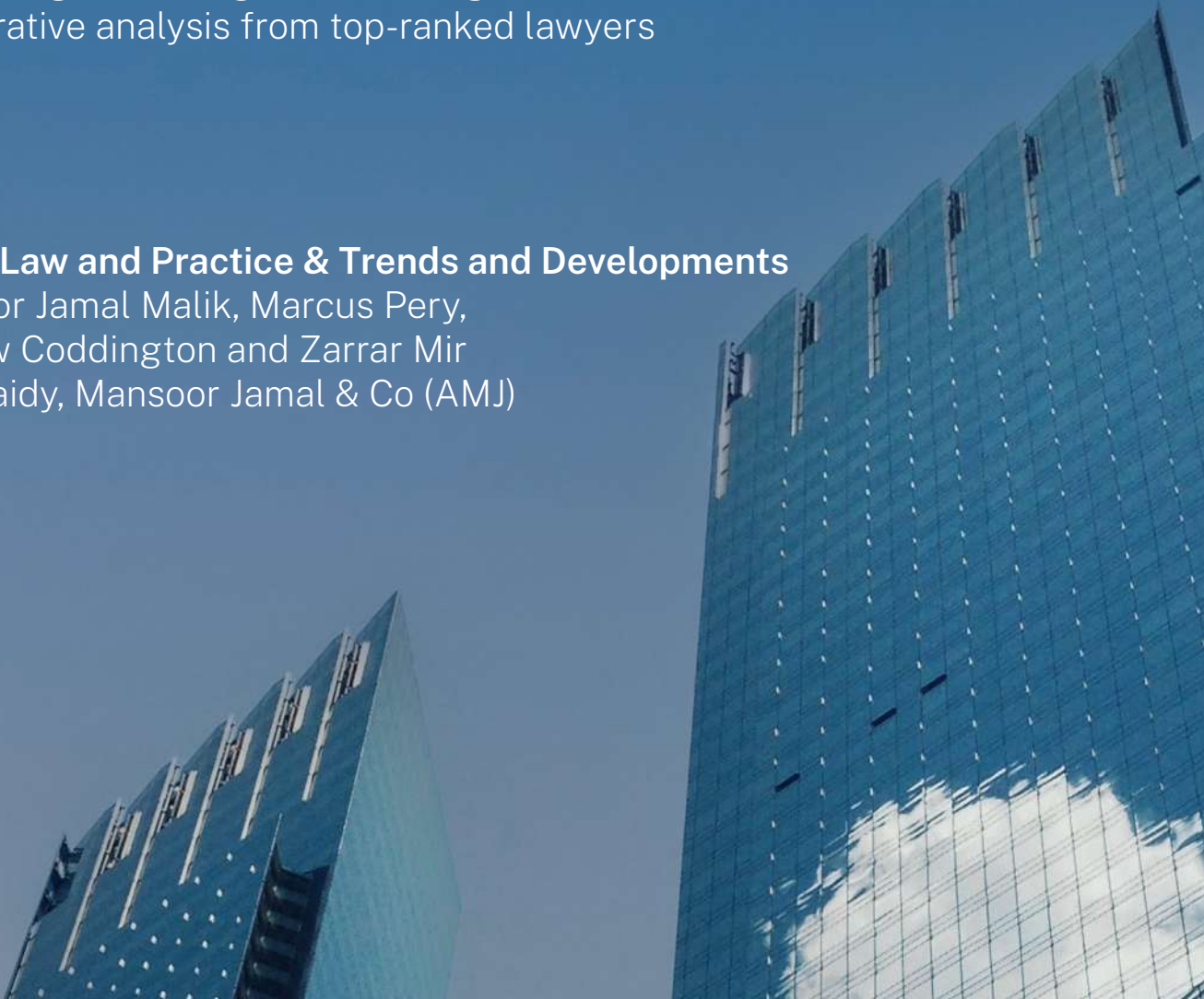

CHAMBERS GLOBAL PRACTICE GUIDES

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Oman: Law and Practice & Trends and Developments

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OMAN



Law and Practice

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Al Busaidy, Mansoor Jamal & Co (AMJ) is an independent, award-winning, full-service law firm of international standard that has been established in Oman for over 40 years. The firm has one of the largest, most diverse practices in Oman, with a 30-strong resident team of lawyers comprising eight partners, experienced solicitors, barristers, Arab law specialists and Omani advocates, backed by a 28-strong support team. The firm's solicitors and barristers, trained in the UK, US, Commonwealth and leading legal jurisdictions in the MENA region, include most of

Oman's elite legal practitioners, recognised for their involvement in precedent-setting, award-winning cases that are "first of a kind" deals and projects in Oman and the region. They combine a wealth of experience of international practice with in-depth local knowledge and advanced linguistic capability, to act effectively on behalf of clients ranging from government and state-owned enterprises to multinational, blue chip companies, financial institutions, start-ups and foreign investors.

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AL BUSAIDY, MANSOOR JAMAL & CO.
—BARRISTERS & LEGAL CONSULTANTS—

1. Legal Framework

1.1 Key Laws and Regulations

The Banking Law (Royal Decree 2/2025, replacing Royal Decree 114/2000, the previous banking law) is the primary banking legislation in Oman. The Central Bank of Oman (CBO) is the designated regulator of the banking sector. Pursuant to its powers under the Banking Law, the CBO has issued a number of regulations, circulars and directives, all of which, collectively with the Banking Law, regulate the banking sector in Oman.

Banks in Oman may also engage in various activities relating to the field of securities, which are regulated by the Financial Services Authority (FSA). The principal laws governing the provision of services relating to the field of securities include the Securities Law (Royal Decree 46/2022) and the Executive Regulations of the Capital Market Law (CMA Decision 1/2009) (the “Executive Regulations”). The Securities Law repealed the earlier Capital Market Law, however the Executive Regulations issued under the earlier Capital Market Law are still in force until such time as new regulations under the Securities Law have been issued.

