

Legal Regulation of Iraqi Bank Deposit Guarantee Company

Mohammed Omer Ali AL-JAF

Abstract:

This is a doctrinal study into identifying the position of the Iraqi banking system in terms of protection of the rights of the depositors as well as identifying the provisions of guarantee for depositors in the event the banks declare bankruptcy. This paper illustrates bank deposit guarantee in Iraq. It focuses on the Iraq Regulation no 33 of 2016 where it specifies the Iraqi company named Iraqi Deposit Insurance Company (IDIC). This company is established as the juridical company; The main purpose of this company is related to its very importance as they must do its business properly in compensating the depositor. The findings of this study show that the Iraqi banking system in the purview of guaranteeing the rights of depositors are inadequate and need major reforms. The paper concludes with recommendations for the Iraqi legislators on the necessary needed enactments required to remedy the issues. This research will contribute to the much needed literature in the Iraqi banking system. Furthermore, the findings of this paper can be extrapolated in regard to consumer protection and bank guarantees in emerging economies.



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About Author (s)

Mohammed Omer Ali AL-JAF, Department of Law, University of Garmian, Kurdistan-Iraq. & Ph.D. candidate at Ahmad Ibrahim Kulliyah of Laws, International Islamic University Malaysia. Email: Mhamadomer2371991@gmail.com

Introduction

Savings and liquidity are two impact factors that are related to the operation of any bank. Moreover, money is the most important asset for banks to perform properly. Iraq has banking laws such as the Central bank Act no. 56 of 2004 and Banking Law no. 94 of 2004 to regulate the operation and administration of the bank and they also made the Law for the Prevention of Money Laundering no. 93 of 2003 (). Moreover, according to the regulation, no. 3 of 2016, it allows the Iraqi central bank to confer a license to establish a legal entity to guarantee bank deposits, that the establishment of this company according to the Iraqi Company Law no 21 of 1997 that was been amended in 2004. However, due to lack of an effective act, the laws have failed to protect the depositor's rights during the insolvency or bankruptcy of any bank. Meaning that the bank does not give guarantees to their customers so that it does not settle the depositors and they do not have enough guarantee to protect their rights. As a result, the lack of any legal protection has a bad effect on the activities of all the banks as they depend on the savings and liquidity to do most of their activities. Having a powerful system to guarantee bank deposits is crucial for anyone who wishes to deal with a bank; this stands true for other financial entities. Besides, this kind of guarantee is crucial to acquire customer's confidence by the bank as it can help to resolve the crises that any bank may have to confront in the future. Thus, it is paramount to stabilize the banks and financial system and can protect the depositor's rights to not lose their deposits and maybe their profits as well.

Research Methodology

The methodology used for this research is doctrinal research in order to clarify the regulation no 3 of 2016 as well as to develop an analytical research approach to examine some related issue to this paper. Moreover, this research is purely doctrinal in identifying and analysing the Iraqi legal system. the data was collected on secondary sources in the field of Iraqi banking law to conduct this research. The main objectives of this review is to identify the legal regulation which is applicable in order to protect depositor's rights and to clarify the current position of Iraqi banking laws to protect bank deposits in Iraq. The review is set in this jurisdiction of Iraq and focuses on the Iraqi laws, the scope of this paper will be set in this manner.

1. The Establishment of the Bank Deposit Guarantee Company

The establishment of the bank deposit guarantee plays an important role to guarantee depositors. This company has a very effective role in the community generally and in the banking industry specifically.

1.1. The Importance of Establishing a Bank Deposit Guarantee Corporation:

With relevance to the importance of deposit guarantee corporation, there is no particular article in the Iraqi Bank Deposit Insurance Regulation no 3 of 2016 which are on the importance of the establishing the Deposit Guarantee System. However, the academics have stated some important aspects of it and we can discuss about it.

1. Establishing of the deposit guarantee participation in the stabling of the financial sector: this reason will eliminate the deposit withdrawing by the depositor. When there is no deposit guarantee, the depositor may withdraw their money from the bank or some banks in a particular time because they may lose their confidence in banks. This phenomenon has previously affected the banking sector in the whole Iraq. For this reason, each bank must seek to establish the Deposit Guarantee System to have positive effect on depositors to put their money in the banks. Moreover, when this system provides people confidence, it will cause transfer of money from them to other banks that have participated while at the same time developing financial sector as well. Therefore, these systems may participate in rehabilitating

banks when they cannot repay depositors money by providing them with some money.¹ (Ibrahim & Naje, 2016).

