

First Volume

Legislations Regulating the Companies Operating in the Field of Securities and listed Companies

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ROYAL DECREE NO. 80 / 98 **Promulgating the Capital Market Law**

We, QABOOS BIN SAID, Sultan of Oman,

after perusal of Royal Decree No. 101 / 96 issuing the Basic Law of the State;
and The Commercial Companies Law No. 4 / 74 as amended; and

Royal Decree No. 53 / 88 issuing the Muscat Securities Market Law as
amended; and

Royal Decree No. 116 / 91 issuing the Law of Public Authorities and
Institutions; and

Royal Decree No. 102 / 94 issuing the Foreign Capital Investment Law as
amended; and

Royal Decree No. 47 / 97 issuing the Civil and Commercial Disputes Arbitration
Law;

and In the interest of the Public,

Have decreed the following:

Article (1): The attached Law shall be applied in matters concerning the
regulation of the Capital Market.

Article (2): The Minister of Commerce & Industry shall issue the rules and
regulations required to enforce the attached Law. Until such rules
and regulations are issued, the present rules and regulations
shall remain applicable provided that they do not contradict the
provisions of this Law.

Article (3): Law No. 53 / 88 referred to above, as well as any other law which
contradicts or infringes the provisions contained herein, shall be
cancelled.

Article (4): The financial appropriations, members of staff and records of the
Muscat Securities Market shall be transferred to the Capital Markets
Authority. A decision to this effect shall be made by the Minister of
Commerce & Industry in cooperation with the Ministry of Finance.

Article (5): This Royal Decree shall be published in the Official Gazette and shall
come into force two months after the date of publication.

Qaboos bin Said
Sultan of Oman

Issued on 20 Rajab 1419 AH
Corresponding to : 9 November 1998 AD

Part One

General Definitions and Issue of Securities

General Definitions

Article (1): Words and expressions defined in this Law shall have the following meanings, unless the context otherwise requires:

The Minister:	The Minister of Commerce and Industry
The Chairman:	The Chairman of the Authority's Board of Directors
The Executive President:	The Executive President of the Authority
The Authority:	The Capital Market Authority.
The Market:	Muscat Securities Market
Person:	Any natural or juristic person
Member:	A juristic person who is a member of the Market pursuant to the provisions of this Law.
Broker:	A juristic person who is licenced to exercise brokerage activities in the Market.
Broker's Agent:	A person who represents a Broker in giving, selling and purchasing orders under the supervision and responsibility of that Broker.
Securities:	Shares and bonds issued by joint stock companies and the bonds issued by the Government and its Public Authorities, treasury bonds and bills and other securities negotiable in the Market.
Dealings:	in Securities Transactions of purchasing and selling Securities directly or through a Broker, the transfer of ownership of such Securities and the documentation of ownership.
The Floor:	The place in the building of the Market which is designated for the purchasing and selling of Securities.
The Primary Market:	The Market in which Securities are offered to the public and issued pursuant to the applicable rules, regulations, guidelines and common practices.
The Secondary Market:	The Market in which Securities are purchased or sold directly or through Brokers and where the exchange and transfer of their ownership takes place on the Floor, in the Brokers' office or the Market's offices.

The Regular Market:

That section of the Secondary Market where dealings on the Floor is regulated in respect of companies' shares subject to special listing condition as specified by Board of The Authority.

The Parallel Market:

That section of the Secondary Market where dealing on the Floor is regulated in respect of companies' subject to simplified listing requirement specified for such Market, in order to facilitate the provision of early liquidity for the Securities listed therein prior to their listing in the Regular Market.

The Third Market:

That section of the Secondary market where off-Floor dealings takes place at the Broker's office in respect of the companies' shares to which the specific listing condition for trading on the Floor do not apply, or where ownership of Securities is transferred off-Floor without a Broker.

Public Subscription:

An open invitation to the public to subscribe for the shares of joint stock companies at their incorporation or upon the increase the share capital of an existing company in accordance with the conditions and provisions specified in the prospectus of such company as ratified by the Authority.

Private Subscription:

An invitation addressed to a specific category of subscribers or persons to subscribe for the shares of an open joint stock at its incorporation or upon the increase of the company's share capital pursuant to the conditions and requirement specified by the Authority.

Part Two Issue of Securities

Article (2): Without prejudice to the provisions of the Commercial Companies Law No. 4 / 74 referred to above, which require joint stock companies to obtain a licence for their establishment from the Directorate General of Commerce, every joint stock company that wishes to issue Securities must obtain the approval of the Authority, prior to obtaining the licence referred to above. This shall take place without prejudice to any other provision of applicable laws. The Regulations shall specify the information and documents to be attached to the application for such approval.

Article (3): No Securities of any joint stock company may be offered for public or private subscription except in accordance with a prospectus approved by the Authority. The summary of such prospectus shall be published in two daily newspapers one of which, at least, must be in Arabic. The prospectus must be made in accordance with the forms specified by the Authority. The prospectus must include all financial statements and information relating to the issuing company. The Regulations shall specify the information required for the issue of other shares and Securities. Any omission or avoidance of any material information or the inclusion of incorrect statements or information shall be the responsibility of the entity preparing the prospectus.

Article (4): Without prejudice to the provisions of the Commercial Companies Law, the Authority may object to the assessment of shares in kind, either upon incorporation, merger or transformation. The Authority may refer such matter to one or more experts for an assessment. The parties concerned may file a complaint against the assessment before the Grievance Committee pursuant to the conditions and procedures specified by the Regulations.

Article (5): Each company offering Securities for Public Subscription must, on its own responsibility, submit to the Authority annual, half year and quarterly reports on its activities and the results of its business, which shall include statements with regard to the sound financial position of the company. The company shall publish a comprehensive summary of these reports in two daily newspapers, one of which, at least, must be in Arabic.

Balance sheets and other financial statements shall be prepared

in accordance with recognized accounting principles and the Accounting and Auditing Law issued by Royal Decree 77/86. Reports shall be submitted to the Authority within the period to be specified for this purpose.

The Authority may inspect the documents referred to above, or assign a specialized body to carry out such inspection. The Authority shall notify the company of its comments, and may request that such documents are reconsidered following the conclusion of such inspection. Should the company fail to respond to such requests, then it shall be responsible for the costs for the publication of the Authority's comments and the requested amendments.

Every company which faces unexpected material circumstances that may affect its activities or its financial position must reveal the same promptly to the Authority, who may publish, at the expense of the company, a comprehensive summary of the same if deemed appropriate. The Authority may request the said company to publish such information in daily newspapers. Should the company fail to respond to such request, then the Authority may announce such information in the appropriate media at the expense of the company.

Where any company fails to file the required statements and information to the Authority within the prescribed time it shall be obligated to pay the amount specified by the a decision of the Board of Directors of the Authority save it shall not exceed RO 25,000.

Article (6): The company and the auditors must provide the Authority with all information requested, including all statements and documents needed in order to verify statements provided in the prospectus, the regular reports and the financial statements and schedules of the company. In the event of any change or amendment to the information specified in the prospectus, such changes must be notified to the Authority within the period specified in this respect. The execution of such amendment shall be subject to the Authority's approval.

Article (7): (a) Any persons who owns individually or together with his minor children shares amounting to 10% or more of the shares of any joint stock company, must promptly notify the Authority of the same in writing and shall inform the Authority of any dealings or transactions carried out which lead to the increase of such percentage.

- (b) No person, severally or jointly with others, shall purchase or own twenty five percent (25%) or more of the shares of a public joint stock company save according to the rules set out by the Board of Directors of the Authority which specify the joint owners, method and procedures of ownership, exempted cases and minimum limit of information required to be disclosed, the guarantees required to be provided prior to execution of the purchase transaction, method of pricing, events of obligation to buy all the shares of the company and events where minority shareholders are obliged to sell and other provisions.
- (c) Should the subject matter of domination or ownership be a bank or establishment which exercises banking business, then the prior consent of the Central Bank of Oman must be obtained in accordance with the provisions of the Banking Law.

Article (8): The Authority's Board of Directors may, upon material reasons raised by shareholders who own at least 5 % of the company's shares, suspend the resolutions of the General Meetings which are made in favour of a certain category of shareholders or against a certain category of shareholders, or in the interest of the members of the Board of Directors or others.

The parties concerned may request the Appeals Committee specified in this Law within 15 days from the date on which the resolution of suspension was passed, to invalidate the resolutions made by the General Assembly. The Committee's decision shall in such case be final. Should such period lapse without any measures being taken thereon, then the decision of suspension shall be null and void.

Part Two

Muscat Securities Market

Settlement of Transactions and Publication of Information

Chapter - 1 (Muscat Securities Market)

Article (9): Securities shall be registered and traded in a market called the Muscat Securities Market. The Market shall enjoy juristic personality and its head office shall be in Muscat. The Market shall report to the Authority.

Article (10): Any body issuing securities for trading shall be listed on the market; the application for listing thereon shall be submitted within one month from the date of registration in the Commercial Register. The listing shall be made by a decision by the Director General of the Market in accordance with rules set by the Board of Directors of the Authority.

Trading in the market shall be restricted to Omani Securities. Securities issued in GCC member states or fore foreign countries may be listed by decision from the Broad of Directors of the Authority.

Article (11): The Market shall be managed and organized by a Board of Directors, which shall be authorized to administer its business and take the necessary action to achieve the objectives for which the Market was established within the framework of the general policy of the Authority. The Board of Directors shall, in particularly, undertake the following:

1. Approve the Market's organizational structure and specify the departments and sections etc.
2. Prepare the regulations, rules and guidelines required for the organization of the Market and refer the same to the Authority's Board of Directors for approval.
3. Prepare the estimated annual balance sheet in respect of the Market's revenue and expenditure prior to the commencement of the financial year. Such balance sheet shall not be valid unless it is approved by the Authority's Board of Directors.
4. Exercise any other competencies specified by Regulations.

Article (12): The Board of Directors of the Authority shall issue a resolution forming the Board of Directors of the Market for a term of (3) three years as follows:

- Director General of the Market Member
- Representative of the Authority Member
- Representative of Central Bank of Oman Member
- Chairman of the Association of the companies operating in securities Member
- Three members to be selected by the Chairman from a list containing seven names nominated by the Executive President provided that one is representing the listed companies other than the companies operating in securities, and the other representing the small investors who hold less than five thousand (5000) shares, and the third shall be a competent and experienced person and their membership may be renewed for one term.

