



مصرف الائتمان العراقي
Credit Bank of Iraq

Credit Bank of Iraq
Risk Management Committee Charter

Zip	4.0
Release	2019 2023
The number and date of the Board of Directors approval decision	Decision No. 3/6 dated 10/7/2023
group / administration	Compliance and Corporate Governance Department

Contents:

1. Introduction:	2
2. Scope of work of the committee.....	2
3. Membership and term.....	2
4. Committee Reporter.....	2
5. The quorum.....	3
6. Meetings.....	3
a. Periodicity and attendance of meetings.....	3
b. Conflict of interest.....	3
c. Meeting minutes.....	3
7. Tasks of the Committee.....	4
a. Risk Strategies, Risk Appetite and Overall Risk Governance:	4
b. Information and communication technology risk management.....	6
c. Governance of stress tests:.....	7
14. Reviewing and amending the bylaw.....	14

1. Introduction

Risk Management Committee is a committee emanating from the Bank's Board of Directors. It is formed and its powers determined by the Board of Directors, and the committee is directly affiliated to the Board. The committee aims to improve the Board's effective oversight of important transactions in the Bank. The Committee undertakes tasks related to all aspects of risk management, supervising all of the Bank's risks, assisting the Board in performing its obligations with regard to overseeing the Bank's risk management framework and reports.

This regulation has been prepared in line with the Central Bank of Iraq Law No. (56) of 2004, Banking Law No. (94) of 2004, Companies Law No. (21) of 1997; Corporate Governance Guide for Banks, Supervision Work Guide / Risk Management Controls in Commercial Banks and Corporate Governance and Management Controls for Information and Communication Technology in the Banking Sector issued by the Central Bank of Iraq, and in the event of any conflict between the applicable laws and these regulations, the legal texts are the ones that prevail and operate according to.

2. Scope of work of the committee

The Board of Directors authorizes the Committee to undertake the following:

1. Carry out the tasks and responsibilities that fall within the scope of this bylaw.
2. The right to obtain - without restrictions - information related to management, employees operations of the bank and all related information. The committee may request any information it deems necessary from any of the bank's employees.
3. Appointing independent consultants - according to the need - to carry out the tasks assigned to the committee, provided that this appointment is justified.

3. Membership and term

1. The committee consists of at least 3 non-executive board members, who are appointed by the bank's board of directors.
2. The chairman of the committee must be an independent board member.
3. The members of this committee must have qualifications and experience in the field of risk management and related practices and issues.
4. The term of membership shall be the same as that of the Board of Directors, and for a period not exceeding 4 years, renewable for a maximum of 4 subsequent years.
4. Risk Management Committee Regulations
5. Committee members must possess experience or knowledge in managing risks, practices and issues related to information and communication technology.

4. The reporter of the committee

1. The committee's reporter is chosen either by the secretary of the council or any executive employee chosen by the committee, except for the director of the department concerned with the work of the concerned committee.
2. The committee reporter has the following responsibilities:
 - Prepare and issue invitations to meetings.

- Preparing the contents of the agendas of all committee meetings and presenting them to the committee chairman for approval
- Preparing the minutes of each meeting held by the committee and obtaining approval thereof.
- In the absence of the committee's reporter, the committee chairman appoints another member to perform the duties of the committee's reporter.

5. Quorum

1. Only the members of the committee and the reporter of the committee are entitled to attend the meetings of the committee. However, any member of the bank's management or their representatives or specialists may be invited to attend the meetings, based on the committee's request.
2. The quorum for the committee meetings is completed by the presence of at least two members from among the committee members, and in the event that the quorum is not reached, a new meeting is held.
3. The meeting of the Committee - in which the quorum is reached - is considered sufficient to exercise all or any powers granted to the Committee and to take any decisions based on those powers in accordance with the mandate of the Board of Directors.
4. The committee reporter records the attendance of the committee members at each meeting.
5. The committee's reporter is responsible for scheduling all committee meetings, preparing a written agenda, and providing all members with a copy of it, in addition to information about the meeting, within a period of no less than five working days prior to the date set for the meeting.
6. The decisions of the committee shall be adopted by the majority of the votes of the members present, and if the vote is tied, the vote of the committee chairman shall be casting weight.

6. Meetings

A. Periodicity and attendance of meetings

1. The committee holds four (4) meetings per year at least, or at the request of the committee chairman or any of the other two members. Any member of the executive management may be invited to attend its meetings in order to clarify some issues and subjects that the committee deems important.
2. In the absence of the committee chairman, the attending members choose one of them to chair the meeting.

B. Conflict of interest

In the event of any conflict of interest, the concerned member shall not participate in the committee's discussions, nor in taking any decision related to the concerned matter.

C. Meeting minutes

1. The committee reporter records the events and decisions issued in all committee meetings, including recording the names of the attendees.