2. Having the Deposit Guarantee System participate in increasing the competition among the financial industry and provide a better service. When there is no guarantee for depositors, the banks that have lots of capital becomes more appealing than others. However, if this guarantee is available, the differences among financial industry may decrease including the risks that the depositors may face. So, they can influence the depositors who have a few amounts of money and they can become the largest number together.² (Taema, 2019).

3. Establishing the Deposit Guarantee System has a very effective role in the supervision of the banks. Moreover, this kind of importance may cause to monitor banks by the Deposit Guarantee Corporation. Therefore, the Iraqi Deposit Guarantee Regulation no 3 of 2016 states that every bank must submit the Deposit Guarantee Company monthly reports about deposits³ and the IDIC can appoint a supervisor upon obtaining permission from the CBI to audit and review each account.⁴

1.2. The Meaning of Guarantee

The guarantee has two specific meanings⁵ (Aleawadi & Alkhizaei, 2019)

1. Guaranteeing the Bank Deposits by the Same Bank.

This guaranteeing concludes to have a guarantee by the bank depending on the contract between the bank and depositors. This kind of guarantee consists of an insurance or reinsurance contract. The bank guarantees the deposits against everything such as rubbering, burning and bankruptcy. Consequently, the bank must return the deposits to its owner by any means. However, we can say that is not a very appropriate guarantee because when the bank has primarily declared insolvency, there is no money to repay the depositors.

2. The Guaranteeing of Deposits by a Special Corporation.

This kind of guaranteeing concludes that there should be a corporation to guarantee bank deposits and this corporation will be a special legal entity which can guarantee fully or a part of the deposits depending on the respective Act that established it.

1.3. The meaning of guarantee in Iraq:

After the explanation of the meaning of the guaranteed, we can detail that the Iraq embraced the second meaning of guarantee which depending on the Regulation no 3 of 2016 which must establish a mixed-joint stock company to guarantee bank deposit. However, we can say that there is no prohibition to any bank to make an insurance contract to its deposits in the interest of its depositor. Consequently, in this case, the Iraqi Commercial Act no 30 of 1984 and Banking Act no 94 of 2004 as well as Civil Act no 40 of 1951 will be applicable.

1.4. The Nature of the Company

The Regulation no 3 of 2016 has stated that the CBI can confer a license to establish a mixed joint-stock company to guarantee bank deposit according to the Iraqi Company Act no 21 of 1997. Here, we can find that it has determined the nature of the company that must become a mixed joint-stock company. Therefore, when we return to the Iraqi Company Act no 21 of

¹ Ibrahim Ismail Ibrahim; Huda Mohammed Naje, Muasasat Dhaman Alwadayie Almasrifia (Drast Mqarn), "Majalat Almuhaqq Alhaliy lileulum Alqanuniat Walsiyasia", vol. 8, no. 4. (2016): 108-109.

² Siham sawadi Taema, The Role of Bank Deposit Security Companies in Compensating Depositors (A study in Iraqi law), "Majalat Aleulum Alqanunia", vol. 1, (2019): 444-445.

³ Article 7 of Iraqi Regulation no 3 of 2016.

⁴ Article 9 of Iraqi Regulation no 3 of 2016.

⁵ Muhamad Kazim Muhamad Aleawadi ; Safa' Mataeab Fajat Alkhizaei, Qura'at Qanuniat fi Nizam Dhaman Alwadayie Almasrifiat Al-Iraqii raqm 3 lisana 2016 (Drasat Mqarn), "Majalat Alqadisiat Lilqanun waleulum Alsiyasia", vol.1, no.10, (2019): 467-468.

1997, it has defined it as a private or mixed-joint company composed of some persons that must be not less than 5 people who have subscribed in its shares in the public subscription and they are responsible in the company's liability according to the nominal value.⁶

We can find that the IDIC is a mixed-joint stock company that the state sector participates in the company. Besides, the stated Company Act no 21 of 1997 determined the amount of state participation to determine a company as a mixed company. Here the mixed company shall be formed by the agreement between one or more persons from the state sector and one or more persons from outside this sector. The state sector's share in the mixed company's capital must not initially be less than 25 percent. A mixed company may also be formed by two or more persons from the mixed sector. When the state sector's share falls below 25%, the company shall be treated as a private company.⁷ In addition, bank participation in the IDIC is compulsory whether the bank ownership is inside the state sector or outside this sector. However, the amount of bank contribution is determined by the CBI and can modify it according to the economic circumstances.⁸

