

18 March 2006

CIRCULAR BM 998

**To: All Licensed Banks
Operating in the Sultanate of Oman**

After Compliments,

Re : **Master Circular on Reserve Against Deposits**

1. The attention of banks is invited to Circular BM 560 dated 17 July 1990 forwarding Regulation BM/REG/36/5/90.
2. The Board of Governors of the Central Bank, in pursuance of Article 62 of the Banking Law 2000 and in **supersession** of relative instructions on the subject (Regulation BM/REG/007/4/75, Amendment 001/7/78 thereof, Regulation BM/REG/36/5/90, Circulars BM 8 dated 31 May 1975, BM 134 dated 15 November 1977, BM 237 dated 6 May 1979 and BM 947 dated 30 December 2002, have resolved, in terms of their Decision BOG/1863/132/12/05/5 dated 25 December 2005, as under:

Each licensed bank shall maintain within the Sultanate of Oman the required reserve against deposits in Rials Omani according to the following :

- A) 3% of the bank's total daily amount of all demand deposits in the form of clearing account(s) with the Central Bank of Oman and branches thereof.
- B) 3% of the bank's total daily amount of all savings deposits in the form of clearing account(s) with the Central Bank of Oman and branches thereof.

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- C) 3% of the bank's total daily amount of all time deposits in the form of clearing account(s) with the Central Bank of Oman and branches thereof.
3. Licensed Banks (other than Oman Development Bank and Oman Housing Bank) are hereby advised to note the above for compliance-in accordance with the guidelines enclosed herewith and effective from the computation period commencing with **31 March 2006**.
4. Please arrange accordingly.

Best Regards,

Hamood Sangour Al Zadjali
The Executive President

Encl: a/a

RV/js

(Enclosure to Circular BM 998 dated 18.3.2006)

GUIDELINES ON
RESERVES AGAINST DEPOSITS

The following guidelines are intended for the effective implementation of BM Circular 998 dated 18.3.2006.

1. **Base Period Calculation of Average Net Reserve Requirements**

Averages shall be determined for each base period for demand deposits, savings deposits and time deposits of each bank in the manner prescribed in the work sheet attached herewith as Attachment 1. The Work Sheet contains instructions as to which items are to be included in each deposit category.

2. **Reports**

A report shall be submitted to the Central Bank by each bank on the fifth business day following the last day of each computation period in the form given as Attachment 2. The form shall be accompanied by the Work Sheet – Attachment 1.

3. **Deficiencies in Reserve Requirement Maintenance**

Where the average of clearing balances in any one computation period is less than the average reserve requirement established in the preceding base period, then the deficit shall be cured as follows :

- a) On the fifth business day of the succeeding computation period an amount, as derived from the report given as Attachment 2, shall be transferred from the Muscat Clearing account of the bank to an account entitled “Required Reserve Deposit Account”.
- b) On the following tenth day, the balance of the “Required Reserve Deposit Account” shall be recredited to the Muscat clearing account of the bank concerned.

4. **Sanctions**

A bank which incurs a deficit in any computation period or which otherwise fails to comply with this Circular is liable to sanctions under Article 14(g) of the Banking Law 2000 and Regulations and instructions issued thereunder.

5. **Effective Day**

All licensed banks shall comply with these provisions, as regards Reserve Maintenance, commencing with the computation period 31 March 2006 to 27 April 2006 (4 weeks).

ATTACHMENT 1

| | | | | | |
|---|---------------------------------|---------------------|----------------|-------------|--------------|
| RESERVE REQUIREMENT DETERMINATION | | WORK SHEET 1 | | | |
| BASE PERIOD | From.....To.....(Weeks) | | | | |
| COMPUTATION PERIOD | From.....To.....(Weeks) | | | | |
| BANK NAME : | | | | | |
| 1. RESIDENT DEPOSITS : THURSDAY TOTALS | | | | | |
| Date | Day | Demand | Savings | Time | Total |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| TOTALS | | | | | |
| A. PERIOD AVERAGE* | | | | | |

| | | | | | |
|--|-------------|---------------|----------------|-------------|--------------|
| 2. NON RESIDENT DEPOSITS : THURSDAY TOTALS | | | | | |
| Date | Day | Demand | Savings | Time | Total |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| | Thu. | | | | |
| TOTALS | | | | | |
| B. PERIOD AVERAGE* | | | | | |
| C. TOTAL PERIOD AVERAGE (A+B) | | | | | |
| REQUIRED RESERVE – 3% ** OF TOTAL PERIOD AVERAGE RESIDENT AND NON-RESIDENT DEPOSITS | | | | | |

* To obtain period average divide by 4 for 4 week period and 5 for 5 week period.

