

Volume 6: MP Perspectives

IRAQ'S DIGITAL BANKING CROSSROADS

Turning Fragmentation into a Future-Ready Financial
Ecosystem

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Abstract

Iraq's banking sector stands at a pivotal juncture. As the country navigates post-conflict reconstruction, demographic transformation, and increasing digital expectations, the modernization of financial services is no longer optional—it is imperative. Yet the journey toward a digital-first banking ecosystem in Iraq is not just about technology adoption. It is about reimagining how trust, inclusion, and innovation are designed into the financial architecture from the ground up.

This thought leadership document—part of the Management Partners Perspective (MPP) series—is grounded in an in-depth expert discussion with **Ahmed Tareq Al-Hashimi**, Deputy Executive Director at the Iraqi Private Banks League and a leading voice in Iraq's financial modernization agenda. Drawing from his strategic insights and practical experience across public and private financial institutions, this publication offers a forward-looking view on what it will take to unlock Iraq's digital banking potential. It highlights the structural reforms, stakeholder alignment, and contextual innovation needed to build a resilient and inclusive financial ecosystem in Iraq.

About MP Perspectives

The MP Perspective Series curates insights from conversations with leading thinkers across Management Partners and MP-Connect's expert network. Rooted in real-world experience and strategic dialogue, the series explores the most pressing themes in economic development, corporate and public strategy, and business and technology transformation. From reimagining institutional roles in rapidly shifting economies to unlocking value through digital innovation and AI, each edition connects the dots between macro trends and actionable insights. Designed for decisionmakers and forward-thinkers, the MP Perspective Series provokes new ideas, challenge assumptions, and illuminate pathways toward more resilient and future ready organizations.

About the Expert



Ahmed Tareq Al-Hashimi is the Deputy Executive Director at the Iraqi Private Banks League, with over 15 years of experience in the private sector. A recognized voice in Iraq's banking modernization journey, Ahmed brings a unique blend of technical and strategic expertise, shaped by his background in computer engineering and active roles across influential financial and policy platforms. He serves on committees within the Office of the Prime Minister and the Central Bank of Iraq, where he contributes to national agendas on institutional transformation, digital banking regulation, and financial inclusion.

Ahmed was instrumental in founding Riada Bank, a pioneering initiative targeting SME and startup financing, and has advised on several government-led digital transformation efforts. His cross-sector affiliations—including with the International Union of Arab Bankers and the Nabda Association for Medical Engineering—highlight his commitment to multidisciplinary innovation. As a consultant on human resource development, banking services, and institutional transformation, Ahmed's insights continue to shape Iraq's trajectory toward a more inclusive and future-ready financial ecosystem.

Executive Summary

Iraq's banking sector stands on the brink of transformation. A young population—over 60% under the age of 25—paired with 100% mobile penetration and 85% internet penetration among young people, according to statistics from the Ministry of Planning and rising digital engagement, offers fertile ground for a modern, inclusive financial system. Despite 49% of adults holding a formal bank account, the majority of financial transactions still occur in cash, with many individuals and businesses operating through informal channels. Despite early signs of progress, the sector remains fragmented, constrained by outdated legal frameworks, analog processes, and institutional silos that limit interoperability, trust, and innovation.

The Central Bank of Iraq (CBI) has taken critical steps: introducing real-time gross settlement systems, modern AML platforms, pilot digital bank licenses, and POS mandates. A handful of banks and fintech players like QiCard, ZainCash, and AsiaHawala have already reached millions of users. But most financial institutions still rely on legacy infrastructure—paper-based onboarding, non-digitized compliance workflows, and limited customer segmentation—making digital adoption inconsistent and narrow in scope. A core challenge remains: progress has been tactical, not systemic.

One of the most underappreciated roadblocks, which is spread among public banks, is the internal operations of banks themselves. Manual processes, siloed IT systems, and non-digital compliance functions are stifling scalability. Automating internal banking workflows—customer onboarding, loan processing, KYC, AML, reporting—must become a foundational priority. Without robust digitization of core functions, even the most advanced customer-facing tools will fail to

deliver long-term impact. Automation will not only reduce costs and processing time, but also enhance transparency and trust across the financial system.

Equally critical is digital compliance. While the CBI mandates data center readiness and AML/CFT capabilities, many private banks have invested heavily in security infrastructure. Iraq's MENAFATF assessment noted gaps in adoption of new technologies for compliance and low effectiveness in investigating money laundering. To address this, Iraq must modernize its compliance model—embedding AI in transaction monitoring, enabling digital KYC with biometric IDs, and introducing blockchain-based traceability for audit trails. Regulatory expectations must be clarified and matched with practical support mechanisms—especially for smaller banks and non-traditional players.

Yet legal and institutional bottlenecks continue to block progress. Iraqi laws still require physical signatures and paper documentation for most financial services. Even when banks adopt digital solutions, public institutions often require physical copies or manual verification. Ministries do not share data with banks in real time, making identity verification slow and unreliable. Moreover, Iraq lacks a single empowered digital transformation authority, leaving key initiatives dependent on committees with no legal mandate or cross-agency continuity.

These structural gaps are particularly limiting in a country where the informal economy dominates. Millions of Iraqis—including traders, merchants, housing cooperatives, and gig workers—operate outside formal finance. These segments cannot be served by conventional products or credit models. What's needed is platform-based innovation: sector-specific digital solutions that integrate e-invoicing,

embedded credit, tax filing, and payments. These platforms must be designed collaboratively, with banks, fintechs, regulators, and government working together to co-create tools that reflect real economic workflows. In addition, the Central Bank is working on establishing a loan guarantee company with the aim of facilitating the granting of loans, which will contribute to increasing them over the next five years.

Artificial intelligence, data analytics, and cloud infrastructure can all play transformative roles. AI-based credit scoring, using alternative data like mobile phone usage and purchase behavior, can extend credit to borrowers with no collateral or formal financial history. Modern IT architectures—cloud-based core banking systems, interoperable APIs, and AI-enabled compliance engines—are essential to scaling these innovations securely and efficiently. However, few banks have yet made this transition, citing cost and regulatory uncertainty.

This is why institutional coordination must be strengthened. Iraq needs a dedicated, well-funded Digital Transformation Authority to oversee architecture design, enforce national standards, and drive coordination across ministries, banks, and telecoms. Such an entity could facilitate the development of shared infrastructure—national ID systems, cybersecurity frameworks, data governance protocols—and offer banks the confidence to invest in long-term digital capabilities.

The ultimate goal is to move from scattered pilots to a unified, future-ready financial ecosystem. A system that includes—not excludes—informal businesses. A system where digital onboarding is seamless, compliance is automated, credit is inclusive, and public services integrate with financial tools. This isn't just a vision—it is a near-term opportunity if

every stakeholder aligns around a bold, shared agenda:

- **Central Bank and Regulators** should finalize digital banking rules, clarify licensing and cybersecurity standards, promote open banking, and expand regulatory sandboxes for AI and eKYC innovation.
- **Commercial Banks** need to modernize IT systems, automate core processes, and co-create sector-specific digital solutions—especially for underserved groups like SMEs, merchants, and housing associations.
- **Government Ministries** must digitize key registries, enable secure data-sharing APIs, and establish a legally empowered authority to lead and coordinate digital transformation efforts.
- **Fintechs and Payment Providers** should scale mobile-first tools for the unbanked, use alternative data for credit scoring, and partner with banks and public services to build inclusive financial platforms.
- **Development Partners and Donors** can catalyze progress by funding digital IDs, compliance tools, and inclusive pilot programs, while also supporting capacity-building and policy development.

Iraq's opportunity is not merely to digitize banking, but to create a financial system that is integrated, adaptive, and trusted. A system that expands financial access, lowers transaction costs, and improves governance. A system that positions Iraq not at the margins of financial innovation, but at its center—anchored in platforms, powered by partnerships, and designed around people.

The building blocks are in place. Now is the moment for convergence. If Iraq's stakeholders act in coordination—aligning vision, investment, and execution—the country can not only catch up, but lead in shaping the future of inclusive finance in the region.