We can say that; As the the CBI can confer a license to establish the IDIC so that this company is under the supervision of the CBI and since the IDIC is a mixed-joint company that the state sector must participate in it. So, this company seeks to obtain public interest while it has a private nature which is company. Also the banks' contribution in the IDIC is compulsory and each one must take a part in that company as well as the CBI which can determine the participation amount of them depending on economic conditions. There are some exemptions in the provision of the Iraqi Regulation no 3 of 2016 that we can detail them as Iraqi bank branches which are working outside of Iraq and development and investment banks, as well as Islamic banks which are working depending on the law in the financing projects and investing inside Iraq and the ones which are accepting limited purpose deposits, plus the Government deposit inside government banks.⁹ With relevance to the exemption of Iraqi bank's branch which are working outside Iraq, we can say that the regulation was created to develop the banking industry inside Iraq so that if those branches undergo in accordance to this regulation, there may not gain the purpose of the regulation.¹⁰ (Aleawadi & Alkhizaei, 2019) We can say that the branches outside Iraq should adhere to the legal system in that country and when it has the Deposit Guarantee Corporation, the bank branches must adhere to this Act, making one branch to follow two legal systems. However, there are some opinion about the foreign bank branches which are working inside Iraq that they are not compliant to the Regulation no 3 of 2016 because they have some pieces of evidence while there is another opinion that believes foreign bank branches that must comply to the Regulation no 3 of 2016 (for more detail look at¹¹ (Aleawadi & Alkhizaei, 2019). Consequently, the reality is that the foreign bank branches are subscribing to the IDIC as of the members of IDIC has increased to 63 banks all operating within Iraq, of which 7 are public banks, 40 private banks and 16 foreign banks.¹² (Alforatnews, 2019) this number is daily increasing that we can find it in the IDIC website (https://icdi.iq/member_banks/index/1). As we can say depending on the

⁶ Article 6, Iraqi company Act no 21 of 1997 as amended in 2004.

⁷ Article 7 & 8, Iraqi company Act no 21 of 1997 as amended in 2004.

⁸ Article 3 term 1 & 2, the Regulation no 3 of 2016.

⁹ Article 2 term 1, Iraqi Regulation no 3 of 2016.

¹⁰ Muhamad Aleawadi ; Safa' Alkhizaei, 480.

¹¹ Ibid, 480-483.

¹² Alforatnews. "albank almarkazi: Manh Shahadat Tasis {Alsharikat Al-Iraqiat lidhaman Alwdaye}." *AlForatNews.com*. October.26,2020.

https://alforatnews.com/news/216311?fbclid=IwAR183PI9zFZ1FKDJNy_95xVVbILSpinwof6Bq8S3Fnq8E84qk5331wNrjN0 (accessed February 16, 2020).

regulation provision that all the banks are not compulsory to subscribe to the IDIC company are those such as the investment and development banks as well as Islamic banks while the reality can tell us something else. The development and investment banks as well as Islamic banks which work depending on the law in the financing projects and invests inside Iraq and they are accepting limited purpose deposit. It means that those banks agree with the depositor to utilize deposit in a limited area so that these deposits are not compliant to a guarantee. Many deposits which do not undergo this regulation provision factors around, the mortgage cash in the value of credit facilities, Bank's deposit inside CBI, Legal reservoir for banks inside CBI, Deposits from the members of the board of directors on a participated bank, Non-asked deposit which are in a participated bank and bank deposit into any other bank.¹³

2. Administration of the IDIC

Deposit Guarantee Corporations management depends on the available system in each country, as each country regulates it according to its system. For example, some countries provide the administration of the Deposit Guarantee Corporation to the private sector. In this case, each bank seeks to provide better services to their customer. However, some countries do not give the authority to manage the Deposit Guarantee Corporation to the private sector and the state seeks to regulate it. As a result, it may increase the confidence in these corporations and having better surveillance to the banking sector. Moreover, there is a way in some countries which provide the deposit guarantee corporation management to the state and private sector. This way increases more depositor confidence regarding their deposits as it is protected by both the state and the private sector¹⁴ (Ibrahim & Naje, 2016). We can say that the third method to guarantee deposit is better than others because the deposit is protected by both sectors not merely a private sector that may be declared bankrupt at any time. As well as this method may cause to grow the economic sector of the country. With regards to the IDIC, we can say that Iraq has taken the third way in order to guarantee bank deposit when it has stated in the Regulation no 3 of 2016 that bank participation to establishing the deposit guarantee company is compulsory so that it contains private and state banks.