2. Authorisation

2.1 Licences and Application Process

The Banking Law and regulations apply to locally incorporated banks (to be Omani listed companies) as well as foreign banks incorporated in other jurisdictions that are granted a licence to establish a branch in

Oman. Application for setting up a new bank in Oman (whether a local bank or a branch of a foreign bank) is a two-stage process.

Application Process

Stage 1

Stage 1 involves the sponsor submitting an application for the granting of a licence to establish the proposed bank in Oman. This entails submission to the CBO of:

- a completed application form for the banking licence;
- if an Omani entity, proof that the proposed bank will take the form of a public joint stock company, together with a copy of its proposed memorandum of association drafted in accordance with the provisions of the Commercial Companies Law;
- if a foreign entity, a copy of its memorandum or articles of association, and evidence that it is authorised to conduct banking business in its home country;
- an “action plan” that includes information on the geographical and commercial groups that the applicant will serve, the extent to which those groups need the banking services it will provide, and any other information stipulated in the regulations and decisions issued by the CBO;
- payment of the prescribed fee;
- a pro forma balance sheet;
- payment of application fees for issuance of the banking licence in the sum of OMR6,000 for the head office and OMR600 for each branch; and

- a list of names of all members of senior management who will be employed in Oman, as well as their CVs.

Following receipt of an application with all the supporting documents, the CBO is required to make a decision in relation to the application for a banking licence within 90 days of completion of the application (previously 120 days). This also applies in relation to licence applications for bank branches. A lack of response from the CBO within the 90-day period is now deemed to be an acceptance of the application, rather than a rejection, as previously.

A foreign bank that is not licensed in Oman may now open a representative office, provided it obtains a licence from the CBO to do so, pays the requisite fee, and only if:

- it does not have a branch in Oman;
- its activity is limited to studying markets and investment opportunities and acting as a link between its head office abroad and banks in Oman;
- it does not engage in banking business, financial activities or any other activities in Oman that are subject to another regulatory authority; and
- such representative office remains under the control and supervision of the CBO.

Stage 2

Following notification by the CBO of its approval of a licence application, the applicant has 360 days within which to commence operations. If the applicant does not commence banking business within that time period, its licence will automatically be revoked unless the CBO agrees to extend this period.

One of the key tasks during Stage 2 is for the applicant to complete its corporate structuring formalities, which include incorporating the company (or registering the foreign entity) in Oman and completing all related formalities. As banks are required to be public joint stock companies, the process of an initial public offering must also be completed.

Other key tasks include leasing premises where the bank proposes to undertake its banking business,

and obtaining all the necessary clearances from the municipality concerned and the Royal Oman Police. Once all the conditions required by law have been fulfilled, the bank may commence banking operations.

Types of Licence

The CBO issues banks with a commercial banking licence which authorises the licensed bank to undertake all banking activities and functions within the meaning of “banking business” as defined in Article 49 of the Banking Law (with the exception of Islamic banking, digital banking and investment banking activities, for which, in each case, a separate licence is required).

Investment banking

Licensed banks require prior approval from the CBO if they intend to carry out investment banking activities with regard to securities. This could include financing companies providing project advisory services, investment brokerage, investment advisory services, investment management, underwriting of stock issues, trust or fiduciary services, and brokerage activities. These all constituted investment banking activities under the previous legislation, with regard to which, the Banking Law clarifies that the licensed bank must obtain the prior approval of the CBO before obtaining a licence from the FSA for the conduct of any securities-related activities regulated by the FSA.

Digital banking

The Banking Law defines a digital bank as being a licensed bank conducting banking business through digital platforms or channels using modern technological techniques. It further provides that digital banks are regulated by the CBO pursuant to provisions yet to be issued by the CBO. The regulatory framework for digital banks allows for a 90-day period for the CBO to approve or reject an application, with the establishment process needing to be completed within one year of in-principle approval.

Islamic banking

The Banking Law sets out a framework for Islamic banking in Oman, including provisions relating to licensing, governance (in accordance with Sharia principles), and financial instruments such as sukuks. The Banking Law changes very little of the regime previ-

ously applicable to Islamic banking business, with the following exceptions.

- Article 130 of the Banking Law now allows Islamic banks to establish and own special purpose vehicles, as well as to own, sell, buy or rent real estate property (which is often a core component of Islamic finance structures).
- Article 129 also allows conventional banks to convert Islamic windows into local Islamic banks through its subsidiaries.

As noted above, a separate Islamic banking licence issued by the CBO allows a bank to provide Islamic banking products and services to its customers within the regulatory regime of the Islamic Banking Regulatory Framework (IBRF) issued by the CBO.

With regards to investment banking, CBO Circular BM 720 and Regulation BM/REG/38/04/94 (the “CBO Investment Banking Regulations”) provide a framework for regulating certain “investment banking” activities, as listed in the CBO Investment Banking Regulations, which may be undertaken by banks subject to obtaining an investment banking licence.

Article 4 of the CBO Investment Banking Regulations provides for “investment banking activities” to comprise the following, for which an investment banking licence will be required:

- Corporate finance – the financial advisory services relating to the public raising of capital on the Muscat Stock Exchange (“MSX”), loans, and M&A of, or by, publicly quoted companies. This includes the preparation of prospectuses relating to such activities.
- Project finance – the preparation of detailed plans, analyses and forecasts for the financing of projects and for raising capital on the basis of the forecasts through limited circulation of the prospectus to unconnected third parties.
- Investment brokerage and investment advisory services – the offer of brokerage services, in or from Oman, for the purchase and sale of securities on an agency basis and the offer of investment advisory service to clients for the following: (i) securities

quoted on the MSX; and (ii) securities approved by the CBO.

- Investment management (discretionary) – the provision of a fully discretionary investment management service subject to a discretionary management agreement for the following: (i) securities quoted on the MSX; and (ii) securities approved by the CBO.
- Underwriting of securities –
 - (a) lead underwriting: contracting with an issuer of stock or debt finance and guaranteeing the part or total placement of the issue, whether private or public, for a fee; or
 - (b) sub-underwriting: contracting with a lead underwriter and guaranteeing the part placement of an issue, whether private or public debt or equity, for a fee.
- Custodian and fiduciary services – the acceptance and administration of securities in safekeeping, and the exercise of trustee functions for third parties.

