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The impact of Outward bank transfers on exchange rates in Iraq

Husam Ali Kadhem*

College of Administration and Economics University of Baghdad

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*Corresponding author:

Husam Ali Kadhem

College of Administration and Economics
University of Baghdad



Abstract: The depreciation of the Iraqi dinar against the US dollar, reaching low levels and causing disruptions in the local markets, has had detrimental effects on individuals and companies, particularly those with limited income and the poor. The local currency approached around 1600 dinars per dollar, after the official exchange rate had stabilized at around 1450 dinars per US dollar. This depreciation in the value of the Iraqi dinar can be attributed to financial speculation among currency traders, which directly affected exchange rates and illicit dollar smuggling operations. Bank transfers are also important alongside financial transactions, especially in light of current economic developments in the 21st century. To prevent currency smuggling, financial corruption, and money laundering, the Central Bank of Iraq suspended four Iraqi banks, which used to receive half of the central bank's daily sales, based on a recommendation from the US Department of Treasury. Additionally, there has been increased scrutiny on the participating banks in the currency auction, with approximately 35 banks involved. These measures have significantly impacted dollar sales and led to a shortage in the market, resulting in the depreciation of the Iraqi dinar.

The significance of this research lies in the impact of bank transfers in the context of fluctuations in exchange rates in the local financial markets in Iraq. The Iraqi economy faces various challenges, including structural imbalances in economic sectors and increased reliance on foreign currency to cover high import demands. The research hypothesis asserts that bank transfers are used as a means to regulate banking operations and achieve monetary stability, which the Central Bank of Iraq seeks amidst exchange rate fluctuations. The aim of the research is to highlight the importance of bank transfers as a study of exchange rate fluctuations in Iraq and to elucidate the role of bank transfers in implementing the new electronic platform program.

أثر الحوالات المصرفية الخارجية على اسعار الصرف في العراق

حسام علي كاظم

كلية الإدارة والاقتصاد، جامعة بغداد

المستخلص

تراجع سعر صرف الدينار العراقي أمام الدولار الأمريكي، ووصل إلى مستويات متدنية سببت اضطراباً بالأسواق المحلية وألحقت أضراراً بالأفراد والشركات، وبخاصة لذوي الدخل المحدود والطبقات الفقيرة، حيث اقتربت العملة المحلية إلى نحو 1600 دينار لكل دولار، بعد ان استقر سعر الصرف الرسمي نحو 1450 لكل دولار امريكي، وقد يوعز هذا التراجع في قيمة الدينار العراقي إلى مضاربات مالية بين تجار العملة مما أثرت بشكل مباشر على أسعار الصرف وعمليات تهريب الدولار الامريكي وتعد الحوالات المصرفية من المواضيع المهمة الى جانب المعاملات المالية، ففي ظل التطورات الاقتصادية الراهنة في القرن الواحد والعشرين، ولمنع تهريب العملة والفساد المالي وتبييض الأموال، أوقف البنك المركزي العراقي بناءً على توصية وزارة الخزانة الأمريكية أربعة مصارف عراقية والذي كانت تحصل على نصف مبيعات البنك المركزي يومياً، مع تشديد الرقابة على المصارف التي تقدر نحو 35 مصرفاً المشاركة في مزاد بيع العملة، وهذا ما أثر بشكل كبير على مبيعات الدولار وأدى إلى حصول شحة في السوق تسببت بتراجع قيمة الدينار العراقي، وتتبع أهمية البحث عبر اثر الحوالات المصرفية في ظل التقلبات في اسعار الصرف الذي تشهده الاسواق المالية المحلية في العراق حيث يعاني الاقتصاد العراقي من تحديات عديدة تتمثل بالاختلالات الهيكلية في القطاعات الاقتصادية وزيادة في الاعتماد على العملة الاجنبية لتغطية طلبات الاستيراد المرتفعة، وتنطلق فرضية البحث مفادها ان الحوالات المصرفية تستخدم كوسيلة لتنظيم العمليات المصرفية لتحقيق الاستقرار النقدي الذي يسعى اليه البنك المركزي العراقي في ظل التقلبات في اسعار الصرف ويهدف البحث الى بيان اهمية الحوالات المصرفية كدراسة للتقلبات في اسعار الصرف في العراق وكذلك بيان دور الحوالات المصرفية في تطبيق برنامج المنصة الالكترونية الجديد.

