



July 10, 2001

Circular No: BM/ 916To: All Licensed Banks Incorporated in the Sultanate of Oman

After compliments,

Sub: Foreign Currency Borrowings by Licensed Bank  
Incorporated in the Sultanate of Oman

Attention of all Licensed Banks incorporated in the Sultanate of Oman is invited to the intimations of the Central Bank, separately to each bank, on the captioned subject specifying the limits of such borrowings under three time bands as shown below:

#	Borrowing by Tenure	Definition	Limit
1	Short term	Borrowing with a time to maturity of up to two years from a given date	Up to 100% of net worth
2	Medium term*	Borrowing with a time to maturity of two to five years from a given date	Up to 200% of net worth. This limit should include the limit specified for (1) above
3	Long term*	Borrowing with a time to maturity of over five years from a given date	Up to 300% of net worth. This limit should include the limits specified for (1) and (2) above.

(\* Medium and long term borrowings to be subject to prior approval of the CBO as required in CBO Circular BM/864).

The Central Bank, it may be appreciated, expected that the limits established for mobilization of foreign currency resources within these time bands would meet the foreign currency funding requirements of the locally incorporated banks sufficiently, while serving as a prudential measure to mitigate the risk these banks face from such borrowings. Central Bank also expected that the



Banks would negotiate the settlement of medium and long term borrowings progressively in installments during the life span of the loan so that the residue of the loan would not cause much strain to the bank when the maturity falls below two years.

Some of the local banks, however, have informed that certain medium term and long term borrowings negotiated by these banks are required to be settled only at maturity with a bullet payment and hence accommodation of the outstanding of such loans within the short term time band when their maturity falls below two years make it difficult for these banks to obtain short term resources required for other purposes.

In the circumstances, the Central Bank wishes to advise the local banks that they may retain only such medium or long term loans which involve bullet payments within the respective time bands up to the time of the settlement of such loans. It should also be noted that the exact period of liability of such borrowings should, however, be shown by the local banks in the statement on maturity profile of assets and liabilities submitted to the CBO on a quarterly basis.

Please comply accordingly.

Best regards,

A handwritten signature in black ink, appearing to read "Hamood Sangour Al-Zadjali". The signature is stylized and written over a horizontal line.

**Hamood Sangour Al-Zadjali**  
**The Executive President**