In this respect, there is some overlap between activities that fall within the domain of “investment banking”, which is regulated by the CBO, and activities in the “field of securities”, which are regulated under the Securities Law by the FSA. The following activities, as set out in Article 21 of the Securities Law, require a licence from the FSA:

- intermediation (brokerage);
- market making;
- custodianship;
- asset management;
- margin financing; and
- investment banking.

Should there be any overlap between the CBO and FSA in respect of an activity that a licensed bank intends to undertake, the bank is required to obtain the necessary licences from both the CBO and FSA before undertaking such activities.

3. Changes in Control

3.1 Requirements for Acquiring or Increasing Control Over a Bank

Banking Law Restrictions

All local banks in Oman are required to be established as public listed companies (unless they have a specific exemption, pursuant to a Royal Decree). The Banking Law (Articles 68 to 71) provides a number of restrictions on the transfer of shares in banks, as summarised below:

- a notification requirement if between 5% and 10% of the issued voting share capital of a bank is to change ownership;
- prior approval from the CBO if more than 10% of the issued voting share capital of a bank is to change ownership; and
- prior approval from the CBO will be required for a commercial company or other business entity holding 10% or more of the voting shares, or the equivalent thereof, of a licensed bank to merge into, or combine with, or effect a consolidation with, any other business entity; or to issue, authorise or record the transfer of any interest that in itself is in excess of 25% of its outstanding voting shares, or the equivalent thereof, to any person or any group of persons acting jointly or to a common purpose.

Limits on Shareholdings

Additionally, the CBO has established the following limits on shareholdings by an individual or corporate entity and its related parties in a bank:

- an individual shareholder together with related parties may hold up to 15% of the voting shares in a bank;
- an incorporated body (other than a joint stock company) together with its related parties may hold up to 25% of the voting shares in a bank; and
- a joint stock company or holding company, together with its related parties, may hold up to 35% of the voting shares in a bank (the CBO has in the past extended this definition to include foreign joint stock companies).

If a proposed transaction results in the merged entity acquiring more than 35% of the market share of the relevant business sector, then it will be necessary to secure a competition/merger approval from the Ministry of Commerce, Industry and Investment Promotion, which regulates competition matters under the Competition Law (Royal Decree 67/2014).

The Takeover Code

As most banks in Oman are Omani listed companies, any acquisition of more than 25% of the shares of a listed company would trigger the Omani Takeover Code (CMA Decision 2/2019). In terms of the letter of the law, the Takeover Code provides that any acquisition of more than 25% of the shares of a listed company may only be effected through a mandatory tender offer (MTO) which is made to all shareholders of the company. The Takeover Code does not recognise any concept of a direct block transfer/sale of shares and instead requires that the MTO is made to all the shareholders so they can acquire shares on a pro rata basis, and so that if a buyer intends to acquire 51% of the shares in a bank held by a certain shareholder, it will need to make an offer to acquire a higher percentage of shares, in order to allow for a margin to cater for acceptances by shareholders other than the primary selling shareholder. Having noted the above, in a number of precedent deals in Oman, the FSA has provided exemptions to acquirers from the requirements of an MTO set out in the Takeover Code, and has also permitted acquirers to enter into direct bilateral deals of more than 25% shareholding.

4. Governance

4.1 Corporate Governance Requirements

Pursuant to CBO Circular BM 932, the CBO has prescribed a Code of Corporate Governance for Banking and Financial Institutions which sets out the principles of role, responsibility and accountability of the board of directors and senior management of licensed banks operating in Oman. In the case of a branch of a foreign bank operating in Oman, such branch would not have a board of directors and accordingly, the provisions relating to boards of directors would not be applicable, although the provisions relating to the CEO/manager will be applicable.

In addition to the above, all public listed companies are required to comply with the Code of Corporate Governance for Listed Companies (CMA Decision 27/2021) (the “Code”), which is a comprehensive code on corporate governance. The Code is binding on all public listed companies and, as locally incorporated banks operating in Oman are public listed companies (with one exception), the CBO has specifically directed listed banks to comply with the provisions of the Code. In summary, the Code provides a legal framework and clarifies the principles for the management and control of listed companies and, among other things, outlines the composition of the board and its committees, as well as the functions and powers attributed to them.

4.2 Registration and Oversight of Senior Management

In accordance with the Banking Law, a licensed bank’s CEO and other senior management staff can only be employed by the bank if such appointment has been approved by the CBO, and the proposed personnel satisfy the CBO’s “fit and proper” criteria, outlined below.

“Fit and Proper” Criteria

CBO Circular BM 954 provides that the CBO requires licensed banks to ensure, before seeking the CBO’s approval for the appointment of senior management members, that the proposed appointee meets the following “fit and proper” criteria:

- the person has not been convicted of any crime, unless cleared by a judicial authority;
- the person has not committed an offence involving fraud or other dishonesty or violence;
- the person has not acted in contravention of any statute of the Sultanate of Oman or abroad, or provisions thereof established for the purpose of protecting members of the public from financial loss due to dishonesty, incompetence or malpractice by the person concerned;
- the person has not been involved in any deceptive or oppressive practices (whether lawful or not) which would cast doubt on their integrity and that of the business; and
- the person has not been involved or associated with any other business practices, or otherwise

conducted themselves in such a way as to cast doubt on their competence and soundness of judgement.

In addition to the above, licensed banks are required to look into the previous conduct and activities in business and financial matters of the proposed appointee and take into account other positions held by such person, as well as consider their financial solvency, qualifications, experience and expertise in the relevant position they are proposed for.

Other Documentation

The process of obtaining the CBO’s approval involves submitting the CBO’s prescribed application form along with the profile/CV of the proposed appointee, together with supporting documentation (which includes undertakings from the bank as well as the proposed appointee regarding the appointee’s experience/qualifications, etc). In the case of the incorporation of a new bank, the appointment applications must be submitted to the CBO at the same time as the banking licence application. In all subsequent cases, applications are submitted as and when a vacancy arises which has to be filled.