الكلمات المفتاحية: الحوالات المصرفية، اسعار الصرف، المنصة الالكترونية.

Introduction:

Bank transfers are important topics alongside financial transactions, especially in light of the current economic developments in the 21st century. The local currency in Iraq has witnessed a significant decline in its exchange rate against the US dollar, reaching low levels that have disrupted the domestic markets and caused damage to individuals and companies, particularly those with limited income and the impoverished classes. The local currency approached approximately 1,600 dinars per dollar, after which the official exchange rate stabilized around 1,450 dinars per US dollar. This decline in the value of the Iraqi dinar may be attributed to financial speculation among currency traders, directly affecting exchange rates.

Furthermore, there are internal and external challenges. The daily currency auction conducted by the Central Bank of Iraq is considered the main reason for depleting the hard currency reserves. The auction allows the sale of dollars to Iraqi banks, providing US dollars to Iraqi importers who need to pay their goods' producers in dollars through participating banks in the auction. The daily sales rate in the auction reached approximately \$250 million, as private banks and money transfer companies participating in the auction buy dollars at the official exchange rate and then sell them in the local exchange markets at a higher rate. This has created problems and crises in the process of trading the dollar, in addition to its smuggling outside Iraq. The Central Bank is subject to significant pressure from the US Federal Reserve and international organizations to change the mechanism of dollar sales, especially regarding import and export amounts, and align it with financial and banking developments worldwide.

To prevent currency smuggling, corruption, and money laundering, the Central Bank of Iraq suspended four Iraqi banks based on a recommendation from the US Department of Treasury. These banks used to receive half of the daily sales of the Central Bank. Additionally, the supervision on the 35 banks participating in the currency auction was tightened. This had a significant impact on dollar sales and led to a shortage in the market, resulting in a decline in the value of the Iraqi dinar.

First: Research Importance: The importance of the research lies in the effects of external bank transfers through banks in light of the fluctuations in the foreign exchange market and exchange rates witnessed by the financial markets and local markets in Iraq.

Second: Research Problem: The Iraqi economy faces several challenges, including a reliance on foreign currency to cover high import demands amidst exchange rate fluctuations. This situation has made external bank transfers have a significant impact on exchange rates in the parallel market, despite the measures adopted by the Central Bank of Iraq to achieve monetary stability.

Third: Research Hypothesis: The research hypothesis is as follows: Foreign bank transfers have an impact on exchange rates as they are used as a means to regulate banking operations and achieve monetary stability, which the Central Bank of Iraq strives for amid exchange rate fluctuations. This can be done through currency windows or electronic platforms.

Fourth: Research Objectives: The research aims to:

1. Highlight the importance of external bank transfers.
2. Study the fluctuations in exchange rates in Iraq.
3. Examine the role of external bank transfers in implementing the electronic platform.

Fifth: Research Structure: The research consists of three sections. The first section includes the conceptual framework of external bank transfers and their importance. The second section discusses the challenges facing external bank transfers. As for the third section, it focuses on activating external bank transfers in light of the electronic platform and exchange rate fluctuations. Additionally, the research concludes with findings and recommendations made by the researcher.

Topic One

Conceptual Framework of External Bank Transfers and Their Importance

First: Concept of External Bank Transfers and Their Types: Bank transfers are a means of electronically transferring funds between banks through financial institutions or money transfer services. Bank transfers are used by individuals and businesses as one of the options for conducting financial transactions. Bank transfers can be categorized into two types (Jasim, 2020: 85):

1. Domestic bank transfers.
2. International bank transfers.

The main difference between bank transfers lies in two key factors: cost and delivery time. International bank transfers tend to have higher costs and longer delivery times compared to domestic bank transfers. Bank transfers can also be categorized into two types: intra-bank transfers (between accounts within the same bank) and interbank transfers (between accounts in different banks). The process of conducting bank transfers involves several steps, including (Al-Shabib, 2012: 34):

1. The sender deposits the transfer amount in the bank along with the specified fees for sending the transfer.
2. Recording some data about the recipient's bank account details to initiate the transfer.

