases, the sanctions prohibited some banks from dealing in the US dollar. This is considered a severe penalty, since the concerned banks will be unable to open documentary collection for their clients or carry out external transfers. This measure will prevent them from providing a service that falls within the most

⁸⁶The number of exchange companies is (132) and the number of e-payment companies is (17), while the number of currency exchange companies (C) is (402).

prominent banking services. These banks which will lose a wide segment of customers, especially legal persons, who may resort to other banks to obtain this service.

662. Warnings addressed to banks during 2018-2022 for violating the AML/CFT requirements totaled 85, while the financial fines totaled about US\$1.5 million. The administrative sanctions that the CBI applied are due to the banks' violation of the AML/CFT requirements, inter alia, the failure to apply due diligence measures, failure to comply with the implementation of decisions issued by the Terrorist Funds Freezing Committee, failure to acquire a specialized automated system to monitor transactions that may involve ML/TF, and violation of the provisions of the AML/CFT Law in general. .
663. The sanctions applied by the CBI against financial service companies varied between financial fines, suspension of work, with withdrawal of permit and dismissal of the person in charge. The scope of the administrative sanctions applied varied. They included suspension of work (2), the prohibition from practicing some activities (8), the withdrawal of the permit or cancellation of the license⁸⁷ (21) and the application of financial fines (1352). They covered most companies, while the accumulated sanctions totaled about 11.5 billion IQD, equivalent to about USD 8.8 million. The number of financial fines has increased, especially in 2022 (365) compared to 2021, 2020 and 2018 (unlike 2019, where they were 374). Overall, the AT considers that the sanctions applied against financial service companies are fairly effective, proportionate, and dissuasive as they were the most suitable remedial measures specific to the deficiencies identified.
664. The sanctions applied by the Financial Regulatory Authority against companies subject to its supervision for violating the AML/CFT requirements are not considered effective, proportionate, and dissuasive. The AT reached this conclusion given that the Authority did not apply any sanctions during the years 2018, 2019, 2020 and 2022, except for the year 2021, where the sanctions applied were limited to financial fines against 4 companies, with a total amount of USD 1,145. It is noticed that the reasons for imposing fines are not exclusively related to violating the AML/CFT obligations. There is a lack of information on the reasons behind the absence of sanctions applied during the said years and if in those years there were identified deficiencies that were not sanctioned or if no deficiency was identified that warranted a sanction.
665. There are no sanctions applied by the ID against insurance companies for violating the AML/CFT requirements. The financial fines applied are due to the failure of some companies to comply with the Insurance Business Regulation Law No. 10 of 2015 and not for non-compliance with the AML/CFT Law.

DNFBPs

666. DNFBP supervisors have the authority to impose administrative and financial sanctions, such as lodging a warning, issuing an order to cease the activity, or withdrawing a license (see R.28); however, the authorities have not imposed any sanctions or taken any remedial actions due to the absence of supervision dedicated to monitoring subject entities for their compliance with the AML/CFT requirements, in addition to the recent implementation of the inspections especially by the Bar Association.

Impact of Supervisory Actions on Compliance

FIs

667. The inspections and follow-up conducted by the CBI for banks had some positive effects, as the percentage of closed observations reached about 74%. In general, it is noted from the inspections and observations discovered and those that have been closed that the improvement in the application of AML/CFT requirements in the banking sector is moving at a slow pace, especially since the number of observations discovered during inspection rounds decreased from 325 observations in 2018 to 226 in 2021. The percentage of decrease in the number

⁸⁷ This violation was limited to currency exchange offices (C).

of observations reached at least 30%⁸⁸, while the percentage of closed observations increased from 69% in 2018 to 82% in 2021 to reach 86% in 2022. However, the AT remains concerned about the significance of these figures in light of the emergence and recurrence of some issues in the banking sector after one of the foreign countries barred 14 Iraqi banks from conducting dollar transactions. The data provided in this regard indicates that 14 banks carried out transfers to several exchange companies in a foreign country. It should be noted that there was no information on the purpose of these transfers and their outcome during discussing this issue with the Iraqi authorities at the time of the on-site visit, as the investigation was still at its early stages. Regarding financial service companies subject to the CBI supervision, the percentage of closed observations ranged from 96% to 98% during the period from 2018 to 2022. Therefore, it can be said that the inspections conducted by the CBI have contributed to the compliance of the institutions subject to its supervision with the AML/CFT requirements; however, the AT remains concerned about the quality of the inspections in the light of the observations referred to above.

Table No. (6.4): Progress made by banks in addressing supervisory observations.

| Institution | Year | Number of limited inspections ⁸⁹ | Number of observations | Number of remaining observations | Number of closed observations ⁹⁰ | Percentage of closed observations |
|-------------|------|---|------------------------|----------------------------------|---|-----------------------------------|
| Banks | 2018 | 10 | 325 | 100 | 225 | 69% |
| | 2019 | 8 | 318 | 91 | 227 | 71% |
| | 2020 | 3 | 157 | 58 | 99 | 63% |
| | 2021 | 12 | 226 | 39 | 187 | 82% |
| | 2022 | 6 | 201 | 28 | 173 | 86% |
| Total | | 39 | 1227 | 316 | 911 | 74% |

668. Regarding the ISC, the low impact of regulatory measures on brokerage firms is noticeable from the percentage of closed observations during the period between 2018 and 2022, which reached about 28% in 2022 compared to 65% in 2018. The percentage of decrease in closed observations may be due to the weakness of the sanctions applied and the weakness of the supervisory process (according to the analysis above) by the ISC with respect to the violating financial brokerage firms.

669. It is not possible to measure the impact of supervisory actions on the compliance of insurance companies because the AT did not obtain statistics of the progress made by insurance companies in addressing the deficiencies associated with the AML/CFT requirements. This is because the ID was unable to list the observations as they are numerous and complex.

DNFBPs

670. In the absence of effective supervisory actions toward DNFBPs in relation to AML/CFT requirements, it is not possible to measure the impact of the supervisory actions on these entities' compliance with these requirements.

⁸⁸ The percentage exceeds 30%, considering that the inspection rounds during 2018 amounted to 10, compared to 12 during 2021, and this comparison cannot be made between 2018 and 2020 due to the difference in the number of inspection rounds.

⁸⁹ It includes onsite examination at the bank's headquarters to follow up on the status of remedial actions or to address some important observations.

⁹⁰ Closed observations refers to deficiencies initially identified by the supervisory authority and subsequently verified to have been addressed by FIs through follow up process. The timeframes involved in closing observations depends on the nature of the violation and time needed to address the deficiency which may range between one week to several months.

Promoting a Clear Understanding of AML/CFT Obligations and ML/TF Risks

FIs

671. The CBI took some steps to enhance the banking sector's understanding of the ML/TF risks and their AML/CFT obligations. This was achieved through outreach activities represented in training workshops aimed at interpreting the AML/CFT obligations and the related risks that FIs subject to its supervision are exposed to. The CBI organized approximately 95 training courses during the period from 2018 to 2022, and issued in cooperation with the Office, several guidance. They cover suspicion indicators for banking transactions, suspicion indicators related to e-payment transactions, suspicion indicators related to money transfer transactions and exchange companies, in addition to a set of guidelines to assist FIs subject to its supervision in implementing the AML/CFT requirements (see R.34).
672. During 2018-2022, the CBI organized 16 training courses for employees of financial service companies. The number of training courses attendees⁹¹ to enhance their understanding of the AML/CFT requirements, especially exchange companies classified as high-risk according to the NRA output, was relatively low.
673. The training courses and workshops held by the ISC and the ID for companies subject to their supervision were limited compared to the training courses and workshops held by the CBI for banks. The total number of training courses did not exceed 6 during the period between 2018 and 2022. The effectiveness of the training courses was not evident in enhancing insurance companies' understanding of AML/CFT requirements, as it was noticeable that companies' understanding of AML/CFT obligations and risks still needs to be developed (see IO.4).
674. The steps taken by all supervisory authorities had an uneven impact on enhancing awareness and compliance of subject entities with the AML/CFT requirements, especially in detecting and reporting suspicious transactions. The efforts of the CBI were successful and contributed to the compliance of banks with reporting requirements, while the efforts of the ISC were relatively less in this area, whereas the efforts of the ID did not contribute to enhancing the insurance companies' understanding of the reporting requirements (see IO.6).

DNFBPs

675. The efforts made by the DNFBP supervisors were limited and did not help promote a clear understanding of the sector's AML/CFT obligations and related risks (see IO 4).
676. **Overall conclusion on IO.3:** Licensing authorities unevenly apply fit and proper tests. Regarding banks, fit and proper tests applied toward shareholders or BOs are considered satisfactory, while those applied by the ID are not considered satisfactory, especially regarding the identification of the BO of the controlling ownership interests in insurance companies, verification of the reputation of (Iraqis and foreign) shareholders and the extent to which they are associated with criminals.
677. There is an acceptable cooperation between the CBI and LEAs to identify unlicensed MVTs providers, while the sanctions applied to violators are not considered proportionate and effective, and there are no effective mechanisms in place to identify unlicensed or unregistered VASPs.
678. The CBI's understanding of the ML/TF risks is distinguished from the rest of the supervisory authorities. Despite the sectoral assessments conducted by the CBI, which allow it to develop a continuous understanding of the risks of banks, exchange companies and currency exchange offices (C) (excluding e-payment companies), CBI understanding of the risks and the procedures necessary to deal with them still need to be improved. The ISC has a good understanding of the ML/TF risks that securities brokerage firms are exposed to, unlike the

⁹¹ The number of employees of exchange companies (category (a) and (b)) and exchange companies (c) and electronic payment companies who participated in the training courses were 125 and 27 respectively, while the total number of exchange companies was (529) and the total number of e-payment companies was (17).

ID, whose understanding of ML/TF risks is modest, as it has not conducted a sectoral assessment of the risks of insurance companies, while the DNFPB supervisors' understanding of risks remains very limited, because they did not conduct any sectoral assessment of the ML/TF risks, which affected the implementation of a risk-based approach, at varying degrees, among all supervisory authorities. In general, the CBI is making some efforts to enhance the subject entities' understanding of their AML/CFT obligations, but these efforts are not considered sufficient, especially for exchange companies classified as high-risk according to the NRA output.

679. Based on the strength of the CBI especially in conducting fit and proper tests, and in conducting risk based supervision, the deficiencies at the level of the remaining supervisors (i.e. those responsible for the supervision of non-banking FIs and DNFBPs), particularly in relation to licensing requirements, risk understanding, risk-based supervision, and application of dissuasive sanctions in case of non-compliance, are weighted less heavily and therefore have a major impact on the level of effectiveness for IO.3.

680. Iraq has achieved a “moderate” level of effectiveness for IO.3.

Chapter 7: Legal persons and Legal arrangements

Key Findings and Recommended Actions

Key Findings:

- a) Information on the creation of different types of legal persons (except for joint stock companies and simple companies) and legal arrangements is available to the public through the websites of the CRD in Baghdad, the Companies and Commercial Entities Registration Department in the Kurdistan Region, and the Non-Governmental Organizations Department in Baghdad (for NPOs) and at the headquarters of endowments offices of all types (for Waqf). The information regarding the establishment of NPOs in the Kurdistan Region is not publicly available.
- b) The Iraqi authorities assessed how legal persons may be misused for ML/TF purposes. This assessment may not be comprehensive as it did not address how legal persons are misused for ML/TF. It also did not consider the vulnerabilities and risks related to their potential misuse by lawyers when acting as gatekeepers in the formation of legal persons. The understanding of ML/TF risks and vulnerabilities of legal persons among most important competent authorities is acceptable and homogeneous, except for the CRD in both Baghdad and the Kurdistan Region, given that their understanding of the vulnerabilities related to legal forms that can be misused or have already been misused for ML/TF purposes is considered weak and needs to be developed.
- c) The Iraqi authorities apply a range of measures to prevent the misuse of legal persons for ML/TF purposes, including verifying the criminal and security status of the founders, shareholders and managers of legal persons and screening their names against local and UN sanctions lists, yet the absence of a mechanism in place to verify the accuracy of the BO information submitted by legal persons to the CRD affects the effectiveness of these measures.
- d) Basic information related to legal persons can be accessed in a timely manner through the electronic portal of the CRD. Basic information (not available through the electronic portal) is available to the concerned authorities through official correspondence. BO information is available to competent authorities through FIs and DNFBPs; BO information held by banks is considered good. This information was not available through legal persons before 2023, nor was it available through the CRD before 2022. The quality and adequacy of the information depends on the effectiveness of the implementation, which does not appear to be good at the level of the CRD due to the absence of a mechanism to verify the validity and accuracy of the BO information. Given the recent issuance of the controls for declaring BO of legal persons, it was not possible to test the effectiveness of their implementation in practice.
- e) Competent authorities including LEAs have timely access, either directly or indirectly, to information held by banks under the CDD process which is considered good. LEAs use this information while conducting investigations into ML, related predicate offences and TF.
- f) Iraq does not allow the creation of legal arrangements, except for endowments. Endowments Offices have an electronic system in place for maintaining information on endowments donor (originator), trustee and beneficiaries; they follow up on updating the information annually or whenever a change occurs. This information is available to competent authorities in a timely manner.

g) Fines imposed on legal persons of various types are not considered effective, proportionate, and dissuasive.

Recommended Actions:

a) Iraq should take the following steps:

1. Enhance the understanding of the authorities, especially the CRD, on how legal persons are misused for ML/TF and the vulnerabilities related to legal forms that can be misused or have already been misused for ML/TF purposes, including their possible misuse by lawyers when acting as gatekeepers in the formation of legal persons.
2. Take reasonable measures to verify the adequacy of the BO information available from legal persons before retaining such information in the database of the CRD.
3. Expand the scope of the definition of the BO in the CRD to include cases in which ownership or control is done through a chain of ownership or control by other means, that is, indirectly through a group of persons or front persons, to increase the quality of information available through the Department.
4. Amend the provisions of the Companies Law to enable the authorities to apply effective financial sanctions against legal persons in the event that they do not retain and update basic information and BO information in a timely manner.

b) Competent authorities should apply verification measures when establishing legal persons by applying the RBA, conduct inspections of legal persons to monitor the extent of their compliance with the obligations imposed thereon, and apply effective and dissuasive sanctions against violating entities.

681. The IO considered and assessed in this chapter is IO 5. The recommendations relevant for the assessment of effectiveness under this section are R 24 – 25, and elements of R.1, 10, 37 and 40.

682. The AT based its conclusions on the meetings conducted with the competent authorities, mainly represented by the CRD in Baghdad and the Kurdistan Region, the Department of Non-Governmental Organizations in Baghdad and the Kurdistan Region, Endowments offices of various types of Sunni and Shiite, the endowments of the Christian, Yazidi, and Sabian-Mandaean religions, and the Office, the MOI, and the competent investigative courts in Baghdad and in the Kurdistan region. The AT also based their conclusions on the statistics related to legal persons established in Iraq, the case studies submitted by the competent Iraqi authorities, the information related to inspections and sanctions applied, as well as the information that the AT obtained during the meetings with the private sector, especially the banking sector.

Immediate Outcome 5 (Legal Persons and Arrangements)

683. Companies Law No. 21 of 1997, amended in 2004, deals with the work of the CRD in both Baghdad and the Kurdistan Region (hereinafter referred to as the “Department”). However, the Department in the Kurdistan Region is legally and organizationally separate from the Department in Baghdad. Accordingly, any company registered in the Kurdistan Region is not obligated to register with the Department in Baghdad as long as the scope of its work is limited to the Kurdistan Region. It cannot engage in any activity outside the Kurdistan region except after registering with the CRD in Baghdad. The database of CRD in the Kurdistan region is available to the Department in Baghdad, which also makes it available to the competent authorities in Iraq, including LEAs and the Office.

Public availability of information on the creation and types of legal persons and arrangements

684. Information related to the establishment of legal persons in Iraq, including the Kurdistan Region is available to the public through the websites of both the CRD⁹² in Baghdad and the Companies and Commercial Entities Registration Department in the Kurdistan Region⁹³.
685. Different types of legal persons are established according to the legislative frameworks in Iraq, which are mixed companies, joint stock companies, limited liability companies, solidarity companies, sole proprietorship companies, and simple partnership companies. On the other hand, the legislation does not allow the formation of legal arrangements, nonetheless foreign trusts can operate in Iraq. Legal arrangements are only created in the form of endowments, as Iraq allows the establishment of Sunni and Shiite Islamic endowments and endowments of the Christian, Yazidi, and Sabian-Mandaeen religions. Endowments in Iraq are divided into three categories: the private or family endowment⁹⁴, the general or charitable endowment⁹⁵, and the joint endowment⁹⁶.
686. Companies acquire commercial status from the date of issuance of the certificate of incorporation by the CRD. This certificate is considered proof of their commercial status.
687. Only Lawyers participate in the creation of legal persons. The information submitted to the CRD to register a legal person includes: 1) the name of the company, 2) its legal form, 3) its address, 4) the names of partners, 5) authorized agents, 6) the names of board members in joint stock companies, 7) its activity, 8) the purpose of its establishment, 9) its capital.
688. Information on the creation of NPOs (local NPOs or branches of a foreign NPOs) is available through the website of the NGOs Department⁹⁷. This website provides comprehensive and clear information to the public on the process of establishing all forms of NPOs that can be established in Iraq. However, information on the creation of NPOs in the Kurdistan region is not publicly available.
689. Establishing NPOs in Iraq requires submitting an application to the Department of Non-Governmental Organizations, provided that the application includes the (official) name of the organization in Arabic or Kurdish (if established in the Kurdistan region) or English, the address of the organization verified by a competent official body, the names of the founding members, their phone numbers, 5) the e-mail of each, if any. It is required that the following to be attached to the incorporation application: 1) Statement of incorporation, 2) Bylaws of the organization, 3) A copy of the Iraqi nationality certificate and civil status identity for natural founding members, or residence document for residents, 4) The names of persons legally authorized to represent the organization⁹⁸. These procedures are also applied by the Department of Non-Governmental Organizations in the Kurdistan Region.
690. The number of companies registered in Iraq by the end of 2022 reached a total of 118,639 national companies and branches of a foreign company, according to the following statistics:

Table No. (7.1): showing the total number of legal persons established in Iraq up to 2022.

⁹²<https://tasjeel.mot.gov.iq/newtasjeel/dalel-new.htm>

⁹³ <https://business.digital.gov.krd/ar/guidelines/local-company>

⁹⁴ It is what the donor has endowed on themselves, their offspring, or both thereof, or a specific person, their offspring, or both thereof, with the condition that it will be transferred to a charitable cause upon the death of the beneficiary(ies).

⁹⁵ It is what the donor has given to a charitable cause upon establishment, or what was transferred thereto permanently.

⁹⁶ It is what the donor endows for charitable cause and for their descendants at the same time.

⁹⁷ <https://www.ngoao.gov.iq>

⁹⁸ They are responsible for receiving official notifications sent to the organization and responding to inquiries related to establishment, registration, and means of contacting them.

| Type of Legal Person | Registered Companies ⁹⁹ | Foreigners ¹⁰⁰ | Iraqi's ¹⁰¹ |
|---|------------------------------------|---------------------------|------------------------|
| Individuals (proprietorship) companies | 3911 | 0 | 3911 |
| Simple partnership companies | 742 | 0 | 742 |
| Limited Liability Companies | 105241 | 7079 | 101694 |
| Joint liability (solidarity) institutions | 702 | 0 | 702 |
| Joint stock companies | 432 | 0 | 0 |
| Branches of foreign companies | 7611 | 7611 | 0 |
| | | | |

Source: The Companies Registration Department and the Department of Non-Governmental Organizations in Baghdad and in the Kurdistan Region.

691. It can be concluded from the above statistics that the most widespread companies in Iraq are limited liability companies, followed in second and third place by branches of foreign companies and individual companies. As for other companies, they constitute a small percentage of established companies, equivalent to about 2%.

692. In Iraq, there is a type of legal arrangement similar to trust funds, which is "Endowments". The number of endowments established in Iraq were 3,555 endowments by 2022-year end. They are distributed between 2,902 general endowments, 553 private endowments, and 100 joint endowments. Information related to the creation of an endowment is available to the public by visiting the offices of various types of endowments or through the imams of mosques regarding Sunni and Shiite endowments.

Identification, assessment and understanding of ML/TF risks and vulnerabilities of Legal Persons

693. The Iraqi authorities conducted three separate assessments, the first two are related to assessing the ML/TF risks and vulnerabilities of legal persons, and the third is related to assessing how NPOs are misused for TF purposes. The first two assessments (NRA and sectoral assessment adopted in 2023) covered the ML/TF risks and vulnerabilities of legal persons. The inputs and outputs of the third assessment were weak (see IO1). The NRA also covered the ML risks exposed by NPOs that were classified low risk given the absence of cases involving NPOs exploited for ML purposes. Notwithstanding the types and activities of legal persons most exposed to ML/TF risks, both the NRA and sectoral assessment did not address how legal persons are misused for ML/TF. They also did not consider the vulnerabilities and risks related to their potential misuse by lawyers when acting as gatekeepers in the formation of legal persons.

694. Most important authorities in Iraq, namely LEAs, prosecutors, supervisory authorities, the Office have an acceptable understanding of the vulnerabilities related to legal persons, except for the CRD in both Baghdad and the Kurdistan region. Most authorities provided examples on the types and activities of legal persons most at risk of ML/TF, including companies active in the oil sector and companies with foreign ownership. The authorities are of the view that the complexity of the ownership structure combined with geographic risk if the shareholders in the ownership structure are from countries at risk of ML/TF (e.g. tax havens or conflict areas), may increase the possibility of misuse of legal persons for ML/TF purposes. The examples provided by the CRD in both Baghdad and the Kurdistan region were limited to the activities of legal persons most at risk, with absence of examples on the types of legal persons most at risk and vulnerabilities leading to their possible misuse for ML/TF. The understanding of ML/TF risks and vulnerabilities of legal persons among most competent authorities is acceptable and homogeneous, except for the CRD in both Baghdad and the Kurdistan region.

⁹⁹ Registered companies until 31 December 2022, having Iraqi's and Foreigners shareholders.

¹⁰⁰ Includes companies with foreign persons and legal persons from abroad are shareholders.

¹⁰¹ Includes companies with Iraqi citizens and legal persons established in Iraq and owned by Iraqi's.

695. The NRA identified legal persons most at risk of ML/TF based on the type of activity, namely import companies, companies that have contracts with the public sector, real estate investment companies, customs clearance companies, consultation companies, oil companies, recreational activities (malls, restaurants, cafes, and gas stations). The NRA also considered among the risk parameters companies with foreign shareholders. They were classified medium to high risk. The sectoral assessment conducted by the authorities in 2023 came to complete the authorities' understanding of ML/TF risks and vulnerabilities of legal persons. The sectoral assessment was based on data and statistics dating back to 2018 - 2022. The assessment classified ML risks for all types of legal persons. They were assessed between moderate to high risk. The classification of TF risks ranged between high to low depending on the type of legal person. Hence, the NRA and sectoral assessment, took into consideration legal persons most at risk of ML/TF, whether in terms of activity or legal form.
696. The sectoral assessment process relied on some elements to identify vulnerabilities related to legal persons, including the possibility of transferring shares within the Iraq Stock Exchange, the possibility of identifying its founders, the limited trading within the scope of its activity, and the limited capital. Other elements to determine the vulnerabilities related to legal persons were addressed through the NRA process. These include, for example, companies operating in the oil sector and companies whose ownership structure include foreign shareholders and the countries to which these shareholders belong, especially that 6,403 foreign persons are shareholders¹⁰² in legal persons registered in Iraq by 2022-year end (as much as 860 foreign persons became shareholders between 2018 and 2022).
697. The number of legal persons that were misused after incorporation in TF activities reached a total of 18 companies, distributed between 17 limited liability companies and one branch of a foreign company. These companies practice trade as their main activity.
698. The assessments conducted by Iraq (I.E NRA and sectoral assessment) are silent on how legal persons were actually misused for ML. Yet, the authorities provided examples showing how they were exploited to facilitate the commission of a predicate offence i.e., tax evasion. Misuse involves tampering with invoices for the purpose of reducing profit, increasing loss, or completely evading paying the amount of tax by concealing one or more taxable activities.
699. Iraq conducted a separate assessment of the risks of misusing endowments in ML/TF activities. The fact that endowments are mostly established for charitable purposes and not as asset protection vehicles as in the case of trusts makes them unattractive to ML. In addition, the inability of transferring ownership of the endowment makes it unattractive for exploiting it in ML/TF, given that the trustee is in charge of managing the endowment and is obligated to disburse subsidies according to what the settlor conditioned. The trustee must keep a record of the endowment's income and expenses. They must also deposit the amounts received (from rent allowances and the remaining annual revenues) with the Endowments Department (which is a government agency), provided that the trustee is responsible for disbursing subsidies to the beneficiaries of the endowment proceeds once a year. Subsidies usually range from the equivalent of USD 100 up to a maximum USD 500, according to the authorities. As for the restrictions applied to how the trustee is appointed, they are represented by the requirement that they must be of good conduct¹⁰³; their eligibility to manage the endowment is verified through an examination conducted by the Scientific Council¹⁰⁴ in addition to the restrictions applied to how subsidies are disbursed to the beneficiaries of the

¹⁰² They constitute around 7.5% of the total shareholders (Iraqis and foreigners) in legal persons registered in Iraq.

¹⁰³ This is verified by obtaining a certificate from the security authorities that they have not committed a misdemeanor or felony related to honor and public trust.

¹⁰⁴ The Council shall be composed, by decision of the Minister of Endowments, of no less than 5 and no more than 9 scholars known for their proficiency in Islamic sciences. The Council shall consider the appointment, transfer, promotion, and discipline of religious employees, as well as the appointment of trustees. The Council shall directly answer to the Minister and its decisions shall be subject to their approval.

endowment proceeds (disbursed once a year after verifying their living conditions). All these conditions would make endowments unattractive for ML/TF purposes. Additionally, it was not proven during 2018-2022 that the endowments were exploited in ML/TF activities, and no information was available indicating the contrary.

Mitigating measures to prevent the misuse of legal persons and arrangements.

700. The measures taken by Iraq to prevent the exploitation of legal persons for ML/TF purposes are considered satisfactory to some extent. However, the absence of a mechanism to verify the accuracy of BO information submitted by legal persons to the CRD may affect the effectiveness of these measures.
701. The verification measures taken by the CRD when establishing legal persons are not based on risks, as they are unified for all types of legal persons. The AT reached this conclusion given the absence of any classification of companies based on risks in the period from 2018 to 2022. Accordingly, the measures taken do not differ depending on the legal form or commercial activity of the company, as no additional measures are taken based on risks.
702. Iraq took measures to enhance transparency regarding legal persons, as a decision was issued by the ISC in 2020, according to which all “specified financial and non-FIs” and “brokers specialized in trading in stocks and bonds” are prohibited from dealing with Bearer Negotiable Instruments (“BNIs”). Before the issuance of this decision, there were no companies having BNIs because of the absence of a legal text regulating such. It is noted that the Commission’s decision came during the stage of collecting data and information related to the NRA process, during which the authorities considered that measures should be taken before completing the assessment process.
703. All legal persons operating in the country must be registered with the CRD. Companies cannot engage in any activity unless they are registered with the Department. The registration process requires verifying the accuracy of the information related to the company, its founders, and its directors before starting the registration procedures. The verification process is carried out by reviewing the documents required to register the company in the CRD, including the Memorandum of Association, the Articles of Association, the document authorizing a person to represent the company, and the supporting documents to verify its identity. This is followed by verifying whether the name of any of the founders and managers is designated on the local sanctions lists or lists of security-rejected persons, both upon establishment and on a regular basis upon any amendment to the ownership or management structure.
704. Lawyers mainly play the role of agents in the formation of legal persons, but do not play any role in managing them. Although lawyers were not subject to AML/CFT inspections prior to 2022, the inspection actions of the Bar Association are sensitive to risk for targeting lawyers most at risk based on the number and activities of companies established by them. These actions in addition to licensing measures referred to in IO 3 (in terms of verifying the good conduct of lawyers, their criminal status and screening their names against local and international sanctions lists) may limit the potential misuse of legal persons by lawyers.
705. Before approving the establishment of a legal person, the department consults its database that includes information from the security index¹⁰⁵ and the CFTF. It also communicates with the security authorities to inquire about shareholders and managers and screen their names against the blacklist¹⁰⁶ maintained by the Department. The Department rejects applications for incorporation based on security reasons in addition to other reasons, such as the lack of evidence of the company’s headquarters. When an application to establish a

¹⁰⁵ The Department has a joint database with the Ministry of Interior that allows inquiring about the “security index”, which means the presence of any criminal records of the person being inquired about with the security authorities.

¹⁰⁶ The CRD maintains a blacklist that includes data on companies that have previously been queried by the Office, the competent investigative courts, and the subject-matter courts.

company is submitted by a foreign person, they are asked to submit several documents provided that they are authenticated by the Iraqi embassy in the home country. The Department then shares the documents with the MOFA in Iraq for the purpose of review and audit. It also communicates with the NIS and the Department of Economic Relations at the MOC by providing them with the applicants' data for the purpose of inquiring about them.

706. For legal persons wishing to engage in commercial activity in the Kurdistan Region, they are required to register with the General Directorate of Company Registration in the region. Applications are submitted to the Registration Division of the Directorate, attached to the articles of incorporation (including the names of shareholders), the articles of association, and the lease contract for the company's headquarters. The Directorate examines the applications and shares the lease contract with the names of the shareholders with the internal security forces in the region (Asayish, in Kurdish) to verify the criminal and security status of the shareholders. To approve registration, the Directorate must receive feedback from the MOI that there are no security concerns on the shareholders.

Box No. (7.1): A case about refusal to establish a company for security reasons.

A lawyer submitted a request to establish a limited liability company whose purpose is to engage in communications activity. The Department shared the request, along with the shareholders' data, with the Ministry of the Interior. The latter's response came that, after auditing and investigating the company and its authorized director, it became clear that the information regarding the address of the shareholder and the authorized director was incorrect and that there were negative security concerns. Accordingly, the CRD rejected the application.

707. The number of legal persons established in Iraq between 2018 and 2022, in which Iraqis and foreigners are shareholders, reached a total of 19,159 legal persons. As part of the verification process, the Department has direct access to the MOI database and can, also, if needed, make inquiries to security authorities. During the said period, the Department in Baghdad made 513 such inquiries, which led to the rejection of 49 applications. The reasons for rejection were the lack of evidence of the company's address or the presence of a criminal record.

708. The number of legal persons established between 2018 and 2022, in which foreign persons or legal entities established abroad are shareholders, reached a total of 860 legal persons. According to the above analysis, information regarding shareholders and managers, including foreign persons (whether natural or legal persons) is available to the Department through the MOI database. In limited cases, the Department resorts to counterparties for the purpose of inquiring about foreign persons. The AT reached this conclusion considering that the number of inquiries (totaling 8) addressed to counterparts during 2018 and 2022 constitute 0.9% of the total number of legal persons (860) to which legal entities established abroad are shareholders. In addition to the above, it has not been found that cases of resorting to counterparties are based on materiality and risks. This may be due to the fact that the risk assessment of legal persons was under preparation during the aforementioned period (2018-2022), considering that it was issued in 2023.

709. Legal persons are obligated to submit updated basic information directly to the Department within seven days from the date of making the amendment. Updates may include any amendment at the level of the ownership or management structure or the company's headquarters. The amendments (including cases of transfer of ownership shares or appointing new persons to the management structure) do not apply until the Department makes inquiries with the security services. If the update relates to the company's headquarters, the Department resorts, through a "committee inside or outside the Department", to inspect the company's headquarters. These procedures are effective because no updates can be made unless approved by the Department. They also ensure that persons are prevented from entering the ownership or management structure for security reasons, in addition to ensuring the recentness and accuracy of information in a timely manner.

710. The total number of legal persons that after incorporation witnessed an amendment to their ownership or management structure with the entry of new persons (natural or legal) during 2018 and 2022 amounted to 5,373 legal persons. On the other hand, during the said period, the Department directed 4,819 requests to the security authorities to inquire about these persons. 4,769 applications were approved¹⁰⁷ and 50 applications were rejected, because the company's address could not be found or because of the presence of a criminal record.
711. To register a legal person, the application submitted to the CRD must include a BO disclosure form. The CRD introduced controls for declaring BO No. (1) of 2023. It stipulates the obligations of legal persons to identify the BO and take the necessary measures to verify their identity, and maintain relevant records, documents, papers, and data. Starting July 2023, companies started submitting a declaration of the BO to the Department. The license application, amendment, or renewal cannot be accepted and processed unless it is accompanied by a declaration of the BO. The AML/CFT Council introduced in the same year a guidance¹⁰⁸ to assist companies in the identification of the BO, whether the person who acquires the status of the BO owns a controlling ownership share directly or indirectly. The definition of BO as explained in the 2023 guidance is in line with the FATF definition (See Rec 24).
712. The authorities consider that anyone who contributes at a rate equal to or exceeding 20% in the ownership structure (whether directly or indirectly) acquires the status of the BO. This percentage (i.e., 20%) is stipulated for in Article 11 of the controls for declaring the BO. These measures contribute to preventing the misuse of legal persons for ML/TF. However, the controls for declaring the BO and the guidance entered into force in July 2023, and therefore the AT was unable to test the effectiveness of their implementation in practice.
713. In accordance with the controls referred to above, the Department is obligated to create a database for the BOs of companies. It must verify the accuracy of the declared information and update it periodically. If the Department detects any misleading information, the violating company is given a period not exceeding 15 days to correct it. If the latter is unable to make the correction on the specified date, the declaration is considered invalid, which will attract the penalties stipulated for in the Companies Law. Moreover, no cases were identified that required the application of penalties for violating the requirements of the declaration (such as providing information that later turned out to be misleading or incorrect to the Department), and this is because the controls for declaring the BOs entered into force in July 2023.
714. Companies are obligated to open a bank account in which to deposit the amounts allocated for the necessary startup capital, before completing the registration process with the Department. For the registration process to be completed, the Department must receive, among the documents required upon incorporation, a notice from the bank with which the amounts allocated for the capital are deposited. This procedure would inform the Department about the company's first bank account, and also ensure that information related to the company's BOs is available to the bank with which the necessary startup capital is deposited.
715. Banks have appropriate mechanisms to verify the legitimacy of sources of funds allocated for startup capital. This is because they verify the financial assets of the founders and verify their reputation and that they are not linked to criminals by searching commercial databases. They also request documents proving the sources of funds, including the company's financial reports (company Balance Sheet and profit and loss statement), whether the funds allocated for capital subscription result from the distribution of profits, or requests access to the ownership deed and sales contracts in cases where the funds result from the sale of assets.

¹⁰⁷ It is noted that the number of inquiry requests (4,819 requests) exceeds the total number of legal persons that have witnessed amendments to their ownership or management structure. This is because the Department resorts in some cases to addressing the security services more than once.

¹⁰⁸ It is published on the website of the CRD in Baghdad.

716. The measures in force in Iraq prevent the misuse of endowments for ML/TF purposes. These measures consist of managing the endowment, which is subject to two authorities. The first is represented by the Personal Status Court affiliated with the Supreme Judicial Council. The latter is concerned with implementing the conditions of the endowments and holding the trustees accountable (plural for trustee or administrator of the endowment) through the Trustees Accountability Committee headed by the Personal Status Court judge. The second authority is the Endowments Institution concerned with the management of the public endowment, while the family (private) endowment is subject to the management of the trustee appointed in accordance with the terms of the endowment by the Personal Status Court (presidency of the Endowments Offices). The management of public and private endowments includes supervision, protection, and control of the endowed funds within the framework of an accounting system and the oversight of the Federal Board of Supreme Audit and the Sharia judicial authority. In addition to these measures, the endowment by its nature is unattractive for ML/TF purposes due to the inability of transferring ownership and the fact that the proceeds of the endowment are spent exclusively in accordance with the terms of the endowment under the auspices of the trustee. The latter is obligated to deposit the funds with a government department under penalty of legal accountability, which reduces the possibility of exploiting it for ML/TF purposes.
717. In the case of an individual and joint endowment, each beneficiary shall have a bank account subject to a judge at the Personal Status Court. The trustee shall submit a bank statement on an annual basis for review by the court, provided that it shows the monthly amounts¹⁰⁹ disbursed for the employees of the endowment and those disbursed once a year for the beneficiaries of the proceeds of the endowment. The trustee does not have the right to withdraw any amount from the account except with the approval of the Endowments Bureau (Office). The funds granted to the beneficiaries since the establishment of the endowment are subject to audit by the Chairman of the Trustees Accountability Committee before they are disbursed. Instructions were issued prohibiting the trustees from collecting any donations.
718. There is a legal department at the endowment offices in Iraq that follows up on updates to the sanctions lists and screens the names of the trustees and beneficiaries of the endowment proceeds upon establishment and on a regular basis. These measures, in addition to the measures referred to above, prevent the misuse of endowments for ML/TF purposes.

Timely access to adequate, accurate and current basic and beneficial ownership information on Legal Persons

719. Basic information available to competent authorities through the electronic portal of the CRD differs between Baghdad and the Kurdistan Region. The information available through the Department in Baghdad includes the type of company, the capital, the number of the certificate of incorporation, and the date thereof, while the information available through the Department in Kurdistan includes additional information, the type of company activity, its address, the executive director, the names of the shareholders, and the percentage of their contribution to the company's capital. The website of the CRD in Baghdad was updated in August 2023 so that it now contains all the basic data (including the name of the company, its capital, its legal form, the names and nationalities of shareholders, the number of shares for each shareholder, the name of the authorized director, and the company's address). Basic information that is not available through the Department's electronic portal in Baghdad and the Kurdistan Region is available to competent authorities in a timely manner by contacting the Department directly. This information includes the basic regulating powers and the list of directors, unlike the Department in Kurdistan, which provides information related to the executive director through its electronic portal. As for information that is not available through the Department's electronic portal (such as the company's financial data or information related to the beneficial owner), the competent

¹⁰⁹ The amounts paid to beneficiaries once a year range between a minimum of USD 100 and a maximum of USD 500, according to what the authorities reported.

authorities and subject entities contact the Department directly to obtain such information. The department usually provides this information within a timeframe not exceeding 3 business days, which is considered appropriate.

720. Basic information (not available through the electronic portal) is available to subject entities in exchange for a fee, while it is available free of charge to competent authorities. The financial fee does not constitute any obstacle to the subject entities' access to this information, as the financial fee to obtain documents and materials from the Department is equivalent to about USD 4. The time taken from the date of contacting the Department until the date of receiving the information ranges between one and three days, depending on the entity requesting the information. Priority is given to requests received from the competent authorities in the country, and the said period is considered reasonable.
721. In the event of any change to the address of the legal person, companies must notify the CRD of this change within 7 days from the date of the change, given that legal persons are obligated to notify the Department of all decisions of the company's general assembly. The decisions of the General Assembly include any change affecting basic information and BO information, especially in cases of transfer of controlling ownership shares. These measures apply to companies registered in Baghdad and in the Kurdistan region without any difference.
722. The CRD in Baghdad and the Kurdistan Region conduct inspection visits of the headquarters of legal persons through inspection committees¹¹⁰. The inspection visits during 2018-2022 were based on an inspection plan based on some parameters, including newly registered companies (to confirm their headquarters) and companies about which inquiries were received from the security authorities and the Office. Inspection visits also target other randomly selected companies. During the said years, the inspection visits did not target companies (in terms of legal form and activity) based on other parameters. This is because the Department in both Baghdad and Kurdistan completed the risk assessment of legal persons in 2023.
723. The inspection visits carried out by the Department through the inspection committees during 2018 - 2022 included verifying the record of the General Assembly's minutes and the basic information therein. Of the 944 legal persons examined during the said period, 910 violations were discovered. Most of the discovered violations were the lack of an identification board at the company's headquarters, failure to keep accounting records, absence of minute records, and fictitious companies. The distribution of the observed violations by type was not provided by authorities to assess the compliance rate associated with violating the requirement to maintain basic information.
724. Starting July 2023, the Inspection Form included an item to verify that they maintain a record of the beneficial owners. It is impossible to measure the effectiveness of companies maintaining a record of BOs, due to the recentness of the controls that require companies to keep a record of the BOs, as indicated above.
725. The definition of the BO in the 2023 guidance is in line with the FATF definition (see analysis above). The definition of the BO according to the competent authorities is not uniform and varies from one party to another. The CRD has a shortcoming in the definition of the BO. This is because it does not include cases where ownership or control is through a chain of ownership or control by other means, that is, indirectly through a group of persons or front persons (strawmen).
726. Regarding exchanging BO information with counterparts, LEAs resort to the Office to collect information available through counterpart FIUs, and this is because the Office provides the required information in a timely manner.

¹¹⁰ There are two committees, the first is a central committee that includes representatives from several entities (the CRD - the NSS - the National Intelligence Service - the Intelligence and Investigation Agency - the Commercial Control Department), and the second committee includes employees from the CRD.

727. The Office has a clear understanding of what is meant by the BO. The Office determines the identity of the BO within the framework of the operational analysis it conducts. This is achieved through the data it receives or collects, which allows it to search for the BO through the ownership structure and the identity of the natural person who has a controlling ownership interest. The number of requests submitted by the Office to the CRD to obtain basic information amounted to a total of 79 requests during 2018 - 2022, and there were no requests related to the BO, given that this information began to be provided in 2023 after the approval of the Department's due diligence controls and the circular issued pursuant thereto. The limited requests submitted is because the information is available to the Office through the Department's electronic portal.
728. Competent authorities, including LEAs (in all governorates of Iraq including Kurdistan) access in a timely manner (8-day average), either directly or indirectly, information related to CDD measures held by FIs, including BO information. Banks maintain accurate and up-to-date BO information. This allows LEAs to obtain accurate information in this regard, unlike information maintained by other FIs and DNFBPs. What explains the reason why the authorities did not resort directly to legal persons in search for BO information during the period between 2018 - 2022 is that legal persons were not required during the said period to keep a BO information until starting July 2023 after the CRD introduced the controls for declaring BO and obligations of Companies No. (1) of 2023.
729. Banks have a good understanding of the concept of the BO. This understanding is not limited to anyone who owns controlling ownership interests, whether directly or through a chain of ownership, but rather extends to anyone who exercises actual control by other means (through a group of people or front persons) or who holds the position of a high administrative official. Banks take measures to verify the identity of the BO of a legal person (searching through the ownership structure or reviewing the minutes of the Board of Directors to determine cases of resorting to delegating powers by a POA or monitoring transactions of legal persons). Banks provided examples when doubts exist about the identity of the BO of the legal person, especially when the legal person's account reflects repeated transactions for the benefit of natural persons or in cases of distribution of profits for the benefit persons who are not shareholders. As for remaining FIs, they have a varying understanding of the concept of the BO and how to determine their identity (see IO4). This should not affect the activities and objectives of the competent authorities as they mainly resort to banks to access BO information.

Box No. (7.2): A practical scenario showing access and use of BO information in a TF related case.

The Office received information from the Organized Crime Directorate involving the owner of a company that transferred approximately USD 2.5 million to companies associated with ISIL. The required information was collected from the relevant authorities, including the relevant bank that provided information related to the company's accounts, financial statements, and the BO identity. Considering the available information, the company's funds, and those of its owner (as the BO) were frozen. The owner was designated on the local sanctions list in accordance with Security Council Resolution 1373. After referring the file to the court specialized in TF cases, the latter issued a decision on 10/20/2018 convicting the company's owner (in their capacity as the BO) of life imprisonment in accordance with the provisions of Article 37 of the AML/CFT Law. The CBI also withdrew the company's license.

730. There are many mechanisms that countries may decide to use to ensure that BO information is obtained and made available at a specific place in the country. Iraq has taken a comprehensive approach, as it has implemented the following 3 mechanisms to ensure that BO information that is obtained by concerned parties is available and accessible. However, this information was not available through companies before 2023, nor was it available through the CRD before 2022 (see below analysis). Accordingly, BO information was only available before 2022 through FIs and DNFBPs, but the quality and accuracy of the information depends on the source of the information and the effectiveness of implementation, which is considered good among banks unlike other subject entities (see IO4).

Identifying the beneficial owner through the BO Register at the CRD.

731. During 2022, the CRD in Baghdad and the Kurdistan Region began keeping a register of the BO of companies after the due diligence measures of the CRD were introduced in the said year. Since 2022, the Department has been maintaining a special record of BO information and updating such information. However, the lack of a mechanism in place to verify the accuracy of the BO information does not warrant that the BO information held by the Department is accurate and up to date.

Identifying the BO through records held by legal persons.

732. Starting in July 2023, legal persons were obliged to keep BO information, after the requirements were introduced by the CRD in Baghdad and the Kurdistan Region to maintain a comprehensive and updated record of BO information. The controls also require legal persons to keep a register at their main headquarters or elsewhere and to notify the CRD of this location. They are also required to nominate a natural person who is responsible for providing BO information to the competent authorities upon request. In July 2023, guidance was issued to companies on how to identify the BO of the legal person, including cases where ownership or control is through a chain of ownership or through other means. However, due to the newness of the controls and guidelines, the effectiveness of their implementation cannot be tested in practice.

Reporting entities and their obligations in accordance with due diligence measures

733. BO Information was not widely available before 2022, as it was only available through FIs and DNFBPs that are obligated to apply due diligence measures, including identifying the beneficial owner of the legal person before and after establishing the business relationship (see Recommendation 10). However, the quality and accuracy of information depends on the effectiveness of implementation and varies significantly between banks and other subject entities (see IO4). This means that the availability of information by subject entities (FIs and DNFBPs) will be limited in general to the information available only by banks.

734. All companies are obligated to open bank accounts to deposit capital before incorporation. Banks apply identification measures and determine the identity of the BO of the legal person. Banks have a good understanding of how to identify the BO as part of the CDD measures (see IO4).

735. It is clear from the above that basic information related to legal persons is available to the public through the electronic portal of the CRD in Baghdad and in the Kurdistan region. Regarding BO information, Iraq has taken several steps to provide this information through several channels. With the exception of the information available to the competent authorities through banks, which is considered good, it has not been determined how accurate and up to date the information is available through the CRD and through the records kept by legal persons due to the absence of a mechanism in place at the Department to verify the accuracy of the BO information and due to the recentness of the requirements introduced to companies in this regard. In addition, the requirements for identifying the BO are not applied satisfactorily by most of the entities subject to the CDD measures, with the exception of banks.

Timely access to adequate, accurate and current basic and beneficial ownership information on legal arrangements.

736. The Endowments Office¹¹¹ (Sunni-Shiite Christian and other religions) maintains information on the endowment in terms of the endowment donor (originator), the endowment trustee and the endowment beneficiaries. The mentioned parties are specified in the contract¹¹² for establishing the endowment. This information is kept in an electronic system at the Office. The Office is responsible for updating the papers related to the endowment on an annual basis or when deemed necessary, especially in cases of the removal of the trustee or the death of one of the beneficiaries of the proceeds of the endowment and their replacement with another beneficiaries in accordance with what the donor stipulated. This information is available to the competent authorities (FCOI - Courts – LEAs - Regulatory Authorities – Office - CFTF) pursuant to a request addressed to the Endowments Office. If there is a need to review the original documents related to the endowment, a committee is formed that allows access to the documents related to the endowment at the office's headquarters.
737. There is no law regulating the establishment of other legal arrangements (trust funds or other similar types). However, there is nothing preventing trustees located in Iraq from providing services to funds established abroad, and the AT did not receive any information in this regard. As for the trust funds established abroad, they have never entered into a business relationship with any of the banks operating in Iraq. They have also never acquired ownership shares in any of the legal persons established in Iraq, especially since the term "trust funds" is unfamiliar to the concerned parties in Iraq, especially lawyers and the CRD.

Effectiveness, proportionality, and dissuasiveness of Sanctions

738. The CRD¹¹³ carries out inspection visits to company headquarters according to an inspection checklist form prepared for this purpose. The form was updated in 2023 to include an item assigned for the BO¹¹⁴.

Table No. (7.2) on the number of companies visited for inspection and the number of violations discovered during 2018-2022.

| Year | Number of Companies | Number of violations |
|------|---------------------|----------------------|
| 2018 | 425 | 597 |
| 2019 | 265 | 85 |
| 2020 | 71 | 75 |
| 2021 | 96 | 55 |
| 2022 | 87 | 98 |

739. Most of the violations that were discovered were the lack of an identification board at the company's headquarters, the failure to keep accounting records, the absence of minutes records at the company's headquarters, and fictitious companies. Given the recent date of the circulars regarding the BO, no violations related to this matter were discovered. The penalties applied to violating companies ranged from 50,000 to 250,000 IQD for each working day until the violating party takes corrective measures leading to settling the

¹¹¹ Information and documents are available at three departments affiliated with the Office: The Authority for Management and Investment of Endowment Funds, the Legal Department, and the Trustees Accountability Committee.

¹¹² The contract includes: the full name of the donor, the designation of the donor, the wording of the endowment, the designation of the recipients of the endowment (the beneficiaries), the designation of the trustee (administrator) of the endowment, how to manage and develop the endowment and spend its proceeds on its development and management, and the beneficiaries (in percentage).

¹¹³ The Department carries out inspection visits through two committees, the first is a central committee consisting of several members from different entities, and the second is composed of the Department's employees and emanates from the Inspection Division.

¹¹⁴ The form is published on the website of the CRD via the following link: <https://tasjeel.mot.gov.iq/newtasjeel/>.

violation. Despite this, the penalties applied are considered disproportionate and non-dissuasive, as the maximum penalty is equivalent of USD 190 per day, while failure to settle the violation within a period of one month may lead to an accumulated penalty not exceeding the equivalent of USD 5,700.

