

16th April 2007

MASTER CIRCULAR BM 1020

**To: All Licensed Banks
Operating in the Sultanate of Oman**

Subject: Swap Facility

With a view to assisting banks in ensuring liquidity in Omani Rial, the Central Bank of Oman operates Swap Facility for buying US dollar spot against selling of the same forward. In this respect this Master Circular consolidates the currently applicable instructions and replaces all the preceding Circulars/Instructions on the Swap Facility.

1. Limit

Swap limits for individual licensed banks shall be advised separately and revised whenever necessary.

2. Tenor

The swap operations shall be for duration of overnight to the maximum of one month.

3. Value Dates

Swap operations can be carried for same day value as well as spot value dates.

4. Criteria and Methodology for computing the Swap Rate

- a. The U.S. Dollar/Omani Rial exchange rate for the computation will be the mid-rate between bid and offer rates as per Central Bank of Oman quotations, i.e. 384.5 Baizas for one U.S. Dollar.

- b. The applicable domestic benchmark rate will be the cut-off rate emerging in the latest auction of the 28-day Central Bank of Oman Certificates of Deposit.
- c. The applicable external rate will be the prevailing Euro-dollar bid rate corresponding to the duration of the swap.
- d. To accommodate for disparities prevailing between the Omani Rial and the US dollar rates, a compensatory rate may be added to or subtracted from the domestic benchmark rate depending on the perceived need for adjustment. For the time being, the adjustment rate is set at plus 500 basis points.

For simulation of swap calculations, please refer to the attached annexure.

Banks are expected to use the swap facility with discretion and for genuine and non-speculative transactions.

Best regards

Hamood Sangoor Al-Zadjali
The Executive President

(ATTACHMENT TO MASTER CIRCULAR BM 1020)

SIMULATION OF SWAP CALCULATION

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Period of Swap	:	2 weeks (14 Days)	
CDs Cut-Off Rate	(e.g) :	3.70%	
Euro-Dollar Bid Rate	(e.g) :	2 weeks	= 5.20
Adjustment Rate	:	5.00%	
Differential	:	3.70 + 5.00 - 5.20	= 3.50
Swap Rate	=	$\frac{3.50 \times 14 \times 0.384500}{360 \times 100}$	
	=	0.0005233472	
	+	$\frac{0.3845000000}{100}$	
	=	0.3850233472	
Applicable Forward Rate	=	0.385023	