



Sultanate of Oman
The Banking Law
Royal Decree
114 / 2000
Central Bank of Oman



**ROYAL DECREE
NO. 114/2000**

Issuing The Banking Law

We Qaboos Bin Said, Sultan of Oman,

After perusal of the Basic Statute of the State issued pursuant to Royal Decree No. 101/96, and

The Banking Law No. 7/74 and the amendments thereto, and

In accordance with the Public interest,

HAVE DECREED THE FOLLOWING

Article (1): The provisions of the attached Banking Law shall be applicable.

Article (2): The Banking Law No. 7/74 is hereby repealed, provided that all Regulations, Decisions, Orders and Circulars issued in implementation thereof and not conflicting with the provisions of the attached Law, shall remain effective until they are repealed or amended.

Article (3): All licenses, authorizations and other permits lawfully granted by the Central Bank shall continue in full force, and operations, business or conduct of any person to whom any such licenses, authorizations or other permits have been granted, shall be subject to the provisions of the attached Law and Regulations of the Central Bank.

Article (4): This Decree shall be published in the Official Gazette and shall be effective from the date of its publication.

**Qaboos Bin Said
Sultan of Oman**

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TITLE ONE
GENERAL PROVISIONS

ARTICLE 1 OBJECTIVES

The following are the objectives of this Law:

(a) To promote the development of banking institutions which will ensure the maintenance of financial stability, contribute to the economic, industrial and financial growth and enhance the position of the Sultanate in international financial affairs;

(b) To empower the central bank to issue currency and maintain the domestic and international value of that currency, to supervise banks and the banking business in the Sultanate and to advise the Government of the Sultanate on domestic and international economic affairs.

(c) To facilitate the expansion of the free market economy of the Sultanate through greater use of recognized banking institutions and methods; and

(d) To contribute to the fiscal and monetary development of the Sultanate through active participation in the international monetary community and in the proceedings, negotiations and decisions of international monetary organizations in which the Sultanate shall participate.

ARTICLE 2 RULES OF INTERPRETATION

(a) This Law shall be construed in accordance with the general rules of construction.

(b) References to persons shall be read as including references to natural or juristic persons.

(c) Unless otherwise provided by regulations of the Central Bank, the interpretation, application, administration and enforcement of this Law, as it relates to documentary credits and collection of international commercial paper, shall be in accordance with Uniform Customs and Practice for Documentary Credits as adopted by the Council of the International Chamber of Commerce in 1993, as amended from time to time, and the Uniform Rules for the Collection of Commercial Paper as adopted by the Council of the International Chamber of Commerce on 1995, as amended from time to time.

ARTICLE 3 APPLICATION OF GENERAL PRINCIPLES OF LAW

Except where otherwise provided in this Law, the provisions of the Commercial Law, the Commercial Companies Law, the law relative to capacity to contract and the procedural laws and remedies related thereto, shall supplement the provisions of this Law.

ARTICLE 4 SETTLEMENT OF CLAIMS

(a) The Commercial Court established pursuant to Royal Decree 13/97 and such successor or other judicial body as may be established or specified by the laws of the Sultanate, shall have general jurisdiction to hear and decide all civil disputes and claims which arise under this Law, including claims by and against the Central Bank and its governors and officers in the performance of their duties under this Law. Such jurisdiction shall include, but not be limited to, general jurisdiction to hear and decide any claims which arise between persons subject to or seeking to enforce this Law and all disputes concerning the interpretation and application of the provisions of this Law, any rules and regulations of the Central Bank and any agreements, contracts or other documents entered into pursuant to the provisions of this Law.

(b) Notwithstanding the provisions of Article 4 (a) of this Law, and unless otherwise provided by this Law, persons may vary, by a written agreement entered into by such persons, their obligations under this Law, provided, however, that any such agreement must specify the law to be applied in an action arising under the agreement, including the choice of law rules to be applied in any such action, and the forum, jurisdiction or jurisdictions in which such claim or action may be heard. Notwithstanding any agreement to the contrary, any action which involves either or both a domestic bank or an Omani person in a transaction occurring within the Sultanate and which affects the rights or liabilities of an

Omani national shall be within the jurisdiction of the Commercial Court and any successor thereto.

ARTICLE 5 DEFINED TERMS

In the interpretation, application, administration and enforcement of this Law, the following definitions shall be applied, unless otherwise specifically provided or the context otherwise requires:

“Acceptance” is the drawee’s signed engagement to honor the instrument as presented. It must be written on the instrument and becomes effective when completed by delivery or notification to the drawer or to the holder or according to other instructions given by the drawer.

“Bank” is any person licensed by the Central Bank or authorized by the jurisdiction in which it is organized to carry on the banking business.

“Banking business” is the undertaking as the principal and regular course of business conduct, as such business conduct may be defined and interpreted by the Board of Governors of the Central Bank, any one or more of the following activities or such additional activities as may be specifically authorized in amendments to this Law or by the Board of Governors of the Central Bank in

a license issued pursuant to this Law: the operation of receiving monies as demand or time or savings deposits; the opening of current accounts and credits; the unsecured loan of money or extension of credit; the loan of money on personal, collateral or real property security; operation of credit card business; the issuance and negotiation of letters of guarantee and letters of credit; the payment and collection of checks, orders, payment vouchers and other negotiable instruments; the acceptance, discounting and negotiation of notes and promissory notes and other negotiable instruments; the sale and placement of bonds, certificates, notes or other securities; the acceptance of items for safekeeping; the exercise of fiduciary powers; the undertaking of Investment and Merchant Banking and other Financial activities which may include but not be restricted to corporate finance, project finance, investment brokerage and investment advisory services, investment management, the underwriting of securities, custodian and fiduciary services, leasing, factoring, hire purchase financing and any other similar activities approved by the Board of Governors as banking business or the purchase, sale and exchange of foreign and domestic currency or other monetary assets in the form of cash, coins and bullion, provided, however, that natural persons who deal exclusively in the business of exchanging foreign and domestic currencies on a retail basis and persons engaged in the operation of retail business establishments and places of public accommodation who exchange foreign currencies only as a convenience to their customers shall not be deemed to be engaged in the banking business.

“Banking day” includes that part of any day during which the Central Bank and licensed banks and any branches or subsidiaries thereof transact business on behalf of their customers or are open within the Sultanate to the public for the transaction of banking business.

“Bearer” is the person in possession of an instrument, document of title or security which is “payable to bearer” or which has been endorsed in blank.

“Board of Governors” is the Board of Governors of the Central Bank.

“Branch” includes any branch office, branch agency, additional office, or any branch place of business of a licensed bank, which is located within the Sultanate or outside and which engages in banking business.

“Central Bank” is the Central Bank of Oman, established in accordance with The Banking Law 1974 as the Central Bank of the Sultanate, and as successor to the Oman Currency Board established by the Currency Board Decree 1394H.

“Certificate of deposit” is an instrument which consists of an acknowledgement by a bank of the receipt of money and an engagement by the bank to repay such money on a specified date or on demand to a specified person or to bearer together with any interest or other benefits accruing on the instrument.

“Clearing house” is the Central Bank when it functions as a clearing house pursuant to the provisions of Article 29(b) of this Law or an association of banks formed to clear checks and drafts and other persons regularly clearing items through clearing house associations or contractual arrangements within or outside the Sultanate.

“Collecting bank” is any bank within or outside the Sultanate which handles an item for collection but which is not the payor bank.

“Commercial Companies Law” is the Commercial Companies Law of the Sultanate.

“Council of Ministers” is the Council of Ministers of the Government of the Sultanate.

“Creditor” includes any general creditor, any secured creditor, any lien creditor or any representative of creditors including an assignee for the benefit of creditors, a trustee in bankruptcy or an executor or administrator charged with the administration and distribution of the assets of a debtor or other assignor who has been declared insolvent or is involved in insolvency proceedings within or outside the Sultanate.

“Customer” is any person who transacts or has transacted any banking business with a bank or for whom the bank has agreed to collect items. It includes a bank from within or outside the Sultanate

carrying an account with another bank within the Sultanate.

“Delivery” is the voluntary transfer of possession of items, documents of title or securities.

“Demand deposit” is a deposit the payment of which legally can be required by the depositor on demand or at time within not more than seven days.

“Depository bank” is the first bank to which an item is transferred for collection, even though such depository bank is also the payor bank.

“Document of title” is any document which, in the regular course of business or financing arrangements, constitutes sufficient evidence that the holder is entitled to receive, hold and dispose of both the document and any goods it may represent.

“Documentary draft” is a negotiable or non-negotiable draft with accompanying documents, securities or other papers to be delivered at the time of and against the acceptance or payment of such draft.

“Domestic bank” is any Omani person licensed as a bank and authorized to engage in banking business under the laws of the Sultanate.

“Draft” is an instrument which is an order to pay.

“Endorsee” is any person to whom an instrument has been endorsed even though he may subsequently endorse it to another person.

“Endorser” is any person who endorses an instrument even though he may be an endorsee or may subsequently endorse the instrument to another person.

“Endorsement” is a signature, or other mark intended as a signature accompanied by a statement designating the person to whom the instrument shall be payable and placed on the instrument by the payee, by an endorsee from the payee or by any person who is designated under an uninterrupted series of such endorsements. An endorsement which consists solely of the signature of the endorser means that the instrument is payable to bearer.

“Foreign bank” is any person authorized to engage in banking business in the jurisdiction, other than the Sultanate, in which it is organized or domiciled.

“Holder” is a person who is in possession of an item.

“Instrument” is an instrument for the payment of money which is in writing, signed by the maker or drawer, contains an unconditional promise or order to pay a certain amount of money and contains no other promise, order, obligation or power (except

as may be specifically authorized by Law) is payable on demand or on a definite time and is payable to order or to bearer.

“Intermediary bank” is any bank within or outside the Sultanate to which an item is transferred in the course of collection, but does not include the depository or the payor bank.

“Issue” is the first delivery of an instrument to a holder or to a person receiving the instrument for subsequent delivery to a third person.

“Item” is any instrument for the payment of money, even though such item is not a negotiable instrument. Item does not include money but shall include, but not be limited to, negotiable instruments, documents of title, warehouse receipts, bills of lading and documentary drafts.

“Letter of Advice”, is a drawer’s communication to the drawee that a described draft has been drawn.

“Licensed bank” is any domestic bank or foreign bank or any other financial institution licensed by the Central Bank to engage in banking business in the Sultanate.

“Mortgage” is a security interest in real property, airplanes, ships, insurance policies or other items of tangible and intangible personal property which secures a debt or other obligation to pay or perform and which by its terms allows the holder of such

mortgage to cause the sale or other liquidation of the property upon default on the debt and upon such sale to recover the amount in default, with costs.

“Net worth” of a licensed bank is the aggregate amount, as determined in accordance with regulations of the Central Bank, of the assets less liabilities, other than capital and surplus, of a licensed bank and shall include the aggregate of assets and liabilities both within and outside the Sultanate, except as otherwise specifically provided by this Law.

“Note” is a negotiable instrument which is a promise to pay and which is not a certificate of deposit.

“Order” is a direction to pay one or more persons jointly or in the alternative and which identifies those persons with certainty. An order may not be made payable to two or more persons in succession.

“Payable on demand” means that an instrument is payable at sight or on presentment or that no time of payment has been stated in the instrument.

“Payment deadline” with respect to a bank is either the time at which the bank closes on the second banking day following the banking day on which it has received the relevant item or notice concerning an item, or the time from which the time for taking action by the bank begins to run, whichever time is later.

“Payor bank” is the bank within or outside the Sultanate by which an item is payable as drawn or as accepted.

“Presenting bank” is any bank within or outside the Sultanate presenting an item other than the payor bank.

“Presentment” is a demand for acceptance or payment made by or on behalf of the holder upon the maker, acceptor, drawee or other payor.

“Process of posting” is the procedure followed by a payor bank in making a determination as to whether to pay an item and, subsequent to such determination, the procedure followed in recording the payment. It may include, but not be limited to, verifying a signature; ascertaining that sufficient funds are available in the account to be charged; affixing to the item a notation of “paid” or other notation of payment; entering a charge or deposit to the account to be charged or to which a deposit is made; and correcting or reversing an entry or erroneous action previously taken by the bank with respect to such item.

“Promise” is an undertaking by a person to pay and must be more than a mere acknowledgment by such person of the existence of a current or future obligation to pay.

“Properly payable” includes the availability of funds for payment at the time of the decision by a bank to pay or dishonour an item or instrument.

“Remitting bank” is any collecting or intermediary bank within or outside the Sultanate remitting an item.

“Security interest” includes the following: an interest in personal property or equipment which secures payment or performance of an obligation to pay; the interest of a buyer on accounts, commercial paper or contract rights arising from commercial instruments.

“Settlement” means any payment in cash, by clearing house settlement, by a charge or credit, by remittance or as otherwise instructed by the payor. A settlement may be either provisional or final, and shall include, but is not limited to, payment in cash, through the adjustment and offsetting of balances held by a bank with or through a clearing house or clearing house association, by debit and credit entries in accounts held by one bank with another bank within or outside the Sultanate or through the forwarding, use and payment of remittance instruments covering a particular item or a group of items.

“Supranational Organisation” is an organisation which does not belong to any specified country, such as the European Union.

“Suspend payment”, with respect to a bank, means that a bank has been closed by order of the Central Bank, or by the supervisory agency with such authority in the jurisdiction in which the bank is domiciled or organized; that an official of the Central Bank or another person has been appointed to conduct the affairs of the bank as an administrator; or that the bank has ceased or refuses to make payments in the ordinary course of business.

“Time deposit” shall mean a deposit which is made for some specified period of time and must be made for not less than seven days. It may be payable to the depositor prior to the expiration of such a period with a reduction or penalty in the interest rate or payment of interest, payable to the depositor only after such additional period as provided for in the contract between the bank and depositor or payable only on the expiration of a period of notice by the depositor of not less than seven days.

“Treasury bill” is a negotiable short term bill with a maturity date not exceeding one year, issued by the Government to raise money for a temporary need.

“Writing” when referring to the requirements for effective notice to, from and within the Central Bank, by and among banks within and outside the Sultanate shall be deemed to include telegrams and telex transmissions, fax messages, electronic mail, written notices delivered in person or by mail, or by such other medium of communications as may be acceptable to the Central Bank of Oman from time to time provided, however, that persons

may, by agreement, deem only certain forms authorized herein to be sufficient as a writing between or among such persons.

***"Corporation"**: is the company licensed in accordance with the Commercial Companies Law and the provisions of this Law.

*Added by R.D.No. 11/2004

TITLE TWO
CENTRAL BANK OF OMAN

CHAPTER ONE: FORMATION

ARTICLE 6 JURISTIC PERSONALITY

The Central Bank shall be a juristic person, financially and administratively independent.

ARTICLE 7 OFFICES

The headquarters and main depository of the Central Bank shall at all times be located within the Capital District of the Sultanate. Such other offices or facilities as the Board of Governors may determine may be established within or outside the Sultanate to implement the authority and duties of the Central Bank.

ARTICLE 8 THE BOARD OF GOVERNORS

(a) The management of the Central Bank shall be entrusted to the Board of Governors which shall have full authority to perform all acts required for the management and operations of the Central Bank and the supervision of banking business in the Sultanate including the enumerated and residual powers set forth in Articles 14 and 15 of this Law.

(b) The Board of Governors shall consist of seven governors appointed by His Majesty the Sultan, of whom one shall be designated Chairman and one shall be designated Deputy Chairman by His Majesty the Sultan.

ARTICLE 9 QUALIFICATIONS OF GOVERNORS

The Board of Governors shall at all times include at least one governor, other than the Chairman or Deputy Chairman, who is an individual experienced in private commercial or mercantile enterprises in the Sultanate, at least one governor, other than the Chairman or Deputy Chairman, who is an individual with knowledge in matters of economics or fiscal policy formation and one governor, other than the Chairman or Deputy Chairman, who is a representative of the Ministry of Finance.

ARTICLE 10 CONFLICT OF INTEREST

(a) No governor shall occupy the position of an officer, director or employee of a bank licensed or seeking to be licensed in the Sultanate. Any person who occupies the position of an officer, director or employee shall forthwith resign his office when appointed as governor.

(b) No governor, except the representative of the Ministry of Finance appointed pursuant to Article 9 of this Law shall, while holding office, occupy any other office in the Government of the Sultanate provided, however, that a governor may do any one or

more of the following:

1. Act as a member of any commission or committee appointed in the Sultanate to enquire into matters affecting currency control, banking or other fiscal matters;

2. Become a director, governor or member of a board, by whatever name denominated, of any international bank, fund or authority to which the Sultanate shall have become a party or participant; or

3. Undertake such other responsibilities and duties as His Majesty the Sultan may direct.

ARTICLE 11 TERMS OF OFFICE AND REMUNERATION

(a) Members of the Board of Governors shall be appointed by His Majesty the Sultan for a five year term, renewable at the discretion of His Majesty the Sultan.

