

The Principle of Independence of Multiple Bank Accounts for A Single Client and its Effects in Cases of Bankruptcy and Seizure

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Abstract

The multiplicity of bank accounts for a single client is a phenomenon observed in most countries, often stemming from financial crises faced by banks. Whether the client is an individual or a legal entity, they have the right to open multiple bank accounts, either within one bank, or across several branches of the same bank, or even in different banks. This gives rise to legal implications. Having multiple bank accounts across different banks generally does not pose any legal issues due to the legal independence of these accounts. However, challenges may arise when opening multiple accounts with the same bank or its branches. Each account is subject to specific rules governing its operation, suspension, and associated transactions. Consequently, there is a variation in the financial returns of these accounts based on their independence, leading to legal implications such as seizure and client bankruptcy. If a client goes bankrupt and has both creditor and debtor accounts, the bank pays the creditor balance in the creditor account to the bankruptcy estate. The bank is treated as a debtor with the debtor account balance and is subject to the division of creditors. This means that the bank cannot offset the creditor side of one account against the debtor side of another account opened by the same client. Moreover, according to the principle of independence, if one of the client's accounts in a bank or its branches is seized, it does not affect other accounts, and the seizure does not extend to them. This is in contrast to situations lacking independence.

Keywords: Client, Bank Accounts, Seizure, Bankruptcy

Introduction

Commercial banks play a pivotal role in the realm of business and economic activities within a country. They serve as the central axis around which various forms of commercial credit transactions revolve, facilitating the evolution of financing for both domestic and international trade. Whether it be the hub for deposits, cash, and securities or the intersection of deposits and credit extensions, these, constituting two of the most crucial operations for commercial banks, play a fundamental role.

However, commercial banks go beyond these primary operations to provide additional banking services for their clients. These services, considered fundamental in the realm of banking, are offered to both natural and legal persons. Clients, driven by their own motivations and objectives, have the freedom to open various types of bank accounts to settle transactions with the bank. Clients may diversify their accounts based on their justifications and goals. For instance, a client may choose to open both a savings account and a current account. This diversity in accounts prompts clients to open multiple banking accounts, whether within a

single bank or across several banks. The rationale behind this diversity is varied, and clients may have different motivations for opening multiple bank accounts.

Secondly The Research Problem

The process of opening accounts is among the most crucial fundamental services provided by banks to their clients. The proliferation of bank accounts for a single client may give rise to various issues, particularly concerning withdrawals and set-offs in these accounts, the death of one of the account holders, or loss of capacity. This type of formal banking account, when faced with the conclusion of insolvency of one of the parties involved or the imposition of a freeze on its funds, requires a complete demonstration of its connection to the registered insolvency or the need for freezing its assets. This necessitates the disclosure of banking secrets. Furthermore, the Iraqi legislator has only included one provision in the Commercial Law regarding the multiplicity of bank accounts for a single client, which, in itself, represents a legislative deficiency that should be addressed. Additionally, there is a lack of detailed legal texts outlining the provisions of this type of account in Iraqi legislation.

Thirdly Research Questions

What is the concept of the multiplicity of bank accounts for a single client? What are the legal regulations governing the opening of multiple bank accounts for a single client? How sufficient is the legal regulation of the process of having multiple bank accounts for a single client?

Fourthly Significance of the Research

To define the nature of the multiplicity of bank accounts for a single client and provide a comprehensive understanding of its details, elucidating its legal aspects and how clients engage with it. This includes highlighting its distinguishing features, the operational procedures that must be followed by the bank or central bank, and understanding the mechanisms that clients or those entitled to do so can employ. Understanding the extent to which these accounts contribute to serving the community through various factors that enhance economic development. This is achieved when they are strategically invested by the central bank in government financial instruments, stocks, and bonds, thereby bolstering the national economy and serving public interests. Identifying findings and results from studies regarding the multiplicity of bank accounts for a single client and addressing weaknesses, loopholes, and discrepancies. This is accomplished by highlighting the crucial role of dormant bank accounts in creating a sound legal framework specific to them, aiming to rectify deficiencies in the system.