3. The bank sends the bank transfer to the recipient's bank account through the SWIFT system.

There are many data that are required to complete the process of sending bank transfers. This data is used between banks around the world, in order to facilitate the money transfer process and ensure its correct implementation. Therefore, providing data is one of the conditions for the bank transfer according to the type and classification of the transfer. Whatever the account name, ensures that the transmission is correct. Also, the country, city, address, and postal number, although this information may not be important to you in the transfer, but the bank needs it to know the location of the registered address. Also, the International Bank Account Number (IBAN), which represents an international standard for identifying bank accounts, and therefore it is used in international transfers, as the International Bank Account Number is an accurate way to identify the bank accounts of beneficiaries. Finally, the swift code the swift code is used to refer to the bank and the country to which the bank transfers will be sent. The code consists of 8-11 characters, including letters and numbers. The first four characters (letters only) represent the bank code, the next two characters (letters only) represent the country code, and the following two characters (numbers and letters) indicate the location. Finally, the last three characters (numbers and letters) represent the branch of the bank associated with the transaction. (Nibras, previous source 2020: 45).

There are many types of remittances used and relied upon, including internal remittances, including internal remittances. This type of remittance is based on the customer's request to transfer a specific amount of money to a specific destination inside the country, and there are several types of this transfer by mail, telephone, or through a financial instrument. Or internal transfers that the bank buys, like checks that are presented by customers to banks for the purpose of disbursing them and taking their value in cash. These transfers are usually withdrawn on one of the branches of the bank itself, which are located in several regions, and the bank disburses the money transfer for a small commission. As well as transfers from branches affiliated with the bank: This type of bank transfer is issued by a bank branch and withdrawn from several regions. It contains four types, which are money transfers drawn on the branches through a financial instrument, a money transfer drawn on the branches according to a payment order, a money

transfer drawn on the branches through a financial telegram, and finally a money transfer drawn on the branches over the phone.

Internal transfers for collection, where the bank or so-called bonds are for collection, and include each of the financial instruments, approved letters, and all financial documents accepted by banks and that are subject to collection if they are presented to the bank. Usually, all the financial operations that were carried out in the accounting books of the bank are recorded on the debit side, and the bank also gets a financial commission in return for this service that it provides to the customer. It is usually divided into two parts, transfers for collection within the bank, and transfers for collection outside the bank, i.e., at branches. (Haddad, 2005: 78).

The main difference between the types of wire transfers are the two factors of cost and delivery times. In the case of international bank transfers, the cost and time for the transfer to arrive increase. Bank transfers are one of the means and methods used in the process of sending and receiving money between individuals and companies. Bank transfer fees are among the most important things that the customer needs, in order to know the cost that will be deducted. In the end, he may bear these fees, during the work agreement, to ensure that he gets the full amount he wants. Bank transfer fees are determined according to bank fees. Bank transfer fees differ from one bank to another, as each bank sets the appropriate value or percentage for it. It is also important to realize that it is not only your receiving bank, but also the sending bank, that ultimately both values affect the final amount of the fee. As well as the type of transfer, where bank transfer fees are higher, if an international transfer is made, than local bank transfers. Therefore, the type of transfer affects the total fees paid in the transfer. Some banks set different rates on bank transfers according to the amount of the transfer, as these banks divide the transfer amounts into segments, and for each segment they set a specific percentage (Hanafi, 2007: 45).

Second: The Importance of Foreign Bank Transfers: The importance of bank transfers lies in several points, including: (Nebras, previous source 2020: 66).

1. Speed in sending bank transfers: Bank transfers are characterized by the ability to be executed quickly, as it does not take any time to perform the process, and the duration of receiving the bank transfer varies depending on

the type of transfer, whether it is local or international, so that the money reaches the recipient quickly.

2. The degree of safety in sending bank transfers: The degree of safety lies in the fact that the sender has sufficient funds in his bank account, so that he can complete the transfer process, so that the recipient guarantees that the amount will arrive without any problems.
3. Ease of receiving bank transfers: Bank transfers are easy to receive by the beneficiaries, and the recipient can benefit from bank transfers from the moment they reach his account.
4. Easy access for bank transfers to remote places from the outside world: Bank transfers are distinguished by their ability to reach anywhere around the world, while maintaining the safety factor. This is done by providing the correct data to the bank, which can be transferred to the required party easily, as long as the other bank of the recipient is located in the global scope of the beneficiary country.
5. Activate commercial work and provide the necessary means for facilitating the movement of goods and commodities in the local markets.

Topic Two

Challenges Facing External Bank Transfers

There are several challenges and issues that can arise when using bank transfers. One of the most significant problems is that bank transfers cannot be canceled once they have been sent. Therefore, it is essential for the recipient to ensure that the data is correctly provided to the sender to avoid these issues. Any delays can cause harm, and it may take a long time to receive the funds.