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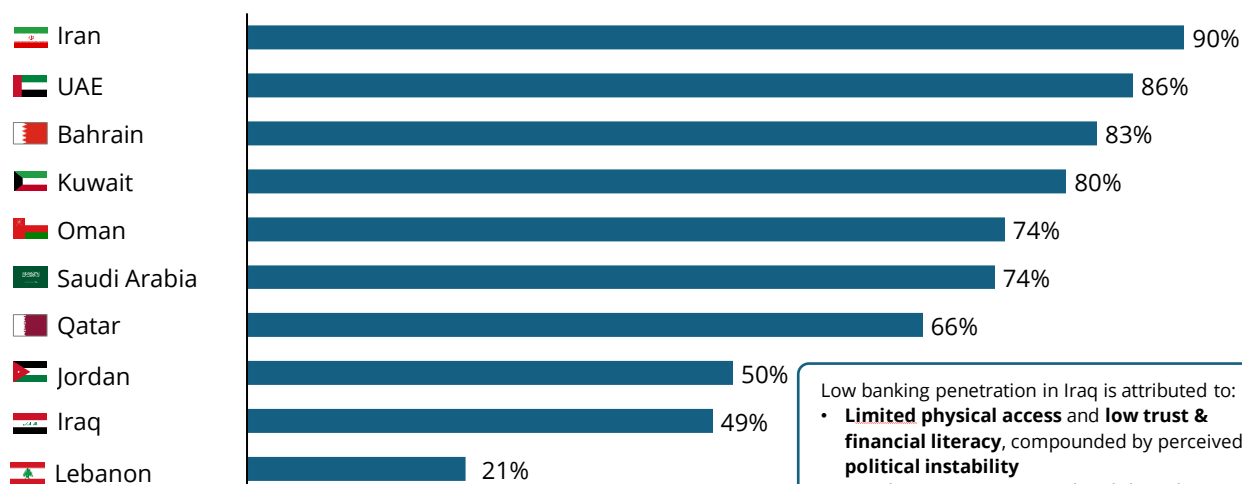
1. Laying the Foundations — A Sector Ready for Change, But Held Back by Its Roots

1.1 A Moment of Readiness Amidst Structural Friction

Iraq's banking sector stands at an inflection point. For the first time in decades, the groundwork for digital transformation has been set in motion, with the Central Bank of Iraq (CBI) playing an active role in modernizing regulatory systems, establishing digital infrastructure, and piloting digital banking licenses. Yet beneath this momentum lies a fragmented ecosystem, where innovation by a few coexists uneasily with structural inertia across the broader sector.

Digital foundations have been laid, but not yet linked. CBI has taken tangible steps in developing platforms for anti-money laundering (AML), real-time gross settlement (RTGS), internal investigation, and legal compliance. Payment providers such as QiCard, SWITCH, and Arab Payment Services (APS) have built mobile applications that enable citizens to transact, shop, and access basic financial services. Select digital banks report significant client adoption, with some exceeding a million users, demonstrating a clear appetite for digital channel.

Percentage of adults (15+) having a bank account at a financial institution



"There is a difference between the big banks that want to work and offer new technology... and the rest. Even payment companies like QiCard, SWITCH, and Arab Payment Services (APS) are developing their own applications."

However, this progress has not translated into system-wide change. Most Iraqi banks continue to rely on legacy practices, paper-based documentation, and branch-based service models. The sector is bifurcated between a handful of pioneers and a long tail of underprepared institutions.

Exhibit 1: Account ownership Iraq vs regional peers¹

Exhibit 1 highlights a critical issue: Iraq's account ownership rate is still relatively low at 49%, despite high mobile phone penetration and a digitally savvy youth population. Most Iraqis continue to rely on cash transactions, underscoring the need for greater banking access and expanded digital financial services.

The Central Bank of Iraq is working with banks and electronic payment companies to increase the ownership of bank accounts or electronic payment accounts for companies operating in Iraq, as well as for retailers, and to regulate the parallel sector. This will increase the percentage of bank accounts owned by Iraqi companies and retailers to 85% by 2030, up from the current 11%. This will enable Iraqis to conduct their purchases via electronic payments.

The Iraqi Private Banks Association is working with the Iraqi government, the Central Bank, banks, and payment companies on financial illiteracy, building trust between the financial sector and citizens. This is done through several awareness campaigns aimed at encouraging merchants to use electronic payments. This campaign aims to encourage merchants to use electronic payments, despite the localization of government employee salaries and efforts to localize private sector salaries, as well as restricting the use of electronic payments to all government departments. Half of Iraq's population receives their salaries, as well as social benefits and retirement benefits, through their bank accounts, while 62% make payments in cash.

Bank accounts have witnessed significant growth, reaching more than 17 million in 2024, 38% of which are owned by women and 62% by men. The Central Bank is working to reduce the 24% gap in bank accounts between women and men.

The shift to digital is further complicated by infrastructural asymmetries. While urban centers benefit from stronger connectivity, rural

"For many years, merchants relied on informal banking—handwritten records, personal accountants, cash based & hawala transaction—often avoiding taxes and lacking the documentation needed for large transactions under today's stricter rules."

populations remain underserved, amplifying exclusion risks if digitalization proceeds unevenly.

1.2 Cultural Norms and Informality: The Invisible Anchor

Even as digital channels expand, the cultural weight of informality continues to anchor Iraq's financial system. Informal merchants, who constitute a major part of Iraq's commercial backbone, often eschew formal banking altogether. Instead, they rely on handwritten ledgers, cash-based transactions, hawalas or exchange houses, and verbal agreements. This ecosystem has its own logic: it is flexible, trust-based, and designed to evade both taxation and

The consequences of this informality are systemic. Merchants attempting to transfer large sums often lack the tax histories or formal documentation needed to satisfy compliance checks. This weakens the credibility of the banking system and impedes efforts to mobilize domestic capital for investment and trade. Even when services such as e-KYC (electronic Know Your Customer) are introduced, their efficacy is undermined by forged documents and limited integration with government verification systems like those of the Ministry of Interior.

Moreover, financial behavior shaped by decades of economic uncertainty and conflict has fostered a cautious, cash-preferred mindset. In many cases, customers are wary of sharing personal financial data or migrating to digital platforms, especially when institutional trust remains fragile.

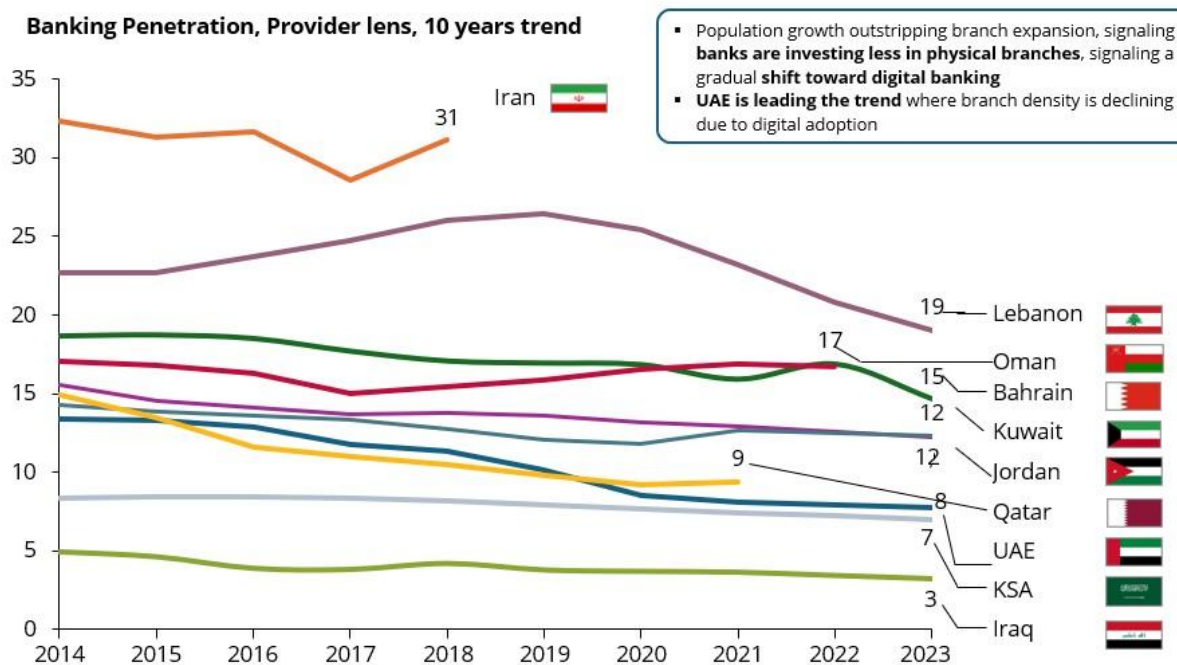


Exhibit 2: Commercial bank branches (per 100,000 adults), Iraq vs regional peers²

Exhibit 2 highlights Iraq's uniquely low branch density, which signals limited banking penetration. However, this also presents a strategic opportunity: Iraq can avoid the sunk costs of physical branch expansion by leapfrogging directly to a cost-effective digital banking model. As regional peers like the UAE demonstrate declining branch density amid growing digital adoption, Iraq has the potential to expand financial access through digital channels—without replicating legacy infrastructure investments

1.3 An Evolving Regulatory Mindset — But Gaps Remain

The Central Bank of Iraq deserves credit for setting a new tone. Its early investments in compliance platforms, international partnerships, and pilot licenses for digital banks represent more than technical progress—they

"The Central Bank is one of the most committed institutions... It updated its internal systems, created AML platforms, and signed contracts with international institutions to support transformation."

signify a cultural shift within the regulatory apparatus itself. Iraq's central banking leadership is no longer reactive; it is attempting to become proactive in shaping a digitized financial future.

However, the CBI's efforts exist within a broader legal and policy framework that is misaligned with digital transformation. Many of Iraq's financial laws were written for a paper-based economy. For instance, clerks continue to reject electronically issued documents, insisting on physical copies due to outdated legal mandates. The result is a friction-filled experience for both banks and customers, where technological upgrades are offset by analog-era regulations.

Human capital constraints further compound the problem. Digital transformation is not merely a technical transition but an institutional evolution — one that requires change management, workforce upskilling, and a new mindset around customer-centric innovation. Yet many banks lack the capacity, vision, or incentives to initiate this shift on their own.