740. Regarding endowments, no violation was observed related to failure to maintain information requirements, and the penalties applied during the period from 2018 to 2022 regarding the Sunni Endowment were limited to the removal of the trustee because of their failure to attend the accountability committee's sessions. No information was available during that period regarding to the Shiite and the Christian endowments.
741. **Overall Conclusion on IO 5:** Information regarding the formation of legal persons, NPOs (except for NPOs in the Kurdistan Region), and legal arrangements (waqf) is available to the public. The Iraqi authorities have assessed the ML/TF risks and vulnerabilities of legal persons, yet this assessment may not be comprehensive as it did not address how legal persons are misused for ML/TF, nor did it consider the vulnerabilities and risks related to their potential misuse by lawyers when acting as agents in the formation of legal persons. The understanding of the vulnerabilities of legal persons is acceptable and homogenous among the most important authorities, to the exclusion of the CRD in Baghdad and in the Kurdistan region.
742. There are several measures in place to reduce the risks of misuse of legal persons for ML/TF, including verifying the criminal records of shareholders and managers and screening their names against local sanctions lists or lists of security-rejected persons. However, there is no mechanism to verify the accuracy of the BO information submitted by legal persons to the CRD which affects the effectiveness of these measures. Regarding BO information, Iraq has taken several steps to provide this information through several channels. Basic and BO information is available in a timely manner to competent authorities through banks and is considered satisfactory. Except this, it has not been determined how accurate and up to date the information is available through the CRD and through the records maintained by legal persons, due to the absence of a mechanism in place at the CRD to verify the accuracy of the BO information and due to the recentness of the requirements introduced to legal persons in this regard. The sanctions applied are not considered effective, proportionate, or dissuasive.
743. Based on the mechanism used by Iraq which allows competent authorities to have timely access to information held by banks under the CDD process and which is considered of good quality, the shortcomings, represented by the CRD limited understanding of the vulnerabilities and risks of legal persons, absence of a mechanism to verify the validity of the BO information, and failure to apply dissuasive penalties when companies fail to comply with the requirement to maintain information as called for in Rec. 24, are weighted less heavily and therefore have a major impact on the level of effectiveness for IO.5.
744. **Iraq achieved a moderate level of effectiveness for IO.5.**

CHAPTER 8. INTERNATIONAL COOPERATION

Key Findings and Recommended Actions

Key Findings

Immediate Outcome 2

- a) Iraq has a legal basis to provide and request the widest possible range of international cooperation in relation to ML, predicate offenses, and TF. There is also a clear policy in place for the prioritization of requests at the formal and informal levels. Iraq has an electronic system for the management and follow up on the execution of incoming and outgoing requests. Iraq also responded well to requests for MLA within reasonable time frames.
- b) Iraq has sent a limited number of requests for legal assistance to other countries, which is not consistent with the country's ML/TF risks, including those identified in IO.1. This is due to the fact that Iraq seeks informal cooperation in order to verify the existence of information, funds or persons being subject of the inquiry before issuing an MLA request. However, the data does not demonstrate that it does so fully in line with its ML/TF risks, including those identified in IO.1. No rejected outgoing requests were found.
- c) The number of extradition requests issued by Iraq is good and is consistent to some extent with the country's risk context. Iraq executed all incoming extradition requests, and although it does not extradite its citizens, it ensures that they are referred to the competent courts to immediately initiate the necessary judicial procedures against them. Several Iraqi nationals have been indeed judicially prosecuted and sentences were issued in their regard in adequate timeframes.
- d) Levels of mutual informal international cooperation by LEAs and the Office are reasonable. The Office also sends informal information requests on behalf of other government entities such as the CBI and the GAC, in addition to the FCOI, which led to good results by seizing corruption proceeds in other countries. The international cooperation provided by Baghdad's Interpol National Central Bureau and the General Directorate for Combating Crime, Narcotic Drugs and Psychotropic Substances has contributed to the prosecution of several persons. For its part, the informal international cooperation of the Iraqi NIS in terms of executing the requests received in relation to terrorism and TF issues is good. Iraq Money Recovery Fund is making significant efforts to recover Iraq financial rights related to the misuse of the oil-for-food program and has been able to recover some of the amounts, despite the challenges it faced in light of the failure of some countries to provide the necessary information to the Iraqi authorities in a timely manner.
- e) Although reliance on informal cooperation on terrorism and TF is consistent with the country's terrorist risks relating to ISIL, it has not been demonstrated that Iraq exchanges information to a sufficient degree with foreign partners on TF and ML cases related to TF not related to ISIL.
- f) Beneficial ownership information is exchanged through the Office, and there are a significant number of outgoing requests made in this regard, also, there is good amount of sharing BO information obtained by local authorities from external parties.

Recommended Actions

The Iraqi authorities should undertake the following:

- a) Strengthen formal international cooperation by addressing more MLA requests to other countries in line with its ML/TF risks, including those identified in IO.1, including increasing awareness raining among all authorities concerned with investigation and

- prosecution to focus on the formal cooperation with respect to related crimes.
- b) Strengthen the follow-up process for MLA requests sent by Iraq to other countries when there are delays and keep records of all the outcomes of such requests, such as in the cases of requests to seize and confiscate assets abroad, and prosecutions of extradited persons.
 - c) Continue to exchange information between competent authorities informally, provided that records of the actual and final results of each of the requests for information and receipt of such information are kept, so that it is possible to follow up the quality of that process and verify its consistency with the risk context defined in Iraq through the NRA.
 - d) Strengthen international cooperation and information sharing to support domestic and foreign investigations into TF, including TF not related to ISIL.
 - e) Identify the actual results of the exchange of beneficial ownership information between stakeholders and promote this exchange by all stakeholders in Iraq to make more use of this mechanism.

745. The IO considered and assessed under this chapter is Immediate Outcome 2. The Recommendations relevant for the assessment of effectiveness under this chapter are R.36-40 and elements of R. 9, 15, 24, 25 and 32.

Immediate Outcome 2 (International Cooperation)

746. The findings of the AT derive from cases and statistics provided by competent authorities in Iraq, in addition to the responses received from some FATF and MENAFATF countries and discussions held with authorities concerned with international cooperation in Iraq (the Higher Judicial Council, the Office, the Iraqi NIS and other LEAs). Since international cooperation mechanisms, whether formal or informal, in Iraq are carried out through the central authorities in Baghdad, the conclusions reached by the AT fully reflect the general situation of those mechanisms in Iraq. The analysis referred, wherever possible, to what concerns the Kurdistan region of Iraq, but the information available to the AT did not highlight a special situation in the region that differs from the general situation of the country, in a way that reflects the risks specific to the region in particular (please refer to IO1 regarding the assessment of money laundering and terrorist financing risks in the region).

747. The Hashemite Kingdom of Jordan, the United Arab Emirates, Lebanon, Turkey, Egypt, Qatar, Saudi Arabia, Tunisia, the United States of America, the United Kingdom, Germany, and France are among the most countries Iraq has engaged with in relation to international cooperation and the exchange of information, due to the fact that some of these countries have common borders with Iraq, and some of those countries are home to some of the largest Iraqi communities abroad, in addition to the fact that some of these countries were more connected than other countries to financial transfers with Iraq.

748. Competent authorities in Iraq give great importance to incoming and outgoing requests for information, as there is a policy in place which determines the priority of examining information requests at the formal and informal levels. With regard to the informal side, the priority of requests is determined based on the following criteria in the order shown below:

- If the request is related to a suspicion of terrorism or TF.
- If the person mentioned in the request is a PEP, or a relative of, or any entity owned or controlled by, a PEP.
- If any of the persons mentioned in the request has the nationality of a higher-risk country.
- The person mentioned in the request, or the beneficial owner belongs to a region known for criminal activity.
- Availability of negative information or involvement of parties that are subject to investigations.
- There are dealings with higher-risk countries.
- Transactions involving large amounts of cash.

749. At the formal level, requests related to extradition and requests for MLA are of priority, if the person is detained pending receipt of the repatriation file, or if the request involves terrorism or ML offences, especially those with high amounts, or if the request relates to lifting a bank secrecy, or making a seizure or freezing funds, or if there are time-bound requests where the time frames are set by the requesting country.

Providing constructive and timely MLA and extradition

750. The Higher Judicial Council/Presidency of the PP is the central authority responsible for MLA and extradition in Iraq. The PP Department has a special electronic system in which it keeps the incoming/ outgoing requests for legal assistance, through which files are managed and their execution is followed up according to priority with the stakeholders. This system fulfills all the requirements of the PP regarding managing and following up on these files.

751. The Higher Judicial Council receives and implements requests for MLA sent by foreign judicial authorities, subject to the provisions of international conventions, bilateral agreements, as well as memoranda of understanding concluded by Iraq and in accordance with the principle of reciprocity. With regard to the Kurdistan Region, all incoming/outgoing requests which are related to the Region are processed through the Higher Judicial Council, as the assistance files fall under federal competence.

752. The International Cooperation Procedures Manual was issued by the Higher Judicial Council in 2023 according to the provisions of Criminal Procedure Code No. 23 of 1971. It established criteria for determining the priority of requests for international cooperation. In this context, it stipulated that the requests for international cooperation related to ML/TF and associated predicate offenses have priority over other crimes. In addition, if there are multiple requests for cooperation from many different countries for one crime, priority shall be given to the country that has memoranda of understanding or a bilateral agreement with Iraq. In the event of equal criteria, priority shall be given to the country whose interests were harmed by such crime and then to the country in whose territory the crime was committed. The manual did not include specific deadlines for the execution of these requests. However, the two case studies below illustrate the extent to which Iraq processes incoming requests within a reasonable timeframe.

Box No. (8.1)- Case study:

On 6/2/2020, a memorandum was received from the Embassy of country (M) together with a MLA request in the context of conducting an investigation regarding an Iraqi citizen (A) residing in that country where he was threatened. Country (M) requested confirmation of the authenticity of the issuance of documents attached to the request, including an Iraqi arrest warrant issued against the same Iraqi citizen (A) and inquiries about the party that threatened him and whether it has the powers to issue arrest warrants and other details. The request for assistance was referred to the competent investigative court on 25/2/2020, which reported on 31/8/2020 the absence of any indications that citizen A was threatened by the party mentioned in the MLA request. On 15/9/2020, the MOFA / Consular Department was notified of the above, and the requesting country was informed of the same.

Box No. (8.2)- Case study:

The recovery file of the accused (Y) Iraqi nationality was received on 23/12/2019 and wanted by the judicial authorities in State (K) for the crime of kidnapping a child. On 20/1/2020, the extradition request submitted by State (K) was rejected based on the provisions of Article 21 of the Constitution of the Republic of Iraq for the year 2005 and Article 3/358 of the Code of Criminal Procedure No. 23 of 1971, as amended, and the file was referred to the competent investigation court to take legal measures

against him for the crime attributed to him after obtaining the approval of the President of the Council because the crime is located outside Iraq. After follow-up, the court issued a decision to release the accused for lack of evidence and cancel the red notice issued against him, and the requesting country was notified of the ruling decision on 16/2/2020.

Mutual legal assistance:

753. The Higher Judicial Council received (93) requests for judicial assistance during the period (2018-2022), (50) of which were requests for information related to persons, and (26) for (taking statements) and a lesser number of requests for (hearing witnesses, interrogating persons and requesting copies of judicial rulings) (see the relevant table below).

754. All 93 requests were definitively executed within reasonable periods ranging from two to twelve months. The country clarified that the length of the response period is due to the type and nature of the information requested (e.g. the provision of information regarding current prosecutorial measures may take more time than the provision of information on their criminal record) and the availability of complete information about persons, and that some of the requests received contain information lacking details. In terms of executing requests, Iraq also responds to the requests in a preliminary manner and requests additional information regarding these requests for the purposes of completing the required procedures. Failure of the requesting State to provide this information may lead to delays in responding to requests. Below is a case study showing the delay in processing a request for not receiving detailed information from the requesting country.

Box 8.3 – Case Study

On 05/08/2018, we received a legal assistance request from country (F) which contained a request to provide them with information about (two) Iraqi citizens (M and L), along with their fingerprints, their portraits, and their criminal record history. The request was sent to the competent authorities on 14/08/2018.

After search and investigation of the persons subject of the request; and due to the incomplete information, they were not detected nor their addresses. On 26/02/2019, the request was sent back the requesting country, and they were required to provide further details of (M and L) due to finding many similar names. We asked the requesting country to provide their (M and L) full names, names of their mothers and the dates of their births. No response was provided.

Box 8.4 – Case Study

On 21/11/2019, a memo was received from the embassy of State (S) with the papers requesting legal assistance, including a request to state the full address of Iraqi citizens (H, F, Q) along with providing them with their criminal record and civil registry (birth certificates). The request for assistance was referred to the competent investigative court on 24/11/2019, which informed us on 05/12/2019 that there was a discrepancy in the names of Iraqi citizens and requested their full and correct names be stated. The MOFA was notified of this on 17/12/2019, and despite follow-up, we did not receive a response from State (S).

Table No. (8.1): showing incoming requests for legal assistance*:

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------|-------------|----------|-------------|-------------|
| Number of incoming requests | 16 | 19 | 20 | 15 | 23 |
| Requests which were definitively answered | 16 | 19 | 20 | 15 | 16 |
| Number of requests under execution | 0 | 0 | 0 | 0 | 7 |
| Average period for responding/answering | Sixty days | Ninety days | One year | Four months | Four months |

(*Noting that requests received in the last quarters of the years above are carried forward to the following year)

Table No. (8.2) showing incoming requests for legal assistance by type of request:

| Type of cooperation requested | Number of requests |
|---------------------------------------|--------------------|
| Taking statements | 26 |
| Hearing witnesses | 6 |
| Requesting information | 50 |
| Interrogating persons | 3 |
| Requesting copies of judicial rulings | 4 |
| Others | 4 |

755. The crimes related to the incoming requests varied, as the most important of which were (16) requests regarding terrorism, (5) regarding forgery, and (3) regarding fraud, while there was one request for each of the corruption and tax evasion crimes. This, to a certain degree, conforms with the risk profile of Iraq (primarily in relation to terrorism offences). Information on the existence of incoming requests related to TF was not perceived by the AT. This is because the exchange of such information occurs through other channels, including the NIS, as outlined in the core issue related to informal cooperation.

Table No. (8.3) showing incoming requests for legal assistance by type of crime:

| Crime | 2018 | 2019 | 2020 | 2021 | 2022 |
|----------------------------|------|------|------|------|------|
| Corruption | | | | | 1 |
| Drug trafficking | | | | | |
| Smuggling of oil | | | | | |
| Tax evasion | | | | | 1 |
| Trafficking in antiquities | | | 1 | | |
| Forgery crimes | | 1 | 4 | | |
| Fraud crimes | | | | 1 | 2 |
| Terrorism | | 3 | 3 | 4 | 6 |
| Money Laundering | | | | | |
| Others | 16 | 15 | 12 | 10 | 13 |

756. During 2018-2022, Iraq did not receive any requests related to the tracing, seizure, confiscation, or recovery of funds, which may be due to the fact that Iraq is not a primary destination for the proceeds generated by foreign crimes.

757. Overall, Iraq did not receive a large number of requests for MLA compared to requests for informal cooperation between the Iraqi authorities and their counterparts abroad. Requests were received from 8 countries, with the largest number coming from Turkey (45%) and Jordan (16%). This is because Iraq shares borders with both Turkey and Jordan.

758. One country noted that the results of requests for legal assistance addressed to Iraq were useful and of a moderate level. Although there are no memoranda of understanding between Iraq and some countries, there is a joint and good cooperation in this regard. Another country indicated that requests for MLA are properly and immediately executed by the Iraqi authorities.

Extradition:

759. The competent criminal court considers the incoming extradition requests, and after finalizing and completing all procedures, the request is presented to the MOFA to consider whether or not to approve the request, and then it is sent to the President of the Higher Judicial Council to take the final decision in this regard.

760. In principle, Iraq does not extradite its own citizens, in accordance with article 21 of the Iraqi Constitution, but it guarantees that Iraqis whose extradition is sought are referred to the competent Iraqi courts to initiate the necessary judicial procedures for investigation.

761. The number of extradition requests received by Iraq during the period from 2018-2020 reached (86), (11) of which were related to terrorism, (9) to drug trafficking crimes and (8) to fraud crimes, while the largest number was under the category of (other crimes) related to crimes such as murder, breach of trust, theft, and others. Extradition requests were received from (8) countries, notably Turkey (22), Jordan (9) and Iran (6), which may be due to the common borders between Iraq and the said countries.

Table No. (8.4): Showing incoming extradition requests:

| Year | Drug trafficking | Forgery | Fraud | Terrorism | Others |
|-------|------------------|---------|-------|-----------|--------|
| 2018 | 2 | 2 | | 1 | 5 |
| 2019 | 2 | 1 | | 2 | 12 |
| 2020 | 1 | 1 | 2 | 3 | 15 |
| 2021 | 1 | | 4 | 5 | 15 |
| 2022 | 3 | | 2 | | 7 |
| Total | 9 | 4 | 8 | 11 | 54 |

762. During the period 2018-2022, (52) requests for extradition regarding foreign persons were executed within one to three months, while (34) requests related to persons of Iraqi nationality were rejected, all of which were referred to the competent courts, according to the Criminal Procedure Code which stipulates that the rejected requests are referred to the competent court, automatically or at the request of the requesting country, to initiate inquiry and investigation procedures.

Table 8.5 – Executed Extradition Requests and those that are still under process.

| Year | Foreign Suspects Requested for Extradition | Approved Extradition | Rejected Extradition | Suspects Circulated | Under process |
|------|--|----------------------|----------------------|---------------------|---------------|
| 2018 | 4 | 2 | 2 | | |
| 2019 | 10 | 3 | | 7 | |
| 2020 | 14 | 1 | 5 | 8 | |
| 2021 | 17 | | 3 | 14 | |
| 2022 | 5 | 2 | 2 | | 1 |

763. The competent courts rendered their verdict on 5 cases that were related to crimes (cheque without balance, illegal treatment of children and kidnapping of a child). The verdicts varied between simple imprisonment for a year and the release of the accused for

lack of evidence, rejection of the complaint and closing the case permanently. The period of time from the date of receipt of the file until the rendering of the verdict ranged between a week and a month and a half, which is considered a reasonable period.

Box No. (8.5) – Case study:

The accused (p) Iraqi nationality is wanted by the state (f) on 11/9/2019 for a fraud crime. The request was circulated on 18/9/2019 at the national level by the Arab and International Police Directorate. After his arrest in Iraq on 22/9/2019, the state (f) was notified on 23/10/2019 in order to send the extradition file through diplomatic channels. When the file was received, the extradition request was rejected based on Article 21 of the Constitution of the Republic of Iraq for the year 2005 and Article 358 of the Iraqi Code of Criminal Procedure because the accused holds Iraqi nationality and obtained the approval of the President of the Supreme Judicial Council to initiate the case Against him because the crime is located outside Iraq. The file was referred to the investigating court to be considered as a basis for the crime against the accused. After completing the investigation procedures, the case was referred to the competent criminal court, which issued its sentence of imprisonment for two years against the defendant (p).

764. Two case studies illustrating Iraq’s response to extradition requests within reasonable timeframe:

Box No (8.1) - Case study:

On 2/11/2021, a memorandum from the Embassy of country (R) was received together with a MLA request regarding the accused (X), who holds the nationality of the country (R), being accused of being member of terrorist organizations in Syria and Iraq. The requesting country requested copies of the sentencing decision issued against the accused, the circumstances of the crime, the start and end dates of the sentence. The request was referred to the competent court on 15/11/2021, which requested on 7/12/2021 to provide more data and the place of filing the case. On 16/12/2021 the MOFA/Legal Department in country (R) was approached to provide the Iraqi authorities with what is required. On 4/7/2022, the Iraqi authorities received the country’s response with the data and the place of filing it. On 4/8/2022, the decision was translated into the language of the requesting country and sent along with all the required details

Box No (8.2)- Case study:

The accused (M) is a Lebanese national, wanted by the judicial authorities in country (A) for fraud and forgery. A request for his extradition was received on 15/6/2022. It was circulated at the national level by the Arab and International Police Directorate. On 27/6/2022 a notice of his arrest was received inside Iraq. On 29/6/2022 a criminal court was named to consider the extradition request submitted by the requesting country. On 24/9/2022 a decision was issued to accept his extradition. The matter was presented to the MOFA and the President of the Higher Judicial Council whose approval was obtained for the extradition. The accused was extradited on 18/10/2022 by the above directorate to country (A).

765. One country indicated that cooperation with Iraq regarding extradition was of quality and was successfully answered, while another country indicated that there are no obstacles between the two countries in the field of international judicial cooperation and Iraq responds to extradition requests. Another country also confirmed that extradition requests related to persons of Iraqi nationality that are rejected are referred by the competent authorities in Iraq to the competent judicial authorities.

Seeking timely legal assistance to pursue domestic ML, associated predicate and TF cases with transnational elements.

Outgoing MLA requests:

766. An investigative judge, first and before initiating the procedures for issuing a request for legal assistance, will seek the assistance of the Office and other law enforcement agencies in order to verify the existence of information, funds or persons being subject of inquiry, through informal means and to collect as much information as possible and include it in the request, then he shall supplement the indirect request for assistance with a request for legal assistance and through diplomatic ways within a period of (30) days at the latest, from the date of submitting the indirect request.
767. With regard to corruption crimes in particular, the request is issued and signed by the President of the FCOI, as it represents Iraq in the International Anti-Corruption Commission. In the event where the request is linked to a country that has another international agreement with Iraq, the request shall be signed by the judicial authorities and sent to the concerned countries through diplomatic channels, which is different from the procedures contained in the International Cooperation Procedures Manual. The Iraqi authorities have expressed their intention to amend this manual to reflect the reality of the ground.
768. Iraq did not send a large number of MLA requests during the period 2018-2022 and in line with the risks to which Iraq is exposed, especially in light of the NRA findings, compared to informal requests for cooperation between the Iraqi authorities and their counterparts abroad. This is due to the fact that the investigative judge seeks the assistance of the Office and LEA to verify the existence of information, funds or persons being subject of the inquiry, through informal channels and to collect as much information as possible before issuing the MLA request. However, the number of requests for legal assistance issued by Iraq during that period reached (132), 21 of which were fully and definitively executed by seizing, confiscating or recovering funds (see IO.8) or obtaining documents and information, while 75 were partly answered, while no request was rejected. According to the authorities, the 36 requests which are pending are related to the recovery of antiquities and since there is no complete and accurate information about them, this has led to the non-closure of these requests.
769. The breakdown of the 132 outgoing requests issued according to the entity from which the requests originated is as follows:

| Requesting entity | No. of requests | Offence |
|--|-----------------|---|
| FCOI / Investigating Courts on AML and Integrity | 96 | Corruption (forgery, embezzlement, bribery, position exploitation) Money laundering, tax evasion |
| Competent investigating courts | 36 | Recovery of antiquities |

770. The State also stated that the Iraqi authorities have a follow-up mechanism periodically, where the PP Department follows up with the MOFA in this regard, and the State indicated that some of the countries to which requests are sent request more information in terms of determining the exact location of the funds and the existence of final rulings issued regarding these requests.
771. The type of cooperation required in the MLA requests issued by Iraq was focused on tracing funds totaling (7) requests, temporary seizure of funds / assets totaling (77) requests, confiscation of funds / assets totaling (8) requests, recovery of funds / assets totaling (39) requests, and one request for conducting an investigation. A country indicated that requests for legal assistance with Iraq are of quality, while another country stated that Iraq sent it (3) requests, two of which are under execution, and one was closed because the wanted person could not be found within the territory of that country. The following table shows the amounts frozen, confiscated and recovered from abroad during the assessment period.

| Amounts seized abroad | Amounts confiscated abroad | Amounts recovered from abroad |
|-----------------------|----------------------------|-------------------------------|
| USD 8,739,040 | USD218,262,708 | USD133,114,020 |

Table No. (8.5): Outgoing MLA requests:

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------------|------------------|------------------|------------------|------------------|
| Number of outgoing requests | 24 | 26 | 10 | 39 | 33 |
| Number of requests which were partly answered | 8 | 10 | 9 | 28 | 20 |
| Number of requests which were definitively answered | 8 | 10 | 1 | 1 | 1 |
| Number of requests under execution | 16 | 16 | 9 | 38 | 22 |
| Number of requests rejected | - | - | - | - | - |
| Average period for responding/answering | One year or more | One year or more | One year or more | One year or more | One year or more |

772. The countries receiving the most requests were Jordan with (29) requests, followed by Turkey with 26 requests, the USA with 22 requests, and to a lesser extent, Lebanon with 10 requests and the UAE with 9. These numbers show that a considerable portion of the requests have been sent to countries that are in regional vicinity to Iraq. These requests were concentrated on corruption crimes (90) requests and ML (5) requests and tax evasion (1) request and trafficking in antiquities (36) requests.

Table No. (8.7): Showing the countries to which outgoing requests for legal assistance were sent:

| Country from which assistance is sought | Number of requests made in the years | | | | |
|---|--------------------------------------|------|------|------|------|
| | 2018 | 2019 | 2020 | 2021 | 2022 |
| Jordan | 5 | 9 | 3 | 6 | 6 |
| UAE | 1 | 1 | - | 4 | 3 |
| USA | 6 | 7 | - | 6 | 3 |
| Iran | - | 1 | - | - | 1 |
| UK | 1 | 2 | - | 4 | 3 |
| Bulgaria | 1 | - | - | - | - |
| Turkey | 2 | - | 6 | 11 | 7 |
| Sweden | - | - | - | 1 | - |
| Qatar | 2 | - | - | - | - |
| Lebanon | - | 4 | 1 | 3 | 2 |
| Malaysia | - | - | 1 | 2 | - |
| Germany | 1 | - | - | 1 | 2 |
| Syria | 1 | 1 | - | 1 | - |
| France | - | - | - | 2 | 1 |
| KSA | 1 | - | - | - | - |
| Romania | 1 | - | - | - | - |
| Italy | - | 1 | - | 1 | 3 |
| Total | 22 | 26 | 11 | 42 | 31 |

| | |
|-------------|-----|
| Grand total | 132 |
|-------------|-----|

Box No. (8.8) - Case study:

The Investigation Court specialized in integrity and AML issues received news about the crime of embezzlement of funds from a government bank by the defendant (J) totaling (47) billion IQD through fake notices (manipulating the accounts and lists of retirees / manual exchange lists and disbursing them in a fake manner).

Due to the availability of convincing evidence, an arrest warrant was issued against the accused. After recording the statements, arrest warrants were issued against other participants. A decision was issued to seize the movable and immovable property of all the participating defendants and their family members as a precautionary measure.

The procedures of the parallel financial investigation were initiated by requesting the MOF to conduct an administrative investigation, as well as requesting the Financial Audit Bureau, the FCOI, the Office, the CBI and the General Real Estate and Traffic Registration Department for the purpose of following up on the proceeds inside and outside Iraq and studying the financial files of all the defendants, showing the following:

After studying the bank accounts, it was found that there was a movement of funds towards one of the neighboring countries, and as a result, the counterpart FIU in that country was approached by the Office, and the accounts and property of the accused and her relatives were provided.

Defendant J and her family have large companies, real estate, bank accounts and gas stations inside Iraq.

Through the follow-up of the proceeds, it was found that the defendant (J) bought a property in Iraq in the name of her daughter worth (7) million dollars and another property in her name in one of the luxurious areas, and the existence of accumulated rents in the amount of (1.200) million dollars.

It was also found that real estate belonging to her, her husband, daughter and son in the neighboring country was also found in addition to bank accounts.

The FCOI was provided with the information available in the neighboring country and a request for MLA was prepared. The seizure of movable and immovable property of those related to the accused has been requested in the concerned State.

The shares of the participants in the case were determined and their funds were followed.

It was found that the other defendant (Z) had real estate registered in his name, the name of his wife and one of his friends, in addition to other properties before the crime that were offered for illicit gain and the proceedings are still ongoing.

Actions taken against the accused:

- A request for MLA has been issued to the neighboring country for the purpose of seizing the movable and immovable property of the criminal
- Seizure of assets belonging to the criminal registered in the name of her relatives, and the procedures of cooperation are still ongoing with the other country.
- Issuing a conviction for a predicate offence and ML in Iraq, by sentencing the accused for 15 years imprisonment, confiscating real estates and rents of those properties, and imposing a fine of USD (10) million.

Outgoing extradition requests

773. Iraq sent a reasonable number of requests for repatriating criminals during 2018-2022 totaling (638) requests, which mainly concerned corruption cases totaling (363) requests, followed by terrorism cases totaling (141) requests, then fraud crimes totaling (91) requests, in line with the NRA outputs.

774. The number of outgoing requests that were rejected was 7, and the reason for the rejection was that the requested countries do not extradite their nationals.

775. Iraq provided statistics showing the number of requests executed, and those that are still under execution, whereas those requests have been executed within an average timeframe of 1 to 3 months.

Table No. (8.8): showing outgoing requests for extradition of criminals.

| Year | Corruption | Drug trafficking | Smuggling of oil | Tax evasion | Trafficking in antiquities | Forgery | Fraud | Terrorism | ML | Others |
|-------|------------|------------------|------------------|-------------|----------------------------|---------|-------|-----------|----|--------|
| 2018 | 74 | 1 | 1 | | | 1 | 10 | 3 | | |
| 2019 | 66 | 2 | | | 1 | 10 | 21 | 17 | 1 | |
| 2020 | 50 | | | | | 2 | 5 | 7 | 3 | |
| 2021 | 116 | | | | 1 | 9 | 25 | 48 | | |
| 2022 | 57 | | | | 2 | 9 | 20 | 66 | | |
| Total | 363 | 3 | 1 | | 4 | 31 | 91 | 141 | 4 | |

776. One country indicated that the death penalty in Iraq hinders extradition to it. However, the authorities have clarified that as per the criminal procedure code, rulings in absentia are not final; in addition, the ruling against the person in question was life imprisonment, not the death penalty. They relevant Iraqi authorities have informed the counterparts of that, and a number of meetings have been held between both sides in this regard; the issue is still being deliberated with the concerned country. It should be noted that Iraq has ratified the International Convention on Human Rights.

Seeking and providing other forms of international cooperation for AML/CFT purposes:

777. Iraq uses a wide range of international cooperation forms with its foreign counterparts to exchange various types of information, including financial and intelligence information, to combat ML, associated predicate offences and TF, depending on Iraq risk profile. Competent authorities, especially LEAs, benefit sufficiently from cooperation with counterparts, which explains the low number of outgoing MLA requests for ML, TF, and other serious crimes with a cross-border dimension, unlike corruption, for which information is exchanged effectively, whether through formal and informal cooperation. With respect to terrorism and TF, the NIS and the CTS cooperate effectively with their counterparts, especially since recourse to informal cooperation in these crimes allows for the rapid exchange of information and given the sensitivity and confidentiality of the information exchanged.

778. In 2014, the Iraqi authorities established the "Joint Operations Command", which was headed by the military command of Iraq with the membership of countries of the international coalition formed to fight ISIL in 2014. This mechanism achieves the instant exchange of intelligence information between national authorities, as its tasks were to collect and analyze information on any possible terrorist act that threatens Iraqi territory or the international community and pursue the perpetrators, as well as providing any information related to funds, they may receive for the purpose of carrying out terrorist acts. The command collects financial and non-financial information on persons and entities and supports investigations carried out by LEAs inside and outside Iraq, given the presence of representatives of international and national bodies in addition to other security tasks.

779. Reliance on informal cooperation on terrorism and TF is consistent with the country’s terrorist risks relating to ISIL. This is because informal cooperation provides swift information that contributes significantly to preventing terrorist acts and providing information on the financial support of these acts, especially since the movement of fighters and leaders of ISIL and the movement of funds used or intended for use to finance terrorist acts take place rapidly. However, Iraq has not demonstrated that it exchanges information to a sufficient degree with foreign partners on TF and ML cases related to TF not related to ISIL.

International cooperation between law enforcement authorities

(Incoming requests including the Kurdistan Region):

Baghdad’s Interpol National Central Bureau:

780. The Arab and International Police Directorate (Baghdad’s Interpol National Central Bureau) is responsible for ensuring direct communication between national law enforcement agencies and all other ministries in the country and the international community and vice versa with the aim of combating transnational crime and enhancing joint security cooperation.

781. The tasks and duties entrusted to Baghdad’s Interpol National Central Bureau take many diverse forms of international cooperation that will strengthen national action aiming at combating transnational crime. These tasks and duties that it carries out in coordination with the International Police Organization - Interpol include the prosecution of accused persons wanted by the Iraqi judiciary who were proven to have escaped outside Iraq and vice versa, by making use of the mechanisms for the rapid transmission of security, criminal and judicial information with the Interpol bureaus in the (194) member countries.

782. In order to expedite the exchange and transmission of security, criminal and judicial information between national LEAs and between the Interpol bureaus and Interpol, and vice versa, this process is done through the secure and rapid communication system (I-24-7) that is being used within the headquarters of Baghdad Interpol Bureau with the aim of disrupting the movement of organized and transnational crime by monitoring and tracing criminal methods and techniques. The number of information relating to terrorist financing and the whereabouts of the accused persons reached 600 information notices that were sent by Interpol through the above-mentioned communication system to all Interpol bureaus which are linked to this system in particular.

783. Baghdad’s Interpol National Central Bureau implements the measures related to security projects and operations which are launched annually by Interpol and which target, each, a specific criminal activity. The following are relevant case studies:

Box No. (8.9) - Case study:
 A security operation at a global scale (FLASH WEKA) launched by Interpol was executed as part of detecting illegal migration and human trafficking crimes and dismantling the international networks involved in these crimes, where the Interpol Bureau coordinated with the various relevant national authorities on the implementation of actions related to this operation during the time period scheduled for Iraq concurrently with a number of Arab and foreign countries. The focus was on the (air, land and sea) border crossings by scrutinizing travel documents by cross-checking them against the Interpol databases. This operation has yielded great results by arresting a number of accused perpetrators of foreign and local nationalities, rescuing the victims and securing their transfer to safe places in preparation for their travel to their countries.

Box No. (8.10) - Case study:
 A security operation on a global scale (HOT SPOT) launched by Interpol was executed as part of detecting crimes of illegal migration and transgression of national borders by illegal infiltrators. The Interpol bureau coordinated with the national agencies

concerned, after obtaining the necessary due approvals, on the implementation of these procedures, by designating an operations room at the headquarters of the Directorate of Residence Affairs and forming working groups to be stationed at the border crossings that have been selected in the search and scrutiny operations, in addition to border control. This operation resulted in the arrest of a number of persons of foreign nationalities residing in Iraq who violated the Iraqi residency law and have expired residency permits, as well as the arrest of a number of infiltrators across the national border, in coordination with the Border Forces Command.

Incoming requests:

784. The number of requests received by Baghdad’s Interpol bureau during 2018-2022 reached a total of (763) requests that mainly concerned the terrorism crime, totaling (404) requests, then trafficking in narcotic substances totaling 161 requests, followed by fraud crimes totaling 69 requests, then trafficking in national antiquities totaling 50 requests and to a lesser extent requests related to forgery, fraud and tax evasion crimes, with the absence of requests received for crimes of corruption, smuggling of oil and oil derivatives and TF. This is because information is exchanged directly through the relevant authorities according to their jurisdiction, including the FCOI and the NIS. The type of assistance sought in the incoming requests was related only to request for arrest.

Table No. (8.9) showing requests for information received by Baghdad Interpol by type of crime:

| Crime | Requests received |
|-------------------------------------|-------------------|
| Drugs | 161 |
| Tax evasion | 8 |
| Trafficking in national antiquities | 50 |
| Forgery | 36 |
| Fraud | 69 |
| Terrorism | 404 |
| Money Laundering | 20 |
| Others* | 15 |
| Total | 763 |

785. Baghdad Interpol also adopts dissemination procedures with regard to stolen and lost passports, which totaled (538), in addition to stolen motor vehicles wanted at the international level. Baghdad Interpol disseminates to national authorities, in coordination with them, notices regarding firearms stolen at the international level, to trace them and identify the crime path. 40 pieces of firearms were detected, and the procedures to recover them are still underway. It does not appear from this outcome whether the efforts made in this regard are sufficient or not in light of the lack of specificity concerning Iraq among the 538 circulars mentioned.

786. The number of foreign accused persons wanted by the judiciary of other countries who were arrested inside Iraq and extradited through Interpol reached 13 out of 8000 red notices, where they were extradited pursuant to bilateral and multilateral conventions and agreements.

Box No. (8.11)- Case studies showing how well Baghdad’s Interpol National Central Bureau has benefited from information collected through Interpol bureaus abroad in uncovering criminal networks involved in various crimes in Iraq:
Case study:

A smuggling operation involving large quantities of narcotic substances hidden inside a ship coming from Spain, was disrupted, where a working group was formed in coordination with the national authorities and judicial approvals were obtained in this regard, based on information received from Interpol/ Command and Coordination Centre - CCC for the purposes of verifying whether these gangs are related to or related to other networks inside Iraq. These efforts resulted in the arrest of a number of persons working in the seaport who were suspected of being involved in this operation. Investigations are still underway in coordination with Madrid's Interpol Bureau to reach the main network responsible for the source of this shipment.

Case study:

Based on information received from Interpol and Kampala' Interpol bureau on human trafficking crimes involving a Ugandan victim who was on the Iraqi territory and who fell into the grip of a criminal network involved in these crimes, the victim was able to communicate with her family to determine her location and the circumstance she was going through. Accordingly, Iraqi procedures were directed toward forming a working group and obtaining judicial approvals in this regard in order to move to her location, and after a series of actions and intensive inquiry to locate her through Google, she was liberated from the kidnapers and her travel to her country was secured.

Case study:

Based on information received from Washington Interpol bureau regarding an Iraqi accused person, against whom there is intelligence information indicating his involvement in executing terrorist operations inside Iraq in addition to premeditated murder crimes, the bureau proceeded to the crosschecking of data and verification of the information available against him in the databases of Iraqi intelligence services. After confirming the authenticity of the information received from the afore-mentioned bureau, a working group was formed for this purpose, it was agreed with Washington's Interpol bureau to send this group on an air flight accompanied by a security taskforce and the accused was arrested upon his arrival to Baghdad International Airport.

Box No. (8.12) - Case studies showing how well the Interpol bureaus abroad have benefited from information provided by Baghdad's Interpol National Central Bureau in uncovering criminal networks involved in various foreign crimes:

Case study:

An accused person was arrested in the State of Lebanon on a charge of violating the residency law. After Baghdad's Interpol National Central Bureau was notified of the details of his arrest, it started coordinating with the concerned national authorities to crosscheck the information about that accused person and collect the information available about him at the national level. After reviewing the criminal records, it was found that he is wanted by the Iraqi judiciary for participating in (the Speicher) crime. Accordingly, and following coordination with the investigating authorities conducting the investigation and the judiciary entities, an extradition file was prepared and sent to the competent Lebanese authorities, through the adopted diplomatic channels to consider his extradition. An approval was obtained from the Minister of Interior to form a security delegation headed by Baghdad's Interpol National Central Bureau for the purpose of taking him over.

Case study:

Baghdad's Interpol National Central Bureau was notified by Beirut Interpol Bureau of the details of ongoing investigations conducted by their competent authorities regarding a group of Iraqi and Lebanese accused persons involved in smuggling drugs

from Lebanon to Iraq by hiding them through wheels of a refrigerator truck used for the transportation of food commodities. Accordingly, a working group was formed to coordinate with all national authorities and judicial approvals were obtained in order to disrupt these smuggling operations in order to preserve the safety and sovereignty of national borders. These actions resulted in the arrest of several members of this network inside Iraq, and after they confessed, a number of accused persons were arrested by the Lebanese authorities, and investigations are still underway in order to locate the remaining members of the network inside Iraq.

Case study:

Interpol issued red notices against two defendants (brothers) wanted by the Iraqi judiciary for terrorism. Their whereabouts were determined in a European country (F). After the extradition request was sent to the authorities in that country (F), they refused to hand them over to the Iraqi authorities. After the decision to refuse their extradition, the defendants left for another European country (S). Interpol Baghdad was notified of the presence of the defendants inside country (S) and contributed to the information provided by the Interpol Baghdad Information Office to determine the location of the defendants and arrest them. It was found that the defendants are also wanted by the authorities in country (S). The investigation is still ongoing with the said authorities to hold them accountable and extradite them.

Outgoing requests:

787. Baghdad's Interpol National Central Bureau undertakes the legal procedures entailed by the request to issue the International Red Notice against accused persons wanted by the Iraqi judiciary for various criminal cases after providing legal supporting documents from the Presidency of the PP and the competent investigative courts, represented in the International Arrest Warrant and Information Notice), which include formal and objective information about the case, as well as the personal data of the accused and their possible whereabouts.
788. Regarding the file of Iraqi artifacts stolen and smuggled outside the Iraqi borders, Baghdad's Interpol National Central Bureau is playing a key role in coordinating with Interpol bureaus in member countries and the Unit on Artwork and Cultural Property at the Interpol headquarters, to follow up on the recovery of the looted Iraqi cultural heritage and to take legal action against gangs involved in organized crime and trafficking in Iraqi antiquities.
789. The number of red notices¹¹⁵ issued by the bureau during 2018-2022 totaled (121), including (111) notices on financial corruption crimes, (3) on money laundering crimes, two on drug crimes and (5) on stolen Iraqi antiquities crimes. The numbers mentioned show that there is an unbalanced focus on financial corruption crimes in terms of outgoing requests by the Iraqi bureau compared to other crimes identified in the NRA as the most serious and most prevalent crimes in Iraq. However, these other crimes are handled, in relation to information exchange, by other authorities within the country, each within its competence.
790. Baghdad Interpol bureau contributed to the issuance of (1283) international blue notices¹¹⁶ against the persons accused of terrorist cases and to the dissemination of information about them at the international level to seek their locations. On this note, (6) of accused persons were located in multiple countries and two extradition requests have been sent regarding two individuals, one of whom has

¹¹⁵ A red notice is a provisional arrest warrant to detain and apprehend the accused persons with a view to extradition.

¹¹⁶ A blue notice is to collect additional information about an accused person's movement and location.

already been extradited, while work is underway to extradite the other; however, Iraq has not provided evidence of the action taken against the individual who was extradited..

791. The number of requests issued by Baghdad's Interpol bureau during 2018-2022 reached a total of (181) requests that mainly concerned the terrorism crime, totaling 42 requests, then trafficking in narcotic substances totaling 35 requests, followed by corruption crimes totaling 28 requests, then drug crimes totaling 19 requests and to a lesser extent requests related to fraud and forgery crimes, with the absence of requests made for the crimes of tax evasion, smuggling of oil and oil derivatives and TF. This is because information is exchanged directly through the relevant authorities according to their jurisdiction, including the FCOI and the NIS, as mentioned below. The type of assistance sought in the outgoing requests was related to taking statements, tracing funds, hearing witnesses, and arrests. This shows that outgoing requests have focused on crimes that had been identified as some of the most serious and most prevalent in Iraq as per the NRA. However as noted above, not all such crimes were included.
792. A total of 260 international red notices were issued at the request of the judicial authorities in the Kurdistan Region. In addition, 1,896 blue notices on topics about terrorism resulted in five positive matches related to the extradition of one accused and determining the location of four others. Extradition files regarding them have been issued through the diplomatic channels.
793. The total number of Iraqi accused persons wanted by the judiciary of other countries based on red notices and arrested inside Iraq and whose extradition was refused by the Iraqi judiciary is 65. Their extradition was refused because they have the Iraqi nationality, and 17 of them were brought to trial through letters rogatory and were convicted as stated by Iraq. However, no details regarding the sentences issued in those cases were provided.
794. 30 accused persons against whom Interpol notices were issued were extradited from Jordan, Syria, Lebanon, Iran, Sultanate of Oman, Bahrain, Egypt, UAE, Sweden and Germany, and the procedures for the arrival of the extradition file and the results of the decision on the file at the judicial level took one to six months. Extradition files regarding them have been issued through the diplomatic channels.

Directorate-General for Narcotic Drugs and Psychotropic Substances Affairs:

795. The Directorate-General for Narcotic Drugs and Psychotropic Substances which is established within the structure of the Iraqi MOI exchanges information with its counterparts at the international level with a view to combating the crime, as it is considered a transnational crime, thereby reflecting how well competent authorities understand the level of risks posed by this crime according to the NRA outputs.
796. The Directorate exchanges information with counterparts through Baghdad Interpol office, where the number of information notices exchanged through Interpol reached 200 requests, in addition to direct methods and techniques, through memoranda of understanding concluded between the Directorate and its counterparts abroad to prosecute the perpetrators of crimes of illicit trafficking in narcotic drugs, psychotropic substances and chemical precursors in accordance with legal contexts and controls and in coordination with the Higher National Authority for Combating Narcotic Drugs and Psychotropic Substances.
797. The Directorate-General for Narcotic Drugs and Psychotropic Substances Affairs concluded 6 memoranda of understanding with 6 countries (Kuwait, Qatar, Iran, Sudan, KSA and Palestine). Furthermore, additional MOUs are being currently finalized with Turkey, Pakistan and Afghanistan.
798. The Directorate is considered as the main center for investigation and exchange of information with respect to combating the drug crime, given that the Anti-Narcotics Directorate in the Kurdistan Region is coordinating with the central Directorate General for the exchange of information at the international level.

799. In this regard, during 2018-2022, the central Directorate received 6 requests for information from the Anti-Narcotics Directorate in the Kurdistan Region, while the central Directorate sent 5 requests.

Incoming and outgoing requests:

800. During the assessment period which extended from 2018 to 2022, the Directorate-General for Narcotic Drugs and Psychotropic Substances Affairs received (54) requests, and (73) requests were made, all with five countries (four of which are border countries and only one non-border country).

801. By examining the statistic, it was found that memoranda of understanding are concluded with two of the countries with which information was exchanged, while there are no memoranda of understanding concluded with the remaining three countries, thereby reflecting the effectiveness of cooperation from the Iraqi side.

802. It was found that the process of exchanging information was still ongoing during 2023 with the above-mentioned countries, in addition to exchanging information with new countries such as Turkey and Kuwait, where 41 requests for information were issued and 27 requests were received until the end of the on-site visit.

803. Based on the exchange of information made by the Anti-Narcotics Service in Iraq with the foreign counterpart agencies, 459 persons of different nationalities who were on the Iraqi territories were prosecuted for drug crimes during 2018-2022. Of these, 416 have been convicted of drug-related offences and 9 are still under investigation while 34 have been acquitted.

Box No. (8.13) - Case study:

The Directorate-General for Narcotics Affairs conducted, in coordination with the Anti-Narcotics Department in a neighboring country (Syria) a quality operation which resulted in the dismantling of an international drug smuggling network and the seizure of (11) kilograms of narcotic substances (Crystal / Captagon) in their possession, after forming a specialized working team from the Directorate-General for Narcotics Affairs and the competent security services in the Kurdistan Region of Iraq, based on information received from one of the neighboring countries. The accused persons were arrested pursuant to a judicial decision for the crime of international drug trafficking.

Box No. (8.14) - Case study:

Information reached through technical and intelligence effort indicated that an Iraqi person who is considered a very dangerous dealer is engaged in drug trafficking and smuggling, and warrants of arrest, inquiry and search were issued against him. It was found that he is in an Arab country. As a result, this country was approached, but gave no response in this regard, and the matter is being followed by the Directorate in Iraq.

804. The Anti-Narcotics Agency has strategies in place to combat organized crime and narcotics trafficking crimes, including activating the exchange of information at the international level by establishing anti-narcotics liaison offices in originating countries for drugs toward Iraq, adopting the controlled delivery technique, taking prudential measures for the early detection of drug users, and broadening the scope of international and regional cooperation for the purposes of combating crime by concluding memoranda of understanding and ratifying international treaties in this regard.

The National Intelligence Service

Incoming requests

805. During 2018-2022, the NIS received, directly from counterparts, requests related to terrorist financing and terrorist offenses, totaling (676) and (2850) requests respectively. The time period taken for responding to the requests ranged from one to two weeks, which

is considered a reasonable and effective period. The information received by the NIS was intelligence information and it is shared with the various authorities in the country, according to their respective jurisdictions.

Table No. (8.10): showing requests sent by counterpart authorities to the NIS during 2018-2022

| Year | Type of crime | |
|-------|---------------------|--------------------|
| | Terrorist financing | Terrorism offenses |
| 2018 | 127 | 386 |
| 2019 | 143 | 547 |
| 2020 | 76 | 827 |
| 2021 | 137 | 633 |
| 2022 | 193 | 457 |
| Total | 676 | 2850 |

806. There is a direct cooperation which is extensively undertaken between the NIS and the USA in the field of combating terrorism and terrorist financing crimes, and this cooperation is carried out directly through liaison officers in Iraq.

807. The number of persons involved in terrorist financing who were arrested abroad based on the responses of the Iraqi NIS to requests received from counterparts abroad during 2018-2022 reached (17). However, the country did not provide any indication showing how well the counterparts abroad have benefited from the information provided by Iraq's NIS.

Table No. (8.11): Showing how well the concerned authorities abroad have benefited from the responses of Iraq's NIS during 2018-2022

| Year | Number of persons arrested abroad for being implicated in TF |
|------|--|
| 2018 | 2 |
| 2019 | 6 |
| 2020 | 2 |
| 2021 | 4 |
| 2022 | 3 |

Box No. (8.15) - Case studies showing how well the counterpart authorities abroad have benefited from arresting a number of persons implicated in terrorist financing:

Case study:

During the investigations into the financing of terrorism conducted by the Iraqi NIS, a group of donors residing in a neighboring country (s) was uncovered. These donors would send large sums of money to militants of the organization who are in country (x) which is near Iraq, and as a result, country (s) was notified and provided with all the required information; the donors who were (6) in total were arrested, in addition to the owner of the remittance office residing in country (s).

Case study:

Through the investigations into the financing of terrorism that the Iraqi NIS is conducting, it uncovered an Iraqi person residing in country (x) and holding the passport of that country who was planning to travel to country (s) for the purpose of buying a factory for the production of (snacks) and then shipping it to country (x) in which he resides and where he is known as an investor.

Consequently, country (s) was notified. He was ambushed and arrested while conducting the customs clearance procedures and he was then handed over to Iraq.

Case study:

The Iraqi NIS received information about the convict (A.H.) managing media channels affiliated with the terrorist organization ISIL on the Telegram application for providing support to groups (lone wolves) spread around the world by publishing lessons and educational videos on how to manufacture explosives and carry out terrorist attacks individually such as (vehicular and stabbing) attacks. The convict is carrying out his work without an actual link with the members of the organization. In addition, he purchases protection applications and electronic numbers and distributes them free of charge to those groups. He is an employee who finances himself from his monthly salary and after his arrest, legal measures were taken by the competent court against the accused and his removal from his job and the issuance of a life sentence based on the provisions of Article (IV / A) of the Anti-Terrorism Law No. (13) of 2005. Communication was made through unofficial channels with an Arab country and two Western countries, where they were provided with the results of the convict's investigation because his mobile phone contained important information about people in those countries who have the same activity, and 3 members were arrested in the three countries.

808. In addition to the above case studies, the NIS provided the Global Coalition with important information during the recent battle with ISIL in the Syrian area of Al-Baghuz, including 90 coordinates provided to the Global Coalition of the organization's sites, ammunition and logistical support materials storage facilities, and targeting many of the senior leaders of ISIL. Coordination was undertaken with the Syrian Democratic Forces through the Global coalition against ISIL for the purpose of the receipt of (1137) Iraqis who were fighting in the ranks of the organization during the last battle of the organization in the areas of (Al-Baghuz / Sousse / Al-Shaafah.

Outgoing requests:

809. During 2018-2022, the NIS sent requests to counterparts relating to terrorist financing and terrorism offenses, totaling (836) and (3663) requests respectively.

Table No. (8.12): Showing the requests made to counterpart authorities during 2018-2022.

| Year | Type of crime | |
|-------|---------------------|--------------------|
| | Terrorist financing | Terrorism offenses |
| 2018 | 104 | 438 |
| 2019 | 118 | 649 |
| 2020 | 168 | 753 |
| 2021 | 204 | 843 |
| 2022 | 242 | 980 |
| Total | 836 | 3663 |

810. The number of persons implicated in terrorist financing who were arrested in Iraq, based on the information provided by counterparts to the Iraqi NIS during 2018-2022 reached only 4, and the country did not provide any data regarding the period from 2021 to 2022 and attributed this to the confidentiality of data and information held by the Service and the difficulty of sharing it with other parties. The extent to which the NIS benefited from information provided by counterparts abroad based on outgoing requests regarding persons implicated in ML related to TF could not be perceived.

Box 8.16 – Case Study showing the extent to which information exchanged with the NISs was beneficial at both outgoing and incoming levels:

Information was received by the Iraqi NIS that the convict (A.H.) was managing media channels affiliated with the terrorist organization ISIL on the Telegram software and that AH was supporting lone wolf groups spread around the world by publishing educational lessons and video clips on how to make explosives as well as carrying out lone terrorist attacks, such as (running over and stabbing), and that AH does his work without any actual connection with the organization. In addition, AH purchased protection software and e-numbers and distributed them free of charge to those groups. He is a self-employee who finances himself from his monthly salary, and after his arrest, legal measures were taken by the competent court against the accused, dismissing him from his job, and issuing a life sentence based on the provisions of Article (Fourth/A) of the Counter-Terrorism Law No. (13) of 2005, and communication took place through unofficial channels with an Arab country and two western countries, where they were provided with the results of the investigation of the convict, as his mobile phone contained important information about persons in those countries who had the same activity; whereby 3 persons were arrested in three different countries.

Table No. (8.13): Showing how well Iraq’s NIS has benefited from the information incoming from abroad during 2018-2022.

| Year | Number of persons arrested in Iraq for being implicated in TF |
|------|---|
| 2018 | 2 |
| 2019 | |
| 2020 | 2 |
| 2021 | |
| 2022 | |

811. Iraq clarified that the large number of outgoing requests is due to the fact that there are frequent requests for information made to counterpart agencies abroad regarding the same case or the same person, where requests for clarifications and requests for additional information are sent for the purposes of collecting more information to inform their ongoing investigations.