2. Minutes of meetings shall be signed by the Chairman of the Committee, and shall be made available prior to the next meeting to be approved by the members of the Committee.
3. Minutes of meetings shall be passed on to all members of the Committee on the next working day, and to all members of the Board of Directors after approval.
4. The committee chairman presents the minutes of its meetings and recommendations to the Board of Directors for a vote.
5. The Committee shall keep written minutes of its meetings, in addition to a schedule of the Committee's decisions, which shall be submitted with the minutes of the meeting to the Board of Directors. These minutes are provided to the inspectors of the regulatory authorities and authorized persons.

7. Duties of the Committee

a. Risk Strategies, Risk Appetite and Overall Risk Governance:

1. Ensuring the independence of the Risk Management Department by submitting its reports to the Risk Management Committee and granting this department the necessary powers to enable it to obtain information from other bank departments and cooperate with other committees to carry out its tasks.
2. Continuous communication with the Director of the Risk Department and obtaining periodic reports from him on matters related to the current situation of risks in the bank and the risk culture, in addition to reports on limits and ceilings set and any violations thereof, and plans to avoid risks.
3. Reviewing the bank's risk management strategy and risk appetite, provided that it is appropriate and comprehensive, and presenting it to the Board of Directors for approval.
4. Periodic review of the risk management policy proposed by the senior management of the bank and submitting recommendations thereon to the Board of Directors for approval.
5. Reviewing the credit policy and submitting recommendations thereon to the Board of Directors for approval, as well as supervising the implementation of the credit policy proposed by them and ensuring that credit risks comply with the decisions and directives of the Basel Committee on Banking Supervision.
6. Overseeing the actions of senior management towards compliance with the approved risk policies.
7. Ensure the bank's compliance with regulations, instructions and policies related to risk management
8. Ensure that the policies approved by the Board of Directors include the acceptable limits for the risks that the bank may be exposed to, with the necessity of consistency of those limits with the extent of the bank's ability to accept risks and the extent to which that is appropriate with the size of the capital.
9. Monitoring the credit risks incurred by the bank, whether in relation to the standard approach or the entry based on the internal rating, operational risk, market risk,

- supervisory review, and market discipline contained in the decisions issued by the Basel Committee on Banking Supervision.
10. Determine the credit ceilings that exceed the authority of the authorized manager or the regional director.
 11. The annual review of the adequacy of the capital base and liquidity, and the Board of Directors' adoption of the acceptable level for each of them.
 12. Monitoring the bank's ability to avoid liquidity risks in accordance with Basel (III) decisions, including liquidity standards.
 13. Internal assessment of capital adequacy according to the methodology approved by the Board of Directors and in accordance with the decisions of the Basel (II) and Basel (III) committees and any other international standards
 14. Overseeing capital and liquidity management strategies and all related risk management strategies to ensure their compatibility with the risk framework approved by the bank.
 15. Receive periodic reports from the executive management committees (credit, investment).
 16. Evaluation of the performance of the investment portfolio in terms of return and risk with respect to the bank's internal and external investments, and continuous follow-up of the indicators and movement of the domestic and foreign capital markets.
 17. Recommend to the Board of Directors to abandon activities that cause risks to the bank that it has no ability to face.
 18. The possibility of obtaining advice and technical support from external sources, provided that this is done with the knowledge and approval of the Council.
 19. Reviewing the investment policy and submitting recommendations thereon to the Board of Directors for approval and supervising its implementation.
 - 20.
 21. Ensure the continuation of the appropriateness of the work steps related to measuring, follow-up and monitoring risks, and making any adjustments to them if necessary, in accordance with developments in the market and the environment in which the bank operates.
 22. Ensure the existence of a Risk Appetite Statement and a risk management strategy and review them periodically, at least annually and whenever necessary, and approve them by the Board of Directors.
 23. Ensure the existence of a work plan, budget and procedures related to managing each type of risk of material importance (including the procedures set for identifying, measuring, evaluating and following up the various risks) and the maximum limits of risks that the bank can bear for each type of risk and reviewing them periodically, at least annually and whenever necessary, and approved by the Board of Directors.
 24. Ensuring the establishment of a culture of risk management in the bank by highlighting the commitment to risk management and rewarding actions that take into account that, preserving the risk management function and giving it sufficient powers to carry out its tasks so as to have an impact in directing the decisions taken.

