

Money's Electronic Payment in Iraq

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May 2016

Electronic payments are processed through an integrated system of plans and programs offered by banking and financial institutions in order to facilitate secure electronic payment transactions.

Such a system operates under certain rules and laws that aim to guarantee the confidentiality of secure and protected procurement procedures which ensure the delivery of the service. This system has achieved great success in many countries and is considered a globally applicable system.

In Iraq, and despite the development which has occurred in the accredited mechanism of the payment of money globally, the banks and companies specialised in this field are not up to the level of payment processing. The only bank which issues internationally accredited electronic payment cards is the Trade Bank of Iraq. Further, another example of e-payment in Iraq is a prepaid credit card private company which is licensed by the Central Bank of Iraq and associated with the Iraqis' Al Rafidain and Al Rasheed banks (public sector banks) to provide Iraqi employees with their pensions. Taking into consideration the aspiration of the Iraqi market to adopt electronic payments, in both the public and the private sector, and for the importance of keeping up with developments in this field, the Council of Ministers issued Regulation No. (3) of 2014 ("Regulation"), based on the provisions of subsection (iii) of Article (80) of the Constitution and Article 27 of the Electronic Signature and Electronic Transaction Law, in order to clarify the steps for setting up companies specialised in electronic payment processing. Thus, it is important to take into account the following:

Expanding Knowledge on the Activities of the Electronic Payment Company

Pursuant to the Regulation, the activities which an e-payment company can conduct in Iraq, are specified as follows:

- issuance of tools for the electronic payment of monies;
- management of cash deposits and withdrawals through automated teller machines ("ATM") and point of sale ("POS") terminals;
- implementing the electronic payment of debtors and creditors' operations so that the funds are guaranteed by a credit limit;
- the execution of electronic debt and credit payment operations by any means of digital communications, information technologies, or network operators that act as an intermediary between the user of electronic payment and the provider of equipment and services, or any receipt of funds including transactions through mobile phones; and
- the execution of electronic payment operations in accordance with the total settlement immediacy system or securities settlement system or automated clearing system.

To obtain an electronic payment licence for conducting electronic payment services, it is important to note the following:

- it is not permissible to conduct electronic payment services without obtaining a licence from the Iraqi Central Bank ("CBI");
- on the request of the licensee, CBI can modify a licence by adding the electronic payment services activity or changing the type of service listed on the licence – the licence will be valid for

- five (5) years and renewable upon the request of the provider of electronic payment services within ninety (90) days of the licence's expiration;
- it is a condition for the provider of electronic payment services to be a legal entity and have the technical and organisational skills to run such a service;
 - the service provider must have a permanent work location for carrying out the services and meet the technical and financial requirements required by CBI;
 - continuous practice of the licensed activity is required; engaging with other parties or total or partial waiver of the license to others during the licence's duration is not permitted without obtaining CBI approval; and
 - the provider is required to adopt the necessary systems and mechanisms for the control, internal audit, and risk management related to operating and managing electronic payments, which includes:
 - appointing individuals to manage the payment processing system who are technically qualified and not convicted of a crime, offence, or misdemeanour involving moral turpitude;
 - ensuring that the standards of accessing the system are safe and do not inappropriately differentiate between the system's users;
 - ensuring a continuity of availability and operation of the system;
 - implementing measures that reduce the risks related to the payment processing system and manage such risks;
 - implementing measures to secure and protect the electronic transactions, and saving and storing the operations that relate to the system in such a way as to deter disclosure, misuse, loss, damage or theft; and
 - ensuring the access of the CBI to the payment processing system for the purpose of supervision and surveillance.

The Submission of the Request to Obtain the Licence

To obtain a licence from the CBI to conduct such activities, the following are required:

- a copy of the certificate of incorporation, the articles of incorporation, and the minutes of appointing the managing director certified by the registrar of companies;
- the company's name and address;
- the names of the company's managing directors, founders, shareholders, and their nationalities and permanent addresses;
- the title deed or lease agreement for the building which is taken as the head quarter for the company;
- the capital assigned by the bank from time to time; and
- an economic feasibility study with the following information:
 1. the work plan and projected outcome and the financial estimates for the first three (3) years of operating the system;
 2. the aim of incorporation;
 3. the services to be performed;
 4. the operating costs;
 5. a contingency plan for any unexpected circumstances;
 6. the procedures to be taken to manage and control the risks to which the service provider may be exposed; and
 7. the procedures to be taken to protect the electronic payment service users, including the creation of separate accounts for such money.
 8. the payment of licence fees; and
 9. a confirmation letter from the relevant authorities confirming that there is no security objection impediment in granting the licence the company.

Suspension of the licence

Suspension of such an electronic payment provider's licence may occur in the following circumstances:

- failure of the electronic payment service provider to provide electronic payment services within one hundred and eighty days (180) from the issuance of the licence;
- denial of entrance of CBI representatives for the purpose of inspection or obstructing their work;
- violation of the related laws or regulations, instructions or orders;
- failure to provide electronic payment services within the agreed standards and specifications or providing unqualified services;
- engaging in activities which threaten the stability of the financial system in the country;
- disadvantaging users from utilizing the service. adjudication of the company's manager or owner of a felony or misdemeanor involving moral turpitude;
- stopping electronic payment services for a period exceeding thirty (30) days.
- failing to maintain any of the conditions of the granted licence; or
- obtaining the licence through false documentation or any other illegal ways.

Conclusion

The development of this Regulation strongly indicates that Iraq is a promising market for electronic payment systems. The Iraqi market is in need of such services which can be used by governmental departments and private companies, for the payment of salaries for example, as well as in malls and trading shops for the processing of consumer payments.