Another challenge is the inability to verify the identity of the recipient, especially when dealing with a stranger for the first time or relying on a money transfer company. The sender can overcome this problem by carefully tracking the bank transfers and communicating with the recipient to ensure that the funds reach the correct person. (Abdullah, 2008: 45)

There are several significant reasons that can lead to delays in bank transfers. To ensure proper handling of these reasons, the following are the most important causes of delayed bank transfers: (Samhan, 2011: 33)

1. Data Entry Errors: Incorrect data entry can result in an extended duration for bank transfers. If the transfer is rejected due to data errors, the bank needs to review the data again and coordinate with the sender. Sometimes, bank

transfers can get stuck within the bank due to data errors, where the sender may perceive it as a successful transaction, but no funds appear in the recipient's account. Therefore, it is crucial to avoid data entry mistakes by obtaining the recipient's information and carefully reviewing it before sending the transfer. This includes verifying the sender's name, bank name, account number, SWIFT code, and IBAN.

2. **Public Holidays and Different Working Hours:** Delays in bank transfers can be related to public holidays. If the bank is not operational on the day the bank transfer is sent from the sender's bank, such as weekends or public holidays, the recipient will also be unable to receive the bank transfer. Additionally, the differing working hours between countries can contribute to delays. To ensure prompt arrival of bank transfers, coordination with the sender is necessary to align with the shared working days between banks and facilitate quick money transfers.
3. **Presence of Intermediary Banks:** Banks rely on partnerships with other banks to facilitate international bank transfers. Consequently, the bank may have to depend on an intermediary bank that handles the process of sending the bank transfers. This can result in delays as the sender needs to initiate the transfer through the originating bank and then the bank continues the transfer process by involving the intermediary bank. Furthermore, the intermediary bank usually charges a fee for conducting the transfer, leading to significant commission costs. It is important to clarify the commission issue with the participating banks to avoid any deductions and coordinate with the sender to initiate the transfer early, ensuring the bank transfers arrive within the specified timeframe.
4. **Bank's Desire to Verify the Source of Transfers:** The bank's desire to verify the source of bank transfers is crucial. It may require a review of certain data or information before executing the transfer directly, which can take time depending on the nature of the bank transfers.

Finally, bank transfers are considered an important option for foreign exchange traders who wish to receive their profits. Therefore, make sure to enter all the correct information and review it carefully to ensure that the recipient receives the funds and avoid any issues that may hinder the bank transfers. (Al-Sayrifi, 2007: 19).

Topic Three

Activating external bank transfers in light of the electronic platform and exchange rate fluctuations

The Central Bank, in partnership with the US Federal Bank, created an experimental electronic monitoring system called (the platform)¹ as a window for selling currency, and it was activated at the beginning of 2023. In coordination with international bodies for the purpose of tightening and regulating the operations of the window for buying and selling foreign currency and ensuring effective control over it. The US Federal Reserve imposed amendments on the procedures of transfers that pass through the Swift system, which includes an audit of the source of funds until the final recipient, and the US Federal Bank has set strict conditions that require the presentation of lists of dollars sold on it that include the names of the persons and beneficiaries. And a wait of 15 days to state its position on the safety of the purchase process for the party submitting the request and the sale process stops in the event that the Federal Bank objects to a specific name because it is required. Or there is a similarity of names, or it finds a suspicion of the purpose of buying dollars. Which revealed direct interference by the US Federal Bank, which controls the operations of Iraq's revenues from selling oil, and today it controls the movement of hard currency inside Iraq as well, through the (platform). As merchants began to buy dollars from the market and exchange companies, which led to an increase in demand on the dollar and its scarcity in the market, and there are "temporary pressures resulting from internal and external factors that led to a rise in the exchange rate of the dollar.

Iraq lacks accurate information about the amount of money that can be smuggled out of the country. The Parliamentary Integrity Committee confirmed that the estimated volume of smuggled funds amounts to around \$350 billion, which is equivalent to 32% of Iraq's revenues over an 18-year period. To ascertain the truth of this matter, the relevant oversight authorities have no choice but to resort to reputable and accredited financial auditing

¹ The (platform) system works on the principle that licensed banks submit to it purchase requests in the name of persons, and the names are considered over a week, after which the bank decides its position a day before the date of the auction for selling the currency submitted for purchase.

firms and international courts to determine the destination of the smuggled money and the beneficiaries.