Box No. (8.17) - Two case studies:

Case study:

During the investigations into the financing of terrorism conducted by the Iraqi NIS with one of the leaders of the terrorist organization ISIL, a group of donors residing in a neighboring country (s) was uncovered. These donors would send large sums of money to militants of the organization who are in country (x) which is near Iraq, and as a result, country (s) was notified and provided with all the required information, and it was agreed to carry out a joint operation with the counterpart unit in that country. An intelligence scenario was arranged for this purpose, and the operation led to the identification of the donors in that country, and the exchange office used for conducting the transfers in country (s) was identified. The donors who were (6) in total were arrested, in addition to the owner of the remittance office residing in country (s). After interrogating them, Iraqi phone numbers that were provided by country (s) were located and they were tracked by the Iraqi Intelligence Service. As a result, two militants of ISIL working in the administration branch were arrested and convicted in accordance with the provisions of the Iraqi Anti-Terrorism Law. In addition, a non-Iraqi phone number was identified, as it belonged to a leader having the nationality of a

neighboring Arab country who was the Emir of the Board of Grievances. Coordination was also undertaken with that country, and an air strike was carried out killing this leader and his bodyguard.

Case study:

After spotting a person buying food, fuel and logistic materials, it was agreed with the Global Coalition to monitor him by air surveillance. Indeed, he was monitored by drones, and it was found that he was equipping the organization's hideouts in (Hamrin mountains) areas with logistical support materials. After a month-long surveillance, hideouts of important commands in ISIL terrorist organization were detected, including the terrorist (Abu Yasser Al-Issawi), with the title of (governor of Iraq), who was also monitored by air, and an air strike was carried out killing (Abu Yasser Al-Issawi) along with 7 important leaders, and all of supplies and fuel storage facilities were destroyed.

The Counter-Terrorism Service:

- 812. The number of requests issued by the CTS during 2018-2022 amounted to (62) requests represented in requests made to the Global Coalition which is in joint operations rooms with the CTS. This cooperation led to strikes against ISIL, and most of the countries with which information was exchanged were Turkey, France, Sultanate of Oman, and Britain.
- 813. The number of strikes against targets carried out against terrorist organizations during 2022 amounted to 144, while the number of strikes in 2023 reached 19, and they were dealt with in coordination with the Global Coalition Forces
- 814. There is a joint operational base between the competent agencies in Iraq and the Coalition forces through which information is exchanged, and this process is carried out through judicial supervision by a competent investigative judge. Joint work with the Coalition forces aims mainly to fight ISIL terrorist organization in Iraq and the region, and based on exchanged information and joint action, military operations are carried out in Iraq and Syria.

Table No. (8.14): Statistical statement showing how well the CTS in Iraq has benefited from the responses of counterpart authorities during 2018-2022.

| Year | Number of terrorists arrested in Iraq |
|------|---------------------------------------|
| 2018 | 290 |
| 2019 | 282 |
| 2020 | 317 |
| 2021 | 311 |
| 2022 | 144 |

- 815. All the targets arrested from 2018 to 2022 are secret targets according to intelligence information from the country's private sources and according to requests issued by the CTS.
- 816. The number of air strikes carried out by the CTS in conjunction with the Coalition forces during 2018-2022 reached (111), all of which were verbal requests within the scope of international agreements. These were within the operations room of the CTS with the Coalition forces, which led to the detection of terrorist cells in Iraq, the dismantling of terrorist financing networks, the seizure of criminal instrumentalities, and the seizure and confiscation of funds and assets pursuant to judicial rulings.

Box No. (8.18) - Case study:

Person (a) holding the nationality of an Arab country joined Al-Qaeda in Nineveh. He was assigned as administrator in Al-Jazira province and appointed as governor of South Mosul and later in Gharbia. He was also appointed as governor of El-Hassaiba. He

was commissioned by Al-Qaeda to move to a neighboring country in order to prepare firearms. After the dissent of ISIL and Al-Nusra Front from the Caliphate, he was assigned as governor of Deir ez-Zor, Raqqa, and Al-Hasaka. He oversaw Korbani, Manbij and Tell Abyad battles and he played a significant role in Al-Baghuz battle. He left Syria to Europe by order of the Caliph in order to recruit fighters in the United Kingdom. He arrived there in 2018.

Person (b) joined ISIL when the Caliph Al-Baghdadi declared the Islamic State of Iraq and the Levant and the pledge of allegiance took place in Deir ez-Zor. He participated in the battles of Shaddadi, Tell Tamer and northern Aleppo countryside. He was appointed as company commander in Deir ez-Zor and moved to the United Kingdom where he was subordinated to Person (a). Regarding Person (c) who is in the United Kingdom, he was assigned as recruitment officer in Manbij region and there is an arrest warrant against him on the charge of terrorism.

All the information related to the afore-mentioned persons was obtained through the sources of the Service who worked with Person (a). Following coordination with the competent counterparts in the United Kingdom through the exchange of information and the identification of their locations, the afore-mentioned persons were arrested and interrogated. They confessed to having carried out terrorist operations and to financing terrorist operations.

International cooperation among other entities

Iraq Money Recovery Fund

817. Iraq Money Recovery Fund is linked to the Council of Ministers and aims to recover all financial rights of the Republic of Iraq that were obtained by others from Iraqis and foreigners illegally before 2003, as a result of the misuse of the oil-for-food program, economic siege, smuggling, and sabotage.

818. The total value of funds/assets recovered from abroad during 2018-2022 was (11,980,542) EUR, (24,896,818) USD and (107,000,000) IQD, based on the efforts of the Iraq Money Recovery Fund, as a result of the misuse of the oil-for-food program, smuggling, or economic sabotage. The largest amounts were recovered during 2019 and 2020 compared to the remaining years. It should be noted that the Fund obtains information by sending requests for cooperation through informal channels through the Office, and after verifying the existence of any amounts or assets, requests for judicial assistance are issued in this regard.

Table No. (8.15): showing the total value of funds/assets recovered from abroad during 2018-2022.

| Year | Country | Total value of funds/assets recovered from abroad |
|------|----------|---|
| 2019 | Jordan | 65,102 Euros |
| | Bahrain | USD 6,192 |
| | Spain | 11,915,440 Euros |
| 2020 | Jordan | USD 750,000 |
| | Germany | USD 20,495,415 |
| 2021 | KSA | USD 3,290,424 |
| 2022 | Hungary | USD 354,787 |
| | Malaysia | 107,000,000 Iraqi dinar |

The Federal Commission of Integrity:

819. Iraq is not considered a safe haven for the purposes of laundering the proceeds of corruption from abroad because it is not a financial center. The FCOI has a division for international cooperation through which information is exchanged directly with external

counterparts through the memoranda of understanding it has concluded. The Commission does not need a judicial order for the purposes of exchanging information with counterparts.

820. The Commission exchanges information with counterparts through the Office, where (235) requests were issued through the Office on behalf of the Commission to Jordan, Turkey, and the UAE. These requests led to the receipt of responses from these countries indicating the existence of financial accounts and assets belonging to persons wanted by the Iraqi authorities. Accordingly, requests for legal assistance were issued to seize those funds. (7) requests were also sent to the USA, UK, and Sweden to trace funds.
821. Iraq provided a statistical table of the proceeds of corruption (see table under IO.8) that were seized abroad during 2018-2022. They consisted of cash amounts in different currencies, in addition to real estate, vehicles, shares in companies and securities. It was also found that there were no seizures imposed during 2020, due to the Corona pandemic.

The AML/CFT Office

822. The Office concluded memoranda of understanding with nine counterpart units in Jordan, Lebanon, Belgium, France, Turkey, UAE, the Sultanate of Oman and Denmark, and exchanges information with these units based on memoranda of understanding. The Office exchanges information with other counterpart FIUs without memoranda of understanding concluded with them, based on the principle of joint international cooperation, and as permitted by the legal scope. It is also finalizing the final procedures for signing memoranda of understanding with other counterpart FIUs (Egypt, Qatar, Saudi Arabia, and Bahrain). The Office also uses other channels for the exchange of information, such as direct cooperation with the U.S. Treasury Representative to the Office, and information is exchanged accordingly.
823. The Office explained that the reason behind the low number of memoranda of understanding with counterpart FIUs in the period under review is due to the refusal of these units to conclude memoranda of understanding or exchange information with the Office outside the Egmont network, membership to which the Office obtained only recently (July 2023). Since then, it has already started exchanging information through the ESW network. It received 20 requests for cooperation through the network since the date of accession. Therefore, the Office is not expected to face substantial obstacles to future cooperation with counterpart units.
824. During the assessment period 2018-2022, the Office sent and received international cooperation requests via an e-mail address dedicated for this purpose. In order to verify the protection of the data exchanged with counterparts, the Office encrypts the information request and sends it via the dedicated e-mail address, then the counterpart unit is contacted to provide it with the password separately for the purposes of opening the encrypted file.
825. The Office sends information requests for the purposes of collecting the necessary information and in a manner that supports the operational needs of the Office in terms of the reports received by the Office. Requests for information are sent for the purposes of strategic analysis and at the request of law enforcement and local supervisory authorities.
826. One country described that requests for the exchange of information with the Office are of the required quality and are capitalized on with the concerned local authorities. Another country indicated that cooperation is described as very good, while one more country stated that although the number of requests issued to Iraq is low, the responses are adequate and of priority and there is good international cooperation with the Office with regard to suspicious financial activities related to Iraq.
827. One country also indicated that it had succeeded, through cooperation with the Office, in detecting a ML case derived from drug trafficking, where the money was laundered using money laundering methods through business operations.
828. Only one country indicated that it has received two requests for information from Iraq that did not contain sufficient information and featured an investigative case without any details of the nature of the investigations, or the identification of operations, assets, or

financial accounts associated with the case. When additional information was requested from the Office in Iraq, no response was received. The Office reported in this regard during the on-site visit that the request was received during the period of the Corona pandemic (in 2020), and a preliminary response was sent to the counterpart FIU, including the available information from the databases available to the Office, with a request for additional time for the purposes of completing the collection of information. The Office has provided the counterpart FIU with all the required information while allowing the counterpart FIU to share information with their law enforcement agencies for the purposes of inquiries, in addition to requesting additional information. However, the counterpart FIU stated that it does not have any information, noting that the Office sent two letters to the counterpart FIU containing updated information regarding the subject of the request.

Incoming requests:

829. When the Office receives a request for information, it responds to the requesting counterpart FIU with confirmation of receipt. After the initial examination of the Office's database and other databases available to the Office, an initial response is sent to the counterpart unit within a period not exceeding three days.
830. When the Office receives the request, it gives it priority and treats it as urgent, in order to start the examination and analysis, as it is related to a case which is being investigated by the requesting counterpart. The responses to the information requests received by the Office were prompt, as the Office sends an initial response within a period not exceeding three days, and after completing all the procedures of the Office, the request for information is definitively answered within a maximum period of one month, which is considered a very reasonable period of time.
831. The number of requests received by the Office during 2018-2022 reached (52), which mainly concerned money laundering crimes totaling 23 requests, terrorist financing totaling 12 requests and other crimes totaling 15 requests, with a small number of incoming requests related to drug crimes, human trafficking and smuggling of migrants, and the absence of incoming requests related to corruption and terrorism crimes, due to the fact that Iraq is not considered a destination for the purposes of laundering the money generated from such crimes.

Table No. (8.16) showing the incoming requests for information classified by type of the crime mentioned in the request:

| Type of crime | Number of incoming requests |
|---|-----------------------------|
| Drugs | 1 |
| Money Laundering | 23 |
| Terrorism | 0 |
| Terrorist financing | 12 |
| Corruption | 0 |
| Smuggling of goods | 0 |
| Human trafficking and migrant smuggling | 1 |
| Other crimes | 15 |

832. The requests received by the Office were mainly from counterpart FIUs in the Hashemite Kingdom of Jordan totaling (17) requests, followed by the counterpart FIU in Lebanon with (6) requests, and a smaller number from each of the counterpart FIUs in the UAE, Saudi Arabia, Syria, and France.

Table No. (8.17): showing the requests for information received from the requesting country:

| Country/counterpart entity requesting cooperation | Number of requests |
|---|--------------------|
| The Jordanian FIU | 17 |
| The Lebanese FIU | 6 |
| The Emirati FIU | 4 |
| The Saudi FIU | 4 |
| The Qatari FIU | 2 |
| The Syrian FIU | 2 |
| The French FIU | 2 |
| Others | 15 |

833. The outcome of the 52 incoming requests was represented in the fact that they were definitively answered, and the requesting counterpart FIUs were provided with the required information.

Table No. (8.18): showing the requests received by the Office from counterparts abroad classified according to the status of the request:

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of incoming requests | 8 | 16 | 10 | 12 | 6 |
| Number of requests which were partly answered | 0 | 0 | 0 | 0 | 0 |
| Number of requests which were definitively answered | 8 | 16 | 10 | 12 | 6 |
| Average period for responding/answering | From seven days to one month | From seven days to one month | From seven days to one month | From seven days to one month | From seven days to one month |
| Number of requests still under execution | 0 | 0 | 0 | 0 | 0 |
| Number of requests rejected | 0 | 0 | 0 | 0 | 0 |

Outgoing requests

834. During 2018-2022, the Office issued 388 requests for information (including 6 requests issued spontaneously) to counterpart FIUs regarding ML crimes totaling (294) requests, corruption totaling (46) requests, (17) requests regarding TF and only one request regarding the drug crime. On the other hand, there are 30 requests issued for other crimes, including (20) requests related to the collection of information about persons designated on the United Nations sanction list pursuant to UNSCR 1518 (2003) who made a de-listing petition, (6) requests that were sent for the purpose of verifying documents submitted by travelers when declaring their possessions, in addition to (4) requests related to the verification of the authenticity of documents issued by the requested country.

Table No. (8.19): Showing requests for information made by the Office by type of crime:

| Type of crime | Number of outgoing requests |
|---------------------|-----------------------------|
| Drugs | 1 |
| Money laundering | 294 |
| Terrorist financing | 17 |

| | |
|------------|----|
| Corruption | 46 |
| Other | 30 |

835. The table above shows that the number of outgoing requests related to corruption comes in second place (12%) out of the total number of outgoing requests. This is consistent with Iraq’s risk context and the NRA outputs. On the other hand, it is noted the scarcity of requests related to drug crimes (single request), which might be due to the Anti-Narcotics Department’s sending requests on its own to foreign counterparts or through the Interpol. It is also noted that the number of requests related to ML is relatively very high, which is in line with the NRA findings. This is because the proceeds of domestic crimes are laundered in Iraq in the first place and to a large extent abroad, especially those derived from corruption (see Chapter 1).

836. Among the outgoing requests, (30) requests included inquiries about information related to the beneficial owner of financial transactions and legal persons subject of the requests.

Table No. (8.20): Showing the counterpart units to which requests for information to inquire about beneficial ownership have been sent:

| Name of the FIU | Number of requests |
|-------------------|--------------------|
| The Jordanian FIU | 11 |
| The Kuwaiti FIU | 3 |
| The Turkish FIU | 2 |
| The Omani FIU | 2 |
| The Lebanese FIU | 1 |
| The Saudi FIU | 1 |
| The Pakistani FIU | 1 |
| The Qatari FIU | 1 |
| The Sudanese FIU | 1 |
| The Emirati FIU | 1 |
| The Egyptian FIU | 1 |

837. It is noted from the table above that the outgoing requests for inquiry about the beneficial owner were mainly to Jordan, which is consistent with the country's risk context, given that Jordan is a border country and is home for a large number of Iraqi residents who own investments and companies there.

838. Outgoing requests were mainly made to counterpart FIUs in Turkey (105), Jordan (93), UAE (50), Lebanon (38), and to a lesser extent to various counterpart FIUs, including FIUs that do not have common borders with Iraq. What explains the large number of outgoing requests to Turkey and Jordan is that they have a common border with Iraq and given the significant number of Iraqis residing in the said two countries, unlike the situation in other countries that have a common border with Iraq. Cooperation with the American side is undertaken at a higher degree through one of the liaison officers directly.

Table No. (8.21): Showing the outgoing requests according to the requested counterpart unit.

| Country/counterpart unit from which assistance is sought | Number of requests |
|--|--------------------|
| The Jordanian FIU | 93 |

| | |
|----------------------------------|-----|
| The Emirati FIU | 50 |
| The Lebanese FIU | 38 |
| The Syrian FIU | 7 |
| The Saudi FIU | 4 |
| The US FIU | 5 |
| The Azerbaijani FIU | 1 |
| The Irish FIU | 1 |
| The Australian FIU | 1 |
| The German FIU | 4 |
| The Ukrainian FIU | 1 |
| The Italian FIU | 2 |
| The British FIU | 10 |
| The Belarusian FIU | 1 |
| The Turkish FIU | 105 |
| The French FIU | 3 |
| The Danish FIU | 1 |
| The Swedish FIU | 1 |
| The Swiss FIU | 1 |
| The Omani FIU | 1 |
| The French FIU | 2 |
| The Qatari FIU | 11 |
| The Kazakh FIU | 1 |
| The Canadian FIU | 4 |
| The Kuwaiti FIU | 4 |
| The Malaysian FIU | 2 |
| The Egyptian FIU | 14 |
| The Moroccan FIU | 5 |
| The Austrian FIU | 1 |
| The Yemeni FIU | 1 |
| The Greek FIU | 3 |
| The FIU of the Sultanate of Oman | 3 |

Box No. (8.19) - Case study showing the extent to which the requesting State benefited from the information provided by the Office:

A request for information was received from one of the counterpart FIUs in State (G), indicating the receipt of a request for information from the national authorities in that State to the corresponding unit relating to ML derived from illegal acts (drug

trafficking), where the information contained in the request stated that one of the persons called (S) purchased a number of (luxury) cars from three different showrooms in that State, in a manner that is not commensurate with his sources of income and is in the process of exporting them abroad by land to State (H) and from there to Iraq.

The above defendant stated to the authorities in the country (G), that there is a person residing in Iraq (non-Iraqi) who owns a car showroom in the name of (M.A.) who asked him to buy the above cars in exchange for a commission, and stated that the value of the cars was paid by people he did not know, as his role was limited to photographing cars and sending pictures to the mentioned. When the Office searched its databases, it was found that there was an officially licensed car showroom, and the exhibition's activity in the luxury car trade in the region, and it was not found that there were any accounts for the owner of the exhibition, and the unit in the country (G) was informed of the results of the Office's investigation.

The CBI/ Erbil branch was approached to provide any information, financial activities or security indicators in the Kurdistan Region regarding (MA) exhibition or about the owners or shareholders of the exhibition in question. Their answer was received including the lack of information.

- After the Office approached the LEAs and informed them of the above information after obtaining the approval of the counterpart FIU to share the information for investigative purposes only, the information available to the Iraqi LEAs showed the existence of indicators related to the drug issue and are being investigated. The information was received from the same country (G).

The FIU in State (G) was provided with the aforementioned information, where the FIU indicated that the cars did not enter Iraq, noting that the procedures are still ongoing by the LEAs.

839. The US Treasury Department cooperates with the Iraqi AML/CFT Office to exchange ML/TF information, especially since the US counterpart FIU requires that the Office should be a member of the Egmont Group, before exchanging information. Therefore, the Treasury in Iraq helped facilitate the exchange of information, and cooperation is undertaken at the level of training and development of human resources.

840. The outgoing requests for information totaling 382 (excluding 6 spontaneous requests) resulted in final responses to 286 requests and initial responses to 27 requests, while there were still 62 requests under execution dating back to previous years, and counterpart FIUs refrained from responding to 7 requests because the Office was not member of the Egmont Group when the request was sent. The authorities also clarified that the time period from the date of issuance of the request until the response by the counterpart unit ranged from three days to one month.

841. The information obtained from the Office counterpart FIU provided sufficient information to enable it and the requesting parties to take appropriate decisions in the cases under analysis and investigation. The number of responses that helped confirm the information held by the Office was (93). The number of responses that led to seeking MLA requests was 24. The responses that led to the absence of suspicion regarding them were 46, while the number of requests that helped convict criminals of ML was (11).

842. The information obtained from foreign counterpart FIUs in response to the outgoing requests was provided to the competent national authorities, given that part of these outgoing requests was at the request of those national authorities. The responses of counterpart units to requests made based on the needs of the Office during the operational analysis of the suspicion reports received are provided to the competent investigative authorities when necessary.

Table No. (8.22): Showing a description of the action related to requests made to foreign counterpart units:

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|------|------|
|------|------|------|------|------|------|

| | | | | | |
|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of outgoing requests | 58 | 54 | 45 | 77 | 148 |
| Number of requests which were partly answered | 0 | 4 | 3 | 10 | 10 |
| Number of requests which were definitively answered | 56 | 33 | 37 | 58 | 102 |
| Average period for responding/answering | From three days to one month | From three days to one month | From three days to one month | From three days to one month | From three days to one month |
| Pending requests | 2 | 12 | 0 | 4 | 0 |
| Number of requests still under execution | 0 | 0 | 0 | 2 | 29 |
| Number of requests rejected | 0 | 5 | 5 | 3 | 7 |

843. Outgoing requests that are still under execution are followed up periodically (every month) by sending reminders to the counterpart FIUs. As for the pending requests, the Office stated that the requested counterpart FIUs did not respond nor did it reject the request explicitly, and follow-up is ongoing with the counterpart FIUs in this regard. As for the rejected requests, the reasons were due to the fact the Office was not a member of the Egmont Group, which was considered by those counterpart FIUs as a reason for refusing to provide the Office with information. Moreover, in 2022, 7 requests were rejected because they were made at the request of the Recovery Fund, which included an inquiry about the funds of the former regime deposited with foreign banks before 2003, and the FIU's response was that the request does not fall within its mandate.
844. The outgoing requests for information are either based on the operational needs of the Office or at the request of other local authorities, as it was found that 235 requests were issued at the request of the FCOI, while 153 requests were sent based on the operational needs of the Office and at the request of other local authorities (the Customs, the GAT, the CBI).

Box No. (8.20)- A case study showing how well local authorities have benefited from information obtained by the Office from counterpart units:

On 23/1/2020, a letter was sent to the Anti-Money Laundering and Countering Financing of Terrorism Office for the purpose of reaching out to a counterpart unit regarding the fugitive convict (A), and after the outreach was undertaken by the Office, the Office received the foreign unit's response on 17/2/2020, indicating that there is an apartment with lands registered in the name of the afore-mentioned person in the country to which the request was made. Following the unit's response, a MLA request was prepared for the country in order to seize the movable and immovable funds belonging to the convict, and the request was sent, and the convict's property was seized.

The GAC:

Incoming requests:

845. The GAC works to strengthen international cooperation with customs in other countries, and information, experiences and tactics are exchanged to enhance efforts to combat cross-border smuggling of cash.
846. The GAC has the authority to exchange information with counterparts abroad under the provisions of the laws in force. It concluded bilateral memoranda of understanding for the exchange of information with external counterparts such as Jordan and Kuwait and there are memoranda of understanding with other countries (Saudi Arabia and Egypt) which are being prepared. However, these memoranda focus on trade exchange with these countries and are not intended for the exchange of intelligence information for the purposes of investigating crimes of customs evasion, cross-border physical transportation of funds or ML.

847. The GAC receives through Interpol international notices related to information that is diffused to all countries around the world through the Interpol network, and the Administration considers this information, but it did not appear that it has initiated investigations accordingly.
848. The necessary procedures for the purpose of providing representation of an Interpol bureau at all customs points at the border crossings of Iraq have recently been completed, in order to expedite the process of obtaining, accessing and implementing the information as required and promptly.
849. There have been no cases related to the cross-border physical transportation of funds through which information has been exchanged with counterparts abroad, and the Administration has not received any requests in this regard. The authorities explained that Iraq has only recently opened up to neighboring countries and countries of the world, which may be considered one of the reasons that led to the absence of any cases.
850. The Administration also exchanges information with counterparts indirectly through other international cooperation channels such as Interpol and LEAs, in addition to the Office for its ability to request information quickly and effectively.

Box No. (8.21) - Case study illustrating the cooperation of the Office and the GAC with a counterpart unit regarding a suspicion about a passenger traveling through the airport:

The Office received information from the MOF / GAC, indicating that the traveler (A/of the Iraqi nationality) coming from country (M) was found in possession of an amount of (210,000) dollars (two hundred and ten thousand dollars), and the amount was seized by the Administration and deposited with bank (X), the airport Branch.

Actions taken by the GAC and the Office:

It was found that the traveler declared the money he had when he was inspected in the travelers lounge and explained that the source of his money is his work for a company in country (M) with a monthly salary of (5000) (five thousand) in addition to entitlements and annual and monthly bonuses he receives in cash, and he provided a letter from company (z) proving his employment. He also indicated that he has some free trading business in the markets of the country (M), where he has been collecting this amount since 2003 until this date because he resides there, and he decided to return to Iraq and buy (a residential house) for his family because of the high cost of living in that country.

It was found that the reasons for not transferring the above amount were because he was not aware of the procedures at the airports regarding the transportation of funds.

According to the letter of company (Z), which shows that he works as a freight controller with the above-mentioned salary, the above traveler provided the letter issued by the company he works for, in which the company confirms that the traveler is an employee of the company. He also indicated that he does not have a statement of account for the amount because he has been collecting it for more than (15) years at his house. When he took his periodical leave, he carried the amount by hand in order to buy a residential house for his family and he also stated that he did not know about the procedures.

The traveler provided the Administration with a copy of his renewed residence permit in that country indicating his profession as freight controller, and that his sponsor is the said company.

As a result, the Office sought information from the counterpart unit in country (M) to determine the authenticity of the above information and whether the said amount was duly moved out, and to confirm whether or not the letter issued by company (Z) stating that the traveler above works for that company is authentic. The Office also asked for permission to share the information received for investigative purposes only.

The response received from the counterpart unit in country (M) stated that there are no suspicious transaction reports in the name of the above passenger who holds the identity card No. (******) and the Iraqi passport number (A0000000) and company (Z) for transportation. They also found that the above-mentioned traveler (A) had disclosed the amount in question for the purposes of exchanging it into dollars upon his departure, and they explained that the said passenger was sponsored by the said company, which is licensed by their country and is engaged in the field of transportation.

The Office's database did not contain any information or indicators against the aforementioned traveler to date.

Actions taken against traveler (A):

The General Administration was informed of the above information after obtaining the approval of the counterpart unit, following which the amount of money belonging to traveler (A) was released, provided that he submits a pledge not to repeat such an act in the future, while placing him under their continuous monitoring when traveling or returning to and from Iraq.

International cooperation between financial supervisors

The Central Bank

851. The CBI concluded memoranda of understanding with five counterpart central banks (Lebanon, Jordan, the UAE, Palestine and Turkey). The exchange of information with counterparts abroad is carried out through the Office, and this has been referred to above in the statistics related to requests for the exchange of information through the Office. The CBI cooperates with counterpart central banks regarding the coordination concerning the depositing of funds into accounts that CBI holds with such banks by foreign investors. This is done to ensure the scrutiny of the sources of such funds. In addition, the CBI exchanges information of supervisory nature with counterpart central banks. In this regard, it is noteworthy that the cooperation between the CBI and the US Federal Reserve in relation to tracking some transfers that some Iraqi banks have been involved in has led to those banks being banned from dealing with cross-border transfers.

Tax Authority:

852. The GAT in Iraq plays a vital role in promoting international cooperation through various bilateral agreements, including agreements aiming at preventing double taxation. These agreements enable the Tax Authority to exchange important information and cooperate with other countries in tax-related matters through bilateral agreements aimed at facilitating cross-border cooperation and preventing double taxation. The GAT exchanges information with other countries to detect tax evasion and to effectively enforce tax laws.

853. The GAT in Iraq deals with other countries through a set of bilateral agreements, including but not limited to 37 agreements for the prevention of double taxation; this includes agreements that have been signed and agreements that have been presented to the State Council for signature, in addition to agreements for the exchange of tax information and agreements for the promotion and protection of investment.

854. The MOFA also acts as a liaison intermediary on tax matters. Iraq's GAT sends international requests, such as exchange of information or bilateral treaty negotiations, through the MOFA. The Ministry facilitates communication between the GAT and the relevant authorities in the partner countries to ensure the correct implementation and compliance with the agreements. The participation of the GAT in Iraq with other countries through bilateral agreements is an important aspect of international cooperation on tax matters. These agreements prevent double taxation, promote the exchange of information, and encourage investment and trade. The MOFA plays a pivotal role in facilitating this cooperation by acting as a channel for international communication and ensuring the effective implementation of these agreements.

International exchange of basic and beneficial ownership information of legal persons and arrangements

855. Regarding the response by Iraqi authorities to external requests for the identification and exchange of BO information, the information available to the CRD and which the AT finds insufficient and inaccurate does not limit the authorities’ ability to exchange this information with counterparts, as the authorities rely, in the context of international cooperation, on the information held banks under the CDD process. This information is good, accurate and current (See IO.5).

The Anti-Money Laundering and Countering Financing of Terrorism Office

Incoming requests:

856. During 2018-2022, the Office received (52) requests for obtaining basic information, (46) requests for beneficial ownership information and (6) requests for information on legal persons operating / established in Iraq.

| Year | Number of incoming requests for obtaining | |
|-------|---|----------------|
| | Basic information | BO information |
| 2018 | 8 | |
| 2019 | 15 | 1 |
| 2020 | 10 | |
| 2021 | 12 | |
| 2022 | 1 | 5 |
| Total | 46 | 6 |

857. Forty-three requests for obtaining basic information were executed, whereas the incoming requests for obtaining beneficial ownership information were all executed. The time period from receiving the request until it is answered took from three days to a month, which is considered a reasonable period, while no request was refused.

Box No. (8.22) - Case study regarding an incoming request for information to inquire about the beneficial owner:

A request for information was received by a counterpart FIU in a neighboring country, which included an inquiry about the beneficial owner of an Iraqi company, about which the foreign FIU received a lead from an LEA stating that the company received financial transfers in its banking account resulting from illegal acts in the Republic of Iraq. Upon reviewing the databases available at the Office, it was found that there was a case filed against the company, which included the receipt of information by an LEA in Iraq about unlicensed transfers conducted and trading in counterfeit money. Following the collection of information by the relevant authorities, the beneficial owner was reached, and it was found that the company is evading the payment of taxes and does not have customs clearances evidencing the presence of goods it has prepared against the transfers directed to its account in the neighboring country. It was also later discovered that there was a case against the owner of the company with the FCOI related to the smuggling of funds. Accordingly, the counterpart FIU was provided with the information/indicators reached to take legal action in this respect. The matter was also referred by the Office to the FCOI after taking the permission to share the information, for the purpose of linking the indicators and information available to the Office with the Commission and unifying the case presented before the competent courts.

Outgoing requests:

858. Requests for information issued by the Office included a request to inquire about basic and beneficial ownership information. Iraq provided statistics showing that 382 outgoing requests included requests for such information.

Table No. (8.23): Showing requests for information issued by the Office related to requests for basic and BO information:

| Year | Number of outgoing requests for obtaining | |
|-------|---|----------------|
| | Basic information | BO information |
| 2018 | 57 | 1 |
| 2019 | 52 | 2 |
| 2020 | 39 | 6 |
| 2021 | 70 | 7 |
| 2022 | 134 | 14 |
| Total | 352 | 30 |

859. Out of the total requests, 290 have been executed while 62 are still under execution.

Box No. (8.23)**Case study regarding an outgoing request for information to inquire about the beneficial owner:**

The Office was informed of financial suspicions about an external transfer related to the preparation of materials for a public company. The Office conducted an inquiry about the parties to the transfer and traced its course, and the counterpart unit was approached to check the beneficiary of the remittances and suspicions of corruption were found. The information held by the counterpart unit was received and the Office was provided with details of the accounts of the company in question. The FCOI was approached and informed of the details of the case. Financial investigations were conducted by the Commission and a working group was formed to follow up on the case, and the value of the suspicious amount was determined. Another request was sent to the counterpart unit to identify the beneficial owner of the company in question and the suspicious part of the remittances. The investigation authority was provided with all the details, and the legal procedures are still ongoing.

Case study:

The Office received a report in 2021 stating that there were financial suspicions in transfers made in favor of a bank customer, one of the commercial companies concerned with importing fertilizers.

After analyzing the notification by the Office, it was found that the company has an import contract with the government sector to import fertilizer. It was found that the transfers executed to beneficiaries in two different countries, country (A) and country (B). It was found that the transfer sent to country (A) was to cover the amount of import. There was no logical justification for the other transfer to country (B); therefore, the counterpart FIU of country (B) was approached to provide information about the destination of the transfer.

The Office referred the case to the FCOI for the existence of a suspected crime of corruption (bribery).

The FCOI began to conduct an investigation into the issue of corruption and examined the contracts concluded. It was found that there were suspicions of corruption, and a parallel financial investigation case was singled out for the purpose of following up on the funds.

The FCOI sought the Office assistance to approach the counterpart FIU for the purpose of providing them with the BO of the company receiving the remittances for the purpose of cross checking it with the information reached among those suspected of the predicate offence. The counterpart FIU was contacted, and the Office was provided with information.

860. **Overall conclusion on IO.2:** Iraq has a legal basis to provide and request the widest possible range of international cooperation in relation to ML, predicate offenses, and TF. It provides and seeks MLA as part of cooperation with countries and foreign official authorities. Iraq responded to all MLA requests within reasonable time frames. Iraq sent a limited number of MLA requests to other countries, and although there are no rejected outgoing requests, the number of requests made that are still under process prevented the authorities to benefit from the information that could have been provided by the requested countries.
861. The number of extradition requests issued by Iraq is good and is consistent to some extent with the country's risk context. Iraq executed all incoming extradition requests, and although it does not extradite its own nationals, it ensures that they are referred to the competent courts to immediately initiate the necessary actions against them. Levels of mutual informal international cooperation by LEAs and the Office are good. The Office also sends informal information requests on behalf of other government entities. The international cooperation provided by Baghdad's Interpol National Central Bureau and the General Directorate for Combating Crime, Narcotic Drugs and Psychotropic Substances has contributed to the prosecution of several persons. For its part, the informal international cooperation provided by the Iraqi NIS in terms of executing the requests received in relation to terrorism and TF issues is good. Iraq's Money Recovery Fund exerts efforts to recover Iraq financial rights related to the misuse of the oil-for-food program. Beneficial ownership information is exchanged through the Office, and there are several requests made in this regard, but the outcome of these requests was not clear, nor was the usefulness of the information obtained and the local authorities that were provided with such information.
- 862. Iraq achieved a "substantial" level of effectiveness for IO.2.**

Technical Compliance Annex

This Annex provides a detailed analysis of the Republic of Iraq’s (“Iraq”) level of compliance with FATF’s 40 recommendations. This Annex does not include a descriptive text on the country’s situation or risks and is limited to the analysis of the technical criteria for each Recommendation. This document must be read in conjunction with the Mutual Evaluation Report.

Recommendation 1 - Assessing Risks and Applying a Risk-Based Approach.

1. This is a new recommendation and was not assessed within the first round of mutual evaluation for the Republic of Iraq (“Iraq”) in 2012.

Obligations and Decisions for Countries

Risk assessment.

2. **Criterion 1.1 (Largely Met):** Pursuant to Diwani Order No. 15 of 2016, the Anti-Money Laundering and Terrorist Financing Council was formed under the chairmanship of the Governor of the CBI (hereinafter referred to as the “Council”). It was assigned the task of “identifying and assessing the ML/TF risks and updating them on an ongoing basis” (Article 5/First and Article 7/Sixth of Law No. 39 of 2015 related to AML/CFT). The Council also decided to form a technical working group to carry out the NRA process, which included many representatives of the authorities in the country¹¹⁷. The Council used the World Bank methodology in the assessment process to identify threats and vulnerabilities and relied on statistics and qualitative information, obtained through interviews, and holding meetings with specialists from the relevant authorities.
3. The Council completed the first NRA process in October 2022, and the Cabinet approved the outcomes of the NRA process in January 2023. The NRA Report is a confidential document; however, the AT was able to review it including the executive summary that was on the Office website.
4. Although the NRA assessed the most important proceeds-generating crimes in Iraq, the various criminal activities were not comprehensively analyzed at the level of the Kurdistan region. There are also aspects in which the authorities’ understanding is still evolving, such as ML related to crimes of trafficking in national antiquities and Oil smuggling, or activities in which investigations have not been carried out, such as human trafficking and cybercrime on a large scale.
5. The NRA was completed through several sectoral risk assessments prepared before, during and following the issuance of the NRA. These assessments relate to specific issues, such as assessing the risks of legal persons, legal arrangements, ML/TF risks arising from virtual asset activities, and the activities or operations of VASPs in the country. The CBI also conducted several sectoral assessments of bank risks and a sectoral assessment of exchange and money transfer companies,
6. **Criterion 1.2 (Met):** The Council is considered the competent authority to identify and assess ML/TF risks. It undertakes several tasks, including facilitating the exchange of information and coordination between the competent authorities (Article 7 (items 6th and 7th) of Law No. 39 of 2015 on AML/CFT).

¹¹⁷ Judiciaries, the CBI, the MOI, the Office, the FCOI, the NIS, National Security, the CTS, the GAC, the GAT, the ISC, the ID), in addition to (CRD and NGOs Department), representatives of the DNFBS sector, which includes (lawyers, certified accountants, DPMS, and the real estate sector). Representatives of the private sector in Iraq were also involved (such as, the Association of Iraqi Banks, and a selected sample of representatives of private and government banks, exchange and e-payment companies, as well as representatives from insurance companies).

7. **Criterion 1.3 (Met):** It falls within the Council’s competence to identify and assess ML/TF risks and update them on an ongoing basis (Article 7/7th of Law No. 39 of 2015). The NRA report necessitated that the update would take place every two years for high-risk sectors, and every three years for medium and low risk sectors. The council of Ministers approved the NRA that was circulated to the parties, for each party to implement what concerns it.
8. **Criterion 1.4 (Met):** Following the completion of the NRA process, the Iraqi authorities provided all members of the AML/CFT Council the full copy of the NRA. They decided in turn to share it with all supervisory authorities of the financial and non-financial sectors and government (public) authorities that are members of the AML/CFT Council, including the relevant authorities in the Kurdistan region. In addition, the NRA committee, with the assistance of the Office, organized a series of workshops that benefited members of the financial and non-financial private sectors. It also prepared a brief document highlighting the key outcomes of the NRA and published it to the public.

Risk Mitigation

9. **Criterion 1.5 (Largely Met):** Iraq applies unevenly a risk-based approach to allocating resources and implementing measures to prevent or mitigate ML/TF. Except for the GAC and the GAT, the Office, the CBI, the investigating judges, the LEAs, the intelligence agency, and the FCOI have allocated basic resources with the aim of improving their ability to target ML/TF, invested in training officials and employees, developed systems to prioritize cases, adding that several guidelines were introduced by the CBI and Supreme Judicial Council.
10. **Criterion 1.6 (Partly Met):** According to Iraq, this criterion is not applicable because it decided not to exclude any of the FATF recommendations. However, the Instructions on the rules of due diligence towards FIs and DNFBPs No. (1) of 2023 stipulated that “regardless of any exemptions or certain thresholds” (Article 4-5) due diligence measures must be taken when ML/TF is suspected. Among these exemptions, an exception was found regarding documenting the self-assessment risks (Article 17) upon the existence of certain conditions, as well as “exceptions for identifying the Beneficial Owners (“BOs”)” (Article 8) when the customer or the owner of the controlling interest is a company listed on the Iraqi Stock Exchange or a subsidiary owning the majority of the listed company, provided that, it is subject to disclosure conditions and ensuring sufficient transparency for the BOs.
11. **Criterion 1.7 (Met):** Subject entities must apply EDD measures when ML/TF risks are high (Article 22 of Instructions No. (1) of 2023, as well as for correspondent relations (Article 23), higher-risk countries (Article 24 for PEPs) (Article 25). Such application is carried out through: (a) the obligation to apply EDD measures to manage and mitigate risks (Article 16-a-b-c-), taking into account all high risk factors related to customers, countries, products, services, processes, delivery channels or service delivery channels (Article 18); (b) the obligation to include in the self-risk assessment information or results of any risk assessment that has been included by the country and in particular the information related to high risks (Article 16-a-).
12. **Criterion 1.8 (Met):** Subject entities are allowed to implement due diligence measures that take the form of simplified measures when a number of conditions are met, especially when ML/TF risks are low (Article 16-1-c of Instructions No. (1) of 2023) and provided that there is absence of ML/TF suspicion (Article 16-2-a- of the same instructions) and all of such is within the framework of a sufficient analysis of risks by the country and the compliance by the subject entities with their obligations related to the risk-based approach (Article 16-1-a-)
13. **Criterion 1.9 (Met):** The supervisory authorities have various powers, including verifying the compliance by FIs and DNFBPs that are subject to their supervision or control with the obligations established under this law. They may use their supervisory

powers for this purpose (Article 26 - First - e - of Law No. 39 of 2015). FIs and DNFBPs must conduct ML/TF risks assessment and take effective measures to mitigate these risks and provide this assessment to the supervisory authorities (Article 12 First/a of Law No. 39 of 2015).

Obligations and Decisions for Financial Institutions and DNFBPs:

Risk assessment.

14. **Criterion 1.10 (a, b, c and d) - (Met):** FIs, and DNFBPs are required under Article 12 of Law No. 39 of 2015 to conduct ML/TF risks assessment to which they are exposed, including identifying, assessing, and understanding these risks and taking effective measures to mitigate them. Instructions No. (1) of 2023 detailed these obligations, as Article 16-a-b- stipulates that the subject entities must conduct a ML/TF/PF risks self-assessment to identify, assess and understand the risks of customers, countries, products, transactions, and service delivery channels. The authorities are also obligated to do the following:
- a) Document risk assessment processes (Article 16-1-a-)
 - b) Take into account all relevant risks (Articles 18 and 19) and set policies, controls and procedures to mitigate risks (Article 21 1-a-)
 - c) Update assessments processes periodically and when needed (Article 16-1-)
 - d) Provide the supervisory body with the results of the self-assessment processes. (The last two paragraphs of Article 16)

Risk Mitigation

15. **Criterion 1.11 (a, b, and c) - (Met)**
- a) FIs and DNFBPs are required under Article 12 (First/B/E) to develop internal policies, procedures, and controls appropriate to the implementation of the AML/CFT obligations leading to risk mitigation. Instructions No. (1) of 2023 stipulates that these policies, controls, and procedures are approved by senior management (Article 21 1-a-).
 - b) All subject entities must establish internal policies, procedures and controls appropriate to the implementation of AML/CFT obligations, leading to risk mitigation and continuous scrutiny to test the effectiveness of such (Article 12 - first - b - e) and even if Article 14 of Law No. 39 of 2015 explicitly states that FIs must create a special administrative AML/CFT unit that undertakes following up the implementation of the provisions of the AML/CFT law) without mentioning DNFBPs, Article 33 of Instructions No. (1) of 2023 obligates all those subject thereto, including DNFBPs.
 - c) FIs and DNFBPs are also required to take enhanced risk management and mitigation measures when higher risks are identified. Instructions No. (1) of 2023 detailed these obligations related to risk management and mitigation when higher risks are identified (Article 21-1-a-).
16. **Criterion 1.12 (Met)** According to Article 21-c- of Instructions No. (1) of 2023, the subject entities can apply simplified due diligence measures to manage and mitigate risks only when lower risks are identified.
17. **Weighing and Conclusion:** Iraq met most of the requirements of this recommendation; however, there are certain deficiencies that are represented in the fact that the NRA did not take into account various criminal activities that take place in the Kurdistan Region, and since the application of the RBA was uneven among the authorities concerned with combating ML/TF.
18. **For these reasons, Iraq is "Largely Compliant" with R.1.**

Recommendation 2 - National Cooperation and Coordination.

19. Iraq was assessed in the first round of the ME process in 2012, where it was rated “Non-Compliant” with recommendation 31, due to the fact that it has never had an AML/CFT policy making body to look at coordination or cooperation, as well as the absence of AML/CFT coordination or cooperation between the Iraqi and Kurdish governorates, as well as the need for more effective cooperation and coordination across domestic judicial (geographical) boundaries, and the tendency of LEAs to work in isolation from each other and not to share AML/CFT data between different agencies.
20. **Criterion 2.1 (Met):** It falls within the tasks and competence of the AML/CFT Council referred to in Recommendation 1 to draw up policies and programs concerning AML/CFT, develop them and follow up on their implementation (Article 7-First of the AML/CFT Law). the Council developed two national AML/CFT policies, the first covering the period from 2017-2020; and the second 2021-2023. Following the adoption of the NRA, the Council issued a third AML/CFT strategy and action plan for 2023-2027. It also formed working groups to follow up on all parties concerned with implementation on an ongoing basis and submit reports to the Council that include the status of each party and the percentages of progress as well as communicating through official letters with the relevant authorities, facing difficulties in implementation or those not able to implement some items of the action plan.
21. **Criterion 2.2 (Met):** As already mentioned in Recommendation 1 above, a National Council for AML/CFT was formed and entrusted with the task of drawing up, developing, and following up the implementation of AML/CFT policies and programs (Articles 5 and 7 first of the AML/CFT Law).
22. **Criterion 2.3 (Largely Met):** The Council includes in its membership monitoring and supervisory bodies and LEAs. Of its duties, facilitating the exchange of information and coordination between the competent authorities (Article 7-Seventh of the AML/CFT Law). It also falls with the tasks of the Office to exchange information related to AML/CFT with the relevant authorities within the country’s departments and the public sector and coordinate with them in this regard (Article 9 /Third of the AML/CFT Law).
23. Within the framework of activating internal cooperation and coordination, bilateral memorandums of understanding were concluded between the Office and several different entities (MOF/GAT, Higher Authority for Hajj and Umrah/Administrative and Financial Department, MOC/Companies Registrar, Iraqi NSS, the Iraqi NIS, the CTS, the Anti-Organized Crime Directorate, the Ministry of the Interior in the Kurdistan Region, the GAC, the MOI/the Office of the Inspector General/the Training and Development Department, the Banking Control Department, the FCOI, the Recovery Department, the NGOs Department, the Funds Recovery, the RERD, the Office of the Compliance Controller, the Integrity Commission in the Kurdistan Region). The Office renewed in 2023 the MoU with the FCOI in addition to concluding MoU with the General Directorate of Drugs and Psychotropics of the MOI. However, it was noted that the memorandums of understanding are limited to a period of time (five years) and some of them are renewed automatically and others with the written consent of the two parties therein and can be terminated by written communication from one of the parties. The memorandum of understanding between the Office and the Counterterrorism expired, as it was drawn up in 2017 for a period of five years only without renewal.
24. The memorandum of understanding stipulates that the exchange of information be related to AML/CFT and coordination between the parties therein, and that the exchanged information may only be used for the purposes of AML/CFT with the commitment of the parties to maintain the confidentiality of the information provided and not to share it with a third party except through the consent of the party providing the information.

25. The law (Article 26 - Paragraph C of the AML/CFT Law) allows the supervisory authorities to cooperate and exchange information with the authorities concerned with implementing the provisions of the AML/CFT Law, Coordination and cooperation have also been enhanced through a variety of mechanisms, including bilateral relations between the main authorities concerned with AML/CFT. Of these mechanisms, several committees were formed, including a committee chaired by the judiciary with the membership of a number of government agencies to enhance local cooperation and raise the capabilities of investigators in financial investigations, a national counter-terrorism committee and the supervision of the Iraqi strategy for combating terrorism, a committee concerned with implementing the counter-terrorism strategy, and other committees to enhance cooperation between various government authorities (see IO1).
26. **Criterion 2.4 (Met):** The committee to freeze terrorist funds is considered a mechanism to coordinate and cooperate with regard to combating the financing of proliferation (“CPF”), considering that the committee, which includes various national bodies, is concerned with implementing TFS based on the relevant UNSCRs resolutions, including resolutions that cover persons and entities with relation to CPF (Article 1/XIV and Article 2 of the Freezing Terrorists’ Funds Regime No. 6 of 2023).
27. **Criterion 2.5 (Partly Met):** The law provides the Office with the authority to exchange information related to AML/CFT with the relevant authorities in the country’s departments and the public sector, and to coordinate with them in this regard. The law also requires the establishment of a database at the Office, to be considered as a national center for collecting, analyzing, and disseminating information and developing means to facilitate the task of the judiciaries and other authorities concerned with the application of the provisions of the law (Article 9 Fifth of the AML/CFT Law).
28. The Office cooperates through an electronic system with the MOI/ Directorate of Combating Organized Crime and has an electronic system in place to follow up for the purpose of following up and archiving all correspondences carried out by the Office. As for the secure communication system between the Office and other parties, the Office is linked through an automated system with several parties, both on public and private levels. On the private sector’s level, the Office is linked with all banks and online payments companies as well as with Category A and B Exchange offices, securities brokerage firms, insurance companies and MVTs. On the public sector’s level, the Office is linked with judiciaries, supervisory authorities, and LEAs¹¹⁸. The aforementioned system provides a mechanism for the swift and secure exchange of exchanging information. The AML/CFT Council or Office employees are required not to disclose information that they are aware of, by virtue of their position, whether they had seen or learned, directly or indirectly, and this information may not be disclosed in any way except for the purposes of this law, and this shall continue until after the end of their service (Article 53 of the AML/CFT Law).
29. Iraq has a range of official (formal) and unofficial (informal) channels for cooperation and coordination between various national bodies. Regarding official channels, several committees have been established that include a number of government bodies for coordination and cooperation, including a committee chaired by the Judicial Council with the membership of a number of government bodies to enhance local cooperation and raise the capabilities of investigators in financial investigations and to benefit from local and international sources of information, and a committee chaired by the National Security Advisory with the membership of various bodies to follow up on the implementation of the CT strategy, and several committees concerned with assessing the financial capabilities of the ISIL terrorist organization and following up on the implementation of the United Nations

¹¹⁸ Such as the supreme Judicial Council/Presidency of the PP, the ISC, ID, CBI, Ministry of Trade/CRD, MOJ/CRD, MOI, the CTS, the GAC, FCOI, Ministry of Planning /Central Survey and Quality Control Service.

Convention against Transnational Crime and the protocols attached thereto. As for the informal channels of cooperation, they are represented through face-to-face conversations, informal e-mail, and social media. Despite the foregoing, it was not found that there are written systems or mechanisms for cooperation and coordination between the concerned authorities to ensure the compatibility of AML/CFT requirements with data protection and privacy rules and other similar provisions.

30. **Weighing and Conclusion:** Iraq has taken several steps to ensure coordination and cooperation between the authorities responsible for setting national AML/CFT policies. Iraq has also developed and reviewed national policies to respond to the risks it is exposed to. Even though there are no written procedures or mechanisms for cooperation and coordination between the concerned authorities to ensure the compatibility of AML/CFT requirements with data protection and privacy rules and other similar provisions, yet Iraq has in place several official and unofficial channels for cooperation and coordination between various national bodies. Several committees have been formed, which include several government agencies for coordination and cooperation. Judicial, regulatory and LEAs are also linked to the Office through an automated system, which provides a mechanism for exchanging information securely and rapidly.

31. **For these reasons, Iraq is “Largely Compliant” with R.2**

Recommendation 3 - Money Laundering Offence.

32. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with recommendation 1, because the ML offence did not cover specifically the “concealment or disguise” in all cases, and due to the requirement of a special motive, the scope of the material element of the ML offence is narrower than the one required under the international standards, in addition to not criminalizing self-laundering and not criminalizing insider trading, which is not considered a predicate offence for ML, and the inability to apply the anti-money laundering law in the Kurdistan region. Other shortcomings were represented in the absence of any investigations and convictions for ML despite the important number of criminal investigations for predicate offences that generate proceeds, and the ineffectiveness of the ML penalties imposed on natural and legal persons, in addition to being disproportionate and non-dissuasive.
33. **Criterion 3.1 (Mostly Met):** ML has been criminalized in Iraq in line to some extent with the Vienna and Palermo Conventions, where the ML offence is defined under Article 2 of the applicable AML/CFT Law. The Law covers most forms of ML : 1) Transfer, transport, or conversion of funds, with the purpose of disguising or concealing the illicit origin thereof, or helping the perpetrator or accomplice of such offense or the predicate offense evade legal consequences for his/her acts, 2) Conceal or disguise the true nature of the funds, their source, location, status, disposition, transfer, transport, ownership, or their merits by persons in case they knew or should have known that they are the proceeds of a crime, 3) or the acquisition, possession or use of funds by a person who knows or should have known that such funds are proceeds of crime. (Article 2 of the AML/CFT Law No. 39 of 2015)
34. **Criterion 3.2 (Met):** All felonies and misdemeanors are considered predicate offences as stipulated in Article 1-Seventh of Law No. 39 of 2015 on AML/CFT. A misdemeanor is a crime punishable by imprisonment from 3 months to 5 years or a fine exceeding thirty IQD, while a felony is a crime punishable by imprisonment for more than five years (Article 25 of the Penal Code). These provisions cover all the categories of offences defined in the FATF General Glossary.
35. **Criterion 3.3 (a, b, c) (N/A):** Iraq does not apply the threshold approach or a mixture of approaches, but rather the comprehensive approach for all crimes.

36. **Criterion 3.4 (Met):** The ML offence extends to include all property and assets in any form since the definition of proceeds of the crime under Article 1/Six of the AML/CFT Law includes funds resulting or obtained from one of the predicate offences, directly or indirectly, in whole or partially from one of the predicate offences, while the definition of funds according to Article 1/Fifth of the said law includes assets and property obtained by any means, such as national and foreign currency, financial and commercial papers, deposits, current accounts, financial investments, sukuk (deeds) and documents of any form, including electronic or digital, precious metals and stones, and every financial value; immovable or movable property and the rights (equities) related thereto and the profits or interests derived therefrom, whether inside or outside Iraq.
37. **Criterion 3.5 (Met):** Upon proving that the property is the proceeds of a crime, it is not required that a person is convicted of a predicate offence, as the conviction of the accused of the ML offence does not depend on the issuance of a judgment (ruling) for the predicate offences generating the funds (Article 3 of the AML/CFT Law No. 39 of 2015).
38. **Criterion 3.6 (Met):** The provisions of the ML offence apply, according to Article 49 of the AML/CFT Law No. 39 of 2015, even if the predicate offence was committed outside Iraqi territory, provided that the act is also criminalized according to the law of that country.
39. **Criterion 3.7 (Met):** The judgment (ruling) against the accused for any of the predicate offenses does not preclude the judgment for the self- laundering that resulted from that crime. The provisions of the multiplicity of crimes and punishment stipulated for under Penal Code (Article 4 of the AML/CFT Law No. 39 of 2015) apply.
40. **Criterion 3.8 (Met):** AML/CFT Law No. 39 of 2015 does not stipulate that the elements of intent and knowledge necessary to prove the ML offence be derived from objective factual circumstances. However, with reference to the general provisions, this principle was enshrined in Article 33 of the Penal Code, which stipulates that the criminal intent is: having the perpetrator direct their will to commit the act constituting the crime with the aim of achieving the result of the crime that occurred or any other criminal result. As well as Article 212 of the Code of Criminal Procedure, which stipulates that the judge does not have the right to rule in the case based on its personal knowledge, whilst the court's verdict, according to Article 213 of the Penal Code, is based on the extent to which it is satisfied by the evidence presented. Evidence includes confessions, witness testimonies, written records of an interrogation, other official records, reports of experts and technicians, and other indicators and legally established evidence.
41. **Criterion 3.9 (Met):** The ML offence exposes the perpetrator to a prison sentence not exceeding 15 years and a fine not less than the value of the funds subject of the crime and not exceeding five times of the crime committed (Article 36 of the AML/CFT Law No. 39 of 2015). Although it would have been more useful to stipulate a gradation in penalties for simple money laundering charges and other more severe ones against those crimes committed, for example, by those who exploited their jobs or in the case of recurrence, these penalties remain proportionate and dissuasive, especially, if it were compared to the offences of theft and embezzlement of public records and papers which would reach up to 7 years (Article 264 of Penal Code) and 10 years for forgery offences (Article 275 of Penal Code) as well as 10 years for Bribery (Article 307 of the same law).
42. **Criterion 3.10 (Met):** Iraqi law generally recognizes the criminal liability of a legal person (Article 88 of the Penal Code) and its suspension and dissolution (Article 122 of the Penal Code). More precisely, Article 46 of the AML/CFT Law No. 39 of 2015, stipulates the responsibility of the legal person without prejudice to the penal liability of the natural person, and shall be punished with the fine and confiscation prescribed for the crime, meaning that the fine is not less than the value of the funds subject of the crime and not more than five times of the crime committed (Article 36). The responsible person shall also be jointly liable for the

fulfillment of the financial penalties and compensation awarded if the crime is committed by one of their employees, in their name and for their benefit.

43. **Criterion 3.11 (Mostly Met):** Attempt (Article 31 of the Penal Code) is punishable by imprisonment for a period not exceeding half of the maximum penalty prescribed for the crime. An accomplice (Article 47 of the Penal Code) is anyone who incites the commission of a crime or assists in any other way in the actions to prepare, facilitate or complete its commission (Article 48 of the Penal Code), then they shall be punished with the penalty stipulated by law even if the perpetrator of the crime is not punished for absence of the criminal intent or other circumstances specific thereto. Anyone who contributes to its commission or whoever pushes a person to carry out the act constituting the crime is considered a perpetrator of the crime, if this person is not criminally responsible for it for any reason whatsoever (Article (49) of the Iraqi Penal Code 111). It is noted that the word "contribute" is wide enough to include association, while the word "push " includes directing any person to commit the crime. As such, it is clear that the legislation allows the punishment of most of the ancillary crimes to the ML offence, without including conspiracy to commit the crime, while the penalties that may be applied are considered proportional and dissuasive even in the case of an attempt (in which the penalty reaches 7 and a half years).
44. **Weighing and Conclusion:** Iraq met most of the criteria in the recommendation, but there are minor shortcomings, as the definition of the ML offence does not include the management or investment of funds, and the fact that conspiracy to commit the ML offence is not criminalized.
45. **For these reasons, Iraq is " Largely Compliant" with R.3.**

Recommendation 4 - Confiscation and Provisional Measures.

46. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with Recommendation 3, as shortcomings are related to Recommendation 1, Recommendation 2, and Special Recommendation 2 had a negative impact on this recommendation, and the fact that there are no legal provisions that allow for the possibility of confiscation of property of corresponding value, nor there are provisional measures applied to ML offences, most TF offences, predicate offences, the fact that provisional measures do not cover instrumentalities, property of corresponding value and property owned by third parties, the lack of use of the framework for provisional measures and confiscation to achieve effectiveness in this area, the lack of effectiveness on ML and TF offences in respect of confiscation and provisional measures.
47. **Criterion 4.1 (Met):** Iraqi legislation includes provisions allowing for confiscation, whether in the possession of the accused or third parties, as described in the sub-criteria below:
48. **Criterion 4.1 (a) (Met):** The AML/CFT Law allows for the confiscation of funds subject to the ML offence, whether found in the possession of the accused or a third party, without prejudice to the rights of bona fide third parties (Article 38 - First of the AML/CFT Law).
49. **Criterion 4.1 (b) (Met):** The law permits the confiscation of the funds subject of the crime and its proceeds or things (the word "things" is so broad that it includes instrumentalities) that were used in the commission of the crime or that were intended to be used (Article 38-First). The law includes confiscation of benefits generated from those proceeds, whereby the definition of Funds, as per Article (First) of the law includes interests and profits, as well as Article 38/Second, which permits the confiscation of proceeds of crime that are mixed with property acquired from legal sources within the limits of the estimated value of the proceeds

and their fruits (proceeds). Article 23 of the same law also indicates that funds, proceeds, and instrumentalities used or intended for use in ML, TF, and predicate offences, or any property of equivalent value shall be seized.

50. **Criterion 4.1 (c) (Met):** The law permits the confiscation of the proceeds of the crime or the things (including instrumentalities) that were used in the commission of the crime or that were intended for its use (Article 38-First). According to the above analysis, the law also permits the confiscation of the benefits derived from any crime punishable by a misdemeanor or felony, including TF or terrorist acts or terrorist organizations, since the definition of the predicate offence according to Article 1/ Seven of the AML/CFT Law includes every crime in Iraqi law falling within felonies and misdemeanors. The Counter-Terrorism Law No. (13) of 2005 also permits the confiscation of funds, seized materials, and criminal evidence (instrumentalities) or [things] assisting the preparation for the execution of a criminal act (Article 6-2- of Law No. 13 of 2005 Counter-Terrorism Law), but this law does not permit the ruling to confiscate movable and immovable funds for those accused of terrorist crimes, but their funds (movable and immovable¹¹⁹) can be confiscated according to the provisions of Article (38) of the AML/CFT Law, in addition to seizing their money according to the provisions of Article (121) of the Code of Criminal Procedure.¹²⁰
51. **Criterion 4.1 (d) (Met):** The AML/CFT Law permits the confiscation of the equivalent value of the funds subject of the crime and its proceeds in the event that it is not possible to seize or enforce a procedure thereon, whether it is in the possession of the accused or another person without prejudice to the rights of third parties (Article 38 first). The law also permits the confiscation of the benefits derived from these proceeds according to the analysis above. As for the proceeds of the crime that are mixed with legitimate property, their confiscation takes place within the limits of the estimated value of the proceeds and their fruits (whatever results therefrom) (Article 38-Second). The law also permits the confiscation of criminal proceeds when they are transferred or replaced with other property, as the conversion of proceeds of crime into property or their exchange (replacement) is one of the forms of ML stipulated for under Article 2 of the AML/CFT Law, and whoever performs these acts shall be subject to the provisions of Article 38 of the said Law.

Criterion 4.2 (Met)

Iraq has many measures, including legislative ones, that allow the competent authorities to take what is stated in the relevant criteria, as follows:

52. **Criterion 4.2 (a) (Met):** Identify, seize, and estimate property subject to confiscation. Referring to Iraqi legislation, the authorities enjoy powers, including legal ones, that can be followed and implemented in the context of confiscation, as the general provisions of the Code of Criminal Procedure allow members of the judicial police under the supervision of the investigating judge (Article 40) to investigate crimes (Article 41), and take all means to ensure the preservation of the evidence of the crime (Article 42), search persons, premises and other places, question the accused (Chapter Four of the Code of Criminal Procedure) and seize their funds. The investigating judge or the court can directly or at the request of the PP, the governor or the Office seize funds related to a ML/TF crime (Article 24 of Law No. 39 of 2015). The Office may suspend the execution of the financial transaction(s) for a period of 7 working days in case of fear of disposal of proceeds or damage to the course of analysis (Article 9).

¹¹⁹ The definition of funds according to Article 1 of the AML/CFT Law includes assets or property, deposits, and current accounts. and everything of financial value, such as real estate or movable property and the rights (equities) related thereto, and the interests and profits derived from such funds.

¹²⁰ Seizure of movable and immovable funds in terrorist crimes - 91 /Studies/2022 - Supreme Judicial Council.

<https://www.sjc.iq/view.69975/>

53. Article 23 of the AML/CFT Law permits the seizure of funds, proceeds and instrumentalities used or intended for use in committing a ML/TF crime, predicate offences, or any property of equivalent value, whether they are in the possession and at the disposal of the accused or transferred thereto, or were moved into the possession or disposition of others. The use of the measures referred to in the aforementioned article cannot take place unless a certain level of identification and tracing of funds, proceeds and criminal instrumentalities is carried out. This is also stipulated under Articles (51-86) of the amended Code of Criminal Procedure, as it should be part of the investigation plan, to determine the value and type of funds in case of need to seize them.
54. **Criterion 4.2 (b) (Met):** Freezing and seizure were defined in Article 1, respectively, in Items 15 and 16 of the AML/CFT Law No. 39 of 2015. In all legal texts that stipulated for seizure or freezing, although it is not stipulated that it takes place without prior notice, it is understood that seizure and freezing are done in a way that the accused or the third party does not know in advance, given that the investigation and inquiry procedures are of a confidential nature and anyone who participates therein, is obliged to keep professional secrecy, and this includes the competent authorities who have to maintain the confidentiality of the investigation and the information they collect while carrying out their duties, especially when taking precautionary measures. These include the parties requested to submit information such as (banks, CRD and real estate registry). In addition to the requirements of the general law contained in the Code of Criminal Procedure (Articles 121-a-183, 224 and 278 and the interpretive memorandum of the Code of Criminal Procedure) that allowed seizure. There are also special provisions concerning ML/TF, i.e. seizure can be applied to funds related to a ML offence or terrorist financing (Article 24 of Law No. 39 of 2015). The Office can suspend the execution of the financial transaction(s) for a period of 7 working days in case of fear of disposal of proceeds or damage to the course of analysis (Article 9). Customs also has the power to seize funds in the event that there is sufficient evidence to suspect that they are proceeds of a predicate offence or ML/TF or attempted for such (Article 35-First –of Law No. 39 of 2015) seizing funds related to smuggling (Customs Law No. 23 of 1984).
55. With regard to tax evasion, the minister or their representative can seize the funds that their owner tries to conceal or evade tax (Article 52 of the Income Tax Law No. 113 of 1982).
56. **Criterion 4.2 (c) (Met):** Any agreement or any other legal tool whose purpose is to prevent the confiscation of instrumentalities, revenues, or proceeds of a crime related to ML/TF without prejudice to the rights of others (Article 38 Fourth of Law No. 39 of 2015 AML/CFT Law) shall be considered null and void.
57. **Criterion 4.2 (d) (Met):** The court or the investigative judge and members of the judicial police may take all means to ensure the preservation of the evidence of the crime (Article 42 of the Code of Criminal Procedure). The investigation judge or the court may issue a decision regarding the documents, funds or things seized or with which a crime was committed at any stage of the investigation or trial (Article 308 of the Code of Criminal Procedure), and they shall sell seized things in accordance with the enforcement law if preserving them costs exorbitant expenses, or preserve (maintain) its value if they fear that they shall vanish or get damaged (Article 313 of the Code of Criminal Procedure).
58. **Criterion 4.3 (Met):** Iraqi legislation has established mechanisms to protect the rights of bona fide third parties, whether administrative or judicial (Articles 24-Second, 25, 30, 38-First and Fourth of Law No. 39 of 2015 and Article 366 of the Code of Criminal Procedure).
59. **Criterion 4.4 (Met):** Pursuant to the provisions of Article (121) of the Code of Criminal Procedure, which indicated that if an arrest warrant is issued for a person accused of committing a felony, and the warrant cannot be executed, the investigating judge and the criminal court may issue a decision to seize their movable and immovable funds. Upon its execution, the papers are sent

to the criminal court immediately, and if it is approved, the authority that decided to seize shall issue a statement to be published in the local newspapers, the radio, and the means of publication according to its discretion, in which it shall mention the name of the accused, the crime ascribed thereto, and the seized funds. The person shall be requested to surrender themselves to the nearest police station within thirty days. The nearest police station must be informed about such person. The seizure will be lifted if it is not supported by the Criminal Court. If the accused does not surrender themselves within the mentioned period, the authority that issued the seizure order shall decide to deposit the movable funds with a judicial guard (police) for safekeeping and management under their supervision, and the immovable funds are handed over to the Minors Welfare Directorate to manage it as it is considered funds belonging to an absentee, and the seized funds remains in this capacity until the death of the accused is proven (factually or upon the issuance of judgment “ruling”), or the decision acquires the status of acquittal, non-responsibility, release, or rejection of the complaint in final form. Therefore, seizure of assets is subject to the issuance of an arrest warrant against the accused.

60. Also, Article (184) and the subsequent articles in the Criminal Procedure Code No. (23) of 1971, as amended, stipulate that the investigating judge or the criminal court has the right to decide to seize the movable and immovable property of the accused, if it owned funds, and then if the decision becomes final, the seizure turns into execution, and in all cases the seizure is subject to the law, which means it is subject to objection and might be lifted in case of the existence of persons harmed thereby. Likewise, if a person commits a terrorist act in addition to committing another crime, which is financing terrorism, the investigating judge can single out a separate case against the accused of the IF offence and if the person is tried therefor. Whilst the judge, in their capacity as the competent ML/TF judge, shall order the seizure of movable and immovable funds¹²¹.
61. **Weighing and Conclusion:** Iraq met most of the criteria of this recommendation; however, the seizure of the accused’s assets cannot take place unless an arrest warrant is issued against the accused.
62. **For these reasons, Iraq is “Largely Compliant” with R.4.**

Recommendation 5 - Terrorist Financing Offence.

63. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with the special recommendation 2. The shortcomings were represented in TF definition not including any terrorist person, in addition to the definition not including all criminal acts as stipulated for under the mentioned treaties of the United Nations Counter-Terrorist Financing Convention annex and the Kurdistan Region’s Government (KRG’s) general counter-terrorism law definition of the criminal act not consistent with the definition of Article 2.1 (b) of the UN’s Counter-Terrorism Financing Convention and the lack of a definition of funds related to the financing of terrorism in the KRG’s, in addition to that the penalties imposed on natural and legal persons are not effective, appropriate and dissuasive for most TF crimes. Likewise, the lack of TF investigations and convictions compared to the large numbers of terrorist acts in Iraq and their serious risks.
64. **Criterion 5.1 (Met):** Terrorist financing is criminalized by the AML/CFT Law in a manner that includes all forms of TF stipulated for under Article (2) of the International Convention for the Suppression of the Financing of Terrorism. The law defines TF crime as every act committed by any person who, by any means, directly or indirectly, willingly provides or collects funds or attempts to do so with the intent of using them or that they will be used to finance a terrorist or terrorist act or terrorist organization (Article 1/Tenth). Terrorist act was also defined as every act that constitutes a crime within the scope of the treaties attached to the

¹²¹ Seizure of movable and immovable property in terrorist crimes - 91 / Studies / 2022 - Supreme Judicial Council. <https://www.sjc.iq/view.69975/>.

International Convention for the Suppression of the Financing of Terrorism and every act intended to kill civilians or any person who is not a party to the hostile actions in situations of armed conflict when the purpose of this act is to intimidate a group of persons or force a government or international organization, to carry out a specific act or refrain from doing it (Article 1/Eleven). Whereby Terrorist person was defined as every natural person who has committed, participated in, incited, acted as an accomplice, or agreed to commit or initiated terrorist acts (Article 1/Twelve). A Terrorist Organization is defined as an agreement between two or more persons to commit terrorist acts, and includes a group of terrorists to carry out the acts listed under (Article 1/Thirteen of the Law) including committing or attempting to commit terrorist acts intentionally or directing others to commit them.

65. **Criterion 5.2 (Mostly Met):** TF crime according to the AML/CFT Law extends to every act committed by any person who, by any means, directly or indirectly, willingly provides or collects funds or attempts to do so with the intention of using them, knowing that those funds will be used in whole or in part (a) to carry out a terrorist act or (b) by a terrorist organization or by a terrorist, whether or not the crime occurred and regardless of the country in which the act takes place or the terrorist or terrorist organization is present.
66. The definition of funds according to Article 1/ Fifth of the law includes assets or property such as commodities and every real estate or movable property of financial value and the rights (equities) related thereto and the benefits and profits accruing therefrom.
67. It appears from the foregoing that the Iraqi legislation covers the element of criminal intent by requiring the presence of intent and knowledge among those who commit the TF crime. It covers all forms of materiality related to the collection and provision of funds and other assets by any means, directly or indirectly, for use, or with the knowledge that they will be used, in whole or in part, to carry out a terrorist act or acts, or by a terrorist organization or terrorist person, even in the absence of a connection to a terrorist act(s). What is stated in the legislation is not entirely compatible with what was stated in the convention, given that the Iraqi legislation requires the presence of intent and knowledge together, while the convention requires the availability of one of them, which may require the judge to prove the two elements of intent and knowledge together, and this condition may be difficult to meet other than what the convention requires, as it is sufficient to provide one of the two elements to prove the crime.
68. **Criterion 5.2-bis (Not Met):** Iraqi law does not stipulate that the TF crime extends to financing the travel of persons to countries or territories other than their country of nationality to commit, organize, prepare, participate, provide, or receive terrorist training.
69. **Criterion 5.3 (Met):** The TF crime extends to include any funds or other assets from a legitimate or illicit source, especially since the definition of funds (refer to the above analysis) in the AML/CFT Law includes assets, property, and every property of financial value, whether real or movable, and the rights (equities) related thereto.
70. **Criterion 5.4 (a and b) (Met):** TF crime, according to the AML/CFT Law, does not require that the funds (a) have actually been used to commit or attempt to commit a terrorist act(s), i.e. “whether the crime occurred or not.” Even if the text of Article 1/Tenth does not explicitly stipulate that the funds or assets are linked to a terrorist act(s). However, by referring to the definition of TF crime, it is noted, according to the above analysis, that the crime extends to include the financing of a terrorist act, a terrorist person, or a terrorist organization. Since the law does not stipulate that the crime had occurred, then the crime is achieved without requiring that the financing be linked to a terrorist act or terrorist organization.
71. **Criterion 5.5 (Met):** The law requires that the two elements of intent and knowledge be present for the TF crime, and they are proven from the objective factual circumstances. Although the AML/CFT Law does not explicitly stipulate this, by referring to the

provisions of the general law, this principle has been enshrined. Article 33 of the Penal Code stipulates that the criminal intent is to direct the perpetrator's will to commit the act constituting the crime with the aim of achieving the result of the crime that occurred or any other criminal result. Article 212 of the Criminal Procedures Code stipulates that the judge may not issue their judgement in a case based on their personal knowledge, rather, the court shall direct its judgement, according to Article 213, based on its conviction that it has from the evidence submitted, and the evidence includes objective factual circumstances that are used to derive the moral element of the crime.

72. **Criterion 5.6 (Met):** A natural person who commits a TF crime is subject to life imprisonment (Article 37 of the AML/CFT Law), which means, according to Article 87 of the Penal Code, for a period of 20 years. The life sentence deprives the persons from job positions and services that they used to occupy. It also deprives them from being a voter or elected in representative councils, members of the municipal councils or administrative councils, as well as own companies, be manager, custodian or principal, agent, publisher, editorial in any newspaper (Article 96 of Penal Code). extenuating pretexts (Article 132 of the Penal Code) are applied in some cases, whereby the sentence can be reduced to 15 years. The penalty for TF can reach capital punishment if aggravating circumstances are provided (Article 136 of the Penal Code). This does not prevent the implementation of complementary penalties (Articles 36 and 100 of the Penal Code), and Article 38 of the AML/CFT Law requires the confiscation of the funds subject to the crime stipulated for under this law (including the TF crime) and its proceeds or the things that were used in its commission. This includes, assets, property, profits, benefits, and everything of value covered by the definition of Funds (see analysis above). Therefore, the Iraqi Legislation allows the application of proportionate and dissuasive penalties on natural persons upon their conviction of TF crime. The Iraqi Penal Code in force defines "life imprisonment" as imprisonment for a period of 20 years. Regarding imprisonment for life, the convict (the condemned) spends a period of imprisonment until they die, noting that imprisonment for life was abolished by a decision of the coalition authority, that is, following year 2004, and therefore, the penalty of life imprisonment can reach up to 25 years of imprisonment.
73. **Criterion 5.7 (Met):** Iraqi law recognizes the criminal liability of a legal person (Article 88 of the Penal Code) and its suspension and dissolution (Article 122 of the Penal Code). More precisely, the AML/CFT Law, stipulates the responsibility of the legal person without prejudice to the penal liability of the natural person, and shall be punished with the fine and confiscation prescribed for the crime, meaning that the fine is not less than the value of the funds subject of the crime and not exceeding five times of the crime committed. The responsible person shall also be jointly liable for the fulfillment of the financial penalties and compensation awarded if the crime is committed by one of their employees, in their name and for their benefit. These penalties are considered proportionate and dissuasive.
74. **Criterion 5.8 (a, b, c and d) (Partly Met):** The TF crime, according to Iraqi legislation, includes:
- (a) the attempt to commit the TF offence (Article 1-10th of the AML/CFT Law).
 - (b) "participate as an accomplice in a TF offence" (Article 1-10th of the AML/CFT Law).
 - (c) Organize or direct others to commit a terrorist act if it was done by a terrorist organization. The law requires that the organization be carried out by a terrorist organization of two or more persons, other than a terrorist person. (Article 1- Thirteen of Law No. 39 of 2015).
 - (d) Contribute to the commission of one or more TF offence(s) or attempting to commit them by a group of persons acting with a common goal as if this was done by a terrorist organization (Article 1- Thirteen of Law No. 39 of 2015 AML/CFT Law). The law requires that such be carried out by a terrorist organization of two or more persons, other than a terrorist person.

75. **Criterion 5.9 (Met):** Iraqi legislation has classified the TF offence as a felony, and its commission is punishable by life imprisonment (Article 37 of the AML/CFT Law and Article 25 of the Penal Code). TF also is considered as one of the predicate offences to ML (Article 1-7th- and article 2 of AML/CFT Law)
76. **Criterion 5.10 (Mostly Met):** The TF offence applies when the act(s) of financing are committed “regardless of the country in which the act takes place or the terrorist or terrorist organization is present” (Article 1-10th of Law No. 39 of 2015 on AML/CFT). However, criminalization does not extend to the place where the terrorist act was supposed to take place.
77. **Weighing and Conclusion:** Iraqi law responded to a number of criteria in the matter of criminalizing TF, and the shortcomings are represented in the fact that the criminalization does not include financing the travel of persons to countries or territories other than their nationality to commit, organize, prepare, participate, provide or receive terrorist training, and the TF crime does not include contributing, organizing and directing others, unless when it is done through a terrorist organization, which is not considered a TF act when this is done by a terrorist. Also the requirement of having both, the intent and knowledge elements for TF to be committed instead of only having one element thereof, in addition to the Iraqi context, being a country classified as high risk in terms of the terrorism risks to which it is exposed, and the fact that the criminalization does not extend to include the place where the terrorist act was supposed to take place.
78. **For these reasons, Iraq is “Partially Compliant” with R.5.**

Recommendation 6 - TFS related to Terrorism and TF.

79. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with the special recommendation 3, because there are no laws or procedures in place to implement United Nations Security Council Resolution 1267 and successor resolutions, and no laws or procedures in place to implement UNSCR 1373.
- Criterion 6.1 (Met)**
80. **Criterion 6.1 (a) (Met):** Iraq has identified the “Terrorist Funds Freeze Committee” as the competent authority responsible for designating and proposing names and entities to Security Council committees pursuant to Resolutions 1989/1267 and Resolution 1988. (Article 2 of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
81. **Criterion 6.1 (b) (Met):** Iraq set out the designation criteria that are in line with the UNSCRs criteria, including mechanisms used for the purpose of adding persons on the sanction lists, spontaneously by the Committee, or based on a request by the authorities. Suggestions must be based on reasonable grounds and reasonable basis and must be in line with the designation criteria. The concerned parties identify targets for designations and conduct investigations to identify the appropriate persons, in cooperation with foreign parties, as well as exchange information or conduct joint investigations, submit reports for the Committee concerning potential targets for designation, given that the Committee is the competent authority responsible for designating persons and entities that meet the criteria for designation (Article 12 of the Terrorists Funds Freezing System No. 6 of 2023).
82. **Criterion 6.1 (c) (Met):** Iraq applies standards of proof based on reasonable grounds when making a decision to propose a designation or not, when it is believed that one of the criteria has been met (which was specified in detail in accordance with what was stated in Security Council Resolutions 1267/1898 and Resolution 1988), and it is not required that the proposals for the designation be conditional upon the presence of a criminal investigation or a judicial ruling (Articles 7, fifth and sixth of the Regulation for Freezing Terrorist Funds No. 6 of 2023).

83. **Criterion 6.1 (d) (Met):** There are provisions in place indicating the obligation to [use] the standard forms for listing as adopted by the Committee 1267/1267 and 1988 (Article 7/second of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
84. **Criterion 6.1 (e) (Met):** In accordance with the provisions of Article 7 of the Regulation for Freezing Terrorist Funds No. 6 of 2023, the Committee must provide as much relevant information as possible on the proposed name, whether the person is natural or legal, and provide a statement of case which contains as many details as possible on the basis for listing, the extent to which the listing criteria are met, any information or documents proving that, the connection of the proposed person with any listed person or entity, and an indication of the extent to which it is possible to disclose the name of the Republic of Iraq as a country proposing listing if the proposal was submitted to the United Nations Sanctions Committee (and the United Nations Sanctions Committee, including the Sanctions Committee 1989/1267 of 2011 and 2253 of 2015, and the 1988 Sanctions Committee were defined), (Article 1, Article 7 third, fourth of the Regulation for Freezing Terrorist Funds No. 6 of 2023).

Criterion 6.2 (Met)

85. **Criterion 6.2 a (Met):** Iraq identified the "Terrorist Funds Freeze Committee" as a competent authority responsible for preparing a local list of persons (including entities or legal persons) that meet the designation criteria in accordance with Resolution 1373/2001 and other relevant resolutions) based on the request of the Office or any other concerned party from within the country. The committee also examines requests from other countries and implements them, if appropriate (Article 10/third and Articles 11/second of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
86. **Criterion 6.2 (b) (Met):** Iraq has established criteria for targeting persons or entities for designation on the local list in accordance with Resolution 1373 (Article 12 First and second of the Regulation for Freezing Terrorist Funds No. 6 of 2023). The regulation also stipulated that the committee shall be the authority responsible for designation, thus the authorities concerned with the implementation should investigate and provide and the committee with their potential targets for designations based on the designation criteria stipulated in Resolution 1373 and the mechanism(s) used for this purpose.
87. **Criterion 6.2 (c) (Met):** The " Terrorist Funds Freeze Committee", upon receiving a request from the Office or any concerned party within the country, may list the names of persons, upon reasonable grounds, in accordance with Resolution 1373 and other relevant resolutions, as well as taking a decision with that regards promptly. (Article 12, First and second, of the Regulation for Freezing Terrorist Funds No. 6 of 2023). With regard to processing requests that transcend national borders (supranational), the Committee shall decide on requests submitted within a period not exceeding 7 days if it is convinced that the request is based on reasonable grounds that the person or entity meets the designation criteria 1373 (Article 9-third of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
88. **Criterion 6.2 (d) (Met):** Iraq applies standards of proof based on reasonable grounds when making a decision to propose a designation or not, when it is believed that one of the criteria has been met (which was specified in detail in accordance with what was stated in Security Council Resolution 1988), and it is not required that the proposals for the designation be conditional upon the presence of a criminal investigation or a judicial ruling (Articles 9, third of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
89. **Criterion 6.2 (e) (Met):** Iraq has a legal basis for submitting requests to other countries to activate the procedures specified in accordance with the freezing mechanisms, in addition to providing as much information as possible regarding identification and information supporting the designation and on the proposed name (article 9-third) of the Regulation for Freezing Terrorist Funds No. 6 of 2023.

Criterion 6.3 (Met)

90. **Criterion 6.3 (a) (Met):** The Committee has the authority to collect information on persons upon reasonable grounds to believe that they meet the designation criteria in accordance with Resolution No. 1373 (Article 11 second of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
91. **Criterion 6.3 (b) (Met):** The Committee has the authority to operate ex-parte against any identified person or entity and consider their designation given that it may designate any person on the local list, without obtaining the approval of any other party (Article 11 / First of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
92. **Criterion 6.4 (Met):** The legal obligation to freeze without delay takes effect immediately upon the publication of a new list by the UN Sanctions Committees. Each person (natural or legal person) must freeze all funds and economic resources that belong to persons whose names are listed by the Sanctions Committee or the Terrorist Funds Freeze Committee, and the freezing requirement applies without delay and without prior notice (Article 1 First and second of the Regulation for Freezing Terrorist Funds No. 6 of 2023). The definition “without delay” is consistent with the FATF’s definition which says that funds or economic resources be frozen within 24 hours of the issuance of the designation decision by the United Nations Sanctions Committee or the designation of a person from the Terrorist Funds Freeze Committee with the intent to prevent the disposal of funds or economic resources (Article 1-thirteenth and fourteenth of Regulation for Freezing Terrorist Funds No. 6 of 2023).
93. This obligation was reinforced by requiring the Committee to circulate the local list and its amendments without delay to the supervisory authorities and other relevant authorities to take the necessary measures, and to the subject entities (FIs and DNFBPs), NPOs and other entities (Article (14/First) and article 11 – second/F and Article 4 of the Regulation for Freezing Terrorist Funds No. 5 of 2016, as well as requiring it to circulate the consolidated list, without delay, when it is published on the website of the United Nations Sanctions Committee, or when it is received by the Committee through the MOFA or any other official authority, to FIs, DNFBPs and other concerned parties for the purpose of implementing their freezing obligations promptly (Article 6/second/A of the Regulation for Freezing Terrorist Funds No. 6 of 2023). The Committee publishes each of the local lists, the consolidated list, and the current amendments in the Official Gazette and on its website. Also, the committee shall take measures as it deems fit to notify the persons (who are not subject to any supervisory authority) to ensure that they carry out their obligations as per Clause (6th) of Article 4 of this Regulation, especially to prevent any other funds or assets be available to designated persons and entities or themselves, unless otherwise is permitted (Article 6/third and 13/second of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
94. Thus, the legal obligation to implement the relevant Security Council resolutions without delay takes effect inside Iraq as soon as the Sanctions Committee publishes the UN list and updates thereto on its website, and the Committee disseminates the local and UN list of persons concerned with implementing the obligations to freeze without delay (within hours) and to notify the committee of the measures they have taken. (Article 4/ Fifth of the Regulation for Freezing Terrorist Funds No. 6 of 2023).

Criterion 6.5 (Met)

95. **Criterion 6.5 a (Met):** Every person shall freeze all funds and economic resources that belong to or controlled wholly or jointly, directly, or indirectly, without delay or prior notice, whether they belong to the persons and entities on the local list or on the consolidated sanctions list of the Security Council. (Article 5 / First of the Regulation for Freezing Terrorist Funds No. 6 of 2023). The definition of what is meant by the term "person", extends to include a legal person (Article 1/ second).

96. **Criterion 6.5 (b) (Met):** According to the definition of freezing funds, it includes all funds or economic resources of the designated person without limiting their use in terrorist acts, conspiracy, or threats (Article 4 of the Terrorist Funds Freezing Regulation No. 6 of 2023). Funds or other assets include all amounts due under any contracts, agreements or obligations entered into or created prior to the date the account was frozen. In addition to interest or any other returns or profits due on the account. Paragraph First and Second of Article 18 of the Regulation for Freezing Terrorist Funds No. 6 of 2023. The obligation to freeze includes all funds and economic assets owned or controlled wholly or jointly, directly and indirectly by the designated persons or entities, and funds or other assets derived or generated from funds or assets owned or controlled directly or indirectly by designated persons or entities as well as funds or other assets of persons and entities acting on the behalf or at the direction of designated persons or entities, as set out in this criterion (Article 4 of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
97. **Criterion 6.5 (c) (Met):** Without prejudice to the exceptions stipulated for in the Regulation for Freezing Terrorists Funds, it is prohibited to make any funds, other assets, financial services or other services available, directly or indirectly, in whole or partially, jointly or for the benefit of designated persons and entities, or owned by those persons or entities, or those controlled by them, directly or indirectly, as well as those for the benefit of persons or entities acting on their behalf or at their direction (Article 4/sixth of the Regulation for Freezing Terrorists Funds No. 6 of 2023). The second paragraph of Article 1 of the same regulation defined a person, as a natural and legal person.
98. **Criterion 6.5 (d) (Met):** FIs and DNFBPs are obligated to refer to the consolidated and local lists upon carrying out any transaction or upon entering into business relationship to ensure that their clients are not designated on such lists. In the event of match, they have to freeze funds and economic resources and notify the Committee of such immediately (para. 10 of Article 1 of the Regulation for Freezing Terrorist Funds No. 6 of 2023). The CFTF, in accordance with adopted comprehensive mechanism, circulates the local list and the international consolidated sanctions list to FIs and DNFBPs for the purpose of implementing the obligations set out in the Regulation of Freezing Terrorist Funds No. 6 of 2023. (Article (14/First) of the Regulation for Freezing Terrorist Funds No. 5 of 2016). In order to carry out the tasks stipulated in this Regulation, the Committee must coordinate with the supervisory authorities and any other party (Article 6/First and Article 14/first of this law), FIs, DNFBPs, and NPOs must have their own e-mail addresses sent to the supervisory authority to receive notification of listing through them (Article 6/Second/E and Article 14/Second of this law).
99. In return, there are guidance on the obligations of FIs, other persons and authorities, including DNFBPs that might be in possession of targeted funds or other assets, related to taking freezing measures as per the freezing mechanism (Article 4-first and second of the Regulation for Freezing Terrorists Funds No. 6 of 2023).
100. FIs and DNFBPs are obligated to refer to the consolidated and local lists when conducting any transaction or entering into a relationship to ensure that the name of the concerned person is not designated on those lists, and in the event that there is a match, they must freeze funds and economic resources and notify the Committee immediately. On the other hand, guidance was issued for FIs and persons and other parties, including DNFBPs on their obligations when targeted funds or other assets might be at their possession, and the measures taken under the freezing mechanisms (Article 4 first and second of the Regulation No. 6 of 2023).
101. **Criterion 6.5 (e) (Met):** FIs and DNFBPs are obligated to report to the Terrorist Funds Freeze Committee when they freeze any funds or economic resources under Clause (Fifth) of Article (4) of the Regulation No. 6 of 2023 or take any measure in application of the provisions of this regulation, including attempted transactions.

102. **Criterion 6.5 (f) (Met):** The rights of bona fide third parties (including third parties) must be taken into account when implementing any of the freezing measures stipulated in the Regulation of Freezing Terrorist Funds No. 6 of 2023 (Article 21 of the Regulation of Freezing Terrorist Funds No. 6 of 2023).

Criterion 6.6 (Partly Met)

103. **Criterion 6.6 a (Partly Met):** An Iraqi or someone with a place of work or residence in Iraq whose name has been listed by the United Nations Sanctions Committee (including Resolution 1988 and its subsidiary resolutions) has the right to submit a request to the Office of the Ombudsperson for the purpose of de-listing their name from the list or to submit the request through the Committee or the committee to submit the request on its own if it finds justification for that. The Committee shall immediately refer the request to the MOFA for the purpose of submitting it to the relevant United Nations Sanctions Committee. The committee shall study the request submitted to it within the period specified by the Ombudsperson or the competent sanctions committee of the United Nations and provide the Ombudsperson or the committee with its observations and the extent of the eligibility of the person or entity to de-list their name from the consolidated list according to the criteria approved by the committees. (Article 8, First, Third, Fourth of the Regulation for Freezing Terrorist Funds No. 6 of 2023) however, the mechanism referred to above is not consistent with the mechanism established by Security Council Resolution 1730, as the committee should consult with the government(s) that submitted the proposal before making a recommendation of de-listing the person from the list, the committee may contact the focal point to facilitate contact with the country that made the proposal if the latter agrees to that, and the committee must follow all the procedures referred to in Resolution 1730.

104. **Criterion 6.6 (b) (Met):** The Committee shall update the information on the local list on an ongoing basis, and shall review the list at least every 6 months to verify the continuity of reasonable reasons for listing, and shall issue a decision to de-list the person who no longer meets the designation criteria (Clause (C) and (D) or Paragraph 2 of Articles 11 of the Freezing Regulation Terrorist Funds No. 6 of 2023).

105. **Criterion 6.6 (c) (Mostly Met):** The Regulation of Freezing Terrorist Funds No. 6 of 2023 allows each person or entity to approach an independent authority to reconsider the designation decision, according to Article 15 of the said regulation, which allows each person, group or entity designated by the committee to submit a request to it for the purpose of de-listing their name from the list. In the event that the committee refuses to decide on the request within 10 days from the date of its submission, this is considered a rejection of the request, and the affected party has the right to object to the committee's decision at the Administrative Court, but this procedure is not available to the public and there are no detailed procedures available in this regard.

106. **Criterion 6.6 (d) (Partly Met):** An Iraqi or someone with a place of work or residence in Iraq, who has been designated by the United Nations Sanctions Committee has the right to submit a request to the Office of the Ombudsperson for the purpose of de-listing their name from the list or to submit the request through the Committee or the committee to submit the request on its own if it finds justification for that. The Committee shall immediately refer the request to the MOFA for the purpose of submitting it to the relevant United Nations Sanctions Committee. The committee shall examine the request submitted to it within the period specified by the Ombudsperson or the competent sanctions committee of the United Nations and provide the Ombudsperson or the committee with its observations and the extent of the eligibility of the person or entity to de-list their name from the consolidated list according to the criteria approved by the committees. (Article 8, First and sixth of the Regulation for Freezing Terrorist Funds No. 6 of 2023). However, there is an absence of any detailed procedures to facilitate considering the review

process by the Committee of the security council under Resolution 1988 and the role of the committee in de-listing the names from the list through consultation with the country or countries that proposed the designation.

107. **Criterion 6.6 (e) (Met):** There are procedures in place to direct the listed persons and entities to submit petitions for de-listing pursuant to Resolutions 1904, 1989 and 2083 to request de-listing petitions (Article 8, First and Sixth of the Regulation No. 6 of 2023).
108. **Criterion 6.6 (f) (Met):** There is publicly known procedure to unfreeze the funds or other assets of persons or entities with the same and similar names as the designated persons or entities that are inadvertently affected by the freezing mechanism (Article 5 of the Regulation No. 6 of 2023).
109. **Criterion 6.6 (g) (Largely Met):** The Committee has mechanisms to communicate with the financial sector and DNFBPs by circulating the name of the person who has been de-listed from the local list to all concerned authorities immediately after the decision is issued for the purpose of taking the necessary measures to unfreeze their funds and economic resources (Article 15 of the Funds Freezing Regulation Terrorists No. 6 of 2023), but there are no guidelines issued in this regard.
110. **Criterion 6.7 (Met):** Iraq has clear publicly known procedures for allowing the use of frozen funds or other assets. Where a written request is submitted to the committee to obtain a permit to dispose of all or part of the frozen funds for the following reasons: Pay the necessary expenses of the person whose funds are frozen or any dependent, including amounts paid for foodstuffs, rent and mortgage allowances, medicines, medical treatment, taxes, insurance premiums, and public service fees. Pay for fees, management, conservation and maintenance expenses, and humanitarian reasons for the family of the person's frozen funds. Article (20) of the AML/CFT Law No. (39) of 2015).
111. The committee shall study the request for the use of frozen funds and economic assets according to the local lists or the lists of the Security Council and consider the reasons for the request and the amount of funds required. The committee shall allow or disallow the disbursement of part of the funds and economic resources. If the amount was frozen pursuant to the concerned UN decisions, the committee may approve or disapprove the disposal of funds or economic resources after notifying the relevant sanctions committee of the United Nations, as the committee may not approve the disposal of funds or economic resources for humanitarian reasons except after obtaining the written approval of the relevant sanctions committee of the Security Council. (Article 17, of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
112. The committee may issue its decision within a period not exceeding 15 days from receiving the request, provided that the issued decision is justified. The applicant is informed of the committee's decision in addition to the entity that has the frozen funds. If the request relates to funds or economic resources that have been frozen at the request of another country, the committee notifies the country through the MOFA of the request together with the supporting documents, and the committee must take into account any information provided by the requesting country when making its decision. (Article 17 sixth of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
113. **Weighing and Conclusion:** Iraq has a recent legal framework issued during 2023 to implement the obligations related to Security Council Resolutions 1267, 1988, and 1373. It includes designation criteria in line with the criteria set out in Security Council resolutions, the authority responsible for identifying the persons or entities targeted for designation, the mechanisms used for this purpose, and a mechanism for submitting requests to other countries to activate the procedures specified in accordance with the freezing mechanisms, as well as the provision of the largest details of information related to identification and information that supports the designation, with the existence of clear, applicable and approved procedures for handling De-listing requests

including advice to persons on submitting an appeal directly to the focal point or the Ombudsperson. In addition to the above, the legal obligation to freeze without delay shall immediately take effect upon the publication of a new list by the UN Sanctions Committees. This obligation shall be effective on every person or entity within the country. Since Iraq has met most of the key criteria within this Recommendation, such as 6.4 and 6.5, the shortcomings at the level of some sub criterion of Criterion 6.6 are of less importance, and thus affect in a minor way the overall rating for this recommendation.

114. For these reasons, Iraq is “Largely Compliant” with R.6

Recommendation 7 - Financial Sanctions Related to Proliferation Financing.

115. This recommendation was added to the 40 Recommendations in 2012, and therefore Iraq's compliance with this recommendation was not assessed previously.

116. **Criterion 7.1 (Met):** Iraq has a legal structure for the implementation of Security Council resolutions related to prevention, suppression and disruption the proliferation of weapons of mass destruction and its financing, following the update that Iraq made pursuant to Law No. 4 of 2022 on the Regulation for Freezing Terrorist Funds No. 6 of 2023, specifically in Article 8 thereof, which expanded the scope of application of this regulation to include decisions related to the non-proliferation of weapons of mass destruction. Also, all parties must freeze all funds and other assets of the person or entity designated on the UN Sanctions List without delay, at the time of publication of a new list (Clause First of Article 4 of the Regulation for Freezing Terrorist Funds No. 6 of 2023).

Criterion 7.2 (Met)

117. **Criterion 7.2 (a) (Met):** Pursuant to Article 4 of the Regulation for Freezing Terrorist Funds No. 6 of 2023, every person must freeze all funds and economic resources that are wholly or jointly owned or controlled by any person designated by the Sanctions Committee without delay and without prior notice. The Regulation also included a definition of the term “Person” responsible for the freezing obligation and extends to include any legal person. Also, the person responsible for the freezing obligation is obligated to freeze the funds and resources of the persons and entities designated by the UN Sanctions Committee, established pursuant to UNSCR 1718 of 2006 and UNSCR 2231 of 2015 on prevention of Proliferation Financing (Article 1/XIII of the aforementioned Regulation).

118. **Criterion 7.2 (b) (Met):** According to the definition of funds contained under Article 1 of the AML/CFT Law and the definition related to economic resources contained under Article 1 of the Regulation for Freezing Terrorist Funds No. 6 of 2023, the obligation to freeze under Article 4 of the regulation extends to all funds or other assets that the designated person or entity owns or controls and not only those that can be tied to a specific terrorist act, conspiracy or threat, in line with the requirements of the criterion, as the requirement to freeze includes all funds or assets and does not require that they be tied to a threat related to the proliferation of weapons of mass destruction.

119. Regarding the inclusion of the obligation to freeze funds or other assets owned by the identified persons and entities, in full or jointly with others, or controlled, directly or indirectly, Article 1 / Article 16 of the AML/CFT Law and Article 4 of the Regulation for Freezing Terrorist Funds No. 6 of 2023 satisfy this requirement. With regard to funds or other assets, whether acquired from funds or other assets owned or controlled by the identified persons or entities, or arising therefrom, directly or indirectly, or those of persons and entities acting on behalf of or under the direction of the designated persons or entities, Article 16 of the Law No. 39 of 2015 on AML/CFT, and Article 4 First of the Regulation for Freezing Terrorist Funds No. 6 of 2023 obligate the concerned

authorities to freeze, without delay the funds or other assets of the designated persons and entities, or the funds of the persons and entities acting on their behalf, in their interest, or at their direction. This includes funds and other assets derived or generated from property owned or controlled, directly or indirectly, designated persons or entities.

120. **Criterion 7.2 (c) (Met):** Without prejudice to the exceptions stipulated for in the Regulation for Freezing Terrorists Funds, the implementing parties (as defined in Article 1/Third and Tenth, including Iraqi citizens or any person or entities residing in Iraq) are prohibited from making any funds, other assets, financial services or other services available, directly or indirectly, in whole or partially, jointly or for the benefit of designated persons or entities, or owned by those persons or entities, or those under their control, directly or indirectly, as well as those for the benefit of persons or entities acting on their behalf or at their direction. The exceptions include authorizing any person to use funds in accordance with the relevant UNSCRs (Article 4-sixth of the Regulation for Freezing Terrorists Funds No. 6 of 2023). The second paragraph of Article 1 of the same regulation defined a person, as a natural and legal person.
121. **Criterion 7.2 (d) (Met):** Iraq has mechanisms for communicating designations to the financial sector or DNFBPs upon taking such action (Article 6 of the Regulation for Freezing Terrorist Funds No. 6 of 2023), there are guidelines on the obligations of FIs, persons or other parties, including DNFBPs, in which targeted funds or other assets may be held, and which are related to their obligations on taking action under the freezing mechanisms as per UNSCRs, including UNSCRs 1718 and 2231 on preventing PF (Article 4 first and second of the Regulation for Freezing Terrorist Funds No. 6 of 2023).
122. **Criterion 7.2 (e) (Met):** According to Article 4 fifth of the Regulation for Freezing Terrorist Funds No. 6 of 2023, FIs and DNFBPs are obligated to notify the CFTF of any funds or economic resources frozen and actions taken in implementation of the provisions of this regulation, including attempted transactions.
123. **Criterion 7.2 (f) (Met):** Iraq has a legal basis to protect the rights of bona fide third parties that act in good faith when implementing obligations under Recommendation 7 (Article 21 of the Terrorist Funds Freezing Regulation No. 6 of 2023).
124. **Criterion 7.3 (Met):** Iraq has measures in place to monitor FIs and DNFBPs and ensure their compliance with relevant laws or binding means that govern the obligations stipulated under Recommendation 7, as Article 19 first of the Regulation for Freezing Terrorist Funds No. 6 of 2023 is assigned the supervisory authorities specified under the AML/CFT Law with the responsibility of verifying the compliance of FIs and DNFBPs with the provisions of this regulation. As stated in Article (19/second/ third) of the same regulation above, if it appears to any of the security or supervisory authorities or the relevant authorities that any of the FIs, DNFBPs subject to their supervision does not comply with the measures stipulated in this regulation, it must notify the Committee immediately, provided that, it applies the measures and penalties set out in Article 45 of the AML/CFT Law 39 of 2015 (which includes a group of penalties, including the authority to withdraw the license of institutions or restrict or suspend their activities (See R. 27 and 28).

Criterion 7.4 (Mostly Met)

125. **Criterion 7.4 (a) (Met):** in accordance with the provisions of article 17 of the AML/CFT Law, any Iraqi or whomever has a headquarters or residency in Iraq designated by the sanction committee, may submit to the competent committee at the UN, for the purpose of de-listing their names or submit a request through the Committee. The petition procedures were clarified as well as de-listing from the UN List under Article 8 of the Regulation for Freezing Terrorist Funds No. 6 of 2023.
126. **Criterion 7.4 (b) (Mostly Met):** Iraq has procedures in place to unfreeze the funds or other assets of persons or entities with the same or similar names as the identified persons or entities, which were inadvertently affected by one of the freezing mechanisms

(i.e. false positive). The process of examining the request takes a period not exceeding 7 working days from the date of submitting the request. As soon as it is verified that the concerned person or entity is not among the designated persons or entities, the entity holding the frozen funds is notified for the purpose of lifting the freeze (Article 5 of the Regulation of Freezing Terrorist Funds No. 6 of 2016). However, these procedures are not available to the public.