** Transfer to Reserve Requirement Maintenance Report (Attachment 2).

We certify the accuracy of the above calculation.

Bank Stamp

Authorised Signatures

ATTACHMENT 2

| RESERVE REQUIREMENT MAINTENANCE REPORT | | | | | | | | | |
|--|------|----------------------------|--------------|-----|-----|-------------------------------|---|----------------|---------------------------------|
| COMPUTATION PERIOD | | From.....To.....(Weeks) | | | | | | | |
| BASE PERIOD | | From.....To.....(Weeks) | | | | | | | |
| BANK NAME : | | | | | | | | | |
| Minimum Required Reserve from Work Sheet 1* | | | | | | | *Times 28 (4 week) | | |
| Reserve Aggregate for Period | | | | | | | Times 35 (5 week) | | |
| Line | Date | Day | Clearing A/C | | | Cumulative Available Reserves | Difference | Days Remaining | Average Required Days Remaining |
| | | | Sal | Soh | Mus | | | | |
| 1. | | Fri. | | | | | | | |
| 2. | | | | | | | | | |
| 3. | | | | | | | | | |
| 4. | | | | | | | | | |
| 5. | | | | | | | | | |
| 6. | | | | | | | | | |
| 7. | | | | | | | | | |
| 8. | | | | | | | | | |
| 9. | | | | | | | | | |
| 10. | | | | | | | | | |
| 11. | | | | | | | | | |
| 12. | | | | | | | | | |
| 13. | | | | | | | | | |
| 14. | | | | | | | | | |
| 15. | | | | | | | | | |
| 16. | | | | | | | | | |
| 17. | | | | | | | | | |
| 18. | | | | | | | | | |
| 19. | | | | | | | | | |
| 20. | | | | | | | | | |
| 21. | | | | | | | | | |
| 22. | | | | | | | | | |
| 23. | | | | | | | | | |
| 24. | | | | | | | | | |
| 25. | | | | | | | | | |
| 26. | | | | | | | | | |
| 27. | | | | | | | | | |
| 28. | | Thu. | | | | | | | |
| 29. | | | | | | | | | |
| 30. | | | | | | | | | |
| 31. | | | | | | | | | |
| 32. | | | | | | | | | |
| 33. | | | | | | | | | |
| 34. | | | | | | | | | |
| 35. | | Thu. | | | | | | | |
| For Central Bank Use: | | | | | | | Bank Stamp & Authorised Signature | | |
| Debit Clearing Account | | <u>Difference(Deficit)</u> | | | | | | | |
| Credit Required Reserve | | 10 | | | | | | | |
| Deposit Account | | - RO | | | | | | | |

COMPILATION INSTRUCTIONS

1. Submit Attachments 1 and 2, duly signed and stamped in duplicate.
2. Submission is to be made on the fifth business day following the end of computation period.
3. On first day of computation period add Salalah, Sohar and Muscat Clearing Balance columns to produce cumulative available reserve column figure.
4. On subsequent days add Salalah, Sohar and Muscat Clearing balance figures to previous day's cumulative available reserve figure to provide new cumulative available reserve figure.
5. Deduct cumulative available reserve figure from figure on the line entitled "Reserve Aggregate for Period". The balance remaining is then inserted under the difference column for the day of calculation.
6. The calculation described in 5 above may be cross checked by taking the daily total for Salalah, Sohar and Muscat Clearing balances from the previous days difference total.
7. Days remaining reduce from 34 for a five-week period or 27 for a four - week period.
8. Average required days remaining are obtained by dividing the difference column figure by the days remaining column figure. This product is the daily average balance required on clearing accounts over the remainder of the computation period.
9. These calculations must be carried out daily once all figures from branches have been received for the base period. Banks will observe that daily calculation will ensure awareness of possible reserve deficits in ample time to ensure they do not occur.
10. The method of computation gives banks the balance requirement for the last day of the computation period one day ahead.

11. Banks must note that any amount held on a “Required Reserve Deposit Account” must not be added to clearing balances for either Muscat, Salalah or Sohar.
12. For Fridays or other non business days use previous business day’s figures.