Therefore, it can be said that financial and administrative corruption has a significant impact unless there are international oversight bodies to stop the currency hemorrhage and monitor the mechanisms of money laundering abroad. The lack of trust in the financial and economic system in Iraq and the inability of institutions to impose control and international guardianship over oil revenues pose a dilemma for successive governments. They have failed to gain the confidence of international monetary institutions and major powers that Iraq can maintain neutrality amidst the continuous regional polarization.

Continuation of this dilemma may put Iraq in a predicament of economic sanctions or tightening restrictions on oil sales resources, whether due to internal or external reasons. (Al-Obaidi, 2003: 56).

First: The exchange rate of the Iraqi dinar against the dollar and its impact on inflation: The Central Bank of Iraq adopted a new monetary policy after 2003, aiming to improve and stabilize the exchange rate of the Iraqi dinar. This was achieved through the adoption of a window for buying and selling foreign currency, with the goal of stabilizing the general price level and reducing inflation. The increase in economic activity, local demand for imported goods and services, and government spending on current and investment projects contributed to significant inflationary pressures. Additionally, the increase in cash flow associated with private spending in Iraq led to a rise in property prices, reaching record levels during this period (Brihi, 2011: 33).

As evident from Table 1, which shows the annual inflation rates and the exchange rate of the Iraqi dinar against the US dollar for the period of 2003-2022, inflation rates increased, reaching 33.6%. It continued to rise, reaching its highest rate in 2006 at 53.2%. The main reasons behind this increase were the rising prices of real estate, food products, and petroleum. In 2007, the inflation rate decreased to 30.8% and dropped to around -2.8% in 2009 due to a decline in petroleum product prices and the impact of the global financial crisis. It then increased to 5.6% in 2011 and 6.1% in 2012 before declining again to an average annual rate of 0.91% for the period of 2012-2019.

The value of the Iraqi dinar was raised to an exchange rate of 1,255 dinars per US dollar in 2007, compared to 1,469 dinars in 2006. As a result, the annual inflation rate decreased to 30.8% in 2007 and further dropped to 2.7% in 2008, after reaching 53.2% in 2006.

After 2008 and until 2019, the exchange rate of the Iraqi dinar did not decrease from 1,166 dinars per US dollar. It increased to 1,450 dinars in 2021 and finally stabilized at 1,300 dinars in 2022. This stability in the exchange rate contributed to price stability for most goods and services, which in turn helped maintain inflation rates. It is also worth noting that the average annual inflation rate for the period of 2008-2022 was 1.9%.

Table (1): Average exchange rate of the Iraqi dinar against the US dollar and annual rates of inflation in Iraq for the period (2003-2022)

Years	The rate of the Iraqi ² dinar exchange rate against the US dollar at the market price	The rate of the Iraqi ³ dinar exchange rate against the US dollar at a high rate	annual inflation rate %
2003	1936	1896	33,6
2004	1453	1453	27
2005	1472	1469	37
2006	1475	1467	53,2
2007	1267	1255	30,8
2008	1203	1193	2,7
2009	1182	1170	2,8 -
2010	1186	1170	2,4
2011	1196	1170	5,6
2012	1233	1166	6,1
2013	1232	1166	1,9
2014	1214	1186	2,2
2015	1247	1187	1,4
2016	1275	1190	0,5

² The market price is the price of the Iraqi dinar in the local market, and it is the price at which authorized banks and transfer companies sell the US dollar to merchants and other dealers.

³ The high price is the announced exchange rate for the Iraqi dinar at the Central Bank, and it represents the selling price of the dollar to authorized banks and transfer companies. (Amen & Latif, 2019: 7)

Years	The rate of the Iraqi ² dinar exchange rate against the US dollar at the market price	The rate of the Iraqi ³ dinar exchange rate against the US dollar at a high rate	annual inflation rate %
2017	1258	1190	0,2
2018	1208	1190	0,4
2019	1196	1190	0,2 -
2020	1196	1190	1.1
2021	1460	1450	2.2
2022	1460	1450	2.5
2023	1320	1300	-

Source: The researcher's work, based on the Central Bank of Iraq, the Working Directorate of Statistics and Research, annual statistical releases for the years 2003-2023.

It is evident that annual inflation rates in Iraq are linked to the exchange rate of the Iraqi dinar against the US dollar. This is because most goods and services to meet the Iraqi domestic market demand are imported. When the value of the local currency is raised, it leads to a reduction in the prices of imported goods and services. Conversely, when the value of the local currency decreases, the prices of imported goods and services increase. This indicates that Iraq is more of a consumer country than a producing country, relying on external imports to meet its needs for goods and services.