127. **Criterion 7.4 (c) (Met):** Iraq allows the use of funds or other assets when it determines that the person or entity meets the exemption conditions stipulated for under Resolutions 1718 and 2231 in accordance with the procedures stipulated in these resolutions. (Article (20) of the AML/CFT Law and Article 17-first of the Regulation No. 6 of 2023).
128. **Criterion 7.4 (d) (Met):** The Committee shall circulate to FIs and DNFBPs or other concerned parties the list of sanctions without delay when it is published on the website of the United Nations Sanctions Committee, or when it is received by the Committee through the MOFA or any other official agency, for the purpose of implementing the stipulated obligations. This includes cases of de-listing and cases of unfreezing, as soon as such action is taken (Article 8 of the Regulation for Freezing Terrorist Funds No. 6 of 2023). Guidance related to the application of TFS for the purpose of preventing PF include clear procedures on the obligations of FIs and persons or other parties, including DNFBPs, which might be holding targeted funds or other assets.
129. On the other hand, the requirements of the competent authorities have been explained on the obligations of FIs and other persons or entities, including DNFBPs, that may have targeted funds or other assets in their possession, related to their obligation to respect a de-listing or unfreezing action.

Criterion 7.5 (Partly Met)

130. **Criterion 7.5 (a) (Met):** Article 18 of the Regulation for Freezing Terrorist Funds No. 6 of 2023 allows the addition of interest or any other due returns to accounts that have been frozen pursuant to Resolution 1718 or Resolution 2231, or any payments due under contracts, agreements, or obligations agreed upon prior to the date on which those accounts became subject to the provisions of this resolution. The aforementioned Article points to the obligation to add to the frozen accounts any interests or earnings due.
131. **Criterion 7.5 b (Partly Met):** Iraq has a clear legal framework for the freezing action taken pursuant to Resolution 1737 and continued by Resolution 2231 or taken pursuant to Resolution 2231 and does not prevent a designated person or entity from being entitled to any payment under a contract entered into prior to the listing of such person or entity. The Committee might also submit a prior notification to the UN Sanction Committee to make a payment or authorize, when necessary, the unfreezing of funds or other assets for the same purpose (Article 17 of the Regulation No. 06 of 2023). However, the Regulation does not include any requirement that meets the conditions set out in Sub-Criterion 1 and 2 of this Criterion.
132. **Weighing and Conclusion:** The definition regarding funds and other assets set out in the Regulation of Freezing Terrorist Funds No. 6 of 2023 is consistent with the definition in the AML/CFT Law. Iraq has guidance on the obligations of FIs and other persons or entities, including DNFBPs, that targeted funds or other assets may be in their possession, and related to taking action under the freezing mechanisms or that targeted funds or other assets may be their possession. Iraq has clear legal framework according to which the freezing action taken pursuant to Resolution 1737 and continued by Resolution 2231 or taken pursuant to Resolution 2231 shall not prevent a designated person or entity from being entitled to any payment under a contract entered into prior to the listing of such person or entity. The only shortcoming is that Iraq does not have in place publicly known procedures which would allow designated persons and entities that bear same names or similar names of designated persons or entities to submit petitions for de-listing to the competent focal point pursuant to UNSCR 1730, nor to notify the designated persons and

entities to submit petitions to the focal point directly, as well as the absence of a requirement that meets the conditions set out in Clause 1 and 2 of sub-criterion 7.5 (b), which affects in a minor way, the overall rating of this recommendation.

133. For these reasons, Iraq is “Largely Compliant” with R.7

Recommendation 8 – NPOs.

134. Iraq was assessed in the first round of the ME process in 2012, where it was rated (PC) with Special Recommendation 8, due to the lack of a review of the adequacy of the current laws and regulations related to the exploitation or violation of NPOs by terrorists or terrorist organizations. The lack of an effective supervisory mechanism to ensure that the information requested through the NPO registration process remains accurate and available to the relevant authorities in a timely manner. The lack of proportionate or dissuasive penalties in place to punish NPOs for violating the NPO’s law. The lack of communication or outreach within the NPOs sector and the public sector. The absence of a clear mechanism for international cooperation related to the financing of terrorism in the NPOs sector. The absence of a mechanism requiring NPOs to make information about their activities and senior officials publicly available. Iraq’s compliance with the detailed requirements was not assessed after adopting the 2016 changes to Recommendation 8 and its INR.
135. Since the first round of the ME process in 2012, Iraq has not made any amendments to the NPO’s Law No. 12 of 2010, but the Council of Ministers issued Decision 271 of 2022 according to which the “NGO’s Department” (referred to below as the “Department”) at the General Secretariat of the Council of Ministers (“Cabinet”) was identified as a supervisory body on NPOs operating in Iraq with regard to AML/CFT. Special due diligence Controls No. 1 of 2021 related to the “Department” were issued. It must be noted that the Department operates in accordance with Resolution 271 of 2022 as a supervisory authority for each of the NPOs, NPO networks, and branches of NPOs (hereinafter referred to as “Organizations”).
136. **Criterion 8.1 (Partly Met):** An NPO is defined as a group of natural or legal persons that have been registered and acquired legal personality in accordance with the provisions of the law, and pursue non-profit purposes. The NPO Network was defined as a Non-Governmental Organization registered under the provisions of Law No. 12 of 2010, and consists of a number of NPOs, each of which has a legal personality. Foreign NPOs were defined as NPOs established under the law of another country (Article 1 of the NGO Law No. 12 of 2010, and the due diligence controls of the NGOs Department No. 1 of 2021). The definition of the FATF applies to some “Organizations” in Iraq, especially those working in the field of education, culture, social or fraternity.
137. **Criterion 8.1 (a) (Met):** Starting 2023, the NGOs Department has completed the first sectoral assessment of risks for NPOs. According to its outputs, the Department has identified the sub-set of NPOs. It has used for this purpose sources of information related to their activities, judicial orders issued against them, and investigations conducted by LEAs in cases related to the exploitation of NPOs for TF purposes, and NPOs whose movable and immovable assets have been frozen.
138. **Criterion 8.1 (b) (Met):** The Department prepared a study titled “Protecting NPOs Sector from TF Risks Abuse in 2018-2021”, which concluded that it is likely that organizations are vulnerable to exploitation by terrorist organizations. The study also demonstrated the methods used terrorist organization, such as exploitation of funds received by organizations as gifts and aid, exploitation of areas designated for spending donations and aid, exploitation of channels used to receive funds from supporting agencies and ways of disbursing funds, and exploitation of the organization’s staff and direct officials by terrorist entities, whether intentionally or unintentionally, in a way that may lead to support terrorist organizations financially or in-kind.

139. **Criterion 8.1 (c) (Not Met):** Iraq did not review the adequacy of measures, including laws and regulations, related to the subset of the “Organizations” sector that could be used for terrorism financing support. This is because all the legislative amendments that Iraq made preceded the study it carried out to identify the “organizations” at risk of TF abuse (2018-2021); also, because the amendments preceded the NRA adopted in 2023. Hence, there are no proportionate and effective actions to address risks related to the subset.

140. **Criterion 8.1 (d) (Not Met):** Iraq has not periodically reassessed the sector by reviewing emerging information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures, while potential vulnerabilities in the sector remain unclear.

Criterion 8.2 (Partly Met)

141. **Criterion 8.2 (a) (Met):** Organizations in Iraq are required to register. For this purpose, Iraq has established several controls that must be verified by the Department, including the inadmissibility of dealing with unknown or digital parties or with pseudonyms, and the application of due diligence measures towards applicants for incorporation and registration. Verify their identities, understand the purpose and nature of the desired relationship for which they want to establish and register, and ensure that organizations, their founders, members of their administrative board and decision makers are not listed on the prohibitions list, locally or internationally, or on the United Nations sanctions lists before granting them a certificate of registration, or during practicing their activities, to the exclusion of implementation any requirement to verify their integrity.

142. The organization’s bylaw requires to include several information, including the address, objectives of the organization, membership conditions, rights and duties of the member, and election mechanisms. (Articles 5, 6, 7 of the NPOs Law No. 12 of 2010, and Article 3 of the due diligence controls for the NGOs Department No. 1 of 2021).

143. The Organization is obligated to submit one financial report each year that includes a detailed description of its funding sources and financial transactions, in addition to a report of its activities that includes a summary of the projects it executed during the year (First and Second of Article 15 of the NPOs Law No. 12 of 2010). It is also obligated to conduct its financial transactions (receiving and disbursing funds) through government or private bank accounts (First of Article 16 of the NPOs Law No. 12 of 2010). These measures will promote public confidence in the administration of NPOs.

144. **Criterion 8.2 (b) (Partly Met):** One of the tasks of the “Department” is to enhance the awareness of its employees and all “organizations” regarding AML/CFT procedures by involving them in continuous training courses (paragraph 18 of Article 3 of the due diligence controls of the NGOs Department No. 01 of 2021).

145. The Department, in coordination with the Office, held educational workshops to protect the “organizations” from any exploitation by terrorist financiers and the measures to be taken by them to limit this exploitation, but these courses were limited to some governorates (Baghdad, Erbil, and Anbar). No information is available on whether awareness programs and cultural programs were undertaken to raise and deepen awareness of each type of “organization”, and whether these courses dealt with potential vulnerabilities of the “organization” to TF abuse, terrorist financing risks and the measures that Organizations can take to protect themselves against such abuse.

146. **Criterion 8.2 (c) (Not Met):** The Department did not communicate with the NPOs, nor did it develop a guidance or best practices to address TF risks and vulnerabilities and thus protect the sector from any TF abuse.

147. **Criterion 8.2 (d) (Met):** Organizations operating in Iraq are required to conduct their financial transactions (receiving and disbursing funds) through accounts with governmental or private banks. (Paragraph (First) of Article 16 of the Non-Governmental Organizations Law No. (12) of 2010).
148. **Criterion 8.3 (Partly Met):** It falls within the tasks of the “Department” (in its capacity as a supervisory body according to the above analysis) to develop inspection procedures, means of and standards for monitoring the “organizations” compliance with the AML/CFT Law requirements. (Paragraph 11, Article 3, of the due diligence controls of the Non-Governmental Organizations Department), knowing that the obligation on NPOs to report, as per the aforementioned law, extends beyond the purpose of R.8.
149. The Department exercises its role in supervising NPOs and conducts field inspections totaling 1467 visits in 2018, 1400 visits in 2019 and 600 visits in 2020. The decrease in the number of field visits in 2020 is due to the spread of the COVID-19. Although the inspection visits included a significant number of organizations during the years 2018 and 2020, no information is available on whether the inspections targeted organizations at risk of potential TF abuse, and the issues that were considered during the inspection rounds.

Criterion 8.4 (Partly Met)

150. **Criterion 8.4 (a) (Not Met):** The “Department” has the necessary powers to conduct supervision of all “organizations” in Iraq (Ministerial Decision No. 271 of 2022), but no information is available on the issues that are considered during the inspection visits and whether they fall within the requirements of Recommendation 8 (verifying that they are for example, maintaining information on their activities, the identities of the persons who control or manage them, whether they have issued financial statements on their revenues and expenses, etc...) as well as the measures applicable thereto and whether they are risk-based, as the principle of “one approach fits all” may not be compatible with the appropriate application of the risk-based approach.
151. **Criterion 8.4 (b) (Met):** The Department (as a supervisory authority after it was granted this competence under Decision No. 271 issued by the Cabinet in 2022) has the authority to impose the penalties stipulated in Article 45 of the AML/CFT Law. These penalties include the power to withdraw licenses, prevent persons from working in the sector, restrict the powers of seniors, request their replacement, or apply a fine ranging between 250,000 and 5,000,000 million IQD for each violation. The administrative penalties available to the “Department” under the aforementioned law achieve the elements of proportionality and dissuasiveness, and their application extends to all types of “organizations” in Iraq. The Department also has the power to suspend the work of the organization from 10 to 30 days, in addition to dissolving the organization by a judicial decision at its request (Article 23 of the NPOs Law No. (12) of 2010) (see Recommendation 35).

Criterion 8.5 (Partly Met)

152. **Criterion 8.5 (a) (Met):** Iraq has put in place mechanisms to ensure cooperation, coordination, and information exchange between authorities that maintain relevant information on non-profit “organizations.” These mechanisms consist of requesting the Department to provide the Office with information and data related to the organizations, according to the nature and quality of information determined by the Office. In addition, to cooperate and exchange information with the authorities concerned with applying the provisions of the AML/CFT Law (Paragraphs 10 and 12 of Article 3 of the due diligence controls on AML/CFT of the NGOs Department No. 1 of 2021).
153. In order to activate cooperation, a bilateral cooperation agreement was signed during 2022 between the “Department” and the Office that governs the process of exchanging information and reporting suspicious transactions. There are also other

mechanisms for cooperation and exchange of information between the “Department” and each of the CFTF, the CBI, Regulators and Supervisors of FIs.

154. **Criterion 8.5 (b) (Not Met):** The investigative authorities do not have the expertise and capability to examine “organizations” suspected of being exploited or actively supporting terrorist activity or terrorist organizations. These authorities did not detect any case involving “organizations” being exploited or supporting terrorist activities or terrorist organizations during the assessment period.
155. **Criterion 8.5 (c) (Met):** Organizations must keep their financial documents, reports, and records for a period of (5) years. The organization is committed to ensure that its accounting records are in conformity with the legally approved accounting principles. Also, to submit to the “Department” each year one financial report that includes a detailed description of the organization’s funding sources and financial transactions, and a report on the organization’s activities, including a summary of the projects implemented by the organization during the year. The Department, in cooperation with the Office of Financial Supervision, examines the accounts of the organization in the event that the Department finds that its financial statements are inaccurate. The organization must provide all information required for audit purposes (Article 20, 19, 9 of the NGOs Department Law No. 12 of 2010). The Department has significant information on the founders and other information.
- There is no legal impediment preventing the Department from obtaining any information or documents kept by the organizations. NPOs are obligated to make all records, documents and information related to the CDD measures available to the Office and to competent authorities upon their official request, and this includes LEAs (Article 8/Fourth of the Due Diligence Controls of the NGOs Department No. 1 of 2021).
156. **Criterion 8.5 (d) (Met):** During 2022, a bilateral cooperation agreement was signed between the Department and the Office that governs the exchange of information and reporting of suspicious transactions. There are also mechanisms for cooperation and exchange of information between the Department and each of the CFTF, the CBI, and the regulatory and supervisory authorities of FIs to verify cases of organizations suspected of being exploited as a conduit for TF. NPOs are required to notify the Office of any transaction suspected of being associated with TF, whether or not this transaction was carried out according to special forms prepared for this purpose, and the “Department” is also required to notify the Office of any transaction suspected of being related to TF according to the reporting form, accompanied by data and documents related to the suspected transaction, and the reasons on which it was based (paragraph 13 of Article 3 of the due diligence controls concerned with AML/CFT of the NGOs Department No. 1 of 2021). The mechanisms referred to above ensure the immediate exchange of information between all competent authorities.
157. **Criterion 8.6 (Partly Met):** The “Department” can provide cooperation and information exchange through the Office (Paragraph 12, Article 3 of the due diligence controls of the NGOs Department), and the Office has the power to exchange information spontaneously or upon request, with any foreign counterpart FIU, that performs duties similar to those of the Office, and subject to the same confidentiality obligations, regardless of the nature of that foreign FIU (Article 29/First of the AML/CFT Law). Therefore, the Office can be considered a point of contact for responding to international requests and taking appropriate measures regarding them. Requests for MLA are made through official channels.
158. **Weighing and Conclusion:** Iraq has taken some measures to meet the requirements of Recommendation 8, however there are still many shortcomings represented in the fact that the supervisory mechanism applied to the “Organizations” is not risk-based, and since the Iraqi authorities did not review the adequacy of the measures, including laws and regulations, that relate to the

subset that could be abused for terrorism financing, and periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures, in addition to the other shortcomings indicated in the above analysis.

159. For these reasons, Iraq is "Partially Compliant" with R.8.

Recommendation 9 - confidentiality related to Financial Institutions.

160. Iraq was assessed in the first round of the ME process in 2012, where it was rated (Compliant) with recommendation 4 related to banking secrecy.

161. **Criterion 9.1 (Met): Access to information by the relevant authorities:** FIs are obligated to make the records and documents they keep available to the competent authorities as soon as possible (Article 11 of the AML/CFT Law). They are also obligated to provide the Office with the documents it requests urgently and to submit all records to the courts and competent authorities upon request (Article 12 / Sixth – Seventh of the same law).

162. The professional secrecy incumbent upon FIs does not inhibit the access of the competent authorities to the information kept by the aforementioned entities, based on the provisions of Articles 11 and 12 referred to above. Adding that, according to Article 51 of the Banking Law No. 94 of 2004, the provisions of Articles (49/50) related to confidentiality (banking and individual) exclude information and documents required by the CBI regarding its performance of its duties, as well as the measures taken in good faith to implement AML/CFT measures.

163. **Exchange of information between the competent authorities:** National authorities are able to exchange information at the local and international level, given that the supervisory authorities are able to exchange information with the authorities concerned with the application of the provisions of the law and with foreign counterparts concerned with AML/CFT (according to Article 26/First-C of the AML/CFT Law), and the fact that the Office has the authority to exchange information related to AML/CFT with the relevant authorities in Iraq and the public sector and to coordinate with them in this regard (Article 9 / Third of the aforementioned law) as well as to exchange information spontaneously or upon request with any foreign counterpart FIU (Article 29/first and third of the law). As for the judiciaries, they have the power to exchange information made available to them by FIs with their counterparts abroad, by virtue of Article 12/Sixth Seven of the AML/CFT Law, in addition to the provisions of Article 27 of this law (see Recommendation 37). The same applies to LEAs that exchange information at the international level through the National Central Bureau of Interpol Baghdad (see Recommendation 40).

164. **Exchange of information between financial institutions:** No provision was found in the laws on confidentiality (secrecy) or in any other laws indicating that the secrecy of accounts inhibits the application of laws and AML/CFT instructions introduced by the supervisory authorities, that include provisions related to correspondent banking, wire transfers and reliance on third parties.

165. **Weighing and Conclusion:** There are no shortcomings, whereas Iraq has met all the requirements of this recommendation.

166. For these reasons, Iraq is rated (Compliant) with R.9.

Recommendation 10 - Customer Due Diligence.

167. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with Recommendation 5 (previously), due to many shortcomings referred to in the MER, including the fact that the prohibition of keeping anonymous, fictitious or digital accounts does not apply to institutions other than banks or remittance companies (Criterion 5.1), and the fact that the provisions on when to apply minimum due diligence/KYC measures provide unfettered discretion to FIs in implementation, thus

effectiveness in assessing and enforcing compliance is not clear (Criterion 5.2), and the fact that there is no requirement to conduct CDD procedures on both the agent and principle when a person is representing another or verify the authority by which a customer is acting on behalf of another, adding to that, the requirement to obtain information on the nature and purpose of the business relationship only applies after suspicious activity is detected (Criterion 5.6), and that there is no effective for reporting entities to conduct ongoing due diligence.

168. The definition of FIs in Iraq according to Article 1/ eighth of the AML/CFT Law includes all FIs mentioned in the FATF General Glossary.

169. In accordance with the provisions of Article 10 / Fourth of the AML/CFT Law No. 39 of 2015, the AML/CFT Council issued Instructions No. (1) of 2023 (Customers Due Diligence Rules) which applies to all FIs.

When CDD is required:

170. **Criterion 10.1 (Met):** FIs are obligated not to open or keep anonymous or fictitious accounts (Article 12/Second of the AML/CFT Law).

Criterion 10.2 (a, b, c, d and e) (Met)

171. **Criterion 10.2 (a):** (Met) FIs are obligated to undertake CDD measures before and during the opening of an account or the establishment of a business relationship (Article 10 / Second / A of the AML/CFT Law).

172. **Criterion 10.2 (b):** (Met) FIs are obligated to undertake CDD measures when an occasional customer performs a transaction that equals or exceeds USD 10,000 or its equivalent in IQD or other foreign currencies, whether it is carried out in a single transaction or several transactions that appear to be linked (Article 2/4 of Instructions No. 1 of 2023 issued by the Chairman of the AML/CFT Council).

173. **Criterion 10.2 (c):** (Met) FIs are obligated to undertake CDD measures, when carrying out an electronic transfer in favor of an occasional customer, regardless of its value (Article 3/4 of Instructions No. (1) of 2023 issued by the Chairman of the AML/CFT Council).

174. **Criterion 10.2 (d):** (Met) FIs are obligated to undertake CDD measures in case there is a suspicion of ML/TF. (Article 10/Second (D and E) of the AML/CFT Law, Article 4/5 of Instructions No. 1 of 2023).

175. **Criterion: 10.2 (e)** (Met) FIs are obligated to undertake CDD measures in the event of doubts about the veracity or adequacy of previously obtained customer identification data (Article 10 second / e of the AML/CFT Law and Article 4/4 of the Instructions No. 1 of 2023)

CDD measures required for all customers.

176. **Criterion 10.3 (Met):** FIs are obligated to take measures that allow them to verify the identity of the natural customer through documents, data, or information from reliable and independent sources (Article (10/a) of the AML/CFT Law). They must identify the name of the legal person, the legal arrangement, its legal form, and the names of those authorized to deal on the account through the articles of incorporation or the statement of incorporation and the bylaws (Article 5 of Instructions No. (1) of 2023). They are also obligated to identify the identity of occasional customers when carrying out a transaction equal to or exceeding USD 10,000 or its equivalent in IQD or other foreign currencies (Article 10 / second / b of the AML/CFT Law in addition to Instruction No. (1) of 2023). The verification requirements imposed on FIs apply to all customers, whether permanent or transient, natural or legal persons, arrangements and NPOs (article 5 of instructions no.1 of 2023).

177. **Criterion 10.4 (Met):** FIs are obligated to recognize and verify the identity of any person acting on behalf of the customer and to ensure that this person has the authority to act in this capacity, by verifying the existence of an official power of attorney and verifying the identity of that person. (Article (10 / first / b) of the AML/CFT Law and Article (6) of Instructions No. (1) of 2023)
178. **Criterion 10.5 (Met):** FIs are obligated to identify and verify the identity of the beneficial owner (“BO”) using documents, information and data from a reliable and independent source (Article (10 / First / A) of the AML/CFT Law). These measures apply to anyone who is a BO. The term “anyone” covers natural persons (Article 6 of instructions no. 1 of 2023)
179. **Criterion 10.6 (Met):** FIs are obligated to understand the purpose and nature of the business relationship and to request additional information in this regard (Article 10/First/C of the AML/CFT Law).

Criterion 10.7 (a and b) (Met)

180. **Criterion 10.7 (a) (Met):** FIs are obligated to conduct due diligence measures and continuous follow-up on the business relationship, including examining transactions that take place to ensure that they are consistent with what was provided on the customer in terms of information, commercial activities, the pattern of risks, and the sources of their funds when necessary (Article 10/First/E of the AML/CFT Law).
181. **Criterion 10.7 (b) (Met)** FIs are obligated to ensure that the documents, information, and deeds obtained under the CDD measures are continuously updated and relevant, by undertaking reviews of existing records, in particular for the categories of higher-risk customers. (Article 9/2 of Instructions No. (1) of 2023).

Specific CDD measures required for legal persons and legal arrangements.

182. **Criterion 10.8 (Met)** FIs are obligated to understand the purpose and nature of the business relationship, request additional information in this regard, and identify the ownership and control structure of legal persons and legal arrangements (Article 10 / First / C-D of the AML/CFT Law).
183. **Criterion 10.9 (a, b, c) (Met)** FIs are required to identify and verify the name of the customer (whether a legal person or a legal arrangement), the legal form, the address of the principal place of business, obtain documents for the registration of the legal person (proof of existence), the memorandum of association, by-laws, the contract or the instrument establishing the management of funds in connection with legal arrangements, and the information on the natural persons authorized to sign on behalf of the customer and the names of the persons having senior management position (Article 5 of Instructions No. (1) of 2023).
184. **Criterion 10.10 (a, b, c) (Met)** FIs are obligated to identify the BO in the case of a legal person and to take reasonable measures to do the following: 1) Identify the natural person who owns a controlling ownership, whether directly or indirectly (considering whoever owns 20% or more of the legal person as BO). 2) Where the natural person does not exercise control through ownership interests, the identity of the natural person who exercises effective control through other means is determined by personal ties with persons holding ownership or through close family relationships or historical ties. In the event that no natural person has been identified within the framework of applying the provisions of Clauses 1 and 2 above, the identity of the natural person who holds the position of a senior managing official shall be determined (Article 7/First/B of Instructions No. (1) of 2023). The definition of the BO is consistent with that of the FATF, since the BO, according to what was stated in Article 2 of Instructions No 1 of 2023, means the natural person who owns or controls a customer or the natural person on whose behalf a transaction is being conducted, and the person who exercises ultimate effective control over a legal person. The guidance introduced by the

AML/CFT Council¹²² in 2023 applies to FIs and provides a definition of the BO in line with the FATF definition. Indirect controlling ownership refers to situations in which ownership is exercised through a chain of ownership or by means of control other than direct control (section 6 titled BO concept).

185. **Criterion 10.11 (a and b) (Met)** FIs are obligated, if the customer is a legal arrangement, to identify the settlor or originator of the fund, the identity of the trustee, the guardian or protector (if any) and the identity of the beneficiary of the fund as well as the identity of any natural person who exercises effective control over the fund whether through a chain of control or ownership or through other means. Whereas in relation to the endowment (waqf) and other types of legal arrangements, obtaining information on the identity of persons holding equivalent or similar positions to those referred to above (Article 7 / First / C of Instructions No. (1) 2023).

CDD for Beneficiaries of Life Insurance Policies

186. **Criterion 10.12 (a, b and c) (Met):** FI, including insurance companies, are obligated to identify and verify the identity of the customer and the BO through documents, data, or information from reliable and independent sources (Article 10/A of the AML/CFT Law). Insurance companies, with regard to the beneficiary of life insurance policies, must take the following CDD measures: 1. Identify the name of the beneficiary if it is a natural or legal person or a legal arrangement, 2) If the beneficiary has been designated by characteristics, by class or by other means, FIs must obtain sufficient information concerning the beneficiary so that the FI can be satisfied that it will be able to establish the name of the beneficiary at the time of payout, 3) Verify the identity of the beneficiary at the time of payout (Article 2/d of the instructions of 2017 issued to insurance companies regarding AML/CFT).

187. **Criterion 10.13 (Met):** Companies operating in the field of insurance are obligated with regard to the beneficiary of life insurance policies, to consider the identity of the beneficiary of the life insurance policy as one of the factors in determining the extent of the need to apply enhanced due diligence measures, and in the event that the company considers that the beneficiary, who is a legal person or legal arrangement, presents higher risks, the enhanced due diligence measures must include reasonable measures to identify and verify the identity of the BO of the beneficiary at the time of payout (Article 2 / d of the instructions issued to insurance companies regarding AML/CFT).

Timing of verification

188. **Criterion 10.14 (a, b, c) (Met):** FIs may postpone verifying the identity of the customer or the BO until after the establishment of the business relationship, as part of what the supervisory authorities stipulates (Article 10/Third of the AML/CFT Law). According to Article (10) of Instructions No. (1) of 2023, FIs may postpone the measures for verifying the identity of the customer until after the establishment of the business relationship in the following cases: 1) That this occurs as soon as practicable, 2) That it is essential not to interrupt the normal conduct of business, and 3) To manage ML/TF risks effectively.
189. **Criterion 10.15 (Met):** According to the analysis of the above criterion, it is only allowed for FIs to postpone the measures for verifying the identity of the customer until after the establishment of the banking relationship, provided that appropriate risk management measures are adopted with regard to the circumstances in which the customer can benefit from the business

¹²² This guidance is deemed to be other enforceable means (OEM) (issued by a competent authority, the language used therein is mandatory, failure to comply with its provisions will attract the penalties stipulated in the AML/CFT Law No. 39 of 2015 and the Companies Law No. 21 of 1997, amended in 2004).

relationship before the verification process, provided that this process includes a set of measures, including setting restrictions, ceilings, or setting controls on the number, types, and/or quantity of transactions or operations that can be performed, and monitoring large or complex transactions that exceed the expected thresholds of this type of relationship (Article 2/10 of Instructions No. (1) of 2023).

Existing customers

190. **Criterion 10.16 (Met):** FIs are required to apply due diligence measures on the basis of materiality and risks towards relationships that existed with customers prior to the entry into force of the AML/CFT Law and to take due diligence measures towards existing business relationships, taking into account whether and when CDD measures have previously been taken and the adequacy of data obtained (Article 27 of Instructions No. (1) of 2023).

Risk-Based Approach

191. **Criterion 10.17 (Met):** FIs are obligated to perform enhanced due diligence when the risks of money laundering or terrorist financing are high and in accordance with the nature of those risks, by increasing the degree and nature of follow-up on the business relationship, in order to determine whether those operations or activities appear unusual or suspicious, and this includes applying a set of enhanced due diligence measures on higher-risk business relationships (Article 22/2 of Instructions No. (1) of 2023)
192. **Criterion 10.18 (met)** FIs may take simplified due diligence measures if the following conditions are met: 1) Existence of a sufficient risk analysis by the country, and the subject entities fulfilling all their obligations related to risks stipulated for under Chapter Three of these instructions, 2) Applying the provisions of the risk-based approach in accordance with the provisions of Article (21) of these instructions. 3) When ML/TF risks are low, taking into account the nature of these risks and their proportionality with the low risk factors stipulated for under Article (19) of these instructions, 4) Applying simplified CDD measures in accordance with the instructions and/or guidance issued by the supervisory authority or the Council in this regard.

Failure to satisfactorily complete CDD

193. **Criterion 10.19 (Met)** In the event that it is not possible to comply with CDD measures, FIs may not open an account, commence business relations, or perform a transaction or any operations, and they must terminate the business relationship if it exists and notify the Office of the customer. (Article (10)/fifth of the AML/CFT Law).

CDD and Tipping off.

194. **Criterion 10.20 (Met)** FIs may not continue the application of due diligence measures in the event of a ML/TF suspicion, if the application of these measures may tip-off the customer, and in this case, they must submit an STR immediately to the Office (Article 15 of Instructions No. (1) of 2023).
195. **Weighing and Conclusion:** Iraq has met all requirements of Recommendation 10
196. **For these reasons, Iraq is “Compliant” with R.10.**

Recommendation 11 - Record Keeping.

197. Iraq was assessed in the first round of the ME process in 2012, where it was rated (PC) with Recommendation 10 (previously). Most of the shortcomings were represented in the lack of defined periods for how long to maintain records and no AML recordkeeping requirements in the insurance business regulation or the Securities Law, and no information about whether

customer and account records from FIs aided in TF prosecutions, or whether insufficient record-keeping has ever impeded financial investigations.

198. **Criterion 11.1 (Met):** FIs are required to maintain all records and documents related to domestic and international operations and transactions for at least 5 years from the date of completion of the operation or transaction. (Article (11 / second) of the AML/CFT Law and Article (32) of Instructions No. (1) of 2023).
199. **Criterion 11.2 (Met):** FIs are required to maintain records, documents, files for at least 5 years from the date of termination of the relationship with the customer or from the date of closing the account or executing a transaction for an occasional customer. The obligation extends to maintaining all customer files, commercial correspondence, the results of any analysis conducted, and all records and documents obtained through the CDD measures (Article 11/First of the AML/CFT Law and Article 32 of Instructions No. (1) of 2023).
200. **Criterion 11.3 (Met):** FIs are required to keep records of transactions in a detailed manner that allows the reconstruction of individual transactions, so as to provide, when necessary, evidence for the prosecution of criminal activity (Article 11/Second of the AML/CFT Law and Article 32 of Instructions No. (1) of 2023).
201. **Criterion 11.4 (Met):** FIs are required to make available all records, including CDD information and transaction records, swiftly to the competent authorities (Article 11 of the AML/CFT Law and Article 32 of Instructions No. (1) of 2017).
202. **Weighing and Conclusion:** Iraq has met all the requirements of Recommendation 11
203. **For these reasons, Iraq is “Compliant” with R.11.**

Recommendation 12 - Politically Exposed Persons “PEPs”.

204. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with recommendation 6 (previously). The most important shortcoming was the absence of any requirement in law, regulation, or any other enforceable means to identify PEPs or obtain senior management approval to establish or approve PEP accounts, and the absence of laws, regulations or other enforceable means that require monitoring accounts or inquiring about the source and wealth of PEPs.
205. The definition of PEPs is consistent with the definition contained in the FATF methodology (Article (25) of Instructions No. (1) of 2023). This is because the definition of PEPs covers individuals who are or have been entrusted with prominent public functions in a foreign country or Iraq, including heads of state or of government, senior politicians, senior government, judicial or military officials, senior executive of state-owned corporations, important party officials. The definition also covers individuals who are or have been entrusted with a prominent function by an international organization, including members of senior management (directors and their deputies) and members of the board and equivalent functions.
206. **Criterion 12.1 (a, b, c and d) (Met):** FIs are required, in addition to performing CDD measures towards foreign PEPs, to have in place appropriate risk management systems to determine if the customer or BO is a PEP, and to comply with what is received from the Council and the supervisory authorities in this regard as well as obtaining the approval of the senior management before establishing the business relationship or continuing the business relations for existing customers, and taking reasonable measures to establish the source of wealth and the source of funds for the customer and the BO identified as PEP, and conducting enhanced ongoing monitoring on the business relationship (Article 25 of Instructions No. (1) of 2023).

207. **Criterion 12.2 (a and b) (Met):** FIs are required to take appropriate and sufficient measures to determine whether the customer or BO is a local PEP or an official of international organizations. The measures referred to in the above criterion apply equally to these persons when there is a higher-risk business relationship with them (Article 25 of Instructions No. (1) of 2023).
208. **Criterion 12.3 (Met):** The measures referred to in C.12.1 and C.12.2 above apply equally to family members of PEPs of all types, including their close associates (Article (25) paragraph 4 of Instructions No. (1) of 2023).
209. **Criterion 12.4 (Met):** Insurance companies are required concerning life insurance policies to take reasonable measures to determine whether the beneficiary or the BO of the beneficiary is a PEP, provided that this takes place, at the latest, at the time of payout. In the event of higher risks, insurance companies shall notify the senior management before payout of the policy proceeds, shall conduct a thorough and enhanced scrutiny of the whole business relationship of the insurance policyholder and consider filing a STR with the Office (Article 11 of Instructions No. (1) concerning insurance of 2023).
210. **Weighing and Conclusion:** Iraq met all the requirements of Recommendation 12.
211. **For these reasons, Iraq is "Compliant" with R.12.**

Recommendation 13 - Correspondent Banking.

212. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with Recommendation 7 (previously), due to the absence of any laws, regulations or other enforceable means requiring FIs to implement risk control measures for correspondent relationships and to gather information on respondent relationships, obtain a copy of any respondent institution's internal AML/CFT controls or assess them for effectiveness, and document respective AML/CFT responsibilities of correspondent relations.
213. Institutions that practice correspondent banking in Iraq are limited to banks subject to the supervision of the CBI.
214. **Criterion 13.1 (a, b, c and d) (Met):** An FI that provide cross-border correspondent banking relationships is required to take the following measures regarding the respondent institutions (Article 23 of Instructions No. 1 of 2023):
- a) Gather sufficient information about the institution to understand fully the nature of its work, use the published information to identify the institution's reputation and the level of control it is subject to, and verify whether it has been subject to a ML/TF investigation or a supervisory action.
 - b) Assess the institution's AML/CFT controls.
 - c) Obtain senior management approval before establishing new correspondent relationships.
 - d) Clearly understand the AML/CFT responsibilities and roles of both the correspondent and the respondent institution.
215. **Criterion 13.2 (Met):** FIs that allow the use of payable-through accounts are required to ensure that the respondent bank has performed CDD obligations for customers who have direct access to correspondent bank accounts in Iraq, and is able to provide CDD information upon request by the correspondent bank in Iraq.
216. **Criterion 13.3 (Met):** FIs are required not to enter into a correspondent relationship with a shell bank or a bank (whether it is a correspondent bank or a respondent bank) that provides correspondent services to shell banks or to continue an existing banking relationship with a shell bank (Article 4/23 of Instructions No. (1) of 2023). The definition of the shell bank is consistent with that of the FATF. This is because a shell bank refers to a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to a regulation and effective banking

supervision. Physical presence means the existence of meaningful mind and management of the bank and not simply the existence of an agent (such as a lawyer) or low-level staff.

217. **Weighing and Conclusion:** The regulatory texts issued to FIs meet the requirements of this recommendation with regards to correspondent Banking Relationships

218. **For these reasons, Iraq is “Compliant” with R.13**

Recommendation 14 - Money Value or Transfer Services “MVTs”.

219. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with the special recommendation 6 (previously), as the licensing criteria and procedures and criteria for MVTs are not clear, and neither the CBI nor the Office are conducting AML/CFT compliance monitoring of the MVTs sector on systematic basis, and no enforceable regulations or guidelines have been issued by authorities regarding application of internal AML/CFT internal controls, and no requirements for MVTs providers to maintain a current list of agents.

220. MVTs in Iraq, are mainly banks and major and secondary agents for Western Union and Money Gram.

221. **Criterion 14.1 (Met):** The CBI is responsible for licensing any local bank or non-banking financial company and licensing any branch of a foreign bank. The license is granted for an indefinite period and may not be waived to anyone other than those to whom it was granted (Article 2/First of the Instructions to Facilitate the Implementation of Banking Law No. 94 of 2004). Entities licensed by the CBI (i.e. banks and exchange companies of category A-B and e-payment service providers licensed to work as a processor or mobile payment provider) are entitled to act as a primary or secondary agent for a foreign remittance service provider after obtaining the approval of the CBI (Article 1 of the controls regulating the work of the main and secondary agents for foreign remittance service providers in Iraq).

222. This prohibits any person in Iraq from practicing banking business or activities without obtaining a license or permit issued by the CBI (Article 3 of Banking Law No. 94 of 2004). Banking business, according to the provisions of Article 27 of the Banking Law No. 94 of 2004, includes the provision of cash transfer services, bank transfers and wire transfers. This prohibition covers any natural person acting as a MVTs provider.

223. **Criterion 14.2 (Partly Met):** Article 42 of the CBI Law No. (56) of 2004 allows the CBI to impose an administrative fine on any person if the CBI sees good reasons to suspect that this person is participating in an activity that falls within the jurisdiction of the CBI without obtaining the necessary licenses, permits or registration therefrom. The value of the fine does not exceed 10 million IQD (equivalent to about USD 7,630) for a single violation (Article 62 of the aforementioned law). The CBI determines the value of the fine, taking into account the conditions mentioned in Paragraph 3 of Article 62, including the severity of the violation, recurrence, and the profit earned by the person. Administrative penalties do not prevent taking civil or criminal measures to hold this person accountable as required by the provisions of any other law.

224. In addition to the foregoing, the penalty for fraud stipulated in the Penal Code applies to any person who engages in banking activities without a license (Article 57 of Banking Law No. 94). Fraud is punishable by imprisonment for a period not exceeding 7 years according to the provisions of Article 458 of the Penal Code. It is deduced that the penalties that the law allows to be applied are considered proportionate, effective, and dissuasive when the maximum penalty is applied, but they are not dissuasive when the minimum penalty is applied (based on the principle of choice).

225. The CBI relies on various sources of information to identify natural or legal persons that carry out money transfer services (MVTs) without a license. The sources of information are: 1) complaints received from offices, licensed companies, and citizens on unlicensed companies, 2) what CBI inspectors discover during inspection visits, 3) following social media sites that reveal any advertisements on offices or persons who intend to provide or are providing banking or transfer services without a license. In all cases, the CBI coordinates with the MOI to follow up on persons and offices who provide MVTs without a license and take appropriate measures against them. It is noted that the penalties applied were limited to imprisonment for up to 6 months and financial fines equivalent to USD 700, which is not considered proportionate and dissuasive.
226. **Criterion 14.3 (Met):** Banks and remittance companies are subject to the supervision of the CBI, and Article (26-e) of the AML/CFT Law stipulates that the supervisory authorities have the powers to verify the compliance of the FIs that are subject to their supervision or control with the obligations established under the aforementioned law, and the law empowers them to use their authority to this end. The AML/CFT Law requires the supervisory authorities to develop inspection procedures, means and standards for following up on FIs' compliance with AML/CFT requirements, in accordance with Article 26-a. In implementation of the provisions of the law, the CBI issued the supervisory controls for banks and non-bank FIs regarding AML/CFT, including Instructions No. (1) of 2023 that apply to banks and MVTs. The CBI issued in 2020 Controls regulating the work of e-payment service providers via mobile phone.
227. **Criterion 14.4 (Met):** According to Paragraph (1) of the controls regulating the work of primary and secondary agents for foreign remittance service providers, entities licensed by the CBI are entitled to work as a primary or secondary agent for foreign remittance service providers after obtaining the approval of the CBI, and according to Paragraph (12) of these Controls, the main agent must prepare a register for its secondary agents and update it periodically and notify the CBI of such, and Article 31 of Instructions No. 1 of 2023 obliges MVTs who use agents to keep an updated list of their agents easily accessible by the competent authorities in the countries in which MVTs and their agents operate.
228. **Criterion 14.4 (Met):** The main agent must ensure that they and their secondary agents comply with the AML/CFT Law No. (39) of 2015 and any instructions or controls issued in this regard and related laws and take caution against fraud and Article 31 of the instructions No. 1 of 2023 requires MVTs who use agents to include them in AML/CFT programs and monitor them for compliance with these programs.
229. **Weighing and Conclusion:** Iraq has met most of the requirements of this recommendation. Despite the measures taken by Iraq to identify any natural or legal persons who provide MVTs without a license or registration, the penalties that the law permits to apply are not always considered proportionate, dissuasive, and effective due to the principle of choice. The materiality of the shortcoming related to criterion 14.2 negatively affects the overall rating of this Recommendation.
230. **For the reasons, Iraq is "Partially Compliant" with R.14.**

Recommendation 15 - New Technologies.

231. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with recommendation 8 (previously), due to the absence of laws, regulations or other enforceable means to require FIs to have policies or procedures in place to mitigate ML/TF risks through misuse of technologies.
232. Virtual asset services are not included among the financial activities that fall within the scope of the AML/CFT Law. There are no legal texts regulating or expressly prohibiting all activities of the VASPs as defined by the FATF.

233. Despite the issuance of a warning by the CBI in November 2022¹²³ and a decision in March 2023¹²⁴ prohibiting the use of cards and electronic wallets for the purpose of speculation and trading in digital currencies through banks and non-bank FIs, this warning and decision apply only to some subject entities, and do not apply to all natural persons and legal persons, in addition to the ambiguity of the punitive measures that may be applied in the event that VASPs activities are carried out by any natural or legal person in Iraq. Accordingly, the AT considers that all the criteria of Recommendation 15 apply in this case.
234. **Criterion 15.1 (Partly Met):** The task of identifying and assessing ML/TF risks in Iraq and updating them continuously is assumed by the AML/CFT Council (Article 6/7 of the AML/CFT Law). However, Iraq has not identified and assessed ML/TF risks that may arise in relation to the development of new products and new business practices, as required by the criterion. At the level of FIs, they are required under Article 20 of Instructions No. (1) of 2023 to identify and assess ML/TF risks that may arise in relation to the development of new business services, products, and practices, including new means of providing services, and those that arise from the use of new technologies or in the development of new and pre-existing products.
235. **Criterion 15.2 (Met):** FIs are required to conduct a risk assessment prior to the launch or use of products, practices, and technologies, and take appropriate measures to manage and mitigate the risks (Articles 20/3 and 4 of Instructions No. 1 of 2023)
- VAs and VASPs**
- Criterion 15.3 (Not Met)**
236. **Criterion 15.3 a and b (Not Met):** Iraq has not assessed the ML/TF risks emerging from virtual assets activities, and the activities or operations of the VASPs, and Iraq has not applied the risk-based approach based on its understanding of the ML/TF risks arising from the VAs and VASPs activities, since it has not assessed those risks.
237. **Criterion 15.3 c (Not Met):** Iraq has not taken the necessary measures by requiring VASPs to take appropriate steps to identify, assess, manage, and mitigate the ML/TF risks, as required in C.1.10 and C.1.11.
238. **Criterion 15.4 (Not Met):** Iraq has not taken the necessary measures by requiring VASPs to be registered or licensed whether the service provider is a legal person or a natural person, in addition to taking legal or regulatory measures to prevent criminals or their associates from holding or being the BO of, a significant or controlling interest, or holding or occupying a management function in VASPs.
239. **Criterion 15.5 (Not Met):** Iraq has not established any measures to identify natural or legal persons that carry out VASPs activities without obtaining a license or registration, and there is no legal text clarifying the penalties that can be applied thereto.
240. **Criterion 15.6 to 15.10 (Not Met):** Iraq has not taken the required measures in accordance with the requirements of these criteria, with the exception of issuing warnings by the CBI to FIs regarding dealing with VAs, and a decision banning the use of cards and electronic wallets for the purpose of trading in VA through banks and non-bank FIs.
241. **Criterion 15.11 (Not Met):** There is no legal basis for the competent authorities to provide, in a timely manner, the widest possible international cooperation in relation to ML, predicate offenses and TF relating to virtual assets.
242. **Weighing and Conclusion:** The shortcomings in this recommendation are that Iraq does not identify and assess the ML/TF risks associated with new technologies, products and business practices and those emerging from VA activities and the activities or operations of VASPs; and that VASPs are not required to be registered or licensed, and the absence of measures to identify natural

¹²³ <https://cbi.iq/news/view/1866>

¹²⁴ <https://cbi.iq/news/view/1977>

persons or legal persons who practice VASPs activities without a license or registration, and to apply proportionate sanctions thereupon, and not taking the required measures regarding the remaining criteria of this recommendation.

243. **For these reasons, Iraq is “Non Compliant” with R.15.**

Recommendation 16 - Wire Transfers.

244. Iraq was assessed in the first round of the ME process in 2012, where it was rated (NC) with Special Recommendation 7 (previously), as there is no provision in the Iraqi laws or regulatory framework that requires inclusion of originators account number (or unique identifier) in all segments of wire transfers, adding that such framework lacked procedures that a financial institution must take when complete originator or beneficiary information is not included in the transfer, in addition to not applying obligations already in place in that framework.

Ordering Financial Institutions

245. **Criterion 16.1 (Met):** Relevant due diligence measures and procedures apply to all MVTs institutions and mainly include banks and providers of currency or value transfer services, regardless of the value of the transfer.

246. **Criterion 16.1 (a) (Met):** FIs are required to obtain all information related to the originator of the transfer, especially in terms of the name of the originator of the transfer and their account number when it is used to process the transaction. In the case of absence of account, a unique reference number must be included that permits traceability of the transaction, as well as the address of the originator of the transfer or their ID number or customer identification number and the date and place of birth. FIs must verify the accuracy of this information (Article 28/1 of Instructions No. (1) of 2023).

247. **Criterion 16.1 (b) (Met):** FIs are required to obtain the information required in accordance with the requirements of this criterion, especially in terms of the name of the beneficiary of the transfer, their account number when it is used to process the transaction, and in the absence of an account, a unique reference number must be included that permits traceability of the transaction (Article 28/2 of Instructions No. (1) of 2023).

248. **Criterion 16.2 (Met):** In the event that multiple wire transfers from a single originator are bundled into a batch transfer file with the intention of transferring them to one or more beneficiaries, the batched transfer file must include, at a minimum, the information stipulated in sub-criteria (16.1 (a) and (b)), and to ensure that this information is fully traceable in the beneficiary country (Article 28/4 of the instructions of 2023).

249. **Criterion 16.3 and 16.4 (NA):** Iraq does not apply a de-minimis threshold for criterion 16.1.

250. **Criterion 16.5 (Met):** The requirements apply equally to local and international transfers, and therefore they apply to domestic transfers the obligation to obtain the required information and include it in the transfer, and therefore there is no need to provide this information to the beneficiary FIs and the competent authorities through other means (Article 28 of Instructions No. (1) of 2023).

251. **Criterion 16.6 (N/A):** This criterion is not applicable, as there is no need for the information to be made available to beneficiary FIs and competent authorities through other means (as described in the previous criterion).

252. **Criterion 16.7 (Met):** The ordering financial institution is required to maintain all information related to the originator and beneficiary of the transfer, in accordance with the requirements of Recommendation 11 (Article 28 of Instructions No. (1) of 2023).

253. **Criterion 16.8 (Met):** The ordering financial institution is required not to execute the transfer if it does not comply with the requirements of the previous criteria (Article 28 of Instructions No. (1) of 2023).

Intermediary FIs:

254. **Criterion 16.9 (Met):** Intermediary FIs are required to ensure that all originator and beneficiary information that accompanies a wire transfer is retained with it (Article 1/29 of Instructions No. (1) of 2023).

255. **Criterion 16.10 (Met):** Where technical limitations exist, that prevent required originator and beneficiary information accompanying an international wire transfer from remaining with a related domestic wire transfer, the intermediary financial institution is required to keep the information received from the ordering financial institution or other intermediary financial institution for at least five years (Article 29/2 of Instructions No. (1) of 2023).

256. **Criterion 16.11 (Met):** Intermediary FIs are required to take reasonable measures that are consistent with straight-through processing to identify cross-border transfers that lack the required originator or required beneficiary information (Article 3/29 of Instructions No. (1) of 2023).

257. **Criterion 16.12 (Met):** Intermediary financial institutions are required to have in place effective risk-based policies and procedures for determining when to execute, reject or suspend wire transfers lacking the required originator or beneficiary information and to determine appropriate follow-up actions based on risks (Article 4/29 of Instructions No. (1) of 2023).

Beneficiary FIs:

258. **Criterion 16.13 (Met):** The beneficiary financial institution is required to take reasonable measures to identify international wire transfers lacking the originator or beneficiary information, including follow-up procedures following execution or follow-up procedures at the time of execution where possible (Article 30 of Instructions No. (1) of 2023).

259. **Criterion 16.14 (Met):** The beneficiary institutions are required to verify the identity of the beneficiary if it has not been verified previously and to maintain this information in accordance with the requirements of Recommendation 11 (Article 30 of Instructions No. (1) of 2023).

260. **Criterion 16.15 (Met):** Beneficiary financial institutions are required to have in place effective risk-based policies and procedures for determining when to execute, reject or suspend wire transfers lacking required originator or beneficiary information, and to determine appropriate follow-up actions based on risks (Article 30 of Instructions No. (1) of 2023).

Money Value or Transfer Services “MVTs”

261. **Criterion 16.16 (Met):** The provisions of Articles (28 to 30) of Instructions No. (1) of 2023, which cover the requirements referred to in Recommendation 16, apply to all MVTs, regardless of the country in which they operate, whether directly or through their agents (Article 31 of Instructions No. (1) of 2023).

262. **Criterion 16.17 (Met):** In addition to what was stated in Criterion 16.16 above, if the MVTs controls both the ordering and beneficiary transfer sides, it must: a) Take into account all the information from the ordering and beneficiary sides of the transfer in order to determine whether an STR has to be filed, b) file an STR in any of the countries related to the suspicious wire transfer, and to provide all relevant information on the relationship of the transaction to the Office.

Implementation of Targeted Financial Sanctions

263. **Criterion 16.18 (Met):** The legal and regulatory provisions related to the application of TFS by natural and legal persons in Iraq are addressed to all relevant institutions, including FIs and institutions that engage in money transfer activities. These provisions include obligations not to enter into business relationships with entities and persons on the relevant lists, to freeze relevant funds

and not make them available to such persons and entities, and to notify the authorities of the actions taken in this regard. Thus, the aforementioned remarks on the obligations of the subject entities as set out in the texts and rules (under Recommendation 6 and Recommendation 7) also apply to institutions that engage in money transfer activity.

264. **Weighing and Conclusion:** The regulatory texts issued to FIs meet the requirements of this recommendation with regards to wire transfers.

265. **For these reasons, Iraq is “Compliant” with R.16.**

Recommendation 17 - Reliance on Third Parties.

266. Iraq was assessed in the first round of the ME process in 2012, where it was rated (N/A) with recommendation 17 (R.9 previously).

Iraq allows FIs to rely on third parties to carry out due diligence measures (identification of the customer, identification of the beneficial owner and understanding the nature of the business) after obtaining the approval of the supervisory authority. The approval of the financial institution’s supervisor to rely on a third party applies equally to criterion 17.1 and 17.2.

