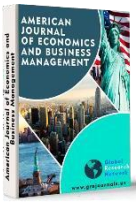

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Article

Banking Risk Management and Control: An Applied Study at Al-Rasheed Bank of Iraq

Angham Dharar Jassim

1. General Directorate of Education, Baghdad, Al-Karkh 2

* Correspondence: anghamjasm@gmail.com

Abstract: Understanding, assessing, and managing risks are crucial to the success, growth, and achievement of objectives by Iraqi banks. Although taking risks is intended to generate higher returns, failing to manage these risks correctly and scientifically may result in the loss of such returns and the inability to achieve banks' strategic goals, particularly in the context of global economic trends towards financial globalization. The research problem is therefore encapsulated by the following main question: Does banking risk management affect the overall performance of Al-Rasheed Bank in Iraq? This research is important because it highlights the essential role of encouraging the application and control of banking risk management mechanisms within banks. The research aims to identify the types and characteristics of banking risks, and to examine the strategies adopted by the sample bank to mitigate the negative impacts of these risks, as well as the extent to which it complies with risk management requirements. The study is based on the hypothesis that effective risk management is a key factor in the success of banks and in achieving their objectives. The study's key findings indicate that banks must continuously analyse and identify various types of risk, determine their magnitude, and assess their likelihood. A bank's success in addressing liquidity risks depends on the accuracy of risk measurement data. The main recommendations emphasise the importance of adopting a general framework for liquidity risk management that ensures adequate liquidity is available to support banking operations, thereby guaranteeing the bank's continuity in the market.

Keywords: Risk management, Iraqi banks, banking governance, banking transactions, returns.

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1. Introduction

Banking Risks – Their Nature and Causes

First: Defining Banking Risks

Banking risks are one of the most important issues that concern bankers and occupy most of their attention globally, especially in recent years. In the wake of the financial and banking crises that swept the world, there are many definitions of the term "risk," the most important of which are: Banking risk: This is the possibility of incurring a loss, either directly through losses in operating results or capital, or indirectly through the existence of constraints that limit the bank's ability to achieve its goals and objectives. Such constraints weaken the bank's ability to continue its operations and activities, on the one hand, and limit its ability to exploit available opportunities in the banking environment, on the other. It is also defined as a financial risk that includes the inability to trade financial assets, securities, or commodities in the market quickly enough within a specific period, without affecting the market price. This means that the bank is unable to meet its cash obligations to depositors on demand because of insufficient liquidity caused by sudden and large withdrawals. Furthermore, it means the bank's inability to borrow money to meet liquidity requirements when needed because such

borrowing would be based on prohibited interest rates. [1] It is also defined as the degree of volatility in the expected return. In other words, risk is the probability that the actual return on an investment will differ from the expected one. The former is the real return on the available investment, while the latter is expected and may or may not materialise depending on the degree of risk. Therefore, in cases where risk is absent, expected returns equal actual returns, which are rare in economic situations. [2] It is also defined as the probability that the predictions are incorrect. If there is a high probability of incorrect predictions, the degree of risk will also be high. Conversely, if the probability is low, the degree of risk will also be low. [3]. The concepts of risk and uncertainty can be distinguished, as the subject depends on the degree of information and the historical data available. Risk describes a situation in which the decision-maker has sufficient historical information to help him make multiple probabilities (probability distribution) regarding future cash flows. Uncertainty, on the other hand, describes a situation in which the decision-maker does not have historical information to rely on to make a probability distribution of future cash flows. Therefore, he must make reasonable guesses about what the probability distribution might look like. This is why it is called a personal probability distribution. Thus, the essential difference between risk and uncertainty lies in the way the probability distribution of cash flows is estimated [4]

Second: Types of Banking Risks

Risks are divided into two types: [5]

Financial liquidity risk (also known as cash flow risk)

Market liquidity risk (also known as asset/product risk)