Fifthly Research Plan

We have structured this research into two sections. In the first section, we examined the legal frameworks surrounding the multiplicity of bank accounts for a single client. Meanwhile, the second section delves into the legal consequences arising from the principle of independence of multiple bank accounts for a single client. We concluded the research with some conclusions and recommendations, as follows:

Section One Legal Frameworks for the Multiplicity of Bank Accounts for a Single Client

It is known that a client can be either a natural person or a legal entity and has the right to open multiple bank accounts. A client may choose to open several bank accounts within the same bank or one of its branches, or they may opt to open accounts in multiple banks. It is acknowledged that the multiplicity of bank accounts does not raise any legal issues when the banks themselves are diverse. Each account is considered independent of the others, as each bank has its own distinct identity. Consequently, transactions with the client are treated

separately by each bank. However, legal complications arise when a client opens several bank accounts within a single bank or its affiliated branches.

Subtopic One Concept of the Multiplicity of Bank Accounts for a Single Client and its Legal Procedures

In reality, individuals, whether natural or legal, may initiate the opening of multiple bank accounts. For instance, one may open an account for cash deposits and another for securities deposits. Alternatively, they may open a regular account for non-business-related funds and another for business operations. In the case of a client being a company with several branches, the preference might be to open an account for each branch. We will elaborate on this in the following:

First Section Definition of Multiplicity of Bank Accounts for a Single Client

Undoubtedly, banks play a crucial role in the financial, economic, and commercial sectors of a country, serving as the central axis around which various forms of commercial credit transactions revolve. They also act as a source of financing for both domestic and international trade, functioning as the center for cash deposits and securities. In order to delve into the topic of the multiplicity of bank accounts for a single client, it is imperative to provide a definition and outline its characteristics as follows:

First Definition of Multiplicity of Bank Accounts for a Single Client in Language

In linguistic terms, the term "account" refers to a person who conducts and counts financial transactions. It involves counting money and similar activities, indicating calculation and enumeration. Al-Azhari states, "It is called an account in transactions because it indicates sufficiency without excess or deficiency in quantity" (Al-Ansari, 2005).

Second The Concept of Multiplicity of Bank Accounts for a Single Client in Banking Terminology

To begin with, it must be noted that providing a specific definition for banking accounts is challenging, as they encompass various meanings depending on the perspective from which they are viewed. Does the banking account refer to the financial digit resulting from banking transactions between the bank and its client? (Al-Khafaji, 2020) Or does it signify the tangible statement that records banking transactions between the bank and its client? (Salman, 2021) Alternatively, does it denote the perpetual and debiting record in a bank account? (Ahmed & Abbas, 2021) Concerning the concept of the multiplicity of bank accounts for a single client, it implies that the client—whether a natural person or a legal entity—holds multiple accounts with one bank or its affiliated branches. This excludes situations where the client has multiple accounts with several banks. In such cases, each account is subject to the terms of the contract that binds the client to the bank as the account opener" (Murad, 2012). The definition of a bank, as per the Iraqi legislator's standpoint, is not explicitly addressed in legal texts. However, several considerations indicate the necessity for a bank to provide information and advice to the client, including: Banking practices and the principle of good faith in transactions require the bank to offer information and advice to the client. Banking operations, in addition to being a series of agreed-upon practical procedures between the parties, possess a technical nature. This technicality may lead to a knowledge disparity between a seasoned professional represented by the bank and a client with limited experience, despite having some expertise in their field. This requires the bank's intervention to enlighten its customers and provide advice regarding the nature and consequences of obtaining credit or any other activity related to banking operations. Supporting trust in transactions and purifying banking activities from various forms of misconduct associated with banking activities compel the bank to play a positive role by offering information and advice in every transaction that contradicts legislative

and banking norms or conflicts with the client's will and interest. Due to these considerations and others essential for the safety of banking operations, we hope that the Iraqi legislator takes these justifications into serious consideration. This should be reflected in a committed stance and a sound direction to give prominent attention to this commitment. It should be proportionate to its importance in the practical application of banking activities. This can be achieved by specifying its scope through legal provisions, defining its application, and considering it as one of the obligations that hold the bank accountable when violated in each case faced by the client, necessitating the bank's intervention to provide advice.