(b) The term of office of the Chairman and Deputy Chairman shall not exceed their respective terms of office as a governor, subject to reappointment by His Majesty the Sultan.

(c) The term of office on the Board of Governors of the governor who is a representative of the Ministry of finance shall not exceed his term of office in the Ministry.

(d) Whenever a vacancy shall occur among the

Board of Governors, other than by the expiration of a term of appointment, a successor shall be appointed by His Majesty the Sultan to fill such vacancy. When appointed, the successor shall hold office for the duration of the unexpired term.

(e) The remuneration for each governor shall be fixed by the Board of Governors subject to the approval of His Majesty the Sultan.

(f) Every governor shall be allowed his reasonable expenses incurred in attending meetings of the Board of Governors or when officially representing the Central Bank or the Board of Governors.

ARTICLE 12 RESIGNATION

Any governor may submit a written resignation of his office to His Majesty the Sultan, provided, however, that the resignation shall not become effective for 30 days from the date of submission, unless otherwise determined by His Majesty the Sultan.

ARTICLE 13 REMOVAL

(a) The Board of Governors shall recommend to His Majesty the Sultan that a governor be removed from office by His Majesty the Sultan when any one or more of the following occur:

(1) If he becomes of unsound mind or is found to be incapable of carrying out his duties for health or other reasons;

(2) If he is adjudged bankrupt, suspends payments or improperly gives priority to personal or business creditors;

(3) If he is convicted of any felony or any offense involving fraud or dishonesty;

(4) If he is found guilty of any serious dereliction or misconduct in his duty as a governor;

(5) If he is found to have violated the provisions of Article 10 of this Law;

(6) If he repeatedly fails to attend meetings of the Board of Governors without cause; or

(7) If he is disqualified or suspended from practising a profession as a disciplinary measure by order of the authority or group organized and responsible for the supervision of that profession.

(b) Notwithstanding the provisions of Article 13 (a) of this Law, by a two-thirds vote of those present at a meeting, the Board of Governors may recommend to His Majesty the Sultan that a governor be removed from office for cause by His Majesty the Sultan.

(c) Whenever a recommendation that a governor be removed from office has been made to His Majesty the Sultan, such governor shall be suspended from office and ineligible to exercise

functions assigned to him under this Law, pending action by His Majesty the Sultan.

ARTICLE 14 POWERS

The Board of Governors shall be authorized and empowered to do the following:

(a) To establish the appropriate monetary policy for the Sultanate;

(b) To examine at its discretion, the accounts, books, records and other affairs of any bank licensed or seeking to be licensed by the Central Bank. The Board of Governors may, in its discretion, delegate responsibility for undertaking any such investigation provided that appropriate action is taken to ensure that such investigation is held in the strictest confidence and that a full report of such investigation is submitted for review to the Board of Governors;

(c) To review the reports prepared pursuant to Article 14 (b) of this Law; to review the applications of banks seeking to be licensed in the Sultanate in accordance with Article 54 of this Law; to entertain requests by licensed banks to establish branches in accordance with Article 56 of this Law and to take such action as may be required to properly supervise and regulate banking in the Sultanate pursuant to Title Four of this Law;

(d) To set the standards and rates at which the Central Bank may purchase, sell, enter into repurchase or reverse repurchase agreements, discount or rediscount the following held by licensed banks or by other banking institutions with which the Central Bank has been authorized to interact:

(1) commercial paper, including promissory notes maturing within 90 days, promissory notes for seasonal fishing and agriculture operations maturing within 180 days

(2) treasury bills and Bonds of the Sultanate

(3) bills, bonds, debts and commercial paper for any of the Ministries, institutions or corporations of the Government of the Sultanate if they are guaranteed by the Government of the Sultanate.

Provided that the Board of Governors may, in its discretion, delegate the undertaking of such responsibilities within the Central Bank.

(e) To supervise and regulate all matters related to the currency of the Sultanate including the printing of currency notes, the minting of coins and the safeguarding, issuance and retirement of such notes and coins, as provided by Title Three of this Law;

(f) To require the creation of adequate provisions

for treatment of or for the writing off of doubtful or worthless assets on the books and balance sheets of licensed banks in reports submitted to the Central Bank pursuant to Article 72 of this Law and published and displayed in accordance with Article 72 (d) of this Law;

(g) To withdraw the license or suspend the operation of any licensed bank in the Sultanate or to impose such other sanctions as have been authorized by the regulations of the Central Bank and as may be appropriate under the circumstances for failure to comply with directives or policies of the Central Bank or for any violation of the provisions of this Law, the rules and regulations of the Central Bank and other applicable laws of the Sultanate or if the Board of Governors determines that such bank is in an unsound or unsafe condition or that such suspension or other sanction would be to the best interest of depositors in the Sultanate and to take possession of any suspended bank, administer it during the period of suspension and, when deemed necessary, to liquidate and close or to reorganize such bank or to reopen or to order, at any time, the sale in whole or in part of business, property, assets and/or liabilities of such bank or take any other similar actions pursuant to Title Four of this Law and the rules and regulations of the Central Bank promulgated thereunder;

(h) To exercise general administrative supervision over the Central Bank, its officers and its employees;

(i) To receive and review the annual report of the

Central Bank, to make recommendations that will improve the effectiveness of the Central Bank in fulfilling its own mandate and contributing to the goals of the Government of the Sultanate and to forward the report of the Central Bank by the Chairman to His Majesty the Sultan with the recommendations of the Board of Governors thereon;

(j) To select, designate or employ officials, employees, advisers, special experts or consultants necessary to the proper and effective functioning of the Central Bank and to delegate to such officials, employees, advisers, special experts and consultants such powers and duties which the Board of Governors may, from time to time, decide are necessary to the effective functioning of the Central Bank or to ensure compliance with the rules and regulations of the Central Bank;

(k) To determine by a two thirds vote of all members of the Board of Governors present at a meeting the level of the reserves against deposits or any other reserves required pursuant to Articles 62 and 63 of this Law to be maintained with the Central Bank by the licensed banks and to adjust such reserve requirements within the limits set by Articles 62 and 63 of this Law or amendments thereto;

(l) To promulgate regulations of the Central Bank related to currency control including, but not limited to, limitations on the foreign currency to be held within the Sultanate by licensed banks, the interest to be paid on non-resident accounts held by such banks within the Sultanate and restrictions or limitations on the

foreign transfer of currency of the Sultanate or its removal from the Sultanate should such action be required to maintain the value, supply and stability of credit and currency in the Sultanate;

(m) To promulgate regulations of the Central Bank prescribing limitations on the amount and nature of foreign currencies and securities held within the Sultanate by licensed banks, procedures to be followed by licensed banks in trading therein, and the uncovered foreign exchange position which may be maintained by licensed banks;

(n) To establish the legal frame work or structure necessary to provide insurance for the deposits of licensed banks and to issue the necessary regulations and rules for that purpose.

(o) To promulgate and enforce rules and regulations related to the provisions of this Law; banking regulations generally, and any activities undertaken by the Central Bank in relation to banking business or the use of banking instruments.

(p) To form committees within the Board of Governors to consider matters referred or delegated to the Board of Governors by His Majesty the Sultan, the Council of Ministers, members of the Board of Governors or other designated officials of the Central Bank; or any others deemed competent by the Board.

(q) To promulgate regulations of the Central Bank and to issue directives to particular licensed banks concerning the relationship between collateral and the purposes of the loan secured

by such collateral and the limitations on the amount of collateral which a licensed bank may require as security for the loan of money or the extension of credit;

(r) To promulgate regulations of the Central Bank establishing rates of interest to be paid on time and demand deposits and of interest to be charged for the loan of money or extension of credit by licensed banks;

(s) To undertake such other responsibilities and projects as may be specifically delegated to the Board of Governors by His Majesty the Sultan, or by the provisions of other laws of the Sultanate; and

(t) To represent the Government of the Sultanate, when so designated by His Majesty the Sultan, in international financial and monetary agencies in which the Sultanate shall participate and to appoint representatives, committees or to otherwise participate in the activities, proceedings and negotiations of other central banks or international financial and monetary agencies.

*(u) To consider the banking and financial recommendations made by international agencies and supranational organizations, and adopt those which are consistent with public interest without conflicting with the provisions of applicable laws of the Sultanate.

*Added by R.D.No 11/2004

ARTICLE 15 RESIDUAL POWERS

In addition to the powers and duties specifically enumerated and reserved to the Board of Governors by the provisions of this Law, it shall have such other authority necessary to perform all acts required for the proper administration of the Central Bank, the issuance of currency and the regulation of the banking institutions engaged or seeking to engage in banking business in the Sultanate, when such actions or acts are pursuant to the objectives of this Law and are not in conflict with the provisions of this Law and other laws of the Sultanate.

ARTICLE 16 MEETINGS OF THE BOARD

(a) The Chairman shall preside at all meetings of the Board of Governors. In the absence or incapacity of the Chairman, the Deputy Chairman shall preside at meetings of the Board.

(b) Regular meetings of the Board of Governors shall be held according to a regular schedule set by the Board of Governors which shall provide for meetings at least quarterly. Agenda for regular meetings shall be distributed to the governors in writing so as to reach the governors at least five days before a regular meeting.

(c) Officials of the Central Bank and officials of licensed banks may propose items for the agenda of regular meetings of the Board by submitting such matters to the Chairman or his designee at least two weeks before the scheduled date of the meeting.

(d) Special meetings of the Board of Governors may be convened by the Deputy Chairman, or upon the request of two or more governors, at such time and such place as necessary. Notice of a special meeting shall be given to each governor in sufficient time to allow attendance and shall include an agenda of all items to be considered at that meeting.

(e) Four governors, one of whom shall be the Chairman or Deputy Chairman, shall constitute a quorum at any regular or special meeting. Governors shall not have the right or authority to give their proxy or designate any person to represent them at a meeting of the Board of Governors.

(f) Unless otherwise specified by this Law, decisions of the Board of Governors shall be made by a majority vote of the governors present and voting and, in the case of an equality of votes, the Chairman of the meeting will have a casting vote.

(g) Actions or proceedings of the Board of Governors shall not be held invalid because of a vacancy on the Board of Governors or because of a defect in the appointment or qualification of a governor.

(h) Accurate and complete minutes of all actions and proceedings of the Board of Governors shall be maintained in the permanent records of the Central Bank.

(i) Action by the Board of Governors may be taken without a meeting, provided, however, that all members of the

Board of Governors have consented in writing to the action.

(j) Whenever any notice concerning a meeting or agenda of the Board of Governors is required under this Law, a written waiver of the notice signed by the party entitled to notice, whether before or after the time designated for the notice, shall be deemed to be notice.

(k) Meetings of the Board of Governors may be held within or without the Sultanate at such place as may be set by the Board of Governors or as may be provided by notice. If no specific place for a meeting has been designated, the meeting shall be held at the principal office of the Central Bank in the Capital District of the Sultanate.

(l) Deliberations of the Board of Governors shall be in confidence and parties participating in the deliberations shall not reveal the substance of these discussions or deliberations except to His Majesty the Sultan or to other members of the Board of Governors. The Board of Governors may nevertheless invite such consultants, advisers and officers as it may deem appropriate or necessary to attend meetings of the Board.

(m) The Board of Governors may, by a two-thirds vote of members of the Board of Governors present at a meeting adopt by-laws and other rules of procedure for the meetings and decisions of the Board of Governors.

(n) The Board of Governors may, by a two-thirds vote of all members of the Board of Governors present at a meeting, create an Executive Committee consisting of three or more members of the Board of Governors, one of whom shall be the Chairman or Deputy Chairman. The Executive Committee shall have such powers as the Board of Governors may delegate, provided, however, that the Board of Governors may not delegate its authority under Article 14 (i), (k), (l) or (m) of this Law.

ARTICLE 17 REPORTS

(a) The Central Bank shall prepare a monthly statement for distribution to each governor showing the financial condition of the Central Bank, including a statement of the domestic and foreign currencies held as reserves, the amount, nature and maturity of commercial papers and other negotiable instruments owned or held by the Central Bank and a statement of the assets and liabilities of the Central Bank. A summary of such statements shall be prepared for publication in the official Gazette quarterly.

(b) Within 120 days of the close of the fiscal year of the Central Bank, unless an extension is granted by His Majesty the Sultan, the Board of Governors shall submit to His Majesty the Sultan a full written report of the affairs of the Central Bank during the previous year, including, but not limited to, the following:

- (1) A detailed statement of its internal and external achievements;

(2) A detailed statement of the status of any international organizations and funds in which the Sultanate has become a member;

(3) A compilation of all rules and regulations relating to the Central Bank and to the conduct of banking business in the Sultanate promulgated during the fiscal year, with a summary of any rules or regulations which have been superseded, cancelled or have otherwise become inapplicable;

(4) A report of all actions taken to stabilize or otherwise maintain the international exchange rate of the currency of the Sultanate;

(5) A statistical analysis of the currency in circulation in the Sultanate for the year then ended and projections therefor for the ensuing year;

(6) A report of the banking business in the Sultanate and of the activities of licensed banks for the year then ended;

(7) A full fiscal report including a balance sheet showing the financial condition of the Central Bank at the close of the fiscal year, a profit and loss statement for such fiscal year and a proposal for the allocation of any net profit;

(8) Recommendations for future programs within the scope of authority of the Central Bank, with recommendations for programs and policies to improve the security, stability and progress of the Sultanate;

(9) Such additional reports as may have been requested by His Majesty the Sultan.

(10) Such additional matters as the Board of Governors believes should be brought to the attention of His Majesty the Sultan.

(c) The Board of Governors shall prepare and submit such interim and additional reports in such manner and at such times as His Majesty the Sultan may prescribe.

ARTICLE 18 ANNUAL BUDGET AND AUDITS

(a) The Central Bank shall finance its operations from the income earned on its paid-in capital and other investments and from additional appropriations provided, as necessary, by the Government of the Sultanate.

(b) The Central Bank shall prepare an annual budget for its operation and submit it to the Board of Governors for approval.

(c) The Central Bank shall place at the disposal of

auditors, independent of the Central Bank, selected by His Majesty the Sultan, all documents and other information necessary to enable such auditors to conduct a full and complete audit of the Central Bank and make their report thereon.

ARTICLE 19 EMERGENCY PROVISIONS

The Board of Governors shall, by regulation, specify special procedures to be followed when a national emergency has been declared by His Majesty the Sultan and at such other times when domestic or international monetary conditions require immediate action by the Central Bank. Such regulations shall set forth guidelines for the exercise of discretion by the Chairman, Deputy Chairman or committees of the Board of Governors, and by other specified officials of the Central Bank or the Government of the Sultanate. Any exercise of such discretion by the Chairman, Deputy Chairman or committees of the Board of Governors or by other officials of the Central Bank shall be referred to the Board of Governors for ratification or modification at a special meeting called immediately by the Chairman or Deputy Chairman of the Board of Governors. However, any action taken in the exercise of such discretion by the Chairman, Deputy Chairman or Committees of the Board of Governors or by other officials prior to such meeting shall remain in full force and effect.

ARTICLE 20 ACTS OF OFFICERS

(a) Unless otherwise provided in this law, it shall be within the scope of the authority of the Chairman of the Board of Governors, the Deputy Chairman or their designees, except as otherwise provided by specific provisions of this Law, to exercise contractual powers and powers pertaining to the acquisition, use, appropriations, sale, transfer or other disposition of real or personal property as such powers are necessary to the conduct of the business of the Central Bank subject to the laws of the Sultanate applicable to contracts entered into by or on behalf of the Government; to solicit legal advice and expert opinion; to support co-operation and interaction among the ministries of the Government of the Sultanate; to prepare budgets, fiscal reports, audits and annual and interim reports required under this Law or by the Board of Governors; and to undertake such other duties as the Board of Governors or His Majesty the Sultan may determine.

(b) Any third party without knowledge shall be entitled to assume that any action taken by the Board of Governors or committees thereof, the Chairman, Deputy Chairman and other officers of the Central Bank in pursuance of the business of the Central Bank was within their scope of authority provided such action was within the scope of their apparent authority. The Central Bank shall be bound by any such action.

(c) The Central Bank shall be bound by the acts performed by its Board of Governors or committees thereof, the

Chairman, Deputy Chairman and by officers of the Central Bank appointed by the Board of Governors, when they are acting in the name of the Central Bank and within the scope of their authority as provided in this Law.

**ARTICLE 21 OFFICERS AND EMPLOYEES OF THE
CENTRAL BANK**

(a) The Executive President of the Central Bank shall be appointed by Royal Decree, and the Board of Governors may empower him what it sees fit and appropriate of its powers. The Executive President of the Central Bank shall be responsible for implementing the policies and decisions issued by the Board of Governors and shall also be responsible for the executive management in the Central Bank pursuant to this law and the regulations issued in accordance thereto.