Third: Risk Measurement

The process of managing a bank's financial resources for investing in assets and various operational areas means bearing greater future risks that may arise from changes in the value of funds, stocks, or assets or the probability of profit or loss in investment projects. This necessitates sound planning and wise decision-making from the financial decision-maker, who must also be prepared for various fluctuations to minimise losses when unforeseen events occur[6]. The possibility of failing to achieve expected returns and the uncertainty of achieving the planned return during the investment process may affect the bank's financial capacity and expose it to liquidity risks. Conversely, if the investment is successful, generating profits, deposit flows, and a surplus of liquidity for commercial banks, this may pose a burden and risk in managing this surplus [7] Because risk and unforeseen events are based on probability, it is essential to establish specific criteria for classifying the type of risk and determining its severity. Therefore, banks and companies have established specialised units to monitor and assess the levels of risk in financial operations and their management. [8] The method of determining and measuring the degree of risk is ancient, dating back to the seventeenth century, when the mathematician Pascal discovered probability theory while trying to solve the puzzle of gambling.This was followed by the law of large numbers, which enabled the use of available information about the past to predict what would happen the next day. Then came the scientist Harry, who proved in 1959 that a person could reduce the risks of investing in the financial market through the principle of diversification. [9]

Fourth: Risks Facing Banks

In recent years, commercial banks have focused on understanding and managing the main elements and factors that cause financial losses. Table (1) shows their types, and the most important of these risks are listed below:

Market Risks

These are the risks arising from changes in market conditions. Fluctuations in exchange rates, commodity prices, and stock prices affect the economic value of various assets, such as Murabaha, which in turn impacts bank returns. This is because these instruments are exposed to price volatility risks [10]. Market risks are significantly higher and more impactful for commercial banks than for other entities, given their inability to review and adjust contract prices, regardless of the subject matter, and the prohibition against forward currency trading [11]

Credit risk

means the failure of the party contracting with the bank to fulfill its financial obligations and pay the debt related to it on time, and the reason for this may be the client’s lack of

familiarity and ability to manage the project for which the financing was provided,[12]. This is because the method of financing in commercial banks is based on the formulas of profit, participation, and speculation based on the possibility of profit and loss, and this involves risk and requires knowledge and experience, unlike traditional interest-based banks. [13]

Table 1. Types of risks and indicators used to measure them

Type of Risk	Indicators Used in Measurement
Credit Risk	- Net loan burdens / Total loans - Provision for doubtful debts / Total loans - Provision for doubtful debts / Loans that have matured but not repaid
Liquidity Risk	- Core deposits / Total assets - Volatile liabilities / Total assets - Cash maturity ladder
Interest Rate Risk	- Interest rate sensitive assets / Total assets - Interest rate sensitive liabilities / Total liabilities - Sensitive assets - Liabilities Sensitive
Exchange Rate Risk	- Open position in each currency / Capital base - Total open positions / Capital base
Operational Risk	- Total assets / Number of employees - Labor expenses / Number of employees
Capital Risk	- Shareholders' equity / Total assets - First tier of capital / Risk-weighted assets - Capital base / Risk-weighted assets

Source: [13]

The above table illustrates the most important types of risks and how to identify them using the ratio method, which is considered among the tools used by risk management to recognize these risks in order to address them or at least reduce their severity.

Legal Risks

Commercial banks must comply with the regulations and instructions issued by central banks, and in case of violation, they are subject to material and moral penalties, which may include freezing the bank's activities. It is noteworthy that the legal regulations and instructions issued by central banks were primarily established to serve traditional commercial banks, and therefore, they need a comprehensive review to benefit commercial banks and to align with their specific nature, which requires adherence to the provisions and regulations of commercial Sharia in their financial transactions, a concern for clients and considered a factor in their success [14]

Operational Risks

These are the risks arising from errors made by the human staff working in the bank. The efficiency of human resources is a fundamental guarantee for the success of banking activities. This type of risk increases in commercial banks more than others due to the novelty of the commercial banking experience and the lack of sufficient, highly trained human resources to perform commercial financial operations, which leads to a higher risk of loss. This necessitates improving the efficiency of employees in both technical and Sharia banking aspects [15]