As Iraq's digital transformation unfolds, a crucial realization emerges: the initial focus is not on

infrastructure or applications. Rather, it is on recognizing that readiness does not equate to preparedness. A future-ready banking sector cannot be achieved through isolated upgrades

or regulatory mandates alone. It must be initiated by reimagining the foundational relationships among culture, institutions, and innovation.

2. Breaking Through — Overcoming Structural, Legal, and Interoperability Barriers

2.1 Outdated Frameworks in a Digital Age: The Legal Lag Holding Back Progress

Iraq's banking sector stands poised for transformation—but one of the most stubborn roadblocks lies not in its technology, but in its laws. Even as the Central Bank of Iraq (CBI) leads modernization efforts, many banks remain shackled by legal frameworks that were built for a paper-based world. The result is a persistent dissonance between institutional ambition and regulatory reality.

At the heart of the issue is a regulatory framework that cannot accommodate digital-first operations. For example, despite the rollout of electronic passports, unified ID cards, and even e-KYC platforms, many processes still require physical documentation. Clerks often reject digitally issued papers because laws do not yet recognize them as valid evidence. This creates a legal contradiction: the government is rolling out digital tools, while simultaneously insisting on paper-based validation procedures.

"Iraq has not had a digital transformation before... we have a weakness in people's determination of their needs... and most important is the laws. These old laws can block digital transformation."

The implications of this gap are not merely operational—they are strategic. Inflexible laws prevent banks from launching fully digital products or streamlining their backend operations. Processes that could be completed in seconds with digital signatures or QR codes still require multi-day approval loops, face-to-face verifications, and physical file storage.



This disconnect between law and technology is not unique to Iraq. But unlike countries such as the UAE or Saudi Arabia, which have actively rewritten regulations to accommodate digital

"Banks are dealing with clients using forged documents. There's a real need for verified digital identities—like UAE Pass or Saudi Absher systems."

identity (e.g., UAE Pass, Saudi Absher), Iraq has yet to legislate a fully digital identity framework. As a result, banks remain uncertain about the legal validity of documents, leading to compliance ambiguity and operational delays.

Exhibit 3 Digital Maturity vs. Regional Benchmarks clearly shows Iraq's lag behind regional peers in establishing comprehensive e-government, e-finance, e-education & e-commerce ecosystems. This gap is not due to lack of ambition—but a lack of legislative adaptability.

To break through this barrier, Iraq must prioritize a complete legal reform agenda tailored to digital realities. This includes revising laws governing document validity, evidence procedures, consumer rights in digital environments, and interoperability standards between ministries and banks. Without these

		Initial GAP Indication		
		○ Significant Gap	◐ Partial Gap	● No Gap
E-commerce	<ul style="list-style-type: none"> Iraq relies heavily on social commerce and private platforms like Miswag and Tamat, with emerging demand seen in platforms like Orderii and PurePlatform (focused on drop-shipping) Gap: International players like Amazon and Noon have not entered due to underdeveloped digital payment systems and logistics. Recommendation: Update and enforce e-commerce regulations, invest in digital payment infrastructure, and incentivize logistics development to attract international platforms and improve consumer trust. 		◐	
E-Education	<ul style="list-style-type: none"> KSA & Jordan have both dedicated portal sections for e-Education services that can be accessed through mobile applications Iraq has initiatives such as free online curriculum Newton, pay e-learning such as Eduba (10-25\$ per student per year), Digital School Initiative and ITALEEM for capacity building Gap: These are mostly start-ups and private initiatives, not part of a larger government-led transformation. Recommendation: Contextualize these initiatives as private sector solutions and highlight the need for centralized government efforts to transform e-education. 		◐	
E-government	<ul style="list-style-type: none"> Iraq's "UR Portal" provides access to over 800+ services, but only 50% are active, and the platform lacks a data governance framework and digital back-end processing. Gap: The portal serves primarily as a front-end without a comprehensive architecture for processing and integration. Recommendation: Iraq needs a complete digital government ecosystem, including back-end system integration, G2G, G2C, and data management frameworks. Focus on centralizing governance and expanding digital maturity. 		◐	
Financial sector & fintech	<ul style="list-style-type: none"> Iraq's fintech sector is still in its early stages, focusing on platforms like ZainCash and AsiaHawala for foundational financial services. Gap: No comprehensive digital banking regulations yet, though there is progress in introducing PoS mandates in retail outlets and government agencies. Recommendation: Finalize digital bank regulations and enforce mandatory digital payments for broader financial inclusion and to encourage adoption. Ensure alignment with global standards to attract international players. 		◐	

Exhibit 3: While Iraq has developed a Number of E-Services across the Selected Focus Sectors, it still lags Behind Regional Benchmark countries³

legal cornerstones, digital transformation cannot scale.

2.2 Institutional Silos & Interoperability Gaps: The Connectivity Conundrum

Even when digital systems exist, Iraq's transformation effort is stalled by weak interoperability across institutions. Banks, ministries, and regulators often operate in technological isolation, making it difficult to share data, verify identities, or collaborate on shared platforms. The outcome is a fragmented digital landscape riddled with duplications, inefficiencies, and vulnerability.

This limitation is particularly damaging for high-risk functions like Know Your Customer (KYC), credit verification, and onboarding. Banks are routinely forced to make decisions based on incomplete or unverifiable information. A document might be technically valid—issued by the correct authority—but its content may be manipulated, and there's no real-time mechanism for verification. Without seamless data exchange between banks and ministries

(e.g., Ministry of Interior, Ministry of Trade), the risk of fraud remains high and trust remains low.

While ministries have launched individual platforms, they operate without a unified architecture. There's no national protocol for API integration, data exchange standards, or shared user identity, this highlights the fragmented nature of Iraq's current digital governance.

Other nations have tackled this issue by establishing central data registries or unified government platforms that act as digital "backbones" for public-private interoperability. Saudi Arabia's Digital Government Authority is a case in point—it sets standards, coordinates across ministries, and ensures that all digital services can connect through a national gateway.

To achieve this in Iraq, a national interoperability framework must be defined. This involves both technical and policy measures—standardized

"Linking with institutions like the Ministry of Interior is difficult... The document may be real, but the information is forged. Banks cannot verify it properly."

protocols for data exchange, legal protections

for shared data, and governance bodies with the authority to enforce compliance across public and private stakeholders. Without this structural scaffolding, digital banking services will remain siloed and limited in impact.

Moreover, Iraq must address the sustainability of its emerging payment infrastructure. While POS systems and e-payment platforms have been introduced, they often function in isolation and lack integration with backend government processes. In some departments, clerks use official prepaid cards to process electronic PoS transactions on behalf of citizens—then collect the equivalent cash from them to recharge the card later. This not only distorts the intent of digital payments but also introduces inefficiencies and accountability risks. In parallel, citizens are still required to physically submit printed payment receipts, further undermining the user experience and negating the benefits of end-to-end digitalization.

2.3 Governance Without Power: The Limitations of Committee-Led Transformation

Perhaps the most profound barrier to scalable transformation is Iraq's current governance model for digital policy. At present, digital transformation efforts are guided by various committees that lack both executive power and long-term continuity. This results in a pattern of short-lived pilots and fragmented initiatives, with limited capacity to drive sustained change at the national level. The committee-based approach compounds this challenge—frequent personnel changes and temporary mandates prevent institutional learning, causing valuable knowledge and momentum to be lost over time.

The distinction between governance structure and transformation outcome is critical. Iraq does have a **National Center for Digital Transformation**, but its mandate is limited, and its authority is not institutionally embedded in law. Contrast this with Saudi Arabia's Digital Government Authority, which not only issues guidelines but also audits compliance and enforces data governance standards across ministries and sectors.

"Technology always precedes law... every two or three days, new technology emerges. So, in order not to oppose future development, these laws must be flexible and feasible."

Without similar enforcement mechanisms, Iraq's digital transformation remains vulnerable to political changes, administrative turnover, and inconsistent prioritization. As Ahmed Al-Hashemy noted, even initiatives that gain early traction often stall due to lack of centralized direction or institutional memory.

To address this, Iraq must institutionalize a **Digital Transformation Authority** with legislative backing, a dedicated budget, and cross-ministerial jurisdiction. This body should own the national digital strategy, coordinate stakeholder efforts, and ensure implementation of a unified transformation roadmap. It should also be tasked with overseeing critical enablers like digital identity infrastructure, public-private data integration protocols, and cybersecurity policy enforcement.

As a starting point, Iraq can benefit from establishing a Digital Interoperability Charter, co-signed by all relevant ministries and regulatory bodies. This would serve as a foundational agreement for unified digital processes and signal a commitment to long-term coordination.

