

26 March 2009

CIRCULAR BM 1057

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

After Compliments,

Re: Prize Schemes

1. While Central Bank of Oman is pleased to observe competitive deposit mobilization drives of licensed banks, it observes that significant rise in number of prize schemes, particularly involving prizes in kind, provides more scope for lack of transparency in running of the schemes as well as return on deposits. Besides, forced prizes restrict scope for the depositors to make use of the return as they may desire.
2. With a view to address issues involved and to bring about greater transparency and customer choice, the Central Bank has since decided to **prohibit offer of prizes in kind and to restrict prize schemes, if chosen, to cash only** – but for the following exceptions:
 - i) Prize schemes, already launched in kind, may be run for the remaining course of the schemes (publicized period or the remaining period of 2009, whichever less).
 - ii) Small prizes in kind (with no focus on brand items) may be offered (these are likely to be more in the nature of tokens in recognition of customer loyalty campaigns).
3. The Central Bank adds the following in this connection:
 - i) Conceding prize schemes in **cash** does not mean encouragement of such schemes by the Central Bank. The Central Bank, ultimately, believes that straightforward deposit schemes are more transparent and need to be given preference.

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- ii) Banks need, preferably, to offer and make publicized offer of interest-bearing deposit products. Any publicity of prize schemes should make reference to availability of interest-bearing products (with relevant features like interest rate, periodicity of interest accrual etc., as much as possible).
- iii) All prize schemes shall have appropriate internal approvals based upon sound policies and strategies and be conducted to adhere to due diligence requirements, meeting any external approvals and conditions applicable, control and audit. Banks shall not extend prize schemes on loan products (other than credit cards as payment instruments) and remittances.

While there may be certain premium product schemes open permanently, focused prize schemes offered need to disclose the period for which the schemes are to run so as to enable the public to make informed decisions. Obviously, banks should not end schemes or change conditions abruptly against the interests of the existing customers.

- iv) Banks shall continue to seek prior approval from the Central Bank whenever there is a basic change in the product or scheme, deviant of current ones/market practices or whenever they have doubt. Such references should be made in time for the Central Bank to consider and communicate decisions.
 - v) Banks should account for and disclose costs incurred for prize schemes appropriately.
4. The Central Bank advises the licensed banks to appreciate the objectives of the above decision and ensure that required transparency, moderation and diligence are paid due attention in all matters in the interests of all stake-holders without the need for the Regulators to intervene. Not only prize schemes but also all other

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products, services and dealings of licensed banks should have the hallmark of professionalism and add image and respectability expected of the financial sector/institutions licensed by the Central Bank.

Licensed banks need to exercise delegated discretion in good faith and with prudence and restraint and, predominantly, compete, in a healthy manner, based upon the range and quality of services and measurable benefits.

Best Regards,

Hamood Sangour Al Zadjali
The Executive President

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