Subtopic Two

The Characteristics of the Principle of Multiple Bank Accounts for One Client

The subject of opening bank accounts possesses several characteristics, as it constitutes an exclusive function of banks: Firstly, it is a consensual contract, as it occurs upon the agreement of the parties depositing funds in the bank. This is considered a commercial act for the bank in all circumstances. The act of opening an account is a consensual contract subject to the general rules of obligations. Its formation requires the concurrence of offer and acceptance between the bank and the client. The completion of delivery and writing is not considered a fundamental aspect of this contract (Nasseef, 2008). Most legislations do not prescribe a specific form or procedure for its formation, leaving it to the will of the contracting parties. They have the right to agree on anything that serves their interests, provided it does not violate the law and public morals. For the consent to be valid, the will of the parties must be free from defects and emanate from someone with authority, either in the capacity of an acting individual or an authorized representative. All of this is in accordance with the general principles of law (Al-Shamma, 2011).

Secondly, the act of opening a bank account is always considered a commercial act for the bank, as per Article 5/f13 of the Iraqi Trade Law, which deems the current account a commercial act regardless of the nature and proportion of the party performing it. This holds particular significance, especially concerning interest, as the multiplicity of bank accounts for one client results in frozen interest in accordance with commercial practice. Moreover, the entire structure and provisions of this law are based on commercial practice and the special provisions it includes (Mustafa, 2006).

From the foregoing, it becomes apparent that the multiplicity of bank accounts for one client is a significantly personal consideration that obliges the bank to exercise caution and preventative measures in selecting clients with a good reputation. This entails adopting various methods to ensure this reassurance, preventing potential adverse consequences resulting from choosing clients who may harm the bank's interests. Addressing this issue involves compelling banks to exchange information about their new clients to compile a blacklist of clients who violate legal norms in opening bank accounts.

Section Two

Mechanism of Opening Multiple Bank Accounts for a Single Client

The process of opening bank accounts may seem like a legal procedure carried out by the bank according to general rules. However, there are necessary procedural steps for opening these accounts. If these procedures are met, bank accounts are opened. However, opening multiple bank accounts for a single client may occur contrary to the law and for reasons that will be discussed sequentially as follows:

First Section: Procedures for Opening Bank Accounts

Undoubtedly, the banking application seeks to embody consensus in a liberating manner. The bank announces the conditions for opening a bank account, and the applicant then submits a request to the bank. Upon receiving the application, the bank initiates supervisory procedures leading to the appropriate decision. The applicant typically fills out a specially printed form provided by the bank, containing spaces to be filled with information (Al-Shamaa, 2005). The completed and signed form, representing the will of the account applicant, is considered an express offer for contracting until negotiations are concluded. It is noteworthy that the Central Bank of Iraq obliges banks to verify the reputation of the account applicant without specifying a particular method or entity for obtaining this information. However, it can be achieved by examining the applicant's stance on taxes, inclusion on a blacklist, and other matters verified through official state departments (Hassan & Mehran, 2021).

Second Section: Reasons for Opening Multiple Bank Accounts for a Single Client Individuals or entities may open multiple bank accounts for various reasons: Accounting reasons: When a company with multiple branches engages in relationships with the bank, there is no prohibition on opening several bank accounts for the same company. This practice helps clarify banking transactions and facilitates monitoring multiple accounts of the same company with different branches (Al-Akeeli, 2010). Desire for favorable conditions: Companies open multiple bank accounts to benefit from better interest rates or tax advantages (Al-Shamaa, 2005). Regulatory requirements: Monetary authorities may require companies to open multiple bank accounts in their names for recording specific financial movements (Al-Akhdar, 2019).

Avoiding currency commitment: To avoid the obligation of providing coverage for debts in foreign currencies in the national currency, a client may open multiple bank accounts in various currencies. The client needs to consider the specific regulations related to merging these accounts, either at the end of the relationships or after a specified period (Al-Khatib, 2010). **Personal considerations:** As a general rule, clients may open multiple bank accounts as a natural result of personal preferences. The client's desire to benefit from certain services or express the diversity of economic activities through multiple bank accounts can lead to the opening of several accounts (Abdullah & Al-Sahlawi, 2017). Opening multiple bank accounts under the same client's name may be a response to the desire to clarify the regulations governing the legal relationship between the lessor of the commercial property and the client, or more precisely, the various aspects of its activity.

In such a scenario, bank accounts are typically opened to facilitate specific operations. Additionally, there are many bank accounts that are opened only to ensure reconciliation with other bank accounts, such as frozen accounts (Al-Ali, 2017). For precision and diligence in banking, a court decision from the Rusafa Court of First Instance, case number 93/2218 dated April 23, 1994, and endorsed by the Baghdad Court of Appeal as the appellate court, imposes responsibility and the resulting damages on the client who filed a lawsuit against the bank. The essence of the case was that the client had purchased shares from a company and issued a check for the value of those shares. Upon the company's review of the bank, the bank refused to pay the check, claiming that the client's account did not cover the check's value due to the bank's negligence in accurately assessing it. Consequently, the company returned the check to the client and recovered the shares that had gained a certain percentage. Due to the bank's dissatisfaction with the judgment, it was appealed before the Baghdad Court of Appeal as the appellate court, and its decision rejected the appellate objections, affirming the validity of the judgment and its compliance with the law. The bank's negligence and failure to fulfill its duty of supervision and auditing in the client's accounts led to the non-payment of the check, resulting in its loss, in addition to shaking confidence in the bank and its commercial transactions. This is particularly significant as trade relies on trust and credit. In any case, it is only noted that multiple bank accounts may be opened for the benefit of the client for various

reasons. However, does this multiplicity of bank accounts have an impact on the final outcome of transactions conducted between the parties.

The Second Section

Legal Consequences of the Principle of Independence of Multiple Bank Accounts for One Client

The norm is that each account is independent of the others, and therefore, this independence entails several legal consequences. This includes the impact of insolvency in the case of multiple bank accounts for one client, which will be discussed in the first issue. Additionally, it involves the effect of attachment in the case of the independence of multiple bank accounts for one client, and we will attempt to present this in the second issue as follows:

Issue 1

Legal Consequences of Freezing Bank Accounts According to the Principle of Multiple Bank Accounts

The freezing of bank accounts is based on Egyptian law, specifically Article 325 of the amended Code of Civil Procedure, Law No. 191 of 2020. This article clarifies the provisions of attaching a debtor's property with a third party. It allows every creditor with a substantiated debt, upon fulfillment of the obligation, to freeze what is owed by the debtor to a third party, whether movable or deferred debts, even if they are conditional. The attachment covers every debt arising for the debtor in the custody of the seized party until the report time unless it is secured by a separate debt.

Thus, it can be said that the creditors of the client have the right to freeze the balance of the bank account. Naturally, this attachment requires being applied to the credit balance of this client. This interpretation is derived from Article 303 of the Egyptian Trade Law No. 17 of 1999, which stipulates in the first paragraph that the depositor has no right to withdraw amounts from the deposit account if the balance of this account is not in credit.

Article 256 of the Egyptian Trade Law stipulates that: "Firstly, it is permissible to place precautionary and executive attachment on the safe. Secondly, the attachment is made when the bank is notified of the content of the document subject to attachment, and then the bank must prevent the tenant from using the safe and notify him immediately (Al-Banna, 2006). Thirdly, if the attachment is precautionary, the tenant may request permission from the court to withdraw from the contents of the safe to the extent that does not infringe upon the rights of the creditor. Fourthly, if the attachment is executive, the bank is obligated to open the safe and empty its contents in the presence of the attachor and the judicial executor. The tenant is informed of the scheduled time for opening the safe, emptying its contents, and delivering them to the bank or the trustee appointed by the judicial executor or his deputy until they are sold."