2.1. Composition of the IDIC

As abovementioned, the IDIC is a mixed-joint stock company. According to the Iraqi Company Act no 21 of 1997 as amended in 2004, it must-have three entities to manage it. They are the General Assembly, the Board of Directors and the Managing Director. With regards to the General Assembly, we have to go back to the Iraqi Company Act no 21 of 1997 as amended in 2004 and find that there is no provision about the General Assembly in the Iraqi Regulation no 3 of 2016. So, the regulation did not provide a new provision regarding with the General Assembly and the provision regarding with the General Assembly in the Company Act must fulfil on it in the IDIC that is The General Assembly must conduct all the company memberships.¹⁵ Regarding the Board of Directors, we can find a term related with it that Board of Directors of IDIC must consist and practice jurisdictions and are vested with powers in according to the Banking Act no 94 of 2004 and Company Act no 21 of 1997. We can say that the Board of Directors in the IDIC must have some conditions which are determined in the Banking Act no 94 of 2004¹⁶ and they have the same power for them in the banks and in the company with some other special provisions. Subsequently, the Regulation no 3 of 2016 has not permitted the chairman and member of the Board of Directors to become a chairman

¹³ Article 2 term 2, Iraqi Regulation no 3 of 2016.

¹⁴ Ibrahim Ibrahim; Huda Naje, 114.

¹⁵ Article 85, Iraqi company Act no 21 of 1997 as amended in 2004.

¹⁶ Article 17, Iraqi Banking Act no 94 of 2004.

or a member of the Board of Directors in another company whether the that company practices the same activities or not.¹⁷ However, this provision differs with the provisions in the Iraqi Company Act which allows a member of the Board of Directors to become a member of the Board of Directors in other six companies and they can become a chairman in one or two companies. Moreover, a company chairman or member in a Board of Directors may take the same position in another company when they are not practicing the same operation. However, when they have the same operation, the chairman or a member in a Board of Directors must take the permission from the General Assembly to become a chairman or a member in a Board of Directors in both companies¹⁸. We can say that the Regulation no 3 of 2016 has taken a right way in preventing the chairman or a member of the Board of Directors to take the same position in another company in order to protect data inside the IDIC and especially focusing them to do their jobs properly the whole time. Regarding the position of the Managing Director, he or she must have jurisdiction and experience in the financial and banking field of law with a special certificate in those fields and must have the requirements that have been stated in the Company Act which is every company can have a Managing Director. The Managing Director may be from the partnerships or maybe a foreign person that possess skills or requirements mentioned in the company activities. The features, authorities, wages, and rewards for him or her will be determined by the Board of Directors.¹⁹ However, this article was edited by the Iraqi Company Act that decided every company may have a deputy to the Managing Director that practices the same authorities of the Managing Director when he or she is absent. The Deputy Managing Director will be employed by the same way as the Managing Director.²⁰

2.3. Sources of the Financing of IDIC

There are some ways to fund the Deposit Guarantee Company which the first one is they should depend on the fixed instalment in a specific period. The participating bank must pay the determined instalment and will be penalized if the payment is delayed. This makes regulation of money to the corporation, at the same time providing people with more confidence. However, the disadvantage of this way is that they may not be able to determine an appropriate instalment to be paid by the bank. Thus, in this way, the corporation is probably paid money monthly²¹ (Taema, 2019). However, we can say that there may not be an appropriate way to determine the installment so this is a disadvantage of this way. Second is that the corporation depends on the sum money according to any bankruptcy. Each shared bank must pay an amount of money to recover from the insolvency. The advantage of this way is the lost sum money can be recovered and banks do not have duties to pay any instalment when there is no money lost. However, the disadvantage of this way is the banks may have the duty to pay the instalment in the agreed period while that may not be appropriate time to pay because of its financial situation²². (Ibrahim & Naje, 2016). Regarding the Iraqi legal system, we can find that they have taken the first way to finance the corporation and determined the punishment when the bank pay late in the agreed period depending on the article (56) of Iraqi Banking Act no 94 of 2004.²³ Which states the sources of it as discussed below;

¹⁷ Article 10, regulation no 3 of 2016.

¹⁸ Article 110, term 1 & 2, Iraqi Company Act no 21 of 1997 as amended in 2004.

¹⁹ Look at article (121) of the Iraqi Company Act no 21 of 1997.

²⁰ Look at article (6) of the Iraqi Company Act in 2019 published in Iraqi formal gazette no 4554 on September 2019 declared Act no 17 of 2019 Iraqi Act to amend Company Act no 21 of 1997.