The Board of Directors of the Authority shall issue a resolution appointing the Director General of the Market and the Chairman of the Board of Directors of the Market, and the latter shall be from among the members mentioned in the previous Paragraph. No single person shall combine these two offices.

The Board of Directors of the Authority shall issue an internal regulation specifying the responsibilities and powers of the Director General of the Market and the Chairman of the Board of Directors of the Market, and regulating the processes for notice to the meeting of the Board of Directors of the Market, place of meeting and the quorum required for the meeting to be valid, how to adopt resolutions, determining the remuneration of the directors and other processes of its business.

Article (13): The accounts of the Market shall be audited by an auditor licensed to operate in the Sultanate to be selected and their fees specified by the Board of Directors of the Market after approval of the Board of Directors of the Authority.

Article (14): The revenues of the Market shall be made up as follows:

1. Funds allotted by the State.

2. Annual subscription fee paid by the members.
3. Commissions received by the Market for sale and purchase transactions.
4. Grants and donations obtained by the Market from any party and approved by the Authority's Board of Directors provided that they are of Omani origin.
5. Any other sources specified by the Law.

Article (15): Dealing in Securities in Oman is confined to dealing on the Floor. Any dealing taking place outside the Floor is considered null and void unless the Authority's Board of Directors resolves otherwise pursuant to its Internal Regulations and Guidelines.

Article (16): The Market shall provide the Authority with all particulars of listed securities and shall provide the Authority with regular trading reports.

Article (17): Dealing in Securities listed in the Market shall take place through one of the licenced companies, otherwise such dealings shall be null and void. The relevant company shall ensure that the transaction through which the dealing takes place is valid.

The broker may sell the securities he bought for a client and the client failed to pay the price, in accordance with the rules issued by the Board of Directors of the Authority.

Article (18): Offers of and demands for transactions which contradict the provisions of the Law or which are made of unjustifiable prices may, upon a decision by the Director General of the Market, be suspended. The Director General is also empowered to cancel any transactions which contradict the provisions of the Law and the decisions enforcing the same.

Article (19): The Board of Directors may, as long as it is deemed appropriate and depending on the Market's circumstances, specify a percentage of the opening price for that day to be applied as a maximum limit for the increase or decrease in the securities prices during a certain daily trading session. Such percentage shall depend on the duration which the Authority's Board of

Directors shall consider necessary. The Authority's Board of Directors may amend, suspend or cancel such percentage as it deems appropriate.

Article (20): The Market shall charge a commission for transactions at the Market and the transfer of ownership of securities which are exempted from trading on the Floor. Such commission shall be calculated in proportion to the market value of such securities to be specified by the Board of Directors, provided that commission shall not exceed 1% of such value. The commission shall be collected equally from the seller and the purchaser pursuant to the rules specified by the Authority's Board of Directors and in accordance with the guidelines issued by the Board.

Chapter - 2 Settlement of Transactions and Publication of Information

Article (21): The management of the Market shall enter the transactions on the date on which the brokerage companies have performed the same, and the issuing party shall be notified of such entries. The Regulations of the Law shall specify the provisions relating to the organization and registration of deposit, clearance and settlement operations.

Article (22): Rights and personal liabilities between the seller and purchaser shall be established in respect of the Securities which are traded in the Market, on the date of the contract of sale as documented at the Market.

The ownership of shares shall be transferred by recording the same in the issuing body's registers and entering them in the shareholders register and indicating that they have been transferred. Registration of transfer shall take place free of charge within three days from the date of receipt of necessary documents thereof. The issuing entity may not collect any amounts for the issue of share certificates. The registration of ownership of shares shall take place unconditionally except in the following cases:

1. If the securities were mortgaged or pledged.
2. If the share certificate was lost or damaged.
3. If the sale was in contravention of rules and regulations relating to ownership of Securities by non-Omanis.

The issuing entries or any of their staff may not disclose the names or any statements of confidential nature relating to shareholders or transactions.

Article (23): The Authority may establish an office for the deposit and registration of Securities to carry out the tasks specified in the article above, in addition to any other responsibilities granted to it for the management of the shareholders' business and accounts. The Regulations shall specify the manner in which such office is to be established, its duties and the deposit and registration fees. A company for the deposit and registration of

securities may be established in accordance with a Royal Decree.
Such company may carry out the tasks of the office referred to above in accordance with the stipulations and provisions of such Royal Decree.

Article (24): Information on dealings shall be published on a daily basis through a daily bulletin prepared by the Market. The Market shall also prepare a monthly bulletin to include a statement on Securities which have been registered during that month, the total of monthly dealings in various areas and a comparison with the previous month. The monthly circular shall also set out all indicators relating to trading activities in the Market.

Part Three

Companies operating in the area Securities and Investment Funds

Chapter one

Companies operating in the area of Securities

Article (25): Companies operating in the field of Securities are those companies whose objectives are confined to the engagement of one or more of the following activities as well as the banks which are engaged in such activities:

- a. Promotion and underwriting of Securities or financing of investment in Securities.
- b. Participation in the establishment or in increasing of the capital of companies was using Securities.
- c. Depositing, clearance and settlement of Securities transactions.
- d. The establishment and management of Securities portfolio and investment funds.
- e. Brokerage in Securities.
- f. Management of trust accounts and custodianship of securities.

Other activities relating to Securities may be added by resolution by Authority's Board. Applications to establish such companies shall be addressed to the Ministry of Commerce and Industry accompanied by the Authority's approval.

The Regulations shall set out the procedures and conditions for the establishment of these companies, the activities included in their business and prohibited activities.

Article 26: Activities set out in the previous article may not be exercised prior to obtaining a licence from the Authority and registration in the register established for this purpose. The Authority shall make its decision in relation to an application for a licence within one month from the date of submission of the required documents. In the event of a refusal the decision must be justified. A complaint may be made to the Appeals Committee referred to in this Law within 15 days from the date of receipt of the decision. The Regulations shall specify the conditions and procedures for the granting of such licence and the relevant bank guarantee.

Article 27: The following condition must be prior to the issue of the license referred to in the pervious article:

1. The applicant must be a commercial company registered in the Sultanate or a branch of a foreign company.
2. The objective of the company with the exception of banks must be confined to the practice of one or more of the activities set out in Article (25) of this Law.
3. The issued capital of the company and the paid up capital upon incorporation must be not be less than the minimum amount specified in the Regulations depending on the type and objectives of the Company.
4. The managers of the company must have the experience and efficiency required for business of the company in the manner to be specified by a resolution made by the Board of Authority.
5. Insurance must be obtained the value and general conditions of which shall be specified by a decision made by the Board of Authority.
6. None of the founders, directors, or Board members must have been convicted during the five years proceeding the date of application of a crime or a felony relating to honour or any of the offences set out in the Commercial Companies Law or the Commercial Code or been declared bankrupt unless the person concerned has been rehabilitated.

Article 28: The Authority shall register the licenced companies to practice in the area of Securities with the activities to be practiced. Such registration shall be subject to payment of a fee and an annual subscription to be specified in the Regulations.

Article 29: A company which practises in the area of Securities shall submit the information, statements and statistics required by the Market or the Authority within a specified period. The management of the Authority may authorize a party to verify the accuracy of the information and statements presented. No company may decide to suspend its activities or liquidate its operations without the approval of the Board of Directors of the Authority after ensuring that the company has fulfilled all its obligations pursuant to the conditions and procedures specified by the Authority's Board of Directors.

- Article (30):** The Board of Directors of the Authority shall resolve to cancel the licence referred to in Article 26 above, in the following cases:
- a. If one of the licencing conditions is not met.
 - b. If a final decision is made by the Disciplinary Committee to de-register the company
 - c. If the company has failed to settle the specified fees
 - d. If the capital or the bank guarantee is decreased to a lower amount than the specified limit and that deficit is not covered within the period specified by the Board.
 - e. If the company has significantly violated any of the duties and obligation specified in the Law or the Regulations.

- Article (31):** The Board of Authority may, in the event of the occurrence of risk that may threaten the stability of the capital market or the interests of the Shareholders in the company or the parties dealing with the company, take any of the following measures:
- a. Caution the company.
 - b. Prevent the company from practicing all or some of the licenced activities.
 - c. Request the Chairman of the company's board of directors to convene a board meeting to discuss any violations attributed to the company so that necessary action is taken to remedy the same. The meeting of the board of directors shall be attended in this case by one or more representatives of the Authority.
 - d. Appoint an observer member to the board of directors of the relevant company for a period specified by the Authority's Board of Directors. Such member shall be entitled to take part in the discussions of the board and express his views in relation to the resolutions made.
 - e. Dissolve the board of directors and appoint managing director to temporarily manage the company until a new board of directors is elected.
 - f. Oblige the defaulting company to increase the value of the paid bank guarantee.

Complaints against the resolution made pursuant to the provisions of Article 30 and 31 before the Appeals Committee shall be made within 15 days from date on which the party concerned was notified of such resolution or such resolution has come to the knowledge of the party concerned.

Article (32): Companies operating in the field of securities shall form an association or a guild to ensure the adherence to justice, integrity and efficiency in practicing brokerage business. Such association or guild shall establish a fund to protect the interests of investors who deal with Securities or stocks. The decision to establish the association or the guild must specify the provisions and procedures relating to the establishment of the association and the basis for the management of the fund, the limits of coverage, the value of shareholding of each member and the penalties which may be imposed on members pursuant to the provisions and procedures specified in the Regulations.

Chapter - 2 Investment Funds and Trust Accounts

1. Funds in the form of a joint stock Company

Article (33): Funds for the investment of savings in the various forms of investment may be established within the limits and pursuant to the conditions set out in the Regulations. The investment fund must take the form of a joint stock company with a capital in cash. One third of the board of directors of the fund may be persons other than shareholders or parties dealing with it or being linked to it or having an interest in it or managing it.

Article (34): The Articles of Association of a fund shall specify the relation between the capital paid to the company which establishes such fund and the monies of investors in the fund, provided that such relation may not exceed what the Regulations specify in this respect. Against such monies, the fund shall issue securities in the form of investment units, the holders of which shall participate in the return of the investments of the fund. Subscription in such units shall take place through registered banks. The Board of Directors of the Authority shall set out the rules and regulations for the issue of such units and the return for their value, the statements to be included therein and the rules of their registration and trading in the Market.