The term "attachment of what is due to the debtor from others" (precautionary attachment) refers to the legal procedure through which the creditor, based on his general guarantee on the financial obligation of his debtor, places the debtor's money or movable property in the possession of others or under the jurisdiction of the judiciary. This prevents the third party from paying the debtor or delivering the property to him until the creditor takes the necessary actions to secure his right from the funds seized or the price obtained after its sale. This type of attachment involves three parties: the helpless creditor, the debtor being attached (the bank's client), and the property being attached, which is the bank (Dawidar, 2006).

The subject of this attachment is the rights that the debtor being attached has with others (the bank). The rights that can be attached to others include money and tangible assets such as pledged goods that are in the possession of the third party and that he is obligated to deliver or

return to the debtor being attached (the bank's client). The attachment right justifies the attachment of the debtor's funds with others, considering the general guarantee right on the debtor's funds, as this provision is not limited to the tangible assets in the debtor's possession but extends to the intangible elements in the financial obligation of the debtor, meaning the debtor's rights in the possession of the third party (Al-Akeeli, 2010).

The Egyptian Civil Procedure Code explicitly specified the place of attaching what is due to the debtor from others in Article 325/1, stating that every creditor with a proven debt has the right, upon payment, to attach what his debtor has with others, whether movable or deferred debts, even conditional. The attachment of what is due to the debtor from others begins with a provisional procedure, the purpose of which is to hold the seized money under the control of the debtor being attached to become executive from the moment the attach or takes the action that leads to the satisfaction of his debt from the seized funds. This is a mixed action that starts provisionally and ends executively (Dawidar, 2006).

The seizure is achieved by notifying the seizure to the garnishee on the same paper "the garnishee paper" after notifying it to the garnishee, along with designating a chosen domicile for the garnishee in the town in which the court headquarters is located in whose jurisdiction the garnishee's domicile is located. The purpose of seizing what the debtor owes to others is to fulfill the garnishee's right directly from the seized right. Accordingly, the creditor's right to seize is a stand-alone right, independent of the right to use the debtor's rights, and it branches directly from the general security right, considering that all of the debtor's funds are a guarantee for the fulfillment of his debts, whether these funds are in his hands or in the hands of others (Al-Akeeli, 2010).

If a client-debtor has multiple accounts in one bank, and the creditor imposes an attachment on one of the accounts, some jurisprudence views suggest that the attachment includes all these accounts. However, a closer look, guided by the principle of independence emphasized by Article 307 of the Egyptian Trade Law, which states that "if the depositor has multiple accounts in one bank, each account is considered independent of the others." Therefore, if the creditor imposes an attachment on one account, it does not affect the other accounts, and this attachment does not cover them.

As for Iraqi trade law, Article 235 states that "a creditor of one of the account parties may sign the attachment on what is due to the debtor, a creditor, from others at the time of signing the attachment." The Iraqi legislator has taken a good approach by allowing attachment to be made on the temporary balance of the current account as an exception to the principle of indivisibility, achieving a balance between the interests of all parties and preventing the debtor from evading his obligations in the face of his creditors.

Therefore, the researcher believes that the matter requires legislative intervention to limit this conflict, urging the legislator to restrict the attachment to the account that allows its balance to be used for payment without extending it to the other accounts within the bank.

The Second Topic

The Legal Effects of Bankruptcy in the Case of Multiple Bank Accounts for One Client

It is natural that if a person has multiple accounts in one bank or its branches, each of these accounts is considered independent of the others. Therefore, if the client goes bankrupt, the bank is not allowed to offset the balances of different accounts. After the month of bankruptcy, it must pay the creditor balances and share in bankruptcy (insolvency) with the debtor balances. This means that the bank cannot offset the creditor side of one account with the debtor side of another account opened for the same person in this case. The bank cannot initiate the offsetting on its own (Amara, 2000) unless there is an agreement between the client and the bank to do

so before the month of bankruptcy. However, if there is an agreement between the bank and the client on offsetting, the bank has the right to offset the accounts before the month of bankruptcy (Al-Tarrah & Malham, 2010).

