

January 7, 2004

**CIRCULAR BM - 965**

To: All Licensed Banks in the Sultanate of Oman

**Sub: Writing-off of Non-Performing Assets (NPAs)**

As banks are aware, Article 11 of Regulation BM/REG/45/2/99 provides that banks shall write-off Non-Performing Assets (NPAs) held in the books, either by application of available provisions or from the current year's profit, when they had failed to recover the dues in part or in full and there had been no substantial recoveries for ten years continuously. The Central Bank has reviewed the present regulations and has decided to fine-tune the current system of write-offs in banks to make the procedures more transparent.

Accordingly, banks should have well-designed policies, duly approved by the Board of Directors, delineating the approach, authority, review, audit, etc of waiver of claims / write-off of NPAs. The policy should be aimed at recovering maximum salvage value through enforcement of collateral / guarantees, etc. Further, the decisions to compromise the banks' claims should be pursued only when all available remedies including legal actions against the borrowers and guarantors have been fully exhausted. The banks should also be extremely prudent in entering into compromise proposals / waiving any part of the claims with the borrowers and guarantors and all such decisions should have the approval of the appropriate authorities. Proper records should be maintained to ensure scrutiny by the Central Bank during on-site examinations. Further, the banks should disclose their policies on waiver of claims / write-offs and the amounts actually waived or written-off, in a particular year, in the respective annual financial statements, to ensure greater transparency.

Any proposal to waive or write-off NPAs, where the compromise amount involves RO 50,000 and over, should, henceforth, be referred to the Central Bank, as per the format attached, prior to waiver or write-off or entering into any agreement with the borrowers and guarantors. Only in cases where the Central Bank do not raise any objections, within 30 days of receipt of the proposals, banks can waive or write-off or enter into any agreement with the borrowers and guarantors for waiver / write-off. However, any waiver or write-off of claims is purely a commercial decision and the Central Bank will in no way be responsible for any waivers / write-offs granted by the banks.

Further, the banks should also report on quarterly basis (number of accounts, total amount involved and manner of write-off) of NPAs waived or written off, separately along with the Quarterly Monitoring Reports. First such report should be incorporated in the QMR for the quarter ending March 2004.

Best regards,

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

Encl: Format

## Attachment

### Proposal for Waiver / Write-off of Non Performing Assets (NPAs)

**Name of the Bank:**

1.	Name of the Borrower/s	
2.	Legal Status of the Borrower/s	
3.	ID No. or CR No. or Passport No. & Issue Date (as applicable)	
4.	Details of Significant Shareholders	
5.	ID No. or CR No. or Passport No. & Issue Date (as applicable)	
6.	Name of the Guarantor/s, if any	
7.	Legal Status of the Guarantor/s	
8.	ID No. or CR No. or Passport No. & Issue Date (as applicable)	
9.	Date of Original Sanction	
10.	Date of Latest Renewal / Review	
11.	Balance Outstanding	
12.	Current Classification Status	
13.	Date of placing the accounts on non-accrual basis	
14.	Reasons for Classification	
15.	Amount to be waived / written –off	
16.	Reserve Interest	
17.	Provisions	
18.	Amount to be met from Current Year's Profit	
19.	Details of Collaterals:	

a.	Cash Collaterals	
b.	Real Estate - Forced Sale Value - Market Value	
c.	MSM Securities – Market Value	
d.	Others (please specify)	
20.	Latest financial position of the Borrower/s	
21.	Latest financial position of the Guarantor/s	
22.	Steps taken by the bank in recovering the dues, in full	
23.	Reason/s for waiver / write-off	
24.	Authority approving the waiver / write-off	
25.	Summary of the proposed agreements with the borrowers / guarantors	

Authorized Signatory

Date: