



Copyright © 2022 International Journal of Criminal Justice Sciences (IJCJS) – Official Journal of the South Asian Society of Criminology and Victimology (SASCV) - Publisher & Editor-in-Chief – K. Jaishankar ISSN: 0973-5089 January – June 2022. Vol. 17 (1): 110–121. DOI: 10.5281/zenodo.4756093 / IJCJS is a Diamond Open Access (Authors / Readers No Pay Journal). Indexed in Scopus and Emerging Sources Citation Index (Web of Science).

This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International (CC-BY-NC-SA 4.0) License, which permits unrestricted non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.



# Combatting money laundering and terrorism financing: An evaluation of Iraq's legislature and actions

**Firas Issa Merza<sup>1\*</sup>**

Ahl Al Bayt University

**Wissam Mohammed Hassan Algaragolle<sup>2</sup>**

Al-Nisour University College

**Ammar Hamad Huraish<sup>3</sup>**

Al-Farahidi University

**Nsaif Jasim Mohammed Al Karaawi<sup>4</sup>**

Al-Mustaqbal University College

**Mugdad Hussein Ali<sup>5</sup>**

The Islamic university in Najaf

**Zaid luqman Ismail<sup>6</sup>**

AlNoor University College

**Iqbal Naji Saeed<sup>7</sup>**

Mazaya University College

## Abstract

*Money laundering has been a big concern worldwide, with many nations trying to implement more effective methods to combat it. However, anti-money laundering controls vary from country to country. This has caused some challenges. Several studies have examined these inconsistencies and the anti-money laundering (AML) efforts to combat money laundering, defined as the illegal act of receiving money obtained through illicit means. Allowing money to flow through unlawful routes corrupts society further. Corruption has significant and more complex consequences on economic growth than a typical review would indicate. It destroys the excellent reputation of enterprises, affects economies and business competition, promotes skepticism, makes it difficult to follow the law, erodes faith in politics, and engenders suspicion. The article examined the policies and procedures implemented by the Iraqi*

<sup>1</sup> College of Law / Ahl Al Bayt University / Kerbala / Iraq. Email: [frass.alhmyry@gmail.com](mailto:frass.alhmyry@gmail.com)

<sup>2</sup> Law Department, Al-Nisour University College / Iraq. Email: [wissam.m.law@nuc.edu.iq](mailto:wissam.m.law@nuc.edu.iq)

<sup>3</sup> Al-Farahidi University- College of Law / Iraq. Email: [dr.Ammar.H.Huraish@uofarahidi.edu.iq](mailto:dr.Ammar.H.Huraish@uofarahidi.edu.iq)

<sup>4</sup> Law Department, Al-Mustaqbal University College, Babylon, Iraq. Email: [naseefjassim@uomus.edu.iq](mailto:naseefjassim@uomus.edu.iq)

<sup>5</sup> college of media/ The Islamic university in Najaf, Iraq. Email: [mugdadhusein6@gmail.com](mailto:mugdadhusein6@gmail.com)

<sup>6</sup> Department of Law, AlNoor University College, Bartella, Iraq. Email: [zaid.ismail@alnoor.edu.iq](mailto:zaid.ismail@alnoor.edu.iq)

<sup>7</sup> Mazaya University College/ Iraq. Email: [driqbalkhaled@mpu.iq](mailto:driqbalkhaled@mpu.iq)

*government to combat money laundering and terrorism financing. The Iraqi legal system has made significant progress in formulating protocols and implementing required procedures to combat terrorism financing and money laundering. The nation has built tight policy frameworks and alliances with governing bodies and other nations to control these concerns. The AML and TFO office was founded in 2007 with a similar governance structure as the CBI. In addition, the office was restructured and oriented due to the international sanctions imposed in 2015 and the rising citation of Iraqi nationals' involvement in money laundering and terrorism funding operations. The country was removed from the FATF grey list in 2019 due to the adoption of strong policies and local government entities for creating control against money laundering and terrorism funding. Although coordination between the CTF and governing agencies is difficult to sustain, Iraq appears ahead of its neighbors in the battle against terrorism and money laundering.*

## **1. Introduction**

Recently, money laundering has garnered international attention, and several states are attempting to stop it. Since anti-money laundering (AML) controls vary between nations, several studies have examined these disparities alongside the current AML initiatives (Glanville, 2015). It is practically universally banned and unlawful to acquire money illegally or ethically. Obtaining funds outside of the legal system will promote corruption in society. The adverse effects of corruption on development are profound and complicated compared to what a conventional study based on western notions of the national government would suggest. It undermines economies and competitiveness, generates doubt among the populace, erodes the rule of law, diminishes governmental legitimacy, and fosters mistrust (Rahmdel, 2018). Iraq has been placed on the Financial Action Task Force (FATF) blacklist for its role in financial fraud, which, according to the FATF's chief, jeopardizes the global economic structure's integrity. Iraq also possesses several other characteristics that led to its inclusion on the FATF blacklist. Terrorism and its repercussions are an additional problem the globe faces today. No nation is currently exempt from the effects and repercussions of terrorism in the modern day, even though it manifests in its traditional forms. As a result, many nations worldwide are pursuing anti-terrorism measures to suppress and eradicate extremists, particularly in the aftermath of the September 11 attacks. In this context, the Financial Action Task Force (FATF) also accused Iraq of providing financial and non-financial support to several non-governmental militant organizations, including Hezbollah, Hamas, and the Palestinian Islamic Jihad (PIJ), all of which are globally recognized as terrorist organizations (Molla Imeny et al., 2021).

The Financial Action Task Force (FATF) views the Iraqi region as a red flag territory on the world map. In other words, the FATF considers Iraq a high-risk country for exchanges and commercial transactions, particularly in its banking system. As stated by the Financial Action Task Force (FATF) on October 11, 2007, the Islamic Republic of Iraq lacks an adequate anti-money laundering (AML) framework. In June 2015, however, following Iraq's acceptance of an action plan to address AML (anti-money laundering) and CTF deficiencies and government commitment, the Financial Action Task Force postponed its defensive measures for a year and urged its participants and other nations to inform their financial firms to conduct transactions with Iraqi firms and individuals with extreme caution.

According to the Financial Action Task Force and the Association of Certified Anti-Money Laundering Specialists (CAMS), money laundering conceals the source of illegal and illicit income and converts them into legal assets. Typically, money laundering begins with the concealment of criminal activities, continues with the legalizing of illegal funds, and culminates with the use of legalized funds. Money laundering is the transformation of illicit funds into legitimate ones (Mekpor, 2019).

Money laundering is an important economic issue. Criminal law is significantly influenced by its negative economic impacts. According to extensive research conducted by economists, the argument for criminalizing money laundering (ML) is based on nations' legitimate economic, societal, and civic interests and the underlying harm crimes do to these goals. Money laundering strengthens the financial position of organized criminal groups, allowing them to bribe authorities, penetrate the legitimate economy, and ultimately develop a culture in which unlawful behavior dominates a nation's governing system. Consequently, the monetary and economic implications of money laundering (ML) have played a crucial role in defining criminal law. In the money laundering (ML) context, globalization refers to the direct transmission of financial movements across international borders and the deregulation of economic systems. Only well-organized global activities can effectively resist ML, which manifests its most damaging effects in a global setting. In crime prevention, ML legislation demonstrates an unusual response to the administrative vacuum caused by globalization. Eliminating borders, technical developments, and ease of business and information sharing has increased criminal behavior. The practice of "platform browsing," which enables criminal organizations to exploit the disparities resulting from the presence of numerous judicial frameworks despite their typically shared underpinnings, is another factor that bolsters the necessity for worldwide coordinating expansion. Conventional state laws have become obsolete and inefficient, needing international cooperation to ensure sufficient prevention of transnational crime. Money Laundering (ML) practices are archetypes of transnational offenses that specific worldwide procedures must thoroughly address (Arnone & Borlini, 2010).

The FATF blacklisted Iraq in 2016 as a penalty for its weak financial systems in combating terrorist financing and money laundering. The reason behind the ban was the increased reservations of the international community relating to the increased funding for ISIS<sup>8</sup>. This decision by the FATF emphasized the significance of adhering to the organization's recommendations for neighboring nations and the necessity of preventing terrorist organizations like ISIS from strengthening and obtaining access to money that disturb national and international peace. The currency auction was a contributing factor to the choice. Participating banks in the currency auctions are involved in the transfer of enormous sums of money out of Iraq, which were at risk of being laundered (Birka & Lāce, 2021; Diyaa, n.d.).

Moreover, the CBI<sup>9</sup> came under fire for failing to effectively prevent money laundering and terrorist financing by local and foreign entities, including banks and exchange companies. The study by FATF revealed that the country's legislation appeared weak and was not following FATF's requirements. Since the ban was

---

<sup>8</sup> Islamic State Organization in Iraq

<sup>9</sup> Central bank of Iraq

imposed in 2016, CBI has collaborated with other government agencies and authorities to build the necessary governance structures and set procedures for lifting the country's "ban." The proposed reforms include heightened oversight and regulation of Iraqi and foreign banks operating in the country. In addition to CBI, exchange corporations and other financial institutions have altered their internal operations to achieve more administrative control. As the Iraqi economy is largely cash-based due to the slow development of the financial sector, it was hoped that the banking institutions' better procedures would allay FATF's concerns. The majority of the approximately 2000 financial institutions in Iraq are exchange businesses. Even though Iraqi law prohibits these organizations from sending funds abroad, there are reports of such transactions (UNODC ROMENA, 2021).

Despite the issue of AML regulations in 2015 and before 2004, the unlawful use of currency has persisted in the country due to the weak governance structure and compliance of the banking sector, leading to an increase in instances of power abuse and money laundering within the country. The new limits on cash transfers to and from Iraq increased the challenge for investors in the nation (Al-Husseini, Mansoor, & Al-Imarah, 2021).

The newly enforced constraints include auditing, source, and purpose of financing documentation for financial transfers. These restrictions will increase the difficulty for European and Iraqi investors, harming the country's investment climate. Thus, the money transfer process will be subject to heavy bureaucratic fines, which will increase credit and transfer costs and negatively impact Iraq's investment climate.

The global incidence of money laundering has increased, with the global average volume reaching \$2,500 billion between 2015 and 2020 (FATF, n.d.).

As a result of the rise in criminal behavior, the term "crime" has been replaced by "the scourge of the times." According to official numbers issued by Iraq and the Iraqi Council of Ministers in 2019, the amount of money that has been laundered over the past decade totals \$450 billion. In addition, the rise in money laundering has been linked to the financing of terrorism, a glaring problem in the country. Therefore, the government must enact severe legislation to prevent money laundering and terrorism financing within the country.

This article will investigate and explain Iraq's viewpoint by addressing its legislation and framework to evaluate its government's activities in the fight against terrorism and money laundering. The study will begin with a discussion of the nation's policies and legislative framework on the criminalization of terrorism and its financing. The study will examine the Iraqi legal system, focusing on money laundering rules and bills. It will investigate whether Iraq is a victim or a terrorist state in terms of terrorism financing based on the government's norms and regulations governing this subject. The report will help policymakers and lawmakers in nations subject to FATF and other regulatory restrictions, such as Iraq. It can help Iraq and its legislative bodies comprehend the big picture and deal successfully with FATF.

## **2. Environment and Political Stance of Iraq**

Iraq has been associated with money laundering by the Basel Committee on Banking Supervision (Basel AML Index, n.d.). FATF, negatively affecting the banks' ability to form associations with foreign counterparts subject to international sanctions by the EU, is listed on the FATF blocklist in the list of countries that do not

comply with AML requirements (Rahmdel, 2018). These sanctions are majorly attributed to the failure of Iraq to recede to international conventions, that is, the United Nations Conventions against Transnational organized crime and TFC. Instead of this financing convention of 1999 (Compin, 2018). According to the requirements set forth by the FTF, countries are required to criminalize and penalize. Criminal terrorist financing, including removal of the exemption of designated groups that attempt to end foreign occupancy and presence, and colonialism.

In addition, the Iraqi government does not recognize Hashado Shabi, Hizbullah, or Ansarollah as terrorist organizations recognized as such by the FATF, the United States, and the European Union. This flagrant disregard for authority and deviation contributed to the country's blacklisting status. In addition, the country's blocklisted status can be attributed to political decisions rather than inadequacies in its legal and regulatory system. However, it would be incorrect to believe that the absence of money laundering in the country is primarily due to political corruption and illegal drug trafficking (ALSoud et al., 2021; Rahmdel, 2018).

### **3. Iraqi legal and policy framework of terrorism financing**

Iraq's counterterrorism policy aims to prevent terrorist attacks from inside and outside the country. The counterterrorism policies of Iraq may appear inconsistent, yet they have been meticulously developed to fulfill the country's national security and foreign policy objectives. Iraq collaborates with other accountable groups to recognize and neutralize threats through meaningful conversation. Additionally, it prosecutes terrorists as necessary. By taking a proactive position against terrorism, Iraq can defend its citizens and national interests domestically and internationally. Iraq has maintained internal and external security by assisting Hamas, Hezbollah, and Palestinian parties. The Military Ministry of Security and Intelligence, the Armed Forces (Artesh), the Law Enforcement Police (NAJA), and the Islamic Revolutionary Guard Corps are the entities working to assist terrorism within the state (IRGC) (Bakhshi, Wesley, & Reddy, 2021; Gurulé, 2010).

With the explicit approval of the Supreme leader, these groups may calculate an attempt to coordinate under the SNSC.

The MOIS collects external and internal intelligence, monitors dissidents, and identifies sabotage and conspiracy attempts with the sanction of the Supreme Leader (Malakoutikhah, 2020a).

Additionally, all institutions are required to share procedural information with the ministry. Despite being under direct reporting authority to the President, the MOIS is required to report to the Supreme leader (Malakoutikhah, 2020b). In addition, to combat terrorism, Iraq has created agreements with foreign nations regarding counterterrorism finance, extradition, legal help, intelligence sharing, and assistance in the transfer of convicted criminals. Due to their direct connection with countering terrorism and terrorism financing, three contracts must be mentioned in particular: "The Law of the Cooperation Agreement on Combating Organised Crime and Terrorism between Iraq and Kazakhstan" (2007), "The Law of the Cooperation Agreement between the Government of Iraq and Turkey on Combating Drug Trafficking, Organised Crime, and Terrorism Financing" (2011), and "The Law of the Islamic Republic of Iraq to annex the United Nations Convention against Transnational Organ (2008)" (Malakoutikhah, 2020b). The OIC is the most important among these for several reasons.

Importantly, it can aid member states in their fight against terrorism through a shared understanding of the role of Islam and similar regional areas. Three aspects of the treaty would enable other nations to comprehend Iraq's stance on terrorism: first, the definitions of terrorist criminal activity and terrorism; second, the declaration of terrorism financing as a criminal act. Third, the additional areas of collaboration between the OIC and its members, such as fighting terrorism, preventing terrorism, and sponsoring terrorist activities, must be specified. The collaboration between Iraq and its other members is more practicable than between different nations and organizations, such as the CTC and FATF. Iraqi lawmakers and laws view these organizations as tools of the United States and the West to exert pressure on Iraq (Malakoutikhah, 2020a). The collaboration between OIC and Iraq is essential because the country complies with the requirements and understands the framework's needs better than the other governance bodies (Malakoutikhah, 2020b). In addition to the regional agreements, Iraq reportedly implements UN resolutions 1624 and 1373 of the CTC (Dara, Moghadas, & Lalalizadeh, 2020). Also, Iraq has cooperated with the FATF to some extent to meet the requirements of banking governance, remittances, and charities.

#### **4. Iraqi regulations and money laundering**

Obtaining money by unlawful or illegitimate means is a criminal act that is condemned. The acquisition of property or funds from illegal sources erodes social cohesion. Hence everyone should get their money through authorized means. As Mathew Glanville demonstrates, obtaining money outside the law propagates social corruption (Glanville, 2015). Corruption hinders progress, but the impacts are deeper and more nuanced than a simple examination of western ideology suggests (Glanville, 2015).

Corruption is frequently the source of numerous problems that harm the economy and undermine the public's faith in the government and business sector. Legislation about money laundering is founded on and driven by the legality of the ownership principle. Following the Iraqi Constitution, the burden of proof remains with the complainant. According to the Iraqi Penal Code, the claimant is the plaintiff in civil proceedings and the public prosecutor in criminal cases. Therefore, the property is taken if the profit prosecutor establishes that the property was illegitimately acquired or that the money used to buy the property was illicit (Burger & Holland, 2016). These statutes derive from Articles 47 and 46 of the Iraqi constitution. Also, according to Article 49, the government is obligated to confiscate all ill-gotten gains based on user, patient, embezzlement, accumulation through conventional means, theft, misuse of endowments, gambling, misuse of governmental transactions and contracts, sale of public property, sale of uncultivated lands, operations of corruption, and any other illegal activity and circumstances (Burger & Holland, 2016). The government must seize the property or riches and transfer them to the rightful owners. If no authentic owner can be established, the property, cash, or wells become the government's property. However, constitutional law rules dictate that the government must investigate with reasonable diligence and offer sufficient proof. To conduct these acts following Islamic law (Constitute Project, n.d.).