267. **Criterion 17.1 (Met):** The final responsibility for the application of due diligence measures remains with the financial institution in the event of reliance on third parties in their capacity as FIs, whether from inside or outside the country.

268. **Criterion 17.1 (a) (Met):** Before relying on a third party to apply due diligence measures, the financial institution should identify the third party. It must also immediately obtain, from the third party, the necessary information related to the CDD measures set out in Recommendation 10 (Article 13/1 (a) and (b) of Instructions No. (1) of 2023, instructions for due diligence towards FIs and DNFBPs).

269. **Criterion 17.1 (b) (Met):** FIs shall take sufficient and appropriate steps, including making the necessary arrangements with third parties, to ensure and satisfy themselves that the third party will, without delay and upon the request of the financial institution, provide copies of all documents and data related to the identification of the customer and the beneficial owner and other documents related to the CDD requirements in accordance with the provisions of the law and these instructions (Article 13 / A (c) of Instructions No. (1) of 2023, instructions for the due diligence towards FIs and DNFBPs).

270. **Criterion 17.1 (c) (Met):** FIs must ensure and satisfy themselves that the third party is subject to regulation, control or supervision, and that it has procedures in place to comply with the requirements of CDD measures and maintain records in line with the provisions of the law and these instructions (Article 13/1 (d) of Instructions No. (1) of 2023, instructions for due diligence towards FIs and DNFBPs)

271. **Criterion 17.2 (Met):** FIs are required, in the event that there is a third party in another country that meets the conditions specified in the sub-criteria above, to take into consideration the information available i on the level of risks of country risks (Article 13/1 (e) of Instructions No. (1) of 2023, Due Diligence towards for FIs and DNFBPs).

272. **Criterion 17.3 (Met):** When FIs rely on a third party that is part of the same financial group, the competent authorities in the home country and the host country (especially since the application of this criterion is optional) may consider that the requirements mentioned in Criteria (17.1 and 17.2) are met in the following cases: a) The application of due diligence requirements by the financial group or the professional group, including enhanced due diligence, record keeping and AML/CFT programs is in line with the provisions of the law and these instructions, b) the implementation of the due diligence requirements by the financial group or the professional group, keeping records and AML/CFT programs is done by a competent authority, c)

the financial group or the professional group takes the necessary measures to adequately mitigate any high risks related to countries through the AML/CFT policies approved thereby (Article 13 of Instructions No. (1) of 2013)

273. **Weighing and Conclusion:** The regulatory texts issued to FIs meet the requirements of this recommendation with regard to reliance on third parties.

274. **For these reasons, Iraq is “Compliant” with R.17.**

Recommendation 18 - Internal controls and foreign branches and subsidiaries.

275. Iraq was assessed in the first round of the ME process, where it was rated (PC) with recommendation 15 (previously) and (NC) with recommendation 22 (previously). The shortcomings specific to R.15 were represented in the absence of a requirement that AML/CFT compliance officer be of a management level and have sufficient professional experience as well as the absence of a requirement that the compliance officer and relevant staff obtain CDD /KYC files and all necessary banking records in addition to that the requirement to conduct on-going AML/CFT training for employees lacks specificity with regard to frequency or extent of employees that should receive such training.

276. The main shortcomings regarding Recommendation 22 were represented in the absence of a legal obligation to apply the higher standards of AML/CFT obligations in cases where the home and the host country differ, and the absence of an obligation to inform home country supervisor when a foreign branch or subsidiary is prevented from implementing mandatory Iraqi AML/CFT requirements due to conflict with local requirements.

277. **Criterion 18.1 (a, b, c and d) (Met):** FIs are required to prepare and implement AML/CFT programs that take into account the ML/TF risks and the size of their business. These programs include setting policies, procedures and internal controls, including: a) Compliance management arrangements, including creating an administrative formation or appointing or assigning a ML/TF compliance officer, b) screening procedures to ensure high standards when hiring employees, c) an ongoing employee training program at all levels of employment, d) an independent audit unit to test and assess the effectiveness of systems and policies for combating ML/TF (Article 33 of Instructions No. (1) of 2023 instructions for due diligence towards FIs and DNFBPs).

278. **Criterion 18.2 (Met):** The financial group or the professional group is required under Article 35 of Instructions No. (1) of 2023 to apply AML/CFT programs at the group level, which shall apply, as appropriate, to all branches and majority-owned subsidiaries, and these programs include the measures stipulated for under the above criterion according to Article (33) of these instructions, in addition to:

a. Policies and procedures for sharing information required for the purpose of CDD and ML/TF risk management.

b. Providing information relating to customers, accounts and operations from branches and subsidiaries to compliance, auditing and AML/CFT functions at the group level, when necessary for AML/CFT purposes, including information and analysis of transactions or activities that may appear unusual. Similarly, branches and subsidiaries receive such information from those functions at the group level, in line with risk management.

c. Adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping off any persons including customers.

279. **Criterion 18.3 (Met):** FIs are required to ensure that all their foreign branches and majority-owned subsidiaries implement the provisions of the law, regulations, instructions and orders issued pursuant thereto, including these instructions, to the extent permitted by the laws and regulations of the host foreign country, when the minimum AML/CFT requirements of the foreign host

country are less than the requirements of the law, regulations, instructions and orders issued according thereto in Iraq. The financial group or the professional group must apply appropriate additional measures to manage the ML/TF risks, in the event that the legislation of the country in which the branches of the subject entities or their subsidiaries are located does not allow for the adequate implementation of the provisions of the law, regulations, instructions and orders issued pursuant thereto, including these instructions, and notify the entity's supervisory authorities in this regard (Article 35 of Instructions No. (1) of 2023).

280. **Weighing and Conclusion:** Iraq Met all the requirements of this recommendation.

281. **For these reasons, Iraq is "Compliant" with R.18.**

Recommendation 19 - Higher-risk countries.

282. Iraq was assessed in the first round of the ME Process as it was rated (NC) with Recommendation 21 (Previously) due to the absence of a requirement that attention be paid to business relations and transactions with persons from or in countries which do not sufficiently apply the FATF recommendations, and the absence of laws or Regulations authorizing authorities to issue orders to apply countermeasures to designated countries that inadequately comply with FATF recommendations, and no such countermeasures have ever been ordered or implemented. The absence of laws, regulations and other enforceable means requiring the examination of transactions with no apparent economic, lawful purpose from such countries.

283. **Criterion 19.1 (Met):** FIs are obligated to apply enhanced due diligence measures to business relationships and financial transactions that take place with natural persons and legal persons, including FIs from countries called for by the FATF (Article 24 of Instructions No. (1) of 2023).

284. **Criterion 19.2 (Met):** It falls within the competence of the AML/CFT Council, or whomever the Council delegates to do so according to its competence, to identify natural or legal persons (including FIs) against whom countermeasures should be taken commensurate with the level of risk, whether based on what the FATF calls for or as the Council deems fit. FIs are obligated to apply the measures that are circulated by the Council or whoever it delegates to do so with regard to measures or countermeasures for higher-risk countries (Article 24 of instructions No. (1) of 2023).

285. **Criterion 19.3 (Partly Met):** The Office publishes the lists on its website, and this is part of the measures taken by Iraq to ensure that FIs report concerns about weaknesses in the AML/CFT systems of other countries (Article 24 of Instructions No. (1) of 2023). However, no information was provided on the dissemination of any other information related to concerns about specific weaknesses in the AML/CFT systems of other countries.

286. **Weighing and Conclusion:** The regulatory texts issued to FIs meet the requirements of this recommendation with regards to higher-risk countries, yet the dissemination of information on specific country weaknesses is limited to the publication of the FATF statement on the Office website, with minor effect on the overall rating given the relative weight of criterion 19.3 compared to criterion 19.1 and 19.2, where the compliance rating is "Met".

287. **For these reasons, Iraq is "Largely Compliant" with R.19.**

Recommendation 20 - Reporting of Suspicious Transactions "STRs".

288. Iraq was assessed in the first round of the ME process, as it was rated (NC) with Recommendation 13 and Special Recommendation 4 (previously) because FIs were not required to report their suspicion as soon as it occurred, and were not required to report attempted transactions, and tied the reporting obligation to a threshold.

289. **Criterion 20.1 (Met):** FIs are obligated by law to promptly notify the Office of any suspected ML/TF transaction. The Iraqi legislator defined a suspicious transaction as any transaction that partly or wholly included funds obtained from a predicate offence. The Iraqi legislator also defined the predicate offence as every crime in the Iraqi law of felonies or misdemeanors. This is what was also stipulated in the instructions for the due diligence towards customers issued by the CBI based on the AML/CFT Law No. (39) of 2015 (Article 1/eighteenth and Article 12/fifth/a of the said law and Article 36/1 of the instructions No. (1) of 2023). Although the definition of a suspicious transaction does not include a TF element, the explicit obligation to report suspected TF and the definition of TF in the law meet the requirement to report TF. The fact that TF is one of the predicate offences of ML meets the requirement of reporting potential ML related to TF.
290. **Criterion 20.2 (Met):** The Iraqi legislator obligated the FIs to promptly notify the Office of any transaction suspected of involving ML/TF, whether this transaction took place or not. The term “any transaction” covers all suspicious transactions regardless of the amount of the transaction, and this was confirmed in the instructions for due diligence towards customers issued by the CBI based on the AML/CFT Law No. (39) of 2015 (Article 1/ Eighteen and Article 12 / Fifth / A of the aforementioned law and Article 36/2 of Instructions No. (1) of 2023).
291. **Weighing and Conclusion:** Legislation and regulatory texts meet the requirements of this Recommendation regarding the reporting of suspicious transactions.
292. **For these reasons, Iraq is “Compliant” with R.20**

Recommendation 21- Tipping Off and Confidentiality.

293. Iraq was assessed in the first round of the ME process in 2012, where it was rated (PC) with Recommendation 14 (previously) the shortcomings were represented in the low level of reporting of suspicious transactions to the Office, which had an impact on the compliance with this recommendation.
294. **Criterion 21.1 (Largely Met):** The Iraqi legislator stipulates that anyone, shall not be penalized or liable to a disciplinary action, if they reported, in good faith, any of the suspected transaction or provided information or data even if it was proven incorrect. This, in principle, grants FIs, their managers and employees protection from criminal and civil liability in the event of reporting or providing information. Despite that the text came in general form and did not precisely explain the extent to which this protection covers FIs, their managers, employees, and officials, and this includes cases where the underlying criminal activity may not be known, regardless of whether the criminal activity occurred or not (Article 48 - Anti-Money Laundering and Terrorist Financing Law No. 39 of 2015).
295. **Criterion 21.2 (Partly Met):** The Iraqi legislator obligated FIs not to disclose to the customer, beneficiary, or any other person other than the competent authorities in the application of the provisions of the AML/CFT Law. Despite this, the obligation was limited to FIs only without stipulating that the obligation extends to its managers, officials, and employees (Article 12/Fourth of the Anti-Money Laundering and Terrorist Financing Law).
296. It also included the obligation for FIs to implement mechanisms for exchanging information and maintaining confidentiality within the financial institution and when necessary between the different units within the financial group (see Recommendation 18-2), and thus, this does not affect the sharing of information related to activities that appear unusual with other competent authorities (other than the authority concerned with receiving suspicion reports) according to the requirements of recommendation 18. (Article (16/seventh-eighth (c) of the AML/CFT Law).

297. **Weighing and Conclusion:** Iraq met some of the requirements of this recommendation, and the shortcomings are represented in the fact that the protection from criminal and civil liability does not include, based on a clear and explicit text, the directors, employees and officials of FIs, and the obligation not to disclose to anyone the incident of submitting a STR is limited to FIs, not including their directors and employees and officials, and therefore the shortcomings are considered minor, affecting the overall rating of this recommendation.

298. **For these reasons, Iraq is "Largely Compliant" with R.21.**

Recommendation 22 - DNFBPs Customer Due Diligence.

299. Iraq was assessed in the first round of the ME process in 2012 where it was rated (NC) with Recommendation 12 (previously), for several reasons, the most important of which is the fact that several categories of DNFBPs are not covered by the AML/CFT regime in Iraq, and there is no obligation requiring attention to be paid to large and complex transactions, and those without visible legal or economic purpose, as well as not requiring DNFBPs to have policies and procedures in place to mitigate the ML/TF risks through modern technologies and not requiring them to identify PEPs and obtain senior management approval to deal with them.

300. Article 1/Ninth of the AML/CFT Law identifies DNFBPs in Iraq and includes all categories of the required activities except for casinos (as they are prohibited by the Penal Code as analyzed below) and notaries as they are public employees to whom the methodology does not apply.

301. Iraq allows the establishment of waqfs (public, private, and joint), but is not considered, in its current form, a trust fund as defined in the methodology, nor does it take the form of a legal arrangement similar to a trust fund.

Criterion 22.1 (Met)

302. **Criterion 22.1 (a) (N/A):** Casinos are prohibited in Iraq under the Penal Code (of 1969), which punishes anyone who opens or manages a place for gambling games and prepares it for the entry of persons, or whoever organizes games of this kind in a public place or a place open to the public or in a place or house prepared for this purpose.

303. **Criterion 22.1 (b, c, d and e) (Met):** The obligations related to Recommendation 10 are contained in Article 10 of the AML/CFT Law and in Articles 4 and up to Article 10 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 10 rated (Compliant), all obligations apply equally to DNFBPs when conducting transactions for the benefit of their clients as follows:

b) Real estate brokers (or real estate agents as defined in the law): Whenever they are involved in concerning the buying and selling of real estate, or both.

c) DPMS: Whenever they participate in cash transactions, the value of which shall be determined by a statement issued by the Chairman of the Council. The latter issued a statement specifying the value of the transactions in the event that a single transaction or multiple transactions for the same party or person exceeded four thousand US dollars or its equivalent in IQD or other currencies.

d) Lawyers and Accountants When they prepare, carry out transactions for the benefit of their clients in connection with any of the following activities: 1) Purchasing or selling real estate, 2) Managing client funds, securities or other assets, 3) Managing bank accounts, savings accounts or securities accounts, 4) Organizing contributions to the creation, operation or management of companies, 5) Creating, operating or managing legal persons or legal arrangements, 6) purchasing or selling companies

e) **Trust Companies Service Providers:** When they prepare or carry out transactions for the benefit of the customer on a commercial basis, including: 1) Acting as a formation agent for legal persons, 2) Acting or arranging for another person to act as an authorized manager or partner in a partnership company or in a similar position in a legal person, 3) Providing a registered office, place of business, correspondence address, or postal address, administrative address of a company or legal person or legal arrangement, 4) acting or arranging for another person to act as a trustee of a trust or doing a similar act for the benefit of a legal arrangement, 5) acting or arranging for another person to act as a nominal shareholder, 6) any other activity or profession to be added by virtue of order issued by the Council of Ministers, based on the proposal of the Council, and published in the Official Gazette.

304. **Criterion 22.2 (Met):** Record keeping requirements are set out in Article 11 of the AML/CFT Law and Article (32) of Instructions No. (1) of 2017) Based on the detailed assessment of Recommendation 11 rated (Compliant), all obligations apply equally to DNFBPs.
305. **Criterion 22.3 (Met):** Obligations regarding PEPs are set out in Article 25 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 12 rated (Compliant), all obligations apply equally to DNFBPs.
306. **Criterion 22.4 (Met):** Obligations regarding new technologies are set out in Article 20 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 15 (where obligations related to new technologies meet the requirements of criterion 15.1 and 15.2), all obligations apply equally to DNFBPs.
307. **Criterion 22.5 (Met):** Obligations related to third parties are set out in Article 23 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 17 rated (Compliant), all obligations apply equally to DNFBPs.
308. **Weighing and Conclusion:** Regulatory texts meet all the requirements of this Recommendation.
309. **For these reasons, Iraq is rated "Compliant" with R.22.**

Recommendation 23 - DNFBPs Other measures.

310. Iraq was assessed in the first round of the ME Process in 2012 where it was rated (NC) with Recommendation 16 (previously), given that DNFBPs are not subject to the requirements of the AML/CFT regime.
311. **Criterion 23.1 (Met)** Reporting obligations are set out in Article 1/ Eighteen and Article 12/ Fifth/ A of the AML/CFT Law and in Article 36 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 20 rated (Compliant), all obligations apply equally to DNFBPs.
312. **Criterion 23.2 (Met)** Obligations related to internal control, foreign branches and subsidiaries are set out in Article 35 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 18 rated (Compliant), all obligations apply equally to DNFBPs.
313. **Criterion 23.3 (Met)** Obligations related to higher-risk countries are set out in Article 24 of Instructions No. (1) of 2023. Based on the detailed assessment of Recommendation 19 rated (Compliant), all obligations apply equally to DNFBPs.
314. **Criterion 23.4 (Partly Met)** Obligations related to tipping off and reporting confidentiality are set out in Articles 12, 16 and 48 of the AML/CFT Law. Based on the detailed assessment of Recommendation 21 rated (Partially Compliant), all obligations apply equally to DNFBPs including the shortcoming related to Criterion 21.1 and 21.2.
315. **Weighing and Conclusion:** Regulatory texts meet most of the requirements of this Recommendation and the shortcoming of Recommendation 21 applies equally to DNFBPs.

316. For these reasons, Iraq is rated "Partially Compliant" with R.23.**Recommendation 24 - Transparency and Beneficial Owners of Legal Persons.**

317. Iraq was assessed in the first round of the ME process in 2012, where it was rated (PC) with Recommendation 33 (previously), due to the fact that the registration system does not sufficiently cover the beneficial ownership and control of legal persons, and the current company registration system is not sufficiently effective to prevent the unlawful use of legal persons for purposes of ML or TF, and the lack of provisions to mitigate the risks of misuse of bearer shares.

There are two CRDs in Iraq, the first is the CRD affiliated with the MOC, where national companies and branches of foreign companies are established and registered in Iraq¹²⁵, and the second is the General Directorate of Company Registration¹²⁶ which is one of the departments affiliated with the MOC and Industry in the Kurdistan region. The General Directorate of Company Registration in the Kurdistan Region ("GDCR") is addressed by Companies Law No. 21 of 2017, but it is a central department that operates independently from the Department in Baghdad.

318. Due diligence controls for the CRD ("CRD") No. (1) of 2022 and controls for declaring the BO and obligations of legal persons No. (1) of 2023 are issued by the MOC; therefore, they apply to the CRD in Baghdad as well as to legal persons registered with the Department in Baghdad, without including Legal persons registered in the Kurdistan Region.

319. **Criterion 24.1 (a) (Met):** Companies Law No. 21 of 2017 and its amendments in Article (6) specify the different types of companies that can be established in Iraq and their basic characteristics, which are: The mixed or private joint-stock company, the mixed company, the private limited company, the joint-venture company, and the individual project. Regarding NPOs, the NPOs Law No. 12 of 2010, in Article 1, specifies the forms and characteristics of NPOs, which are: the non-governmental organizations, foreign non-governmental organizations, and the network of non-governmental organizations. The two laws describe the different types, forms and basic features of legal persons and NPOs in Iraq and are publicly available.

320. **Criterion 24.1 (b) (Partly Met):** Information related to the establishment of companies in Iraq is available to the public through the websites of both the CRD¹²⁷ in Baghdad and the General Directorate of Company Registration in the Kurdistan Region¹²⁸. The website includes information related to the establishment of most companies, apart from joint-stock and simple companies. Regarding how to obtain basic information on companies established in Iraq, it is available through the website of the CRD in Baghdad and in the Kurdistan region. The website includes the name of the company, its capital, its legal form, the names and nationalities of shareholders, the number of shares for each shareholder, the name of the authorized director, and the company's address. Basic information that is not available through the Department's electronic portal in Baghdad (i.e. basic regulating powers and list of directors) and the Kurdistan Region (i.e. basic regulating powers) is available to the public against a simple fee¹²⁹ by contacting the Department directly. Even though the CRD holds BO information, there is no mechanism in place that specifies and describes to the public how to obtain BO information of the company.

¹²⁵ <http://tasjeel.mot.gov.iq/newtasjeel/>

¹²⁶ <https://www.crkg.org/ar/about-us-ar/>

¹²⁷ <http://tasjeel.mot.gov.iq/newtasjeel/>

¹²⁸ <https://business.digital.gov.krd/ar/guidelines/local-company>

¹²⁹ The value of the fee does not constitute any obstacle to the accessibility of the information, as the fee for obtaining documents from the department is equivalent to about USD 4.

321. Regarding information related to the establishment of NPOs (local NPOs or registered branch of a foreign NPO), it is available through the website of the NGOs Department¹³⁰ in Baghdad, while information regarding the establishment of NPOs in the Kurdistan Region is not publicly available.
322. **Criterion 24.2 (Partly Met):** Iraq completed the ML/TF risk assessment process (NRA) for the first time in October 2022. Following the assessment process, a separate assessment of the risks of legal persons was conducted in 2023. As a result of the assessment process, Iraq classified the remaining (residual) ML risks of all legal persons. In general, risks are rated between “medium” and “low”. Limited liability companies and branches of foreign companies pose the highest level of residual ML risks, while joint stock companies and joint liability companies are considered less susceptible to these risks. As for the residual TF risks, they were classified between “medium to high” and “low”. The assessment concluded that limited liability companies and branches of foreign companies pose the highest level of residual TF risk, while joint-stock companies and joint liability companies are considered less susceptible to these risks.
323. The risk assessment considered the domestic threats and vulnerabilities associated with legal persons incorporated under Iraqi law and threats and vulnerabilities associated with legal persons with foreign ownership (whether natural persons or legal persons established in another jurisdiction).
324. The authorities conducted an assessment of the TF risks posed by NPOs, yet the inputs and outputs were weak (see Rec 8). They also conducted an assessment of the ML risks posed by NPOs as part of the NRA. The ML risks posed by NPOs were classified low risk given the absence of any cases (domestically or part of MLA requests and other forms of international requests) involving NPOs exploited for ML purposes.

Basic Information:

325. **Criterion 24.3 (Partly Met):** All companies established in Iraq are required to be registered with the CRD, as the company acquires legal personality from the date of issuance of the certificate of incorporation by the CRD (Article 22 of Companies Law No. 21 of 1997 amended in 2004). One of the incorporation procedures is to submit the incorporation application to the CRD, accompanied by the company’s articles of incorporation, which include the name of the company, its type, its main headquarters, the purpose for which it was established, the nature of its work, the names of the shareholders, their nationality, professions, place of permanent residence, the number of shares of each shareholder, and the number of members elected to the board of directors of the private joint-stock company (Article 13 of the aforementioned law). After the company acquires legal personality, the Board of Directors shall appoint the authorized director of the company and provide the Department with the minutes of the meeting in accordance with Article 117 of the said law. Apart from the information that must be made available through the articles of incorporation and through the minutes of the Board of Directors meeting, there is no requirement to make the names of the directors (other than the director authorized to sign on behalf of the legal person) available as well as the basic regulatory powers to the CRD in Baghdad and in the Kurdistan Region.
326. According to the above analysis, part of the basic information is available to the public through the website of the CRD in Baghdad and in the Kurdistan region, and this information is also available to the competent authorities.
327. Information on NPOs in terms of founding members, directors, objectives, sources of funds, and other information is not publicly available.

¹³⁰ <https://www.ngoao.gov.iq>

328. **C.24.4 (Partly Met):** Legal persons are required to keep most of the basic information in their headquarter (meaning in Iraq) for a period not exceeding five years (the name of the company, its type, its main headquarters, the purpose for which it was established, the names of the founders, their nationalities and their places of residence) in addition to the number of shares of each shareholder or the amount of their share equivalent to the company's capital in addition to the voting rights. It must also keep this information at its main headquarters and keep additional copies outside its headquarters in coordination with the CRD. (Articles 12 and 13 of the controls for disclosing BO information and the obligations of legal persons). The controls on the obligations of legal persons apply equally to branches of foreign companies that must keep additional copies of basic information (if maintained at their headquarters overseas) in coordination with the CRD. However, companies (including branches of foreign companies) are not required to keep the types of shares and names of directors and basic regulating powers.
329. As for companies registered in the Kurdistan region, they are subject to the provisions of Companies Law No. 21 of 1997, amended in 2004. The said law requires some companies (joint-stock, limited liability, and joint-stock companies) to maintain some of the information required under C.24.3 and 24.4. This is because they are required to keep a register of their members that includes the name of the member, their nationality, profession, address, number of shares or the value of shares they own, the date on which they owned them, the serial number of shares held by each member, and the amount paid against each share in the joint-stock and limited company, the date and reason for expiration of membership (Article 129 of the aforementioned law). This does not include all other required information, including the categories of shares and the associated voting rights. Apart from the mentioned companies (joint-stock, limited liability, and joint-stock companies), all other limited partnership companies are not required to keep the information required under C.24.3 and 24.4.
330. **Criterion 24.5 (Not Met):** Companies in Baghdad and the Kurdistan region are obligated to notify the CRD of every change to their address (i.e. headquarters) within 7 days of the occurrence (Article 200 of Companies Law No. 21 of 1997, amended in 2004). No similar requirement exists for NPOs.
331. The system in Iraq depends on companies notifying the CRD of any change to their place of business only, and companies that do not take this into account are subject to the penalties stipulated in Article 217 of the Companies Law (see the analysis below). Iraq does not have a mechanism or mechanisms to verify companies' compliance with this obligation (the amendment is limited only to the address) to ensure the accuracy and recency of the basic information.

BO Information

332. **Criterion 24.6 (Met):** The mechanisms used in Iraq differ between Baghdad and the Kurdistan Region. In Baghdad, three mechanisms are used to ensure that BO information is available and can be accessed in a timely manner by the competent authorities. In contrast, one mechanism is used for this purpose in the Kurdistan region that relies on information obtained by FIs and DNFBPs.
333. Three mechanisms are used in Baghdad to obtain BO information. The first is to request the CRD in Baghdad to identify the BO of the legal person and take the necessary measures to verify their identity, and keep records, documents, papers, and data related thereto. (Article 11 of Controls No. (1) of 2022). The controls require companies to notify the CRD of the BO information (i.e. name, date and place of birth, address, the percentage of the controlling ownership interest, etc...). The CRD verifies the accuracy of the BO information by comparing it with the information available in its database and by any possible means to ensure the validity and accuracy of the BO information and by updating it periodically (Articles 4, 5, 8 and 9 of controls No. 1 of 2022). The definition of the BO according to Article (4/Fourth) of Controls No. (1) of 2022 includes: 1) the natural person who has a

controlling interest in the legal person (if any), 2) and cases in which the natural person has control through other means (if any) or the person who holds the position of authorized director of the legal person (if no applicable person is specified according to what is stated under clauses 1 and 2). The guidance introduced by the AML/CFT Council¹³¹ in 2023 applies to legal persons and provides a definition of the BO in line with the FATF definition. Indirect controlling ownership refers to situations in which ownership is exercised through a chain of ownership or by means of control other than direct control (section 6 titled BO concept).

334. The second mechanism requires companies registered in Baghdad (not including those registered in the Kurdistan region) to obtain accurate and updated BO information and keep it at their main headquarters, in addition to keeping additional copies outside their headquarters in coordination with the CRD (Articles 12 and 13 of the controls for declaring information on the beneficial owner and the obligations of legal persons No. 1 of 2023). The third mechanism is used both in Baghdad and in the Kurdistan region, by requiring FIs and DNFBPs to obtain BO information when establishing a business relationship with a legal person or carrying out a transaction based on their request, according to the analysis of Recommendation 10. (criterion 10.10) and Recommendation 22 (Criterion 22.1) where the rating is “Met”.
335. There are no mechanisms in place to ensure that BO information of other forms of legal persons (foundations or associations) is obtained and maintained at a specific location in Iraq.
336. **Criterion 24.7 (Partly Met):** Legal persons are required to keep BO information accurate and up to date. They must also provide BO information to the CRD in Baghdad (article 12 and 15 of controls No. (1) of 2022). There is no specific guidance on when BO information must be updated by the CRD. The CRD is only required to update BO information whenever it has doubts about the veracity or adequacy of previously obtained data (Article 11/Fourth) of Controls No. (1) of 2022. The obligation to update is conditional based on what is stated in this article and not in all circumstances, especially in cases of assignment of controlling shares where the BO may become another person, which does not warrant that the BO information kept by the Department is accurate and as up to date as possible. There is no requirement in this regard for the CRD in the Kurdistan Region.
337. FIs and DNFBPs are required to update information obtained under the CDD process, including BO information. The obligations in Rec 10 (C.10.10) and Rec. 22 (C.22.1) rated (Met) apply equally to the requirements of this Criterion.
338. **Criterion 24.8 (Partly Met):** Companies are required to authorize at least one natural person residing in Iraq, who is responsible for providing all basic and BO information to competent authorities, and to give them further assistance upon request (Article 14 of the Controls for Declaring BO Information and Obligations of Legal Persons No. 1 of 2023). Companies that fail to comply with their obligations stipulated in these controls are subject to the penalties set out in Companies Law No. 21 of 1997, specifically Articles 217, 218 and 219. Obligated entities are required to cooperate with competent authorities by making at their disposal all information obtained through the CDD process, this includes basic and BO information (Article 32/2 of Instructions No. (1) of 2023) There is no requirement according to the conditions set out in sub-criterion (a, b and c) for legal persons in the Kurdistan Region. Similarly, there are no requirements for other types of legal persons that are not registered with the CRD.
339. **Criterion 24.9 (Partly Met):** The CRD in Baghdad is required to keep the records, documents, papers, and data obtained from the founders, as well as BO information, in addition to records of various transactions, for a period not exceeding five years from

¹³¹ This guidance is deemed to be other enforceable means (OEM) (issued by a competent authority, the language used therein is mandatory, failure to comply with its provisions will attract the penalties stipulated in the AML/CFT Law No. 39 of 2015 and the Companies Law No. 21 of 1997, amended in 2004).

the date of the termination of the business relationship or the transaction and not from the date of the dissolution of the company (Article 11 of Controls No. (1) of 2022). The record keeping obligation applies equally to FIs and DNFBPs as analyzed in Rec. 11 and 22. If the general assembly of the company decides to liquidate the company or if any of the reasons stipulated in Article 147 of the Companies Law No. 21 of 1997 are met (for example, in cases where the company does not carry out its activities or loses 75% of its capital, etc.), the company must appoint one or more liquidators (Article 158/First of the aforementioned law); the liquidator must keep the company's records for a period of five years from the date of its name being deregistered (Article 180 of the aforementioned law). The record keeping obligation as set out in Article 11 of Controls No. (1) of 2022 applies to companies in Baghdad, but does not cover companies in the Kurdistan region, which partially affects compliance with the requirements of this criterion. No similar requirement exists for other types of legal persons not registered with the CRD.

340. **Criterion 24.10 (Partly Met):** The CRD in Baghdad is obligated to make available all records, documents and papers related to legal persons when requested by the Office or any other competent authority (Article 11 of Controls No. (1) of 2022), and this obligation applies equally to FIs and DNFBPs according to the analysis of Rec. 11 and 22.
341. Competent authorities (including the CRD pursuant to the provisions of Article 128 of the Companies Law No. 21 of 1997) possess the ability to request information directly from companies (See Rec 31). Irrespective of the foregoing, some basic information as well as BO information will not be available to them, given that companies in Baghdad and the Kurdistan region are not essentially required to obtain and maintain all basic information, knowing that companies registered in the Kurdistan region are not required to keep BO information and keep it up to date, especially since the Kurdistan region uses existing information obtained by FIs and DNFBPs as described in C.24.6 above.
342. As indicated in C.24.12, there are no measures in Iraqi legislation that allow legal persons to have nominee shareholders and nominee directors. In the event that a company authorizes any person to act on its behalf, this is done under a power of attorney, and this information is available to the authorities according to the powers assigned to them (See Rec. 31 regarding the powers assigned to the authorities to search persons and premises according to Article 72 up to Article 85 of the Code of Criminal Procedure No. 23 of 1971).
343. **Criterion 24.11 (a, b, c, d and e) (Not Met)** According to Circular No. 7/1733 introduced by the ISC in 2020, all FIs and DNFBPs and brokers specialized in trading stocks and bonds are prohibited from dealing in bearer shares. However, this prohibition does not explicitly include bearer warrants. There is a lack of information on whether legal persons are able to issue bearer warrants, which requires applying the mechanisms specified in sub-criterion (a, b, c, d and e) to ensure that they are not misused for ML/TF.
344. **Criterion 24.12 (a, b and c) (Not met)** The legislation in Iraq does not provide for the concept of nominee shareholding or nominee directorship, but nothing prevents shares from being held by a nominee (e.g. on behalf of someone else) or directorship positions from being controlled by someone else. It is possible for a nominee relationship to exist through a separate private contract between the nominee shareholder/director and the other party. It is unclear whether this contract would indicate the details of the parties involved.
345. **Criterion 24.13 (Not Met)** The amended Companies Law No. (21) of 1997 permits the application of a financial penalty in several cases. These include carrying out an activity in the name of a joint-stock company, limited company, joint-venture company, or sole proprietorship without obtaining a company registration certificate, provided that a financial fine not exceeding 3 million IQD (about USD 2,300) shall apply (Article 215). If the company does not submit the required data and information to a competent official authority within the specified timeframe, a financial fine not exceeding 3 hundred thousand IQD (equivalent

to about USD 230) will be applied for each day of delay (Article 217). In addition, every company official who prevents a competent authority from accessing the company's records and documents shall be imprisoned for a period not exceeding 6 months or a fine not exceeding 12 million IQD (equivalent to approximately USD 9,100) (Article 219).

346. The penalties that the law permits to be applied do not, in all cases, achieve the elements of dissuasiveness and proportionality. Moreover, the cases in which penalties may be applied do not apply in the event of violation of the other requirements of this recommendation, including C.24.5¹³², 24.8, and 24.10.
347. **Criterion 24.14 (Not Met)** There are no clear and explicit provisions in Iraqi legislation regulating how foreign authorities can obtain, in a timely manner, basic and BO information held by the CRD, FIs, and DNFBPs. In the absence of a special text, it is permissible to rely on the provisions of bilateral agreements concluded by Iraq that specify the forms of judicial cooperation in the criminal field and extradition, in addition to the international and regional agreements ratified by Iraq. It is also permissible to rely on what is stated in Article 29 of the AML/CFT Law, which allows the Office to exchange information spontaneously or upon request with any counterpart foreign FIU, taking into account the principle of reciprocity and the provisions of international or bilateral agreements. Since the text of the said article is in a general form, nothing prevents the Office from collecting basic and BO and exchanging it with its counterparts.
348. The CRD in Baghdad is considered the official authority regarding the exchange of information on BO with counterparts. In this context, the Department can use the information available on the BO within the framework of international cooperation (Article 10/First of the Controls for Declaring BO Information and Obligations of Legal Persons No. 1 of 2023). There is no parallel text for the CRD in the Kurdistan Region.
349. Despite this, Iraq did not receive requests for formal and informal cooperation aimed at enabling requesting countries to obtain basic and BO information, to determine whether the authorities are providing the required information in a timely manner. In any case, the availability and quality of information maintained by the CRD in Baghdad and financial and non-FIs on the BO depends on the source of the information and the effectiveness of implementation, which is affected by the adequacy of the relevant controls as indicated in C.24.6 and 24.7 regarding the CRD.
350. **Criterion 24.15 (Partly Met)** The CRD in Baghdad is responsible for monitoring the quality of assistance it receives from other countries in response to requests for obtaining basic and BO information and following up on the quality of requests for assistance in locating BOs residing abroad (Article 10 / Second of the Controls for declaring BO information and obligations of Legal Persons No. 1 of 2023). No similar measures exist for the CRD in the Kurdistan region. Likewise, there is no provision in the laws or regulations that regulates the process of monitoring the quality of assistance that other competent authorities in Iraq receive from other countries in response to requests for basic or BO information or following up on the quality of requests for assistance in locating the BOs residing abroad.
351. **Weighing and Conclusion:** Iraq has not met most of the requirements of this recommendation. The deficiencies are represented in the absence of a mechanism available to the public that defines and describes the process of obtaining BO information of legal persons, and the absence of any requirement on companies in the Kurdistan region to cooperate with the competent authorities

¹³² The law permits the application of penalties (which are not dissuasive according to the above analysis) in cases where the time limits are not observed in notifying the CRD of any change affecting the company's place of business. The law does not permit the application of penalties in the event that the commercial registrar is not notified of any change in the company's ownership structure or voting rights or any change in the membership of the company's board of directors or any change in the company's management structure.

in identifying the BOs, in addition to other shortcomings, including the inability to apply penalties in the event that companies fail to comply with most of the requirements of this recommendation, and even in cases where penalties may be applied, the penalty is limited to a small financial fine and does not achieve the elements of dissuasiveness and proportionality. The materiality of the criteria, rated between “Partly Met” and “Not Met”, especially criterion 24.5 and 24.7 impact the ability of Iraq to ensure that it holds basic and BO information that is accurate and up to date, thus affecting the overall rating of this recommendation.

352. For these reasons, Iraq is rated “Partially Compliant” with R.24.

Recommendation 25 - Transparency and BOs of Legal Arrangements.

353. Iraq was assessed in the first round of the ME process in 2012, where it was rated (N/A) with Rec. 34 (previously), because Iraqi legislation at the time of the assessment does not allow for the creation of trusts or other similar legal arrangements and no information was available indicating that the financial sector holds funds under foreign trusts and/or provides other trust services.

354. TCSPs and other companies fall within the scope of DNFBPs (Article 1/9/d of the AML/CFT Law). There is no body responsible for licensing or regulating trusts, which prevents the possibility of granting a license to practice this activity. In addition, Iraq is not a party to the Hague Convention of 01 July 1985 on the law applicable to trusts and their recognition. These details explain why the legislation in Iraq does not provide for the creation of trusts.

355. Notwithstanding the foregoing, nothing prevents a person residing in Iraq from managing (as a non-professional trustee) a trust established abroad. Also, nothing prevents any trusts or similar arrangements established abroad from engaging in any activity in Iraq. This includes holding controlling interest in legal entities created in Iraq or entering into a business relationship with a FI, as the AML/CFT Law requires FIs and DNFBPs to identify the ownership and control structure of legal arrangements (Article 10/d of the aforementioned law). Therefore, trusts established abroad can manage accounts (bank accounts, for example) or own assets indirectly through their ownership in legal persons established in Iraq. The definition of trusts in Article 1 of Instructions No. 1 of 2022 is broad, but only covers trusts established abroad as the legislation in Iraq does not allow for the creation of trusts. Therefore, the term “trust” in the analysis below covers only foreign trusts.

356. Iraq allows the creation of endowments (Sunni, Shiite, Christian, Yazidi, and Sabian-Mandaeen religions endowments), which are similar to trusts. The types of endowments in Iraq are divided into charitable, family, and joint endowments. There are four different bodies responsible for the management of endowments, which are: The Sunni Endowment Office, the Shiite Endowment Office, and the Non-Muslim Endowments Office, in addition to the Kurdistan region – the Ministry of Endowments and Religious Affairs¹³³.

357. Laws related to endowments¹³⁴ provide a general framework on the nature and authority of the competent authorities in managing endowments (general and joint) and monitoring them through trustees. Regarding the Family Endowment, there are no texts related to the management of the endowment. The same applies regarding Christian, Yazidi, and Sabian-Mandaeen Religions endowments (Law No. 58 of 2016). In addition, these laws do not include any detailed procedures related to Rec. 25.

¹³³ The AT did not receive the laws of the Ministry of Endowments in the Kurdistan Region, despite the authorities’ demands that they be provided to the team.

¹³⁴ Sunni Endowment Office Law No. 56 of 2016, Shiite Endowment Office Law No. 57 of 2016, Christian, Yazidi, and Sabian-Mandaeen Religions Office Law No. 58 of 2016, and Endowment Funds Management and Investment Authority Law No. 18 of 1993.

358. The absence of texts related to the management of the Family Endowment and the endowments of other religions (Christian, Yazidi, and Sabean-Mandaic) negatively affects meeting the requirements of this recommendation.

Criterion 25-1 (a, b, c): (Partly Met)

359. **Criterion 25.1 (a) (Partly Met):** The trustee undertakes the management of the charitable endowment and the joint endowment in accordance with the conditions of the endower and in accordance with the Sharia rulings, laws, and regulations. The trustee must register the endowment, notices, arguments, and documents related to the endowment under their management with the Endowments Departments, register the endowments and institutions that they manage in the relevant department (the Tabu [registration] Department). They must also keep a record of the movable and immovable endowments and their locations. Also, a record of the endowment's income and expenses, provided that the revenues are disbursed according to the endower's will. The trustee must also deposit with the Endowment Department the sums (i.e., what they receive in terms of rent allowances and the surplus of annual revenues) to be kept in custody (Articles 2, 4, 5, 6 of the Trustee's Law No. 46 of 1970). The shortcomings referred to above regarding the family endowment and other endowments negatively affect compliance with this criterion.

360. The trustee (regardless of whether they are lawyers, accountants, or auditors) of any trust must obtain and hold comprehensive and accurate information on the identity of the settlor, the trustee (s), the protector (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising effective control over the trust (Article 39/1 of Instructions No. 1 of 2023).

361. **Criterion 25.1 (b) (Met):** The provisions of Article (1/Ninth/C) of the AML/CFT Law and the provisions of the Due Diligence Controls for AML/CFT No. (1) issued in 2019 by the Bar Association and the Accountants and Auditors Association apply when lawyers, accountants and auditors carry out transactions (according to Rec. 22) for their clients, including other activities related to the management of legal arrangements, including trusts (Article 1 of Instructions No. 1 of 2023). The trustee of a trust fund must maintain a special register that includes all information related to the parties referred to in C.25.1 (a) above, provided that it also includes information on investment advisors, managers, accountants, or tax advisors (Article 39/1 of Instructions No. 1 of 2023).

362. **Criterion 25.1 (c) (Met):** When providing financial services to trusts, lawyers, accountants and auditors are required to maintain information obtained under the CDD process (including the identity of the settlor, the trustee or protector, and beneficiary of the trust) for at least five years (Article 32 combined with Article 7 of Instruction No. 1 of 2023). AML/CFT obligations according to Instructions No. (1) of 2023 apply in the event that lawyers, accountants and auditors carry out transactions for their clients (see the analysis above) and apply to trusts when the trustee is a lawyer or accountant. The retention obligation also applies to settlors of trusts who are obligated to retain all relevant information in addition to the private register referred to in C.25.1 (b) above for a period of at least 5 years from the date the trustee ceases to be trustee of the trust due to their resignation, dismissal, or other reasons (Article 39/2 of Instructions No. 1 of 2023).

363. **Criterion 25.2 (Partly Met):** The trustee (responsible for managing the endowment in their capacity as the Waqf Superintendent) must keep all documents related to the endowment in accordance with the provisions of Article 5 of the Trustee's Law No. 46 of 1970. They must manage the endowment and disburse the revenues in accordance with the terms of the endowment (Articles 4 and 5 of the said Law). To do this, the Trustee must keep records as accurate as possible even if the procedures in place do not explicitly stipulate such. Since the trustee is obligated to disburse the revenues according to the conditions specified by the endower, they are therefore not entitled to disburse the funds to any party not specified by the endower. This means that they cannot replace the beneficiary of the endowment revenues with another beneficiary, which would constitute a violation of the

condition of the endower. Therefore, the obligation to update information related to the endowment, including the beneficiaries of endowment revenues, does not apply to general and joint endowments. The shortcomings referred to above regarding the family endowment and other endowments apply equally to the requirements of this criterion.

364. Trustees of trusts are required to ensure that the information maintained is correct, accurate, and as up to date as possible. They must update this information periodically within 30 days after any change is made to the information related to the parties concerned, including the BOs, especially in cases of waiving part of their share, in whole or in part, or sold, mortgaged, or transferred (Article 39 /1-2 of Instructions No. 1 of 2023).
365. **Criterion 25.3 (Partly Met):** The trustee of the endowment (general and joint, excluding family and other endowments) has the right to appoint one or more agents to manage the endowment against a fee (Article 11 of the trustee’s Law No. 46 of 1970). FIs and DNFBPs are obligated to determine the identity of the settlor of the trust, the trustee, the protector, if any, the beneficiary (Article 7 of Instructions No. 1 of 2023). However, the trustee of the endowment is not required to disclose their status to FIs and DNFBPs when forming a business relationship with them or carrying out an occasional transaction above the threshold.
366. Trustees of trusts are required to disclose their status to FIs and DNFBPs, when forming a business relationship or carrying out an occasional transaction above the threshold (Article 39/4 of Instruction No. 1 of 2023).
367. **Criterion 25.4 (Partly Met):** FIs and DNFBPs are required to make all records and information obtained on their clients, including legal arrangements (trusts), available as quickly as possible to competent authorities (Article 11 of the AML/CFT Law and Article 32/2 of Instructions No. (1) of 2023). This obligation applies to lawyers, accountants, and auditors when they provide (in their capacity as trustees) services to trusts established abroad. This obligation also includes trustees of trusts, who are required to submit all the information they hold to courts or to competent authorities promptly (Article 39/6 of Instructions No. 1 of 2023).
368. The information and records kept by the person responsible for managing the endowment (general and joint) are available to the Office while processing STRs, as Article 9 of the AML/CFT Law allows the AML/CFTR Office, in order to perform its duties (i.e. while receiving and processing reports), to request any Information from any party in Iraq. This information will be available to the presidency of PP (exclusively) in cases where the Office disseminates STRs related to ML, associated predicate offences, or TF. Apart from the Office and the presidency of PP, the information held by trustee is not available to any other party. The shortcomings referred to above regarding family and other endowments apply equally to the requirements of this criterion.
369. **Criterion 25.5 (largely Met):** Information held by FIs and DNFBPs is available to competent authorities under Article 11 of the AML/CFT Law. This information includes (if available) those obtained by the said entities under the CDD process towards trustees with whom they formed a business relationship. Accordingly, information and assets held or managed by FIs and DNFBPs will be available to the competent authorities in accordance with Article 11 of the law and Article 32 of Instructions No. (1) of 2023. The Endowments Office¹³⁵ holds all information pertaining to the endowment including the beneficiary of the endowment, the trustee (including their residential address) and assets (these are held by the Endowments Office but are managed by the trustee). There is no explicit provision that provides competent authorities (Except for the Office) with necessary powers to access this information in a timely manner. Information held by trustees (third parties when acting as trustees in a professional capacity) who

¹³⁵ Information and documents are available at three departments affiliated with the Office: The Authority for Management and Investment of Endowment Funds, the Legal Department, and the Trustees Accountability Committee.

do not have a business relationship with FIs is available, according to the above analysis, to competent authorities in accordance with Article 39/6 of Instructions No. 1 of 2023.

370. **Criterion 25.6 (Partly Met):** There are no clear and explicit provisions in the Iraqi legislation regulating how foreign authorities can obtain in a timely manner information on trusts and other legal arrangements (such as endowments) held by trustee of endowments and those held by FIs and DNFBPs under the CDD process. In the absence of a special text, it is permissible to rely on the provisions of bilateral agreements concluded by Iraq that specify the forms of judicial cooperation in the criminal field and extradition, in addition to the international and regional agreements ratified by Iraq. It is also permissible to rely on what is stated in Article 29 of the AML/CFT Law, which allows the Office to exchange information spontaneously or upon request with any counterpart foreign FIU, taking into account the principle of reciprocity and the provisions of international or bilateral agreements. Since the text of the aforementioned article is in a general form, there is nothing preventing the Office from exchanging relevant information (that is, what the AML/CFT collects while processing STRs, whether from trustees or FIs and DNFBPs) with counterparts. There is also nothing preventing other competent authorities from sharing information available to them from FIs and DNFBPs in accordance with the analysis of C.25.5 above. However, Iraq did not receive requests for formal and informal cooperation aimed at enabling requesting countries to obtain information relating to trusts and legal arrangements, to determine whether the authorities were providing the requested information in a timely manner.
371. **Criterion 25.7 (Partly Met):** The definition of DNFBPs according to Article 1/ninth/D of the AML/CFT Law includes TCSPs and lawyers when acting as trustees. They are therefore legally liable for any failure to perform the duties relevant to meeting their obligations in this recommendation, and this responsibility includes any person who, as a third party, acts as a trustee of trust, as they are covered by the provisions of this law (Article 1/Ninth/D/5) and Instructions No. 1 of 2023 issued pursuant thereto. On the other hand, the trustee's Law No. 46 of 1970, under Article 19, permits the removal of the trustee in the cases specified under this article, including if they neglect the management of the endowment resulting to a damage to the endowment without an acceptable justification. The penalties available under this article do not achieve the elements of proportionality and dissuasiveness, as they are limited to removing the trustee without applying other penalties, whether criminal or civil. They are also limited only in the case of charitable and joint endowments due to the absence of texts related to the family and other endowments according to the above analysis.
372. **Criterion 25.8 (Partly Met):** Article (45) of the AML/CFT Law permits supervisory authorities (such as the CBI, the ISC, the ID, and others) to impose dissuasive penalties on FIs and DNFBPs when they fail to comply with the provisions of this law and the instructions issued pursuant thereto. In addition to article 32 of Instructions No. (1) of 2023 in the event of failing to make the information they maintain pursuant to the CDD process (including those related to trusts) promptly available to the competent authorities. These penalties can also be applied when any trustee (a third party other than FIs and DNFBPs) are required to provide the information they hold to the competent authorities, as they are obligated to provide all information they keep to courts or to competent authorities promptly (see C.25.5 above). No similar requirements and penalties exist for trustees of endowments in case they fail to grant competent authorities timely access to information regarding the endowment.
373. **Weighing and Conclusion:** Iraq has met the requirements of this recommendation, especially regarding the obligations of trustees of foreign trusts, but the deficiencies are mainly represented in the absence of requirements for trustees of endowments to disclose their status to FIs and DNFBPs, absence of explicit provisions that provide most competent authorities with necessary powers to access information held by trustees of endowment in a timely manner, absence of penalties for trustees of endowments

in case they fail to grant competent authorities timely access to information regarding the endowment, in addition to absence of similar and other requirements for family and other endowments which negatively affect the overall rating of this recommendation.

374. For these reasons, Iraq is rated “Partially Compliant” with R.25

Recommendation 26 - Regulation and Supervision of Financial Institutions.

375. Iraq was assessed in the first round of the Mutual Evaluation Process in 2012, where it was rated “Partially Compliant” with R.23 (previously) on the regulation and supervision of FIs, and “Partially Compliant” with the requirements related to shell banks which are currently covered under R.26, given that the laws regulating the insurance and securities sectors are unclear as to the role of these respective supervisory authorities in regards to AML/CFT supervision and the laws and regulations are ineffective in preventing criminals and associates from holding or being beneficial owner of or holding a controlling interest in or holding a management function in FIs and given the failure to implement AML/CFT requirements in the insurance and securities sectors.

376. **C.26.1 (Mostly Met):** Art. 26 of the AML/CFT law grants regulatory and supervisory authorities the legal basis to develop inspection procedures and follow-up methods and standards to ensure compliance by FIs with AML/CFT requirements. According to the provisions of art.1/seventeenth of this law, regulatory and supervisory authorities are responsible for licensing or supervising FIs and ensure their compliance with AML/CFT requirements. These authorities include the CBI, the ISC, and the ID. As referred to in R.10 above, the definition of FIs covers all the activities specified in the FATF Methodology. On the other hand, there are no regulatory and supervisory authorities entrusted with supervising and monitoring individual and collective portfolio management companies.

Market entry

377. **C.26.2 (Met): Financial institutions subject to the Core principles:** Banks are licensed by the CBI (CBI) (art.2/first of banking law No.4 of 2010) and no person in Iraq shall engage in the banking business without a banking license or permit issued by the CBI (art.3 of banking law No.94 of 2004). According to art. (12) of the AML/CFT law, it is prohibited to deal or enter into a business or correspondent banking relationship with a shell bank or financial institution that allows its accounts to be used by a shell bank, and any person who establishes or attempts to establish a shell bank shall be subject to the sanctions provided for in art.42 of this law (imprisonment for no less than 3 years and a fine of no less than ten million IQD and not exceeding one hundred million IQD, or either sanction); as such, it can be concluded that the law prohibits the establishment or the attempt to establish a shell bank.