A client may also agree with the bank to open several current accounts at the same time with one bank or its branches. This results in the independence of each account from the others, so the bank cannot offset between these accounts. If one account is a creditor and the other is a debtor, the bank cannot initiate the offsetting on its own. The judiciary recognizes this banking practice that does not allow offsetting between multiple accounts, meaning that the conditions for offsetting are only met when the account is closed (Awad, 2005). However, it is possible to agree on offsetting at a specific moment in the account, and the temporary cut-off is relied upon in facing others and the bank's right to offset as long as it occurred at a date prior to the rights of others on the temporary balance. It does not require an offset agreement if it occurs within the grace period with the bank's knowledge (Taha, 1976).

It is known that the month of bankruptcy entails closing the current account and extracting the balance of the account, which is a debt to one party over the other. The bankruptcy system is based on the fundamental principle of equality among ordinary creditors of the bankrupt. However, the rules of the current account, especially the abstraction and non-division rule, give the creditor in this account an exceptional position against the group of creditors (Taha, 2006).

That is because the bank associated with the current account of a client undergoing bankruptcy is considered an ordinary creditor like any other creditor unless it obtains specific collateral to be used against the group of creditors. However, through the set-off between all items of the account, the bank is exempted from fulfilling the debtor side within the limits it is a creditor. It enters bankruptcy to the extent of the credit balance, avoiding competition with the other creditors except within these limits. In other words, the bankruptcy trustee cannot extract from the current account the rights of the bankrupt, i.e., the payments made by the client, and demand their full repayment. Instead, the bank is obliged to participate in bankruptcy with the debts and undergo division among the creditors. The bank is entitled to only a share of the payments made by the bank to the client, subject to division among the creditors, and is not entitled to claim the full amount.

In summary, when a client has multiple accounts in one bank or its branches, each account is considered independent of the others. Therefore, the bank cannot set off between these accounts if some are creditors and others are debtors. In the event of the client's bankruptcy (Al-Baroudi, 1988), the bank can only enter bankruptcy, claiming its debt and participating in the division among the creditors to obtain its share (Al-Akeeli, 2010).

It is worth noting that banks may allow an individual, whether natural or legal, to open multiple accounts with one bank or its branches. Although these accounts are originally independent of each other, banks often link them as one account in their relationship with the client. This was confirmed by the Egyptian Court of Cassation in its decision numbered 4298 for the year 86, session dated 15/3/2017, stating that each account in case of multiple accounts in one bank or its branches is considered independent unless banks, as a guarantee for securing their rights, usually resort to linking different accounts or agreeing to merge them, unify them, or pledge the balance of one to secure the balance of another, using various banking methods to avoid the consequences of the independence of accounts.

In this context, Article 6/1 of the Deposit Guarantee System Law No. 3 of 2016 in Iraq specifies that coverage is provided to guarantee public deposits at authorized Iraqi banks by the Central Bank of Iraq within Iraq. Additionally, Article 14 of the same law outlines the procedures for calculating the guarantee amount for an individual's deposit in case of receivership, insolvency,

or liquidation of a contributing bank according to the provisions of Banking Law No. 94 of 2004. The calculation is based on the individual's total accounts at the bank or its branches, treating them as a single account.

It's important to note that the article doesn't specify the inclusion of any particular type of bank deposit in the guarantee. The language is broad, and the application of the principle of independence between accounts is emphasized. For instance, if a customer withdraws a check from an account with a positive balance, the bank cannot refuse to honor the check based on the existence of another account with a negative balance. The French Court of Cassation has ruled that if a customer withdraws a check from their current account, the bank cannot refuse payment if the account balance is positive, even if the overall balance of the customer's accounts is negative. Conversely, if the customer issues a check from a negative balance account, it is considered a crime to issue a check without sufficient funds (Abdel Aal, 1993).

As a result of the independence between accounts, the return on each account is calculated separately, and there may be variations in returns between different accounts. Some accounts may generate returns, while others may not.

Conclusion

Bank clients, whether individuals or legal entities, have the right and freedom to open multiple bank accounts, whether in one bank, its branches, or even in several banks. The multiplicity of bank accounts for the same client does not pose any legal problems if the accounts are in different banks. In this case, each account is considered independent, as each account is subject to the terms of the contract that binds the client to the bank as the account holder. However, if the bank accounts of a single client are multiple in one bank or its branches, the problem arises, especially in cases of seizure and the client's bankruptcy. The principle of independence between bank accounts when they belong to a single client in one bank or its branches has peculiar effects. Each account among these accounts is subject to specific rules in its operation, suspension, operations, and settlement. Additionally, the return on each account may differ from the others, applying the principle of independence.