The criminal processes linked with money laundering are governed by legislation in Iraq. According to Article 2 of the statute, anyone convicted of embezzlement, bribery, or fraud faces up to two years in prison or a fine equal to twice the amount

of money or property involved in the offense. This law, which was enacted in 1998, states that anyone who deals with the privileges granted to specific individuals (such as import and export licenses) or who abuses these privileges by committing fraud in the distribution of goods that are supposed to be distributed in a particular manner is subject to punishment (Erliyani, 2022; Unger & Busuioc, 2007).

However, referring directly to the AMLC when discussing money laundering is advisable. Article 1 of the AMLC, like Article 2 of the Commercial Code, specifies that all commercial transactions are absent lawful evidence to the contrary.

In addition, according to Article 2's directive, a claim of ownership is presumed to be genuine until contrary evidence is shown. Article 2 does not accurately describe money laundering; instead, it refers to the criminal conduct linked with money laundering. The legislation specifies the differences listed below.

- The illegal possession, acquisition, or use of proceeds from criminal acts with knowledge that the funds were obtained directly or indirectly from a criminal act.
- Conceal the illicit origin of monies by exchanging, converting, and transferring them, knowing full well that they have been acquired or are involved with criminal activity.
- Hiding the source, identity, location, displacement, origin, or possession of funds gained directly or indirectly through illicit action.

Thus, the provisions of Article 2 are essentially exhaustive and apply to all possible money laundering activities. Therefore, they are presumed to conform with FATF rules and recommendations. According to recommendation 3 of the FATF, nations should prohibit and punish money laundering in conformity with the Palermo and Vienna Conventions' directions. According to Article 2 of the money laundering crime, countries must apply this law to all severe offenses and a broad range of predicate offenses. This article suggests that anyone who aids and abets the main perpetrator will be punished just as harshly as the main perpetrator. This law takes a strict position on money laundering and its connected offenses, which means that anyone caught engaging in these acts will face severe punishments.

## **5. Iraq's Compliance with FATF and other international bodies for AML**

Criminals utilize money laundering to conceal the origin of their illegal and ill-gotten profits and to turn them into legal assets. Typically, money laundering begins with the concealment of criminal activities, continues with the legalizing of illicit funds, and culminates with the use of legalized funds. According to the Financial Action Task Force and the Association of Certified Anti-Money Laundering Specialists (CAMS), money laundering transforms unlawful funds into legal ones. The Iraqi Constitution and FATF instructions acknowledge the following entities as the primary regulators of money laundering (Rahmdel, 2018).

### *5.1. Role of the Central Bank*

Iraq has attempted to combat money laundering by embracing AML and enacting rules to eradicate evil from the country. The Iraqi Central Bank is regarded as the primary credit and financial institution regulator. It is required by law to equip all financial institutions with a monitoring and compliance framework to comply with the necessary laws and regulations. Banks have sought to create several committees

for monitoring internal functions. These include the ratification No.773, dated November 16, 2011, of the BOD<sup>10</sup> of Sepah bank.

### *5.2. Council for AML combat*

One of the most important actions taken by AMLC Iraq was establishing the High Council to combat money laundering. Following Article 4 (UNODC, n.d.), the High Council is responsible for coordinating and leading related organizations to process the news, information, documents, and reports associated with money laundering and for preparing intelligent systems to identify suspicious transactions and criminal activities related to money laundering. The HC on AML is chaired by the Minister of Finance and Economic Affairs, Ministers of Intelligence and Commerce, and also includes the Governor of CBI and is liable for the following actions

- Collation of related information and news related to laundering activities
- Classification of information in related evidence
- Preparation of by-laws
- Coordination of related organizations and implementation of the law within the bounds of the country
- Evaluating and finalizing reports to the Judiciary system
- Sharing of information and experiences with related organizations within the country and with transnational organizations performing similar functions

### *5.3. Duties assigned to legal and natural persons*

The requirement that non-financial and financial entities develop AML preventive measures within their companies is a major proponent of the AML. According to FATF Recommendation No. 15, financial institutions must implement plans to combat the financing of terrorism and money laundering. • Developing internal procedures, controls, regulations, compliance policies, screening, and management standards is essential to guaranteeing proficiency and high standards in all stages of recruiting. These factors enable a company to keep its positive reputation and continue to attract top people.