(b) The Board of Governors or designated officials may employ, hire or otherwise appoint such officials, employees, advisers, special experts or consultants as the Board may deem necessary to the conduct of the activities of the Central Bank.

(c) The Board of Governors or designated officials shall determine and specify the qualifications of officials, employees, advisers, special experts or consultants necessary to the conduct of the activities of the Central Bank and shall specify the procedures for the recruitment, selection and appointment of such officials, employees, advisers, special experts or consultants from within or

outside the Sultanate.

(d) In accordance with the applicable laws of the Sultanate, the Board of Governors or designated officials shall specify the procedures for making appointments, and the remuneration and benefits to be paid to officials, employees, advisers, special experts or consultants appointed hereunder, provided, however, that no salary, fee, wage or other remuneration or allowance paid by the Central Bank shall be computed by reference to the net or other profits or reserves of the Central Bank.

**ARTICLE 22 LIABILITY OF GOVERNORS, OFFICIALS
AND OTHER EMPLOYEES**

(a) The members of the Board of Governors, and any other official, employee, adviser, special expert or consultant of the Central Bank shall not be held liable for any loss or damage suffered by the Central Bank, unless such loss or damage is caused by the fraudulent or wilfull act or failure to act of that governor, official, employee, adviser, special expert or consultant in which case any of such persons may be held personally liable in any proceeding brought in a forum of competent jurisdiction by the Board of Governors.

(b) The Central Bank shall provide by regulation for the reimbursement to any governor, official, employee, adviser, special expert or consultant of the cost of defense in any proceedings, whether civil or criminal, alleging liability for acts

in the management of the Central Bank, unless a final judgment in such proceeding shall find the governor, official, employee, adviser, special expert or consultant personally liable for any loss by or damage caused to the Central Bank.

ARTICLE 23 EFFECTIVENESS OF REGULATIONS

Regulations promulgated by the Board of Governors, pursuant to the provisions of this Law and amendments thereto, shall become effective 30 days after publication thereof in the Official Gazette or on any other date as may be specified by the Board of Governors in the Official Gazette.

ARTICLE 24 DECLARATION OF CONFIDENTIALITY

(a) Members of the Board of Governors and all officials, employees, advisers, special experts or consultants appointed hereunder shall not disclose any information acquired in the performance of their functions except when such disclosure is necessary to the fulfillment of their duties and is made to other Central Bank personnel or other authorised representatives of the Central Bank, when such person is called to give evidence in a judicial or similar proceeding before a tribunal created under the laws of the Sultanate or when such disclosure is necessary to the fulfillment of obligations imposed by other laws of the Sultanate or to foreign Central Banks or other regulators responsible for the supervision of any aspect of activities of banks in Oman or their branches or affiliates abroad.

(b) Any former member of the Board of Governors and any former official, employee, adviser, special expert or consultant of the Central Bank shall not disclose any information, whether documentary or otherwise, acquired in the performance of his functions, without the express permission of the Board of Governors.

(c) Any person who contravenes the provisions of this Article shall be subject to prosecution under the provisions of Chapter Two, Title Two, Book Two of the Penal Code of Oman as amended from time to time.

ARTICLE 25 BONDING

All members of the Board of Governors, any official or employee of the Central Bank with the authority to bind the Central Bank and any employee or other person whose duties include the safeguarding, signing or transferring of any collateral, bond, currency or other property of the Central Bank may be required to be bonded at the expense of the Central Bank, in such amounts and in such manner as may be determined by the Board of Governors.

CHAPTER TWO
FUNCTIONS OF THE CENTRAL BANK

ARTICLE 26 OFFICIAL BANK OF THE GOVERNMENT

(a) The Central Bank shall act as the depository bank for the Government of the Sultanate and may act for each Ministry, institution or corporation thereof, by accepting for deposit government revenues in lawful money, notes, checks or other drafts payable on demand or at a certain time and by borrowing funds for the Government of the Sultanate.

(b) Upon the lawful direction of any persons so authorized by the Government of the Sultanate or by any Ministry, institution or corporation thereof, the Central Bank shall effect transfers and issue checks and advances drawn against deposits made pursuant to Article 26 (a) of this Law.

(c) The Central Bank may make advances to the Government of the Sultanate in respect to temporary deficiencies in recurrent revenues, provided, however, that the total amount of advances made under this provision plus the face value of outstanding treasury bills issued by the Central Bank on behalf of the Government shall not exceed ten percent of the budgeted recurrent revenue of the Government of the Sultanate for the fiscal year in which such advances are made and provided, further, that any advance so made shall be entirely repaid within 90 days. Should any advance remain unpaid after such date, the Central Bank shall

make no further advances until the amount due on the outstanding advance has been fully repaid.

(d) Pursuant to regulations established by the Board of Governors, the Central Bank may issue and/or manage treasury bills, bonds, commercial paper and any other debts of the Government of the Sultanate or any Ministry, institution or corporation thereof if they are guaranteed by the Government of the Sultanate.

ARTICLE 27 DEPOSITORY FUNCTIONS

(a) The Central Bank may open accounts for and accept deposits from licensed banks, from central banks of other countries and from international financial or monetary agencies, each of which may utilize the Central Bank as correspondent bank in the Sultanate.

(b) The Central Bank may open and maintain accounts with licensed banks and with international financial or monetary agencies in which the Sultanate is a participant and with central banks of other countries provided, however, that if any such account is maintained with a licensed bank, such licensed bank shall be required to increase its deposits with the Central Bank by a sum equal to not less than the average daily amount of such account during a month or such amount as may be determined by the Board of Governors at the close of business on the last Thursday of every month.

(c) The Central Bank may open and maintain accounts with foreign banks not licensed to engage in banking business in the Sultanate, provided, however, that the deposits with such foreign banks are necessary to the effective operation of the Central Bank.

ARTICLE 28 INVESTMENT AND CREDIT FUNCTIONS

The Central Bank, when so authorized by the Board of Governors and except as otherwise provided by this Law, may undertake to do any one or more of the following:

(a) Purchase, sell, enter into repurchase or reverse repurchase agreements, discount and rediscount the following at rates determined pursuant to Article 14 (d) of this Law:

(1) Promissory notes held by licensed banks and maturing within 90 days, exclusive of days of grace, if any, from the date of acquisition by the Central Bank;

(2) Promissory notes drawn or issued to finance seasonal, agricultural and fishing operations in the Sultanate held by licensed banks and maturing within 180 days, exclusive of days of grace, if any, from the date of acquisition by the Central Bank; and

(3) Treasury bills, bonds, commercial paper and any other debts of the Government of the Sultanate or

any Ministry, institution or corporation thereof, if they are guaranteed by the Government of the Sultanate.

(b) Issue bills, certificate of deposits and other similar Central Bank instruments and purchase, sell, discount and rediscount and enter into repurchase agreements for such instruments.

(c) Purchase and sell securities of or which have been guaranteed by the Government of the Sultanate when such securities have or will have a public market at the time of acquisition and when such securities are to mature within a period of not more than ten years, provided, however, that the Central Bank at the discretion of the Board of Governors may also hold such securities when such securities have been deposited with the Central Bank pursuant to Article 62 of this Law as a reserve against the deposits of a licensed bank.

(d) Grant advances to licensed banks for fixed periods not to exceed 90 days at a rate of interest determined by the Board of Governors, provided, however, that such advances are evidenced by promissory notes secured by a pledge of one or more of the following collateral:

(1) Securities of the Government of the Sultanate which have or will have a public market and are to mature within a period of not more than ten years, provided, however, that any such advance may not at any

time exceed 75 percent of the current market value of the security pledged;

(2) Promissory notes and other negotiable instruments eligible for purchase, discount or rediscount by the Central Bank under this Article 28, provided, however, that any advance shall not exceed 75 percent of the principal amount of the instruments pledged.

(e) To issue checks, demand drafts and other instruments payable at the office of the Central Bank.

(f) Purchase, hold and sell foreign currencies and purchase, sell, discount and rediscount bills of exchange or Treasury bills drawn on or in governments and places outside the Sultanate, provided, however, that such instruments mature within a period as determined by the Board of Governors.

(g) Purchase, hold and sell securities of the central bank or monetary authority of a nation other than the Sultanate.

(h) Purchase, hold and sell securities issued or guaranteed by a government of a nation other than the Sultanate provided, that such assets are held as an external asset under Article 32 of this Law.

(i) Purchase, hold and sell notes, deeds and other securities issued by international financial institutions, monetary

authorities and organizations in which the Sultanate is a participant provided that such securities are denominated in freely convertible foreign currency, Special Drawing Rights, or other monetary measure or numeraire recognized by international financial markets.

(j) Purchase, hold and sell notes, deeds and other securities issued by foreign governments or international financial institutions, monetary authorities and organizations in which the Sultanate is a participant, provided, however, that they are readily negotiable or are traded on recognized exchanges and provided, further, that the maturity date of such type of securities does not exceed the period determined by the Board of Governors.

(k) In any transaction under the provisions of Articles 28 (f), (g), (h) ,(i) and (j) of this Law, the security shall be payable in a currency which is freely convertible at the time of the transaction.

ARTICLE 29 CURRENCY AND CLEARING HOUSE FUNCTIONS

The Central Bank, when so authorized by the Board of Governors, may undertake to do the following:

(a) Issue, hold and recall the currency of the Sultanate as provided by Title Three of this Law;

(b) Serve as the clearing house either directly or through contractual arrangements with all licensed banks;

(c) Purchase and sell, as principal or as an agent for a correspondent bank or other person approved by the Board of Governors, gold and silver coins and bullion and coins and bullion of such other metals as may, from time to time, be utilized as a monetary asset; and

(d) Purchase, sell, collect and pay, as principal or as an agent for a correspondent bank or other person approved by the Board of Governors, securities, currency and credit instruments within and outside the Sultanate.

ARTICLE 30 RESIDUAL FUNCTIONS

The Central Bank may undertake the following:

(a) Purchase, acquire or lease property necessary for the conduct of the business of the Central Bank and necessary for the housing of employees of the Central Bank within or outside the Sultanate;

(b) The Central Bank may also, on specific authorization of the Board of Governors or His Majesty the Sultan, carry out all other operations that are usually undertaken by central banks, which are not inconsistent with the exercise of its powers and responsibilities under this Law or under any other applicable law of the Sultanate.

CHAPTER THREE

ASSETS AND CAPITAL OF THE CENTRAL BANK

ARTICLE 31 LEVEL OF EXTERNAL RESERVES

The Central Bank shall at all times maintain a reserve of external assets which shall be related in value to the value of currency notes and coins in circulation in such ratio as may be prescribed from time to time by the Board of Governors subject to the approval of His Majesty the Sultan.

ARTICLE 32 CATEGORIES OF EXTERNAL ASSETS

Notwithstanding the provisions of Article 28 of this law, the reserve of external assets may consist of any one or more of the following, provided they adhere to all limits, classifications, constraints, restrictions and qualifications whatsoever laid down by the Board of Governors:

- (1) Gold or silver coins, which are legal tender.
- (2) Bullion of gold, silver or such other precious metals as may, from time to time, be utilized as a monetary asset and freely traded on international exchanges.
- (3) Foreign currencies or basket of currencies .
- (4) Bank demand and time deposits, certificates of

deposit and acceptances denominated in freely convertible foreign currencies.

(5) Treasury Bills, commercial papers and any other short term money market instruments denominated in freely convertible foreign currencies and issued by foreign banks, foreign governments, foreign public agencies or supranational organisations.

(6) Floating Rate Notes denominated in freely convertible foreign currencies and issued by foreign banks, foreign governments, foreign public agencies or supranational organisations.

(7) Fixed interest securities and notes denominated in freely convertible foreign currencies and issued or guaranteed by foreign banks, foreign governments, foreign public agencies and supranational organisations.

(8) Any internationally recognized reserve asset, including special drawing rights, issued by the International Monetary Fund.

ARTICLE 33 CAPITAL

The Central Bank shall have a minimum capital of two hundred and fifty million Rials Omani which may be increased from time to time by the Board of Governors subject to the approval

of His Majesty the Sultan. The increase may be effected by transfer from internal reserves of the Central Bank or by contribution from the Government of the Sultanate.

ARTICLE 34 GENERAL RESERVE FUND

(a) The Central Bank shall establish a general reserve fund and the annual net profit accruing each year shall be transferred into the general reserve fund until the balance of such fund equals not less than 25 percent of the value of currency in circulation or such greater amount as the Board of Governors may determine.

(b) At such time as the balance of the general reserve fund attains 25 percent of the value of currency in circulation, the amount of profits to be distributed to the Government of the Sultanate out of the remaining net profits after appropriation to additional reserves shall be decided by the Board of Governors pursuant to Article 37 of this Law.

(c) For the purpose of payment to the general reserve fund, net profits at the end of any fiscal year shall be profits realized by the Central Bank, less allowances made for the expenditures of the Bank, reserves for bad debts, depreciation of assets and contributions to pension or trustee funds formed for the benefit of the employees of the Central Bank.

ARTICLE 35 DEFICIENCIES IN GENERAL RESERVE

FUND

If at the conclusion of any annual accounting period, the general reserve fund is insufficient to cover the losses of the Central Bank for the previous year, the deficiency shall be a liability of the Government of the Sultanate and shall be paid by the Government of the Sultanate within 90 days. Any deficiency shall continue to be a liability of the Government until such payment is made to cancel the liability.

ARTICLE 36 INVESTMENT OF GENERAL RESERVE

FUND

The general reserve fund shall be invested at the discretion of the Board of Governors.

ARTICLE 37 ADDITIONAL RESERVES

Additional reserves may be created out of profits of the Central Bank for specific purposes by a resolution of Board of Governors. These reserves and retained profits may be held by the Central Bank in domestic or foreign currencies or may be invested at the discretion of Board of Governors. The amount of profits that may be distributed to the Government, after the minimum requirement under Article 34 of this Law is met, shall be determined by Board of Governors.

ARTICLE 38 ACCOUNTING

The amount of profits, losses, credits, debits, depreciation, funded and unfunded reserves and other financial analyses, required under this chapter, shall be determined according to the generally accepted principles of accounting, including the International Accounting Standards in so far as they do not contradict any provisions of this Law, agreed by the Auditors appointed pursuant to Article 18 (c) of this Law and approved by the Board of Governors.

ARTICLE 39 CURRENCY AND BONDS VALUATION ADJUSTMENTS

Unrealised profit and losses arising from revaluation of net assets or liabilities whether in gold, silver, other precious metals, foreign currencies, bonds or shares, as a result of the change in the par value or international exchange value of Rial Omani, external value of currency of another nation or change in market values of bonds and shares, shall be excluded from the computation of the annual profits and losses of the Central Bank as determined under the provisions of this Law. Provisions of this Article do not apply to clearly determined realised gains and losses.

TITLE THREE **CURRENCY**

ARTICLE 40 CURRENCY UNIT

(a) The unit of currency of the Sultanate shall be the Rial Omani and shall be sub-divided into 1,000 baizas.

(b) Any reference to the Rial Omani in any enactment, instrument or any other document shall be construed as a reference to the equivalent amount of currency under this Law.

ARTICLE 41 PARITY

(a) The par value of the Rial Omani shall be determined from time to time by His Majesty the Sultan.

(b) The par value of the Rial Omani, or any change thereof, shall be declared in terms of gold, units of special drawing rights, a foreign currency, or a basket of currencies, or an internationally recognized unit of account for currencies, provided, however, that any such determination shall be in accordance with the conditions of any international monetary agreement to which the Sultanate is then a party.

ARTICLE 42 DENOMINATION

Subject to the approval of His Majesty the Sultan, the Board of Governors shall determine the denomination, the form, the design, the material and all other characteristics of currency notes and coins to be circulated.

ARTICLE 43 RIGHT OF ISSUE

(a) The Central Bank shall have the sole right to issue currency notes and coins to be circulated as legal tender. No other ministry, department or agency of the Government of the Sultanate and no other person or entity may issue currency notes or coins to be circulated as legal tender.

(b) Any violation of this Article shall be an offense against public confidence as provided in Chapter One, Title Three, Book Two of the Penal Code of Oman as amended from time to time.

ARTICLE 44 PRINTING OF NOTES AND MINTING OF COINS

(a) The Central Bank, through its own facilities or by contractual arrangements, shall cause notes, as determined by the provisions of Article 42 of this Law, to be printed and numbered in such quantities as are required to supply the needs of the Sultanate and in such manner as to guard against counterfeiting and fraudulent

alterations.

(b) The Central Bank, through its own facilities or by contractual arrangements, shall cause coins of weights, compositions and denominations, as determined pursuant to Article 42 of this Law, to be minted in such quantities as are required to meet the needs of the Sultanate and in such a manner as to guard against counterfeiting and fraudulent alterations.

ARTICLE 45 LEGAL TENDER

(a) Currency notes and coins minted of gold or silver issued by the Central Bank shall be legal tender at their face value for payment in any amount, provided, however, that such currency note has not been mutilated or is otherwise imperfect and that such coin has not been tampered with or otherwise impaired.