Article (35): The prospectuses relating to subscription in investment units which are offered for public subscription by the investment funds must contain the following additional information:

1. The investment policy to be followed.
2. The manner of distribution of annual profits and the method of dealing with capital profits.
3. The name of the entity who will undertake the management of the fund and a comprehensive summary of its previous activities.
4. The method of regular evaluation of the fund's and assets and the procedures for the return of the value of the investment bonds.

Article (36): The Securities in which the fund invests its monies shall be deposited with the Depository and Registration of Securities Office or any of the banks registered in Oman, provided that such bank must not be an owner or shareholder in the company which owns such fund or the company which undertakes its management and provided that the fund must submit to the Authority a statement on these Securities approved by the bank on the form designated by the Authority's Board of Directors.

Article (37): The Executive President must be notified of the resolutions made for the appointment of the members of the board of directors, managers and authorized officials responsible for the general management of the fund and all information relating thereto, within thirty days from the date of the passing of the said resolutions. Such notification shall be made on the form designated by the Authority for this purpose.

The Authority's Board of Directors may, for the purpose of protecting the investors' monies, issue a reasoned resolution to dismiss any of the members of the board of directors or the directors referred to above. The party concerned may within 60 days from the receipt of such resolution file a complaint before the Appeals Committee previously referred to in this Law.

Article (38): The fund shall authorize an entity with expertise in the management of investment funds to manage all activities of the fund. Such body shall be called the "Investment Manager".

Article (39): The Investment Fund shall enter into a management contract with the Investment Manager. The Fund shall submit a copy of that contract to the Authority prior to execution of the same in order to verify that the provisions of that contract are consistent with the Law and the decisions issued for its execution. The Authority shall within 15 days from the date of notification inform the Fund of its opinion with regard to the contract.

Article (40): The Investment Manager is prohibited to:

1. carry on activities which the Fund it manages is prohibited to carry on.

2. use the Fund's money for the formation of new companies or for the purchase of Securities of companies that are under liquidation or undergoing bankruptcy.
3. obtain personal gain for itself, its management or employees from the operation it carries on.
4. have an interest of any kind in the companies with whose Securities it deals for the account of the fund it manages.
5. Purchase investment units of the funds it manages. The same applies to the employees of the Investment Manger.
6. Obtain loans from a third party unless it is allowed to do so within the limits specified in the Contract.
7. To invest the money of the fund in the units of another fund which it also manages.
8. To announce or publish any incorrect statements or information.
9. To carry on operations aimed at increasing the brokerage commission.

II. Investment Funds attached to Companies

Article (41): Commercial banks and investment companies whose capital is not less than RO. 5 million, may establish investment funds aiming to invest savings in the various forms of investment upon the approval of the Authority and pursuant to the rules and conditions specified by the Regulations and in co-ordination with the Central Bank of Oman, if the establishing entity is a bank.

Such banks and investment companies may dispose of such accounts pursuant to specified guidelines issued by the Authority. The banks or entities that establishes such fund shall maintain the confidentiality of the information related thereto. The monies of Fund shall not be included in the actual accounts of the banks or the companies, which establish them. Revenue realised from them shall not be entered into the accounts of such entities and shall not be affected by liquidation in the event of bankruptcy.

The articles of Association of the Fund and the regulations issued by the Authority shall specify the relation, which governs the parties therein, provided that they shall include the following statements:

1. The investment policy to be followed.
2. The manner of distribution of annual profits and the method of dealing with capital profits.
3. The name of the body that will undertake the management of the Fund and a comprehensive summary of its previous activities.
4. The method of regular evaluation of the Fund's assets and the procedures for the return of the value of the investment units.

Article (42): The entity establishing the fund shall submit to the Authority a statement on the investment units which the fund will issue on the form designated by the Authority.

Article (43): The Fund shall be managed by a committee of investors or others .The regulations issued by the Board of Directors of the Authority shall specify the procedures for the formation of the committee and the methods for its operation. The Executive President shall be informed of resolutions made for the appointment of the Committee members, and the managers responsible for the general administration of the fund's activities.

The Board of Directors of the Authority may, in order to preserve the monies of the investors in the fund, issue a resolution to dismiss any of the members of the committee and the managers referred to above. The party concerned may file a complaint before the Appeals Committee within 30 days from the date of notification thereof. The resolution of the Committee in this respect shall be final.

III. General Provisions Relating to Investment Funds and Trust Accounts”

Article (44): The companies licensed to carry out the business in the field of securities may dispose of the assets of the accounts of customers pursuant to the guidelines released by the Authority, within the framework of the agreements which govern the operation of these accounts and have been concluded between the parties concerned. The companies shall maintain the confidentiality of information relating to these accounts.

These accounts and their assets and liabilities shall not be included in the actual accounts of these banks or entities. The revenue realised shall neither be included in their profit accounts nor shall they be affected by liquidation in the event of bankruptcy. The relationship between the parties of these accounts shall be governed by the regulations and guidelines made by the Board in this respect. Should one of these parties be a licenced bank, then such relationship shall be determined in cooperation with the Central Bank of Oman.

Article (45): Investment ratio in Investment Funds shall be as set out in the Executive Regulation. These Funds shall not be subject to the Foreign Capital Investment Law. As far as taxation is concerned, these Investment Funds shall be treated in the same manner as companies fully owned by Omani citizens.

Part Four

The Capital Market Authority

Chapter One

Establishment of the Authority

Article (46): A public authority shall be established and shall be named the Capital Market Authority. Its head office shall be located in Muscat and it shall report to the Minister of Commerce and Industry.

Article (47): The Authority shall enjoy juristic personality, financial and administrative independence and shall be qualified to dispose of its funds and manage its business and it shall carry on its activities in accordance with good commercial principles. The Authority shall be exempted from all taxes and fees.

Article (48): The Authority is empowered to:

1. organize, license and monitor the issue and trading of Securities.
2. Supervise the operation of the Muscat Securities Market.
3. supervise all companies operating in the Field of Securities.
4. Supervise public joint stock companies.
5. Supervise Insurance companies.
6. Licensing and regulation of credit rating companies (agencies).
7. Licensing and regulation of special purpose vehicle.

The Regulations shall set out the conditions and provisions relating to the enforcement of these powers.

Chapter - 2 The Objects of the Authority

Article (49): The objects of the Authority are as follows:

1. To upgrade the efficiency of the Capital Market and protect the investors from unjust and unsound practices.
2. To pave the way for the investment of savings and monies in Securities in the interest of the national economy.
3. To organise and monitor the issue of Securities in the Primary Market and specify the requirements for prospectuses upon the offer of Securities for public subscription.
4. To facilitate and accelerate the process of liquidating the monies invested in Securities ensure the interaction of supply and demand in order to determine the prices of such Securities and protect the interests of small investors by means of establishing sound and just principles of dealings between various categories of investors.
5. To collect information and statistics on Securities which are being traded and publish reports thereon.
6. To carry out studies and submit proposals to the authorities concerned with regard to the applicable laws and their amendment as required by the development of the Securities Market.
7. To liaise with securities markets abroad for the purpose of exchanging information and expertise to keep up with the progress in trading methods in such markets, assist in the development of Omani Securities Market and join appropriate Arab and international organizations and associations.
8. To organize and supervise training courses for the Authority's staff or the Securities Market's staff and including future staff.
9. To establish the rules of the professional conduct, self-regulation and discipline for Brokers and those dealing with Securities and promotion and training of the Brokers and other staff at the Market with the aim of enhancing their knowledge and efficiency.

Article 50: The Authority shall be managed and organised by Board of Directors who shall run its business and take the measures

- necessary to achieve the objects for which the Authority was established and in particular the following:
1. Set out the policy which the Authority shall follow in the exercise of its authorities within the framework of the financial and economic policy of the State.
 2. Pass to the government bodies concerned all matters relating to the development of Market and protection of the investor's monies.
 3. Approve the regulations which regulate the activities of the Authority and the Securities Market, without being bound by government systems, whether in respect of the organizational structure, staff or administrative and financial matters, rules and regulations or the like. The regulations referred to above shall be made by decisions to be issued by the President.
 4. Suspend the dealing in any Security listed at the Market for the period deemed appropriate and empower the Executive President to do so.
 5. Suspend the activities of the Market, if necessary, for a period not exceeding one week, during which dealing in Securities in the Market shall be prohibited. Should the public interest however, require that the activities of the Market be suspended for longer than a week, then such suspension shall be made upon a resolution by the Cabinet of Minister's in accordance with recommendation of the Authority's Board of Directors.
 6. Ratify the estimated annual budget of the Authority prior to the commencement of the fiscal year in coordination with the Ministry of Finance.
 7. Specify the requirements relating to the prospectus for the issue of the Securities in the primary Market.
 8. Specify the conditions for the listing of Securities in the Regular Market or Parallel Market or any other Secondary Market approved by the Board of Directors of the Authority for the trading of securities.
 9. Ratify the guidelines for dealing in Securities in the Secondary Market.
 10. Set out rules and conditions for disclosure of circumstances or information that may have an impact on the activities or financial position of securities issuing bodies and companies operating in the field of securities and executive managements

thereof, and any change deemed by the Board of Directors of the Authority to have an impact on the value of the security.

The Board shall set out the rules and conditions for insider trading.

11. Set out the guidelines for the procedures of clearance and settlement between the Brokers in the Market on the one hand and between the Brokers, the Market and the public on the other hand.
12. Licence the Brokers and specify their number, the nature of their activities, the number of their agents and their fees.
13. Specify the commission charged by the Market for transactions and the transfer of ownership of Securities.
14. Specify the subscription fees for members of the Market, the prospectus fees and the annual fees for registration of Securities, brokerage fees and charges to be paid for the services provided by the Authority and the Market.
15. Take out loans specify their volumes and conditions relating thereto after obtaining approval from the Ministry of Finance.
- 15 bis. Identification of the terms and conditions of financial trusts and issuance, listing and trading of Sukuk and Sharia supervision thereon.
16. Exercise any other powers specified by the Regulations.

Article (51): Any member who refrains from listing its securities in the prescribed Market for a period of one month, shall be liable to pay a sum of not less than RO 2,000/- and not more than RO 5,000/-. Should such member fail to register its Securities, the Board may issue a resolution to suspend dealings in its Securities.