²¹ Siham Taema, 154.

²² Ibrahim Ibrahim; Huda Naje, 120.

²³ Article 3 term 3, Regulation no 3 of 2016.

2.4. The Capital of the Company:

The IDIC must have special capital that is not less than (100,000,000,000 ID) that the participating of the banks must be determined by the CBIs Board of Directors and the last one can change it depending on the economic condition.²⁴ However, the regulation does not have a provision for how those banks will established and how they can participate. According to the Iraqi Company Act no 21 of 1997 that mixed-joint stock company must have the capital from the beginning that not less than 30% and not more than 55%, as well as the participating of the state sector's share, must ultimately not be less than 25% in every condition. Subsequently, the founders in the mixed joint-stock company shall subscribe by not less than 30 percent and not more than 55 percent of its nominal capital, and this should include the minimum 25 percent fixed for the state sector²⁵. In addition, the IDIC must have some reserve finance which is determined by the CBIs and Board of Directors²⁶.

- **Insurance Instalment**

Each bank must pay an instalment to the corporation depending on the number of its deposits which are subjected to the guaranteeing²⁷ (Ibrahim & Naje, 2016). The Regulation no 3 of 2016 stated that the insurance instalment can be considered as a source of financing to the company.²⁸ Regarding the regulation no 3 of 2016, the banks which are subjected to this regulation must pay (1 ID) for every (10000 ID) each month. Subsequently, the total deposits must be accounted depending on the previous month.²⁹ In addition, the Regulation no 3 of 2016 gives the authority to the CBI to punish any bank when it is delayed in the payment. The punishments are determined in the article 56 of the Iraqi Banking Act no 94 of 2004.³⁰ We can say that punishing in delaying the payment is very essential because of the financing these companies is vital to do their job properly and obtaining their purpose completely.

- **Investment returns**

Investment returns can be considered as a source of financing for the corporation which means that the corporation gains benefit from the investments they performed. The Regulation no 3 of 2016 stated that the investment returns are a source of the financing the company.³¹

- **Financial donation**

Financial donation is another source of financing source to the company. The corporation may be paid with some donation or obtain any kind of donated money so that it can be considered as a financing source. The regulation no 3 of 2016 states that any financial donation that is submitted to the company and if it has the official acceptance by the Board of Directors can be considered as a financing source.³²

2.5. IDIC Activities.

The Regulation no 3 of 2016 has determined the activities which IDIC can practice as discussed below.

2.5.1. Deposit Guarantee:

Guaranteeing deposit is the main purpose to establish the IDIC. One of the most important aims to establish IDIC is to guarantee bank deposits. The regulation states that the IDIC must

²⁴ Article 3 term 1 & 2, Regulation no 3 of 2016.

²⁵ Article 39, Iraqi Company Act no 21 of 1997.

²⁶ Article 3 term 4, Regulation no 3 of 2016.

²⁷ Ibrahim Ibrahim; Huda Naje, 120-121.

²⁸ Article 5 term 1, Regulation no 3 of 2016.

²⁹ Article 4, Regulation no 3 of 2016.

³⁰ Article 3 term 3, Regulation no 3 of 2016.

³¹ Article 5 term 2, Regulation no 3 of 2016.

³² Article 5 term 3, Regulation no 3 of 2016.

provide cover with the deposits when they are put by depositors in banks in Iraq.³³ we can say that this is one of the main ideas in the establishment of such a company like that.

2.5.2. Investment on its Fund

According to the Regulation no 3 of 2016, the IDIC can invest its capital in the investment process which is determined them such as³⁴ Deposit its capital, buying financial papers exported by the Ministry of Finance, Iraqi government bond and Borrowing). We can say that the Regulation no 3 of 2016 determines all the IDIC activities in a limited form.

2.6. The Compensation Amount

The Regulation no 3 of 2016 determines that the compensation amount for the depositor detailed below³⁵:

1. If the deposit amount is less than (100,000,000 ID), the compensation amount is 51%.
2. If the deposit amount is more than (100,000,000 ID), the compensation amount is 25%.