The CBO has the discretion to reject any proposed appointee or to displace any director, executive officer, general manager or deputy general manager by passing a direction in the interests of depositors and customers of the bank.

Omanisation Targets

Furthermore, in accordance with CBO Circular BM 1105, banks are also required to achieve and maintain the following Omanisation targets in each cadre of staff, in addition to achieving the overall Omanisation target of 90%:

- senior/top management – 80%;
- middle management – 90%; and
- clerical/non-clerical staff – 100%.

4.3 Remuneration Requirements

Through Circular BM 1135, the CBO has issued instructions to all banks operating in Oman to comply with the “Sound Compensation Principles and Standards” issued by the Financial Stability Board

(FSB) regarding the reward/compensation of senior management. The Circular provides that, in order to protect the financial stability of banks, to avoid losses likely to arise from giving excessive rewards to senior management, and to streamline the applicable processes, it is necessary for banks to strike a balance between risks and rewards. All banks are required to have a remuneration committee of the board of directors in order to decide on the remuneration of senior management in line with the FSB's "Sound Compensation Principles and Standards", without the need for the CBO's involvement.

With respect to branches of foreign banks, the circular states that foreign banks should review their policies/practices as required, however, it does not provide any other guidance.

It is also important to note the various limitations on remuneration payable to directors of listed companies (given that the majority of banks operating in Oman are listed companies). Article 129 of the CMA's Executive Regulations for Listed Companies (MD 27/2021) (the "SAOG Regulations") stipulate that the sitting fees of directors and subcommittees are to be approved at the company's ordinary annual general meeting, provided that the sitting fees are not more than OMR10,000 for each director per annum.

With regard to directors' remuneration, this can only be paid from the net profits of the company after the deduction of taxes, legal and optional reserves, and the funds allocated from the profits for capitalisation and dividends. Directors' remuneration should also be approved by the ordinary general meeting, provided that:

- it does not exceed OMR300,000 per annum for a company that realised net profits equal to or exceeding the profits realised in the previous financial year, where the company has no accumulated losses or losses in the capital; or
- it does not exceed OMR150,000 per annum for a company that realised net profits less than the profits realised in the previous financial year, where the company has no losses in capital.

5. AML/KYC

5.1 AML and CFT Requirements

The cornerstone legislation governing AML/CFT in Oman is the Anti-Money Laundering and Combating Terrorism Financing Law (Royal Decree 30/2016) ("AML/CFT Law"). The AML/CFT Law and the Executive Regulations of the AML/CFT Law ("AML Executive Regulations") seek to counter money laundering and the financing of terrorism activities in Oman.

The AML/CFT Law applies to banks/financial institutions, non-financial businesses and professions and non-profit associations. Banks are obliged to retain records, documents, information and data relating to the identity of actual clients and beneficiaries, and their activities and transaction records, in a way that facilitates retrieval upon request in accordance with the provisions of the AML/CFT Law for a period of ten years commencing from the date of:

- conducting or initiating the transaction; or
- expiry of the business relationship; or
- completion of the transaction, of a customer with whom it has no business relationship.

Upon request, a bank will provide these records and documents to the judicial authorities, the National Financial Information Centre and other regulatory bodies (including the CBO). Banks may keep authenticated copies of these records, documents, information and data. Under the AML/CFT Law, banks are obliged to notify the National Financial Information Centre immediately in the event of any suspicion, or existence of reasonable grounds for suspicion, that any funds routed through the bank relate to the proceeds of crime, money laundering or terrorism financing ("Proceeds of a Crime"). The AML Executive Regulations specify the records, documents, information and data that must be retained.

The AML/CFT Law and Executive Regulations set out a number of obligations regarding checks that a "covered institution" is required to undertake, namely:

- correctly identifying the relevant counterparties, clients and beneficiaries to a transaction;

- determining whether a client or beneficial owner is a politically exposed person (PEP) and carrying out further due diligence for PEPs; and
- undertaking further due diligence in respect of any party for whom it opens a bank account.

Banks are not permitted to open anonymous accounts or accounts under assumed or fictitious names or numbers or codes and are not permitted to provide any services to such accounts. Banks are required to undertake the necessary due diligence to identify their clients, using reliable and independent sources, documents, data and information in the following cases:

- before establishing a business relationship;
- before carrying out a transaction for a customer with whom the bank does not have an established business relationship;
- before executing a wire transfer for a customer with whom the bank does not have an established business relationship;
- where there is suspicion of a crime of money laundering or terrorism financing; and
- where there are doubts concerning the accuracy or adequacy of information and/or documentation received from the potential and/or existing customer.

It is also important to monitor all existing relationships and client transactions on an ongoing basis to ensure that information regarding such relationships is consistent with the client due diligence information held on file for that client.

6. Depositor Protection

6.1 Deposit Guarantee Scheme (DGS) The Bank Deposit Protection Law (Royal Decree 47/2024)

The Bank Deposit Protection Law (BDPL) was promulgated in October 2024 to replace the previous Bank Deposit Insurance Scheme. The BDPL sets out a framework for protecting deposits in both the conventional and Islamic banking sectors in the event of the default of a licensed bank or financial institution. One of the aims of the BDPL framework is to safeguard depositors and enhance public confidence in

the financial system in Oman. Specialised funds and strict regulatory requirements ensure a safe environment for depositors, with all eligible deposits automatically covered under the system.

As noted by the CBO, the main objectives of protecting bank deposits include:

- providing comprehensive protection of deposits to encourage savings;
- enhancing confidence in the soundness of the financial position of the banking sector in Oman; and
- minimising the effects of systemic risks in the banking sector.

Further, the BDPL provides comprehensive protection cover for specific deposits with banks operating in Oman. It aims to compensate depositors without delay, especially those with relatively small savings. This has the effect of ensuring that the system operates to bridge the financing gap until the liquidation procedures in relation to the failed bank are finally resolved. The CBO supervises the system.

Eligibility of deposits

The accounts eligible for protection under the framework set out in the BDPL include savings deposits, current accounts, call deposits, time deposits, government deposits, deposits of trust funds and pension funds, or any other deposits of a similar nature, and any other deposits determined by the CBO.

The BDPL sets out a limit for insured eligible deposits, capped at OMR20,000 per depositor (although this limit may be amended by the CBO, according to prevailing economic and financial conditions). This limit applies to various types of accounts, covering individual and corporate depositors. If a depositor has more than one account with the same defaulting bank, the amounts deposited in all accounts eligible for coverage are aggregated to calculate the compensation amount. Accounts eligible for coverage in relation to the same depositor over different banks are dealt with independently, so the depositor could receive the maximum compensation amount of OMR20,000 from each bank.

Certain deposits are excluded from the coverage noted above, including deposits held by bank executives, external auditors and affiliated companies of the depositors. The payment of compensation to depositors must be made within seven business days of a bank's liquidation or suspension, thus ensuring swift resolution for depositors.

Funds

The BDPL has established two independent funds: the Takaful Fund for the Protection of Deposits with Licensed Islamic Institutions (the "Takaful Fund") and the Insurance Fund for the Protection of Deposits with Licensed Conventional Institutions (the "Conventional Fund"). Both funds have the same aim of compensating depositors in the event of a bank failure, with each fund initially capitalised at OMR10 million. The CBO contributes half of the capitalisation of each fund and the balance comes from licensed banks or Islamic financial institutions (as appropriate in relation to each fund).

The CBO will exercise ongoing regulatory oversight over both funds to ensure they remain adequately capitalised and properly managed. Financial institutions (in both the Islamic and conventional sectors) must also make annual contributions that are proportional to their total respective deposit balances to maintain the capitalisation of the funds. Additionally, the Takaful Fund is required to comply with Sharia principles, in managing its affairs and investing its funds (including the operation of this fund being subject to Sharia audit by independent auditors appointed by the CBO's Board of Governors).

Management

The BDPL sets out strict governance standards for both funds. A management committee is appointed by the CBO and is responsible for overseeing each fund's operations. Regular audits and annual reporting requirements have been introduced to maintain transparency. Fund performance reports must also be made available to the public on a regular basis.

Licensed financial institutions are subject to various penalties for non-compliance, including fines, suspensions, or removal from the commercial registry. Where financial institutions do not make any required fund

contributions, the CBO is authorised to deduct overdue amounts from their accounts held with the CBO or to impose fines.

7. Prudential Regime

7.1 Capital, Liquidity and Related Risk Control Requirements

Basel III Standards

The CBO has directed all banks to comply with the Basel III Standards and has issued a number of circulars and guidelines on adherence to and compliance with the various requirements prescribed by the Basel III Standards (eg, the Net Stable Funding Ratio (NSFR)). Through CBO Circular BM 1147 and the Basel III Net Funding Ratio Guidelines issued by the CBO, the CBO has directed all banks in Oman to comply with the NSFR disclosure requirements, as set out in the Circular. The CBO's Guidelines provide guidance on the NSFR with the objective of reducing funding risk over a longer time period by requiring banks to fund their activities with sufficiently stable sources of funding. Section 2 of the Guidelines provides minimum requirements, definitions, etc. Section 3 discusses application issues for the NSFR, such as scope of application, implementation date, etc. The disclosure requirements for the NSFR are set out in Section 4 of the Guidelines, including a common template the banks must use to report their NSFR results and selected details of the NSFR components.

See the section on "Capital Requirements and Capital Buffers" below for more information regarding the capital requirements set out in the Basel III Standards.

Risk Management Rules

CBO Circular BM 955 requires all banks operating in Oman to comply with CBO's Guidelines on Risk Management Systems. The Guidelines broadly cover management of credit, the market and operational risks. Due to diversity and the varying size of balance sheet items, it may not be possible or necessary for all banks to adopt uniform risk management systems. The design of a risk management framework is required to be orientated towards the bank's own specific requirements, dictated by the size and complexity of its business, risk philosophy, market perception and

the existing level of capital. The Guidelines are purported to serve as a benchmark for banks, which are yet to establish integrated risk management systems. Banks are permitted to develop their own systems compatible with the type and size of their operations as well as their risk perception.

Capital Requirements and Capital Buffers

Through CBO Circular BM 1114, the CBO has directed all banks to comply with the CP-1 Guidelines on Regulatory Capital Under Basel III and CP-2 Guidelines on the Composition of Capital Disclosure Requirements. Banks are required to implement the capital adequacy framework under Basel III. The Basel III framework is applicable to all banks at consolidated bank level, as well as at standalone level.

Multinational banks are required to follow the more stringent of the regulations between those of the home jurisdiction and the host jurisdiction. Banks are required to ensure a total capital adequacy ratio of 12% of risk-weighted assets. Of this, Common Equity Tier 1 capital should be maintained at a minimum level of 7% and Tier 1 capital at a minimum of 9% of risk-weighted assets. A capital conservation buffer of 2.5% of risk-weighted assets, comprised of Common Equity Tier 1, is in addition to the minimum Total Capital Adequacy ratio. The counter-cyclical buffer, if required, is at a maximum level of 2.5%.

Furthermore, through CBO Circular BM 1140, the CBO has directed all banks in Oman to comply with the Concept Paper on Capital Buffer Requirements under Basel III, issued by the CBO. The Concept Paper provides, among other things, a capital conservation range table (including a counter-cyclical buffer), instructions on the release of the buffer, treatment of surplus when the buffer returns to zero, calculation of the buffer requirement, calibration of thresholds, performance of variables for signalling release of the buffer, etc.

Liquidity Requirements

Pursuant to CBO Circular BM 1127, the CBO has directed all banks in Oman to comply with the framework on Liquidity Coverage Ratio (LCR) and LCR disclosure standards. The standard LCR became effective from 1 January 2015, with a minimum ratio of 60%

which increased by 10% every year until it reached a minimum of 100% in 2019. The LCR is still understood to be at 100%.

The objective of the LCR is to promote the short-term resilience of a licensed bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for 30 days.

8. Insolvency, Recovery and Resolution

8.1 Legal and Regulatory Framework

The CBO has issued the Bank Resolution Framework (BRF), which is part of the overall regulatory and supervisory architecture of the CBO, and which has the aim of preventing a bank from reaching a phase of failure or resolution in the first instance. The BRF charts out prompt corrective actions to be taken by a bank if the capital conservation buffers are drawn down, or if there are weaknesses in liquidity, asset quality or other aspects of operation. The BRF further provides a mechanism for an institution-initiated recovery plan if the bank hits certain thresholds. Lastly, if the recovery plan fails, the BRF provides a resolution toolkit for the orderly exit of the bank, with the aim of avoiding excessive market disruption and ideally avoiding the need for any capital support from the government (other than in its capacity as a shareholder), all while at the same time preserving critical functions once it is clear that the institution is no longer viable.

The BRF has been prepared in line with the Financial Stability Board (FSB) Key Attributes of Effective Resolution Regime, which is a global standard in respect of bank recovery/resolution processes.

Pursuant to the Banking Law, the CBO is the resolution authority for all banks in Oman and it retains the power to adopt and implement any resolution measures in respect of banks licensed by it. A resolution event may be triggered if:

- in the CBO's assessment, the institution is no longer viable or is likely to be no longer viable;
- in the CBO's assessment, no action(s) other than resolution measures can be taken within a reasona-

- ble time frame, either by the institution or the CBO, to preserve the institution or its financial stability; or
- a resolution measure is necessary to preserve financial stability and safeguard the public interest.

A resolution event may also be triggered due to any systemic event which requires immediate action by the CBO. Such events could include circumstances where a bank or group of banks is unable to provide the products or services that they have contractually undertaken to provide; or if there is an actual or perceived loss of confidence in the ability of one or more banks or the financial system to continue to provide financial products or services (to an extent that could have a substantial adverse effect on the financial system and economic activity in Oman, irrespective of the event or circumstance occurring or arising inside or outside of Oman).

Article 9 of the BRF provides that the general principle to be applied in any resolution process is that “no creditor will be left worse off” than they would have been under the usual insolvency/liquidation regime.

The BRF, read with Article 230 of the Banking Law, provides that in the event of a resolution process, priority of payments will be as follows:

- Unpaid monthly wages for workers within the range of three months or OMR10,000, whichever is less, in addition to any unpaid claims relating to their other entitlements.
- The claims of the fund established to secure and protect bank deposits as a guarantor of such deposits, as follows:
 - (a) the net amount due for payment to depositors as determined by the fund;
 - (b) instalments payable to the fund;
 - (c) loans and advances due to the fund; and
 - (d) any other dues to the fund.
- All claims of the CBO.
- The claims of other creditors of the bank under liquidation, including the rights of depositors that are not covered pursuant to the Law of Bank Deposits Insurance Scheme.

9. ESG

9.1 ESG Requirements

As of the date of publication of this Practice Guide, the CBO has not issued any regulatory requirements or guidelines in relation to ESG. However, the MSX recently issued its environmental, social and governance (ESG) guidelines (the “ESG Guidelines”). The ESG Guidelines are applicable to all listed companies and therefore apply to the majority of banks operating in Oman. The ESG Guidelines align with the Gulf Cooperation Council’s GCC ESG Disclosure Metrics for listed companies published in 2022.

The ESG Guidelines encourage listed companies to voluntarily report on their ESG performance and compliance in 2024 for all ESG-related activities undertaken in 2023. Reporting is mandatory for all listed companies from the year 2025 onwards and the mandatory reports for activities undertaken in 2024, for example, had to be filed by 31 March 2025 at the latest.

As per the ESG Guidelines, the business case for ESG reporting includes several factors, such as meeting investor demands, achieving operational improvements, complying with an evolving regulatory environment, enhancing financial performance, improving reputation, and maintaining effective risk management.

The ESG Guidelines provide 30 measures to assess a listed company’s impact on environmental sustainability, social responsibility and governance matters. These measures include matters such as board diversity, labour practices, carbon emissions, etc.

From 2025 onwards, listed companies will be required to publish standalone ESG reports according to the Global Reporting Initiative (GRI) Universal Standards. These reports will be required to document changes in any performance measures, such as diversity at various institutional levels, etc.

10. DORA

10.1 DORA Requirements

DORA requirements are not applicable to Omani licensed banks.

11. Horizon Scanning

11.1 Regulatory Developments

Regulatory reforms are expected in the areas of capital markets and banking, with new regulations governing banking, sovereign debt and capital markets expected to come out in 2026. At this point in time, the most anticipated regulations are the new executive regulations of the Securities Law, which are expected to replace the current prevailing regulations issued under the now-repealed Capital Market Law. The new executive regulations of the Securities Law are expected to address, among other things, the specific activities or persons that do (or do not) require regulatory licences from the FSA, as well as those activities that FSA-licensed entities are prohibited from conducting. Given that most banks in Oman also undertake and provide various services in the field of securities, the executive regulations of the Securities Law are expected to be a major regulatory development for banks, once the said regulations are issued.

In terms of other regulatory developments, in 2024 the FSA circulated the new bonds and sukuk regulations. It is expected that the new regulations will focus on building up the regulatory infrastructure of the financial sector to cope with the current requirements of the Omani market through diversification of investment and financing instruments. The regulations are also anticipated to be aligned with the objectives of Oman's Vision 2040. According to the FSA, the key strategic objectives of issuing the new regulations will be to help enable flexible and convenient financing arrangements (both conventional and Islamic), in line with prevailing global norms.

A draft Open Banking Regulatory Framework was approved for public consultation in July 2024. This is a very important part of the process of technological development and innovation in the financial sector. Its main aim is to set up interfaces between banks and third-party providers and it includes regulations on data security and authentication.