25. Ensure the effectiveness of the management information system and the extent to which appropriate and timely reports are obtained to understand the risks of material importance to which the bank is exposed and their development, including the results of the stress tests implemented.
26. Ensure the existence of documented credit risk management policies and procedures approved by the Board of Directors and appropriate to the size of the bank, its risk structure, its capital base, market conditions and economic conditions, and to set limits and credit risk indicators approved by the Board of Directors.
27. Ensure the existence of policies and procedures to manage liquidity in a prudent manner and ensure the bank's ability to fulfill its obligations when they fall due, provided that they address, as a minimum, (identifying, measuring, evaluating, monitoring, controlling and minimizing liquidity risks and preparing appropriate reports on them) and that they are approved by the Board of Directors.
28. Ensure the existence of a financing emergency plan documented and approved by the Board of Directors, aiming to enable the bank to overcome cases of pressure on liquidity when they occur, provided that the plan is reviewed periodically, at least annually, and whenever the need arises.
29. Ensure the existence of policies and procedures for managing operational risks that are documented and approved by the Board of Directors, enabling the bank to identify operational risks in a precautionary manner, measure, evaluate, monitor, control and reduce them, prepare periodic reports on them, and develop a set of early warning indicators that ensure the identification of operational risks In a timely manner, it is documented and approved by the Board of Directors, and it is followed up periodically at the pace appropriate to its nature.
30. Ensure the existence of a plan documented and approved by the Board of Directors to ensure business continuity at all times while controlling losses in severe cases of business disruption.
31. Ensure that policies and procedures are documented and approved by the Board of Directors to manage and control outsourcing risks.
32. Ensure that policies and procedures are in place to manage each type of market risk, documented and approved by the Board of Directors and allow the bank to have a comprehensive view of the extent of exposure to these risks, and to set up a control mechanism for market risks through ceilings approved by the Board of Directors, to be reviewed Periodically, at least annually, and whenever needed.
33. Ensure the existence of policies and procedures related to interest rate risks resulting from the positions held within the bank portfolio, provided that they are documented and approved by the Board of Directors.
34. Ensure the existence of policies and procedures documented and approved by the Board of Directors to identify, measure, manage, monitor and report on concentration risks, and set appropriate ceilings approved by the Board of Directors for various types of concentration in accordance with the degree of risk acceptance and the maximum risk that the bank can bear, provided that no ceilings set by the bank those imposed by the Central Bank of Iraq.

35. Ensure that pressure testing policies and procedures are documented and approved by the Board of Directors, and are reviewed at least annually and whenever necessary, provided that the scenarios are discussed in depth in the committee meetings.

b. Information and communication technology risk management:

1. Establish a framework for information and communication technology risk management concepts in a systematic and coordinated manner, and include the following characteristics:
 - A. rules and responsibilities
 - B. Determine and arrange priorities of the information system.
 - C. Identify and assess potential threats, risks, and current and emerging vulnerabilities.
 - D. Implementation of international standards IT, ISO/IEC 27005:2018, COBIT for RISK, NIST, (ISO31000 GXM)
 - E. Apply appropriate practices and controls to mitigate risks.
 - F. Periodic update and risk assessment, including changes in environmental systems or operational conditions that may affect risk analysis.
2. Establish effective risk management and internal control practices to achieve data confidentiality, system security, reliability, flexibility and recoverability in the Bank.
3. Ensure that clear policies are in place to protect the system's assets, determine its importance, and verify its correctness in order to develop appropriate plans to protect it from unauthorized access, misuse, fraud, inclusion, deletion, replacement, disclosure, and cancellation.
4. Ensure the existence of policies and standards for information and communication technology, review them regularly and update them continuously.
5. Understand the full risks associated with outsourcing of information and communication technology (ICT) before hiring suppliers.

c. Stress Test Governance:

The committee should be familiar with and understand the components of the stress tests and discuss with the risk manager and the executive management regarding the hypotheses and scenarios set for the stress tests:

1. The established framework should ensure cooperation between the various parties involved in stress testing and communication with each other, especially with regard to developing hypotheses and scenarios, discussing the results of the tests and taking appropriate measures in this regard.
2. The framework set for stress tests should include a documented governance structure in which the role of each of the parties involved in the test is defined, including the Board of Directors, Executive Management, Risk Management Department, Financial Control Department, Compliance Department, Internal Audit Department, and Economic Research Department (if any).
3. The role of all concerned parties is determined at all stages of the pressure test, including the stages related to the following:

- A. Develop sensitivity studies, scenarios and hypotheses.
- B. Approval of studies, scenarios and hypotheses.
- C. systems development.
- D. correctness of the systems used.
- E. Reporting the results of stress tests and how to use them in accordance with the objectives approved by the Board of Directors.

8. Review and amend the bylaw

The committee must have an internal work bylaw that shows its tasks, scope of work, and procedures, including how reports are prepared to the Board of Directors and what is expected of the members of the Board of Directors from their membership in that committee. This bylaw is subject to annual review by the committee, in order to ensure the following:

- Covering all the bank's activities related to risk management (credit risk, market risk, operational risk, liquidity risk).
- Ensure compliance with regulatory requirements
- Staying informed of the latest developments regarding risk management, both at the local and international levels.
- Any other necessary amendments.
- If there are any proposed amendments to the bylaw, it is presented to the Board of Directors for approval.