We can find that there is a huge difference between the two amounts. However, the Regulation no 3 of 2016 is seeking to protect depositors who have a small amount while depending on that regulation, the depositors who have a huge amount are facing lots of loss. Besides, we can also detail that the Regulation no 3 of 2016 does not determine whether the depositors can submit a petition in the court to gain their deposits in order to prevent them in compensating two times (first is the coverage amount and second is the deposit).³⁶ (Taema, 2019). Subsequently, according to the public provisions we can detail that the depositors can turn to the banks and ask them to pay their respective amount. In addition, the CBI can amend these amounts depending on the public economic condition and the IDICs economic circumstance.³⁷ Therefore, we can say that the all the amount deposited may not be covered by the IDIC depending on the Regulation no 3 of 2016 because it determines a limited amount. Besides, the regulation does not have provisions for deposits in foreign currency. There is a need for foreign deposit currency which may need to be covered by the IDIC. Accordingly, we can say that although there is no provision related to the depositors whether they can turn to the court as per the Regulation no 3 of 2016, we can say that depending on public provisions, the depositor can ask banks to give them their rightful access to their deposited funds.³⁸ In conclusion, it is recommend to cover the amount of deposit for limited sum such as when the amount of 10 million ID so that the coverage amount would cover the entire amount.

3. Conclusion

3.1. Results

The bank may guarantee the deposits against everything such as rubbering, burning, and bankruptcy. Consequently, the bank must return the deposits to its owner by any means. However, we can say that is not a very appropriate guarantee because when the bank has primarily declared insolvency, there is no money to repay the depositors. Also since there is no prohibition to any bank to make an insurance contract to its deposits in the interest of its depositor. Consequently, in this case, the Iraqi Commercial Act no 30 of 1984 and Banking Act no 94 of 2004 as well as Civil Act no 40 of 1951 will be applicable. As the regulation no 3 of

³³ Article 6 term 1, Regulation no 3 of 2016.

³⁴ Article 6 term 2, Regulation no 3 of 2016.

³⁵ Article 13 term 1, Regulation no 3 of 2016.

³⁶ Siham Taema, 470-472.

³⁷ Article 13 term 2, the Regulation no 3 of 2016.

³⁸ Article 239-247, Iraqi Commercial Act no 30 of 1984.

2013 has determined the nature of the company that must become a mixed joint-stock company. Due to this reason the CBI can confer a license to establish the IDIC so that this company is under the supervision of the CBI. It has to be noted that the IDIC is a mixed-joint company that the state sector must participate in it. So, this company seeks to obtain public interest while it has a private nature which is company, Making the banks' contribution in the IDIC is compulsory and each one must take a part in that company as well as the CBI which can determine the participation amount of them depending on economic conditions. It is also found that the branches outside Iraq should adhere to the legal system in that country and when it has the Deposit Guarantee Corporation, the bank branches must adhere to this Act, making one branch to follow two legal systems. Since depending on the regulation provision that the banks which are not compulsory to subscribe to the IDIC company are those such as the investment and development banks as well as Islamic banks while the reality can say something else.

Also the third method to guarantee deposit is better than others because the deposit is protected by both sectors not merely a private sector that may be declared bankrupt at any time. Besides, this method may help to grow the economic sector of the country. The Regulation no 3 of 2016 has taken a right way in preventing the chairman or a member of the Board of Directors to take the same position in another company in order to protect data inside the IDIC and especially focusing them to do their jobs properly the whole time. Furthermore, it has been found that punishing in the delaying the payment is very essential because financing these companies is vital in order for them to do their job properly and obtaining their purpose completely. For this the Regulation no 3 of 2016 determines all the IDIC activities in a limited form. As the Regulation no 3 of 2016 does not determine whether the depositors can submit a petition in the court to gain their deposits in order to prevent them in compensating two times (first is the coverage amount and second is the deposit), All the amount deposited may not be covered by the IDIC depending on the Regulation no 3 of 2016 because it determines a limited amount. It is found that the regulation does not have provisions for deposits in foreign currency. There is a need for foreign deposit currency which may need to be covered by the IDIC.

3.2. Recommendation

From the findings of this review, these recommendations are vital in confirming the long-term sustainability of the Iraqi banking system. We recommend that the Iraqi legislator to void the regulation no 3 of 2016 and enact a new Act related to the Bank deposit guarantee. Also modifying the nature of the company and make it as a special corporation independent. Further, the corporation must monitor by the legislation authority. As, modifying the amount of the compensation in order to keep balance among the two amounts as we aforementioned. A new provision should be included in the act regarding a new bank which will be established and become a member inside the company. This provision must mentioning that the depositor can return to a court to take a suit against the respected bank in order to protect depositors' right. Having an additional article on the deposits which were put away inside banks by foreign currency. Furthermore, there should be mechanisms for monitoring since this review found that the IDIC have a serious monitoring on all the bank members.

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