Article (52): The Board of Directors of the Authority shall be formed of:

1. The Minister **Chairman**
2. A representative of the Ministry of Finance whose grade shall not be less than undersecretary to be nominated by the competent Minister, **Vice Chairman**
3. The Executive President of the Authority **Member**

4. The Director General of Muscat Securities Market **Member**
5. The Director General of Commerce at the Ministry of Commerce & Industry **Member**
6. A representative of the Central Bank of Oman, whose grade may not be below a Director General or equivalent, to be nominated by the Bank **Member**

Three members elected by the Minister from among a list of six names nominated by the Board of Directors of the Oman Chamber of Commerce & Industry, provided that commercial banks, insurance companies and public joint stock companies in other sectors shall be daily represented. The Vice-Chairman shall act for the Chairman in the Chairman's absence.

Article (53): The Executive President of the Authority shall be appointed by Royal Decree and shall be exclusively devoted to his work in this position. The Authority's Board of Directors may empower the Executive President with any of its authorities other than the preparation of guidelines in relation to dealings in Securities in the secondary market, the issue of regulations relating to the activities of the Authority and the Muscat Securities Market and the specification of fees and commissions. The internal regulations of the Authority shall specify his salary, remunerations, allowances and compensations and other rights and duties relating to him.

Article (54): The Executive President shall undertake the execution of the policy of the Board of Directors and the resolutions passed by it. He shall be responsible for the management of the Authority pursuant to the internal regulations and shall represent the Authority before the law and third parties.

Chapter - 3

Article (55): The Authority shall have an independent budget. The financial year shall commence on the first day of January and end on the thirty first day of December of every year provided that the first financial year shall commence with effect from the date of enforcement of this Law and end on the last day of December of the following year. The Authority shall have an independent account in which its surplus or revenue shall be deposited after setting aside all capital, current and other expenditure. Such deposit shall be called 'General Surplus' and shall be utilised to develop the business of the Authority pursuant to the rules established by the Board of Directors of the Authority.

Article (56): The revenue of the Authority shall be made up of the following:

1. Funds allotted by the State.
2. Fees for the approval of the Securities prospectuses.
3. Fees for the licensing of companies working in the field of Securities.
4. Fees for the listing of Securities.
5. Annual fees for the practicing of Brokerage business.
6. Fees for services provided by the Authority.
7. Financial penalties imposed for infringements of this Law.
8. Subscription fees for periodical issued by the Authority.
9. Grants and donations obtained by the Authority from any party and approved by the Authority's Board of Directors, provided that the donations are of Omani origin.
10. Revenue from investment of the Authority's money.
11. Loans obtained by the Authority.
12. The Muscat Security Market's annual budget surplus

Article (57): The funds of the Authority are public funds which enjoy the rights of the Public Treasury of Oman. They shall also enjoy privileges and priorities over the monies of the Authority's debtors. The Authority may recover such monies and rights pursuant to the procedures by which Government monies are collected and shall

have priority over other debts and rights of third party. Notices of the Authority to various Government offices and to the Authority's debtors and their agents shall be treated as official Government notices. The claims, demands and executive and administrative procedures of the Authority shall be considered urgently by the Commercial Court, administrative departments and committees in the Sultanate. Judgments made in favor of the Authority shall also have the benefit of urgency in enforcement.

Article (58): The accounts of the Authority shall be audited by a licenced auditor to be appointed by the Board, who will also specify his remuneration after having obtained the approval of the State's financial control department.

Article (59): The staff of the Authority and the Market whose names or posts are to be specified by a Ministerial Decision shall have the capacity of officers of law to establish any infringements of the provisions of this Law and its Regulations. Accordingly, they are entitled to peruse the records, books and documents at the principal office of the company or the Capital Market or the place where these records are held. Officials in the above offices shall provide these officers with the data, statements, extracts and copies of the documents requested for this purpose.

Chapter – 4 Investigation

The Appeals Committee and the accountability Committee

Article (60):a.The Authority may carry out investigations as it considers expedient in the event of infringement to the provisions of this law and the regulations and directives issued thereunder or the provisions of the securities laws of any foreign jurisdiction, upon request by the foreign jurisdiction, and shall have the power to:

1. Inspect and examine registers, books and communication, and to examine the transaction made by the infringing person whether carried out personally or by an agent. It may also investigate in any transaction by the infringing person with any person that pertains to the subject matter of the investigation.
2. Seek the assistance of the competent authorities in the Sultanate to compel the infringing person or the person under investigation to attend before the competent entity at the Authority or compel it to produce documents or records pertaining to the matter of investigation.

The Authority may request any records or information from other authorities, companies, banks and individuals if pertains to any dealings in securities inside or outside the country.

- b. A person must not disclose any information pertaining to an investigation without the consent of the entity carrying out the investigation.
- c. The Authority may provide foreign entities administering securities laws of another jurisdiction with the result of an investigation and any information if the investigation is requested by such entity.

Article (61): The Board of Directors of the Authority shall issue a resolution forming an appeal committee comprising two senior judges at the Court of First Instance to be nominated by the Minister of Justice. The most senior one of them shall chair the committee, in addition to a third member to be nominated by the Oman Chamber of Commerce and Industry.

The Committee is authorised to hear the complaints made by the parties concerned against resolutions made by the Minister

or the Executive President or the Authority pursuant to the provisions of this Law, its Regulations and any decisions made to enforce the same.

The period for dealing with a complaint shall be 30 days from the date of its notification unless otherwise specified. The decision of the Committee in respect of the complaint shall be final. The Regulations made under this Law shall set out the procedures to be followed by and before the Committee, in addition to any other applicable procedures.

Article (62): The Court of First Instance (Competent Circuit) shall swiftly settle disputes between the parties dealing in securities.

Article (63):a. The Board of Directors of the Authority shall form from among its members a accountability Committee comprising a chairman and two members to decide on any infringement, on the part of the entities regulated and supervised by the Authority, their agents and subsidiaries, of this law, Commercial Companies Law, Insurance Companies Law and Vehicles Insurance Law and the regulations or directives issued for their enforcement and may take any of the following disciplinary measures:

1. The issue of reminders.
2. The issue of cautioning
3. A fine not exceeding RO 100,000 (Hundred Thousand Rials) subject to the limits prescribed as punishment for the infringement in any other law.
4. The suspension of dealings in the Market for a period not exceeding three months.
5. Final De-listing.

Whatever the case may be, the Committee shall refund the return of the violation to the damaged party, if any, otherwise it shall accrue to the Authority.

The decisions of the Committee shall not be enforced unless they have become final after the lapse of the deadline for an appeal as provided for in clause (b) hereon, or the settlement of the appeal.

The Executive President may, upon a recommendation by the accountability Committee, suspend brokers and agents from

trading on the Market for a period not exceeding two weeks. He may also issue a reminder or issue cautioning in respect of minor violations and his decision shall be final.

- b. The decisions made by the accountability Committee may be appealed against before the Appeals Committee within 30 days from the date of notification to the relevant party. The decision made by the Committee in respect of such appeal shall be final.
- c. The Regulations shall set out the provisions relating to the procedures to be followed by and before the Committee including the manner in which the committee shall exercise its authority and issue its decisions.

Chapter - 5 Punishments

Article (64): Without prejudice to any harsher punishment provided for in any other law, any person who is proved to have had dealings in the Market based on undeclared or undisclosed information or dealing in the name of another person, or spreads rumors on the position of any company for the purpose of affecting the prices of its share, shall be punished by imprisonment for a term not less than three (3) months and not exceeding three (3) years and with a fine not less than RO 30,000 (Thirty Thousand Rials) and not exceeding RO 100,000 (Hundred Thousand Rials) or one of these punishments.

Article (65): Without prejudice to any harsher punishment provided for in any other law, any person who knowingly furnish false information or statements with the aim of affecting the investor's decision shall be punished by imprisonment for a term not less than three (3) months and not exceeding two (2) years and with a fine not less than RO 20,000 (Twenty Thousand Rials) and not exceeding RO 50,000 (Fifty Thousand Rials) or one of these punishments.

Article (66): Without prejudice to any harsher punishment provided for in any other law:

1. Any person who carries out any of the activities provided for in this law without being licensed to do so, or
2. Any person who offers securities for subscription or receives monies in respect of them or otherwise infringes the provisions of this law,

shall be punished by imprisonment for a term not less than three (3) year and not exceeding seven (7) years and with a fine not less than RO 60,000 (Sixty Thousand Rials) and not exceeding RO 150,000 (Hundred and Fifty Thousand Rials) or one of these punishments.

Article (67):1. Without prejudice to any harsher punishment provided for in any other law:

- a. Any person who carries out an act in respect of securities resulting in misleading of other dealers or creating a series of

false transactions aimed at making other dealers believe that the traded security enjoys an active market or

- b. Any person who, individually or in collusion with other person or group of persons, carries out any dealings in securities deliberately aimed at stabilizing the prices of a certain security in a manner which contradicts the applicable laws, regulations and directives.
- c. The founders of a public joint stock company, auditors, and any person who was involved with them in the preparation of the prospectus for public subscription knowing that the information contained in the prospectus are false or that material information are omitted or the prospectus contains false statements.

Shall be punished by imprisonment for a term not less than three (3) years and not exceeding three (5) years and with a fine not less than RO 50,000 (Fifty Thousand Rials) and not exceeding RO 100,000 (Hundred Thousand Rials) or one of these punishments.

2. Any:

- a. director or executive of a company who infringes the provisions of Article 10 or Clause 10 of Article 50:
- b. Any person who infringes the provisions of Article 60:

Shall be punished with a fine not less than RO 10,000 (Ten Thousand Rials) and not exceeding RO 60,000 (Sixty Thousand Rial).

Article (68): Without prejudices to any punishment provided for in this law:

Any person who infringes the provisions of this law or the regulations and decision issued to enforce it shall be punished with a fine not less than RO 10,000 (Ten Thousand Rials) and not exceeding RO 70,000 (Seventy Thousand Rials).

Article (68) bis: Without prejudice to the punishments provided for in this law or any other law, the court shall order the infringer of the provisions of this law or the regulations or directive issued to enforce it, to return all the amount and proceeds resulting from the infringement to the person who suffers damage or where there is no such person the amounts and proceeds shall devolve to the Authority.

Article (69): In addition to the penalties specified for the above offences, the infringing party may be banned from practicing his business or prohibited from practicing the activity, being the subject matter of the offence, for a period not exceeding three years . If the same act is repeated then a judgment resulting in the same penalty is mandatory.

Article (69) bis: The Board may, before instituting an action, conclude reconciliation with the infringing party through financial settlement for the infringements of the provisions of this law and the regulations and directive issued for enforcement thereof.

