

Circular BM - 930

January 29, 2002

To : All Locally Incorporated Licensed Commercial Banks in the Sultanate of Oman

Sub: **Extension of Credit Facilities by Locally incorporated Licensed Banks in the Sultanate of Oman and/or their Overseas Branches**

The Board of Governors of the Central Bank of Oman reviewed the captioned subject recently with a view to enhance safety and soundness of the Sultanate's Banking System, to protect bank depositors interests and to prevent Locally Incorporated Banks and their Overseas Branches to be exposed to unduly high risks. The review findings have made the Board of Governors to have following instructions issued to Licensed Banks.

- 1 The legal lending limitation of overseas branches of locally Incorporated Licensed Commercial Banks to a person and/or corporation (including the related interests) shall be 5% of the global net worth of a bank or the single obligor legal lending limitation imposed by the host Supervisory authority, whichever is less.
- 2 The total exposure of the bank (including that of its overseas branches) to a non-resident person and/or corporation (including the related interests) shall not exceed 5% of its global net worth.
- 3 The aggregate lending by the bank (including the lending by its overseas branches) to a person and/or corporation (including the "related interests") in Oman shall not exceed 15% of the net worth of the bank. Besides, the aforesaid facilities (including those granted by the bank's overseas branches) should be included within the lending ratio of 87.5% imposed by the CBO.

- 4 Attention is invited to Articles 2 (a) and 4 of the Regulation BM/REG/48/2/2000 issued under the cover of Circular BM 889 dated April 19, 2000. It is clarified that henceforth in the computation of the caps stipulated by the said regulation, credit extended by the overseas branches of Locally Incorporated Licensed Commercial Banks to Senior Members in the Management of the bank and their respective related business interests will be included. Provisions of all other Articles of the said Regulation including Article 1 which defines 'Networth', 'Senior Member', 'Affiliated bodies' and 'Related Business Interests' shall continue to be in force.

Further, it is to be noted for compliance that henceforth, no Locally Incorporated Licensed Commercial Bank shall allow a Senior Member in the Management of the bank, who has already exceeded the prescribed limit as explained hereinabove, to increase his accommodations further.

- 5 The "related interests", referred to in Articles 1, 2 and 3 shall be as stipulated in the Central Bank of Oman Regulation BM/REG/47/2/2000 which defines a "subsidiary and parent corporations, affiliated persons and business organizations owned or controlled by a person".

All Locally Incorporated Banks and their overseas branches will comply accordingly.

Best regards,

Hamood Sangour Al-Zadjali
The Executive President