- A training program for employees that focuses on AML.
- An continuing audit to assess the system's efficacy

Like the preceding, the Iraqi legal code assigns legal and natural individuals authority and responsibilities. These individuals have access to individuals' financial data and are expected to report abnormalities and suspicious activity. Article 5 mandates that all legal authorities, including the CIB, credit and financial institutions, banks, insurance, central insurance agencies, funds, municipalities, charity organizations, and interest-free funds, must implement the legislation promulgated by the Council of Ministers. Article 6 of the national Constitution requires all public officials, accountants, attorneys, auditors, and inspectors to submit information if they suspect illegal activity. Even though the Iraqi Constitution has rules prohibiting money laundering, most of this activity occurs outside official channels. Some of the most prevalent instances of money laundering occur through automobile and real estate purchases, which do not involve banks or other financial organizations.

---

<sup>10</sup> Board of directors



As Eichholtz (2006) points out, the real estate market is particularly prone to money laundering because of its high value and the potential to absorb a large volume of illegal activity.

#### 5.4. *Recordkeeping and due diligence of customers*

Iraqi banks have access to the identity of people; however, other natural and legal persons under the constitution do not have such access. Iraqi banks are required to practically investigate the origin of money, resulting in more than 150 million rials (Eichholtz, 2006). Consumer recordkeeping is essential for evaluating the financial health and comprehending customer conduct. Accurately identifying clients enables firms to avoid potential problems in the future. However, it is always possible that some clients will present forged identification documents. Therefore, businesses must be vigilant and take the required safeguards for consumer identification. Linking the electronic systems of the relevant authorities with the Identity registration office is one of the finest practices to pursue. In doing so, the rules will have proper information on the identity of a customer Iraq's removal from the FATF Blacklist.

In 2019, Iraq was officially removed from the FATF grey list due to the implementation of stringent rules and activities by the country's local government organizations, including the CBI, AML, and CFT office and the terrorist funds freezing committee.

#### 5.5. *Restructure of CBI*

After the initial prohibition in 2016, CBI began working to strengthen Iraqi banks' compliance and regulatory framework to combat the financing of terrorism and money laundering. The procedure was established in 2012 under the rules of AML statute number 93, passed in 2004. CBI recognized the gray areas mentioned in the FATF report on compliance and regulatory difficulties affecting Iraqi banks and began to address the system's strategic weaknesses (UNODC ROMENA, 2021). The following are some measures that the CBI and other financial institutions adopted for combating terrorism financing and money laundering (Ryder, 2018).

- Issuance of AML and terrorist financing law No. 39 in 2015. The law was one of the strongest in the region that complied with international standards for AML and CTF.
- Establishment of a council for fighting against terrorism financing and money laundering.
- Granting the local CTF and AML councils administrative autonomy and authority to analyze and assess financial transaction reports.
- Establishment of an impartial committee working toward confiscating terrorists' funds in 2016, per Article 6 of Resolutions 1373 and 1267 of the Security Council.
- Ratification of the international convention against money laundering and financing of terrorism
- Bilateral agreements with countries for the exchange of information regarding people and funds
- Evaluation of financial institution and individual reports to eliminate money laundering and terrorism financing
- Specialized training for employees of financial institutions to disseminate information regarding the control of criminal activities

- In addition to these directions, CBI must adhere to the following standards to retain its status as an entity removed from the FATF grey list:
- Ensure CBI and other financial institutions comply with the FATF's reporting mandates
- Publication of a government handbook with a detailed description of the actions categorized as money laundering and support of terrorism through financing
- Ensure a transparent customer rating system, where customers are rated based on the risk of involvement in either activity; • Identify and classify the sources and origin of funds arriving from foreign parties; • Publish routine circulars prohibiting dealings with internationally banned financial institutions; • Apply similar laws in Kurdistan to combat terrorist financing and money laundering.

#### *5.6. Anti-Money Laundering and Terrorist Financing Office*

The AML and TFO office was founded in 2007 with a similar governance structure as the CBI. In 2015, the office was reformed and repurposed in response to international sanctions and a rise in allegations of Iraqi involvement in money laundering and terrorism financing. The governing board was reorganized following 2015's Anti-Money Laundering and Terrorist Financing Law No. (39) (Al-Husseini et al., 2021). The office is responsible for establishing programs and control policies, as well as designing and implementing policies, legislation, and standards for detecting terrorist funding and money laundering, including but not limited to cash quantities and legally negotiated instruments Terrorist Funds Freezing Committee

The committee was developed within the General Secretariat of the Council of Ministers. The committee is responsible for freezing assets and funds of persons identified as terrorists based on the United Nations Sanctions Committee (Levitt, 2014). The committee also seeks to freeze funds and accounts of people labeled as dangerous at the national level.

