

5 October 2010

CIRCULAR FM 26

**To: All Finance and Leasing Companies
Operating in the Sultanate of Oman**

After Compliments,

**Re: Reorganization and Change in Control of
Finance and Leasing Companies**

1. Central Bank of Oman, in pursuance of the objective of having diffused ownership and avoiding concentrations of ownership/control in the financial sector, advises that Article 5, on the above-mentioned subject, of Master Circular FM 19 dated 11th February 2006, stands amended now. Attached is the amended Article.
2. As stated therein, shareholdings, by individuals and related parties, in FLCs are restricted now to 15%; so, are shareholdings of incorporated bodies and their related parties to 35%.

Concurrent holdings are, too, restricted as stated therein.

3. Finance and Leasing Companies should refer to the Central Bank requests for all changes in shareholdings requiring to be approved by it, noting that irrespective of the above ceilings, changes in shareholdings of 10% or more require prior approval as stated in the above Article.

Besides and even if they may not require the Central Bank's approvals, FLCs should advise the Central Bank of significant changes of, say, 5% or more in the shareholdings, besides obtaining from Muscat Clearing and Depository Company and providing a

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copy of the list of shareholdings (of 1% and more) quarterly to Manager, Banking Development Department not later than 21st of succeeding month.

Best regards

Hamood Sangour Al Zadjali
The Executive President

Encl: a/a

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Article 5: Reorganization and Change in Control of FLCs

- i) No FLC shall amend its Articles of Association or effect any material change in the organization or operation without the prior approval of the Central Bank. Ownership and authorization or recording transfer of more than 10% of the voting shares shall require prior approval. No commercial company or entity holding 10% or more in a FLC shall merge or combine with others or shall issue, authorize or record the transfer of more than 25% of its shares, unless approved by the Central Bank.

- ii) The aggregate holding by an individual and his related parties shall not exceed 15% of the voting shares in a Finance and Leasing Company.

The aggregate holding by an incorporated body and its related parties shall not exceed 35% of the voting shares in a Finance and Leasing Company.

- iii) An individual, who together with any related party already, owns 15% of the voting shares of a Finance and leasing Company, may own, by way of investment, one another Finance and Leasing Company only and up to 15% of its voting shares only.

An incorporated body, who together with any related party, already owns 35% of the voting shares of a Finance and leasing Company, may own by way of investment, one another Finance and Leasing Company only and up to 35% of its voting shares only.

- iv) The Board of Governors shall have the power to take appropriate action against any act undertaken or committed in contravention and liable to be construed as null and void.

- v) For the purposes of these shareholding restrictions, the following will be of guidance:
 - a) Incorporated body would mean all juristic persons (entities other than sole proprietorships).

 - b) Related parties shall mean the following:
 - i) Spouse or dependent children.

 - ii) Any incorporated body wherein an individual, or his spouse or his dependent children or any other incorporated body, invests 35% or more.

If an incorporated body owns the maximum shareholding of voting shares in a Finance and Leasing Company, in such case, any other incorporated body having such shareholding in the 1st mentioned incorporated body, shall not own any voting shares in that Finance and Leasing Company.