3. Designing for Context — Building Digital Solutions Around Iraq's Real Economy

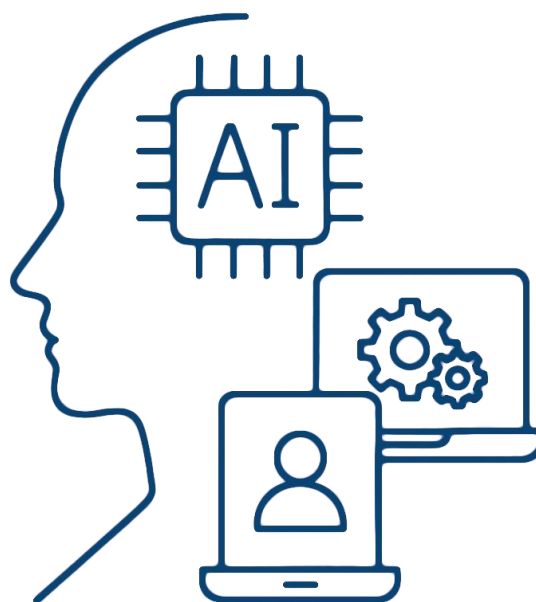
3.1 Automating Internal Banking Processes: Laying the Foundation for Iraq's Digital Economy

Iraq's banking sector is at a pivotal moment in its digital transformation. To fully leverage the potential of digitization, Iraq must prioritize the re-engineering of its internal processes through automation and AI integration. By automating backend functions such as **customer onboarding, credit scoring, transaction monitoring, and regulatory compliance**, Iraq can create an efficient, secure, and customer-centric banking system.

The problem with the Iraqi banking sector is the dominance of the public sector, with government banks holding 80% of total assets and 70% of total credit. This is due to the government depositing all its funds in government banks, despite the presence of 63 private banks operating in Iraq.

Despite this, the Central Bank of Iraq has updated its Real-Time Gross Settlement (RTGS) system to operate around the clock, updated its Electronic Clearing System (ACH) system, and updated its Inter-Bank Clearing System (IBCS) to support several projects, including the payroll localization project, the automation of financial transfers for government departments and spending units, and the linking of banking systems to payment systems through the Gateway.

The electronic collection project is one of the main pillars upon which the Central Bank of Iraq relies in its digital transformation and financial infrastructure development. The project represents a qualitative shift in the mechanisms for collecting government resources through a secure and transparent electronic environment



based on the national switchboard, which connects all banks and licensed electronic payment service providers.

The project enables citizens to pay government bills and fees via bank cards, point-of-sale (POS), ATMs, and mobile e-wallets, reducing the need for cash transactions and reducing operational and administrative costs for government departments.

The project also provides a unified platform for viewing, inquiring about, and paying bills electronically, ensuring streamlined procedures for citizens and increasing the efficiency of financial collection at government agencies.

The Payments and Information Technology Department at the Central Bank of Bahrain has completed the full technical and software preparation for the project, allowing all government agencies to join it. To date, 42 ministries, government agencies, and institutions have participated in the system.

The implementation of electronic collection represents a fundamental step towards automating public services, improving spending efficiency, and enhancing transparency in the management of public funds. This aligns with the government's efforts to modernize its financial systems and facilitate the provision of services to citizens through digital payment tools.

Total payments via bank cards reached 21 trillion dinars in 2024, compared to 1.7 trillion dinars in 2020, a significant growth rate.

The first step in this transformation is **automating customer verification**. Currently, many banks in Iraq rely on outdated, manual KYC (Know Your Customer) processes, which are time-consuming and prone to errors. By incorporating **AI-driven verification systems**, banks can automatically cross-check customer data against sanction lists and government databases, improving speed, accuracy, and security. This real-time integration would streamline customer onboarding and ensure compliance with international standards.

Next, **credit scoring systems** must evolve. In Iraq, traditional credit scoring models often exclude individuals and businesses without formal banking histories. AI-driven models, however, can integrate alternative data, such as mobile phone usage and utility payment history, to assess creditworthiness. This inclusive approach will enable banks to extend credit to underserved populations, fostering financial inclusion and supporting small businesses and traders who are often excluded from traditional lending systems.

Anti-Money Laundering (AML) systems also need to be optimized. Today, many AML processes are manual and inefficient, making it difficult to detect suspicious activities in real-time. **AI-powered AML systems** can analyze transaction patterns, flagging potential money laundering activities instantly. This would reduce

the time spent on manual reviews and increase the system's ability to detect and prevent fraud, ensuring better compliance with global financial regulations.

The integration of **core banking systems** like the **ICS-FS Core Banks System** can also play a key role in streamlining operations. These systems, enhanced with AI capabilities, would automate routine banking tasks, such as transaction approvals and risk assessments. This will not only reduce manual intervention but also speed up transaction times, offering a more responsive banking environment for customers.

Additionally, **Document Management Systems (DMS)** should replace traditional paper-based systems, which hinder operational efficiency and increase the risk of errors. By digitizing documents such as contracts and compliance forms, banks can reduce their reliance on physical records, enhance operational speed, and ensure regulatory compliance.

An essential aspect of Iraq's digital transformation is the **integration of its internal systems**. Currently, many banking systems in Iraq operate in silos, creating inefficiencies and delays in decision-making. By connecting systems like **AML, KYC, credit scoring, and transaction monitoring**, banks can gain a holistic view of their customers and operations. This unified system will allow for quicker, more accurate decision-making, improve operational efficiency, and reduce redundant processes.

However, these efforts must be supported by strong **cybersecurity measures**. As digital transformation accelerates, banks need to invest in **AI-driven security systems** that can detect and block fraudulent activities in real-time. This will help protect sensitive customer data and foster trust in Iraq's digital banking ecosystem.

To succeed, Iraq's banking sector must focus on both process automation and regulatory alignment. Clear, adaptable regulations that encourage innovation while ensuring compliance with international standards are critical for the success of this transformation.

This inside-out digitization approach will improve efficiency, enhance compliance, and foster financial inclusion, setting the stage for a more resilient and customer-centric banking environment. By embracing these technologies, Iraq's banks can become leaders in the digital economy, driving long-term growth and stability.

"Iraq's electronic trader registration is a major opportunity. But we need a platform—not just a license—that helps them manage business digitally end-to-end."

3.2 Tailoring Transformation: Building Interconnected Digital Ecosystems to Meet Sectoral Need

As Iraq's financial ecosystem embarks on its digital journey, a fundamental truth must be acknowledged: transformation must be **contextual** to be effective. While global blueprints offer inspiration, Iraq's economic structure, informal trade norms, and sector-specific needs require localized design and pragmatic implementation.

This becomes evident when analyzing how the financial needs of Iraq's economic actors diverge. Take, for instance, medical supply merchants operating scientific offices. Though their transaction volumes are modest, their operational complexity—ranging from pharmaceutical imports to regulatory approvals—demands sophisticated digital support. Yet banks continue offering standardized products ill-suited to such realities.

"Why can't we offer credit and services using AI? We have to use technology to customize offerings for specific segments like merchants and housing associations."

What's missing is **a platform-centric approach** that enables banks to co-develop digital solutions with targeted sector such as (but not limited to) —merchants, housing associations, SMEs—each with distinct workflows and financing needs. This includes real-time e-invoicing tools, AI-based credit scoring, inventory-linked lending mechanisms, and interoperable tax-payment systems.

Digital platforms that integrate these capabilities can create economic inclusion without requiring businesses to immediately formalize or overhaul operations. For example, a merchant who cannot provide a multi-year tax history might still qualify for credit based on sales activity captured through a digitized POS system linked to bank analytics. This reflects a **"design-with" rather than "design-for"** approach—building transformation around how Iraq's economy actually works.

One of Iraq's most promising policy interventions—the registration of electronic traders—reveals the transformative potential of **public-private digital ecosystems**. The directive to formally register e-traders represents an important piece of the puzzle enabling the development of platforms that can eventually integrate compliance, taxation, payments, and credit. While not a comprehensive solution on its own, it marks a meaningful step toward giving small businesses in the informal economy access to digital financial infrastructure.

But to translate this policy into practical outcomes, the private sector—particularly banks and fintechs—must move beyond siloed

product development and embrace **platform thinking**. This means enabling services like:

- Tax payments through government-linked wallets
- Inventory financing for registered digital merchants
- Automated credit scoring for electronically recorded transactions
- Digital trade facilitation (e.g., e-letters of credit, smart contracts, escrow services)

The goal is not merely digitizing services, but building **self-sustaining digital environments** where economic actors interact, transact, and

grow—integrated with government, financial institutions, and marketplaces.

Exhibit 4 **highlights Iraq's Young, Digitally Inclined Population**, which is a demographic advantage—a young population with rising digital expectations. With over half the population under 25 and strong mobile penetration, the appetite for simple, mobile-first platforms is already present. This youth-driven demand can catalyze a virtuous cycle: more digital adoption → more data → better financial insights → more targeted financial services. But this cycle can only materialize if platforms are interoperable, user-centric, and sector-aligned.