(b) Coins, other than those minted of gold or silver, shall be legal tender up to and including an amount of two Rials Omani, provided, however, that such coins have not been tampered with or otherwise impaired.

(c) Any coin shall be deemed to have been tampered with if it is impaired, diminished or lightened other than by normal wear and tear or defaced by stamping, engraving or piercing, whether or not the coin shall have been diminished or lightened thereby.

(d) The Board of Governors may authorize the Central Bank to terminate use of currency notes or coins as legal tender by publishing a notice in the Official Gazette setting the date on which such currency note and coin shall cease to be legal tender. Until the date on which such note or coin shall cease to be legal tender, the Central Bank shall tender payments of the face value of the note or coin upon surrender thereof, provided, however, that if such date is less than 360 days from the date on which notice is published in the Official Gazette, payment shall be tendered for a period of 360 days from the date of such publication.

ARTICLE 46 SPECIAL ISSUES

Subject to the approval of His Majesty the Sultan, the Board of Governors may and, at the direction of His Majesty the Sultan, the Board of Governors shall, cause the Central Bank to issue coins and sets of coins of special weights, compositions and denominations. Such coins shall be denominated as special issues of the Central Bank, shall be legal tender at their face value for payment in any amount and may be offered at face value or at a premium.

ARTICLE 47 LOST OR IMPERFECT CURRENCY NOTES AND COINS

No person shall be entitled, as of right, to recover from the Central Bank the value of any lost, stolen, mutilated or otherwise imperfect currency note or coin, but the Central Bank may, within

the absolute discretion of the Board of Governors, refund as of grace the value of any mutilated or imperfect currency note or of any coin which has been tampered with.

ARTICLE 48 CURRENCY IN CIRCULATION

The Central Bank shall publish in the Official Gazette, at least once a month, the aggregate value of all currency then in circulation and the aggregate value of any special issues authorized by the Central Bank.

TITLE FOUR **REGULATION OF BANKING**

CHAPTER ONE: GENERAL PROVISIONS

ARTICLE 49 SCOPE AND PURPOSE

Pursuant to its authority under this Law, the Board of Governors shall have the authority to regulate and supervise the banking business in the Sultanate.

ARTICLE 50 USE OF WORDS BANK OR BANKING

It shall be unlawful for any person other than a licensed bank to use the word “bank” or “banking” in its name or to imply by advertising or otherwise that it is engaged in the banking business, provided, however, that a foreign bank may use its name and publicize its business activities if such use and publicity clearly establish that such foreign bank does not engage in the banking business within the Sultanate. Licensed financial institutions may however advertise the banking business they are authorized to engage in by the Central Bank.

Any person who violates the above provision shall be penalized by a fine not less than 100 Rials Omani and not exceeding 250 Rials Omani for each day of violation.

ARTICLE 51 BANKING HOURS

(a) The Central Bank may establish regulations prescribing hours and days during which licensed banks are required to be open for the transaction of banking business and designating days of the week, holidays and other days on which licensed banks are prohibited from being open for the transaction of banking business.

(b) Any obligation which may be discharged only at a licensed bank and which becomes due on a day on which licensed banks are not open for the transaction of banking business or at an hour which is not a part of the banking day shall be deemed to become due at the opening of the licensed bank on the next banking day.

CHAPTER TWO **LICENSING OF BANKS AND BRANCH** **AUTHORIZATION**

ARTICLE 52 LICENSING REQUIREMENTS

No person shall engage in banking business in the Sultanate as either a domestic or foreign bank, or practice any other banking activity whatsoever, unless such a person has been granted a license by the Central Bank, provided, however, that financial institutions other than banks may engage in activities falling within the definition of banking business, except receiving deposits, and provided that those financial institutions are regulated pursuant to

other Laws of the Sultanate by a recognised regulator.

Any person who violates the above provision shall be penalized by a fine of not less than 100 Rials Omani and not exceeding 250 Rials Omani for each day of violation in addition to imprisonment for a period not less than 10 days and not exceeding 3 years or by one of the two mentioned penalties plus the closure of the place wherein he practices the banking business.

**ARTICLE 53 APPLICATIONS FOR BANKING
LICENSES**

(a) Any person seeking to be licensed to engage in banking business in the Sultanate shall submit the following to the Central Bank:

(1) An “Application for a Banking License” in the form prescribed by regulations of the Central Bank;

(2) If the applicant is to be a domestic bank, a copy of the proposed articles of incorporation of the applicant in the form required by the Commercial Companies Law;

(3) If the applicant is a foreign bank, a copy of its constitutive contract or articles of incorporation and proof of its authority to engage in banking business in the jurisdiction in which it is organized or domiciled and undertakes banking business.

(4) A “Plan of Operation” in the form prescribed by regulations of the Central Bank which shall include, but not be limited to, information concerning the geographical and commercial communities to be served by the applicant, the specific kind of banking business in which the bank intends to engage and the need for the particular bank or banking business in the communities to be served; and

(5) Such other materials as may be prescribed by regulations of the Central Bank.

(b) Any submissions to the Central Bank under this Article 53 shall not relieve a person of submitting any documents which may be required by any laws of the Sultanate, including, but not limited to, submissions required by the Commercial Companies Law and the Commercial Register Law.

ARTICLE 54 REVIEW AND APPROVAL OF LICENSE

(a) The Central Bank shall forward written notice to the applicant for a license to engage in banking business in the Sultanate specifying the date that the application was completed, provided, however, that such notice shall not be considered as passing upon any requirement imposed by any other laws of the Sultanate.

(b) The Board of Governors shall review each

application for a license to engage in banking business in the Sultanate and shall determine whether such application meets the requirements of this Title, the commercial, financial and economic needs of the Sultanate, the objectives of this Law and such other factors as may be required by regulations of the Central Bank.

(c) Not later than 120 days after the applicant is notified that his application is complete, if the application has met the requirements of Article 54 (b) of this Law, the Board of Governors shall approve the application. If the Board determines that the applicant has not met such requirements, it shall so notify the applicant specifying the basis for the Board's determination.

(d) Approval of the application to engage in banking business in the Sultanate shall be made by the Board of Governors. Failure to approve or disapprove such an application within such 120 days shall constitute a disapproval of the application.

ARTICLE 55 COMMENCEMENT OF BANKING ACTIVITIES

(a) A person applying to engage in banking business in the Sultanate shall have full power to undertake banking business in such manner and at such location as approved and authorized pursuant to this Title from the date on which a license is granted, provided, however, that a domestic bank may not exercise such power until it has completed its incorporation in accordance with and has been authorized to begin its business under the Commercial

Companies Law.

(b) Within 360 days of the date provided by Article 55 (a) of this Law, or within 360 days of the date on which a domestic bank has been listed in the Commercial Register as a joint stock company, whichever date is later, a licensed bank under this Title must have fully complied with all applicable requirements and conditions to the commencement of operations as required by this Title, the Commercial Companies Law and any other applicable laws of the Sultanate or of the jurisdiction in which the bank is organized or domiciled.

(c) The failure by any bank to which a license to engage in banking business in the Sultanate has been granted to commence its operations within the period provided in Article 55 (b) of this law shall result in an automatic revocation of the license unless the Board of Governors has authorized an extension of such period.

ARTICLE 56 BRANCHES OF BANKS

(a) Any licensed bank may, with the approval of the Board of Governors, establish and operate branch offices within or outside the Sultanate.

(b) Any licensed bank seeking to establish a branch office within or outside the Sultanate shall submit the following to the Central Bank:

(1) A request for authorization of each branch to the Central Bank in the form prescribed by regulations of the Central Bank;

(2) A “Plan of Operation”, which shall include, but not be limited to, information concerning the types of geographical and commercial communities to be served by the applicant, the specific kind of banking business in which the bank intends the proposed branch to engage and the need for the particular bank or banking business in the communities to be served;

(3) Such other materials as may be prescribed by regulations of the Central Bank.

(c) The Board of Governors shall review the request for authorization of a branch office and shall grant approval if, in its discretion, it determines that the branch will contribute to the economic needs of the community to be served and that the licensed bank has the banking, managerial and economic resources to accommodate branch expansion.

(d) Approval or disapproval of any request for authorization of a branch office shall be made by the Board of Governors within 90 days from the date the application was submitted. A bank shall be authorized to undertake banking activities at the authorized branch from the date on which approval is granted.

(e) The failure by any bank to commence operations at the authorized branch within 180 days from the date of approval by the Board of Governors in accordance with Article 56 (d) of this Law shall result in an automatic revocation of the authorization unless the Board of Governors has authorized an extension of such period.

ARTICLE 57 REORGANIZATION AND CHANGE IN CONTROL OF LICENSED BANKS

(a) No licensed bank shall amend its constitutive contract or articles of incorporation or effect any change in its organization or operation in a manner which would have required such licensed bank to furnish different information in its application for a banking license submitted to the Board of Governors in accordance with Article 54 of this Law without obtaining the prior approval of the Board of Governors to such amendment or change.

(b) No person or a group of persons acting individually or jointly or for a common purpose shall own, or authorise or record the transfer of more than ten per cent of the voting shares, or the equivalent thereof, of a licensed bank without obtaining prior approval of the Board of Governors to such ownership or transfer, provided also that the licensed bank shall not effect such record or transfer without obtaining prior approval of the Central Bank.

(c) No commercial company or other business

entity holding ten percent or more of the voting shares, or the equivalent thereof, of a licensed bank shall merge into or combine with or effect a consolidation with any other business entity or issue, authorise or record the transfer of any interest in itself in excess of 25 percent of its outstanding voting shares, or the equivalent thereof, to any person or any group of persons acting jointly or to a common purpose without obtaining prior approval of the Board of Governors to such merger, consolidation, issuance or transfer.

(d) No licensed bank shall merge into or combine with or effect a consolidation with any other business entity without obtaining prior approval of the Board of Governors to such merger or consolidation.

(e) Applications for approval of any transaction specified in this Article 57 shall be submitted to the Board of Governors in such form as may be required by regulations of the Central Bank.

(f) Any application filed pursuant to this Article 57 shall be approved or denied by the Board of Governors within 90 days of the date on which such application was filed and shall be approved by the Board of Governors if it determines, in its discretion, that such approval will not adversely affect the depositors or creditors of the licensed bank within the Sultanate.

(g) Any act undertaken or committed in contravention of Article 57 shall be construed as null and void. The

Board of Governors shall have the power to take appropriate action on such offenses including the right to order the immediate reversal of ownership of the shares.

ARTICLE 58 APPLICATION FOR RECONSIDERATION

Any person adversely affected by any decision of the Board of Governors under this Chapter may request the Board to reconsider such decision at such time and in such manner as may be prescribed by regulations of the Central Bank.

ARTICLE 59 APPLICATION AND LICENSE FEES

The Board of Governors may require the payment of reasonable application and licensing fees by persons seeking to be licensed in the Sultanate or banks requesting authorization to establish branches and by domestic and foreign banks engaged in banking business in the Sultanate. Such fees shall be established and collected pursuant to regulations of the Central Bank.

CHAPTER THREE
FINANCIAL REQUIREMENTS OF
LICENSED BANKS

ARTICLE 60 INITIAL CAPITAL

(a) Any domestic bank shall have and at all times maintain a paid-in capital of not less than Twenty Million Rials Omani or such higher amount as may be determined from time to time by the Board of Governors.

(b) Any foreign bank shall have and at all times maintain within the Sultanate a paid-in capital of not less than Three Million Rials Omani as initial capital or such higher amount as may be determined from time to time by the Board of Governors. This amount shall be maintained at all times within the Sultanate, shall be available for the transaction of banking business within the Sultanate and shall be in addition to and exclusive of funds required to be maintained with the Central Bank as capital deposits pursuant to Article 61 of this Law and as reserves against deposits pursuant to Article 62 of this Law.

ARTICLE 61 CAPITAL DEPOSITS

(a) In addition to the initial capital required pursuant to Article 60 of this Law and the reserves against deposits required by Article 62 of this Law, a licensed bank shall be required to make a capital deposit under this Article 61 before commencing banking

business and shall be required at all times to maintain a capital deposit with the Central Bank.

(b) The Central Bank may require the capital deposit of a licensed bank to be at all times equal to the greater of 10 percent of the deposits made in Rials Omani in such bank which have been transferred by the licensed bank into an account maintained in a currency other than Rials Omani or the amount provided by Article 61 (c) of this Law.

(c) The capital deposit of a licensed bank shall be equivalent to one-tenth of one percent of all the banking resources of the business entity, corporation or other business combination which includes the subject bank, as computed annually pursuant to regulations of the Central Bank, provided, however, that the minimum capital deposit shall not be less than the equivalent of 50,000 Rials Omani and the maximum capital deposit required shall not be greater than the equivalent of 500,000 Rials Omani.

(d) The capital deposit made by a bank pursuant to the requirements of this Article 61 shall be in Rials Omani. The Board of Governors may authorize a loan to be extended by the Central Bank to a licensed bank in the amount of the capital deposit required under this Article 61, at an interest rate which is not less than the interbank rate, provided, that such loan is secured by assets which qualify as external assets under Article 32 of this Law and which have, at all times, a value equivalent to not less than the amount of the loan.

(e) The capital deposit required pursuant to Article 61 shall be determined for each licensed bank on the effective date of a license granted pursuant to Article 54 of this Law and thereafter shall be adjusted annually within 29 days of the date on which such bank's annual report is required to be submitted pursuant to Article 72 of this Law.

(f) Any excess in the amount of the capital deposit required of a bank, as determined pursuant to the provisions of this Article 61, shall be remitted to such bank by the Central Bank, provided, however, that any excess shall first be applied to any deficiency in the reserves against deposits of such bank. If a deficiency shall exist in the capital deposit required of a bank, such bank shall make the additional payment within ten days of the date on which notice is forwarded to such bank by the Central Bank.

(g) All capital deposits required pursuant to this Article 61 shall bear interest at a rate determined by the Board of Governors, provided, however, that such rate shall be in line with the prevailing rate within the Sultanate on time deposits of one year.

(h) All interest accruing to a bank pursuant to Article 61 (g) of this Law shall be paid to such bank in Rials Omani, provided, however, that the Central Bank may first apply any such interest to any deficiency in the amount required as reserves against deposits pursuant to Article 62 of this Law to the extent that such deficiency is in excess of the amount available for application under Article 61 (f) of this Law.

(i) Any capital deposit made by a licensed bank pursuant to this Article 61 shall be remitted, with accrued and unpaid interest, to such bank at such time as it terminates the conduct of the banking business within the Sultanate, provided, however, that such deposit shall be remitted only after all obligations and claims under Chapter Seven of Title Four of this Law have been fully met.

ARTICLE 62 RESERVES AGAINST DEPOSITS

(a) The Central Bank may require every licensed bank to maintain a deposit with the Central Bank, in accordance with regulations of the Central Bank, in an amount, which, when added to the aggregate amount of currency and coin, foreign and domestic, held by such bank within the Sultanate, shall be:

(1) Not more than 40 percent of the total daily amount of all demand and savings deposits made with such bank within the Sultanate.

(2) Not more than 30 percent of the total daily amount of all time deposits made with such bank within the Sultanate.

(b) The percentage of the total amount of reserves against time, savings and demand deposits required under this Article 62 shall be determined or adjusted, from time to time, by the Board of Governors within the limitations provided by this Article 62, provided, however, that any percentage requirements

hereunder shall be identical for every licensed bank and adjusted only by notice sent to every bank not less than 20 days before the effective date of such adjustment.

(c) All deposits under this Article 62 shall be held by the Central Bank in non-interest bearing accounts.

(d) All deposits required pursuant to this Article 62 shall be maintained with the Central Bank in Rials Omani, provided, however, that a bank may deposit, in an amount and type to be determined by the Board of Governors, securities issued by the Government of the Sultanate or guaranteed by the Sultanate which are freely transferable and are to mature within a period of not more than ten years.

(e) The reserves against deposits required to be maintained by a bank, if any, shall be determined in accordance with regulations of the Central Bank .

(f) Any deficiency in the reserves against deposits, required pursuant to this Article 62, which exists at the close of any monthly computation period shall be cured by depositing with the Central Bank the amount required to cure such deficiency not later than the tenth business day following the close of such monthly computation period.

(g) Any excess in a bank's reserves against deposits shall be remitted to such bank immediately.

ARTICLE 63 RESERVES FOR THE PROTECTION OF DEPOSITORS

(a) The Board of Governors may require licensed banks to maintain reserves within the Sultanate in an amount equal to the greater of :

1) Not more than 15 percent of the total daily amount of all time, savings and demand deposits held by a licensed bank from the conduct of banking business within the Sultanate; or

2) The aggregate of deposits required by Article 61 of this Law.

