

13 May 2010

CIRCULAR BM 1068

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

After Compliments,

Re: Bank Charges

1. In supersession of Circular BM 875 dated 20th October 1999, it has been decided to stipulate bank charges, as per attachment, as **maximum** and effective from 1st June 2010.
2. Central Bank adds the following in this connection:
 - i) Central Bank's decision, as stated in earlier correspondence and in Bankers' Meeting of 27th April 2010, is in response to increased number of genuine complaints from the bank customers and is intended not to bring uniformity but to provide a benchmark within which banks need to compete healthily.
 - ii) Central Bank has adopted a deregulated approach in general and follows a consultative process. Whenever any quantitative parameters are stipulated, it takes into consideration the underlying factors. For instance, cost of funds, risk premium and return on equity have been the determinants for personal loan ceiling interest rate fixation and review. Banks, accordingly, should not treat bank charges, insurance premium etc unduly as an extra source of compensation. Central Bank appreciates banks' understanding, displayed in the Bankers' Meeting, of Central Bank's views arising out of overall public interests in this connection.

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Banks should improve technology and all means of delivery of products and services further so as to make them more efficient and cost effective.

- iii) As has been reiterated from time to time, transparency is one of the most important elements of bank services. Banks are advised to communicate their charges transparently and clearly through various modes including display in notice boards, pamphlets and electronic media, including websites. The coverage should be full and not partial. Banks need to replace existing/outdated hand-outs.

Equally important is the requirement to have the details of charges and rationale for the moderation conveyed to all members of staff including counter-staff so that tariffs are not applied across the board and discretion is exercised positively in appropriate cases, noting that Central Bank receives public grievances on automatic application of table charges even for very nominal extra services.

Banks will do well, in this connection, to introduce no-frill account with no extra charges to people, who may neither need nor afford extra services. Needless to add that accounts of pensioners, recipients of social benefits and low salaries need to be treated sympathetically on charges, besides exempting specified account-holders from minimum balance charges as stipulated.

Whenever banks make changes on existing charges, they should be within the ceiling and arrangements/agreements with the customer should provide for the same. Besides, at least a month's notice should be given.

Banks should not propose charges for such services like balance enquiries through ATMs since these are basic requirements and charges will discourage electronic banking.

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Central Bank may review charges under payment systems from time to time.

- iv) Central Bank observes many violations (of bank charges stipulations) through examination observations and complaints received.

It is the responsibility of management, audit, compliance and other designated officials of the banks to ensure adherence to stipulations with reason and understanding. Complaints Redressal System and Quality Assurance should provide review comforts. Banks should have a system to build and report data on earnings from different tariffs as a matter of management information and periodical requirements of reporting to the Board. Central Bank, too, may call for the same in future and seek public disclosure.

Banks should ensure periodic review on their own, giving up the approach that justice will be done if only sought. They should make an appropriately larger review whenever a complaint is received on excess and should make refund on all erroneous cases. Whenever there are excesses pointed out by the customer or any body else, refund should be made at the earliest (not later than a week).

So far as recovery of out of pocket expenses like valuation, registration of mortgage etc., are concerned, bank need to recover actuals. In exceptional cases, where the banks need to compensate themselves for extra inputs, charges have to be nominal in relation to the services and the break up of actuals and compensation will have to be clearly provided to the customers in advance. Statement of accounts, in this connection, should provide adequate information.

- v) It has been the Central Bank's observation that new categories of charges are being introduced by some banks, defeating the objectives of fairness and reasonableness Central Bank is seeking.

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It has, therefore, been decided that banks should seek prior approval of Central Bank whenever they propose to introduce new charges.

Also, banks, which are levying no or less of the charges listed herewith, should not treat these maximum stipulations as their entitlements and should decide on them with due consideration.

- vi) Central Bank has not interfered in most operational issues of the banks, as in the case of deposit and loan interest rates (other than personal loan interest), exchange rates, letters of credit and guarantee fee etc.

Banks shall, all the same, be prudent and moderate in all areas, noting that they have a very crucial role to play in promotion of savings, banking relationships, business and economic development and need to be user-friendly in larger interests.