Median age & Mobile penetration by country 2023

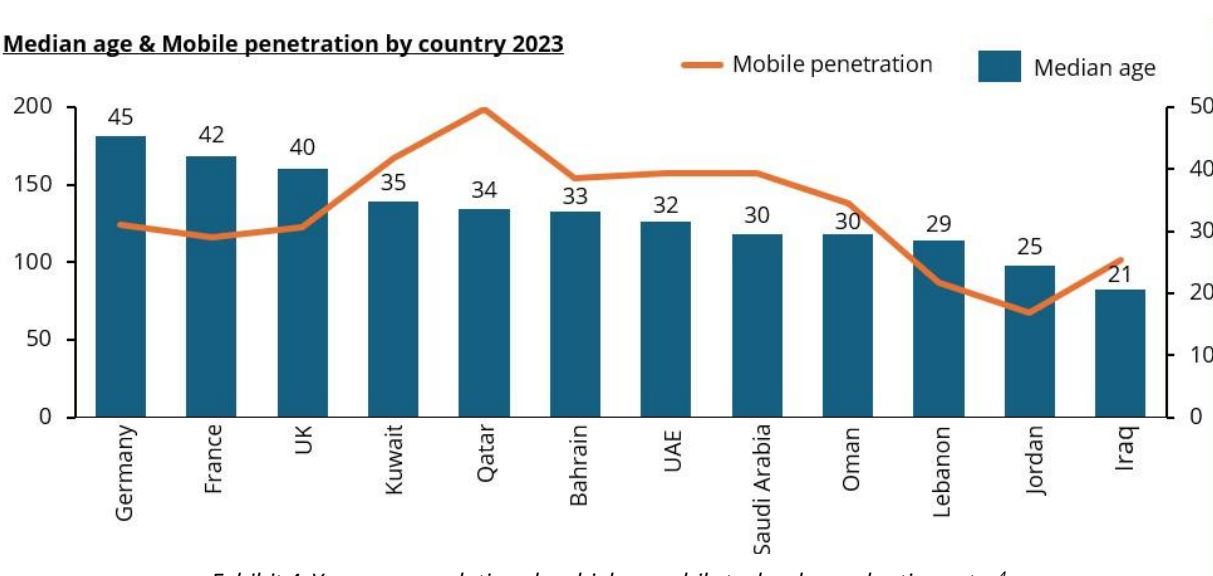


Exhibit 4: Younger populations has higher mobile technology adoption rates⁴

A precedent exists in Iraq's own telecommunications-driven mobile wallets like ZainCash and AsiaHawala, as illustrated in Exhibit 5. Their success stems not from offering financial products in isolation, but from becoming embedded in users' day-to-day activities—mobile top-ups, bill payments, peer-to-peer transfers. Banking must follow suit, embedding itself into the operational rhythm of Iraq's real economy.

3.3 Policy as Product Design: Rethinking the Role of the State

Governments often see their role in digital transformation as policy enablers. But in Iraq's case, the state must go further—it must become **a co-designer of digital experiences**. This means rethinking regulations, licensing regimes, and government interfaces not as compliance tools, but as user journeys.

"We still have citizens paying electronically—but then having to withdraw cash or print receipts to complete their task. That's not transformation, it's digital window dressing."

Consider how e-payment mandates for utility bills or taxes are implemented. Today, despite

POS terminals being deployed at government offices, citizens still face redundant steps—such as clerks use official department prepaid cards to complete transactions at the electronic PoS, then collect transaction fees from citizens to later top up the card or printing payment receipts or manually submitting confirmation slips. The system exists, but the experience is broken.

This is a missed opportunity. **When government services are digitized without redesigning the process itself**, the transformation fails to deliver value to citizens or banks.

“The government said—use cards. But then scared people into compliance. We need incentives and trust, not fear, to drive digital behavior.”

The same principle applies to initiatives like e-passports or student cards. These tools can become digital identity backbones—if linked with banking KYC processes, government registries, and secure APIs.

Banks, in turn, can reorient from passive product providers to **digital intermediaries** that facilitate access to government services. A

well-designed Financial Service App in Iraq could someday allow users to:

- File taxes
- Renew licenses
- Pay school fees
- Access public financing tools

This would redefine the citizen-banking relationship—not just as a financial interface, but as a **civic one**. To achieve this, **co-investment between government and banks** is essential. Public entities must open up APIs and standardize data structures, while banks must invest in front-end platforms that translate government services into intuitive user flows. Such collaboration should be framed as digital infrastructure development—no different from roads or electricity grids. The case **for government as a co-designer** lies in building trust. If public institutions are more integrated into the platforms Iraqis use daily, it can enhance the legitimacy of both digital banking and public service delivery. This is particularly important in a country where historical mistrust of institutions has led citizens to rely on informal channels. However, this integration must be carefully aligned with service offerings to avoid overwhelming or alienating users.

1



Overview: ZainCash, launched in 2015 under the Zain Group and licensed CBI, has become a significant player in Iraq's digital payment. Offers various financial services, including local and international money transfers, mobile recharge, utility bill payments, and e-commerce transactions

Products and Services

- **Mobile wallet:** Offers secure storage and easy access to funds
- **Bill payments:** Facilitates payment for utilities and services
- **Peer-to-peer transfers:** Enables users to send and receive money
- **E-commerce payments:** Supports online purchases
- **International remittances:** Provides cross-border transfer services
- **Agent network:** Allows cash-in and cash-out at thousands of agents, ATMs, and partner banks

Impact and Achievements

- Launched in 2016 Zain Cash is growing 150% Year-on-year
- 100,000 transactions daily
- Response times decreased by 50%
- Faster customer onboarding
- 1.2 million app downloads since launch

2



Overview: AsiaHawala, Iraq's first mobile money service, was launched in 2015 by Asiawala in partnership with the Ooredoo Group. It is also licensed by the Central Bank of Iraq (CBI) and aims to offer affordable and accessible financial

Products and Services

- **Mobile wallet:** Provides a secure platform for users to manage funds
- **Utility payments:** Allows users to pay electricity, water, and other bills via mobile
- **Peer-to-peer transfers:** Facilitates fast and secure money transfers between users
- **Salary disbursement:** Offers payroll services for companies and NGOs
- **Cash-in/cash-out network:** Operates through a wide network of agents and service points throughout Iraq

Impact and Achievements

- Launched as the first-ever licensed mobile financial service
- Collaborated with UNHCR for cash disbursement programs, such as winter aid campaigns, to support 1.2M internally displaced people and refugees

Exhibit 5: Case study on success of ZainCash & Asia Hawala⁵

4. Governing the Shift — From Tactical Initiatives to Institutional Mandates

4.1 Digital Compliance – Strengthening Iraq's Banking Sector for the Future

As Iraq's banking sector transitions towards digitalization, ensuring robust digital compliance becomes crucial. This is not just about meeting regulatory requirements, but also ensuring trust, security, and efficiency within Iraq's financial systems. The rapid advancement of digital banking presents an opportunity for the country to integrate cutting-edge technologies to improve compliance measures, such as **Anti-Money Laundering (AML)** and **Countering the Financing of Terrorism (CFT)** frameworks.

National Compliance Framework: Global Standards and Local Adaptation: Iraq's banking system is currently navigating the challenges of aligning with global regulatory standards, particularly those set by the **Financial Action Task Force (FATF)**. These standards dictate strict **Customer Due Diligence (CDD)**, **Suspicious Transaction Reporting**, and **International Cooperation** to prevent illicit financial activities. While Iraq has made significant progress in updating its AML/CFT frameworks, the country still faces gaps in effectively implementing these standards across its banking sector.

The regulatory environment in Iraq is hindered by outdated laws that are not suited for modern digital financial services. **Paper-based documentation** requirements continue to dominate, which impedes the transition to a more efficient, digitally-based compliance system. The lack of a flexible and adaptive legal framework means that **digital identity verification** systems, such as **eKYC (electronic Know Your Customer)**, are difficult to implement effectively. This issue of regulatory



hesitation results in delays, inefficiencies, and an overall resistance to change within the banking ecosystem.

Bank-Level Compliance: At the bank level, Iraq's financial institutions are grappling with the need to modernize compliance processes to meet these global standards. While some banks have introduced **e-KYC** systems, many still rely heavily on manual verification and outdated customer identification methods. This leaves room for error and fraud, undermining the integrity of the banking system. Banks need to leverage **AI-driven compliance tools** that allow for **real-time monitoring**, **automated customer verification**, and **transaction tracking** to adhere to AML/CFT regulations efficiently.

A key challenge for Iraqi banks is the lack of **interoperability** between financial institutions and government bodies, particularly in verifying **identity documents**. Many customer documents, although authentic, have information that may be forged, which makes verification processes unreliable. Iraq can improve compliance by adopting **blockchain technology** for digital record-keeping and **AI**

algorithms to analyze customer data in real-time, ensuring more accurate verification and risk assessment.

Looking at the GCC countries, **the UAE** and **Saudi Arabia** have set the bar for digital compliance in the region. In the UAE, banks use **automated screening tools** to verify customers against global **sanctions lists** (e.g., **OFAC**, **UN Security Council lists**). This technology streamlines compliance efforts, reduces manual errors, and ensures that suspicious transactions are flagged immediately. The UAE's **Emirates ID** system has played a significant role in simplifying the KYC process, helping banks conduct **electronic verifications** quickly and securely. Similarly, **Saudi Arabia** has adopted **AI-driven transaction monitoring systems** that help detect suspicious activity, significantly improving fraud detection and compliance measures in real time.

These examples show that with the right technology, such as **AI**, **blockchain**, and **big data analytics**, Iraq can modernize its compliance infrastructure. By adopting a **biometric-based national ID system**, Iraq could streamline **eKYC** and significantly reduce the costs associated with compliance, while also increasing financial inclusion across the country.

Iraq's path to digital banking must prioritize the development of a **comprehensive digital compliance framework**. This starts with **updating existing regulations** to support the adoption of **new technologies** like **blockchain** and **AI**. A clear regulatory framework will give banks the guidance they need to align with global standards and encourage international partnerships and investments.