378. Brokers engaged in stock exchange transactions¹³⁶ are subject to licensing by the ISC. It is not allowed to conduct any business in the securities or other bonds market without a license from the Commission (section 4/2 of the Interim Law on the Securities Markets for 2004). In addition, art. (76) of Insurance Business Regulation Act No.10 of 2005 prohibits any person from engaging in insurance or re-insurance broker business except after obtaining a license from the ID.

379. **Other financial institutions:** non-banking financial institutions, such as exchange companies, foreign money transfer service providers and mobile e-payment service providers are subject to licensing by the CBI. It is prohibited to practice exchange business and provide money transfer services (whether through a main or secondary agent) except after obtaining a license from the CBI

¹³⁶This means banks and companies established pursuant to the provisions of the companies’ law for 1997 and other companies provided that they are specialized in activities related to trading in bonds, managing investments or investment consulting and that their authorized manager fulfills the conditions set out in section 2/5 of the Interim Law on the Securities Markets for 2004.

(Controls Regulating the Operation of Main and Secondary Agents for Foreign Money Transfer Service Providers for 2021, and Controls Regulating the Work of Mobile E-payment Service Providers for 2020).

380. **C.26.3 (Partly Met):** The CBI, the ISC and the ID unevenly take regulatory and legal measures to prevent criminals from holding or being the beneficial owner of a controlling ownership interest in a financial institution or holding a management function in a financial institution. The measures taken in the banking and financial services¹³⁷ sectors are considered adequate and acceptable and better than those taken in the securities and insurance sectors, where the measures taken in general are not considered sufficient.
381. Regarding banks and financial services companies, the CBI identifies the BO of the controlling interest, whether that share is owned by a natural or legal person, directly or indirectly (for example, through a group of persons or strawmen). The fit and proper tests include verifying the reputation and non-conviction of the directors and shareholders as well as the BOs and the extent to which they are associated with criminals. They also include seeking information on them from the security agencies and the Office, in addition to screening their names against domestic and UN sanctions lists. The CBI applies these measures whether upon establishment or whenever so required, i.e. upon any amendment to the ownership structure or upon the appointment of new candidates seeking to hold senior management functions, or upon the update of the domestic and UN sanctions lists (Article 7/section 14/b and article 8 /section 5/f of Regulatory Controls for Granting Licenses to Banks, CBI decision No 160 of 2021, Instructions No. 4 of 2010 for licensing banking FIs, Article 16/b-g of Electronic Payment Services System No. (3) of 2014, Controls regulating the work of exchange companies in buying and selling foreign currencies No. 2018, updated in 2021).
382. Regarding institutions engaged in the stock exchange sectors, the licensing measures include verifying the non-conviction of directors and shareholders (Section (5), Para. (2) of Legislative Order No. (74) of 2004). Apart from that, they do not include the verification of non-conviction of the BOs and the non-verification of the reputation of the shareholders, directors and BOs, and the extent to which they are associated with criminals.
383. For insurance companies, the conditions that must be met by anyone who is a board member, authorized director or key functionary, is that they should not have been subject to a final judgment and punishment for a crime against honor or a final judgment issued to declare their bankruptcy (art.42 of Insurance Business Regulation Act No.10 of 2005); however, these conditions do not include shareholders of insurance companies and the BOs of the controlling interests. In addition, they do not include the verification of the reputation of the shareholders, directors and BOs, and the extent to which they are associated with criminals.

Risk-based approach to supervision and monitoring.

C.26.4 (Partly Met)

384. **26.4 /a (Not Met):** For institutions subject to the core principles: Iraqi authorities did not provide information indicating the extent to which supervisory authorities (the CBI, the ISC and the ID) are undertaking¹³⁸ monitoring and supervision of banks,

¹³⁷ Includes Exchange Offices of category A and B, foreign currency sale and purchase companies, online payment companies and transfer companies.

¹³⁸ Supervisory Authorities have the power to carry out supervision of FIs subject to the core principles to ensure their compliance with the AML/CFT law and impose penalties against institutions violating the provisions of the law and the regulations issued thereunder (art. 45 of this law). However, the AT was not provided with the previous assessments made by the international organizations (such as the International Monetary Fund, the International Association of Insurance Supervisors and the International Organization of Securities Commission) to verify the supervisors' compliance with the Basel

securities brokerage firms and insurance companies, in line, respectively, with the Basel Committee on Banking Supervision Principles, the International Organization of Securities Commission Principles and the International Association of Insurance Supervisors Principles, when such monitoring and supervision are related to AML/CFT. On the other hand, they did not provide information indicating the extent to which all supervisory authorities are applying consolidated group supervision for AML/CFT purposes.

385. **26.4/b (Partly Met):** For other FIs: Exchange companies, foreign money transfer service providers, and mobile e-payment service providers are subject to the supervision of the CBI, with respect to the AML/CFT measures, according to the provisions of art. (26) of the AML/CFT law. The Office disseminated the FATF guidelines for risk-based approach to supervisory authorities (including the CBI), to benefit from and start drafting their inspection plans based on such approach. The CBI carries out inspection visits to exchange and MVTs providers based on an annual inspection plan. The annual plan takes into consideration the ML/TF risks based on a risk matrix consisting of 3 criteria and 27 sub-criteria. The inspection visits to e-payment companies are carried out based on two parameters (number of customers and the seniority of companies) without considering the sector's ML/TF risks.
386. **26.5 (Partly Met):** The CBI determines the frequency of on-site supervision of banks based on several factors, such as the size of the financial transactions executed, the number of customers, the number and location of the branches, the nature and type of banking activities and the extent of application of the AML/CFT policies and internal procedures, as available through the off-site audit results. In addition, the frequency of on-site and off-site supervision of banks and exchange office and MVTs by the CBI is based on ML/TF risks (whether it is based on the sectoral assessment or the NRA). It is also determined based on characteristics or the financial groups they belong (such as the number of branches, volume of transactions, quality of procedures followed to mitigate risks, quality of detailed compliance reports and volume of violations). On the other hand, the frequency of on-site and off-site supervision of e-payment companies subject to CBI supervision is not determined based on the factors set out in the sub-criterion (a), (b) and (c), according to the requirements of this criterion.
387. The ISC determines the frequency of on-site supervision based on several factors, such as the contracts concluded through the financial brokerage companies, the dealings pertaining to foreigners and PEPs and the geographic location of the company. In contrast, the ISC and the ID do not determine the frequency and intensity of on-site and off-site supervision of financial brokerage companies and insurance companies on the basis of the ML/TF risks (whether based on the sectoral assessment or the country's assessment of such risks) and the policies, internal controls and procedures associated with the institution or group, and the institution's or group's risk profile; and on the characteristics of the FIs or groups, in particular the diversity and number of FIs and the degree of discretion allowed to them under the risk-based approach.
388. **26.6 (Partly Met):** The information available to the CBI through off-site supervision enables it to review the ML/TF risk profile of banks periodically when there are major events or developments in the management and operations of banks, excluding the financial group to which the bank is affiliated, especially branches of foreign banks or majority owned subsidiaries of a foreign financial group. Apart from this, supervisory authorities of the financial sector are not required to comply with the requirements of this criterion.

Committee on Banking Supervision Principles (No.1-3, 5-9, 11-15, 26, and 29); International Association of Insurance Supervisors Principles (No.1, 3-11, 18, 21-23, and 25); and International Organization of Securities Commission Principles (No.24, 28, 29 and 31; and Responsibilities (A), (B), (C) and (D).

389. **Weighting and Conclusion:** The regulatory measures to prevent criminals or their associates from holding a significant controlling interest or holding a management function in the banking and financial services sectors are better than those taken in securities and insurance sectors, where the measures taken in general are considered insufficient, as the BO of the controlling interest is not identified, adding that the fit and proper tests applied to managers, shareholders and BOs do not include verifying their reputation and the extent to which they are associated with criminals.
390. The CBI takes good measures to enhance the risk-based approach to supervision, which remains insufficient with regards to e-payment companies. In addition, the frequency and intensity of supervision of securities and insurance sectors are not risk based. The periodic review by the CBI of the ML/TF risk profile of banks does not include branches of foreign banks, and remaining supervisors are not required to review the assessment of the ML/TF risk profile of the institutions subject to their supervision.
391. **For these reasons, Iraq is "Partially Compliant" with R.26.**

Recommendation 27- Powers of Supervisors.

392. Iraq was assessed in the first round of the Mutual Evaluation Process in 2012m where it was rated "Non-Compliant" with R.29 (previously). The CBI did not conduct supervision and oversight of AML/CFT requirements with respect to State-owned banks, or any entities in the insurance or securities sectors. The AML/CFT supervisory functions of the insurance and securities sectors are unclear and the Insurance Supervisor lacks legal authority to conduct on-site inspections to monitor compliance with prudential requirements.
393. **C.27.1 (Met):** Supervisory authorities have the powers to verify the compliance of FIs subject to their supervision or oversight with the obligations set out in the AML/CFT law, according to art. 26-e of the said law. Authorities may use their supervisory powers to that effect.
394. **C.27.2 (Met):** The AML/CFT law grants the supervisory authorities the power to conduct inspections of FIs. The functions of all supervisory authorities include supervising and ensuring compliance by FIs with the AML/CFT requirements and developing inspection procedures and follow-up methods and standards to ensure compliance by FIs with these obligations (art.1/17 and art.26/a of this law).
395. **C.27.3 (Met):** Article 12/seventh of the AML/CFT law requires FIs to submit all records to both courts and competent authorities, when required by them. FI Supervisory authorities are authorized with the responsibility to supervise and ensure compliance by FIs with AML/CFT requirements (art.1/17 of the AML/CFT law). Supervisory legislation includes some articles that require entities subject to supervision to provide information to supervisory authorities. On this note, the banking law grants the CBI the power to request that banks, or any of its subsidiaries or affiliates, provide, and corroborate in writing when it deems necessary, any additional information, documents, clarifications, or proof. The law also allowed any person authorized to carry out an examination to require any administrator, officer, employee or agent of a bank, or its subsidiaries or affiliates, to provide access to all necessary books, accounts, records, and documents. Any information deemed necessary and requested by the examiner shall be submitted in a timely manner during the course of the examination (art.53 of the banking law).
396. Art. (11/fourth/6) of controls No.1 of 2021 regulating the operation of exchange and brokerage companies for the sale and purchase of foreign currency requires companies to provide their documents and records to inspection authorities assigned by the CBI. Also, art.37 of the Insurance Business Regulation Act requires the insurer (any entity authorized to practice insurance business in Iraq) to provide any data or information requested by the Diwan on the insurer or any other insurer that has a partial

interest in the insurer or is affiliated with the insurer. It also grants the power to verify and audit any of the insurer's transactions, records, and documents. The insurer shall place any of these transactions, records, and documents at the disposal of the assigned employee and shall cooperate with them. Even if the wording of section 8 (para.2) of the Securities Commission Law for 2004 which grants the ISC the authority to inspect all operations of the Securities market and impose disciplinary sanctions was general, the AML/CFT law also grants the Commission the authority to request documents and records from entities subject to its supervision, as referred to above.

397. **C.27.4 (Met):** Supervisors have the power to impose financial and administrative sanctions in the event of violation by FIs of the provisions of the AML/CFT law, or the regulations, instructions, statements, controls, or orders issued thereunder, without prejudice to the disciplinary sanctions, including the power to withdraw, restrict or suspend the financial institution's license.

398. **Weighting and Conclusion:** Iraq met all the requirements of this Recommendation.

399. **For these reasons, Iraq is "Compliant" with R.27.**

Recommendation 28 - Regulation and Supervision of DNFBPs.

400. Iraq was during the first round of the Mutual Evaluation Process in 2012, where it was rated "Non-Compliant" with R.24 (previously) on regulation and supervision of DNFBPs, because DNFBPs were limited to DPMS at the time of assessment, knowing that this sector was not subject to an effective monitoring regime for ensuring compliance with AML/CFT requirements.

Casinos:

401. **C.28.1 (Not Applicable):** Gambling is banned in Iraq under art. (389) of the Iraqi Penal Code No. (111) of 1969, as amended, which permits to punish any person who opens or runs an establishment for gambling and opens it to the public with imprisonment for a period not exceeding 1 year and a fine not exceeding one hundred IQD or by either sanction. The money and equipment used for gambling will be seized and ordered to be confiscated and the court may also order the premises to be closed for a period not exceeding one year.

DNFBPs other than casinos

402. **C.28.2 (Mostly Met)** The AML/CFT law permits the supervisory authorities to supervise and ensure compliance by DNFBPs with AML/CFT requirements. Supervisory authorities include the MOJ, the Ministry of Industry, and any other body whose competence as a Supervisory Authority is decided by a decision issued by the Council of Minister based on the proposal of the Council (which means the AML/CFT Council) (art.1 (third) and (seventeenth) of this law). In implementation of the provisions of the law, the Council of Ministers issued decision No. (61/2018) granting competence to the RERD as a supervisory body responsible for supervising real estate dealers, and the Ministry of Planning as a supervisory body responsible for supervising DPMS. In July 2022, the Council of Ministers ratified the proposal submitted by the Council to grant competence to the Bar Association as a supervisory authority for lawyers and the Union of Accountants as a supervisory authority for accountants and auditors. On the other hand, Iraq has no supervisory authority responsible for monitoring compliance of trusts and companies service providers with the AML/CFT requirements, knowing that anyone providing any such services is subject to the provisions of the AML/CFT law.

403. **C.28.3 (Partly Met)** Not all categories of DNFBPs are subject to AML/CFT monitoring mechanisms. The Union of Accountants and the Bar Association have bodies for monitoring compliance by Accountant and Lawyers with the AML/CFT requirements. There is a gap in the supervision of DPMS and real estate brokers. There is no supervisor for TCSPs.

C.28.4 (Partly Met)

404. **C.28.4.(a) (Met):** Supervisory and monitoring authorities have adequate powers to perform their functions, including powers to monitor compliance by DNFBPs with the requirements of the AML/CFT law, as stated in art.(26/first) of this law.
405. **C.28.4 (b) (Partly Met):** The licensing controls for DNFBPs are clearly stated in the Iraqi legislations, including Code of Law Practice No.173 of 1965 which stipulates that the lawyer should have a good conduct and a good reputation, not be convicted for misdemeanor or felony against honor, unless two years have elapsed following the completion of, or exemption from their punishment. The law of jewelry marking No.83 of 1976 which includes measures for licensing the profession of goldsmithing, namely art.2 thereof which stipulates that it is not permissible to grant or renew the license for a person who had been conclusively convicted for a crime against the ethics of the profession unless they were rehabilitated.
406. The law of the Union of Accountants and Auditors No. (185) of 1969, namely art.5 thereof which stipulates that among the conditions to join the Union, the accountant and the auditor should enjoy civil rights and should not be convicted for a non-political felony or a misdemeanor against honor; they should also comply with the rules of professional conduct and the rules of the profession established by the Association. There is also a set of conditions that should be fulfilled to grant a license for the account management office, including an interview and a test to determine the competence and the professional and academic aptitude of the accountant, an on-site inspection to verify the existence of the office. The office should have an official contract signed by the owner of the office and the business papers should be properly maintained. The chamber of commerce and trade at the MOC issues licenses to real estate brokers and the licensing does not require verifying the criminal record of whoever seeks to participate in the profession.
407. The legal and regulatory measures taken by the supervisory authorities of most DNFBPs are considered inadequate to prevent criminals and their associates from being professionally accredited or being the beneficial owner of a significant or controlling interest, or holding a management function in a DNFBPs.
408. **C.28.4 (c) (Met):** Art.45 of the AML/CFT law permits supervisory authorities to impose sanctions in the event of violation by DNFBPs of the provisions of this law or the regulations, instructions, statements, controls, or orders issued thereunder, including administrative and financial sanctions.

All DNFBPs

409. **C.28.5 (Not Met)** DNFBPs supervisors have never conducted supervision on a risk-sensitive basis, by determining the frequency and intensity of supervision, taking into consideration the characteristics of the DNFBPs, (in particular their diversity and number, market share and geographic location), and the ML/TF risk profile, when assessing the adequacy of the internal controls, policies and procedures of DNFBPs. What explains the lack of supervision on a risk-sensitive basis is that competence was recently granted to some supervisors, specifically in July 2022.
410. **Weighting and Conclusion:** Iraq met some of the requirements of this Recommendation. The deficiencies are mainly represented in the absence of a supervisory authority for trusts and company service providers, absence of adequate measures to prevent criminals from being professionally accredited or being the beneficial owner of, a significant or controlling interest or holding management functions in a DNFBP, and failure of DNFBP supervisory authorities to conduct supervision on a risk-sensitive basis. The gap in the supervision of DPMS and real estate brokers affects the overall rating of this recommendation given the relative importance of these two sectors in comparison with the remaining sectors, as per the ML/TF NRA findings.

411. For these reasons, Iraq is “Partially Compliant” with R.28**Recommendation 29 - Financial Intelligence Unit.**

412. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with R.26 (previously) for several reasons, mainly because the Iraqi Financial Intelligence Unit (the Office) is not a national center for receiving, analyzing, and disseminating disclosures of STRs and other relevant information concerning suspected ML/TF activities to competent authorities, and because it does not have sufficient operational independence and autonomy, in addition to the fact that it is not adequately structured, funded, and staffed to perform its functions. Moreover, the Office staff is not appropriately skilled and provided with adequate and relevant AML/CFT training, and the Office does not have access, directly or indirectly, on a timely basis to the financial, administrative and law enforcement information to undertake its functions, including the analysis of STR, without the consent of the CBI, and because it is not making use of its authority to obtain additional information needed to undertake its functions in an efficient way. Information held by the Office is not securely protected and the Office did not provide guidance to some FIs and DNFBPs regarding the manner of reporting, nor did it release periodic reports which include ML/TF statistics, typologies, or trends in Iraq, as well as information regarding its activities.

413. **C.29.1 (Met):** The Office is an administrative unit subordinated to the CBI at the level of a public department called (the Office). It is established by virtue of art.8 of the AML/CFT law. The Office is mandated to act as a national center for receiving or obtaining and analyzing reports or information or seeking information from reporting entities on transactions suspected to represent proceeds of predicate offenses or associated with ML/TF. It may seek from reporting entities and any other entity any information it deems useful to carry out its functions, and it may refer reports which are based on reasonable grounds of suspicion to the PP presidency to take legal action in this respect and notify relevant authorities (art.9-first (a, b, d) of the AML/CFT law). The Office’s Policies and Procedures Manual explains the sources of information used to collect information for operational analysis, namely closed local sources (regulators, LEAs and others), closed external sources (counterpart FIUs) and publicly available sources.

414. **C.29.2 (a, b) (Met):** The Office acts as a national center for receiving the following reports:

- a) Suspicious transactions reports filed by FIs and DNFBPs on “proceeds of predicate offenses” or involving ML or TF, whether or not these transactions have been executed, as required by R.20 and R.23 (art.9 of the AML/CFT law)
- b) Copies of fund, currency and bearer negotiable monetary instrument disclosure forms and any additional information as requested by the GAC from any person entering or leaving Iraq (art.34 of the AML/CFT law), and a statement of the daily cash transactions that exceed the fixed threshold, disclosed by banks by virtue of circular No. (1/3/c-f/and circular 3 dated 16/18/2022).

415. **C.29.3 (Met):**

- a) The Office can obtain from reporting entities any additional information it deems useful to perform its analysis, within the timeframe it specifies (art.9-first, para. (b) of the AML/CFT law). FIs and DNFBPs are required to rapidly provide the Office with information and documents it requires (art.12 of the said law).
- b) The Office can obtain information from any entity other than reporting entities (art.9-first, para. (b) of the AML/CFT law). The Office’s Policies and Procedures Manual explains the sources of information used to collect information for operational analysis, namely closed local sources (regulators, law enforcement and others), closed external sources (counterpart FIUs) and publicly available sources. In order to facilitate cooperation and exchange of information with competent authorities,

the Office signed a number of MOUs at the local level with several bodies, including the Directorate of Combating Organized Crime, the GAT, the RERD, the GAC, the Iraqi NSS, the FCOI / Extradition Office, the CTS, the Non-Governmental Organizations (NGO) Department, the CRD, and others.

416. C.29.4 (Met):

- a) According to art.9-first, para. (b) of the AML/CFT law, the Office analyzes reports and information and obtains information from reporting entities, in addition to information from other entities. The Office's Policies and Procedures Manual explains the mandates of the Financial Analysis Division which is entrusted with conducting operational analysis, especially by merging facts and events and converting them into integrated information by linking the information obtained in a way that reflects reality, linking the relationship between natural persons and concerned persons to reach the final beneficiaries and business partners, pursuing the flow of funds locally and internationally, and when the indicators of suspicion are proven, and disseminating reports to the PP presidency.
- b) The Office has a Research and Studies Division entrusted with conducting strategic analysis (para. (6/b) of the Office's Policies and Procedures Manual). The Office uses, for this purpose, available and obtainable information, including information provided by competent authorities, and owing to this, it has prepared many strategic analysis reports, including sources of financing ISIL, ML/TF methods and patterns for the period between 2019 and 2020, and financial operations related to human trafficking and migrant smuggling crimes.

417. C.29.5 (Mostly Met): According to art.9-first, para. (d) of the AML/CFT law, the Office should refer reports based on reasonable grounds of suspicion of money laundering, terrorism financing or predicate offenses to the PP presidency to take legal action in this respect and notify relevant authorities. The Policies and Procedures Manual of the Office requires in para. (2/c) that the results of the analysis be published to competent authorities through information addressed to the competent authority in a sealed and (confidential) envelope, and for this purpose, a dedicated and confidential channel has been adopted represented by an accredited employee responsible for transmitting reports to the prosecution through the Office's work vehicle, and this mechanism does not amount to an IT system that allows sending reports in a secure and protected manner.

418. C.29.6 (Mostly Met):

- a) According to art.53 of the AML/CFT law, the information obtained by the employees of the Office is confidential. They may not disclose information they have knowledge of given their position, nor can they disclose such information in any manner. This prohibition remains in force until after the employee's end of service to keep the information secure. The Office has established a division concerned with information technology and technical support. Its tasks include overseeing the protection of the internal network of the Office by using technical devices and equipment necessary to maintain the confidentiality and security of information (by using a firewall for the purpose of controlling the movement of data in the internal and external network), designating the staff authorized to access the electronic systems applicable in the Office, restricting their powers by using passwords, using special anti-virus programs to protect devices and servers from harmful and malicious programs, and developing an information security policy (i.e. Internet usage policy, password creation, server security policy, file sharing and access policy, etc...). The Office employees should preserve and protect information by complying with several measures. These include keeping sensitive information in designated places, out of the reach of others, not using flash drives or extracting any electronic copy of the database, not sharing search results online for any reason, and searching the Internet through secondary devices for analysis purposes. Besides, the person responsible for the

database and the employee responsible for analyzing a particular case are subject to administrative accountability in the event of non-compliance with the procedures stipulated above. The minor gap identified in criterion 29.5 above has a cascading effect on this sub-criterion.

- b) The Office employees are subject to security checks through two procedures, the first is done upon assignment, while the second is carried out on an annual basis. A security check form for the Office employees, which is supervised and followed up directly by the senior management of the Office, is also filled out. Employees obtaining the necessary security clearances are verified. Employees should adhere to procedures on how to deal with and disseminate confidential information, otherwise they shall be subject to administrative accountability. The employee's responsibilities include adhering to the procedures in place governing the security and confidentiality of information, including procedures for saving sensitive information, conducting information searches, and disposing of documents (the Office's Information Security Policy, the Office's Information Security Procedures Manual, the Code of Conduct for 2005, and the Discipline for State and public sector employees law No.14 of 1991).
- c) The Office headquarters is secured by security officers, who must ensure that those entering the Office are free of any materials or equipment that would affect the security and safety of the information security system and the Office employees, using metal detectors and alarms. In addition, the Office premises are equipped with surveillance cameras from the outside and inside, and the Office is equipped with intrusion prevention devices and anti-virus programs to protect devices and servers from harmful and malicious programs. These measures would prevent access to the Office's facilities and archived information, including information technology systems.

419. C.29.7 (Met):

- a) The Office has the authority and capacity to carry out its functions and competences freely, according to the provisions of art.(8/first) of the AML/CFT law which stipulates that an Office known as "the Office" shall be established and shall be considered as a legal person with financial and administrative independence and art.(9/first), paras. (b) and (d) of the same law which allows the Office to conduct analysis, request information from reporting entities and other competent authorities, and refer the results of the analysis to the public prosecution presidency. This does not require an approval to be obtained from any other entity, which enables the Office operationally to take autonomous decisions to request, analyze or disseminate information.
- b) The Office can make arrangements or engage independently with other competent authorities at the domestic or international level, on the exchange of information, as set out in art. (9/third) and art. (29/first & third) of the AML/CFT law.
- c) Art. 8 of the law sets the Office mandates which are basically related to combating ML/TF, and these competences are distinct and separate from the CBI functions.
- d) The Office has administrative and financial independence (art.8 of the AML/CFT law). According to the Office's Policies and Procedures Manual, the Financial and Administrative Section and the Human Resources Division are responsible for determining the Office's human resources needs and preparing the Office budget. After being finalized, the said budget is approved by the Director General of the Office, and then forwarded to the CBI, for ratification. No item of the budget has ever been modified or changed, knowing that it has witnessed over the last four years an increase in the size of revenues due to an increase in the Office needs. These facts keep the Office away from any external influence that could affect its operational independence.

420. **C.29.8 (Met):** The Office joined the Egmont Group in July 2023.

421. **Weighting and Conclusion:** Iraq met most of the criteria of this Recommendation. The deficiency is represented in the Office using a channel that may not be secure and protected for the purposes of disseminating the results of its analysis to the PP presidency.

422. **For these reasons, Iraq is “Largely Compliant” with R.29.**

Recommendation 30 - Responsibilities of Law Enforcement and Investigative Authorities.

423. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Partially Compliant” with R.27 (previously), because LEAs priority is the investigation of the underlying predicate crime and not ML/TF, in addition to an overlap and no clear demarcation as to designated responsibilities for: (1) MOI Economic Crime Unit on money laundering; (2) the MOI Counter Terrorism Unit on terrorist financing; and (3) the Counter Terrorism Service (CTS) for TF and because the judges lack specialized training in ML and TF, and focus principally on the underlying predicate crimes and do not investigate ML and TF crimes as stand-alone offenses and also because arrests in cases involving any form of funds are rarely postponed or waived.

424. **C.30.1 (Met):** Iraq has the Counter Terrorism Service which is a designated authority that operates by judicial order and is responsible for conducting investigations and tracing sources of terrorist financing with a view of depleting them (art.3/second (g) of CTS Law No. 31 of 2016). There is no designated authority in Iraq, entrusted with the responsibility for verifying that money laundering, and associated predicate offenses are being investigated. LEAs¹³⁹ (crime scene officers such as police officers and police station commanders) have wide powers to inquire into offenses (art. 41 of Criminal Procedure Code No.23 of 1971) and to use all possible means to preserve evidence of an offense (art. 42 of Criminal Procedure Code No.23 of 1971). LEAs act under the supervision of the PP president, the PPs who assist them and their deputies (art.30 and art.33 of Criminal Procedure Code No.23 of 1971). They are also subject to the supervision of the investigative judge (art.40 of Criminal Procedure Code No.23 of 1971) who conducts the investigation into all offenses in person or by means of investigators. The Judge may authorize any crime scene officer to carry out any particular action on their behalf (art.52 of Code No.23 of 1971).

425. **C.30.2 (Met):** According to the analysis of the previous criterion, LEAs conduct a parallel financial investigation under the supervision of the PP president or the investigative judge. They are obliged to collect evidence and observe the methods for obtaining such evidence (Chapter IV of the Financial Investigation Procedures Manual). They should use the annexes attached to the manual, including annex No.1 titled “Summary of Inquiry and Investigation Activity”, annex No.2 titled “Sample Questions for Financial Interviews”, annex No.14 titled “Net Wealth Analysis Form” and annex No.25 titled “Request for Tracing Funds”. Since they operate under the supervision of the investigative authorities (the PP or the investigative judge), the latter has the power to refer the case to another body to follow up on the investigations, regardless of the place where the predicate offense occurred. The investigative judge or judicial investigator may appoint one or more experts to offer opinions on matters connected to the offense being investigated (art.69 of Criminal Procedure Code) and may require another person to submit items or papers which would inform the investigation (art.74).

¹³⁹All agencies subordinated to the MOI (Directorate for Combating Organized Crime, Intelligence and Counter-Terrorism Directorate, Technologies and Information Directorate, Directorate General for Narcotic Drugs and Psychotropic Substances Affairs), Customs officers and police officers entrusted with combating smuggling.

426. **C.30.3 (Met):** The Judiciary is among the authorities whose competence and powers include freezing and seizure of property that is, or may become, subject to confiscation, or is suspected of being proceeds of crime. In addition to what was stated in the Criminal Procedure Code (art.183, 224 and 278 and the explanatory note to the Criminal Procedure Code), the investigative judge or the Court, may, at the request of the PP, Governor or Office, initiate seizure of funds related to a money laundering or terrorist financing crime (art.23 of AML/CFT law No.39 of 2015). Seizure of funds generated from a tax evasion crime falls within the powers of the Minister of Finance (art.52 of Income Tax Law No.113 of 1982). Seizure of bank accounts in terrorism cases falls under the responsibility of the Ministerial Committee for National Security (Article 5-thirteenth- of CTS Law No. 31 of 2016). The responsibility for the prompt identification and tracing property that is or may become subject to confiscation or is suspected of being proceeds of crime falls within the competence of LEAs under the supervision of investigative authorities (PP and investigative judge), except for the CTS which has the power to trace the sources of terrorist financing, in cooperation and coordination with the Office, the CBI and other competent authorities (art.3-second-g of Counter Terrorism Service law No.31 of 2016).
427. **C.30.4 (Not Applicable):** Iraq has no authority (which is not an LEA) that has the responsibility for pursuing financial investigations of predicate offenses or exercising functions covered under Recommendation 30.
428. **C.30.5 (Not Applicable):** Iraq established the FCOI that contributes to the prevention and combating of corruption and adoption of transparency in managing governance affairs at all levels, by investigating corruption cases through investigators, under the supervision of the competent investigative judge, and according to the provisions of the Criminal Procedure Code. The Commission performs its functions in preventing and combating corruption in cooperation with the Financial Supervision Bureau and General Inspectors Offices (art.21/first of Integrity and Illicit Gains Commission Law No.30 of 2011). The Commission is not a competent authority designated to investigate ML/TF offenses arising from, or related to, corruption offenses under Recommendation 30. Consequently, the criterion is considered not applicable.
429. **Weighting and Conclusion:** The legislative and regulatory texts meet all the requirements related to this Recommendation.
430. **For these reasons, Iraq is “Compliant” with R.30.**

Recommendation 31 - Powers of Law Enforcement and Investigative Authorities.

431. Iraq was assessed in during the first round of the Mutual Evaluation Process in 2012, where it was rated “Partially Compliant” with R.28 (previously), because the powers of LEAs are not a priority in ML and TF cases, and thus are rarely used.
432. **C.31.1 (Met)**
- a) FIs and DNFBPs are required under art.12 of the AML/CFT law to submit all records to courts and other competent authorities, when required. Authorities have the power to use coercive measures to enter residential and non-residential premises to access records, papers and documents held by natural and legal persons (art.74-84 of Criminal Procedure Code No.23 of 1971).
 - b) Search of persons and premises falls within the power of the investigative judge, who may seek the assistance of any competent entity to do so (art.72 et. seq. of the Criminal Procedure Code).
 - c) Taking witness statements falls within the powers of the investigative judge, who may seek the assistance of any competent entity to do so (art.34, 49, 56, Chapter 2 - Hearing Witnesses, and art.58 et. seq. of Criminal Procedure Code No.23 of 1971).
 - d) The judge or the court has the power to seize the funds of an accused person who has absconded (art.121 and 122 of the

Criminal Procedure Code) and there are texts governing the mechanism for seizing the defendant's assets (art.183-186 of Criminal Procedure Code No.23 of 1971). The judge or the court may seize funds, verify their sources, and confiscate them for crimes related to narcotic drugs and psychotropic substances (art.34 of Narcotic Drugs and Psychotropic Substances Law No. 50 of 2017). The investigative judge and the court, may, at the request of the PP, Governor, or Office, impose a seizure of funds related to ML/TF. This shall not preclude implementation of the seizure process directly by the competent judicial authority, when necessary, even if no request is submitted in that regard (art.23/first of law No.39 of 2015). Funds, proceeds, instrumentalities of crime used or meant to be used in committing a money laundering, predicate offense or terrorism financing crime, or any property of equivalent value shall be subject to seizure (art.23/first of AML/CFT law No.39 of 2015).

433. **C.31.2 (Mostly Met):** Competent authorities are not able to use a wide range of investigative techniques for the investigation of money laundering, associated predicate offenses and terrorist financing unless by virtue of judicial permission.
434. **C.31.2 (a) (Mostly Met):** There is no text enabling competent authorities to use undercover operations for the investigation of money laundering, associated predicate offenses and terrorist financing. However, the judiciary might authorize resorting to undercover operations.
435. **C.31.2 (b) (Mostly Met):** It was explicitly stated that the Counter-terrorism office might use communications interception (art.3 of CTS law No.31 of 2016). Such a thing cannot be performed unless by virtue of judicial permission in accordance with the constitution. The judiciary might as well authorize the use of such technique for the other competent authorities.
436. **C.31.2 (c) (Mostly Met):** There is no text enabling competent authorities to access computer systems in their investigations. The Judiciary might authorize such for other competent authorities.
437. **C.31.2 (d) (Mostly Met):** Narcotic Drugs and Psychotropic Substances Law No.50 of 2017 enables competent authorities to use controlled delivery technique in narcotic drug and psychotropic substance cases to detect criminal gangs (art.1-fifteenth -and art.45 of the said law). However, the absence of a text allowing resorting to controlled delivery in most crimes should not largely affect meeting the requirements of this criterion, since controlled delivery is mainly used in anti-contraband cases.

C.31.3 (Mostly Met)

438. **C.31.3 (a) (Met):** Iraq has an automated system in place that enables to identify, in a timely manner, all the accounts of natural or legal persons in the country.
439. **C.31.3 (b) (Mostly Met):** The AML/CFT law prohibits disclosing to the customer or any other person any legal procedures taken regarding financial and non-financial transactions suspected of ML/TF (art.12/fourth of AML/CFT law No.39 of 2015). The law of integrity authority also stipulates for criminal penalties upon whoever discloses, by virtue of their position, information related to the form (Article 19- sixth of Law No. 30 of 2019 related to the first amendment of the integrity authority's Law). The Criminal Procedure Code does not contain any texts stipulating that the investigation and inquiry procedures are confidential and that anyone who takes parts in these procedures is bound by the professional secrecy, including the entities that hold information on the assets required to be identified.
440. **C.31.4 (Met):** The Office performs several functions, including the exchange of AML/CFT-related information with relevant bodies in State departments and the public sector, and coordination therewith in this respect. It should also create a database to be adopted as a national center for collection, analysis, and dissemination of information on potential ML/TF cases, and development of suitable means to facilitate the task of judicial and other competent authorities in the implementation of the

provisions of the law (art.9/third & fifth of the AML/CFT law). Although the wording of art.9 of the said law was general, it appears that the purpose of creating a database is to facilitate the task of the authorities when seeking the assistance of the Office to obtain information it holds, which means that the law enables all competent authorities to request information from the Office.

441. **Weighting and Conclusion:** Iraq met some of the requirements of this Recommendation. The deficiencies are represented in the inability of most competent authorities to use a wide range of investigative techniques, except for the CTS that can use the communications interception technique, while the use of controlled delivery technique is limited to drugs crimes. However, the judiciary may authorize LEAs to use special investigative techniques. Resorting to such techniques by order of a judge does not greatly affect meeting the requirements of R.31. Besides, not all competent authorities have a process in place to identify assets without prior notification to the owner.

442. **For these reasons, Iraq is (Largely Compliant) with R.31.**

Recommendation 32 - Cash couriers.

443. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with SR.IX (Previously), due to the absence of a legal basis for reporting cross-border movements of currency and monetary instruments, the CBI circulars attempting to implement cross-border reporting lack necessary process, procedures and penalties and, in (limited) cases, where cross-border cases have been brought before the court, the court has declined jurisdiction. In addition, procedures that are invoked in cases of cross-border movements do not cover monetary instruments, and operational procedures have only been invoked at two major airports.

444. Iraq issued Instructions No. 3 of 2023 on 1 August 2023 to implement the system for declaring funds transported across borders. However, the AT did not take these instructions into consideration as they were not effective during the onsite visit. In addition, they entered into force on 3 November 2023, that is, a month after they were published in the Iraqi Gazette on 2 October 2023, in accordance with Article 11 of the Instructions. Therefore, the analysis below will rely on the Controls No.1 of 2017 governing the declaration of incoming and outgoing funds across the Iraqi borders, as revised in 2019.

445. **C.32.1 (Mostly Met):** Iraq established the disclosure system that requires every person when entering or leaving Iraq to disclose upon request of the GAC, the funds, currency, BNIs, regardless of the form of transportation, whether through a person, postal service, shipping company, or through any other means (Article 34-First of Law No. 39 of 2015); however, the implementing text of this law established the declaration system, since the Controls No.1 of 2017 (governing the declaration of incoming and outgoing funds across the Iraqi borders) require each traveler who enters or leaves the Iraqi territory to declare funds, precious stones and metals or bearer negotiable instruments exceeding USD 10,000 or its equivalent in other foreign currencies. Travelers entering and leaving are also entitled to carry Iraqi banknotes within the amount of 1,000,000 IQD (controls No.1 of 2019, amending controls No.1 of 2017), and they should fill out the declaration form if they are in possession of an amount exceeding 200,000 IQD. This means that Iraq applies in practice the declaration system.

446. **C.32.2 (a, b, c) (Mostly Met):** Iraq established a written declaration system by requiring each traveler to fill out the declaration form for cash amounts, precious metals or bearer negotiable instruments that exceed USD 10 thousand up to USD 20 thousand. When carrying Iraqi banknotes, the traveler should also fill out the declaration form, when the value of the transported funds exceeds 20000 up to 1000000 IQD (controls No.1 of 2017 and 2019 governing the declaration of incoming and outgoing funds across the Iraqi borders). Regarding the credibility of the declaration, the Customs officers have powers to request additional

information from the traveler to verify the authenticity and integrity of the declaration and to seize the funds in cases of non-declaration or false declaration. Despite the inconsistency between art. 34 of the AML/CFT law and the controls of 2017, it can be said that Iraq has adopted the written declaration system for travelers carrying amounts exceeding USD 10,000 or its equivalent in foreign currencies and when the amount ranges in IQD between the equivalent of USD 20 and 750.

447. **C.32.3 (Not Applicable)**: Iraq applies in practice the declaration system.

448. **C.32.4 (Met)**: The GAC has the power to request additional information from the person on the source of funds, currency, or bearer negotiable instruments and their intended use. (art.34-second of the AML/CFT law).

449. Customs authorities have the power to search persons and baggage to verify the authenticity of the declared information when verifying or suspecting a false declaration or non-declaration or when the funds being transported are suspected to be illegitimate (para. 5-c- of controls No.1 of 2019). Each customs department at airports and border crossings should request additional information from travelers on the source of funds and the purpose of transporting them in the event of a false declaration, non-declaration or suspicion (para. 4-f- of controls No.1 of 2017).

450. **C.32.5 (Met)**: In case of failure to declare funds, currency and bearer negotiable instruments or the provision of false information or a suspicion, the GAC has the power to seize them (art.35-first of the AML/CFT law). Imprisonment for up to two years and a fine of no less than the value of the funds subject of the crime and up to three times that value shall be imposed in case of non-declaration, regardless of the means used to transport these funds (art. (43) of the AML/CFT law). Accordingly, it is concluded that the sanctions permitted by the law achieve the elements of proportionality and dissuasiveness.

451. **C.32.6 (Met)**: The Office shall have access to the information related to the declaration, including a true copy of the declaration form (art.34 of the AML/CFT law). Controls No. 1 of 2017 require the GAC to provide the Office with declaration forms and any other information it requests (para. 4-g). The cooperation agreement between the Office and the GAC governs the scope of information that the Administration undertakes to send to the Office, including: 1) cases of ML/TF suspicion supported by the documents requested by the Office, as well as the measures taken in this regard, 2) information and data available to the Administration, especially the declaration forms filled out by travelers (departing and arriving) to and from Iraq and requested by the Office and which it deems necessary to complete the analysis process at the soonest. The agreement also requires both parties to designate two points of contact between them to exchange information and adopt secure means of communication to maintain the confidentiality of the information exchanged. It is noted, before 2022 (the linkage with the Office through automated system occurred in 2022) that official mail and e-mail are used to exchange information.

452. **C.32.7 (Met)**: The GAC cooperates with the competent authorities in matters related to combating ML/TF, especially regarding smuggling, in addition to identifying the transportation of currency and BNIs across borders. It also cooperates and exchanges information with the competent authorities. The GAC is also represented in the AML/CFT Council (art.5/first/c of the AML/CFT law). The GAC concluded a cooperation agreement with different national authorities, especially the Office and foreign Customs Departments, in particular with countries which share common borders with Iraq.

453. **C.32.8 (a, b)(Met)**: The GAC has the power to seize funds, currency, and bearer negotiable instruments in case of non-declaration or if false information is provided or if there is sufficient evidence to suspect that they are proceeds of a predicate offense or involve ML/TF or were to be used for such purposes (art.35-first-of the AML/CFT law). In this context, it should provide the Office with those seized funds (para.4-g of controls No.1 of 2017) provided that the latter makes a recommendation to lift the seizure

or to refer the seized funds to the court within 7 days from being notified of the decision (art.35-second of the said law) and informs the GAC of this action (para.6 of controls No.1 of 2017).

454. **C.32.9 (a, b, c) (Met):** The Iraqi legislation regulates cooperation and exchange of information between the GAC and the Office (see c.32.6) and the information and data available to the Office include: 1) a declaration which is less/exceeds the prescribed threshold, 2) a false declaration, 3) a suspicion of ML/TF. The Office has procedures and internal policies in place governing the security and confidentiality of information, including procedures for storage and exchange of information (see R.29). The supporting documents and information referred to the Office by virtue of the declaration form set out the amount of currency and bearer negotiable instruments, whether declared or otherwise detected, as well as the identification data of the bearer of the funds. The Office is authorized to exchange information spontaneously or upon request with any counterpart FIU (art.29 of the AML/CFT law). The information maintained by the Office is available to all the national authorities, including the judicial authorities, enabling them as well to collect and exchange information in the context of MLA (art.9/third & fifth of the AML/CFT law).
455. **C.32.10 (Mostly Met):** Public sector employees, including employees of the GAC, are obliged to keep the confidentiality of the information and documents they have access to by virtue of or during the exercise of their duties. This duty remains in place even after the end of their service. Violation of the job duties entails the application of penalties on the employee ranging from reprimand to permanent dismissal (articles 4/seventh, 7 and 8 of Discipline for State and public sector employees law No.14 of 1991, as amended, and the Code of Conduct for State Employees). The Office employees are subject to the obligation to maintain the confidentiality of data and information and the Office has policies and procedures in place to ensure the confidentiality of data and information received through the declaration system (see R.29). The procedures taken by the GAC since 2022 include maintaining the confidentiality of the information and data it collects through the declaration system since it is carried out through a direct and real-time automated system linked with the Office.
456. The declaration system does not unreasonably restrict the movement of legitimate travel and trade, nor does it impede the procedures for trade payments or the freedom of capital movement, especially since travelers may move funds in and out of the country through FIs exclusively (para. 8/c of controls No. (1) of 2018).
457. **C.32.11 (Met):** The GAC has the power to seize funds, currency, and bearer negotiable instruments if there is sufficient evidence to suspect that they are proceeds of a predicate offense or involve ML/TF (art.35-first-of the AML/CFT law). The Office may make a recommendation to lift the seizure or to refer the seized funds to the court within 7 days from being notified of the decision. The law also permits to impose the penalty of imprisonment for up to two years and a fine of no less than the value of the funds and up to three times that value in case of non-declaration or false declaration, regardless of the means used to transport these funds (art. (43) of the said law). If it is decided to refer the incident to the judiciary on suspicion of money laundering, predicate offense or terrorist financing, measures enabling the confiscation of funds, currency or bearer negotiable instruments shall be applied (art.38 of the said law). Sanctions are also applied in line with Rec.3 (which is imprisonment for a period not exceeding 15 years and a fine of no less than the amount of funds subject of the crime and up to five times the value of such funds, according to art.36 of the said law), and Rec.5 (life imprisonment, according to art.37 of the said law), in case of a ML/TF conviction, and these sanctions are considered proportionate and dissuasive.

458. **Weighting and Conclusion:** The law introduced the disclosure system, but the implementing regulations, as well as the administrative and judicial application, adopted the declaration system, with a minor impact on the overall rating of this recommendation.

459. **For these reasons, Iraq is “Largely Compliant” with R.32.**

Recommendation 33 - Statistics.

460. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with R.32 (previously), due to an overall lack of meaningful statistics available or collected, with no systems or procedures in place to initiate the collection of necessary statistics to support operational or policy related AML/CFT activities.

C.33.1 (Met)

461. **33.1.(a) (Met):** The Office prepares statistics on STRs and AML/CFT trends, mechanisms, methods, and status. It also collects and analyzes comprehensive statistics on matters related to the Office’s functions (art.9/second/sixth of AML/CFT law No.39 of 2015). It also prepares and publishes annual reports on its website. These reports include the report published in 2023¹⁴⁰, containing statistics on STRs received and disseminated.

462. **33.1 (b, c) (Met):** The PP and the Courts of Appeal are required by a circular issued by the President of the Judicial Council to establish databases to collect statistics on investigations into predicate offenses (circular No. 271/Office/2023 dated 26/2/2023). The competent authorities in Iraq maintain statistics on investigations, prosecutions and convictions related to ML/TF. Also, the PP maintains statistics on property frozen, seized and confiscated, domestically and abroad.

463. **33.1 (d) (Met):** The PP Department has an administrative structure concerned with the follow-up of cases of recovery, legal assistance, and rogatory letters and maintains requests for legal assistance and requests for recovery/extradition that have been submitted or received, using special records in addition to the use of computers and electronic databases.

464. **Weighting and Conclusion:** Iraq met all the requirements of this Recommendation.

465. **For these reasons, Iraq is “Compliant” with R.33.**

Recommendation 34 - Guidance and Feedback.

466. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with Rec. 25 (previously) on guidance and feedback, because no AML/CFT guidelines have been issued to assist entities in the insurance and securities sectors comply with applicable AML/CFT requirements and the guidelines issued by the CBI for banks, money exchanges and remitters are insufficient and ineffective to assist these entities to understand and implement effective AML/CFT controls. In addition, the Office has not issued sector-specific AML/CFT regulations or guidance to the DNFBP sector and no outreach has been done in respect of this sector.

467. **C.34.1 (Partly Met):** Supervisory authorities are entrusted with issuing guidelines to assist FIs and DNFBPs in implementing AML/CFT obligations (art.26/first/j of the AML/CFT law). In implementation of the provisions of the law, the Office (hereinafter referred to as the Office) issued several guidance. These include the guidance on Counter-Financing of Terrorism and guidance on ML/TF suspicion indicators for each of the banking, exchange, money transfer, e-payment service sectors, DNFBPs, insurance

¹⁴⁰ <https://aml.iq/wp-content/uploads/2023/06/السنوي-للمكتب.pdf>

and NPO sectors. It also issued guidance on higher-risk countries, the identification of the BO, the risks of virtual currency (only for FIs), the suspicion indicators related to financial transactions, particularly relevant to human trafficking and migrant smuggling. All these guidance papers are published on the Office and the supervisory authorities' websites. The CBI also issued procedures to verify the sources of funds of applicants for the sale and purchase of foreign currencies. ﺃ-It also issued guidelines for reporting entities to assist them in implementing TFS.

468. The feedback provided by the Office takes various forms, starting with notification of the receipt of reports, their acceptance, and notifying the reporting entity of their outcome. The Office also notifies the reporting party to refrain from executing the transaction.; it also requests follow-up on the implementation of EDD measures, and sometimes information on their nature, such as documents to be submitted by the client, although discussions with the interviewed FIs revealed that the feedback provided by the Office was limited to confirmation of receipt of the STR, from which it can be concluded that the Office provides, in some cases, feedback to reporting entities (see IO 4 and 6).

469. **Weighting and Conclusion:** Despite the efforts made by the Office and the CBI by issuing guidelines for subject entities, the Office provides, in some cases, feedback to reporting entities, which has a minor effect on the compliance rating of this Recommendation.

470. **For these reasons, Iraq is “Largely Compliant” with R.34.**

Recommendation 35- Sanctions.

471. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Partially Compliant” with Rec.17 (previously).. The main deficiencies were represented in rarely using sanctions to address instances of non-compliance, the monetary penalty provisions are insufficiently deterrent or effective with respect to FIs, no criminal, civil, or disciplinary sanctions have been imposed or enforced against a State-owned bank or any entity in the insurance or securities sectors, absence of sufficient sanctions in relation to natural persons who work for FIs, including directors and senior management, for AML/CFT violations.

C.35.1 (Partly Met):

a) Targeted financial sanctions:

472. Administrative or criminal sanctions are applied against FIs, DNFBPs and their employees in case of violation of the freezing obligations relating to the implementation of TFS set out in R.6, according to art.40, 44 and 45 of the AML/CFT law. The administrative sanctions are considered proportionate and dissuasive, while the criminal sanctions that the law permits to apply according to art.40 and 44 are unclear because the duration of the penalty is not determined. Art.40 includes the penalty of imprisonment (without determining the duration of the penalty) and a financial fine up to one hundred million IQD (around USD 76,000). This fine is applied against natural persons working for FIs (such as the chairmen or a member of the Board, owner, director, or employee of the financial institution), for the violation of any of the obligations set out in the law, including art.19 thereof which requires FIs to freeze funds and other assets as stipulated in the freezing decisions issued by the CFTF. Art.44 includes the penalty of imprisonment (without determining the duration of the penalty¹⁴¹) and a financial fine ranging between one million IQD and 25 million IQD (equivalent to USD 19,000). It is equally applied against FIs and DNFBPs and their employees for the violation of the provisions of the law, including the afore-mentioned art.19. The AML/CFT law does not provide for any

¹⁴¹ The Iraqi Penal Code sets the penalty of imprisonment for misdemeanors ranging between 3 months up to 5 years.

sanction to be imposed for the violation of the requirements of para. (c) of criterion (6-5) on a country's obligation to prohibit its nationals from making any funds or economic resources available, for the benefit of designated persons and entities. Art.45 includes a range of administrative sanctions that supervisory authorities may impose in case FIs, DNFBPs and their employees violate the provisions of this law and the regulations issued thereunder. Sanctions range between a warning, banning individuals from working within the sector, imposing financial fines up to 5 million IQD (approximately USD 3,800) for each violation, issuing an order to cease the activity, withdrawing the work permit, restricting the powers of directors, or requesting their replacement.