Reputational Risks

Their impact appears when a negative public opinion is formed about the Islamic bank for not adhering to the rules and principles of commercial Sharia and merely superficially applying commercial transactions in the bank, which leads to tarnishing its reputation, clients withdrawing their funds, or terminating their contracts due to the bank's lack of credibility and its ability to align its products and services with the Sharia rules desired by clients, away from dealing with usury and its suspicious forms. This overlaps with the previously

mentioned operational risk element related to the ability and efficiency of the bank's personnel in handling and managing commercial financing structures. [16]

Liquidity Risks

The liquidity indicator is considered one of the most important issues that clients rely on to assess

the strength of the bank and its ability to meet various financial obligations. For example, a bank cannot delay cashing the checks drawn on it, pay due deposits, or demand debtors to repay their debts before the due date. Therefore, liquidity problems are considered one of the major challenges faced by bank managements ([17]

Fifth: Foundations and Principles of Banking Risk Management

Concept of Banking Risk Management

The American Institute of Certified Public Accountants defined risk management as: - "It is the process of identifying, evaluating, managing, and monitoring potential events or conditions, with the aim of providing the organization with reasonable assurance regarding the achievement and accomplishment of its planned objectives." Risk management refers to the policies and procedures carried out by bank management to identify, measure, and assess the surrounding risks and propose appropriate means to respond to them, with the aim of protecting banks from their consequences. [17]

Bank Risk Management

The U.S. Financial Services Committee played a distinguished role in establishing principles for proper risk management. These principles are also considered suitable for bank risk management in other countries, in addition to the countries of the Group of Thirty. These seven principles of bank risk management are as follows: [18])

1. Responsibility of the Board of Directors and senior management.
2. Risk management framework.
3. Integration of risk management.
4. Accountability of business lines.
5. Risk assessment and measurement.
6. Independent review.
7. Contingency planning.

Accordingly, it can be said that there should be policies and procedures for risk management in the event of potential crises and extraordinary circumstances in Iraqi commercial banks. The quality of these policies and procedures must be tested to achieve sound results. [19]

2. Materials and Methods

The scientific methodology of any study is a step towards achieving the desired objectives of the research. Based on this, the researcher has defined her research methodology in the following paragraphs.

First: the research problem:

Poor decision-making based on financial information derived from statements and reports can lead to the collapse of major companies and banks, and increase various types of risk. Therefore, identifying, assessing, and managing these risks is key to the success and prosperity of banks, and to achieving their objectives. Although taking risks is intended to generate higher returns, failing to manage these risks effectively may result in the loss of these returns and the inability to achieve the bank's strategic objectives. A proper understanding of banking risk management and of how to assess risks, especially in light of global economic trends, is therefore important. The research problem is encapsulated by the following question:

Does banking risk management affect the overall performance of the Iraqi Al-Rashid Bank?

Second: the importance of the research:

The research highlights the significant and appropriate role of encouraging the application of banking risk management and control mechanisms in the sample bank. This is especially important given that banks are exposed to many risks, and given the

important role played by banking institutions in economic activity. If banks fulfil this role effectively, they will contribute to the revival and prosperity of the country's economy. This can be achieved by encouraging sound banking practices, such as monitoring and tracking the risks associated with financing and investment activities. Therefore, laws and regulations aim to limit excessive risk-taking.

Third: research objectives

This research aims to achieve the following objectives:

1. To develop a comprehensive knowledge framework on banking risk management.
2. To identify the types of banking risk and their characteristics within financial units.
3. To identify the most significant risks facing banks in general and Iraqi banks in particular (the research sample).
4. To identify the most important strategies adopted by a bank (the research sample) for reducing the negative effects of banking risks and the extent to which it complies with Basel requirements for managing those risks.

Fourth: Research Hypothesis

The research addresses the problem through the following hypothesis:

(The proper management of banking risks is one of the main factors in the success of the bank (the research sample) and the achievement of its objectives).

