



## Laws and Regulations

Banking Law 2000, issued through Royal Decree 114/2000, has consolidated and updated Banking Law 1974 (Royal Decree 7/74) and amendments thereto.

Regulations and Circular Instructions are issued under powers vested in Article 14 of the Banking Law.

Royal Decree 34/2002 promulgated the Money Laundering Law, applicable, among others, to licensed banks and other financial institutions.

Royal Decree 9/1995 promulgated the Law Regulating the Bank Deposit Insurance Scheme.

Needless to add that banks and other licensed institutions shall be governed by relevant instructions under the above as well as requirements, as applicable to them, under other laws like Commercial Companies Law, Oman commercial law, Capital Market Authority Law and Labour Law.

### Anti-Money Laundering Law

After perusal of the Basic Statute of the State issued pursuant to Royal Decree No. 101/96, and The Penal Law of Oman issued pursuant to Royal Decree No. 7/74, as amended, and The Law of Combating Drugs and Psychotropic Substances issued pursuant to Royal Decree No. 17/99, and The Law of the Public Prosecution issued pursuant to Royal Decree No. 92/99, and The Law of Extradition issued pursuant to Royal Decree No. 4/2000, and The Banking Law issued pursuant to Royal Decree No. 114/2000, and In accordance with the public interest, HAVE DECREED THE FOLLOWING:

**Article (1):** The provisions of the attached Money Laundering Law shall be applicable.

**Article (2):** Any provision contradicting or conflicting with the provisions of the attached Law is hereby repealed.

**Article (3):** This Decree shall be published in the Official Gazette and shall be effective from the date of its publication.



## Bank Deposits Insurance Schemes

### Overview:

Background: The concept of insuring bank deposits has been there since the beginning of the 19th century, or even before. However many countries in the modern world have only adopted an explicit deposits insurance scheme after experiencing collapse of a major bank or a financial system crisis.

Providentially, it was only a disintegration of one foreign bank branch (BCCI) that had triggered the need of having an explicit scheme in Oman to insure customers' deposits. It was obvious that a Bank Deposits Insurance Scheme (BDIS) is desired to imitate the rapid progress of the Omani banking sector and the banking world in general.

**Legal Status:** The Bank Deposits Insurance Scheme (BDIS) was formed and regulated via virtue of Royal Decree No. 9/95 dated 26th March 1995. While the Central bank of Oman's Board of Governors is the authority responsible of issuing the BDIS regulations, it is the Administrative Committee, which is responsible of managing the scheme operations. The BDIS is dependent on the Central Bank of Oman financially and administratively.

**Scheme Objectives:** The main aims of setting the Bank Deposits Insurance Scheme (BDIS) are providing a wide-range insurance cover over all deposits with banks operating in the Sultanate, to promote public savings and confidence in the financial soundness of the banking system.

**Initial Capital:** The initial Capital of R.O. 10 million was paid by Central Bank of Oman and the Commercial banks operating in Oman. Since its formation, the BDIS funds have managed to grow reaching over R.O. 39 million as of 31st December 2008. This growth was mainly due to return on investments and the annual premiums that were collected from member banks and CBO, based on 0.02% and then 0.03% of banks total deposits obligations.

**Membership:** It is mandatory for all licensed banks receiving deposits to be member in the Bank Deposits Insurance Scheme (BDIS). Currently, there are 16 members of which 7 local and 10 foreign banks, namely:

- Ahli Bank.
- Bank Dhofar.
- Bank Melli Iran.
- Bank Muscat.
- Bank of Baroda.
- Bank of Beirut.
- Bank Saderat Iran.
- Bank Sohar.



- Habib Bank Limited.
- HSBC Bank Middle East Limited.
- National Bank of Abu Dhabi.
- National Bank of Oman.
- Oman Arab Bank.
- Oman International Bank.
- Qatar National Bank.
- State Bank of India.
- Standard Chartered Bank.

New member banks joining the BDIS are paying a capital deposit amount matching the minimum paid by members during the initial stage of the BDIS i.e. R.O. 5,000/- regardless of the new bank size.

**Bank Premium:** The premiums collected are based on an ex-ante funding system i.e. the system is relying on the advance accumulation and maintenance of a fund to cover deposit insurance claims. Currently, member banks are paying 0.03% of the average annual total deposits.

**Deposits Coverage:** The deposits shall be payable if they are Savings deposits, Current accounts, Call deposits, Time deposits, Government deposits, Trust & Pension funds deposits, and other deposits specified by Central Bank. The current ceiling of the reimbursement is at R.O. 20,000/-.

**Investment Guidelines:** The BDIS Law has permitted the fund to be invested in the categories of Oman Government Development Bonds (OGDB), Muscat Securities Market (MSM), Foreign Government Securities, International Financial Institutions Shares & Securities, and Deposits with banks.