(b) The application of and requirements under this Article 63 shall be determined and adjusted, from time to time, by the Board of Governors within the limitation provided by Article 63 (a) of this Law, provided, however, that any percentage requirement thereunder shall be identical for every licensed bank and adjusted only by notice sent to every bank not less than 30 days before the effective date of such adjustment.

CHAPTER FOUR **POWERS OF LICENSED BANKS**

ARTICLE 64 AUTHORIZATION AND DISCLOSURE OF BANKING ACTIVITIES

(a) A licensed bank operating within the Sultanate or a branch of a domestic bank operating outside the Sultanate shall be authorized to undertake any one or more of the activities constituting banking business as defined in Article 5 of this Law, to the extent that such activities have been authorized in the license granted to such bank.

(b) A licensed bank shall display the license issued hereunder and shall, upon request, disclose to customers and to any other person the banking activities which the licensed bank has been authorized to undertake.

(c) A licensed bank operating within the Sultanate or a branch of a domestic bank operating outside the Sultanate shall not, directly or indirectly, as principal or agent, engage in any business or other activity other than that authorized by Article 64 (a) of this Law.

ARTICLE 65 GENERAL CREDIT AND INVESTMENT POWERS

(a) Except as otherwise provided by a specific

provision of this Law, by limitations in the banking license granted under this Law or by limitations imposed by the law of the jurisdiction in which a foreign bank is domiciled or organized as such law is applicable to the banking business of the foreign bank within the Sultanate, a domestic bank or a licensed foreign bank, to the extent that it has been authorized to undertake the banking business in the Sultanate, may undertake to do any one or more of the following, subject to regulations of the Central Bank:

(1) Purchase, sell, accept or otherwise negotiate and discount:

i) Items and bonds, notes, debentures and other evidences of loans made by the licensed bank;

ii) Treasury bills, bonds of the Government of the Sultanate, or securities guaranteed by the Sultanate which have been publicly issued;

iii) Written obligations to pay in instalments or pursuant to other arrangements all or a part of the price of tangible and intangible personal property;

(2) Receive upon deposit or for safekeeping, money, securities, papers of any kind or any other personal property and hold such property in vaults or other receptacles upon such terms and conditions as may be set by the licensed bank;

(3) Open accounts with the Central Bank, utilize the Central Bank as a clearing house either directly or

through contractual arrangements, and otherwise utilize the services of and be subject to obligations imposed by the Central Bank; and

(4) Open accounts with other banks within and outside the Sultanate and become a customer, depositor and correspondent for such banks.

(b) Except as otherwise provided by specific provision of this Law, by limitations in the banking license granted under this Law or by more restrictive limitations imposed by the law of the jurisdiction in which a foreign bank is domiciled or organized as such law is applicable to the banking business of the foreign bank within the Sultanate, a licensed bank may purchase, hold and sell for its own account, the following:

(1) Bonds, notes, debentures and other evidences of an obligation for the payment of money other than those included in Article 65 (a)(1)(i) of this Law, when such obligations are not in default as to either principal or interest at the time of acquisition by the bank and the aggregate value of such investments does not exceed 10 percent of the amount of the net worth of the licensed bank and when any investment in a particular security does not exceed five percent of the net worth of the licensed bank; and provided further that the investments in the above instruments of companies domiciled outside the Sultanate shall not exceed 25 percent of the 10 percent

ceiling mentioned hereunder.

(2) Securities issued or guaranteed by the Government of the Sultanate and Ministries, institutions or corporations thereof or by foreign governments and agencies thereof, when such securities have or are to have a public market and are to mature within a period of not more than 90 days from the date of acquisition, provided, however, that securities issued by a government of a nation other than the Sultanate must be payable in a currency which is freely convertible at the time of acquisition;

(3) Shares and securities of corporations formed by the Government of the Sultanate and exercising proprietary functions within the Sultanate, provided, that any such investment in a particular corporation may not exceed 5 percent of the net worth of the licensed bank;

(4) Shares and securities of corporations, domiciled and organized within or outside the Sultanate, not authorized for investment under the provisions of this Article 65 (b), provided, however, that such investment if made in related companies or other licensed banks has been approved by the Board of Governors and provided, further, that any such investment in a particular corporation does not exceed 5 percent of the shares of such corporation and that all such investments do not exceed 20 percent of the net worth of the licensed bank and provided further that the investments in companies

domiciled outside the Sultanate shall not exceed 25 percent of the 20 percent ceiling mentioned hereunder.

(5) (a) The limitations imposed by Article 65 (b) (3) and (4) of this Law shall not apply to shares and securities, securing a loan by a licensed bank which are transferred to such licensed bank after default in repayment of such loan, provided, however, that the retention of any such shares and securities is specifically approved by the Central Bank and said shares or securities are disposed of by the licensed bank within 12 months unless a longer retention period is approved by the Central Bank.

*(5) (b) With exception to the limitations imposed by Article 65 (b) (3) and (4) of this law, the licensed bank may, after approval of the Central Bank, convert the loans to shares of any corporation's capital, under a restructuring programme of such corporation, through conversion of a defaulted loan or obligation, provided that the value of such shares and securities in a particular corporation shall not exceed 20 percent of the shares of such corporation, and provided further that such shares and securities are disposed of by the licensed bank within twelve months, unless a longer retention period is approved by Central Bank. The licensed bank shall reserve full provisions against the classified loans which have been converted to shares or securities of such corporation.

*Added by R.D.No 11/2004

(6) Foreign currency or other monetary asset in the form of cash and bullion and coins of gold, silver or such other metal as may, from time to time, be utilized as a monetary asset, subject to such regulations of the Central Bank as may be promulgated pursuant to Article 14 (l) of this Law.

(c) The limitations on investments set forth in Article 65 (a), (b) and (d) and Article 66 of this Law shall not apply to the underwriting of shares in any company provided that all of the following conditions are met:

(1) A licensed bank has been authorized in the license issued pursuant to Article 54 to undertake underwriting activity.

(2) The investments are in the classes and types of securities authorized for investment under Article 65 (a), (b) and (d) of this Law;

(3) (i) A licensed bank, amongst such activity, may undertake underwriting up to 20 percent of the shares on offer of a given company. This 20 percent underwriting should however, not exceed 5 percent of the net worth of the underwriting licensed bank. Such bank is, however not permitted to undertake underwriting activities pertaining to a company whose shares will be

owned by itself or by any related party in the following manner:

- a) In a company under formation, a related party owns 5 percent or more of shares as a founder member or related parties collectively own 10% or more of shares as founder members.
 - b) In an existing company, a related party owns 10 percent or more of shares or related parties collectively own 15 percent or more of shares.
 - c) A related party for this purpose shall be defined by Regulations issued by the Board of Governors.
- ii) The aggregate of all underwriting outstanding at any time should not exceed 20 percent of the net worth of the licensed bank.
- iii) Every underwriting transaction, if not marketed within the time frame specified in the prospectus shall continue to be held by the licensed bank for a period of six months with each such transaction identified separately. If provided with convincing reasons, the Board of Governors may give a further extension of six months for the bank to retain the shares in question. Otherwise, the bank shall take over the unsold portion of the underwritten transaction and compute it within the

ceiling on investments provided for under Article 65(b) (4).

(4) All other requirements of this Law are met and all computations and investments under this Article 65 (c) are fully reflected in any reports filed pursuant to Article 72 of this Law.

(d) In addition to the credit and investment functions authorized for a licensed bank under this Article 65 (a), (b) and (c) a licensed bank shall be authorized to purchase, hold and sell securities authorized for investment by the Central Bank pursuant to Article 28 (c), (d), (h), (i), (j) and (k) of this Law provided, however, that the aggregate value of such investment does not exceed 20 percent of the net worth of the licensed bank, unless otherwise decided by the Board of Governors in respect of development bond held for trading purposes only.

(e) The limitations on investments set forth in Article 65 (a), (b), (c) and (d) and Article 66 of this Law shall not apply to the extent that all of the following conditions are met:

(1) A licensed bank has been authorized in the license issued pursuant to Article 54 to undertake the investment, industrial or merchant banking business;

(2) The investments are in the classes and types of securities authorized for investment under Article 65 of

this Law;

(3) Each investment is made from funds of which not less than 50 percent consists of the net worth of the funds of the licensed bank and the balance on each banking day is from “five year time deposits” held by the licensed bank, such “five year time deposits” for purposes of this Article 65 (e) being those time deposits held by such licensed bank for a period of not less than five years from the day on which the computation of fund available for investment is made;

(4) Any funds used for investments under this Article 65 (e) shall be excluded from all calculations of net worth available for other investments under this Article 66 and computations required under Articles 68 and 69 of this Law; and

(5) All other requirements of this Law are met and all computations and investments under this Article 65 are fully reflected in any reports filed pursuant to Article 72 of this Law.

ARTICLE 66 POWERS RELATED TO REAL AND PERSONAL PROPERTY AND SECURED TRANSACTIONS

(a) Subject to applicable laws of the Sultanate relating to ownership of property, a licensed bank may purchase,

acquire or lease real and personal property necessary for the conduct of its banking business within or outside the Sultanate including such housing as may be required for employees of the licensed bank.

(b) A licensed bank may purchase, acquire, hold, lease or otherwise convey real and personal property which has been conveyed to it in satisfaction of debts previously contracted within the normal course of the banking business, which it has acquired at sales under judgment decrees or as a result of defaults or foreclosure sales on mortgages held by it, provided, however, that all real property acquired by a bank pursuant to this Article 66 or acquired by it in a settlement due to it, shall be conveyed to it in its name or, subject to regulations of the Central Bank, may be held in the name of a duly authorized nominee of such licensed bank. All such acquisitions shall be recorded or registered to the extent required by the laws of the Sultanate.

(c) Real and personal property acquired by a licensed bank pursuant to Article 66 (b) of this Law shall be sold or otherwise disposed of by such bank within 12 months of the date on which it shall have been acquired unless an extension is granted by the Central Bank.

(d) A licensed bank shall have and may enforce a general lien against any goods which are the subject of a documentary letter of credit, to the extent that such licensed bank has already paid money pursuant to such documentary letter of

credit, if there has been a default on the underlying obligation to the bank by the debtor, and such licensed bank may acquire, hold, sell or otherwise dispose of any such goods in accordance with the provisions of this Article.

(e) The proceeds of any sale or disposition of any goods acquired pursuant to Article 66 (d) of this Law or any other property acquired pursuant to Articles 65 and 66 of this Law shall first be applied against any costs of collection and attorney's fees reasonably incurred by the licensed bank and the balance shall be applied against the amount due to the licensed bank on the underlying obligation, including any accrued and unpaid interest thereon. Any excess proceeds realized by the licensed bank and not required for payments pursuant to this Article 66(e) shall be remitted to the debtor. To the extent that any deficiency remains after the application of proceeds pursuant to this Article 66 (e), the licensed bank shall have a claim against the debtor for the full amount of such deficiency, including any unsatisfied portion of the underlying obligation and any unreimbursed costs of collection and attorney's fees.

ARTICLE 67 FIDUCIARY POWERS

(a) A licensed bank may be authorized in the license issued pursuant to Article 52 of this Law, to act as trustee, executor, administrator, transfer agent for shares and bonds, registrar of shares and bonds, guardian of estates, assignee or receiver, administrator of the estate of a minor, lunatic or other adjudged incompetent or

in any other fiduciary capacity in such manner and to the extent that the laws of the jurisdiction in which such bank is domiciled or organized authorise the exercise of fiduciary powers by such bank.

(b) The rights, duties, liabilities and obligations associated with the exercise of such fiduciary powers by a licensed bank or by any director, officer, manager or employee of such bank shall be governed by the laws of the jurisdiction in which the bank is domiciled or organized.

(c) Assets held by a licensed bank in a fiduciary capacity and obligations incurred by it in a fiduciary capacity shall not be considered to be assets or obligations of such bank for purposes of this Chapter Four, and furthermore, a licensed bank, when acting on behalf of a customer in a fiduciary capacity shall not enter into transactions with itself, acting on its own account

ARTICLE 68 BORROWING AND LENDING
LIMITATIONS OF LICENSED BANKS

(a) No licensed domestic bank shall make any loan or discount on the security of its own shares nor shall it be the purchaser or holder of any such shares, unless such security or purchase is necessary to minimize or avoid loss upon an obligation previously contracted in good faith by such bank. Any shares so purchased shall be sold at a public or private sale, or shall otherwise be disposed of, within six months of the date of acquisition by the bank unless an extension is granted by the Board of Governors.

(b) The total direct or contingent obligation to any licensed bank by a person and his related parties, other than the Government of the Sultanate shall not exceed 15 percent of the amount of the net worth of such licensed bank. In case of a senior member in the management of the licensed bank and any related parties, the total obligation shall not exceed 10 percent of the amount of the net worth of such bank. Provided further that, the aggregate of lending to all senior members and any related parties, shall not exceed 35 percent of the amount of the net worth of such bank or up to any other limit specified by Board of Governors.

(c) The Board of Governors may determine, by regulations of the Central Bank, the maximum total direct or contingent obligation of the major shareholders and their related parties to the licensed bank.

(d) The limitations of Article 68 (b) of this Law shall not apply to any loan, to the extent that such loan is secured by collateral in cash or in a cash equivalent not subject to withdrawal from the licensed bank, to the extent such loan is guaranteed, in a manner satisfactory to the Central Bank, by a bank or financial institution within or outside the Sultanate or to the extent that a payment of the principal and interest of such loan has been guaranteed by the Government of the Sultanate or by any Ministry or corporation thereof, or to the extent that such loan is secured in such other amount by such other collateral as has been specifically authorized by regulation or a particular directive of the Central Bank.

(e) A licensed bank shall not at any time make any loan secured by real estate when either the total value of real estate held by the bank, or the aggregate of the outstandings of loans against which such securities are held, whichever is lower, other than real estate held pursuant to Article 66 (a) of this Law, exceeds or by the making of such loan will exceed, 60 percent of the net worth of such licensed bank within the Sultanate or 60 percent of all time and saving deposits other than government and inter-bank deposits of such licensed banks, whichever is greater.

ARTICLE 69 LENDING RATIO

(a) Notwithstanding any other provision of this Law to the contrary, a licensed bank shall not make any loan or other advance of money, whether secured or unsecured, if the aggregate amount of all loans within the Sultanate by such licensed bank exceeds, or by the making of such loan will exceed the ratio of loans to deposits within the Sultanate, set from time to time by the Central Bank, provided that any adjustment in such ratio will not affect the validity of loans outstanding on the date on which the Central Bank announces such adjustment.

(b) The ratio requirements set by regulations of the Central Bank pursuant to Article 69 (a) of this Law shall be identical for every licensed bank, provided, however, that the Board of Governors may authorize loans in excess of this ratio if the Board of Governors finds that the making of such loan will not impair the financial condition of the licensed bank.

**ARTICLE 70 CONFIDENTIALITY OF BANKING
TRANSACTIONS**

(a) No Government Agency nor any person shall ask a licensed bank directly to disclose any information or to take any action relating to any customer. Such request in all cases shall be submitted to the Central Bank. A committee shall be established at Central Bank to decide on whether to release the information or to take the action requested or not. If the Central Bank finds the request acceptable, the licensed bank shall be informed to release such information or to take such action according to the way and method instructed by Central Bank. The decision of the Central Bank regarding the disclosure of information or taking the action shall be final.

(b) No licensed bank, nor any director, officer, manager or employee of such bank, shall disclose any information relating to any customer of the bank except when such disclosure is required under the laws of the Sultanate and as instructed by the Central Bank. In any case a licensed bank should inform its customer promptly of such disclosure.

(c) Except as provided by Article 70 (a) of this Law, disclosure of information relating to any customer of a licensed bank shall be made only with the consent of such person, provided, however that a customer of a licensed bank may give general consent to use of banker's advisements related to his banking business.

(d) Any former director, officer, manager or employee of a licensed bank shall be bound by this Article 70.

ARTICLE 71 FREEDOM OF BANKING RELATIONSHIPS

No licensed bank shall, as a condition of undertaking the transaction of banking business with any person or customer or of continuing to transact banking business with any customer, require any action which would unreasonably preclude such person or customer from being a customer of another bank.

CHAPTER FIVE **BANK REPORTS AND EXAMINATIONS**

ARTICLE 72 REPORTS BY LICENSED BANKS

(a) Each licensed bank shall submit to the Central Bank an annual report, audited by independent auditors, pursuant to procedures established by the Central Bank, and such other interim reports, and a monthly report, at such times and in such form as may be prescribed by regulations of the Central Bank.

(b) Reports required by this Article 72 shall be accurate and shall include, but not be limited to, information reflecting the financial condition within and outside the Sultanate of the bank and showing in detail the assets and liabilities of the bank, the amount and character of domestic and foreign currency held by such bank and the amount, nature and maturities of all

items and instruments, securities and other investments owned or held by such bank, to the extent that such information is related to the conduct of banking business within and outside the Sultanate. Licensed foreign banks shall also file copies of all reports prepared within the Sultanate for submission to banking authorities which have jurisdiction over the licensed foreign bank and which reflect the aggregate financial condition of all operations of such licensed bank.

