

CIRCULAR BM-920

November 11, 2001

To: All Licensed Banks in Oman

Sub: Adoption of International Accounting Standards (IAS) – Investment Portfolio

1. We invite a reference to Circular BM 913 dated May 5, 2001 on adoption of IAS and reporting requirements of the Capital Market Authority (CMA).

2. The IAS 39 provides option for the banks in classifying the investment portfolio into three categories viz. **held for trading, available for sale** and **held to maturity** on the basis of intent. The accounting treatments for recognition of changes in the value of securities parked under these categories are also different. While the Central Bank of Oman appreciates adoption of international accounting standards, the prudential- bias of the existing standards, evolved on the basis of specific market conditions in the Sultanate, should not be diluted either. For prudential purposes, it is decided that the Licensed Banks within the Sultanate should continue to adopt conservative standards. Further, the accounting standards followed by banks should also be uniform for meaningful analysis by supervisors and market players.

3. Accordingly, the following instructions, consistent with the market conditions in the Sultanate and the flexibility provided in the IAS 39 are mandated:
- i) Banks should carry forward only the carrying amount (written down value) of their investments as on December 31, 2000, as approved by the Central Bank of Oman, in all the three categories. In other words, banks should not restate provisions already made against erosion in the value of investments, in the past, as per the Central Bank of Oman's norms, communicated vide circular letter BSD/2000/BKUP-804/ Banks/1235 dated September 14, 2000; and
 - ii) In respect of securities held in the **available for sale** category, banks should recognise capital gains and losses only in the income statement and not directly in equity and shown as a separate component of shareholders' equity.
4. All other accounting requirements of the IAS 39 pertaining to investments should be complied with both in letter and spirit.

Best Regards,

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The Executive President

CC. **H.E. Yahya S. Abdulla Al Jabry**
The Executive President
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