Fifth: Hypothetical Research Model

Based on the conceptual framework of risk management literature and in light of the research problem, its importance, and objectives, the researcher synthesized a hypothetical research scheme that embodies a diagram of the relationships between the research variables and their impact on the overall performance of the bank (the research sample), as follows:

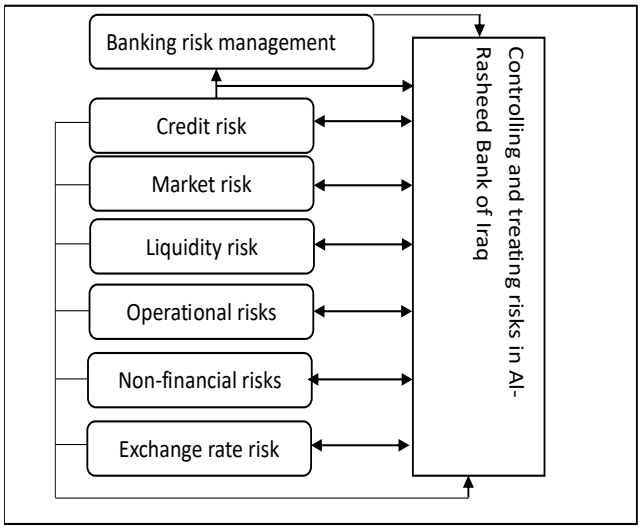

Figure 1.

Source: Prepared by the researcher

Correlation relationship

Impact relationship

Sixth: Research Methodology

The descriptive analytical approach will be employed as a method for addressing the research variables, as it is considered suitable for studying administrative and financial phenomena. It provides data about the reality of these phenomena, explaining their

causes, results, and analyses (mean – standard deviation), and identifies the factors influencing them.

Practical Aspect

Banking Risks at Al-Rasheed Bank of Iraq

This third Section is devoted to presenting the results related to the study variables and interpreting them using some descriptive statistical methods.

First: Description of the Research Community

1. Research Community

In order to answer the questions raised to realize the research hypothesis and the preliminary solution to the research problem, the research hypothesis was chosen from the banking sector consisting of (30) banks, especially those listed on the Iraq Stock Exchange, as shown in Table No. (1) below:

Table 1. Research Population

Sequence	Name of the bank	Date of incorporation	Sequence	Name of the bank	Date of incorporation
1	2/11/1992	Iraqi Commercial Bank	17	4/25/2005	Ashur Bank
2	2/18/1992	Bank of Baghdad	18	9/13/2005	Al-Mansour Bank
3	6/20/2016	Arab Islamic Bank	19	12/7/1998	Dar Al-Salam Investment Bank
4	7/7/1999	Middle East Bank	20	7/6/2006	Islamic Country Bank
5	7/13/1993	Iraqi Investment Bank	21	6/8/2006	Across Iraq Bank
6	1/2/1995	Iraqi National Bank	22	8/20/1994	United Bank
7	7/25/1998	Iraqi Credit Bank	23	8/24/2005	Tigris and Euphrates Bank
8	5/26/1999	Sumer Commercial Bank	24	6/23/2007	Elaf Islamic Bank
9	4/6/1999	Bank of Babylon	25	5/1/2005	National Islamic Bank
10	3/22/1999	Economy Bank	26	2/3/2008	Cihan Bank
11	10/20/1999	Gulf Commercial Bank	27	2/16/2016	Zain Al-Iraq Islamic Bank
12	8/23/2001	Bank of Mosul	28	9/19/2016	Noor Al-Iraq Islamic Bank
13	10/7/2003	Northern Bank	29	6/1/2016	International Islamic Bank
14	9/23/2002	Iraqi Union Bank	30	10/17/2016	Qabid Islamic Bank

Sequence	Name of the bank	Date of incorporation	Sequence	Name of the bank	Date of incorporation
15	3/13/2005	Kurdistan Bank	31	1/11/2011	International Development Bank
16	1988	Al-Rasheed Bank	32	1988	Central Bank of Iraq

Source: Published data from the Iraq Stock Exchange.