Banks, in turn, must invest in **advanced compliance tools** that leverage **real-time data processing** and **AI algorithms** to detect fraudulent activities. The integration of **digital ID systems** for customer verification would further streamline compliance processes,

making Iraq's financial sector more secure and reliable. Moreover, **transaction transparency** must be enhanced through digital technologies that allow for **better tracking and monitoring** of financial flows.

At the national level, Iraq should look to the **UAE's Emirates ID** and **Saudi Arabia's Absher system** as models for creating its own **national digital ID system**. This would not only facilitate easier KYC processes but also lay the groundwork for improved **cross-institutional interoperability** and data sharing.

By strengthening Iraq's digital compliance infrastructure with AI, blockchain, and digital identity systems, the country can position itself as a leader in digital banking within the region, encouraging greater foreign investment and enhancing economic stability.

4.2 Cybersecurity and Data Infrastructure: Mandates Without Mechanisms

Digital transformation cannot proceed without digital trust—and this trust is rooted in **cybersecurity and data governance**. The Central Bank of Iraq has ambitiously pushed for banks to invest in data centers and cybersecurity, but execution lags behind.

"The Central Bank mandates data centers and cybersecurity... But many banks don't understand what is required or how much to invest."

Many banks, particularly smaller private institutions, lack the internal expertise to interpret these mandates—let alone implement them. As a result, compliance becomes reactive rather than strategic. Banks either **overinvest inefficiently**, or **delay investment altogether**, fearing non-compliance or misalignment with future regulatory updates.

What's needed is a **tiered cybersecurity compliance model**—one that aligns investment requirements with the **size, complexity, and risk profile of each bank**. For instance, larger or **higher-risk banks** might be expected to **invest in robust on-premises infrastructure** and continuous monitoring, while **mid-sized institutions** could leverage **certified cloud services** with more focused cybersecurity measures, including incident response and penetration testing. **Smaller or lower-risk banks**, on the other hand, would focus on **minimum controls such as endpoint protection**, staff training, and basic encryption to address their specific risk profile. This approach ensures that resources are effectively allocated based on the unique needs and risk factors of each institution.

Alongside this, the CBI should establish a **national cybersecurity assistance program** that provides:

- Shared cybersecurity infrastructure (e.g., SOC-as-a-service)
- Vendor certification lists
- Subsidized training programs
- Breach reporting protocols and knowledge exchanges

"Banks need service providers to help them define what's needed. Many don't even know what the Central Bank's minimum digital transformation standards are."

Cybersecurity cannot be treated as a checklist. It is a **strategic enabler** of digital banking, consumer trust, and financial stability. And without proper execution support, Iraq's digital mandates risk becoming **paper policies—ambitious but unenforced**.

4.3 From Projects to Policy: Institutionalizing Transformation with Executive Power

Iraq's digital banking sector has made notable progress, but the shift from fragmented initiatives to a unified, nationwide transformation demands a robust, centralized governance framework.

"This Center is a good step—but it must be independent. Digital transformation needs resources, legal support, and the power to drive change across ministries."

While the Central Bank of Iraq (CBI) has played a key role in modernizing systems the sector remains divided, limiting its overall impact. Iraq has taken a step forward by establishing the National Center for Digital Transformation to advance the country's digital strategy. However, this center is still in its nascent stages and lacks the independence and authority required to spearhead large-scale, coordinated change.

To achieve lasting digital transformation, Iraq

"We need a national organization with full authority over digital transformation. Iraq's committee-based model lacks power and continuity."

must establish a **Digital Transformation Authority** with the authority to coordinate efforts across banking, government, and private sectors. This authority would centralize oversight, streamline licensing processes, and enforce digital policies across ministries, fostering **clear regulatory frameworks**. Currently, the lack of a structured licensing process leaves digital banks uncertain about compliance, hindering investment and growth. A **transparent and adaptable licensing framework** is essential to provide clarity and enable digital banks to scale confidently.

Legal reform is another critical area. Iraq's banking laws, still rooted in paper-based processes, must evolve to support digital transactions, such as **e-KYC** and **digital signatures**. Without legal flexibility, technological advancements will continue to

outpace legislative changes, creating barriers to progress. Iraq must **modernize its legal system** to facilitate digital payments, improve security, and promote innovation in financial services.

Cybersecurity and **data protection** also need urgent attention. **National cybersecurity protocols** must be standardized and implemented across the banking sector to ensure digital trust. Alongside this, Iraq's digital transformation requires **better interoperability** between government services and financial institutions. Lack of integration impedes services like document verification and KYC, delaying the delivery of digital services. A unified **digital identity system** would enable real-time verification and streamline banking operations.

Public-private partnerships (PPPs) should also be expanded to accelerate the integration of government services with banking systems. Initiatives like **e-payment systems** for

government services have shown promise but need broader adoption. By creating **platforms** that link government services with banking services, Iraq can drive **financial inclusion** and improve service delivery across sectors.

Finally, investment in **digital infrastructure** and **digital literacy** is necessary to ensure that all Iraqis can participate in the digital economy. Mobile penetration is high, but **reliable internet access** and digital skills are still lacking in many areas. Iraq must **prioritize digital literacy** and invest in expanding internet access to bridge this gap.

In conclusion, Iraq can successfully transition to a digitally enabled financial system by **centralizing leadership, reforming policies,** and **building infrastructure** that supports all citizens. A coordinated approach will foster a **robust, inclusive digital economy** that unlocks Iraq's potential as a regional leader in digital banking.

5. Realizing the Opportunity — A Shared Roadmap to a Digitally Enabled Financial Future

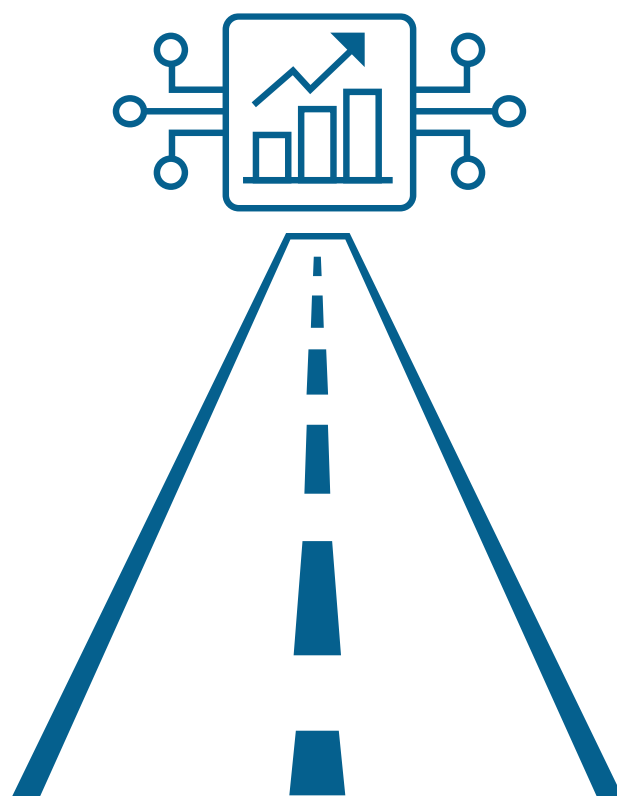
5.1 Building a Collective Future: The Role of Collaboration in Accelerating Change

Bank's digital transformation cannot be achieved in isolation. The path forward demands **collaboration**, where banks, fintechs, government agencies, and other key stakeholders work together to co-create a digital ecosystem that is sustainable and accessible for all Iraqis. While progress is being made, the true potential of Iraq's digital financial future will only be realized through a **holistic, multi-stakeholder approach**.

Currently, some of Iraq's leading payment companies and digital banks are pushing innovation. However, these entities are still working within **silos**, each pushing its own agenda without a cohesive strategy. To unlock the full potential of Iraq's digital banking ecosystem, collaboration between the public and private sectors is crucial.

"Public-private partnerships, like the ones we've seen in electronic trading registration, are essential to accelerate and sustain digital banking innovation."

As the **Central Bank of Iraq (CBI)** has initiated various measures, such as developing an **electronic payments framework** and reviewing / issuing **digital banking licenses**, these moves are a starting point. But the real challenge lies in connecting these individual efforts into a **national digital infrastructure**. **Public-private partnerships (PPPs)** can accelerate and scale these efforts, ensuring that digital banking services reach citizens across Iraq, regardless of their location or socio-economic status.



By fostering collaboration, the following areas can be effectively addressed:

- **Regulatory Reform:** Iraq needs **clear, consistent regulations** that guide digital banking development. While the CBI has made strides, further **sector-specific reforms** and clear guidelines are necessary to support innovation and build investor confidence. The establishment of a **National Digital Transformation Center**—modeled after successful governance bodies such as ones in Saudi Arabia, UAE —can streamline this process
- **Infrastructure Development:** There is a significant need to improve Iraq's **digital infrastructure**, particularly in terms of internet access, mobile network expansion, and cybersecurity. These improvements are essential for creating

a secure and reliable platform for digital banking and other fintech services to thrive.