473. The law does not enable the application of sanctions against natural or legal persons that are not subject to any supervisory authority, for non-compliance with the requirements of R.6.

b) NPOs (R.8):

474. Art.23 of NPOs Law No. (12) of 2010 enables the application of sanctions against an NPO by the Department (the NGOs Department at the Secretariat General of the Council of Ministers) by suspending its work for a period from 10 to 30 days. The said article allows the dissolution of an NPO by a judicial decision at the request of the Department in the event of a violation of the provisions of this law, especially if it fails to submit a financial report every year that includes a detailed description of the source of the NPO's funds and financial transactions (art.15), or fails to conduct its financial transactions through banks (art.16), or refrains from keeping records of members, administrative decisions or accounts in which revenues and expenses are recorded (art.18), or refrains from keeping its financial documents, reports and records for a period of 5 years (art.19).

475. The Department (as a supervisory authority, after being granted this competence under decision No.271 issued by the Council of Ministers in 2022) has the power to apply the sanctions provided for in art.45 of the AML/CFT law (see R.8). Except for the administrative penalties available under the NPO law and the AML/CFT law, which are considered proportionate, effective and dissuasive, there are no criminal sanctions that the legislation in force allows to apply in case of violation of the requirements by the NPOs or by persons acting on their behalf.

c) Preventive Measures and Reporting (R.9 to R.23):

476. Criminal and administrative sanctions are applied against FIs, DNFBPs and their employees in case of violation of the AML/CFT obligations set out in R.9 to R.23, according to art.39, 40, 44 and 45 of the AML/CFT law. The administrative sanctions, including the financial fines, are considered dissuasive, but not in all the cases for the fines, while the criminal sanctions are considered dissuasive in some cases for the violation of the reporting obligation and the confidentiality of reporting (R.20 and R.21); however, it is not always possible to apply them, due to the principle of choice (minimum maximum approach), which may limit the effectiveness of the criminal sanctions.

477. Art.39/first of the AML/CFT law allows the application of a fine of no less than 25 million IQD and no more than 250 million IQD (around USD 190,000) in case FIs violate some requirements of R.10 (opening accounts in fictitious names) and R.11 (failure to maintain records and documents on domestic and international financial transactions). Art.40 allows to apply the penalty of imprisonment (without determining the duration of the penalty) and a fine up to one hundred million IQD (around USD 76,000) or either penalty, against persons working for FIs, such as the chairmen or an owner, director or employee of the financial institution, for deliberately violating any of the obligations set out in the law, namely art.10 (that covers the requirements provided for in R.10), art.11 (that covers the requirements provided for in R.11) and art.12 (that covers the requirements provided for in R.18, R.19, R.20 and R.21). The financial sanctions are considered dissuasive but not in all cases, due to the principle of choice (minimum maximum approach), while the criminal sanctions are unclear.

478. Art.39/second of the law enables the application of the penalty of imprisonment for up to 3 years and a fine ranging between 15 million IQD and 50 million IQD or either penalty, against anyone who refrains from submitting a STR to the Office (R.20) or discloses to the client or the beneficiary any action of reporting, which constitutes a breach of the confidentiality of the reporting (R.21). The sanctions provided for in this article equally apply to FIs and DNFBPs as they are obliged to apply these obligations under art. 12 of the law. Financial and criminal sanctions are considered proportionate and dissuasive, but not in all cases due to the principle of choice, as the article allows the application of either sanction, and in some cases only the minimum financial sanction (15 million IQD) can be applied.
479. Art.44 allows the application of the penalty of imprisonment (without determining the duration of the penalty) and a financial fine ranging between one million IQD and 25 million IQD or either penalty, against anyone who violates the provisions of the law, including art.10, 11 and 12 which cover some obligations, according to the analysis above. The sanctions available under this article are considered non-dissuasive, due to the minimum maximum approach (only a fine not exceeding one million IQD (equivalent to approximately USD 760) may be applied, taking into consideration that criminal sanctions are unclear.
480. Art.45 enables supervisory authorities to impose financial and administrative sanctions, in case FIs, DNFBPs and their employees violate the provisions of the AML/CFT law, and the regulations or instructions issued thereunder, which cover the AML/CFT requirements set out in R.9 to R.23. These sanctions include the power to withdraw the license, ban persons from working in the sector, restrict the authority of directors or request their replacement, or apply a financial fine ranging from 250,000 to 5,000,000 million IQD for each violation. The administrative sanctions available to the supervisory authorities, to the exclusion of the financial sanctions, achieve the elements of dissuasiveness and proportionality, and their application extends to cover all the AML/CFT requirements stipulated in R.9 to R.23.
481. **C.35.2 (Partly Met):** Criminal and administrative sanctions are also applied to managers and members of the board of directors of FIs under art.40 and art.45 of the AML/CFT law. The criminal and administrative sanctions, under art.40, include the penalty of imprisonment (without determining the duration of the penalty) and a fine of no more than one hundred million IQD (equivalent to approximately USD 76,000) applied against any chairman or member of the Board, owner, director, or employee of a financial institution who violates any of the obligations stipulated in the law deliberately or through gross negligence. The administrative sanctions under art. 45 also include banning persons from working in the sector for a period determined by the supervisory authority, restricting the powers of directors or requesting their replacement, or collecting an amount of no less than 250,000 IQD and no more than 5 million IQD (equivalent to approximately USD 3,800). Sanctions under art. 45 equally apply to DNFBPs. Thus, except for the administrative sanctions mentioned in art.45, the law does not allow for the application of criminal sanctions against DNFBPs, while financial sanctions are considered non-dissuasive.
482. **Weighting and Conclusion:** Iraq met some of the requirements of this Recommendation, given that the AML/CFT law enables supervisory authorities to apply dissuasive administrative sanctions (except for the financial fines), and their application extends to cover all AML/CFT requirements stipulated in R.9 to R.23, while criminal sanctions are considered dissuasive in some cases, for the violation of the reporting obligation and the confidentiality of reporting (R.20 and R.21), but the minimum maximum approach limits the effectiveness of their application. In addition, the law does not enable the application of sanctions against natural or legal persons that are not subject to any supervisory authority, for non-compliance with the requirements of R.6 and there are no criminal or financial sanctions that the legislation in force allows to apply in case of violation of the requirements provided for in R.8 by the NPOs or by persons acting on their behalf.

483. For these reasons, Iraq is “Partially Compliant” with R.35.

Recommendation 36 - International Instruments.

484. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with Rec. 35 (previously), and “Partially Compliant” with SR.I (previously).

485. **C.36.1 (Met):** Iraq ratified the relevant conventions as follows:

| International instruments | Ratification/accession date |
|--|-----------------------------|
| Vienna Convention | 22 July 1998 |
| Palermo Convention | 17 March 2008 |
| Merida Convention | 17 March 2008 |
| Convention for the Suppression of the Financing of Terrorism | 16 November 2012 |

486. **C.36.2 (Partly Met)** The criterion requires that countries should fully implement some relevant articles in the Vienna Convention (articles 3-11, 15, 17 and 19), the Palermo Convention (articles 5-7, 10-16, 18-20, 24-27, 29-31 and 34), the Merida Convention (articles 14-17, 23-24, 26-31, 38, 40, 43-44, 46, 48, 50-55, 57-58), and the TF Convention (articles 2-18).

487. Although the laws in Iraq (law No. 50 of 2017 on narcotic drugs and psychotropic substances, the Penal Code, law No. 30 of 2011 on the FCOI and Illicit Gain and the law on Combating ML/TF) covered some of the articles contained in the above-mentioned conventions, such as the criminalization of the import, production, manufacture, extraction, cultivation, possession and exchange of narcotic drugs, and the criminalization of the financing of terrorism, some articles should be included in the said laws so that the provisions of the conventions can be fully implemented. This includes some articles from 3 to 7 of the Vienna Convention (including the criminalization of transport or distribution of equipment or substances knowing that they are to be used in or for the cultivation, production or manufacture, the conclusion of bilateral and multilateral treaties, agreements or arrangements to enhance the effectiveness of international co-operation in the field of confiscation, disposition of property or proceeds confiscated, establishment of mechanisms to expedite extradition procedures). In addition, the nine conventions provided for in art.2-1-a of the Convention for the Suppression of the Financing of Terrorism should be ratified, after Iraq has made reservations in their regard according to art.2 of law No. (3) of 2012, and the main requirements set forth in the Merida Convention should be complied with.

488. **Weighting and Conclusion:** Iraq ratified the four conventions referred to in c.36.1 above and the implementation of all conventions is still incomplete, given the failure to incorporate all the relevant articles set forth in these conventions into the national laws, namely in terms of enhancing the effectiveness of international cooperation in the field of confiscation and disposition of proceeds or property confiscated, as required by the Vienna Convention.

489. For these reasons, Iraq is “Partially Compliant” with R.36.

Recommendation 37- Mutual Legal Assistance.

490. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with Rec.36 (previously), given that the deficiencies related to Recs. 1, 2 and 3 and SR. II have a negative effect on this Recommendation, and due to the absence of statistics and information on practical issues. Iraq was also rated “Non-Compliant” with SR. V, because the deficiencies related to Recs. 36, 37, 38, 39 and 40 have a negative effect on this Recommendation.

491. **C.37.1 (Mostly Met):** Iraq has a legal basis that allows to provide MLA, in relation to ML, associated predicate offenses and TF investigations, prosecutions and related proceedings; however, there is no legal text requiring the provision of MLA promptly and in a timely manner, consistent with the nature of MLA requests. In addition to the Criminal Procedure Code which provides, in art.352-356, for judicial representation, investigation of any crime and the extradition of accused and sentenced persons with foreign countries, subject to the provisions of international treaties and agreements and the principles of public international law and the principle of reciprocity, it is noted that art.27 of AML/CFT law No.39 of 2015 stipulates that ML/TF offences are considered crimes for which rogatory letters, legal assistance, coordination, cooperation and extradition are allowed according to the provisions of conventions to which the Republic of Iraq is signatory, including the Riyadh Convention on Judicial Cooperation, which regulates MLA according to special and simplified procedures with 21 countries. Also, Iraq issued guidance for the procedures of international cooperation which stipulates under Article 20 thereof the priority of international cooperation requests. However, it does not include specific periods for implementation of such requests (It was provided to the AT during the onsite visit).
492. The legal framework does not prevent responding to MLA requests promptly and the AT reached this conclusion given that, in practice, Iraq is able to provide timely MLA for incoming requests for legal assistance.
493. **C.37.2 (Mostly Met):** The Higher Judicial Council is competent to send and execute international cooperation and extradition requests, being the central authority entrusted with this responsibility in Iraq, as set out in art.353, 354 and 355 of the Criminal Procedure Code and in the Riyadh Convention on Judicial Cooperation. This Convention stipulates that the requests for a rogatory commission in any of the contracting parties are directly dispatched through the Higher Judicial Council (art.15-b of the Convention) and the request for rogatory commission is written according to the law of the requesting country, while observing specific formalities, and without the need to be officially certified (art.16 of the Convention). Also, according to Article 1 of the international cooperation guidance, the MLA request is written in any form, provided it is written down and covers the required data mentioned under Article 3 of the guidance. Article 20 of the guidance sets the priorities of international cooperation requests, giving priority to requests of ML/TF and predicate offences. It also covers the cases where there are several requests and took into consideration the circumstances of the international cooperation requests. On the other hand, there are no procedures in place (a procedures manual, or internal regulatory texts) at the level of the Higher Judicial Council concerning the timely execution of assistance requests, but it is noted that Iraq has in place a system to manage incoming and outgoing MLA requests and monitor progress on their execution.
494. **C.37.3 (Met):** Provision of MLA is not subject to unreasonable or unduly restrictive conditions, based on Iraq's accession to the Riyadh Arab Convention for Judicial Cooperation and the provisions of the bilateral or multilateral agreements that Iraq has acceded to. These include the Convention on legal and judicial co-operation between the Cooperation Council for the Arab States (the Hashemite Kingdom of Jordan, the Republic of Iraq, the Arab Republic of Egypt, and the Republic of Yemen) signed in Alexandria in 1989. It stipulates, in art.16 and 28 that the competent judicial authority of the requested party may not refuse to execute a declaration, notification or judgment unless it deems that its implementation would prejudice its sovereignty, public order or public ethics. In the event of refusal of execution, the requested party shall notify the requesting party of this matter while stating the reasons for the rejection. Paragraph third of Article 3 of the guidance also stipulates that the Higher Judicial Council/PP facilitates the provision of MLA and not prevent its implementation or subjecting them to unreasonable or restrictive conditions without proper justification.

495. **C.37.4 (a, b) (Met):** The Iraqi law or the agreements that Iraq has acceded to do not contain restrictions that preclude the execution of a request for MLA, on the ground that the offense for which cooperation is required is considered to involve fiscal matters or on the grounds of confidentiality and privacy requirements imposed on FIs or DNFBPs. Besides, art. (52) of the AML/CFT law stipulates that the confidentiality provisions shall not preclude the implementation of the provisions of the present Law and the requests for MLA fall under these provisions. Also, paragraph third-a of Article 3 of the guidance stipulates that cooperation requests are not to be rejected just because the crime is related to financial or tax matters or on ground related to confidentiality or privacy applied to FIs and DNFBPs.
496. **C.37.5 (Met):** The AML/CFT law requires every party made aware of requests for legal assistance, as stipulated therein, to maintain the confidentiality of such requests. It stipulates that it is not allowed to disclose the same to any other party without the approval of the party submitting the information (art.33 of the said law).
497. **C.37.6 (Met):** The Iraqi legislations considered dual criminality a condition for rendering assistance based on the provisions of Article 28 of AML/CFT No. 39 of 2015. The international cooperation guidance under Clause C- of article 1/third exempted non-coercive assistance from the dual criminality principle.
498. **C.37.7 (Met):** The Iraqi legislations require dual criminality as a condition for rendering MLA, as stated in art.28 of the AML/CFT law. The law stipulates that requests for legal assistance shall not be fulfilled unless the laws of the requesting country and of Iraq both sanction the crime subject of the request or a similar crime. Dual criminality shall apply regardless of whether the laws of the country requesting assistance place the crime in the same category or denominate the crime using the same term as the one used in Iraqi laws, provided that the criminal act concerned in the request is a crime according to the laws of the country requesting assistance. The International Cooperation Procedures Manual (“Guidance”) also the wording of Clauses C and D of Paragraph (1) of Clause (Third) is unclear, indicating that requests for international cooperation shall not be rejected in the following cases, including: “Requests for MLA are subject to the dual criminality principle, with the exception of non-coercive assistance, dual criminality does not require that the terms, phrases, and criminal classification be identical to be approved, it is sufficient that the behavior be criminalized in both Iraq and the requesting country.
- C.37.8 (a, b) (Met)**
499. **C.37.8.(a) (Met):** The judiciary has powers to conduct inquiries and investigations related ML, predicate offenses, and TF, including search and seizure, summoning witnesses and taking their statements; and appointing experts. It may also take an investigative action, at the judicial request of another State with which it has an agreement or subject to the requirement of reciprocity, (article 353 of the Criminal Procedure Code). It may decide to trace, seize, or restrain funds, proceeds, instrumentalities, and tools used or intended to be used in committing a ML crime, a predicate offense or TF, or their corresponding value, in a way that does not contradict with the Iraqi laws and without prejudice to the rights of third parties (art.30 of AML/CFT law No.39 of 2015).
500. **C.37.8 (b) (Met):** The Iraqi law does not contain provisions that prevent judicial authorities from using the investigative techniques required by R.31.
501. **Weighting and Conclusion:** Iraq met most of the requirements of this Recommendation. The deficiencies are represented in the absence of legislative text or internal procedures to implement MLA requests in a timely manner.
502. **For these reasons, Iraq is “Largely Compliant” with R.37.**

Recommendation 38 - Mutual Legal Assistance: Freezing and Confiscation.

503. Iraq was assessed in the first round of the Mutual Evaluation Process in 2012, where it was rated “Non-Compliant” with R.38 (previously) on MLA (freezing and confiscation). The determination of the compliance rating was based on the negative impact that Recs.1, 2, 3 and SR.II have on this Recommendation, the inability to execute requests for legal assistance related to property of equivalent value in Iraq, the absence of legal basis to coordinate confiscation actions with other countries, and the failure to consider setting up an asset forfeiture fund and authorizing the sharing of confiscated assets with another country.
504. **C.38.1 (a, b, c, d, e) (Met):** Iraq has the authority to take action in response to requests by foreign countries to trace, freeze, seize, or confiscate¹⁴² funds as set out in the sub-criteria from (a) to (e). Pursuant to art.30 and art.31 of the AML/CFT law and based on the request of a judicial authority in another country or according to the principle of reciprocity, Iraqi judicial authorities may trace, seize, restrain or confiscate (a) funds, (b) proceeds and revenues, (c) instrumentalities and tools used or (d) intended for use in committing a ML crime, predicate offense or a terrorist financing crime or their corresponding value, or (e) property of corresponding value, in a way that does not contradict Iraqi laws and without prejudice to the rights of bona fide third parties. There is no text that prevents authorities from taking expeditious action, and practice shows that authorities have not received any requests to trace, freeze, seize, or confiscate assets over the last five years (see IO.2).
505. **C.38.2 (Met):** The AML/CFT law allows for the confiscation of funds in the event of conviction of any of the crimes provided for in this law, including ML and TF offences (art.38 of the said law). The wording of the said article was general, therefore, the confiscation procedures are possible even in the absence of the perpetrator, given that the article does not require the presence of the perpetrator to issue a judgment to confiscate the criminal proceeds. In addition, art.152 of the Penal Code allows for the application of financial sanctions and precautionary measures such as confiscation, upon the death of the accused after the judgment is rendered. In case the accused die before the judgment becomes final, the offense lapses and the victim of the offense has the right to bring an action in the appropriate civil court. What is allowed domestically must also be allowed at the request of a foreign country, especially since there are no provisions that only allow for the application of confiscation that is not based on a domestic conviction.
- C.38.3 (Met)**
506. **C.38.3 (a) (Met):** The AML/CFT law requires competent authorities to implement penal rulings issued by foreign judicial authorities relating to the confiscation of funds and proceeds generated from ML/TF crimes in accordance with the rules and procedures contained in bilateral or multilateral agreements to which Iraq is a party. The International Cooperation Guidance includes arrangements for coordinating seizure and confiscation procedures with other countries in Article (11) thereof regarding the recognition and implementation of foreign seizure orders, where the procedures stipulated in Iraqi laws regarding seizure are applied to funds and instrumentalities seized pursuant to a foreign seizure order. Article (12) of the same guidance also stipulates the arrangements related to foreign confiscation orders. It also stipulates that the Higher Judicial Council/PP, in coordination with the competent authorities, shall ensure that the process of sharing the confiscated funds, proceeds, or instrumentalities with the requesting country is carried out based on bilateral agreements or International multilateral ones.
507. **C.38.3 (b) (Met):** Art.32 of the AML/CFT law allows to conclude bilateral or multilateral agreements that regulate the method of disposing of funds regarding which a judgment ordering their confiscation is rendered in ML/TF crimes by Iraqi or foreign judicial

¹⁴²Art.31 concerns confiscation.

authorities, and that include rules governing the distribution of the proceeds of these funds. The Criminal Procedure Code ensures the management of funds before ordering their confiscation, as the investigative judge or the court has the right to issue a decision regarding the seized funds at any stage of the investigation or the trial (art.308 of the said law) and may also sell the seized items in accordance with the Law of Implementation and to retain their proceeds for fear that they would deteriorate or if the cost of their retention is extremely high (art.313 of the said law).

508. **C.38.4 (Met):** Iraqi authorities can share confiscated property with other countries, according to the AML/CFT law. This is based on art.32 which allows authorities to conclude bilateral or multilateral agreements that regulate the method of disposing of funds regarding which a judgment ordering their confiscation is rendered in ML/TF crimes by Iraqi or foreign judicial authorities and include rules governing the distribution of the proceeds of these funds.

509. **Weighting and Conclusion:** Iraq met all the requirements of this Recommendation, after the issuance of the International Cooperation Manual (Guidance) which met all what is related to arrangements to coordinate the seizure and confiscation procedures with other countries. The AT sees those procedures within a guidance/manual as adequate regulatory framework for such arrangements.

510. **For these reasons, Iraq is “Compliant” with R.38.**

Recommendation 39 – Extradition.

511. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Largely Compliant” with R.39. The deficiencies in Recs.1 and 2 and SR. II had a negative impact on the achievement of the requirements of this Recommendation. The deficiencies were also represented in the absence of legal provisions clearly providing that, in case the extradition is ruled out on the grounds of nationality, the case should be submitted for prosecution.

C.39.1 (Partly Met):

512. **C.39.1 (a) (Met):** ML and TF Offenses are considered crimes for which extradition is allowed, according to the provisions of conventions to which Iraq is signatory (art.27 of the AML/CFT law).

513. **C.39.1 (b) (Not Met):** The central authority represented in the Higher Judicial Council has a case management system, and clear processes for the timely execution of incoming extradition requests including prioritization where appropriate; however, this system does not cover outgoing extradition requests.

514. **C.39.1 (c) (Partly Met):** In order to execute an extradition, the AML/CFT law requires dual criminality and the existence of an agreement with the requesting countries (art.27 of the said law). If there is no such agreement, the provisions of the Criminal Procedure Code, specifically the provisions of Section 7-Chapter 2), shall be drawn upon. This chapter, in addition to requiring diplomatic methods for submitting an extradition request and other procedures, gives the Minister of Justice the possibility to request the suspension of consideration of the request and the release of the person subject of the extradition request (art.363 of the Criminal Procedure Code). If the extradition request is accepted, the court should send the papers, along with the decision, to the Minister of Justice to present the matter to the President of the Republic, who can decide whether or not to extradite (art.362-c-d). Therefore, reliance on the Criminal Procedure Code (in the absence of an agreement with the requesting country) would hinder the implementation of extradition requests for the reasons mentioned in the two articles referred to above, but these

conditions may not apply in the event of an agreement with the requesting country, where the provisions of the AML/CFT law are drawn upon.

C.39.2 (a, b) (Met)

515. **C.39.2 (a): (Not Applicable)** Iraq does not permit the extradition of its nationals (art.21 of the Constitution and art.358-fourth of the Criminal Procedure Code)
516. **C.39.2 (b) (Met):** Any Iraqi citizen who commits an act abroad and does so as principal or accessory to an offense that is considered a felony or misdemeanor is punishable in accordance with the provisions of the Penal Code, on the condition of dual criminality (art.10 of the Penal Code). The article mentions the term “abroad”, it means that the Iraqi citizen who commits or participates in the commission of a crime that occurs abroad, and if they are on the Iraqi territory, they are not covered under this article. This is corroborated by art.6 of the Penal Code which stipulates that the Penal Code is enforceable in respect of offenses committed in Iraq if a criminal act is committed there (i.e. Iraq) or if the consequence of that act is realized or is intended to be realized there. In practice, and in the event of rejection of the request for the extradition of the Iraqi offender, Iraq will submit the case without delay to competent authorities to prosecute the Iraqi person whose extradition is requested for the offenses set forth in the extradition request.
517. **C.39.3 (Met):** Dual criminality is required for extradition under the Iraqi law. Dual criminality is considered achieved, regardless of whether the laws of the requesting country place the offense within the same category of offense or denominate the offense by the same terminology used in the Iraqi law (art.28 of the AML/CFT law).
518. **C.39.4 (Not Met):** Iraq has no simplified extradition mechanisms in place, and what supports this conclusion is art.362 and 363 of the Criminal Procedure Code, according to the analysis above.
519. **Weighting and Conclusion:** Iraq met some of the requirements of this Recommendation. The deficiencies are represented in the absence of a case management system, and clear processes for the timely execution of outgoing extradition requests, as well as the presence of restrictive measures in case of an agreement with the requesting country, and the absence of simplified extradition mechanisms.
520. **For these reasons, Iraq is “Partially Compliant” with R.39.**

Recommendation 40 - Other Forms of International Cooperation.

521. Iraq was assessed in the first round of the ME Process in 2012, where it was rated “Non-Compliant” with R.40, given that competent authorities did not provide the widest range of international cooperation to their foreign counterparts, and because there are no clear and effective gateways in order to use them in international cooperation and exchange of information. In addition, cooperation generally relies upon bilateral and MLA, so it is slow and unduly restrictive and there are no clear and effective gateways in order to use them in bilateral and MLA; and the above restrictive practices prevent ‘spontaneous’ sharing. Furthermore, LEA (investigative judges) can provide assistance to other authorities but only through bilateral and MLA.

General Principles

522. **C.40.1 (Partly Met):** ML/TF offenses are considered crimes for which coordination and cooperation are allowed according to the provisions of the conventions to which Iraq is signatory (art.27 of the AML/CFT law). The Office may exchange information spontaneously or upon request with any counterpart foreign agency for the purposes of combating predicate offenses, ML/TF crimes (art.29-first of the same law). The law gives the supervisory authorities (the authorities which are mandated to license or

authorize FIs and DNFBPs) the power to cooperate and exchange information, with competent foreign counterparts in the AML/CFT field (art.26-first, para.(c) of the same law), without specifying whether the said authorities are able to rapidly provide information spontaneously and upon request, and whether they are able to provide information in relation to ML predicate offenses. Moreover, there is no information on other competent authorities and whether they are able to provide information according to the requirements of this criterion.

C. (40.2) a, b, c, d (Partly Met)

523. **C.40.2 (a) (Partly Met):** As referred to in c.40.1, the Office and the supervisory authorities have a legal basis to cooperate with counterpart authorities, whereas supervisory authorities do not have a legal basis to exchange information in relation to ML predicate offenses, while other competent authorities (for example LEAs) do not have a legal basis to provide cooperation.

524. **C.40.2 (b) (Partly Met):** The Office (as a member of the Egmont Group) and LEAs (through their membership of the Interpol) are able to use the most efficient means to co-operate with counterpart and non-counterpart authorities. As to the supervisory authorities, although they do not have the legal basis to exchange information, nothing indicates that they are authorized to use the most efficient means to cooperate.

525. **C.40.2 (c) (Partly Met):** LEAs and the Office (through the LEAs' membership of the Interpol and the Office's membership of the Egmont Group) have clear and secure gateways and channels for the transmission and execution of requests for information; according to the above analysis, the other competent authorities do not have, like the supervisory authorities, clear and secure gateways, mechanisms or channels for the transmission and execution of requests for information.

526. **C.40.2 (d) (Partly Met):** The Office undertakes the prioritization and timely execution of incoming international requests. It relies, to this end, on several criteria, including the fact that the requests are linked to a TF suspicion, or PEPs or their family members, or that the requests contain transactions involving large amounts of cash (deposits or transfers) (Policies and procedures manual, and the policy for determining the priority of examining information requests at the formal and informal levels). In addition, there are no procedures applied in particular at the level of the other competent authorities in the country. Especially, LEAs and the supervisory authorities.

527. **C.40.2 (e) (Partly Met):** The Office has (see R.29) clear processes for safeguarding the information received. In addition, public sector employees should keep information and document they have access to by virtue of their duties confidential and should maintain the secrecy of the information and documents in their possession and not use them in violation of the law (Discipline for State and public sector employees law No.14 of 1991, Instructions for the Code of Conduct for State and Public Sector Employees). Nonetheless, other competent authorities (for example LEAs and the supervisory authorities) have no clear processes for safeguarding the information received.

528. **C.40.3 (Not Applicable):** The AML/CFT law does not contain any provisions stating that national authorities are required to sign memorandums of understanding in order to be able to exchange information. This conclusion was reached in light of art. 29 of the law, which allows the Office to exchange information through one or more local or foreign authorities with non-counterpart units. Art.26 of the law also enables the supervisory authorities to exchange information with counterparts.

Most LEAs exchange information through Interpol Iraq or through the Office and for this purpose, they have concluded several cooperation agreements with the Office that require to maintain the confidentiality of the information exchanged. The Iraqi law allows processing requests on the basis of reciprocity and does not require that dealing should take place only on the basis of a

bilateral agreement. Instead, the law allows the use of multilateral agreements for international cooperation, without the need for a bilateral agreement. Therefore, this criterion is considered “not applicable”.

529. **C.40.4 (Partly Met):** Upon request, the Office should provide feedback whenever possible to counterparts, on the use of the information provided and the results of the analysis conducted based on the information provided (para. (3/b) of the Office's Policies and Procedures Manual - exchange of information internationally to verify the authenticity of the information). Except for the Office, the other competent authorities are not required to provide feedback in a timely manner to competent authorities from which they have received assistance, on the use and usefulness of the information obtained.

C.40.5 (Partly Met)

530. **C.40.5 (a) (Partly Met):** Under art.29 of the AML/CFT law, the Office has the authority to exchange information for the purposes of combating predicate offenses, which broadly covers the specific categories of offenses in accordance with the Methodology, including (direct and indirect) tax offenses that may involve tax matters. For supervisory authorities, the law requires that they cooperate only with counterpart authorities in the AML/CFT field (art.26 of the law). Therefore, they may reject requests related to tax matters on the grounds that such requests fall outside the scope of their powers, while for other authorities, there is absence of information indicating whether the laws or instructions governing their operation prevent or allow them to cooperate when the requests involve tax matters.

531. **C.40.5 (b) (Met):** Professional or banking secrecy may not be invoked to challenge the Office, and anyone who abstains from submitting information to the Office within seven days from being notified to submit the same, shall be punished with imprisonment for up to one year; this includes FIs and DNFBPs (art.9/b, art.12/sixth and art.41 of the AML/CFT law). The information held by the said institutions is available to competent authorities, by virtue of art.12/seventh of the same law. What is required at the domestic level should also be complied with when exchanging information with foreign counterparts (see R.9).

532. **C.40.5 (c) (Not Met):** The AML/CFT law does not contain any provisions that allow national authorities to refuse requests for assistance on the grounds that there is a proceeding, investigation, or procedures underway in Iraq. Nonetheless, authorities did not clarify whether the laws or instructions governing their operation allow them to refuse a request for assistance on the grounds that there is an investigation or procedures underway in Iraq or to defer the execution of a request for objective reasons that may impede inquiries or investigations in Iraq.

533. **C.40.5 (d) (Partly Met):** Except for the Office which has the power to cooperate with non-counterparts (art.29-third of the AML/CFT law), there are no texts that regulate the exchange of information with foreign counterparts in case the nature of the requesting counterpart authority is different from that of its foreign counterpart.

534. **C.40.6 (Partly Met):** The Office may use the information exchanged with counterparts by competent authorities only for the purpose of combating predicate offenses, ML/TF crimes and the information may not be disclosed to any other authority without the approval of the authority which provided it. Furthermore, the Office, as a member of the Egmont Group, is bound to apply the Group's principles, as it can exchange information only after obtaining a prior authorization of the counterpart (art.29/second of the AML/CFT law). Besides, there are no texts regulating the exchange of information between competent authorities and their counterparts abroad, ensuring that the information is used only for the purpose for which it was sought or provided.

535. **C.40.7 (Partly Met):** The Office is required to maintain confidentiality of the data exchanged with counterparts, pursuant to the procedures of the Egmont Group. Except as cited in Discipline for State and public sector employees law No.14 of 1991 and the

Instructions for the Code of Conduct for State and Public Sector Employees, nothing indicates that the other competent authorities have procedures to ensure appropriate confidentiality for any request for cooperation and exchange of information.

536. **C.40.8 (Partly Met):** The AML/CFT law granted the Office the power to exchange information with counterpart agencies upon request (art.29 of the law). The Office, as a member of the Egmont Group, is bound to apply the Group's principles, as it should conduct inquiries on behalf of foreign counterparts. Except for the Office, nothing indicates that the other competent authorities are able to conduct inquiries on behalf of foreign counterparts and exchange with their foreign counterparts information that they can obtain domestically.

Exchange of information between FIUs

537. **C.40.9 (Met):** The Office has a legal basis for exchanging information with foreign counterparts for the purposes of combating money laundering, predicate offenses, and terrorist financing (art.39 of the AML/CFT law).

538. **C.40.10 (Met):** Upon request, the Office should provide feedback whenever possible to counterparts, on the use of the information provided and the results of the analysis conducted based on the information provided (para. (3/b) of the Office's Policies and Procedures Manual on the exchange of information internationally to verify the authenticity of the information).

C.40.11 (Met)

539. **C.40.11 (a) (Met):** The Office may obtain a wide variety of information in the course of performing its duties as the FIU of Iraq. It has the authority to exchange such information spontaneously and upon request with foreign counterpart agencies (art.29 of the AML/CFT law).

540. **C.40.11 (b) (Met):** The Office may exchange information spontaneously or upon request with any counterpart foreign agency, regardless of the nature of such foreign agency. This information includes information which it has the power to obtain or access, directly or indirectly, either from FIs and DNFBBPs or competent authorities (administrative, judicial and LEAs) and any other information, based on the wide powers that the Office has, subject to the principle of reciprocity (art.9/b and art.29/first of the AML/CFT law).

Exchange of information between financial supervisors

541. **C.40.12 (Met):** Supervisory authorities have the legal basis to cooperate and exchange information with competent authorities in the implementation of the provisions of the law and with foreign counterparts concerned with combating ML/TF (art.26/first para. (c) of the AML/CFT law).

542. **C.40.13 (Partly Met):** Except for the ISC which can share domestic information with its foreign counterparts after its accession to the IOSCO agreement for the exchange of information to combat crimes committed in the securities markets and the CBI which was permitted by the Banking Law No. 94 of 2004 to exchange information on supervisory topics with the supervisory authorities in other countries; however, there is absence of legal or regulatory texts indicating to what extent supervisory authorities are able to exchange with foreign counterparts information held by FIs.

543. **C.40.14 (a, b, c) (Not Met):** There are no texts that allow supervisory authorities to exchange information with counterparts for regulatory and prudential purposes as well as AML/CFT information, according to the requirements of this sub-criterion.

544. **C.40.15 (Not Met):** There are no texts that allow supervisory authorities to conduct inquiries on behalf of foreign counterparts, or to authorize their foreign counterparts to conduct inquiries themselves, to facilitate group supervision.

545. **C. 40.16 (Not Met):** There are no texts regulating the handling of information made available to supervisory authorities through international cooperation with counterparts.

Exchange of information between law enforcement authorities

546. **C.40.17 (Partly Met):** The CTS can exchange information with foreign counterparts, relating to TF; however, the exchange of information is limited to the terrorist crime (art.3 of CTS Law No.31 of 2016). On the other hand, LEAs in Iraq exchange information with counterparts through Interpol Baghdad; however, the information they collect domestically is confidential and may not be disclosed or shared with any counterpart without the approval of the competent investigative judge¹⁴³. The requirement that LEAs should obtain the approval of competent investigative judge may constitute an impediment to the exchange of information with foreign counterparts especially in cases where a decision is made not to exchange information with counterparts.

547. **C.40.18 (Met):** Iraq is member of the Interpol and a party to several international conventions (United Nations Conventions against Crime, and Corruption, the Palermo Convention) and others. LEAs use their powers to conduct inquiries and obtain information on behalf of foreign counterparts, after obtaining the approval of the competent judiciary, given that they operate under their supervision (PP, assistant and deputies of the PP, investigative judge) (art.33, 40, 42, and 52 of Criminal Procedure Code No.23 of 1971).

548. **C.40.19 (Not Met):** The AT was not provided with the bilateral agreements (if any) concluded between LEAs and their foreign counterparts abroad, to determine how well they are able to form joint investigative teams to conduct cooperative investigations and establish bilateral or multilateral arrangements to enable such joint investigations. The purpose of forming joint investigative teams is to conduct investigations to collect information that is often confidential and may not be disclosed, because the investigations and inquiries are governed by professional secrecy (Discipline for State and public sector employees law No.14 of 1991 and the Instructions for the Code of Conduct for State and Public Sector Employees). Therefore, information characterized as confidential cannot be collected in cooperation with a foreign authority, unless so permitted by law.

Exchange of information with non-counterparts

549. **C.40.20 (Partly Met):** The Office has the power to exchange information with non-counterparts which may not directly provide the Office with information through one or more domestic or foreign authorities. (Art. 29 of the AML/CFT law). Apart from this, this power is not available to other competent authorities in Iraq.

550. **Weighting and Conclusion:** The Office has most of the powers required by virtue of the requirements of this Recommendation. It can exchange information, spontaneously or upon request, with counterparts and non-counterparts, for the purposes of combating ML, associated predicate offenses and TF. However, this power is not available to supervisory authorities, even if the law allows them to exchange information with counterparts for AML/CFT purposes, considering that the information that the law allows them to exchange does not cover information for regulatory and prudential purposes as well as information related to AML/CFT matters. On the other hand, LEAs do not have the ability to exchange or collect information on behalf of foreign counterparts, without the approval of the investigative judge, which might constitute an impediment to the exchange of information with foreign counterparts.

551. **For these reasons, Iraq is “Partially Compliant” with R.40.**

¹⁴³ All LEAs answer directly to the investigative judge, which has the power to issue the necessary decisions to be followed by LEAs.

Summary of Technical Compliance- Key deficiencies

Compliance with the FATF Recommendations

| Recommendation | Rating | Factor(s) underlying the rating |
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| 1 Assessing risks and applying a risk-based approach. | LC | <ul style="list-style-type: none"> The NRA did not consider various criminal activities in the Kurdistan Region. The application of the risk-based approach varies among the authorities concerned with AML/CFT. |
| 2 National cooperation and coordination | LC | <ul style="list-style-type: none"> MoUs are limited to a period of time, and the memorandum between the Office and the CTSs has expired and has not been renewed. Absence of written procedures or mechanisms for cooperation and coordination between the concerned authorities to ensure the compatibility of AML/CFT requirements with data protection and privacy rules and other similar provisions. |
| 3 ML offence | LC | <ul style="list-style-type: none"> Legislation allows for the punishment of most ancillary crimes to the ML offence, without including conspiracy to commit the crime. |
| 4 Confiscation and provisional measures | LC | <ul style="list-style-type: none"> Seizure of the accused's assets cannot take place unless an arrest warrant is issued against them. |
| 5 TF offence | PC | <ul style="list-style-type: none"> The Iraqi legislation requires the presence of intent and knowledge together, while the International Convention for the Suppression of the Financing of Terrorism requires the availability of one of them. TF offence does not include financing the travel of persons to countries or territories other than their nationality to commit, organize, prepare, participate, provide, or receive terrorist training. TF offence does not include contributing, organizing, or directing others when this is done by a terrorist. Criminalization does not extend to include the place where the terrorist act was supposed to take place. |
| 6 TFS related to terrorism and TF | LC | <ul style="list-style-type: none"> The mechanism for reviewing delisting requests is not consistent with the mechanism established under Security Council Resolution 1730. Absence of publicly known procedures for submitting requests to delist names and unfreeze the funds or other assets of persons or entities. |
| 7 TFS related to proliferation | LC | <ul style="list-style-type: none"> Absence of publicly known procedure to unfreeze the funds or other assets of persons or entities with the same and similar names as the identified persons or entities, which were inadvertently affected by the freezing mechanism. Absence of a requirement that any designated person or entity shall not be prevented from making any payment due under a contract entered into prior to the listing of such person or entity provided that: 1) The contract is not linked to any of the prohibited |

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| | | <p>items, materials, equipment, goods, technologies, assistance, training, financial assistance, investment, brokering, or services referred to in UNSCR 2231 and any future successor resolutions. (2) That the payment is not directly or indirectly received by any person or entity subject to the measures in Paragraph 6 of Annex B to UNSCR 2231.</p> |
| 8 Non-profit organizations | PC | <ul style="list-style-type: none"> ● Failure to review the adequacy of measures, including laws and regulations, related to the subset that could be used for terrorism financing support. ● Failure to reassess the sector by reviewing emerging information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures. ● The absence of information available on whether awareness programs and cultural programs were undertaken to raise and deepen awareness of each type of "organization", and whether these courses dealt with potential vulnerabilities of the "organization" to TF abuse, terrorist financing risks and the measures that Organizations can take to protect themselves against such abuse. ● Absence of any communication between the NGOs Department and NPOs to develop guidelines or best practices to address the TF risks and vulnerabilities and thus to protect the sector from TF abuse. ● Absence of information on whether the inspections targeted organizations at risk of potential TF abuse, and the issues that were considered during the inspection rounds. ● Absence of information on the issues considered during inspection visits and whether they fall within the requirements of Recommendation 8 and whether they are risk-based. ● Investigative authorities do not have the expertise and capability to examine "organizations" suspected of being exploited or actively supporting terrorist activity or terrorist organizations. Absence of any case indicating the abuse of "organizations" to support terrorist activities or terrorist organizations during the assessment period. |
| 9 Financial institutions secrecy laws | C | <ul style="list-style-type: none"> ● The recommendation is fully met. |
| 10 Customer due diligence | C | <ul style="list-style-type: none"> ● The recommendation is fully met. |
| 11 Record keeping | C | <ul style="list-style-type: none"> ● The recommendation is fully met. |
| 12 Politically exposed persons | C | <ul style="list-style-type: none"> ● The recommendation is fully met. |

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| 13 Correspondent banking | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 14 Money or value transfer services | PC | <ul style="list-style-type: none"> Despite the measures taken by Iraq to identify any natural or legal persons who provide MVTS without a license or registration, the penalties that the law permits to apply are not always considered proportionate, dissuasive and effective due to the principle of choice. |
| 15 New technologies | NC | <ul style="list-style-type: none"> Failure to identify and assess the ML/TF risks associated with new technologies, products and business practices and those emerging from VA activities and the activities or operations of VASPs, VASPs are not required to be registered or licensed. Absence of measures to identify natural or legal persons who practice VASPs activities without a license or registration, and to apply proportionate sanctions thereto. Failure to take the required measures in relation to C.15.6 -15.11. |
| 16 Wire transfers | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 17 Reliance on third parties | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 18 Internal controls and foreign branches and subsidiaries | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 19 Higher risk countries | LC | <ul style="list-style-type: none"> Sharing information concerning the vulnerabilities related to specific countries is limited to publishing FATF's Statement on the Office's website. |
| 20 Reporting of suspicious transactions | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 21 Tipping-off and confidentiality | LC | <ul style="list-style-type: none"> Protection from criminal and civil liability does not include, based on a clear and explicit text, the directors, employees, and officials of FIs. The obligation not to disclose to anyone the incident of submitting a STR is limited to FIs, not including their directors and employees and officials. |
| 22 DNFBPs: Customer due diligence | C | <ul style="list-style-type: none"> The recommendation is fully met |
| 23 DNFBPs: Other measures | PC | <ul style="list-style-type: none"> Protection from criminal and civil liability does not include, based on a clear and explicit text, the directors, employees, and officials of DNFBPs. The obligation not to disclose to anyone the incident of submitting a STR is limited to DNFBPs, not including their directors and employees and officials. |

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| <p>24 Transparency and beneficial ownership of legal persons</p> | <p>PC</p> | <ul style="list-style-type: none"> ● Absence of a mechanism in place that specifies and describes to the public how to obtain BO information of the company. ● Inputs and outputs related to assessing TF risks caused by NPOs are weak. ● Absence of a requirement to make the names of the directors (other than the delegated director) available as well as the basic regulatory powers to the CRD in Baghdad and in the Kurdistan Region. ● Information on NPOs in relation to founders, objectives, funding sources and other information is not publicly available. ● Companies registered in Baghdad are not required to keep the types of shares and names of directors and basic regulatory powers. ● Companies, like limited partnership companies are not required to keep the information required under C.24.3 and 24.4. ● Absence of a mechanism or mechanisms to verify companies' compliance with the obligation to keep the information updated (the obligation is only limited to the address) to ensure the accuracy and recency of the basic information. NPOs are not required to notify the Department of any change that might occur to their headquarters address. ● The obligation to update BO information is conditional and not in all circumstances, especially in cases of assignment of controlling shares where the BO may become another person. There is no requirement in this regard for the CRD in the Kurdistan Region. ● Companies in the Kurdistan Region are not required to authorize at least one natural person residing in Iraq, who is responsible for providing all basic and BO information to competent authorities, and to give them further assistance upon request. Also, there are no similar requirements for other types of legal persons. ● The CRD in Baghdad is not required to keep records, documents, papers, and data obtained from the founders, as well as BO information, for a period of no less than five years from the date of dissolution of the legal person, and there is no requirement in this regard for companies registered in the Kurdistan region. Also, there are no similar requirements for other types of legal persons. ● The prohibition on dealing in BNIs does not explicitly include bearer warrants, and there is no information indicating whether legal persons are able to issue bearer warrants. ● The legislation in Iraq does not provide for the concept of nominee shareholding or nominee directorship. However, it is possible for a nominee relationship to exist through a separate private contract between the nominee shareholder/director and |
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| | | <p>the other party. It is unclear whether this contract would indicate the details of the parties involved.</p> <ul style="list-style-type: none"> • The penalties that the law permits to be applied do not, in all cases, achieve the elements of dissuasiveness and proportionality. Moreover, the cases in which penalties may be applied do not apply in the event of violation of the other requirements of this recommendation. • Absence of explicit provisions in Iraqi legislation regulating how foreign authorities can obtain, in a timely manner, basic and BO information held by the CRD, FIs, and DNFBPs. • Absence of a provision in the laws or regulations that regulates the process of monitoring the quality of assistance that other competent authorities in Iraq receive from other countries in response to requests for basic or BO information or following up on the quality of requests for assistance in locating the BOs residing abroad. There are no similar procedures available to the CRD in the Kurdistan Region. |
| <p>25 Transparency and beneficial ownership of legal arrangements</p> | <p>PC</p> | <ul style="list-style-type: none"> • The information held by the trustee is not available to any party other than the Office, the PP, and the Head of PP (exclusively) only in cases where the Office disseminates STRs related to ML, associated predicate offences, or TF. • Absence of clear and explicit provisions in the Iraqi legislation regulating how foreign authorities can obtain in a timely manner information on trusts and other legal arrangements (such as endowments) held by trustee of endowments and those held by FIs and DNFBPs under the CDD process. • The shortcomings relating to the family Endowment and other Endowments apply equally to the requirements of sub-criterion 25.1(a), and criteria 25.2, 25.3 and 25.4. • The absence of an explicit text granting the competent authorities (except for the Office) the necessary powers to access, in a timely manner, information retained by Waqf Diwans (Offices). • The penalties available under AML/CFT Law do not achieve the elements of proportionality and dissuasiveness, as they are limited to removing the trustee without applying other penalties, whether criminal or civil. They are also limited only in the case of charitable and joint endowments due to the absence of texts related to the family endowment and other endowments. • Absence of penalties imposed on the trustee of Waqf in the event of failure to grant the competent authorities access in timely manner to information related to the Waqf. |
| <p>26 Regulation and supervision of FIs</p> | <p>PC</p> | <ul style="list-style-type: none"> • Absence of a supervisory authority entrusted with supervising and monitoring individual and collective portfolio management companies. |

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| | | <ul style="list-style-type: none"> • The licensing measures applied by the ID (bureau) do not include verifying the BOs of the controlling interests, and the fit and proper tests applied to managers, shareholders, and BOs do not include verifying their reputation and the extent to which they are associated with criminals. • Absence of information on the extent to which banks and institutions operating in the stock exchange and insurance sectors are subject to supervision in accordance with the core principles. • The measures taken by the CBI to enhance the risk-based approach to supervision are insufficient for e-payment companies. • The frequency and intensity of supervision of securities and insurance sectors is not based on risks and on the policies, internal controls and procedures associated with the institution or group, and the institution's or group's risk profile or on the characteristics of the FIs or groups. • The periodic review by the CBI of the ML/TF risk profile of banks does not include branches of foreign banks, and remaining supervisors are not required to review the assessment of the ML/TF risk profile of the institutions subject to their supervision. |
| 27 Powers of supervisors | C | <ul style="list-style-type: none"> • The recommendation is fully met |
| 28 Regulation and supervision of DNFBPs | PC | <ul style="list-style-type: none"> • Absence of a supervisory body for trusts and company service providers. • Absence of adequate measures to prevent criminals from being professionally accredited or being the beneficial owner of, a significant or controlling interest or holding management functions in a DNFBP. • Most DNFBPs are not subject to specific mechanisms related to observing their obligations to AML/CFT. • Failure of DNFBPs supervisory authorities to apply risk-based supervision. |
| 29 Financial intelligence units | LC | <ul style="list-style-type: none"> • The Office is using a channel that may not be secure and protected for the purposes of disseminating the results of its analysis to the PP presidency. |
| 30 Responsibilities of law enforcement and investigative authorities | C | <ul style="list-style-type: none"> • The recommendation is fully met. |
| 31 Powers of law enforcement and investigative authorities | LC | <ul style="list-style-type: none"> • The competent authorities are unable to use all special investigation techniques except with judicial permission. • Absence of texts stipulating that the investigation and inquiry procedures are confidential and that anyone who takes parts in these procedures is bound by the professional secrecy, including the entities that hold information on the assets required to be identified. |

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| 32 Cash couriers | LC | <ul style="list-style-type: none"> The law established the disclosure system, but the implementing regulations, as well as the administrative and judicial application, adopted the declaration system, with a minor impact on the overall rating of this recommendation. |
| 33 Statistics | C | <ul style="list-style-type: none"> The recommendation is fully met |
| 34 Guidance and feedback | LC | <ul style="list-style-type: none"> The Office provides quality feedback to reporting entities, but not in all cases. |
| 35 Sanctions | PC | <ul style="list-style-type: none"> Criminal penalties are considered dissuasive in some cases when reporting and confidentiality requirements are violated (Recommendations 20 and 21), but the principle of choice limits the effectiveness of their application. The law does not allow for the application of penalties against natural or legal persons not subject to any regulatory authority in the event of non-compliance with the requirements of Recommendation 6. Absence of any criminal or financial sanctions that the legislation in force allows to apply in case of violation of the requirements provided for in R.8 by the NPOs or by persons acting on their behalf. |
| 36 International instruments | PC | <ul style="list-style-type: none"> Implementation of all agreements is still incomplete given the failure to incorporate all the relevant articles set forth in these conventions into the national laws, namely in terms of enhancing the effectiveness of international cooperation in the field of confiscation and disposition of proceeds or property confiscated, as required by the Vienna Convention |
| 37 Mutual legal assistance | LC | <ul style="list-style-type: none"> Absence of a legislative text or internal procedures to implement MLA requests in a timely manner. |
| 38 Mutual legal assistance: Freezing and confiscation | C | <ul style="list-style-type: none"> The recommendation is fully met. |
| 39 Extradition | PC | <ul style="list-style-type: none"> Absence of a case management system and clear processes for the timely execution of outgoing extradition requests. Presence of restrictive measures in case of an agreement with the requesting country, and absence of simplified extradition mechanisms. |
| 40 Other forms of international co-operation | PC | <ul style="list-style-type: none"> All criteria related to general principles are rated "Partly Met", except for one criterion that is rated "N/A". The information provided for the exchange of information between financial regulators does not meet most of the requirements of the relevant criteria except for C.40.12. |

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| | | <ul style="list-style-type: none">• LEAs do not have the ability to exchange or collect information on behalf of foreign counterparts, without the approval of the investigative judge.• Absence of provisions or rules allowing LEAs to form joint investigative teams to conduct cooperative investigations.• Except for the Office, all competent authorities are unable to exchange information indirectly with non-counterparts. |
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Glossary of Acronyms

| Abbreviation | Full name in English |
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| BNIs | Bearer Negotiable Instruments |
| CBI | Central Bank of Iraq |
| CFTF | Committee for Freezing Terrorists Funds |
| CRD | Company/ies Registration Department |
| CTS | Counter-Terrorism Service |
| FCOI | Federal Commission of Integrity |
| GAC | General Authority of Customs |
| GAT | General Authority for Taxes |
| ID | Insurance Diwan |
| IQD | Iraqi Dinar |
| ISC | Iraqi Securities Commission |
| LEAs | Law Enforcement Authorities |
| MLA | Mutual Legal Assistance |
| MOC | Ministry of Commerce |
| MOF | Ministry of Finance |
| MOFA | Ministry of Foreign Affairs |
| MOI | Ministry of Interior |
| MOJ | Ministry of Justice |
| NIS | National Intelligence Service |
| NRA | National Risk Assessment |
| NSS | National Security Service |
| Office | AML/CFT Office |
| PP | Public Prosecutor / Public Prosecution |
| RERD | Real Estate Registration Department |