Research Sample

A random sample from the research population was selected, represented by Al-Rasheed Bank, as indicated in Table No. (1) above, sequence 16.

Second: Statistical Methods Used

In order to verify the validity of the research hypothesis, some statistical methods will be used, including the following:

Arithmetic Mean:

This method, which is considered a measure of central tendency, will be used to calculate the average for each of the indicators related to the research topic for the sample bank.

Standard Deviation:

This measure, which is considered a measure of dispersion, will be used to estimate the spread around the arithmetic mean for each financial indicator and to measure and analyze the most significant risks faced by the sample bank.

Beta Coefficient (β): This measure, which is considered a measure of dispersion, will be used.

Third: Measuring the Most Important Risks of the Research Variable

Assessing the return and risk of the financial asset by measuring systematic and unsystematic risk:

The expected return from investment with systematic risk

The rate of return of any financial asset (i) is known as the surplus value in capital (the amount of increase in the capital value of the asset), i.e. (Vt-Vt-1) and the nominal return of the asset in the form of interest or dividends according to the nature of the asset, and let us assume it in the general case as Dit where:

Vt: the market value of the asset at time (t), Vt-1: the market value of the asset at time (t-1).

Provided that we compare the sum of these returns at the price of the asset at the beginning of the period (1-t), that is, at the price (Vt-1).

$$\text{So: } R_{it} = \frac{V_{it} - V_{it-1} + D_{it}}{V_{it-1}}$$

The value (Vit-1) that the investor pays to buy the asset (i) is known precisely, while the market value that it will have in the future is not certain, which means that the investor will only make future expectations about the value of the return of this asset (the right that confers on the holder of the asset), the latter of which varies according to the cases (states of nature). Therefore, the rate of return of the asset expected in the future can be considered as a random variable (Rit). A random variable is usually known by its mathematical expectation and variance, or standard deviation. These distinctive elements of the random variable can be determined by studying the shape of the objective probability distribution (relying on historical data) or subjectively, relying on the subjective probability distribution (personal guesses and then allocating probabilities to liquidity - credit - systemic and irregular risks) and by assuming that the expected rate of return is a discrete random variable that can be determined by the relationship:

$$E(R_i) = \sum_{J=1}^{m} P_j R_{ij}$$

Where: Rij: the rate of return that can be achieved (expected from various risks and controlling them) from owning asset i in time (t), which is related to the state of nature j.

Pj: the probability of achieving the state of nature, m: the number of states of nature.

The risk of a financial asset with unsystematic risk:

So risk is a relative measure of the extent of the volatility of the return (future flows) that can be obtained in the future (according to Petty's definition). The dispersion of values from the weighted average value is usually expressed by the standard deviation or variance, and this is what can be expressed mathematically:

$$\delta_i^2 = \sum_{J=1}^{m} P_J\left[R_{iJ} - E(R_i)\right]^2 \Rightarrow \delta_i = \sqrt{\sum_{J=1}^{m} P_J\left[R_{iJ} - E(R_i)\right]^2}$$

The smaller the variance value, this indicates that the observations (actual rates of return) are centered close to the average value, and the larger the variance value, this indicates that most of the observed values are far from the weighted (expected) value.

The coefficient of variation can also be relied upon to measure the degree of risk, where:

$$\text{Variation rate} \quad = CV = \frac{\delta_i}{E(R_i)}$$

The larger (CV) indicates that the observed values are dispersed from the average (expected) value, and the smaller (CV) indicates that the observed values are centered around the average value.