General Provisions

Article (70): Any party with a justified interest, may apply to the Authority to peruse the documents, records and minutes relating to a company and, for a fee specified by the Authority's Board of Directors, obtain information or photocopies thereof. The Authority may reject such an application if the declaration of such information or photocopies is likely to cause damage to the company concerned or affect the public interest or the investors interests.

Article (71): The Authority shall issue a monthly circular to the public with regard to the Authority's activities. The circular shall include in particular details with regard to applications received, the resolutions passed by the Board of Directors, the final decisions and reports on any dealings carried out by the members of the Board of Directors of a joint stock company or its executive staff.

Article (72): Special purpose vehicle constituted for the purpose of issuing Sukuk shall be exempt from the Foreign Capital Investment Law and from all the taxes and fees imposed by all the units of the Administrative Apparatus of the State, and shall be permitted to own fixed and moveable assets including but not limited to properties and lands.

Decision No. 1 / 2009 Issuing Executive Regulation of the Capital Market Law

Pursuant to the Capital Market Law promulgated by Royal Decree 80/98; and
Royal Decree No. 82/98 establishing Muscat Depository and Securities
Registration Company; and

Commercial Companies Law promulgated by Royal Decree No. 4/74; and

Executive Regulation of the Capital Market Law issued by Ministerial Decision
No. 4/2001; and

The Resolution of the Board of Directors of the Capital Market Authority dated
21st December 2008;

In the interest of the public

It has been decided

Article (1): The articles of the attached Executive Regulation (hereafter referred
as Regulation) of the Capital Market Law shall be applicable.

Article (2): Ministerial Decision No. 4/2001 shall be repealed and anything that
infringes the articles of the attached Regulation shall be repealed.

Article (3): The Executive President of the Capital Market Authority may issue
forms and directives to prescribe the implementation of the articles
under this Regulation.

Article (4): Entities regulated pursuant to this Regulation shall adjust their
situations to comply with the articles of this Regulation within a
period, not exceeding six months from the date this Regulation
comes into force.

Article (5): This decision shall be published in the Official Gazette and shall
come into force from the date of its publication.

**Maqbool Ali Sultan
Chairman of the Board of Directors
of the Capital Market Authority**

Issued on: 20 Rabee Al Awal 1430H

Corresponding to: 18th March 2009

Executive Regulation of the Capital Market Law Part I Definitions and General Rules

Article 1: In the application of this Regulation, words and expressions shall have the same meaning assigned to them in Article (1) of the Capital Market Law and the following words and expressions shall have the following meanings unless the context requires otherwise:

Law:	Capital Market Law.
Board:	Board of Directors of the Capital Market Authority.
Issuer:	Issuer of Securities.
Management:	Managing director, chief executive officer, general manager and financial manager and any person who directly reports to any of the above or reports to the board of directors of the issuer.
Board of directors:	Board of directors of the issuer or management of the investment fund.
Trading:	Sale and purchase of securities listed in a market.
Director General:	Director General of Muscat Securities Market.
Related party of the issuer:	Includes: <ol style="list-style-type: none">1. Directors of the company or the parent company or any of the subsidiaries or associates, during the period of last twelve months.2. Chief executive officer or general manager or any employee who directly reports to the board of directors of the issuer.

3. Any person who holds 10% or more of the voting rights in the company or the parent company or the subsidiaries or associates.
4. Any person who is related to any of the natural persons mentioned in (1, 2, and 3 above) including the father, mothers, sons, daughters, husbands, wives as well the entities in which they jointly or severally hold 25% or more of the voting rights.
5. Any person who is associate of any of the juristic persons mentioned in (1,2,3) including the parent company, subsidiaries, associates and the companies in which he severally holds at least 25% of the voting rights as and the entities their directors acts on the volition of the issuer.

Fund:	Investment fund.
Units:	Units comprising the capital of the investment fund.
Sponsor:	Juristic Person licensed by the CMA to carry investment fund management.
Founder:	Juristic or natural person who contributes to the establishment of the investment fund through payment of portion of the capital.
Appeal Committee:	The committee referred to in Article 61 of the law.
Accountability Committee:	The committee referred to in Article 63 of the law.

Article (2):

All entities carrying out all or part of the activities provided for in the law or the regulation shall keep the documents and registers relating to the operations for ten years from the date of their creation and shall comply with the laws and decision issued by the competent authorities in respect of money laundering.

Article (3):

The Authority shall conduct inspection of the entities governed by the provisions of the Capital Market Law and the regulations thereof, at any time, to examine their compliance with the provisions of the law and regulations and take appropriate action. Such entities shall facilitate the mission of the audit and inspection team and provide all information they request. All information and data accessed by the audit or inspection team shall be treated as confidential information and shall not be disclosed or published.

Part II Issuance of Securities Chapter I

Issue of Shares in public offering and right issue

Article (4): Any public joint stock company desirous of issuing shares in public offering or rights issue shall obtain the Capital Market Authority's (CMA) approval thereto after making an application along with the required documents.

Article (5): The issuing company shall appoint an issue manager from among the companies operating in securities and licensed by CMA to act as issue manager. For initial public offerings, the issue manager shall not be a related party of the issuer of the securities.

The issue manager may assign part of its functions to another entity without prejudice to his responsibility towards the company, CMA and investors.

Article (6): The issuing company shall, through the issue manager, file a prospectus in Arabic, in the format prescribed by CMA, disclosing the financial statements and all relevant information regarding the issuing company. The issue manager may translate the prospectus into English with an indication that the Arabic version approved by CMA shall prevail in the event of dispute. The company shall not issue before obtaining the approval of the prospectus from CMA.

Article (7): The content of the prospectus shall represent the statements and information required to be disclosed to the investors. The company shall include in the prospectus all the necessary information that would allow the investor to take the investment decision. Where the company conceals material information to protect the interests of the company and the investors it shall indicate that in the prospectus showing the reasons and justifications for that and its impact.

The company and issue manager shall be responsible for the accuracy of the information in the prospectus.

Article (8): The company shall file the following documents:

1. Receipt evidencing payment of the prescribed fees for the approval of the prospectus.
2. Draft prospectus in Arabic.
3. Draft offering notice in Arabic
4. Draft subscription application form.
5. Copy of the constitutive memorandum and articles of association of the company any all amendments till date.
6. Bank certificate evidencing payment of the founders' contribution.
7. Economic feasibility study of the project or business plan for new projects or expansion of existing projects.
8. Copy of the agreement between the company and underwriters.
9. Copy of the agreement between the issuer of the security and the issue manager.
10. Copy of the agreement between the issue manager and collecting banks.
11. Copy of the report by the expert on the evaluation of the shares in kind.
12. Any other documents CMA deems necessary.

CMA may not commence the review of the prospectus unless all the above documents have been duly completed.

Article (9): The following procedures shall take place on filing and approval of the prospectus:

1. The issue manger shall file the draft prospectus and the attachments with CMA, thirty (30) days prior to the date of opening the subscription. Such drafts may not be made available to the public prior to CMA's approval. Subsequent drafts shall indicate the amendments made by the issue manager to the initial draft.
2. CMA shall approve the prospectus if the information contained therein is duly complete and satisfy all the prescribed requirements.
3. CMA may require additional information from the issue manager or conduct discussions and inquiries, if it deems fit, in relation to the preparation of the prospectus.

4. The final draft of the prospectus shall be filed with CMA signed by the issuer of the security, issue manager, legal advisor and the underwriter/s.

Article (10): Where any amendment or modification is made to the prospectus or the information contained therein after the prospectus has been approved by CMA, the issuer shall forthwith notify the issue manager of such amendment or modification and the issue manager shall lodge the same with CMA within three working days (3) to obtain its approval.

The issue manager shall, after obtaining CMA's approval, publish the amendments in two daily newspapers and at least one of them shall be Arabic daily.

If the amendments were material and affect the company's financial position, CMA may order cancellation of the offering and obligate the issue manager to refund the collected funds to the subscribers.

Article (11): 1. The issue manager shall, within two days from the date of approval of the prospectus, provide CMA and MSM with soft, protected copies of the prospectus for posting them on their web sites.

2. The issue manager shall publish the offering notice, after approval of the prospectus, in two daily newspapers, one of them being an Arabic daily, at least one week prior to the subscription date (for initial public offerings) and five days prior to the date of record for right issues.

3. The offering notice shall at least include:

- a. Company name, legal form, principal place of business, object and term.
- b. Date of the decision confirming the incorporation of the company.
- c. Capital of the company, number of shares and their nominal values.
- d. Names of founders, addresses, nationalities, number of shares held by each, paid up amounts (for newly constituted companies), names of directors and the ratio of their holdings for existing companies.

- e. Major shareholders who hold 5% or more of the capital.
- f. Description of payments in kind (if any) and name of the owners, the value and the method of valuation.
- g. Subscription period and terms and conditions of subscription.
- h. Number of shares offered for subscription, their nominal value, and method of payment and issue expenses if any.
- i. Collecting banks.
- j. Indicate where an investor can obtain the prospectus including internet addresses.
- k. Any other information CMA deems necessary to be disseminated.

Article (12): 1. Where the company intends to publish promotional advertisements about the offered shares, the draft advertisement shall be presented to CMA for approval. CMA may require the issuer to make amendments as it deems fit.

2. If the issuer intends to carry out promotional campaigns, the issue manager shall inform CMA of the time schedule of such campaigns and the issues to be highlighted.
3. Advertising and promotional campaigns shall introduce the investor to the risks in such investment.

Article (13): The issue manager shall have the following duties and responsibilities:

1. Act as the coordinator between the issuer, collecting banks, underwriter and CMA.
2. Ensure that the issuer has satisfied all the requirements for the issue of securities as per the requirements of CMA, in particular, the issuer obtaining all the approval whether from the competent authorities and the approval of the extraordinary general meeting.
3. Provide advice on capital restructurings, acquisitions, takeovers and mergers.
4. Professional due diligence on the management and organization of the issuer. This includes ensuring that the prospectus contains all the material information necessary to enable the investor to make a thorough analysis and form

opinions about the costs, rewards and risks of the investment in the offered securities and that the prospectus doesn't contain any misrepresentation or misleading information or that material information have not been omitted. It should sign an undertaking as per the prescribed format, in the prospectus.