- 3. Central Bank expects banks to be responsive to preserve the good image and credibility of the financial sector, noting that violations in future shall attract penalty under Regulation BM/REG/012/5/78 and instructions thereunder.
- 4. Please arrange accordingly.

Best regards,

Hamood Sangour Al Zadjali
The Executive President

Encl: a/a

RV/js

Attachment I to Circular BM 1068 dated 13.5.10

Personal Loans :

Types of Charges	Maximum Charges
Charges for topping up or rescheduling of an existing loan	RO 5
Installment Waiver charges that could be levied only if the installment is waived at the request of the customer <i>(No charges shall be levied if the bank is offering this as a gesture on various occasions such as Eid, National Day, etc.)</i>	RO 5
Charges for pre-payment or pre-closure of the loan before the actual due date	1% of the prepaid/foreclosed amount

Attachment II to Circular BM 1068 dated 13.5.10 (Page 1)

Account Operations :

Types of Charges	Maximum Charges
Minimum Balance Charges in respect of Savings Accounts (Minimum balance prescribed not to exceed RO 100)	Bz. 500 per month
Minimum Balance Charges in respect of Current Accounts (Minimum balance prescribed not to exceed RO 200)	Bz. 500 per month
<i>No charges shall be levied under this head if the account is maintained for the purpose of receiving Pension and other Social Support Allowance being granted by the Government to Pensioners and disabled persons. No charges shall be levied resulting in balance becoming debit.</i>	
Issue of any Certificate by the bank to its customers such as Balance Confirmation, Nil Liability or No Due Certificate etc.	RO 2 per certificate
Cheque Return Charges There shall be no penalty for cheque return on account holder presenting cheque for collection (Refer Circular BM 730 dated 4.7.1994)	RO 15 (minimum RO 10/-)
Stop Payment of Cheques (either single cheque or bunch of serially numbered cheques) This ceiling applies also to cancellation of Stop Payment instructions	RO 5
Photocopy of paid cheque	RO 2 if the cheque is within one year period and RO 3 if the cheque is more than one year old
Dormant Accounts	Nil charges, if the account has the prescribed minimum balance RO 1 per half year or RO 2 per year if the account does not have the minimum balance.

Attachment II to Circular BM 1068 dated 13.5.10 (page 2)

Types of Charges	Maximum Charges
Closure of Accounts	No charges are to be levied, if the account is more than one year old. RO 3 if the account is closed within one year.
Collection of Outstation Cheques	Bz. 500 to be shared equally by the collecting bank and the paying bank.
Cheque Leaves	RO 1 per book of 10 leaves RO 2 per book of 25 leaves RO 3 per book of 50 leaves RO 5 per book of 100 leaves
ATM Cards New Cards Supplementary Cards Replacements Annual fee for Debit Cards (Refer Circular BM 996 dated 20/2/2006)	RO 1 RO 2 RO 2 RO 1
Cash Withdrawal through ATM of the other network within Oman Switch	Bz. 100
Bank Statements (other than normal periodicity as agreed)	RO 5 p.a. for monthly statements RO 20 p.a. for weekly statements RO 50 p.a. for daily statements

Attachment II to Circular BM 1068 dated 13.5.10 (page 3)

Types of Charges	Maximum Charges
Duplicate Statements	RO 1 up to 6-month old statements RO 3 for 6-12 months RO 5 beyond one year
Utility Payments	Bz. 500 for own customers and RO 1 for others
DD/Pay Orders	RO 2
Standing Instructions	RO 1 for intra-bank transactions RO 2 for others
Caution List Removal processing*	RO 10 for individuals RO 20 for others
Premature Closure of deposits	No deduction from Principal Interest Payment may be reduced by 1% p.a. for the period run
Remittances	RO 1 for local remittances and RO 5 for overseas remittances (actual out of pocket expenses/other bank charges extra)

* These requests are to be taken up with Central Bank, on exceptional basis, on merits.

Attachment II to Circular BM 1068 dated 13.5.10 (page 4)

Types of Charges	Maximum Charges
Inward credits to Accounts	RO 1 for local remittances and RO 5 for overseas remittances (actual out of pocket expenses/other bank charges extra)