

February 2011

**CIRCULAR BM**

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

After Compliments,

**Sub: Marketing of Foreign Investment Products**  
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1. Reference is invited to Article 4 of Regulation BM/REG/38/04/94 governing the investment banking activities of banks.
2. In pursuance of Central Bank's approach of progressive de-regulation, it has since been decided that licensed banks, holding investment banking licence, can market foreign investment products without seeking prior approval of Central Bank of Oman.
3. The following are the requirements to be followed by licensed banks in this regard:
  - i) Tier 3 of investment banking licence (investment brokerage and investment advisory services) is a prerequisite for undertaking the above activity.
  - ii) The above delegation is for simple and generic investment products (equity and fixed income investments) and banks shall refer any deviant products including investments in the nature of quasi-equity, subordinated liabilities etc.

While Central Bank expects banks to be diligent, banks are, specifically, advised against marketing of products in the nature of/related to derivatives, insurance, deposit mobilization for overseas banks and Islamic Banking. Needless to reiterate that high-risk/speculative/ambiguous products shall be avoided.

- iii) Licensed Banks shall have required infrastructure including qualified and trained personnel and systems; they should evolve appropriate internal policies approved by the Board/controlling offices covering, among others, appropriateness and acceptability of the products and counterparties, code of conduct for employees, processes, control, disclosure etc.
- iv) Licensed banks shall ensure that the products emanate from accredited banks/mutual funds and have the approvals of the acceptable regulators.
- v) CMA regulations/guidelines, if any, applicable in this regard shall be followed.
- vi) For the purpose of reiteration, banks are reminded on prohibition against grant of loans for the purpose of investment or against the investment and public marketing.
- vii) Banks shall not assume any liability or responsibility for the performance or otherwise of the products (but for due diligence in disclosure).
- viii) Banks shall always ensure that the product suits customers' sophistication and risk absorbing capacity. There shall be no forceful or aggressive marketing. All the risks and particulars on issuers, managers, regulators, auditors, past performance, liquidity, exit options, fees and other costs, if any, etc., shall be adequately brought to the notice of investors, beforehand and utmost transparency shall be maintained, getting due acknowledgement.

Risk disclosure should, in particular, receive special attention; along with prospectus and other relevant documents, banks should provide a brief sum up of essential details (product description, issuer, regulators, other parties involved, fees/costs, exit option, past performance and risk factors).

- ix) Proper systems shall be in place to monitor and update the customers on the performance of their portfolios, as agreed upon. If there is no such requirement in the offer arrangement, availability of sources of such information (issuers' web-site, contact details etc) should be ensured in the offer documents.
  - x) Banks should adhere to "Know Your Customer" guidelines and follow all the instructions issued relating to Combating Money Laundering and of Terrorism Financing.
4. Licensed Banks are required to submit on quarterly basis the details of all new products offered with copies of brief sum up of executive summary (as per 3 (viii) above) and the amount collected and commission earned during the quarter to the Manager, Banking Development Department within thirty days from the end of the quarter.
5. Banks are advised to be guided by above and revert to us for clarifications, if any, required.

Best Regards,

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

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