5. Review the basis on which the issue price was set in consultation with the issuer of the security and ensuring the disclosure of this basis of price determination.
6. Appoint collecting banks in consultation with the issuer of the security and enter into agreements with them, setting out their duties and responsibilities as per the requirements of CMA.
7. File the prospectus with CMA after preparing it, getting it reviewed by the issuer of the security and the legal advisor (who should issue a certificate in the prescribed format evidencing the same) and follow it up until approval.
8. Prepare the offering notice and publish them in the local newspapers after approval by CMA, at least one week prior to the subscription date (for initial public offerings) and five working days prior to the record date for rights issue.
9. Provide sufficient number of prospectuses and subscription forms at collecting banks and brokerage companies and ensure availability of the same throughout the subscription period through continuous follow up of the subscription process.
10. Inform CMA within three (3) days of any change or amendment to the information in the prospectus after approval by CMA. The change shall be subject to approval by CMA.
11. Lodge the approved copy of the prospectus and any amendments thereto with CMA and the protected electronic copy with CMA and MSM within the prescribed period.
12. Obtain CMA's approval for the advertisement and promotional campaigns on the offered securities that the company intends to carry out.
13. Provide CMA with periodical reports during the offering period as mentioned in the prospectus, on the subscription results including number of subscribers, their nationalities, the number of subscribed shares, rejected applications showing reasons for rejection and other related data during the period. The alternatives for allocation in case of oversubscription or

how to deal with the unsubscribed shares as per the terms of the prospectus and obtain CMA approval for allocation of shares to subscribers should also be clearly informed to CMA.

14. Send allocation notices to all successful investors and write to the collecting banks to refund the surplus funds as per the time schedule specified in the prospectus.
15. Prepare subscribers' register as per MSM and Muscat Depository and Securities Registration Company (MDSRC) requirements and coordinate with MSM to finalize the share listing procedures.
16. Coordinate with MDSRC and MSM to list right issues within five days from the date of record, in order to prepare a record of beneficiaries of rights issue so that the allotments can take place within the specified period.
17. Review subscribers' names in the rights issue and match the subscribed shares with final rights holders' record with MDSRC.
18. Prepare for the constitutive general meeting and send invitations to the shareholders and follow up the preparation of founders' report and auditors' report during the pre-constitution period.
19. Redress subscribers' complaints made by in coordination with collecting banks.
20. Any other duties and responsibilities required for the issue process.

Article (14): The issue manager shall appoint at least three licensed national banks so that investors can subscribe through them. The collecting banks shall have the following responsibilities:

1. Allocate sufficient human, technical and financial resources to support the subscription process at the head office and the branches.
2. Designate one or more of the bank's competent employees to manage the subscription process; they shall be directly responsible to the issue manager and subscribers for subscription affairs. The prospectus shall indicate the names, addresses, telephone and fax numbers and email addresses of such employees.

3. Employ procedures and systems that help to verify subscription applications to ensure fulfillment of all requirements. The collecting bank shall assign an IT employee to coordinate with MDSRC and the issue manager to manage all the aspects of IT of the issue and subscription process.
4. Adopt subscription procedures in accordance with the terms and conditions set out in the prospectus approved by CMA.
5. Ensure that the bank's employees receive adequate training to perform their duties.
6. Accept subscription applications satisfying the requirements of the prospectus and indicate in the receipt that the bank shall return incomplete applications. Wherever the bank receives incomplete applications, it should contact the subscriber to complete the application.
7. File reports to the issue manager on the subscription results (volume, value and number of applications) within the period set out by the prospectus or by the agreements with the issue manager.
8. Address and settle complaints from subscribers and forward the unresolved complaints to the issue manager.
9. Ensure availability of application forms and prospectuses at all collecting branches.
10. Refund surplus funds to the bank accounts of the subscribers immediately on receiving orders from the issue manager and within three (3) days; provide the issue manager with a report on the refunds, indicating the refunds completed and those which are pending along with the specific reasons.
11. Provide information as required by the issue manager immediately, subject to the provision of the banking law on confidentiality.
12. Applications shall not be admitted after bank working hours on the last day of the subscription period. The advertisement in the newspaper shall clearly indicate this. If the collecting banks officially open in the evening they shall clearly inform the public.
13. Open other outlet for subscription such as internet websites of the banks or communication centres.

Article (15): Subject to the other terms and rules set out in this chapter, newly constituted public joint stock companies may issue their shares for public subscription provided that a company approved by CMA shall be appointed as underwriter and disclose the direct and indirect expenses relating to the underwriting. The underwriter shall provide a certificate confirming it has verified the feasibility study of the project.

Article (16): The Subscription form shall be in accordance with format prescribed by CMA with the original and attachments for the collecting banks, one copy for the issue manager and the second copy for the subscriber. The reverse side of the subscriber's copy shall contain all the terms and conditions of the subscription.

Issue manager and subscription banks may allow subscribers to obtain subscription forms from their websites provided that a pre-numbering system is available.

Article (17): CMA in coordination with the issue manager may have the power to specify the procedures, terms and conditions of subscription including the subscription method, minimum and maximum number of shares that can be subscribed, the cases where subscription applications shall be accepted or rejected, the method for allotment of shares among the subscribers, and the time limit for refund of surplus subscription funds.

Article (18): Without prejudice to the penalties provided for in the Capital Market Law and the Commercial Companies Law, the issue manager and collecting banks shall be liable toward the issuer and subscribers for any damage caused by their omission in the performance of their duties.

The agreement between the issue manager and collection banks may include clauses on imposing fines on the collecting banks for delay in the processing of subscription applications within the period specified in the prospectus.

Chapter II

Issue of shares in private placement

Article (19): Every public joint stock company interested in increasing its capital through private placement of shares to specific person (s) shall convene an extraordinary general meeting to obtain the approval on such a proposal. The company shall send, along with the agenda, the summary of the proposal including pricing along with the rationale, identity and background of the proposed allottees, the perceived value addition to the company and any other information as deemed necessary to be disclosed.

The company shall obtain undertaking from the person to whom the private placement is addressed, prior to the general meeting, that they will pay the full value of shares on allotment.

Where the persons to whom the shares are allotted are related parties, the company shall disclose the same to the shareholders in the notice to the general meeting showing the nature of interests related to the company.

The resolution of the general meeting shall include explicitly the names of the proposed allottees, number of shares and the issue price.

Article (20): The company, after obtaining the approval of the general meeting, shall submit to the CMA the initial draft of the prospectus containing the following information and documents:

1. Receipt evidencing payment of prescribed fees for the approval of the prospectus.
2. Purpose of the issue and proposed use of subscription proceeds.
3. Issue price and basis of calculation.
4. Investors' names, nationality, and number of proposed subscription shares for each person and percentage to the company's capital, and the reasons for their selection.
5. Details of experience and qualifications of the investors to whom private placement is to be made. In the event that the investor being a juristic person, identity of the major owners of the juristic person shall be mentioned, and if the juristic person is a public joint stock company, members of the board

- of directors and all owners of 5% or more of the company's capital shall be identified.
6. Details of the estimated issue expenses of the private placement and modes of payments.
 7. Restrictions on investors with regard to ownership percentage and disposition of equity.
 8. Explanation on the advantages and benefits that will accrue to the company from the proposed subscription and justification for selecting the method of private placement instead of a rights issue.
 9. Disclosures on whether the persons targeted for private placement are related parties and their interests associated with the company, if any.
 10. Terms and conditions of subscription and the schedule for the implementation of the private placement procedures.
 11. Declaration by the issuer confirming:
 - a. Information provided in this prospectus is complete, true, and the issuer has carried out due diligence to ensure that.
 - b. Investors to the private placement are informed of all information that are required to make their investment decision on whether to subscribe to the company's shares.
 - c. All relevant provisions of the Capital Market Law, the Commercial Companies Law and the regulations, directives issued there-under, have been complied with.
 12. Declaration by the Legal Advisor confirming that he has verified the prospectus from the perspective of the company's compliance to the legal requirements related to private placement.

CMA may, before approving the prospectus, require further information or documents. The company may act as its own issue manager.

Article (21): The company shall collect the subscription amounts within sixty days from date of the general meeting. Where such procedure is not completed within the said period the board of directors of the company shall invite for another extraordinary general meeting to renew the approval if the company is willing to go ahead with the proposal of private placement.

Article (22): The company shall determine the issue price as it sees fit as follows:

1. Where capital increase shares are to be issued only through private placement, the issue price shall not be less than the average of the weekly high and low closing prices of the relevant shares quoted in MSM in the last twenty six (26) weeks or such average during four (4) weeks before the date of official disclosure of the private placement agreement, whichever is higher.
2. Where the shares being offered through private placement after issue on rights basis under the provisions of the Commercial Companies Law, the issue price shall not be less than the price at which it was offered in the rights issue, provided that collection of subscription funds and completion of the private placement issue shall be completed within sixty (60) days from the date of the closure of the rights issue.

Article (23): The privately placed shares shall be locked in for a period of one year from the date of listing in MSM without affecting the right of the shareholder to affect a secondary pledge on the same.

The restriction shall not apply, if the shares are allotted from the unsubscribed portion of a rights issue to the existing shareholders.

Chapter III Issue of Bonds

Article (24): A joint stock company desirous of issuing bonds pursuant to the provisions of the Commercial Companies Law shall obtain the Capital Market Authority's approval. The following documents shall be submitted together with the application:

1. Receipt evidencing payment of the prescribed fees to CMA for the approval of the prospectus.
2. Certified copy of the articles of association, as amended till that date.
3. The resolution of the extraordinary general meeting approving the issue of bonds certified by the competent authority together with the documents and reports presented to the meeting.
4. Resolution appointing bondholders' agent.
5. Draft prospectus as per the format prescribed by CMA.
6. Any additional information or documents as required by CMA.

Article (25): A certificate of credit rating of the company which intends to issue bonds in public offering or rights issue shall be provided in the following cases:

1. Bonds of more than 24 months maturity.
2. Bond issued by a company whose capital has eroded.
3. Bonds issued by a private joint stock company (S.A. O.C)

CMA may also require credit rating in cases other than those mentioned above. It may also request another institution to carry out another credit rating at the issuer's expense.

The credit rating/s shall not be lower than the rating which indicates that the company is able to discharge its obligation toward bondholders as and when they fall due.

Article (26): The company while producing the credit rating certificate shall enter into contract with a professional rating institution to carry out continuous credit rating of the bonds until their maturity

falls due. The contract shall provide for the obligations of each party. The prospectus shall include summary of the terms and conditions of the contract.