Commencing in 2026, licensed banks will be required to disclose climate-related risks. This reflects a global shift towards decarbonisation and the potential impact on Oman's hydrocarbon-reliant sectors.

Trends and Developments

Contributed by:

Mansoor Jamal Malik, Marcus Pery, Andrew Coddington and Zarrar Mir
Al Busaidy, Mansoor Jamal & Co (AMJ)

Al Busaidy, Mansoor Jamal & Co (AMJ) is an independent, award-winning, full-service law firm of international standard that has been established in Oman for over 40 years. The firm has one of the largest, most diverse practices in Oman, with a 30-strong resident team of lawyers comprising eight partners, experienced solicitors, barristers, Arab law specialists and Omani advocates, backed by a 28-strong support team. The firm's solicitors and barristers, trained in the UK, US, Commonwealth and leading legal jurisdictions in the MENA region, include most of

Oman's elite legal practitioners, recognised for their involvement in precedent-setting, award-winning cases that are "first of a kind" deals and projects in Oman and the region. They combine a wealth of experience of international practice with in-depth local knowledge and advanced linguistic capability, to act effectively on behalf of clients ranging from government and state-owned enterprises to multinational, blue chip companies, financial institutions, start-ups and foreign investors.

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Mansoor Jamal Malik is the senior partner of Al Busaidy, Mansoor Jamal & Co. Mansoor's expertise spans all aspects of corporate and finance law. He has advised on complex projects, project finance and innovative public-

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Overview

Oman's banking sector is undergoing significant legal and regulatory modernisation to align with Oman Vision 2040's goals of economic diversification, digital transformation, and enhanced financial stability. The Central Bank of Oman (CBO) has been pivotal in driving reforms, focusing on digital innovation, customer protection, and stronger oversight. Key trends include the introduction of a new comprehensive Banking Law, frameworks for digital banks, deposit protection mechanisms, and specialised judicial processes for financial disputes. These changes aim to boost competitiveness, attract foreign investment and integrate fintech, while maintaining robust compliance and risk management. Challenges involve adapting to heightened penalties and shareholding restrictions, but opportunities arise from improved governance and financial inclusion.

Major Legal Reforms: The New Banking Law (Royal Decree 2/2025)

The cornerstone of recent developments is the New Banking Law, promulgated via Royal Decree 2/2025 and effective from 1 January 2025. This law repeals and replaces the outdated Banking Law of 2000 (Royal Decree 114/2000), introducing sweeping changes to modernise the sector. Key provisions include the following.

Expanded regulatory authority

CBO's oversight now explicitly covers digital banks (defined as institutions operating via digital platforms using advanced technologies) and investment banks, in co-ordination with the Securities Law (Royal Decree 46/2022). The CBO must decide on licence applications within 90 days (reduced from 120 days), and it regulates a broader range of financial activities, including financing, leasing, money transfers, electronic services, crowdfunding, and Sharia-compliant operations.

Licensing and structural requirements

Local banks must operate as public joint-stock companies to obtain licences and no entity can conduct banking or financial activities without CBO approval. Foreign banks may apply to establish representative offices. Securities-related activities (eg, brokerage,

underwriting, custody) require prior CBO consent, before seeking other regulatory approvals.

Foreign lending

Overseas lenders may lend to Omani borrowers through local security and facility agents, without being required to have a business presence in Oman or to be licensed by the CBO.

Governance enhancements

The law mandates independent directors, strengthens Sharia governance for Islamic banks, and allows conventional banks to convert Islamic windows into separate entities. Islamic banks can form special purpose vehicles for compliant transactions. Strict confidentiality rules apply, with disclosures limited to specific scenarios like judicial orders or client consent.

Customer protection and transparency

Banks must provide clear, fair information on products, avoid misleading advertising, and refrain from restrictive practices that limit customer access to other institutions. A price list for services must be published, and data handling is tightly regulated.

Penalties and compliance

Violations, such as unauthorised banking or confidentiality breaches, now carry steeper fines (eg, OMR1,000 to OMR5,000 per day for misuse of "bank" terminology) and potential imprisonment (ranging from three months to three years). Entities had until June 2025 to comply fully.

This law positions Oman as a more attractive hub for international banks and fintechs, emphasising innovation while safeguarding stability.

Digital Banking and Fintech Regulations

Building on the New Banking Law, the CBO issued Decision 25/2025 on 1 June 2025, establishing a dedicated Regulatory Framework for Digital Banks. This integrates digital operations into the broader reforms, promoting financial inclusion for non-banking populations.

Licensing categories

Two tiers exist: Category 1 (unrestricted banking, minimum capital OMR30 million for local banks) and

Category 2 (restricted activities, eg, deposit and lending caps, minimum capital OMR10 million). Foreign branches have CBO-determined capital requirements.

Shareholding and Omanisation

Caps on ownership (eg, 15% for individuals, 35% for joint-stock companies) prevent concentration. Omanisation targets start at 50% in year one, rising to 90% by year five. A physical presence in Oman is mandatory, but not for customer transactions.

Application and exit requirements

Applicants need a detailed business plan, financial projections, and proof of fit-and-proper status. A five-year exit plan ensures orderly wind-down without systemic disruption. Decisions are made within 90 days.

Additionally, Oman expanded digital infrastructure with the Direct Debit System in May 2025, adopted by several banks to streamline payments and support fintech growth.

Deposit Protection and Consumer Safeguards

In September 2025, the Bank Deposits Protection Law came into force, providing compensation to savers in case of bank defaults, enhancing depositor confidence. Supporting this, the CBO issued Executive Regulation (Decision CB/60/8/2025) on 26 August 2025, detailing implementation. These measures align with global standards for financial stability.

Broader Trends and Implications

Legal trends emphasise digitalisation, with open banking frameworks (approved early 2025) enabling data sharing and API integrations for personalised services. Islamic banking regulations remain aligned with Sharia principles, showing 18% asset growth. Stricter AML/KYC and cybersecurity rules are being enforced to combat risks.