(c) Each licensed bank shall also submit such other reports concerning the condition of the bank or of any one or more of its branch offices at such times and in such form as may be prescribed by regulations of the Central Bank.

(d) The sections of any reports required under this Article 72 which show the assets and liabilities of the reporting bank shall be published in such manner and at such times as may be prescribed by regulations of the Central Bank and shall be displayed in such bank and each of its branches, if any, in a conspicuous place, accessible to any interested party within five days after submission of the reports in accordance with this Article 72 and shall remain on display for a period of not less than one month.

(e) Notwithstanding the provisions of Article 72 (d) of this Law, any report submitted to the Central Bank pursuant to this Article 72 shall be made available to the depositors of a bank and to the public in such manner as the Central Bank may determine and with such protection as may be necessary to ensure

the confidentiality of relations between a licensed bank and its customers.

(f) The Central Bank shall establish regulations regarding the accounting and reporting procedures to be utilized in the preparation and submission of reports under this Article 72 to ensure accuracy and uniformity in the collection, compilation and distribution of information submitted or requested pursuant to any provision of this Law.

(g) Pursuant to regulations promulgated by the Central Bank, each licensed bank shall make available to its depositors within the Sultanate on demand, a copy of its annual report submitted to its shareholders.

ARTICLE 73 BANK EXAMINATIONS

(a) The Central Bank shall appoint bank examiners, who shall be employees of the Central Bank or under contract to the Central Bank, to examine the affairs of licensed banks and shall establish the procedures for such examinations.

(b) At such times as the Central Bank may deem necessary and at least once during each fiscal year of the Central Bank, a bank examiner shall make a thorough examination of the banking activities and fiscal affairs of each licensed bank and of any or all of the branches of such licensed bank.

(c) The bank examiner shall submit to the Board of

Governors promptly after the completion of any such examination a full and detailed report of the condition of the bank so examined in the form prescribed by regulations of the Central Bank.

(d) All expenses incurred by the Central Bank in examinations made pursuant to this Article 73 shall be expenses of the Central Bank.

ARTICLE 74 FAILURE TO SUBMIT REPORTS

A licensed bank which shall fail to cooperate in any examination by the Central Bank or to submit reports required under this Law shall be subject to suspension or withdrawal of its license or such other sanctions as may be appropriate pursuant to Articles 14 (g) and 83 of this Law.

***ARTICLE 74 REPEATED**

(a) The Board of Governors shall determine the minimum conditions, professional qualifications and practical experience required for nominating external auditors, and may establish the rules it deems fit for the said purpose.

*Added by R.D.No 11/2004

(b) Licensed banks shall notify the Central Bank in writing of the nomination/ removal of external auditors within 30 days from the date of issuance thereof, and the Central Bank shall have the right to issue a decision for cause objecting to the nomination of external auditors, or for their removal after contracting with them.

(c) The external auditors shall comply with the instructions issued by the Central Bank regarding issues which are relevant to the management of the licensed bank and which have impacts on the supervisory functions.

CHAPTER SIX

OBLIGATIONS OF BANK PERSONNEL

ARTICLE 75 DUTY OF CARE OF DIRECTORS, OFFICERS, MANAGERS AND EMPLOYEES

(a) Each director, officer, manager and employee of a licensed bank shall be personally liable for any losses or damages suffered by the bank as a result of his fraudulent or wilfully negligent performance of duties, or his failure to act as a reasonable and prudent person under the circumstances. A person so charged shall be subject to the civil, criminal and other obligations imposed by this Law or any other applicable law of the Sultanate in any proceeding brought in a forum of competent jurisdiction by the

licensed bank, by the Central Bank or by a depositor or creditor of the licensed bank.

(b) A licensed bank in its articles of incorporation or other constitutive contract may provide for reimbursement to any director, officer, manager or employee of the cost of defense in any proceedings, whether civil or criminal, alleging liability for acts in the management of the bank, unless a final judgment in such proceedings shall find the director, officer, manager or employee personally liable for the losses or damages caused to the licensed bank.

ARTICLE 76 ACTS OF OFFICERS AND EMPLOYEES

(a) A licensed bank shall be bound by the acts performed by its directors or any committees thereof, officers, managers and employees when such persons are acting in the name of the licensed bank and within the scope of their authority.

(b) Any third party shall be entitled to assume that any action taken by the licensed bank, or by a director or committee thereof, officer, manager or employee having apparent authority to take such action in pursuance of the business of the licensed bank, was within the scope of authority of such person or group. The licensed bank shall be bound by any such action.

**ARTICLE 77 OFFICERS, MANAGERS AND
EMPLOYEES OF LICENSED BANKS**

(a) The Board of Governors may determine and specify the minimum professional qualifications for appointment as the chief executive officer of each domestic bank and the senior executive officer within the Sultanate of each licensed foreign bank, may recommend procedures for the appointment of such persons and shall assist in the education, recruitment and training of directors, officers, managers or employees through activities undertaken within or outside the Sultanate.

(b) Central Bank should be officially notified of any decision taken by the licensed banks with regard to the appointment of chairmen, directors, executive officers, general managers, deputy general managers, in the Sultanate, within thirty days from the date of issuance of such decision. Such notification should be made in the manner and form prescribed by the Central Bank, which shall have the right to object to the appointment of any chairman or member of a board of directors, chief executive officer, general manager, deputy general manager, if it considers that such appointment will be detrimental to the management of that bank or to the interests of the depositors.

(c) The Board of Governors may, within its discretion, displace any of the directors, executive officers, general managers or deputy general managers by a detailed note to safeguard the depositors and network interests.

ARTICLE 78 BONDING

All directors, officers, managers and employees of any licensed bank or branch thereof with the authority to bind such bank or branch and any employee or other person whose duties include the safeguarding, signing or transferring of any collateral, bond, currency or other property of any such bank or branch shall be bonded at the expense of the licensed bank, in such amount and in such manner as may be determined by the bank pursuant to regulations of the Central Bank and policies promulgated by the Central Bank.

ARTICLE 79 REPORTS BY DIRECTORS, OFFICERS, MANAGERS AND EMPLOYEES OF LICENSED BANKS

Every director, officer, manager and employee of a domestic bank and every director, officer, manager and employee of a foreign bank who has been charged with responsibilities within the Sultanate shall file such reports as may be required by regulations of the Central Bank, provided, however, that such regulations shall include provisions for such confidentiality as may be necessary. Such reports shall include, but not be limited to, statements of the obligations which such person has to licensed banks and information concerning any financial or business affiliations which are related to the banking activities of the licensed bank with which such person is affiliated.

**ARTICLE 80 RESTRICTIONS ON DIRECTORS,
OFFICERS, MANAGERS AND EMPLOYEES OF
LICENSED BANKS**

(a) No director, officer, manager or employee of a licensed bank shall:

(1) With an intent to avoid the previous refusal, discount or directly or indirectly make any loan upon any note or other evidence of indebtedness which he knows to have been offered for discount to the licensed bank and to have been refused by such licensed bank;

(2) Purchase or be interested in the purchase of any promissory note or any other evidence of indebtedness issued by the licensed bank on terms more favourable than those available to other customers of the bank, provided, however, that any director, officer, manager or employee who is a shareholder of a licensed bank may purchase, on terms more favorable than those available to other customers of the bank, promissory notes, debentures or other evidences of a debt issued by it in the same ratio as his shares have to the total shares outstanding in the same class.

(b) Without the express authorization of the Central Bank, no person who is a director, officer, manager or employee of a licensed bank shall hold any office in another licensed bank, accept membership on the board of directors of any commercial company or participate in the management of another banking or

financial enterprise if such an office or participation is in conflict with the responsibilities delegated to such person by this Law or by the licensed bank.

**ARTICLE 81 RESIDUAL RULES GOVERNING
DIRECTORS, OFFICERS, MANAGERS AND
SHAREHOLDERS**

All matters relating to the appointment, functions, powers, duties, obligations, liabilities or other legal relationships of any director, officer, manager or shareholder of a licensed bank not otherwise provided for by this Law shall be governed by the law regulating the applicable form of commercial organization in the jurisdiction in which such bank is organized or domiciled.

**CHAPTER SEVEN
DISSOLUTION, LIQUIDATION AND
TERMINATION OF BANKS**

**ARTICLE 82 VOLUNTARY DISSOLUTION AND
LIQUIDATION OF BANKS**

(a) A licensed bank may enter into voluntary liquidation, dissolution or termination of its banking business in the Sultanate by submitting a request to the Central Bank in such manner and in such form as may be prescribed by regulation.

(b) The Board of Governors may, in its discretion,

upon review of a request by a bank for voluntary dissolution, liquidation or termination of its banking business in the Sultanate, approve the request, prescribe such conditions as the Board of Governors may deem necessary for the orderly termination of such business or deny the request for voluntary liquidation, termination or dissolution and apply the provisions of Article 83 of this Law. The Board of Governors shall have the right to revoke its approval of a request for voluntary dissolution, liquidation or termination of the banking business in the Sultanate and to apply the provisions of Article 83 of this Law, if during the course of such dissolution, liquidation or termination any conditions prescribed hereunder are violated, the assets of the bank are improperly applied or if there is evidence of other improper conduct.

(c) Unless otherwise provided by this Chapter or other applicable provisions of this Law, the voluntary dissolution, liquidation or termination of banking business by a bank in the Sultanate shall be governed by the applicable laws of the jurisdiction in which such bank is organized or domiciled.

(d) The Board of Governors shall have the right to designate or otherwise approve any person who is to act as the liquidator of a licensed bank to the extent that such liquidation is of banking business and operations in the Sultanate and to the degree that such designation or approval is necessary to assure compliance with this Law and to represent the interests of all depositors of such bank.

(e) The termination of the operation of a branch authorized

under Article 56 of this Law shall not constitute a liquidation, dissolution or termination under this Article 82 and shall be authorized and administered pursuant to regulations of the Central Bank.

ARTICLE 83 ADMINISTRATION OF BANKS AND INVOLUNTARY DISSOLUTION AND LIQUIDATION OF BANKS

(a) Pursuant to Article 14 (g) of this Law, the Board of Governors may take possession of the business and property of any domestic bank and the business and property within the Sultanate of any licensed foreign bank, suspend the license of any licensed bank and administer the business and property of such bank during any period of suspension, suspend the operations of any licensed bank for a specified period, or cause the liquidation or termination of the business of any licensed bank and authorize the reopening, or require a reorganization before a subsequent reopening, or to order, at any time, the sale in whole or in part of business, property, assets and/or liabilities of such bank whenever it shall appear that any such bank:

(1) Has actually failed or the circumstances indicate that it will fail to comply with the orders, directives or policies of the Board of Governors;

(2) Has actually violated or the circumstances indicate that it will violate any provisions of this Law,

regulations of the Central Bank or of any other law of the Sultanate;

(3) Has accepted or may accept deposits at a time when the bank is in an unsafe or insolvent condition or it appears that the licensed bank is or may be unable to pay valid claims fully as they become due;

(4) Is conducting its business or the business of any authorized branch in an unauthorized, unsafe manner or is in an unsound, unsafe condition to transact or continue to transact banking business;

(5) Has an impairment of its capital;

(6) Has suspended or is in danger of suspending the payment of any of its obligations; or

(7) Has not been carrying on banking business.

(b) In addition to the provisions of Article 83 (a) of this Law, the Board of Governors, in the case of a licensed foreign bank, shall have the authority to exercise its powers under Article 83 (a) of this Law, if such foreign bank has got its license revoked or suspended or prohibited to carry on that business or is the subject of a liquidation or administration proceeding or any other proceeding having an equivalent effect in the jurisdiction in which it is organized or domiciled or in any other jurisdiction in which

it is conducting a banking business or if it appears that a licensed foreign bank is carrying on a banking business in any jurisdiction without a valid license or if the Central Bank is not satisfied that the bank is subject to adequate supervision by the appropriate regulator in its home state or if there is a reason to believe that such bank will or may be unable to fully pay valid claims as they become due.

(c) The Board of Governors shall personally notify all officers, directors and shareholders of any action taken by the Central Bank under this Article 83 and shall cause a notice to all shareholders of any liquidation hereunder to be published in the Official Gazette in the same manner as notice to depositors and claimants pursuant to Article 84 of this Law.

(d) The Board of Governors shall appoint an administrator for any bank whose operations have been suspended or otherwise affected by actions of the Board of Governors under this Article 83. Under the direction of the Board of Governors, the administrator shall take possession of the books, records and assets of each and every description of such bank and shall be authorized to take such action as may be necessary to conserve the assets of such bank, pending the further disposition of its business as provided by law, to operate or supervise the continued operation or reorganization of such bank, or to supervise the liquidation and cessation of banking activities by the bank. The Board of Governors may delegate the administrator to acquire all rights, title and interest in all property, assets and liabilities of such bank and its branches and shall, at any time, discharge them in whole or in part whether they are located

within or outside the Sultanate, such right of discharges includes the right of sale, in whole or in part, or any other similar actions pursuant to any directions of the Board of Governors and the bank shall be bound by and liable in respect of all actions performed and all documents executed by the administrator whatsoever in the exercise of such power and authority. The administrator shall be liable according to the provisions of Article 22 of this Law.

(e) Without prejudice to the provisions of Article 83(d), an administrator appointed hereunder shall be authorized to operate or supervise the operation of a bank for a period of not more than one year from the date of action by the Board of Governors under this Article 83. If the Board of Governors determines, at the conclusion of such one year period, that the bank continues to be subject to the conditions which necessitated the initial action by the Board of Governors under this Article 83, the administrator appointed hereunder shall be required to undertake the liquidation of such bank.

(f) Without prejudice to the provisions of Article 83(d) if the Board of Governors determines that the business of a bank shall be terminated and that such assets shall be liquidated, the administrator appointed hereunder shall make provision for the payment of persons protected by this Chapter and the Law Regulating the Bank Deposits Insurance Scheme and shall then pay the remainder of the proceeds, if any, to a liquidator or other administrator, authorized to take possession of and distribute the assets of each and every description pursuant to the Commercial

Companies Law or the applicable law of the jurisdiction in which such bank is organized or domiciled, as the case may be. Such person shall then become responsible for the liquidation or other distribution of the assets of the bank pursuant to the provisions of the Commercial Companies Law or the applicable law of the jurisdiction in which the bank is domiciled or organized, as the case may be.

ARTICLE 84 NOTICE TO DEPOSITORS AND CLAIMANTS

In a proceeding for the liquidation of a bank instituted by the Board of Governors under this Chapter, the administrator shall set an expiration date for the presentation of all claims and proof thereof. He shall give notice to all persons shown in the records of the bank in liquidation as having claims against such bank not less than 60 days prior to such expiration date. In addition, the administrator shall cause a notice to all depositors and persons who may have claims against the bank in liquidation to be published in each issue of the Official Gazette for a period of at least two consecutive months immediately preceding the expiration date.

ARTICLE 85 TRUST AND OTHER FUNDS HELD IN A FIDUCIARY CAPACITY

When an administrator is charged with the supervision or distribution of assets of a bank which has been authorized to exercise fiduciary powers under this Title, the administrator

shall identify, segregate and hold, as trustee for the benefit of the beneficiaries, all assets held by the bank in a fiduciary capacity. The administrator shall distribute such assets to the beneficiaries on a schedule without reference to any priorities established by Article 87 of this Law.

ARTICLE 86 EXPENSES OF ADMINISTRATION

All expenses of any administration of a bank by an administrator acting under this Chapter, including compensation of the administrator in such amount as may be set by the Board of Governors, shall be paid from the assets of such bank before any distribution is made by the administrator pursuant to Article 87 of this Law.

ARTICLE 87 PRIORITY OF PAYMENT OF CLAIMS

Except as provided by Articles 85 and 86 of this Law, and any other applicable law, claims filed and proved to the administrators pursuant to this Chapter shall be paid in proportion to the assets of the bank in liquidation available to the administrator for such distribution on a pro-rated schedule in the following order of priority:

(a) Unpaid monthly salaries within the limit of three months, or 1,000 Rials Omani whichever is less plus the employees' claims related to other unpaid entitlements.

(b) The following claims by the Bank Deposits

Insurance Scheme Fund, as a guarantor to the deposits:

1) The net amount payable to depositors in accordance with the Law of Bank Deposits Insurance Scheme.

2) Premiums payable to the Bank Deposits Insurance Scheme Fund;

3) Loans and advances;

4) Any other dues to the Bank Deposits Insurance Scheme Fund pursuant to the Law.

c) Claims of the Central Bank other than those enumerated above.

d) Claims of other creditors of the bank in liquidation including the depositors' rights which are not covered pursuant to the Law of Bank Deposits Insurance Scheme.

ARTICLE 88 TERMINATION OF SUSPENSION

Notwithstanding any of the provisions of this Chapter to the contrary, the Board of Governors, upon recommendations of an administrator appointed hereunder, shall have the authority to terminate the suspension of a bank under this Chapter and to authorize the reopening of the bank in such manner and form as the Board of Governors may determine to be fiscally sound and

otherwise appropriate.

ARTICLE 89 DUTY OF CARE AND BONDING OF ADMINISTRATOR

An administrator appointed under this Chapter shall be subject to the provisions of Title Two of this Law, as such provisions relate to liabilities, powers, duties and confidentiality of dealings of employees and other officials of the Central Bank. The administrator shall be bonded at the expense of the Central Bank in such amount and in such manner as may be determined by the Board of Governors.

TITLE FIVE **BANK DEPOSITS AND COLLECTIONS**

CHAPTER ONE **GENERAL PROVISIONS**

ARTICLE 90 PURPOSE

The purpose of this Title is to establish and define the following:

(a) The rules related to the processing of checks, drafts, and any instruments or items recognized within the banking system, including their deposit, collection and payment;

(b) The rights, liabilities and duties of persons participating in the processing, collecting and payment of checks and other drafts, including, but not limited to, banks within and outside the Sultanate, depositors within those banks and commercial and other business enterprises which utilize the processing; and

(c) The procedures for the collecting and depository functions to be performed by licensed banks.

ARTICLE 91 STANDARD OF CARE: EFFECT OF VARIATION BY AGREEMENT BETWEEN PARTIES

(a) Provisions of this Title as they affect persons obligated under this Law may be varied by agreement between such

persons, provided, however, that no agreement may disclaim a bank's responsibility for its own lack of good faith; may excuse a bank's failure to exercise the ordinary care of a prudent business person charged with similar responsibilities; or may limit the measure of damages for such lack of good faith or failure to exercise such care.

(b) Persons entering into agreements provided for by the Article 91(a) of this Law, may specify in such agreements the law to be applied in an action arising under the agreement, including the choice of law rules to be applied in any such action, provided, however, that any action involving a domestic bank, or a transaction occurring within the Sultanate and affecting the rights or liabilities of an Omani national, notwithstanding any agreement to the contrary, shall be within the jurisdiction of the Commercial Court, or any successor there to.

(c) In interpreting and applying provisions of this Article 91, the measure of damages for a failure to exercise ordinary care in handling an item or instrument shall be limited to the amount of the item or instrument reduced by the amount, if any, which could not have been realized had ordinary care been exercised in the handling of the item or instrument. Where it is shown that the bank acted in bad faith, the measure of damages may also include other damages, if any, suffered by the claimant as a proximate consequence of such failure, provided, however, that this Article 91(c) shall not limit or otherwise affect the rights of a person to damages for wrongful dishonor by a payor bank pursuant to Article 110 of this Law.

(d) Notwithstanding the provisions of this Article 91, the liability of any bank for action or non-action with respect to an item handled by it for the purposes of presentment, payment or collection, shall be governed by the law of the place where the bank is located. In the case of action or non-action by or at a branch or separate office of a bank, liability shall be governed by the law of the place where the branch or separate office is located, including, but not limited to, a licensed foreign bank or a branch or subsidiary thereof.

ARTICLE 92 SIGNATURE REQUIREMENTS AND PRESUMPTIONS RELATING TO SIGNATURES

(a) A person is not liable on an instrument unless his signature appears thereon.

(b) A person who signs a name which is not his own shall be liable as if he had signed in his own name.

(c) A signature is made by the use of any name upon an instrument including a trade or assumed name or by use of a word or mark in lieu of a written signature, provided, however, that when a mark is used in lieu of a written signature, it shall be made and authenticated in such manner as may be prescribed by regulations of the Central Bank.

(d) Unless the instrument clearly indicates that a signature is made in some other capacity it is an endorsement of

such instrument.

(e) A signature may be made by an agent or other representative of the maker of the instrument. Authority to make the signature may be established under the laws of another jurisdiction when such laws are properly applicable to the transaction.

(f) An authorized representative who signs his own name to an instrument shall be personally obligated if the instrument neither names the person represented nor shows that the representative signed in a representative capacity. Except as otherwise established between the immediate parties to the instrument, the authorized representative is personally obligated if the instrument names the person represented but does not show that the representative signed in a representative capacity or if the instrument does not name the person represented but does show that the representative signed in a representative capacity.

(g) Except as otherwise established, the name of an organization preceded or followed by the name of an authorized representative is a signature made in a representative capacity.

(h) Any unauthorized signature, including a forgery or other illegal signature, is inoperative as that of the person whose name it purports to sign unless that person ratifies the signature or through his own negligence is precluded from denying to a third party seeking to enforce the instrument that the signature is genuine.

(i) Notwithstanding the provisions of Article 100(c) of this law, an unauthorized signature, including a forgery or other illegal signature, will operate as the signature of the person who affixed such unauthorized signature to an instrument as to any third person who in good faith pays the instrument, takes it for value or otherwise qualifies as a protected holder.

(j) Any unauthorized signature, including a forgery or other illegal signature, may be ratified for all purposes of this Title, provided, however, that such ratification does not of itself affect any right which the person ratifying the signature may have against the actual signer.

(k) Each signature on an instrument is presumed to be effective, provided, however, that when the effectiveness of a signature is put in issue the burden of establishing its effectiveness shall be on the party seeking to claim under the signature in issue.

(l) When signatures are admitted or established by proof, production of the instrument will entitle a holder to recover on the instrument unless the defendant establishes a defense effective under this Law.

ARTICLE 93 ENFORCEABILITY OF INSTRUMENTS
PAYABLE WITH WORDS OF DESCRIPTION TO TWO OR
MORE PERSONS

a) An instrument which is payable to the order of

two or more persons shall be payable to any one of them if it is made payable to them in the alternative, and may be negotiated discharged or enforced by any one of the persons who has possession of the instrument.

b) An instrument which is payable to the order of two or more persons which is not payable in the alternative, shall be payable to all of them and may be negotiated, discharged or enforced only by all of them acting together.

ARTICLE 94 STATUS OF SEPARATE OFFICES OR BRANCHES OF BANKS ON COMPUTING TIME

(a) A branch bank office, branch agency, additional office or any other branch place of business of a domestic or foreign bank within or outside the Sultanate shall be considered a separate bank for the purposes of computing the time within which and the place to or at which action is to be taken or orders are to be given pursuant to the requirements of this Title.

(b) In processing items, proving balances and making necessary entries on its books, a bank as defined in Article 94(a) of this Law, may set a time of 12:00 A.M. or such other later time as may be provided by regulations of the Central Bank as the final time for the handling of money and items and for making entries on its books and, any item or deposit of money received on any day after such cut-off hour or after the close of the banking day may be treated as having been received at the commencement of the next banking day.

CHAPTER TWO
COLLECTION OF ITEMS

PART-A

DEPOSITING AND COLLECTING BANKS

ARTICLE 95 AGENCY STATUS

(a) A bank is an agent or sub-agent of the owner of the item. Until settlement of such item becomes final, any settlement given for the item shall be provisional. The agency relationship applies and shall exist regardless of the form of endorsement or lack of endorsement on an item, regardless of whether or not credit given for the item is subject to immediate withdrawal as of right and regardless of whether or not a credit is in fact withdrawn, provided, however, that the ownership of an item and any rights of such owner to the proceeds of an item shall be subject to the rights of a collecting bank under this Law, including, but not limited to, those rights resulting from outstanding advances which have been made on the item and those rights resulting from setoff.

(b) If an item is endorsed with words “pay any bank” or words of similar import, only a bank may become a holder of such item until the item has been returned to the customer initiating collection or until the item has been specially endorsed by a bank to a person who is not a bank.

(c) Subject to the provisions of this Law concerning the enforceability and impact of restrictive endorsements, only

the immediate transferor shall have authority to give instructions affecting the bank or constituting notice to such bank. A collecting bank may not be held liable to prior persons for any actions it takes pursuant to such instructions from its transferor.

ARTICLE 96 RESPONSIBILITIES OF A COLLECTING BANK

(a) A collecting bank, subject to the standards of good faith and care set forth in Article 91 of this Law, must exercise good faith and, in addition, must use ordinary care in taking the following actions:

(1) Presenting an item or sending such item for presentment, provided, however, that a bank shall not be liable for the insolvency, neglect, mistake or default of another bank or person or for any loss or destruction of an item while in transit during the collection process or while the item is in the possession of other banks or persons;

(2) Sending notice of dishonor or non-payment or returning an item, after it learns that the item has not been paid or accepted, provided, however, that a documentary draft need not be returned to its transferor;

(3) Settling an item when a bank receives final settlement after making any protest necessary on the item; and

(4) Sending notice, within a reasonable time after discovery thereof, to its immediate transferor of any loss or delay which has occurred during the transit of the item.

(b) A collecting bank shall be deemed to have taken proper action if it acts before the termination of the payment deadline immediately following the receipt of the item, notice or payment.

**ARTICLE 97 ESTABLISHMENT OF METHODS FOR
SENDING AND PRESENTING**

(a) The Central Bank shall promulgate regulations hereunder which establish the general standards applicable to the sending and presenting of items and which prescribe or proscribe methods and procedures for the transmittance and presentation of items by collecting banks, provided, however, that any regulations shall allow a collecting bank to send any item directly to a paying bank or to transmit any item to a non-bank payor where such transfer has been authorized by the bank's immediate transferor or by the rules, regulations or procedures of an established banking community within or outside the Sultanate provided, however, that such rules, regulations or procedures shall have been approved by the Board of Governors.

(b) An item is duly presented for acceptance if it is presented in accordance with the following:

(1) An item drawn upon two or more drawees may be presented to any one of them unless the item states otherwise:

(2) Where the drawee is dead, presentment may be made to the person or authority who is entitled to administer the estate of the deceased drawee under the applicable law of the Sultanate or of the jurisdiction in which presentment is made:

(3) When the drawee is in the course of insolvency proceedings, presentment may be made to a person who is authorized to act in the place of the drawee under the applicable law of the Sultanate or the jurisdiction of such insolvency proceedings.

ARTICLE 98 RIGHT OF BANKS TO SUPPLY MISSING ENDORSEMENTS

a) A depository bank, taking an item for collection, is authorized to supply any endorsement of the customer necessary to perfect the title to the item, unless the item contains words indicating that the payee's endorsement is required. A statement by the depository bank on the item indicating that it has been deposited by a customer or credited to his account shall be effective as the endorsement of such customer.

b) An intermediary bank and a payor bank, which

are not also depository banks for the item, may ignore restrictive endorsements added to an item by any person other than their immediate transferor. A depository bank must give full effect to any restrictive endorsement on the instrument at the time it receives it.

ARTICLE 99 PRESUMPTIONS RELATED TO SUCCESSIVE ENDORSEMENTS

When an instrument being negotiated contains two or more endorsements there is a presumption, unless the contrary is established by the facts of the transaction, that each endorsement was made in the order in which it appears on the instrument, provided, however, that the endorsers will be held liable to one another in the order in which the instrument was in fact endorsed.

ARTICLE 100 WARRANTIES MADE BY A CUSTOMER AND COLLECTING BANK DURING THE TRANSFER OR PRESENTMENT OF ITEMS

(a) Every customer or collecting bank who obtains payment or acceptance of an item, each prior customer and each prior collecting bank shall warrant to the payor bank or to any other payor, who in good faith has paid or accepts the item, that such customer or collecting bank has good title to the item or is authorized to obtain payment or acceptance as agent on behalf of a person who has good title to the item. Each customer or collecting bank also shall warrant that he has no knowledge that the signature

of the maker or drawer is unauthorized, except that, as provided in this Title, such warranty shall not be given to a maker or drawer with respect to his signature or to any acceptor of an item by any customer or collecting bank that is a protected holder and acts in good faith if such protected holder takes the item without knowledge that the drawer's signature is unauthorized. Each customer or collecting bank that obtains payment or acceptance of an item also shall warrant that the item has not been materially altered, except that such warranty may not be given by any customer or collecting bank that is a protected holder and acts in good faith to the maker of a note, to the drawer of a draft, to the acceptor of an item who is a protected holder, when the alteration was made prior to acceptance or to the acceptor of an item where the alteration was made after acceptance.

(b) Every customer or collecting bank which transfers an item and receives a settlement for it shall warrant to its transferee and to any subsequent collecting bank which takes the item in good faith that such customer or collecting bank has a good title to the item or is authorized to obtain payment or acceptance on behalf of a person who has a good title, that the transfer is otherwise proper, that all signatures on the item are authorized, that the item has not been materially altered, that there is no defense of any party against the customer or collecting bank which is effective on the item and that such customer or collecting bank has no knowledge of any insolvency proceedings being instituted within or outside the Sultanate with respect to the maker, acceptor or drawer of an item which item later may be unaccepted. Every customer or collecting

bank transferring an item pursuant to this provision and subsequently receiving a settlement on the item also shall engage, upon dishonor and any necessary notice of protest when such protest is required for items drawn on banks outside the Sultanate, that such customer or collecting bank will accept the item.

(c) The warranties required in Article 100(a) and (b) of this Law and the promise to honor as set forth in Article 100(b) of this Law are effective notwithstanding the fact that an endorsement, words of guarantee or warranty, either in the transfer or presentment, are absent on the item. A collecting bank remains liable for the failure to comply with requirements of Articles 100(a) and (b) of this Law, even if such collecting bank has made a remittance to its immediate transferor.

(d) The measure of damages for failure to comply with requirements of this Article 101 shall not be in excess of any amounts paid and received by the customer or collecting bank, together with any additional charges and expenses related to the item and proved by the claimant.

ARTICLE 101 SECURITY INTEREST OF A BANK

(a) A bank shall have a security interest under this Law, or under the applicable law agreed to pursuant to Article 91 of this Law, in any item or documents accompanying such item to the extent that credit or advances have been given for the item, that amounts have been withdrawn from any account to which the item

has been deposited or credited or that any credit has been given where such credit is available for withdrawal as of right, whether or not such credit has been drawn upon and whether or not the customer has a right of charge-back.

(b) When credit has been given for several items received for the account or accounts of a particular party pursuant to a single agreement or on the same banking day, and such credit is withdrawn or applied in part, the security interest shall be effective upon all the items received for the account or accounts of a particular party pursuant to a single agreement or on a single banking day to the extent of such security interests.

(c) When a collecting bank receives a final settlement for an item, such final settlement shall constitute a repayment of the security interest of the item or any accompanying document. If the collecting bank does not receive a final settlement constituting payment of the security interest, the bank shall continue to have a security interest in the item according to the applicable laws of the Sultanate or of the jurisdiction agreed to by the parties pursuant to Article 91 of this Law.

**ARTICLE 102 APPROVED REMITTANCES AND
EFFECTIVENESS OF PROVISIONAL AND FINAL
SETTLEMENTS IN REMITTANCE TRANSFERS**

(a) A collecting bank may accept the following in settlement of an item:

(1) A check of the remitting bank or of another bank on any bank except the remitting bank;

(2) A cashier's check or similar primary obligation of a remitting bank when such bank is a member of or clears through a member of the same clearing house as the collecting bank;

(3) Appropriate authority to charge an account of the remitting bank or of another bank with the collecting bank;

(4) A cashier's check, certified check or other bank check or obligation, if the item is drawn upon or payable by a person other than a bank; or

(5) Cash, an obligation, authority or other document approved by regulations of the Central Bank and used and recognized by commercial banking authorities within or outside the Sultanate.

(b) If, before its payment deadline, the collecting bank properly dishonors a remittance check or authorization to charge on itself or presents or forwards for collection a remittance instrument of or on another bank which is of a kind approved by Article 102 (a) of this Law or which has not been authorized by it, the collecting bank is not liable to prior parties in the event of the dishonor of such check, instrument or authorization.

(c) A settlement for an item by means of a remittance instrument or authorization to charge is or becomes a final settlement as to both the person making and the person receiving the settlement at the time of receipt of such remittance, check or obligation:

(1) If the remittance instrument or authorization to charge is of a kind approved by Article 102(a) of this Law or has not been authorized by the person receiving the settlement and in either case the person receiving the settlement acts seasonably before its payment deadline in presenting, forwarding for collection or paying the instrument or authorization.

(2) If the person receiving the settlement has authorized remittance by a non-bank check or obligation, by a cashier's check or similar primary obligation or by a check upon the payor or other remitting bank which is not of a kind approved by Article 102(a)(2) of this Law.

(d) In a case not covered by Article 102(c) of this Law, a settlement for an item by means of a remittance instrument or authorization to charge is or becomes a final settlement as to both the person making and the person receiving the settlement if the person receiving the settlement fails to seasonably present, forward for collection, pay or return a remittance instrument or authorization to the person making the settlement for proper charging before the payment deadline of the person receiving the settlement.