Article (27): Bondholders' agent shall monitor the company's performance in respect of its obligations as mentioned in the prospectus and to protect bondholders' interests. In particular, it shall be responsible for the following:

1. Calling for periodical reports from the company and inspecting its books of accounts, records, registers, the company's assets and the documents and reports related to the credit rating of the company.
2. Ensuring that the interest due on the bonds have been paid to the bondholders on due dates.
3. Monitoring the issuer's execution of the terms and conditions for providing security for the bonds and ensuring that the security is sufficient to discharge the claims of bondholders as and when they become due.
4. Verifying that the bonds are redeemed or converted into sharers in accordance with the provisions and conditions contained in the prospectus.
5. Calling or causing to be called, the general meeting of bondholders on any event which may affects the interests of the bondholders or on a requisition by one or more bondholders who own at least 10% of the total issued bonds.
6. Ascertaining that the funds raised through the issue of the bonds are utilized in accordance with the prospectus.
7. Carrying out such other acts as necessary for the protection of the interests of the bondholders.

Bondholders' agent may seek the assistance of experts and professionals to perform its duties, without prejudice to his responsibility.

Article (28): Where secured bonds are issued the security shall be created as stipulated in the prospectus within six months from the close of subscription period. Where no security is created within the prescribed period the company shall be liable to refund the money to the bondholders within thirty (30) days.

The creation of security for the bonds issued by banks shall be in accordance with the rules prescribed by the Central Bank of Oman.

Article (29): Convertible bonds may be converted into shares on due dates in accordance with the prospectus.

The issuer company may roll over the bonds subject to compliance with the following:

1. Approval of the bondholders in a general meeting.
2. A fresh credit rating of the bonds carried out no more than 6 months prior to maturity and after making the same available to the bondholders.
3. Create new security for the secured bonds which the company wishes to rollover.

Article (30): The company shall comply with the listing rules stated in this regulation.

Article (31): The rules stipulated in Chapter Two of this Part shall be adapted for issue of convertible bonds through private placement.

Such bondholders may not dispose of the bonds until maturity or conversion date.

Article (32): If the issue terms and conditions include the issuer company's right to redeem the bonds before the maturity date the same right shall be disclosed to the bondholders.

Article (33): The company shall obtain CMA's approval prior to any solicitation or promotion for bond issues.

Part III

Listing, trading, clearance and settlement provisions

Chapter I

Listing of Securities

Article (34): The Omani joint stock company shall submit a listing application within one month from the date of registration along with the following documents and information:

1. Certificate of commercial registration and attachments thereto.
2. List of authorized signatories and specimens of their signatures.
3. Copies of the company's memorandum, article of association and the prospectus.
4. An attested copy of the minutes of the constitutive general meeting.
5. Any additional requirements CMA prescribed deems fit.

This provision with the exception of Clause (4) shall apply to the companies under transformation to public joint stock companies after closure of subscription and allotment. The company shall complete the procedures for registration in the Commercial Register within two (2) months from the date of listing.

Article (35): Notwithstanding the provisions of the previous Article, listing of shares issued to increase the capital shall be as follows:

- a. Bonus shares shall be listed within four (4) business days maximum from the date of record.
- b. Shares issued to increase the capital shall be listed on the date specified in the prospectus.

Muscat Depository and Securities Registration Company (MDSRC) shall complete the preparation of shareholders' register before the end of the period prescribed above.

Article (36): Bond issuers shall file the listing application as per the terms specified in the prospectus in accordance with the format prescribed by CMA.

Article (37): Listing of securities in the Market shall be pursuant to the decision of the General Manager of MSM which shall be issued within one week from receiving complete application and the decision shall also indicate the appropriate Market segment where the security would be listed.

Article (38): Terms and conditions applicable for Omani public joint stock companies shall be adapted for investment funds that are obligated to list their securities.

Article (39): Securities shall be listed in the market as follows

a. Regular Market:

Shares of companies and units of investment funds shall be listed on this market, subject to the following terms and conditions:

1. The paid up capital is not less than RO 5 million.
2. Shareholders' equity is not less than 120% of the paid up capital.
3. Ratio of free float shares or units is 40% of the paid up capital as minimum.
4. The company has achieved net profits during the last two years at 5% of the paid up capital as minimum.
5. The number of days during which the shares or units are traded is not less than 122 trading days and annual turnover of the share or unit is not less than 10% during the year.
6. Traded value shall not be less than 10% of the paid up capital during the year.
7. Shall have issued financial statements for two consecutive years.
8. Shall have been listed in the Parallel Market at least for one year.

Shares of public joint stock companies and units of investment funds may be listed in this Market in the event of defaulting one condition, maximum, except the conditions in Paragraphs 1 and 4 of Clause "a" of this Article.

Shares of Omani public joint stock companies resulting from privatization processes shall be listed in this Market , provided the provisions for transfer between market segments shall apply after six months from listing.

b. Parallel Market:

Shares of the companies and units of investment funds shall be listed in this Market in the following cases:

1. Public joint stock companies and investment funds listed for the first time.
2. Public joint stock companies and investment funds who fail to satisfy the requirements of listing in the Regular Market.

c. Under Monitoring Market

Shares of the companies and units of investment funds shall be listed in this Market in the following cases:

1. The companies whose capital has eroded by 25% or more
2. Companies and funds who resolved to be dissolved or liquidated.
3. Companies who resolved to change their legal status.

d. Third Market

Shares of the companies and units of investment funds shall be listed in this Market in the following cases:

1. Closed joint stock companies
2. Investment funds offered in private placement.

e. Bonds and Sukuk Market

For listing of bonds and Sukuk.

f. Rights Issue Market

For listing of rights issues.

Article (40): Where the market administration notices that any company or fund is eligible for listing in a higher market segment or ineligible to retain its position in the current market segment, the Market shall transfer its listing to the appropriate market segment.

Article (41): Non Omani issuers who are desirous of listing their securities in the market may file an application in the format prescribed by the Market.

Article (42): The Market may conclude cross listing agreements with other stock exchanges including terms and conditions for such listing without being restricted by the provisions of this Chapter.

Article (43): Delisting may take place in the following cases:

- A. Change of the legal form to another legal form that is not eligible for listing.
- B. Merger or take over.
- C. Dissolution or liquidation.
- D. Maturity of the security.

Chapter II

Trading of Securities

Section I

General Provisions

- Article (44):** All securities listed in the Market are tradable unless pledged or attached or blocked from trading.
- Article (45):** The Board of Directors of CMA shall determine the weekly trading days. The Board of Director of MSM shall determine daily timings. These shall be announced one week before coming into effect.
- Article (46):** The Director General shall stop trading in the market in the event of any technical failure in the electronic trading system affecting at least one third of all brokerage companies. He may make up for such stoppage with additional time after repairing the failure or start new trading session if such an adjustment would be unfair to brokers and market participants.
- Article (47):** The Director General may extend or reduce the specified time of the trading session as per the rules approved by Board of Directors of the Market. All principles and measures of the original session shall apply to such extended sessions. The extended periods shall also constitute a part and parcel of the trading session.
- Article (48):** Access to the trading platform shall be limited to the staff of MSM, the staff of CMA and licensed brokers. The Director General shall determine the number of staff of the brokerage companies who shall have the right to access the trading platform. Entry to the traders' arena may be allowed to official delegations, visitors, guests and students through approval by the Director General or his deputy.
- Article (49):** Brokerages shall keep the usernames and passwords given to them by the Market to access the trading system and take the necessary measures to maintain the secrecy of the same.

Brokerages shall be responsible for orders and transactions executed through their usernames.

Article (50): The Director of Operations of MSM shall have the powers to execute trading measures and directives. Brokers shall not have the right to interfere in the powers of the Director of Operations or object his decisions during the trading sessions.

Article (51): The Market may temporarily suspend trading of any listed security if there is information or rumor that may affect the price of the security or in case the company restructures its capital or splits its shares.

Trading of the securities of any company shall be suspended if the company is dissolved or liquidated.

Article (52): The Director General may increase the price fluctuations of a certain security by 10% over the original percentage at the same trading session if there are orders or offers that exceed the applicable ceiling in the Market. The Market shall announce this modification and suspend trading in the security for 15 minutes to allow dealers to amend their orders.

Article (53): No person shall enter bid/ask orders with the intention of misleading market participants that there is active market for one security or more, which would lead to price increase or fall. Any person or group of persons may not conduct a series of transactions on securities in order to manipulate the price.

Article (54): A brokerage company may trade in securities in favour of a member of its Board of Directors, its managers, their spouses and relatives up to first degree. It may also deal in securities in favour of its accredited brokers and its staff provided that it fully and immediately discloses such relationships and dealings.

They company may deal for its own account provided the same is disclosed to the clients where there is interest in the received orders.

- Article (55):** Declared dividends shall accrue on the date of the general meeting which approved such dividends or any other date determined by the general meeting. In all cases dividends shall accrue to the holders at the end of working hours on the record date.
- Article (56):** The buying client shall be considered as holder of the securities from the moment of execution of the purchase order. Where the client fails to discharge his financial obligations during the settlement period the broker shall deal with such securities in accordance with rules applicable in the market.
- Article (57):** The broker shall charge the client a trading commission of not less than 0.004% and not exceeding 0.0075% for each transaction inclusive of the market's share which is 0.0015% of the transactions value.

Section II Authorization

- Article (58):** Selling and purchasing of securities by brokerages shall only be executed on the basis of written or verbal authorization or any other method agreed upon between customers, their agents or their legal representatives and the brokerage company, provided that such unwritten orders shall be made in written down later and signed by the client or his authorized agent. Client's authorization shall not be absolute.
- Article (59):** Client's orders shall only be received by the broker. The general manager of the brokerage or his/her equivalent may receive the order.
- Article (60):** Orders given to the broker shall specify the conditions or limits of the client within which the broker can act on his behalf in accordance with the form issued by CMA.
- Article (61):** Upon receiving the authorization the broker shall verify the identity of the client and his capacity to trade.
- Article (62):** The signature of the client on the authorization given to the broker shall be deemed as acknowledgment of the validity of the information contained therein. The broker shall act within the terms and conditions of such authorization.
Client's approval of the transaction shall be acknowledgement of acceptance.
- Article (63):** The broker should maintain a telephone conversation recording machine to receive authorization by telephone. In case of any authorization received by a telephone which is not connected to telephone conversation recording machine, the broker shall be liable in case a of any dispute with the client.
- Article (64):** The brokerage company should block the securities it wants to sell before sending the selling order. This excludes the shares registered under custodian's account.