- **Customer-Centric Innovation:** The most critical element of this transformation is addressing the actual needs of the **Iraqi population**. Banks should develop **sector-specific digital solutions**, including (but not limited to) tailored platforms for small businesses, merchants, and housing associations. These solutions should be designed to **digitize critical services**, such as invoicing, credit scoring, and cash flow management, ensuring that these segments have access to the tools they need to grow and thrive

In parallel, regulators must embrace a **co-regulatory mindset**—designing innovation sandboxes, adaptive licensing, and fast-track approval for joint ventures. The message should be clear: in Iraq's digital future, innovation will be encouraged, tested, and scaled through **partnership—not compliance hurdles**

The **exhibit 6** below visualizes the flow of fintech companies across diverse digital services. It highlights the fragmentation of the fintech space, showing the different subsectors such as **mobile wallets, issuers, and acquirers**, and demonstrating how various companies are clustered within these categories. The lack of a single unified digital infrastructure for banking and payments in Iraq is evident from this flow, underscoring the need for cross-sector collaboration.

"Digital banking is now serving individuals and small businesses... But most banks still don't tailor technology solutions to different customer segments."

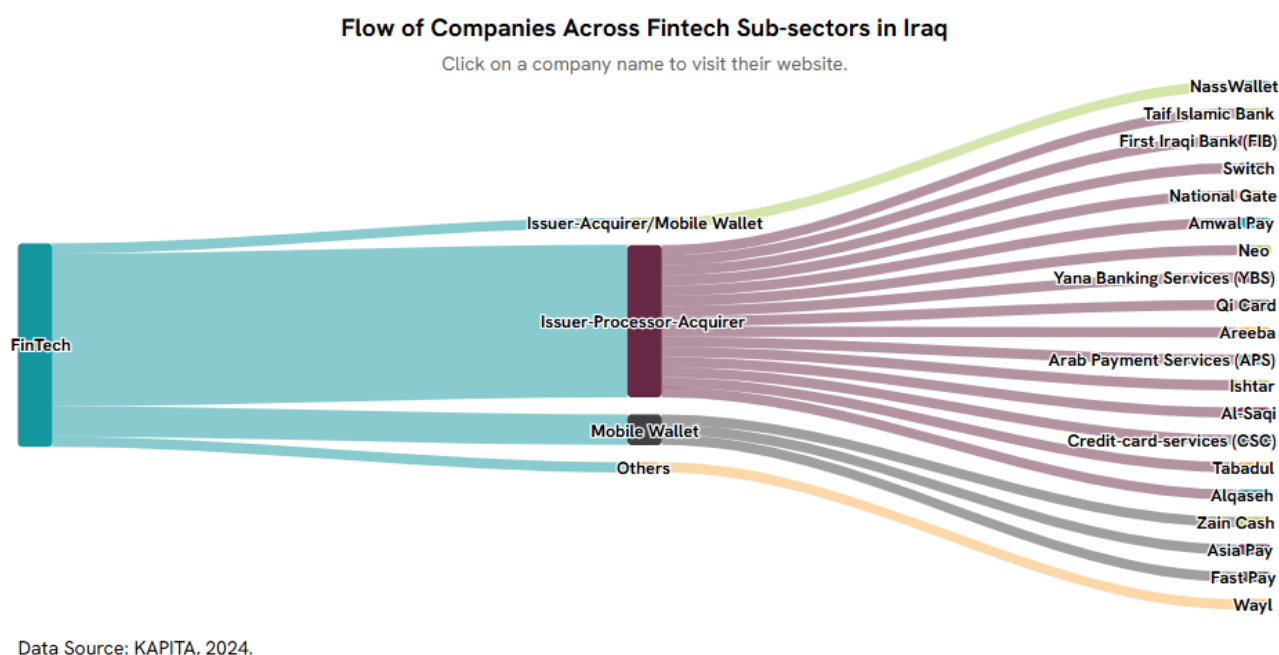


Exhibit 6: Fintech Sub-sector Map for Iraq⁶

5.2 Scaling What Works: Digital Banks as Engines of Inclusion

Digital banks represent a profound opportunity—not merely to deliver banking via smartphones, but to reimagine **who banking serves and how**. Digital banks in Iraq, such as the **First Iraqi Bank (FIB)**, represent a transformative opportunity to redefine banking by extending services to underserved communities, far beyond the capabilities of mobile wallets like Zain Cash or AsiaHawala. Since 2021, FIB has demonstrated its ability to onboard a million users, particularly in regions with limited access to physical branches, through seamless mobile-based account creation and transactions. Regionally, examples like Egypt's onebank, launched by Banque Misr in 2024, and Jordan's Bindar, a fully digital bank, illustrate the potential for digital banking to

drive financial inclusion and innovation, offering a model for Iraq's ongoing digital transformation.

What's striking is that fintech are not operating at the periphery—they are becoming the new core of customer engagement, especially for retail and SME segments. The challenge now is not proving their value—it's enabling their growth.

Exhibit 7 **highlights Digital Financial Services Growth Potential** by projecting exponential growth in electronic transactions, e-wallet usage, and mobile banking demand, fueled by Iraq's young and increasingly connected population.

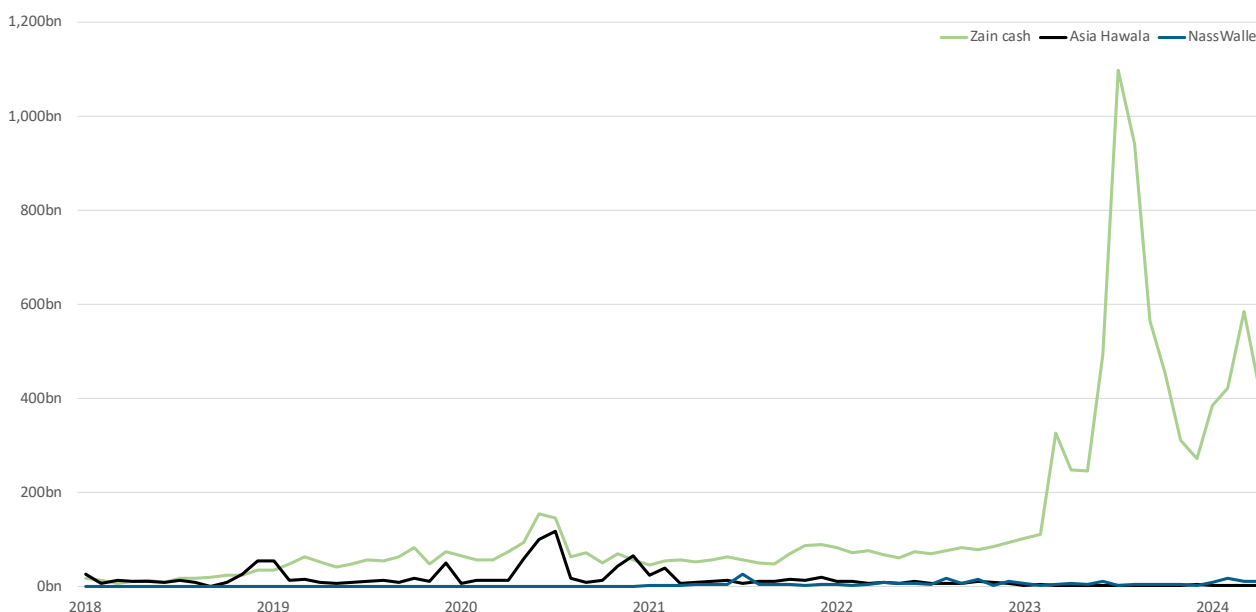


Exhibit 7: Electronic payments transaction value in IQD over the years⁷

To scale digital banking as a **national engine of financial inclusion**, several strategic enablers must be prioritized:

- **Digital Onboarding & eKYC:** Enable secure, biometric-driven onboarding using verified

national IDs or mobile SIMs, reducing cost and friction.

"The most important thing now is encouraging citizens to open accounts and use electronic transactions. That is directly linked to government services."

- **Micro-Savings & Credit:** Use behavioral and transaction data to offer AI-powered savings nudges, micro-loans, and emergency liquidity.
- **Social Protection Integration:** Disburse government subsidies, pensions, or aid via digital accounts, anchoring trust and utility. Extending QiCard's pioneering success in secure pension distribution, digital banks can enhance accessibility, streamline payments, and offer additional services like savings and microloans to boost financial inclusion in Iraq.
- **Rural Access Models:** Deploy agent banking and offline-enabled apps for areas with poor connectivity.

In this context, banks should think beyond competition and consider **consortia-based innovation**—e.g., shared utility platforms for credit scoring, fraud detection, or KYC registries. These shared services reduce cost duplication and improve interoperability—benefiting all players while lifting the system as a whole.

Moreover, as citizens grow comfortable using banking apps for basic payments, banks must **graduate the experience**—introducing tools for financial planning, insurance, investment, and remittance.

5.3 Becoming a Regional Fintech Leader: Iraq's Window of Strategic Opportunity

"With proper governance and investment, Iraq could achieve significant transformation in mid-term. But it requires coordination and funding at scale."

Iraq's current state—fragmented yet reform-ready, traditional yet digitally ambitious—presents a complex landscape. However, it also offers a unique opportunity for early adoption and innovation. With strategic alignment of governance, infrastructure, and investment, Iraq

can position itself as a regional fintech leader, not merely catching up but setting a new standard for digital financial transformation.