Let us calculate the risk of each asset:

$$\delta_A^2 = (0.05)(0.38 - 0.08)^2 + 0.2(0.23 - 0.08)^2 + 0.5(0.08 - 0.08)^2 + 0.2(-0.07 - 0.08)^2 + 0.05(-0.22 - 0.08)^2$$

$$= 0.018 \;\Rightarrow\; \delta_A = 13.4\%$$

$$\delta_B^2 = 0.048 \Rightarrow \delta_B = 0.22 = 22\%$$

Using the coefficient of variation and applying it to the Rasheed Bank data, we find:

$$CV(A) = \frac{\delta_A}{E(A)} * 100 = \frac{0.134}{0.08} = 16.75\%$$

$$CV(B) = \frac{\delta_B}{E(A)} * 100 = \frac{0.22}{0.10} = 2.2\%$$

3. Results and Discussion

Result

The probability distribution of return can be represented by: Ri, where (Ri) is a random variable subject to a normal distribution with a mean E(Ri) and a standard deviation.

Measuring credit risk

It is theoretically difficult to measure the outcome of the interaction between the elements causing non-financial, regular credit risks and unsystematic risks until the discovery of the capital assets pricing model (CAPM) or the MEDAF model (model evaluation des actifs financiers) by Sharpe-Lintz, which targeted the method by which prices are determined in a way that allows the market value to be determined in a way that ensures achieving a greater return on the greater the risk (the greater the risk). Increases return).

The most important risks of the capital market can be measured by an index called the market index (a weighted arithmetic average of the return of securities traded in the capital market such as the Daw Jones index, Cac40, Nikkei...etc.)

So: The risk to which the return of a security is exposed, in the sense of covariance, is manifested in the correlation of the change in the price or return of the security, with the general change in the movement of stock prices in the financial market, or the market return.

The covariance coefficient can be expressed as follows:

$$COV(R_A, R_M) = \frac{\sum \left(R_{A,t} - E(R_A)\right)\left(R_{M,t} - E(R_M)\right)}{n}$$

$R_{A,t}$: The rate of return of stock (A) at time t.

$R_{M,t}$: The rate of return of the market (M) at time t.

n: The number of available observations.

$E(R_A)$: The weighted expected value of the return of stock A during the period studied, 2023, and for a period of 3 months.

$E(R_M)$: The weighted expected value of the return of stock M during the period studied, 2023, and for a period of 3 months.

Application: The aforementioned bank if the stock return is (A) and the market return is M, shown in the following table:

Period	R_A	R_M	$R_A - E(R_A)$	$R_M - E(R_M)$	$[R_A - E(R_A)][R_M - E(R_M)]$
1	50	50	0	0	0
2	60	60	10	10	10
3	40	40	-10	-10	10
4	70	70	20	20	400
5	30	30	-20	20	400
	$E(R_A) = 50$	The image part with relationship ID rid28 could not be found in the file			The image part with relationship ID rid28 could not be found in the file

So it is $Cov(R_A.R_M) = \frac{1000}{5} = +200$

This is evidence that the change in the movement of market prices in the year 2023 and the fluctuations in the exchange rates of the currency and the interest rate take place in the same direction as the market value (the rate of return of the stock).

We also know from a statistical standpoint that the correlation coefficient is: $r_{(R_A.R_M)}$

$$r_{(R_A.R_M)} = \frac{Cov(B_A.R_M)}{\delta_{R_A}.\delta_{R_M}}$$

Where: $\delta_{(RA)}$: standard deviation of stock return (A)

$\delta_{(RM)}$: standard deviation of market return (M)

Therefore, we can find that: $COV(R_A, R_M) = r_{(R_A,R_M)}\delta_{RA}\delta_{RM}$

We can understand from this equation that the risk (credit - market - liquidity - non-financial - regular and irregular) to which the rational bank is exposed depends on the risk involved in the return of the financial asset $\delta_{(RA)}$, the risk of the market return $\delta_{(RM)}$ and the correlation coefficient between the security return (A) and the market return (M), i.e.: $r_{(RA.RM)}$.

Discussion of the results:

The beta coefficient for the market is equal to the correct one, i.e.: $\beta_{(M)} = 1$.

This means that if a change occurs in the market by rising or falling by a certain percentage, the market portfolio will change in the same direction and by the same percentage.