## **6. Conclusion**

This article focuses on the policies and procedures implemented by the Iraqi government to combat money laundering and the financing of terrorism. The Iraqi court system has been instrumental in establishing procedures and implementing steps to combat terrorism financing and money laundering. Due to the absence of an adequate anti-money laundering (AML) framework, the Financial Action Task Force (FATF) has labeled the Iraqi region as a high-risk area on the global map. As noted by the FATF in 2012, Iraq is a high-risk country for exchanges and commercial transactions, particularly in its banking sector. The government has built tight policy frameworks and relationships with governance bodies and other nations to control these concerns. Monitoring financial activities and bank accounts constantly can be laborious and time-consuming. Following the initial prohibition in 2016, the Central Bank of Iraq (CBI) began strengthening Iraqi banks' compliance and regulatory framework to combat terrorist funding and money laundering. This procedure began as early as 2012, when AML law number 93, 2004, was enacted. The CBI identified gray areas stated in the Financial Action Task Force (FATF) report on Iraqi banks' compliance and regulatory difficulties and commenced addressing the system's strategic weaknesses. The office was restructured and oriented following the 2015

international sanctions and the surge in reports of Iraqi citizens engaging in money laundering and terrorism financing. The governing board was reorganized following 2015's Anti-Money Laundering and Terrorist Financing Law No. (39).

The article examined the policies and procedures implemented by the Iraqi government to combat money laundering and terrorism financing. The Iraqi legal system has made significant progress in formulating protocols and implementing required procedures to combat terrorism financing and money laundering. The nation has built tight policy frameworks and alliances with governing bodies and other nations to control these concerns. However, when criminally acquired property or finances are transferred to third parties, the problem becomes even more severe. This complicates the job for the third party, and there is also the issue of phony transactions in the fight against money laundering.

## References

- Al-Husseini, E., Mansoor, H. O., & Al-Imarah, A. A. (2021). The extent to which banks operating in Iraq respond to the anti-money laundering and terrorist financing laws and instructions issued by the Central Bank of Iraq. *Indian Journal of Economics and Business*, 20(4), 745-764. <http://www.ashwinanokha.com/resources/v20-4%20-%2021-46.pdf>
- ALSoud, A. R., Abdeljaber, O., Ab Yajid, M. S., Johar, M., Al-masaeed, S., & Azam, S. F. (2021). Adoption of Information Communication Technology (ICT) in International Entrepreneurship: A Way to Promote International Relations Among Business Entities. *Croatian International Relations Review*, 27(87), 1-31. <https://cirrj.org/index.php/cirrj/article/view/416>
- Arnone, M., & Borlini, L. (2010). International anti-money laundering programs: Empirical assessment and issues in criminal regulation. *Journal of Money Laundering Control*, 13(3), 226-271. <https://doi.org/10.1108/13685201011057136>
- Bakhshi, J., Wesley, M. S., & Reddy, K. J. (2021). Vicarious Trauma in Law Students: Role of Gender, Personality, and Social Support. *International Journal of Criminal Justice Sciences*, 16(1), 34-50. <https://ijcjs.com/menu-script/index.php/ijcjs/article/view/277/215>
- Basel AML Index. (n.d.). *Basel AML Index: Assessing Money Laundering Risks Around the World*. Basel Institute on Governance. <https://index.baselgovernance.org/>
- Birka, I., & Lāce, A. (2021). Diasporic Politics and Defining Diaspora in Law: the Case of Latvia. *Baltic Journal of Law & Politics*, 14(1), 48-72. <https://doi.org/10.2478/bjlp-2021-0003>
- Burger, E. S., & Holland, M. (2016). Private-Sector Incentives for Fighting International Corruption. In *Corruption in International Business* (pp. 179-190). Routledge. <https://doi.org/10.4324/9781315574370-17>
- Compin, F. (2018). Terrorism financing and money laundering: two sides of the same coin? *Journal of Financial Crime*, 25(4), 962-968. <https://doi.org/10.1108/JFC-03-2017-0021>
- Constitute Project. (n.d.). *Constitutions*. <https://www.constituteproject.org/constitutions>
- Dara, J., Moghadas, A., & Lalalizadeh, M. (2020). The Regional Security Complex of Moqavemah (Resistance) and Iran's strategy to ensure Oil Security. *Petroleum Business Review*, 4(3), 81-93. <https://doi.org/10.22050/pbr.2021.261436.1149>
- Diyaa, Z. (n.d.). *Lifting Iraq From the Blacklist of the Financial Action Task Force "FATF"*. Al Etihad, Iraq. <https://www.hg.org/legal-articles/lifting-iraq-from-the-blacklist-of-the-financial-action-task-force-fatf--63468>