Second: Analysis of the contribution of foreign trade and the trade balance: According to the data in Table (2), the contribution of Iraqi foreign trade to the gross domestic product (GDP) can be observed for the period (2003-2022). It is evident that the majority of Iraqi exports are oil-based, as indicated in Table (2), while the majority of Iraqi imports consist of consumer goods and services. Therefore, the analysis of Iraq's foreign trade reveals that the Iraqi economy is heavily dependent on external sources, and there is a significant imbalance in the production and export structure.

Furthermore, as illustrated in Table (3), the Iraqi trade balance shows that the total imports have increased without surpassing the value of exports. Imports increased from \$18,915 million for the period (2003-2006) to \$27,921.33 million (2019-2022).

Table (2): Total exports and imports and their ratio to the gross domestic product in Iraq for the period (2003-2019) (million US dollars)

Years	Gross domestic product at current prices	total exports	total imports	Exports to GDP %	Imports to GDP %
2006-2003	37271.75	20436.8	18915	53.775	53.325
2010-2007	118602.3	48626	34495	41.225	28.7
2014-2011	214365	86909.8	54833.8	38.125	25.55
2018-2015	172201	46318	40837.5	26.8	23.55
2022-2019	208175.6667	75168	47246.667	35.86666667	22.53667

Source: The researcher's work based on the annual statistical releases for the period (2003-2019), Central Bank of Iraq: General Directorate of Statistics and Research

The average trade surplus of the trade balance for the period (2003-2022) amounted to \$16,171.83 million. This surplus is attributed to the increase in oil prices, production, and nominal exports. However, when we consider the dimension of oil exports as a percentage of total exports in calculating the Iraqi trade balance, it becomes apparent that there is a significant deficit in the trade balance, indicating an imbalance in the production system and exports.

The average trade deficit in the trade balance, excluding oil exports, amounts to (-\$38,867.266) million for the period (2003-2022). This highlights the need for diversification of non-oil Iraqi exports and reducing dependence on oil exports.

Table (3): The Iraqi trade balance for the period (2003-2019) (million US dollars)

Years	Total exports with oil	total imports	The volume of non-oil exports	Trade balance with oil	Trade balance without oil
2006-2003	20436.8	18915	505	1521.8	18410-
2010-2007	48626	34495	372	14131	34123-
2014-2011	86909.8	54833.8	651.75	32076	54182-
2018-2015	46318	41109	620	5209	40489-
2022-2019	75168	47246.667	114.6667	27921.33	-47132.33

Source: The researcher's work based on the annual statistical releases for the period (2003-2022) Central Bank of Iraq: General Directorate of Statistics and Research

Third: The Window for Buying and Selling Foreign Currency and Applying the American Swift System: The quantities sold of the US dollar in the foreign currency exchange window of the Central Bank of Iraq witnessed a decrease of \$1 billion, equivalent to a decrease of 18.7%, from 2014 to reach a total of \$44.3 billion by the end of 2015. Out of this amount, \$38.3 billion was sold as remittances, accounting for 86.5% of the total sales. Dollar sales amounted to \$6 billion, contributing 13.5% to the total sales. In 2014, dollar sales amounted to \$54.5 billion, out of which \$37.2 billion was sold as remittances, \$14.6 billion as cash, and \$2.7 billion as letters of credit, with contributions of 68.3%, 26.7%, and 5% respectively to the total sales. This information is presented in the Monetary Policy Report of the Central Bank of Iraq for the year 2015.

Furthermore, the quantities sold of the dollar in the foreign currency exchange window of the Central Bank of Iraq, including cash, remittances, and documentary credits, witnessed a decrease of \$10.8 billion, equivalent to a decrease of 24.3% from 2015. Dollar sales in 2016 were distributed as \$15.7 billion in remittances, accounting for 46.9%, \$13.1 billion as documentary credits, accounting for 39.1%, and the remaining \$4.7 billion as cash, accounting for 14% of the total sales. In contrast, in 2015, dollar sales amounted to \$38.3 billion, with \$38.3 billion sold as remittances, accounting for 86.5%, and \$6 billion sold as cash, accounting for 13.5% of the total sales. This information is presented in the Monetary Policy Report of the Central Bank of Iraq for the year 2016.