We have determined in the previous analysis how to measure the risks associated with capital investments, and the question remains about how to determine the relationship between the degree of risk associated with the investment and its required rate of return?

Therefore, we must determine the percentage by which the rate of return on investment (risk premium) must rise, in exchange for the growth of the risks it bears.

There is a direct relationship between the risk premium and the risk associated with a particular investment.

To calculate the risk premium for an investment, we must first calculate the Market Risk Premium

Current rate of return from risk r_f market portfolio rate of return R(M) = market risk premium

Current rate of return from risk r_f market portfolio rate of return R(M) = market risk premium RPM

any: $RP_M = R_{(M)} - r_f$

The risk premium for investment (A) can also be determined by the formula:

$$RP_A = \beta_A(RP_{(M)})$$
$$RP_A = \beta_A(R_{(M)} - r_f)$$

Where: β_A investment beta coefficient (A)

$RP_{(M)}$: market risk premium.

r_f: risk-free interest rate

Knowing the risk premium for investment proposal A, its required rate of return k (cost of capital rate) can be determined as follows:

$$\begin{aligned} K_A &= r_f + RP_M\beta_A \\ &= r_f + (R_M - r_f)\beta_A \\ &= f(\beta_A) \end{aligned}$$

It is clear from the previous equation that the greater the coefficient (β)of the investment proposal in Al-Rasheed Bank, the higher the required rate of return.

Through diversification, ultimately arriving at determining the required rate of return on the individual investment proposal. In this way, risks can be managed in Al-Rasheed Bank if the application capabilities of Basel decisions are available, and the bank's senior management provides human and material capabilities and introduces banking governance, as well as introducing contemporary technology mechanisms in banking dealings and transactions.

4. Conclusion

First: Conclusions

a. Liquidity is the extent to which financial assets can be sold at short notice at market value. As for the European Commission for Economic and Financial Affairs, it defined it as: a term used in finance and economics to describe the ease of obtaining money.
b. Providing appropriate and sufficient liquidity gives commercial banks the confidence of their customers and protects them from selling their assets at inappropriate prices to meet their obligations.
c. The importance of liquidity lies in the extent of the bank's ability to provide the needs of its customers and finance investments, and this is an ongoing need for which the bank must prepare permanently.
d. An increase or decrease in the volume of liquidity in commercial banks both has negative effects on the activity and performance The bank.
e. Rasheed Bank, the research sample, must continuously analyze and identify risks of all kinds and indicate the extent of the risk and the extent of its probability of occurrence. The bank's success in confronting liquidity risks depends on the accuracy of the data related to measuring risks.
f. There are many reasons resulting from liquidity risks, perhaps the most prominent of which are the nature of the activities of private commercial banks based on the provisions of laws and the failure to take into account the legislation and instructions issued by the Central Bank for this specificity.
g. There are different types of risks that commercial banks face, such as market and credit risks, legal risks, operational risks, and liquidity risks - the subject of the

research. - Which is considered one of the most important and influential risks, specifically its reputation.

h. Managing banking risks in a sound manner is one of the main factors in the success of Al-Rasheed Bank, which reflects positively on achieving its financial and administrative goals.

Second: Recommendations:

a. Adherence to the protected and external laws represented by the Basel Committee, its decisions and international standards.
b. The importance of relying on a general framework for managing liquidity risks that ensures maintaining the provision of sufficient liquidity for the functioning of banking operations in order to ensure the bank's continuity in the market.
c. The necessity for the central bank to require commercial banks to maintain a specific liquidity ratio.
d. The necessity for commercial banks to identify among themselves and open all forms of communication channels to confront financial risks and crises that may affect their existence or It overthrows some of them, including liquidity risks.
e. The Central Bank of Iraq should adopt banking instructions and regulations that take into account the specificity of commercial banks and the principles on which they are based, especially after they have become a significant investment volume, which helps them to fulfill their commercial financial mission.
f. Commercial banks should think about managing surplus funds and finding new appropriate formulas for investing their surplus, which will be reflected in the comprehensive development of the commercial country.

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