This bold outcome is not without precedent. Countries like Egypt and Jordan have transformed their financial sectors by leveraging fintech to bridge structural gaps. Iraq, with its:

- Population of over 44 million
- 100%+ mobile penetration
- 85% internet penetration
- Untapped informal economy
- Growing fintech base (e.g., ZainCash, AsiaHawala)
- Expanding payment infrastructure

...possesses all the ingredients for a digitally-led leap. To position itself as a regional fintech hub, Iraq must activate several strategic levers:

- **Finalize & Promote Digital Bank Regulations:** Offer clarity & consistency to attract regional fintech players & investors.
- **Establish a Fintech Regulatory Sandbox:** Foster innovation in payments, lending, insuretech, wealthtech, cryptocurrency, and asset tokenization through controlled experimentation, enabling secure and scalable development of diverse financial technologies.
- **Launch a National Fintech Acceleration Program:** Incubate local startups, provide venture support, and partner with telecoms and banks.
- **Align with Global Compliance Standards:** Ensure alignment with FATF, Basel III, and digital identity standards to build trust and attract cross-border partners.
- **Strengthen Regional Collaboration:** Co-create cross-border remittance & trade finance platforms with neighbours.

By doing so, Iraq won't just digitize its economy—it can export **digital trust, fintech models, and innovation leadership** across the

region. This is the long-term prize. And it is within reach.

6. Pathways Forward: Strategic Actions for an Inclusive and Future-Ready Financial System

As Iraq stands on the threshold of systemic digital transformation, progress will depend on how effectively different actors align around a shared vision. From regulators and banks to fintechs and development partners, each has a distinct role in unlocking a more resilient, inclusive, and future-oriented financial system. The following stakeholder-specific recommendations outline the critical actions needed to move from potential to performance.

6.1 Stakeholders: Central Bank of Iraq and Financial Regulators

Role: System Architects and Enablers of Trust

The Central Bank of Iraq (CBI), along with allied financial regulators such as the Iraqi Securities Commission (ISC), the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Office, and the Iraqi Private Banks League (IPBL), serves as the system's keystone—shaping the rules, infrastructure, and confidence on which digital banking is built. The objective for this group is to accelerate institutional readiness across the sector while ensuring security, interoperability, and regulatory consistency. They must foster an innovation-friendly environment without compromising on integrity or stability.

Key Actions:

- **Publish clear open banking protocols:** Establish a framework defining secure, standardized APIs for sharing customer data with authorized third parties,
- **Establish a regulatory sandbox** for fintech innovation in areas such as micro-lending, insurtech, and payment gateways.
- **Support the implementation of existing** cybersecurity, eKYC, and data localization standards through robust mechanisms, with tiered categories based on institution size and risk exposure to ensure effective compliance and scalability.
- **Develop inter-ministerial digital policy coordination councils** to standardize API protocols, legal digital identity recognition, and national interoperability rules.
- **Audit and upgrade national payment systems** for scalability and cross-border compatibility.
- **Enhance digital compliance frameworks:** Ensure digital banking meets global AML/CFT standards, using AI, blockchain, and national digital IDs
- **Establish a credit ratings bureau:** Create a credit bureau using AI to expand credit access by integrating traditional and alternative data

6.2 Stakeholder: Commercial Banks and Digital Banking Providers

Role: Financial Service Providers and Catalysts of Inclusion

Iraq's banks—both traditional and digital-first—are central actors in shaping user experiences, financial inclusion, and operational innovation. Their objective is to modernize core systems, reimagine product delivery, and extend services to underbanked populations through technology and partnerships.

Key Actions:

- **Process reengineering and automation with AI:** Invest in AI-driven automation to streamline internal processes and support decision-making. This includes automating credit assessments, fraud detection, and customer verification.
- **Invest in cloud-native core banking systems** that support modular, API-based innovation and rapid deployment of digital services.
- **Develop sector-specific platforms**, such as for merchants, housing associations, or agriculture—that combine finance with operational tools like inventory or billing.
- **Introduce AI-driven credit scoring** and alternative data models to extend micro-credit to informal and thin-file customers.
- **Partner with telecoms and tech firms** to enable hybrid distribution models (e.g., agent banking, offline digital wallets).
- **Redesign digital interfaces** around customer lifecycle needs—onboarding, savings, financing, and service integration—with a focus on simplicity and accessibility.

6.3 Stakeholders: Government, Ministries and Public Sector Agencies

Role: Co-Designers of Digital Ecosystems and Public Infrastructure Custodians

Ministries overseeing trade, interior, finance, and communications hold the public data, registries, and service platforms that digital banking must interlink with. Their objective is to digitize administrative processes, open public infrastructure for secure private sector use, and increase the ease of doing business for citizens and enterprises.

Key Actions:

- **Digitize and API-enable national registries** (e.g., ID, tax, business registration) and allow secure third-party access for KYC and compliance.
- **Standardize e-payment workflows** across public services—utilities, taxes, fees—eliminating manual steps and receipt verification loops.
- **Adopt an open data governance framework** to manage consented data sharing between government systems and regulated financial service providers.
- **Create interoperable national digital ID protocols** usable across banking, health, education, and commerce.
- **Institutionalize a digital transformation authority** with budget and decision rights to coordinate across ministries and drive strategic reform.

6.4 Stakeholders: Fintech Companies, Payment Providers, and Telecoms

Role: Innovation Engines and Access Enablers

Fintechs and mobile operators are vital for expanding financial services to underserved populations, especially through mobile-first and low-cost solutions. Their objective is to scale affordable, interoperable products and services that complement and extend the formal banking sector.

Key Actions:

- **Collaborate with banks:** Instead of transitioning to digital banks, fintechs should partner with traditional banks to utilize their licenses and services, co-developing solutions such as shared infrastructure for onboarding, credit scoring, and risk management.
- **Integrate services with national ID, payment, and KYC frameworks**, ensuring regulatory compliance and user trust.

- **Localize customer support, user interfaces, and documentation** to improve digital fluency and adoption among new users.
- **Develop embedded finance products** in areas like education, health, mobility, or supply chains, turning digital tools into everyday utilities.
- **Ensure robust customer protection protocols**, especially against fraud, through layered authentication and customer education.

6.5 Stakeholders: International Development Agencies and Investment Partners

Role: Capacity Builders and Market Accelerators

Bilateral donors, multilateral banks, and international fintech investors have the resources and experience to accelerate transformation while ensuring alignment with global best practices. Their objective is to fill capacity gaps, de-risk early-stage innovation, and fund foundational infrastructure.

Key Actions:

- **Fund institution-level capability development**, particularly for cybersecurity, data governance, and digital literacy across the banking system.
- **Support public infrastructure investments**, such as interoperable payment switches, national credit registries, and eID validation platforms.
- **Sponsor inclusive digital pilots**, including financial products for women, youth, rural populations, and refugees.
- **Facilitate cross-market partnerships**, helping Iraqi stakeholders tap into regional fintech ecosystems.
- **Monitor and evaluate transformation programs**, offering data-backed insights

into what's working and what needs recalibration.

Conclusion

A digitally enabled financial system is not just an end state—it is an ongoing process of reinvention, one that must be grounded in Iraq's unique realities and ambitious in its scope. Unlocking this future demands coordinated action from regulators, banks, technologists, and the public sector, each aligning behind a shared agenda of trust, inclusion, and innovation.

By embedding strategy into execution—governance into code, policy into products—Iraq can move from isolated advances to systemic transformation. The opportunity is not only to modernize banking, but to shape a new architecture of economic participation and state-citizen engagement.

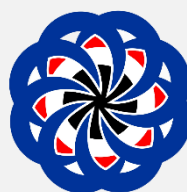
What lies ahead is not simply digital banking—but a more resilient, responsive, and regionally connected Iraq, powered by technology and unified by intent. The time to act boldly is now.

About Iraqi Private Banks League & Management Partners

The Iraqi Private Banks League (IPBL) is a non-profit organization established in 2004, representing all private banks operating in Iraq, including both commercial and Islamic banks. The League plays a key role in enhancing the banking environment and supporting the financial sector through close coordination between member banks and government agencies, led by the Central Bank of Iraq. With a vision to be a leading platform driving banking development, digital transformation, and financial inclusion, IPBL's mission focuses on representing the interests of private banks, enabling them to support the national economy. It does so by providing training, technical support, policy development, and fostering cooperation between the public and private sectors. Through its core objectives—such as enhancing transparency, supporting monetary reforms, promoting fintech adoption, and expanding financial inclusion—the League drives the modernization of Iraq's banking landscape. Additionally, IPBL organizes key events, workshops, and social responsibility initiatives, contributing to the growth and sustainability of the sector.

Management Partners is a leading consultancy firm specializing in guiding organizations through complex digital transformations. With deep expertise in AI integration, organizational strategy, and financial sector innovation, MP empowers businesses and public sector institutions to optimize performance and achieve sustainable growth. While the firm's work spans a broad range of industries, such as healthcare, infrastructure, technology, creatives, etc. a particular focus lies in the financial sector. The firm focuses particularly on advancing digital banking, improving regulatory frameworks, and driving fintech innovation to enhance financial inclusion. MP has extensive experience in Iraq, delivering tailored solutions to address local challenges and foster economic growth through cutting-edge digital solutions and strategic insights.

If you're interested in exploring how digital banking and fintech can shape the future of Iraq's economy, please connect with us at info@m-partners.biz or call +971 4 3589 920 to engage with one of our experts.



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