Moreover, the quantities sold of the dollar in the foreign currency exchange window of the Central Bank of Iraq, including cash, remittances, and documentary credits, witnessed an increase of 25.9% compared to 2016. Sales amounted to \$42.2 billion in 2017, with \$31.4 billion sold as remittances, \$9.4 billion as cash, and the remaining \$1.5 billion as documentary credits. This distribution represented 74.3%, 22.2%, and 3.5% respectively of the total quantities sold. This information is presented in the Monetary Policy Report of the Central Bank of Iraq for the year 2017, page 14.

The repercussions of applying the American "Swift" system are still reflected in the local markets, which are witnessing stagnation, due to the cessation of bank transfers. And the severe slowdown in official financial

transfers through banks, and this is its advantage in speed in commercial transactions, in general, "that bank transfers must pass Through the electronic platform. Which was applied suddenly without preparing the banking staff in the local bank for how to deal with them and complete the transfers quickly, and that "the cessation of bank transfers caused an almost complete expectation of commercial dealings between the inside and outside, and foreign commodities began to decline significantly from the markets, which led to high prices,

That black remittances have risen in price, just as "the suspension of bank transfers and the delay in official transfers caused great embarrassment to large merchants officially registered with the state. Whether with the parties from which they import or (agents) who deal with them in dollars and at the parallel price, and despite the Iraqi government's reduction of the exchange rate of the dinar to 1320 dinars for one-dollar last February 7 and applying it directly. It is still in the parallel markets and continued to rise in the hope that the parallel price will be relatively equal to the official. That "the new government's measures associated with the US Federal Bank had an impact on the Iraqi market, by increasing the exchange rate The dollar and commodities, but the electronic platform is necessary and followed in most countries of the world. As "many merchants in Iraq did not interact with the electronic platform on the grounds that it needs real documents and procedures, due to illegal dealings or tax evasion."

The electronic platform clarifies all the terms, imports, and the official importing entity through official documents that go to the tax authorities. However, many traders have refrained from dealing with it, causing disruption in the Iraqi market and a halt in many financial transfers for traders, thus affecting their business and leading to market stagnation and price hikes.

The electronic platform needs time to adapt to the Iraqi market as it is the only available option. The delay in transfers is due to traders submitting incomplete documents, and there is no alternative to the electronic platform. The existence of black-market transactions and currency smuggling has led to the deterioration of the economic situation and the scarcity of dollars. Previously, the Central Bank used to sell \$200 to \$300 million daily, but after the implementation of the electronic platform, it only sells \$70 to \$100 million. This gives us an idea of how money was being illegally smuggled

out of Iraq, thereby impacting the Iraqi economy. The current gap between the official and parallel exchange rates is a result of the Central Bank's measures not effectively influencing the Iraqi economic reality. This is due to the lack of control over banks that receive dollars from currency auctions and sell them in the Iraqi market. Traders continue to engage in transactions on the black market. Additionally, the Iraqi market relies on the dollar as the primary currency alongside the Iraqi dinar, and some banks and institutions exploit the difference between the official and parallel rates to make substantial profits through market speculation. Thus, there is still a significant gap between the two rates, and the government needs to take stricter measures.

The new electronic platform provides protection for the banking sector, the Central Bank, and banks themselves, preventing them from getting involved in any issues related to external financial transfers. This serves both financial institutions and individuals. The responsibility of the Central Bank is to reduce the exchange rate gap. The Central Bank's discussions with the International Monetary Fund aim to focus on programs that serve this goal. New measures by the Central Bank aim to alleviate the crisis caused by the fluctuation of the exchange rate of the Iraqi dinar against the dollar, which has negatively affected the prices of most imported goods. The exchange rates of the dinar against the dollar remain unstable in the local cash markets, reaching record levels due to two factors. The first factor relates to the need for the general budget to obtain financial liquidity after the decline in oil prices at the end of 2021. The second factor is the significant increase in demand for domestic cash dollars after the activation of a new mechanism linked to the Federal Reserve and the global financial system. Therefore, the Central Bank should take new measures to alleviate the internal crisis. (Central Bank of Iraq Report, 2022: 34).

