



CIRCULAR BM 913

May 5, 2001

To: All Licensed Banks in Oman

Sub: Adoption of International Accounting Standards (IAS) and Reporting requirements of the Capital Market Authority (CMA)

1. Banks are aware that adoption of the extant International Accounting Standards including IAS 39 which establishes principles for recognising, measuring and disclosing information about financial assets and financial liabilities, is obligatory for them and as such the Central Bank expects that steps are being taken to ensure the aforesaid in consultation with and by availing of the required guidance from their respective statutory auditors. We invite Banks' attention to paragraph 4 of Circular BM-771, dated 23rd October 1995 which stipulates, inter alia, that "...banks should ensure that the annual financial statements presented to the shareholders and subsequently printed for users' benefit do make all disclosures as set out in terms of the International Accounting Standards. In fact, the Central Bank of Oman shall appreciate that all banks operating in the Sultanate fall in line with International Accounting Standards with the help of their respective auditors...."
2. Banks are advised that with the Capital Market Authority (CMA) in place they are required to comply with the reporting requirements as laid down by it from time to time. It is clarified hereby that banks will comply with all the reporting requirements stipulated by the CMA covering macro level institutional information without prior approval of the Central Bank but with an obligation to forward simultaneously to us a copy of reports filed with the CMA.



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3. Banks' attention is invited to their obligations under Article 70 of the Banking Law of 2000 which lays down inter alia, that "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....." Thus, banks will note that micro level credit information cannot be disclosed without the consent of the Central Bank of Oman. Further, if disclosure is to be permitted, the nature, quantum and modalities of disclosure will be determined by the Central Bank in accordance with the provisions of Article 70 of the Banking Law of 2000.
4. Banks are advised to refer to their obligation of having at all time a legal minimum net worth as stipulated vide Article 7 of Regulation BM/REG/017/5/79. The aforesaid requirement warrants an in-house exercise of reviewing all credit exposures on an on-going basis and making instant credit classifications for finalising need based loan loss provisions, without waiting for guidance by External Auditors or CBO Examiners. Besides banks' statutory obligations referred to earlier, the Central Bank has been impressing upon banks from time to time that it is good to state the true and fair value of assets all the time by undertaking need based loan loss provisions no sooner erosion in asset occurs rather than following the conventional practice of postponing loan loss provisioning to the last quarter of the year.
5. On review of the level of adoption of Information Technology in the Sultanate's banking industry, it is considered appropriate to expedite information flow between banks and the CBO. Commencing from the audited financials of banks for the year 2001, it is decided that the same will be submitted to the Central Bank for prior approval before presentation at the AGM or publication in the press, by 31 January of the following year i.e. audited financial statements for the year 2001 will be submitted to the Central Bank by 31 January 2002.



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6. The Central Bank advises further that provisions determined by adoption of the IAS for diminution in the value of assets in general and owing to loan losses in particular are considered as minimum required and the Central Bank's assessment thereof need not be limited to either the classification of items or to the provision estimated by the bank.

Best regards,

Hamood Sangour Al-Zadjali
The Executive President

cc : H.E. Yahya S. Abdullah Al Jabry
The Executive President
Capital Market Authority