The phenomenon of multiple bank accounts for a single client within multiple banks continues to persist until now. This is despite banks' attempts to complete their banking services, hoping to retain the client and prevent them from resorting to other banks to meet banking needs deemed important and necessary. The phenomenon of having multiple accounts for a single client has a key advantage for the client, maximizing the benefit from the banking services offered in the market with the lowest possible cost. It also provides additional returns for banks capable of competing. However, the phenomenon of multiple banks may cause significant fatigue for the client, as they deal with more than one bank, incurring additional expenses for opening and closing bank accounts. The Iraqi legislator limited the treatment of provisions related to bank accounts by virtue of Article 246 of the Trade Law. This legislative approach is a deficiency concerning the legal regulation of the bank account and the multiplicity of bank accounts. Most legislations, including Iraqi legislation, adopted a system of partial coverage. This is considered ideal to hold the banking system responsible for risks and ensure its efficiency. While determining the coverage percentage might be challenging when dealing with risks involving large banks, especially those significantly impacting the state, it is preferable for any guarantee entity to start with an acceptable maximum coverage based on the deposit volume at the banking institution per depositor. The maximum coverage should gradually increase based on the achievements of the guarantee entities to achieve nearly complete coverage.

Regarding the coverage scope for currency types, most legislations, including Iraqi legislation, work on covering all deposits, whether in foreign or local currency. This is positive concerning coverage limited to local currencies only, given the importance of foreign currency and its significant role. In Iraqi legislation, the personal scope of deposit insurance extends to both natural and legal persons. This is because the guarantee entity takes the form of a joint-stock company, and therefore, it is required to offer a percentage of its capital to the public for subscription to the company's capital. The public may consist of legal entities such as banks and companies, or natural persons such as traders and others. In contrast, deposit insurance in other countries is limited to the contribution of the legal entity only.

Second Recommendations

It is essential for Iraqi law to ensure the bank's right to refuse to open a bank account for any client it does not wish to deal with, provided that the bank states the reasons for refusal in writing to the client. The response to the request should be within a specified period mandated by law. The issue of signing the reservation in the event of multiple bank accounts for a single client through the reservation of funds to the debtor with the third party (the bank) may expose banks to various responsibilities mentioned in this research. To avoid these responsibilities, we request the Iraqi legislator to exempt banks from the reservation under their control and not equate them with the ordinary person reserved under them. This is achieved by excluding banks from the reservation under their control. This strengthens the trust and assurance of bank clients, positively impacting the attraction of more clients to banks, which, in turn, reflects positively on the national economy.

Persons authorized to operate bank accounts for legal entities should be authorized by individuals with competence and granted such authority by approval from the relevant authority, whether public or private, such as the board of directors, partners, or the employer. Banks must be obligated to maintain the confidentiality of client bank accounts, regardless of their number, and all matters related to the client's transactions with the bank. If a client goes bankrupt and has creditors in some accounts and debtors in others, we propose that the bank pay the creditor balance in the debtor account and enter bankruptcy as a debtor in the debtor account. This should be subject to division among creditors. This means that the bank cannot set off between the creditor side of an account and the debtor side of another account opened for the same client.

We suggest that the Iraqi legislator amend the text of Article (14/first) of the Deposit Insurance System No. 3 of 2016 to be as follows: (If a person has more than one account with a bank or its branches, each account is compensated separately). We propose amending the text of Article 13/first of Deposit Insurance System No. 3 of 2016 and specifying a single guarantee percentage granted by the company for the bank's insolvency without linking it to the issue of the deposit amount. This percentage should be determined as 51% if the total value of deposits contributed by the bank is less than 100 million and 25% if the value of deposits exceeds 100 million. This division is grossly unfair, as the percentage can change from 51% to 25% with just one million dinars, which is a significant and unfair difference to the bank.

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