ARTICLE 103 RIGHT OF CHARGE-BACK AND REFUND

(a) If a collecting bank has made a provisional settlement with a customer for an item and such collecting bank fails to receive a settlement for the item by reason of a dishonor, a suspension of payment by a bank or otherwise, and the provisional settlement is or becomes final, the bank may revoke the settlement given by it, charge back the amount of any credit which has already been given for the item to the account of its customer or obtain a refund from its customer. The bank shall have a right to make such charge-back or to obtain such refund even if it was unable to return the item, provided, however, that by its payment deadline or within a similar reasonable period of time after it learns of the facts it returns the item or sends notification of the facts to the customer. Such right of charge-back or refund shall terminate as soon as a settlement received by the bank for an item is or becomes final, but if a bank has failed to receive such final settlement, the right of charge-back or refund must be exercised promptly.

(b) An intermediary or payor bank may return an unpaid item directly to the depository bank and may send for collection a draft on the depository bank to obtain reimbursement, provided, however, that such return is made within the time and manner prescribed by this Article 103 and Article 106 of this Law. If the depository bank has already received a provisional settlement for the item, it must reimburse the bank drawing the draft and any provisional credits for the item between banks shall become and

shall remain final.

(c) A depository bank which is also the payor bank is authorized to charge back the amount of an item to its own customer's account or to obtain a refund in accordance with Article 106 of this Law.

(d) A depository bank may exercise its right of charge-back under this Article 103 notwithstanding the fact that there has been a prior use of the credit given for the item, that the bank has not met its good faith obligation under Article 91(a) of this Law and that the bank has been negligent, provided, however, that a charge-back does not relieve the bank from any liability for failure to exercise ordinary care in handling an item. Damages for any failure to exercise ordinary care shall be governed by Article 91(c) of this Law.

(e) When a credit is given in Rials Omani but such item was payable in a foreign currency, the amount of any charge-back or refund shall be calculated on the basis of the parity rate for the foreign currency which prevailed on the day when the person entitled to the charge-back or refund first learned that he would not receive payment.

**ARTICLE 104 REQUIREMENTS FOR FINAL PAYMENT,
FINAL DEBITS AND CREDITS AND WITHDRAWAL OF
CREDITS**

(a) An item shall be finally paid by a payor bank when the first of any one of the following occurs:

(1) The payor bank has paid the item in cash;

(2) The payor bank has settled for the item and, in making such settlement, has no reservation of right to revoke the settlement;

(3) The payor bank has completed the process of posting the item to the account of the drawer, maker or other person to be charged with the item; or

(4) The payor bank has made a provisional settlement for the item and failed to revoke the settlement as such right to revoke is permitted by this Law.

(b) Final payment under Article 104(a) of this Law shall be effective where payment is made by a remittance draft.

(c) When provisional settlement for an item between the presenting and payor banks is effected to the Central Bank acting as a clearing house, through some other clearing house or by debits and credits in an account held between such presenting

and payor banks, such provisional settlements shall become final within the presenting and at the successive prior collecting banks in the order of such collection upon the final payment of the item by the payor bank.

(d) When a collecting bank receives a settlement for an item, which settlement is or becomes final, the collecting bank is accountable to its customer in the amount of the item. Any provisional credit given for the item in the account of a customer at such bank shall become final.

(e) Credit by a bank for an item in the account held by a customer in such bank is made available for withdrawal as of right when a previously made provisional settlement becomes final or, in the case where the bank is both a depository bank and payor bank, upon the opening of the bank on the second banking day following receipt of the item as finally paid.

(f) Any deposit of money in the bank becomes final when made, provided, however, that a bank may first apply the deposit to any obligation of the customer to the bank and the deposit or any balance thereof shall become available for withdrawal as of right when the bank opens on the first banking day following receipt of the deposit.

(g) Each branch office of a licensed bank shall be deemed a separate bank for purposes of Article 104 (e) and (f) of this Law.

**ARTICLE 105 ORDER OF PAYMENT AND
PREFERENCE ON INSOLVENCY OF A BANK**

(a) If a payor or collecting bank suspends payment, any item which is then in the possession of such bank or which comes into the possession of such bank shall be returned to the presenting bank or to the customer of the insolvent bank if such item has not already been finally paid.

(b) If a payor bank makes final payment on an item and suspends its payments without making a final settlement for the item with the customer of that bank or the presenting bank, and such provisional settlement is or becomes final, the owner of the items shall have a claim which shall be preferred above any claim of the payor bank on such item.

(c) If a payor bank gives a provisional settlement for an item or a collecting bank gives or receives a provisional settlement for an item, and subsequently suspends payment on such item, the suspension shall not prevent or interfere with the settlement becoming final, if such final settlement has already occurred automatically pursuant to the provisions of Article 102 or 104 of this Law.

PART-B
PAYOR BANK

ARTICLE 106 LEGAL EFFECT AND RESPONSIBILITY
FOR DEFERRED POSTING OR DELAYED RETURN

(a) A payor bank may revoke a settlement it has made on a demand item which is not a documentary draft when such item is received by the payor bank otherwise than for immediate cash payment. The payor bank may recover any payment or credit it has made, provided, however, that it has not made final payment pursuant to Article 104(a) of this Law and that before its payment deadline, the payor bank returns the item or sends written notice of dishonor or nonpayment to the intermediary, depository or collecting bank.

(b) When a demand item is received by a payor bank for credit, the payor bank may return the item or send notice of dishonor, revoke any credit given by it and recover the amount withdrawn on the item by a customer, provided, however, that there has been no final payment under the provisions of Article 104(a) of this Law and that the bank takes such action before its payment deadline.

(c) An item shall be dishonored when such item is returned or notice concerning such item is sent pursuant to provisions of this Article 106, unless a previous notice of dishonor has already been sent. An item shall be considered returned when

it is delivered by the Central Bank acting as clearing house to the presenting or final collecting bank.

(d) When a payor bank has failed to act within the time limits provided by Article 106(a) and (b) of this Law, the payor bank shall be accountable for the amount of any demand item other than a documentary draft or any other properly payable item, provided, however, that this provision shall not limit or otherwise affect the provisions of Article 100 of this Law.

ARTICLE 107 TERMINATION OF RIGHT TO SUSPEND OR REVOKE PAYMENT

Notwithstanding any provisions of this Law to the contrary, a payor bank may not suspend payment of an item or charge a customer's account for an item if such bank has already accepted or certified the item, paid the item in cash, settled for the item without reserving the right to revoke, completed the process of posting the item, evidenced its decision to pay an item or become accountable by late return of such item under the provisions of this Article 107 or Article 106 of this Law, provided, however, that a bank may determine the order in which items shall be accepted, paid, certified or charged to the subject account of the customer.

ARTICLE 108 RIGHTS AND OBLIGATIONS RELATED TO INTERNATIONAL SIGHT DRAFT

(a) Unless otherwise agreed, when a bank receives from another bank a letter of advice of an international sight draft,

the drawee bank may immediately debit the drawer's account and stop the running of interest pro tanto. Such a debit or any resulting credit to any account covering outstanding drafts leaves in the drawer full power to stop payment or otherwise dispose of the amount and creates no trust or interest in favor of the holder.

(b) Unless otherwise agreed and except where a draft is drawn under a credit issued by the drawee, the drawee of an international sight draft owes the drawer no duty to pay an unadvised draft, but if it does so and the draft is genuine, he may appropriately debit the drawer's account.

PART-C **LIABILITY OF PAYOR BANK TO ITS** **CUSTOMER**

ARTICLE 109 RIGHT OF BANK TO CHARGE A **CUSTOMER'S ACCOUNT**

(a) A bank may charge a customer's account for any item which is otherwise properly payable from that account, even though the charge may create an overdraft.

(b) A bank which in good faith makes payment to a holder may charge the indicated account of its customer according to the original tenor of an altered item or the tenor of a completed item, even though the bank has knowledge that the item has

been completed, unless the bank has actual notice that any such completion was improper.

**ARTICLE 110 LIABILITY OF A BANK TO
A CUSTOMER FOR WRONGFUL DISHONOR**

The payor bank shall be liable to its customer for all damages actually caused by any wrongful dishonor of an item, provided, however, that when the dishonor occurs through mere mistake of the bank, liability of such bank shall be limited to the actual damages proved by the customer claiming on the item.

**ARTICLE 111 RIGHT OF A CUSTOMER TO STOP
PAYMENT**

(a) A customer may stop payment on any item payable from his account by delivering to his bank an order received by the bank at such time and in such manner as shall afford the bank a reasonable opportunity to act on the stop order before the bank has taken any action with respect to the item under Article 105 of this Law.

(b) An oral stop order, if accepted by a bank, shall bind a bank for ten banking days unless the order is confirmed in writing within such period and any such written order shall be effective for six months unless a renewal in writing is delivered to the bank before the expiration of such six-month period.

(c) If a bank pays an item on which an effective stop order exists, the bank shall be liable for the amount of the item and any resulting damages to the customer, but the customer shall have the burden of proving the actual damages suffered.

ARTICLE 112 LIABILITY OF A BANK IN RELATION TO CERTIFIED CHECKS

When a holder procures a certification, the drawer and all prior endorsers are discharged and the certifying bank becomes primarily liable on the check. However, unless otherwise agreed to by contract, a bank has no obligation to certify a check. A bank may certify a check before returning it for lack of a proper endorsement and, if the bank so certifies the check, the drawer is discharged.

ARTICLE 113 OBLIGATION TO PAY OUT-OF-DATE CHECKS

The payor bank shall be under no obligation to a customer having a checking account with it to pay any check, other than a certified check, which is presented to such bank more than six months after its date of issue, provided, however, that such bank may charge a customer's account for a payment made after six months when such payment was in good faith and did not violate any instructions from the customer.

**ARTICLE 114 OBLIGATION OF BANK TO PAY
SUBSEQUENT TO DEATH OR INCOMPETENCE OF
CUSTOMER**

The authority of the payor or collecting bank to accept, pay or collect an item, when such authority is effective under this Law, shall not be rendered ineffective because of the mental incompetence or the death of the customer, provided, however, that if the bank has actual knowledge that a customer has been adjudged incompetent by a court of competent jurisdiction the bank shall not pay the item or if a bank has actual knowledge of the death of a customer, the bank shall not pay an item drawn subsequent to the death of such customer or presented to it for payment more than five days after the death of such customer.

**ARTICLE 115 DUTY OF A CUSTOMER TO DISCOVER
AND REPORT UNAUTHORIZED SIGNATURES OR
ALTERATIONS OF ITEMS**

(a) A customer has a duty to exercise reasonable care and promptness in examining any statements received by him or held for him to discover any unauthorized signature or alterations of an item, whether such customer receives statement of account from his bank or instructs the bank to hold or otherwise treat the statement and the bank follows its instructions.

(b) Upon such discovery, a customer shall notify the bank of any alteration or unauthorized signature and, if such

notification is received within ten days of the delivery of the statement to the customer, the bank shall have a right to charge back the item under this Law. If such notice is not delivered to the bank within 30 days, the account of the customer shall be charged and the risk of loss shall be on the customer.

**ARTICLE 116 RIGHT OF PAYOR BANK TO
SUBROGATION SUBSEQUENT TO ANY IMPROPER
PAYMENTS**

When a payor bank has paid an item over a stop payment order of the drawer or maker or has paid an item under other circumstances which give rise to an objection by the drawer or maker, to prevent unjust enrichment and to the extent necessary to prevent loss to the bank by reason of its payment of the item, the payor bank shall be subrogated to the rights of any one or more of the following:

(a) Any protected holder of the item according to such protected holder's rights against the drawer or maker;

(b) The payee or any other holder of the item according to the rights of such payee or other holder against the drawer or maker either of the item or with respect to the transaction out of which the item arose; and

(c) The drawer or maker according to the rights of such drawer or maker against a payee or any other holder of the

item with respect to the transaction out of which the item arose.

PART-D
COLLECTION OF DOCUMENTARY
DRAFTS

ARTICLE 117 PROCESSING DOCUMENTARY DRAFTS

(a) A bank which takes a documentary draft for collection must present or send the draft and accompanying documents for presentment and, upon learning that the draft has not been paid or accepted in due course, must seasonably notify its customer of such fact even though it may have discounted or bought the draft or extended credit which was available for withdrawal as of right.

(b) When a draft or the relevant instructions require presentment “on arrival”, “when goods arrive” or the like, the collecting bank need not present the draft until, in its judgment, a reasonable time for arrival of the goods has expired. Refusal to pay or accept because the goods have not arrived is not dishonor but the bank must notify its transferor of such refusal and need not present the draft again until it is instructed to do so or learns of the arrival of the goods.

(c) Unless otherwise instructed, a bank presenting a documentary draft must deliver the documents to the drawee on acceptance of the draft if it is payable more than three days after

presentment and if payable less than three days after presentment, only upon payment.

(d) A presenting bank is under no obligation with respect to goods represented by the documents accompanying a documentary draft except to follow any reasonable instructions seasonably received. It shall have rights to reimbursement for any expense incurred in following instructions and to prepayment of or indemnity for such expenses.

(e) A presenting bank which, following the dishonor of a documentary draft, has seasonably requested instructions but does not receive them within a reasonable time may store, sell or otherwise deal with the goods in any reasonable manner and have a lien upon the goods.

CHAPTER THREE **TIME DEPOSITS**

ARTICLE 118 RESTRICTIONS ON PAYMENTS OF TIME DEPOSITS

(a) A licensed bank authorized to accept time deposits, pursuant to regulations of the Central Bank, shall provide to a depositor evidence of his ownership of any time deposit made with the bank.

(b) A bank shall not pay and a depositor, his assignee

or anyone claiming through a depositor shall not be entitled to receive any dividend or interest on a time deposit or portion of a time deposit, unless the prescribed evidence of ownership of the depositor is produced and the proper entry has been made at the time of payment, subject, however, to such exceptions or additional requirements as may be prescribed by regulations of the Central Bank.

(c) A bank shall bear the full risk of any actual loss suffered by a depositor on account of the wrongful payment by the bank under Article 118(b) of this Law. A depositor may be required, by contract with the bank, to give notice of any theft or loss of evidence of ownership of a time deposit within a reasonable time after the depositor has actual or constructive knowledge of such loss or theft. In any claim under this provision, the depositor shall have the burden of proving his actual damages and shall have a claim only to the extent of such actual damages.

ARTICLE 119 RIGHT TO HOLD TIME DEPOSITS

Notwithstanding any other law of the Sultanate or of the jurisdiction in which a bank is domiciled or organized to the contrary, a minor or other person lacking legal capacity shall have a right to make such time deposits as a licensed bank shall be authorized to accept and shall have capacity to enter into any contracts related to such deposits in such manner and subject to such conditions on withdrawal as the bank may be authorized to require pursuant to regulations of the Central Bank.

**ARTICLE 120 INTEREST AND DIVIDENDS ON TIME
DEPOSITS**

Interest or dividends payable to a depositor on time deposits shall be as provided for by contract between the bank and depositor pursuant to any restrictions or conditions thereon prescribed by regulations of the Central Bank.

TITLE SIX
***ISLAMIC BANKING**

ARTICLE 121

The provisions of the Banking Law and regulations and instructions and guidelines issued thereunder shall apply to Islamic banks to the extent they are not inconsistent with the nature of Islamic Banking.

ARTICLE 122

The Board of Governors shall set rules, regulations and guidelines as applicable to Islamic banking including but not limited to licensing, organization and control and Sharia' governance, capital, credit, investment and exposure limitations, accounting, reporting, disclosure and risk management, or otherwise

ARTICLE 123

The Central Bank shall have the authority to license conduct of Islamic banking, conforming to Islamic Sharia' through dedicated Islamic banks or windows of licensed banks.

*Added by R.D.No 69/2012.

ARTICLE 124

Subject to restrictions the Board of Governors may place, Islamic banks and windows, in the course of conduct of their licensed business, shall undertake without limitation, all Sharia' – compliant transactions and shall specifically undertake the following:

- a) Accepting deposits and managing unrestricted and restricted investment accounts with or without profits and fees.
- b) Financing and investments in the form of Mudaraba or Musharaka or Murabaha or Ijara or Salam or Istisnaa' or Qardh Hasan or other Sharia'-compliant contracts.
- c) Issue of and investment in Sukuks backed by assets and projects.
- d) Purchase, sell, invest in, lease and rent movable and immovable properties in exception of the limitations provided for in the Banking Law and other relevant laws and Royal Decrees .

ARTICLE 125

Banks licensed to conduct Islamic banking business shall be exempted from the fees levied on the transactions of acquisition or leasing or renting immovable or movable property, for the

purpose of conducting Islamic banking business in implementation of the provisions of this Law.

ARTICLE 126

a) A bank licensed to conduct Islamic banking business shall have a Sharia' supervision committee. Regulations shall specify its constitution, functions, and the system of its work and the qualifications of its members. The general assembly of the bank shall issue a decision of appointing its members and their remunerations.

b) The Board of Governors shall establish a high Sharia' supervision board. The establishment decision shall specify its constitution, functions, the system of its work, the qualifications of its members and their remunerations.