These developments foster a resilient sector, with credit growth at 8.6% and deposits at 7.0% as of August 2025. However, banks face compliance burdens from new penalties and restrictions. Future outlook includes potential cryptocurrency integration and sustainability-focused regulations, positioning Oman competitively in the Gulf Cooperation Council (GCC).

Mandated Sectoral Lending/Financing Targets

The CBO issued CBO Circular BM 1212 on 29 January 2025, in which it directed licensed banks to achieve certain sectoral lending/financing targets over a period of six years (ie, by not later than 31 December 2030). Accordingly, banks are expected to set annual targets for each of the following sectors with the lending/financial targets set out against them:

- Agriculture and Fisheries – 6% annual growth rate on “existing lending/financing” or 7% of total credit/financing, whichever is higher.
- Mining – 6% annual growth rate on “existing lending/financing” or 7% of total credit/financing, whichever is higher.
- Education – 1.5% of total credit/financing.
- Healthcare – 1.5% of total credit/financing.
- Logistics and Transport – 8% annual growth rate on “existing lending/financing” or 7% of total credit/financing, whichever is higher.
- Renewable Energy – 8% of total credit/financing.
- Technology – 4% of total credit/financing.
- Tourism – 6% annual growth rate on “existing lending/financing” or 5% of total credit/financing, whichever is higher.

Clarification on interest rate limits

Article 80 of the Oman Commercial Law empowers the Ministry of Commerce, Industry and Investment Promotion (MOCIIP), formerly the Ministry of Commerce and Industry, in agreement with the Oman Chamber of Commerce and Industry (OCCI) to specify interest rate limits every year, within which interest rates on commercial credit may be charged, taking into account the term of the loan and the purposes and risks thereof. Until 15 March 1995, the Ministry of Commerce and Industry (as it was then called) had deregulated the rates of interest. However, with effect from that date, the MOCIIP specified rates for the maximum revenue that a creditor could receive on a loan or commercial debt. Article 80 gave rise to uncertainty in terms of whether or not the maximum interest rates made applicable to creditors would also apply to banks and finance companies. In 1995, the MOCIIP issued a clarification and continued to do so in its annual interest rate determinations, made through the issuance of a ministerial decision, that the rate of interest fixed by it with the OCCI would not apply to financing

made available by Omani licensed banks and financing companies. The implication of this is that foreign lending banks and financial institutions may not be covered by the clarification provided in the MOCIIP's annual interest rate determination. Consequently, when lending to borrowers in Oman, foreign banks are required to obtain specific approvals from the MOCIIP in cases where they are proposing to charge a higher interest rate than that provided in the MOCIIP's annual determination.

For the ongoing development and enhancement of the laws and regulations enforced in Oman to encourage and attract foreign investments, the most recent Ministerial Decision 409/2025 issued by the MOCIIP (published on 2 October 2025) permits creditors to charge interest at a maximum rate of 6% per annum on commercial loans, unless otherwise approved by the MOCIIP in agreement with the OCCI. In contrast to earlier ministerial decisions, which only confirmed an exemption for banks and finance companies licensed by the CBO, this new ministerial decision expressly confirms that the maximum interest rate shall not apply:

- to loans and facilities granted by financial institutions licensed by the CBO;
- to loans and facilities advanced by lenders from outside of Oman; or
- in relation to securities.

Judicial and Dispute Resolution Developments

On 1 October 2025, the new Investment and Commerce Court of Oman (ICC), established pursuant to Royal Decree 35/2025 of 23 March 2025, began operations, handling commercial and investment disputes electronically with strict timelines, intending to expedite adjudication of cases filed before the ICC. The ICC is structured under the oversight of the Supreme Judicial Council (Oman) (SJC), with its headquarters located in the Governorate of Muscat and with circuits (both primary and appellate) distributed across the country to ensure wider access.

The ICC will have exclusive jurisdiction (ie, it is the specialist forum) over commercial and investment-related disputes in which at least one party is a merchant (ie, engaged in commercial activities) and

the dispute relates to their commercial work arising from investment contracts. These include disputes between shareholders/partners in commercial companies (including listed public joint-stock companies), banking, securities, insurance, bankruptcy/insolvency and restructuring issues, intellectual property, trade secrets, competition law, e-commerce, PPP (public-private partnership) contracts, maritime sales and foreign investment matters. The ICC will not, however, handle certain disputes – eg, administrative law, labour law and rental disputes – which will remain under the jurisdiction of the existing specialised courts.

The ICC emphasises that digital filing and case management, such as filing of claims, service of process, submissions of pleadings, expert reports, etc, will all be filed through the ICC's electronic system. Where necessary, hearings may take place via video or remote means, although it is not mandatory that hearings will be necessary in all proceedings. Much will depend upon the view of the judge trying the case as to whether they think an oral hearing is required. The court can set strict timelines and limit adjournments. The law provides for a target timeline to decide cases within 90 days from the filing of proceedings (with a possible extension of up to 45 days being granted in valid circumstances).

To improve national access, the SJC decision establishes multiple geographic circuits, for example, four appellate chambers outside Muscat (Dhofar, Al Dakhiliyah, Al Batinah North and Al Sharqiyah North) and ten primary chambers in various governorates of Oman. The structure of the courts and their locations aim to reduce travel burdens and delays for litigants across Oman.

The establishment of the court aligns with Oman's broader socio-economic strategy, namely Oman Vision 2040, which emphasises diversifying the economy, improving the investment climate, and modernising the judicial infrastructure, with the ICC being part of the government's effort to boost investor confidence by offering a predictable, specialised and efficient dispute-resolution forum.

For investors and businesses, the ICC will provide faster resolution of disputes, improved legal clarity,

and centralised expertise in business/investment litigation. For the judiciary, the ICC should help reduce the burden on the general courts, with specialisation leading to higher-quality judgments in the commercial/investment domain. For the economy generally, the ICC will create a legal environment that is better aligned with international norms, for example, for foreign investment protection and corporate disputes, thereby enhancing Oman's attractiveness as a business hub.

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