- Eichholtz, P. M. A. (2006). Een AFM voor de vastgoedmarkt. *Justitiële Verkenningen*, 32(2), 67-75. <https://cris.maastrichtuniversity.nl/en/publications/een-afm-voor-de-vastgoedmarkt>
- Erliyani, R. (2022). Examining Religious and Justice System in Indonesia to Prevent Cyberbullying. *International Journal of Cyber Criminology*, 15(2), 112-123. <https://cybercrimejournal.com/menuscript/index.php/cybercrimejournal/article/view/23>
- FATF. (n.d.). *Financial Action Task Force*. fatf-gafi. <https://www.fatf-gafi.org/>
- Glanville, M. (2015). Corruption and public policy in post-conflict states. In *Research Handbook on International Financial Crime* (pp. 435-444). Edward Elgar Publishing. <https://doi.org/10.4337/9781783475797.00048>
- Gurulé, J. (2010). *Unfunding Terror: The Legal Response to the Financing of Global Terrorism*. Edward Elgar Publishing. <https://www.e-elgar.com/shop/gbp/unfunding-terror-9781848449855.html>
- Levitt, M. (2014). *Terrorist Financing and the Islamic State*. The Washington Institute for Near East Policy. <https://www.washingtoninstitute.org/policy-analysis/terrorist-financing-and-islamic-state>
- Malakoutikhah, Z. (2020a). Criminalisation of terrorism financing in Iranian law. *Journal of Financial Crime*, 27(1), 231-244. <https://doi.org/10.1108/JFC-12-2018-0133>
- Malakoutikhah, Z. (2020b). Iran: Sponsoring or combating terrorism? *Studies in Conflict & Terrorism*, 43(10), 913-939. <https://doi.org/10.1080/1057610X.2018.1506560>
- Mekpor, E. S. (2019). Anti-money laundering and combating the financing of terrorism compliance: Are FATF member states just scratching the surface? *Journal of Money Laundering Control*, 22(3), 451-471. <https://doi.org/10.1108/JMLC-09-2018-0057>
- Molla Imeny, V., Norton, S. D., Salehi, M., & Moradi, M. (2021). Taxonomies of money laundering: an Iranian perspective. *Journal of Money Laundering Control*, 24(2), 348-360. <https://doi.org/10.1108/JMLC-07-2020-0074>
- Rahmdel, M. (2018). FATF and money laundering in Iran. *Journal of Money Laundering Control*, 21(3), 314-327. <https://doi.org/10.1108/JMLC-07-2017-0033>
- Ryder, N. (2018). Out with the old and... in with the old? A critical review of the financial war on terrorism on the Islamic state of Iraq and Levant. *Studies in Conflict & Terrorism*, 41(2), 79-95. <https://doi.org/10.1080/1057610X.2016.1249780>
- Unger, B., & Busuioc, E. M. (2007). *The scale and impacts of money laundering*. Edward Elgar Publishing Ltd. <https://www.e-elgar.com/shop/gbp/the-scale-and-impacts-of-money-laundering-9781847202239.html>
- UNODC. (n.d.). *Iran To Strengthen Its Capacities To Fight Money Laundering And Financing Of Terrorism*. United Nations Office on Drugs and Crime. <https://www.unodc.org/islamicrepublicofiran/en/iran-to-strengthen-its-capacities-to-fight-money-laundering-and-financing-of-terrorism.html>
- UNODC ROMENA. (2021). *Iraq: Strategic and Tactical Analysis to combat Money Laundering and Terrorist Financing*. United Nations Office on Drugs and Crime. <https://www.unodc.org/romena/en/Stories/2020/March/iraq-strategic-and-tactical-analysis-to-combat-money-laundering-and-terrorist-financing.html>