The activation of the new electronic platform to monitor documentary credits and the value of goods and services corresponding to financial transfers serves the economy and protects the local currency. It also helps close down unlicensed companies that sell at a higher exchange rate than the official rate. Additionally, it protects social groups from the impact of the parallel exchange rate increase. The implementation of the electronic platform by the Federal Reserve System, which subjected bank transfers to auditing and monitoring, follows the mechanism adopted in the global

banking system and is implemented in many countries. However, when it was activated, banks were not prepared for such a procedure, and around 70% of bank transfers were returned and not executed by the Federal Reserve. External trade is funded through bank transfers, with around 15% of Iraq's imports financed through documentary credits.

The suspension of bank transfers led traders to turn to exchange offices, resulting in an increased demand for dollars. The dollar crisis is not due to a shortage of cash supply but rather a crisis of transfers that put pressure on the Iraqi dinar. The Central Bank's measures to increase the supply of dollars through authorized channels will lead to a return of exchange rates to their normal levels.

Furthermore, economic and political circumstances and their consequences negatively affect the stability of the monetary and financial systems. Economic instability and speculators taking advantage of the decline in dollar sales in the foreign currency window, as indicated by the Central Bank, contribute to the negative effects of any change in the exchange rate on the national economy, commercial transactions, and banking relations with the external world. (Central Bank of Iraq Report, 2022: 6)

The exchange rate is determined by the central bank based on the impacts and repercussions of the economic reality in a country facing economic and financial challenges, as well as structural and systemic deficiencies in economic management. The central bank alone cannot bear the responsibility for these challenges. Its role primarily focuses on stimulating the economy through monetary policy tools. However, this cannot be achieved without coordinated efforts with fiscal policy and other economic sectors, activating the real economy, and diversifying national income sources.

The heavy reliance on oil as the main resource, accounting for 94% of general budget revenues and 60% of the gross domestic product, highlights the need to activate the real economy and diversify sources of national income. Therefore, the central bank's determination of the exchange rate is a complex process that requires collaboration and coordination with various stakeholders to address the economic challenges and achieve stability.

Conclusions:

1. External bank transfers are important options for individuals to obtain their profits. By entering all the correct data and reviewing it thoroughly, individuals can ensure and avoid any expected problems in the process of external bank transfers.
2. The repercussions of the application of the American “Swift” system are still reflected in the financial and commodity market, which is witnessing an unprecedented stagnation and decline in basic commodities, due to the suspension of transfers and the delay in official financial transfers that pass through local banks.
3. The implementation of the electronic platform without preparing the banking staff in local banks affects the way they interact with it and carry out bank transfers quickly.
4. The mechanism of the foreign transfer monitoring platform serves the Iraqi economy and protects the local currency, in addition to safeguarding social groups from the impact of exchange rate fluctuations.
5. The new electronic platform provides protection for the banking sector, the central bank, and banks themselves from any issues related to foreign financial transfers, benefiting both banks and individuals. Additionally, the responsibility of the central bank is to minimize the difference between the official and parallel exchange rates.
6. There are some challenges that foreign bank transfers may encounter during their use, and once sent, these transfers cannot be cancelled.
7. Foreign bank transfers are used as a means to regulate banking operations and achieve monetary stability, which the Central Bank of Iraq seeks in light of exchange rate fluctuations.
8. Annual inflation rates in Iraq are linked to the exchange rate of the Iraqi dinar against the US dollar, as most goods and services to meet the local Iraqi market are imported.

Recommendations:

1. The need for the central bank to play its role in stimulating the economy according to the tools of monetary policy, but this cannot be achieved without joint coordination with fiscal policy and other economic sectors, activating the real economy and diversifying sources of national income.

2. The need for the Central Bank to take measures to increase the dollar supply through its approved outlets, in order to lead to the return of exchange rates to their normal rates.
3. Ensure the issue of commission for the two dealing banks, so that this value is not deducted and coordinate with the sender to complete the transfer process early, to ensure that bank transfers arrive on time.
4. Providing the correct data to the bank, which can be transferred to the required party easily, as long as the other bank of the recipient is located in the global scope of the beneficiary country.
5. To ensure that bank transfers arrive as soon as possible, it is necessary to coordinate with the sender to do so on common working days between the two banks to ensure that the money can arrive quickly.
6. Ensure the issue of commission for the two dealing banks, so that this value is not deducted, and coordinate with the sender to complete the transfer process early, to ensure that bank transfers arrive on time.
7. Encouraging private banks not to participate in the smuggling of foreign currencies and to contribute to spreading the banking culture among individuals.
8. There is a need to diversify non-oil Iraqi exports and reduce reliance on oil exports in order to decrease dependence on imports and regulate documentary credits and bank transfers.

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