Article (65): The Authorization System shall automatically block the securities purchased for clients of the brokerage company in favour of the brokerage company which made the purchase. The brokerage company shall lift the block as per the agreement shown in the authorization order unless the buyer client infringes his obligations with the brokerage company.

Article (66): The broker shall observe the priority of executing clients' orders as per their time of receipt. The broker shall be responsible for the accuracy of such priority. The broker shall execute buy and sell orders in the nearest trading session unless the authorization provides otherwise.

Article (67): a. The broker shall open a trading account in favour of the client and ensure that the client has an account with Muscat Depository and Securities Registration Company.

b. The broker shall endeavour to execute purchasing or selling orders in favour of his client at the best possible price at the time of executing the order as per the authorization.

Article (68): a. The purchasing client shall, upon the execution of the purchasing order by the broker, pay the value of the purchased securities and the commission to the broker as per the clearance and settlement rules applicable in the Market

b. The selling broker should pay the value of the sold securities to his client as per the applicable clearance and settlement rules applicable in the Market.

Section III Trading Through the Internet

Article (69): Companies licensed for brokerage may provide the ability to trade in the Market, through the Internet.

Article (70): Brokerage companies desirous of providing trading through the internet shall obtain the Market's approval by filing an application and signing the relevant agreement on the form prescribed by the Market.

Article (71): Brokerage companies desirous of providing this service shall:

1. Install and maintain an order management system as per the technical specifications determined by the Market.
2. Provide information protection system against hacking through the Internet.
3. Provide electronic means necessary to receive and register clients' order safely and in consistence with the company's procedures.
4. Conduct surveillance of Internet trading operations.
5. Create technical mechanism to ensure that client's transactions are not executed without sufficient balance of funds or securities.
6. Set out written disclosures to explain the steps for trading through the Internet.
7. Assign the compliance officer of the company to follows up clients' complaints regularly and ensure that they are resolved within a reasonable period.
8. Sign contracts with its clients that take into account the following, in addition to the requirements of the laws that regulates Internet based dealings in the Sultanate:
 - a. Adherence to "Know Your Customer" requirements.
 - b. Specifying responsibilities of the parties of the contract.
 - c. Specifying the duration of the contract.
 - d. Specifying cases that require manual signature.

- e. Providing alternative contact channels.
- f. Specify cases that lead to the cancellation of clients' orders.
- g. That each of the contracting parties shall comply with local laws, irrespective of the place where the order has been entered from.
- h. Disclose all risks related to trading through the Internet and investment in securities.
- i. Any other requirements prescribed by the Market.

Article (72): Brokerages licensed to provide this service shall enable their clients to route their buy and sell orders to the electronic trading system.

Article (73): Orders through the Internet shall be subject to the same provisions regulating the ordinary orders.

Article (74): Brokerages shall cancel the orders coming from clients through the Internet if the orders infringe the applicable directives and regulations of the Market or infringe the agreement with the client or are intended to create false impression of purchasing or selling orders. In such cases, the brokerages shall also inform their clients.

Article (75): The Brokerage Company shall not bear any responsibility for such orders placed through the internet which have failed to reach it due to any reason. The client may use the available alternative methods to have his orders delivered to the brokerage company. The agreement between the client and the brokerage company shall provide for this condition.

Section IV Orders

Article (76): The priority for execution of orders in the trading system shall be based on:

- 1st - price
- 2nd - time of entry
- 3rd - type of order

Article (77): The price shall determine the priority of executing orders. Orders entered into the electronic trading system shall be either a Limit Order, or a Market Order. Priority shall be based on prices as per the following rules:

- a. Priority of buy orders shall be separate and independent from selling orders.
- b. Higher-price buy order shall take precedence over lower-price buy orders.
- c. Lower-price sell orders shall take precedence over higher-price sell orders.
- d. Best prices shall get priority in execution.

Article (78): Time of entry of the order shall be subsequent to the price in determining the precedence in the sequence of priorities as per the following rules:

- a. Once an order is entered, the system shall determine time and date of entry.
- b. Entry time of the order is the time upon which priority is determined.
- c. Orders carried forward from previous day shall take priority over orders that are entered for trading during the pre-opening session or during the continuous trading session if the price is the same.
- d. Any amendment in the information of an order entered into the system shall lead to a change in the time of entry of the order and its rank in the priority except in case of reduction in the quantity.

- e. Where an order is partially executed, the remaining portion shall retain its priority.

Article (79): All bids and offers shall be in units specified by the Board of Directors of the Market.

Article (80): Types of orders:

1. Limit Price Order: Order at specific execution price.
2. Cross Order: An order to the same broker for the same securities, asking to buy and sell for the same quantity. This order shall be executed directly at the best price limits.
3. Market Order: Order which the client accepts its execution at the current market price.
4. Market To Limit Order: An order without specifying the price. It shall be executed at the best available price (the order is cancelled if there is no corresponding order at the time it was sent). In case of partial execution of the order, the bid/ask price for the unexecuted portion shall be equal to the price of the executed part.
5. Opening Price Order: Order sent without price during the pre-opening session. The execution price shall be equal to the opening price. Should any quantity remain unexecuted after the opening of the market it shall become a limit order at a price equal to the opening price.
6. Stop Order: An order at market price that automatically becomes active only when the price of the security reaches the specified trigger price.
7. Stop Limit Order: An order which specifies maximum/minimum price for execution (Limit Price). It shall be triggered automatically if the security reaches the specified Stop Limit Price.
8. On 1st Limit Order: An order which has one tick priority over Limit Price Orders. It can be sent during the pre-opening session or during the continuous trading session.
9. Fill and Kill (FAK) Market Order: This is a market price order. It is executed at the opening of the market if it was sent during the pre-opening session. It shall be executed directly if it was sent during the continuous trading session fully or partially

depending on the existence of one or more corresponding orders. The order shall be cancelled if no matching order is available at the time of transmission. Any unexecuted quantity of the order shall automatically be cancelled.

Article (81): Validity of the orders entered into the electronic trading system shall be as follows:

1. (Day): Valid for one day.
2. Valid for immediate execution (Fill And Kill)
3. Valid for a certain date (Good Till Date)
4. Valid for one year (Sliding Validity).

Article (82): The broker may, in addition to the type and validity of order, specify:

1. Minimum limited for execution of the order.
2. Number of securities appearing in the order.

Article (83): The Brokers may cancel any order entered into the electronic trading system if not executed. If part of the order is executed, the broker may cancel the unexecuted part.

Section V Trading Sessions

Article (84): Trading shall take place through the electronic trading system in regular sessions as follows:

1. Pre-opening session.
2. Opening session.
3. Continuous trading session.
4. Closing session.

The electronic trading system shall continue in operation for the period set by the Director General of the Market.

Article (85): a. The Market shall hold the pre-opening session on every trading day. It shall run till the beginning of the continuous trading session. Unexecuted and valid orders of the previous day shall be carried forward to this session. Brokers shall, during the pre-opening session, undertake preliminary measures including entering, amending, or canceling orders and review the available data through the electronic trading system.

b. During the pre-opening session, the electronic trading system shall prioritize entered selling and purchasing orders and the existing orders in accordance with applicable priority rules. No trading shall take place during this session. The System shall calculate the opening price for companies for which there are executable selling and purchasing orders.

c. The opening price shall be determined during the pre-opening session in accordance with the following rules:

1. The opening price is the price which would lead to the trading of the largest possible quantity of securities at the opening.
2. In the event that there is more than one price meeting this condition, the price which keeps the least quantity unexecuted shall be chosen.
3. Where more than one price achieves the same results in terms of the traded quantity and the remaining securities, the higher price shall be chosen in case the remaining quantity is more on the demand side and the lesser price in case the remaining quantity is more on the supply side.

4. The price that is nearest to the benchmark price.

- Article (86):** a. At the end of the opening session, selling and purchasing orders shall be executed at the opening price where this price is better than or equal to the prices specified in purchasing and selling orders. Unexecuted orders and the remaining quantities of the partially executed orders shall be transferred to the continuous trading session.
- b. Entered orders which were not fully executed in the opening session shall be included in the priorities schedule in accordance with their prices and the time they were entered into the system. Orders transferred from previous days shall take precedence over those orders which were entered during the pre-opening stage in case prices are equal.

Article (87): During the continuous trading session, purchasing and selling of listed securities shall be executed through entering purchasing or selling orders followed by automatic matching of corresponding orders.

Section VI

Measures of Execution of Special Orders

Article (88): Special orders shall be executed through TCS trading system. The Board of Directors of the Market shall determine the number of securities required to qualify as such orders

Article (89): Special orders shall be allowed a flexibility of 15% from the previous day's closing price. The Director General may change this percentage as appropriate.

Article (90): Executed special orders may be split through the clearance and settlement entity on the condition that one party to the contract is one individual person or one person and his wife and/or his parents and/or children up to second degree or his sole commercial enterprise.

Article (91): The Broker may demand the announcement of the existence of a special order (bid, ask) to other brokers through the Operations Department.

Section VII

Measures for calling the Un-paid capital

- Article (92):** The company may, prior to calling for the unpaid capital, coordinate with the Market and MDSRC to create the mechanism for registration of payment and trading of its shares during capital call period.
- Article (93):** Following a decision of its board of directors, the company shall, by registered mail send to their addresses in the shareholders' register, call upon shareholders who are yet to pay the outstanding capital, to do so, within thirty (30) days from the date of sending the call. The company shall advertise the same in two daily newspapers of Oman, one Arabic and one English.
- Article (94):** Where a shareholder defaults on payment despite calling upon him to do so, the company shall send him a warning by registered mail to his address recorded in the shareholders' register to pay within 21 days of the date of the warning. The warning shall inform the defaulting shareholder that his shares will be placed for sale in a public auction in the Market, in case the warning period elapses without payment has being made.
- Article (95):** Where the warning period mentioned in the above article passes without the shareholder making the payment, the company shall publish an advertisement at its own expense once in two daily newspapers in one Arabic and one English indicating that the company intends to sell the shares owned by defaulting shareholders in an auction ten days prior to the date of auction. The advertisement shall contain the date of the auction.
- Article (96):** The company, wishing to sell the shares of the defaulting shareholders in a public auction shall submit an application to this effect to the Market. The application shall include the following documents:
- a. A written statement showing that the company has taken all the necessary legal measures in this respect.
 - b. Copies of the advertisements in which the company called upon the shareholders to pay the required unpaid capital.

- c. Detailed statement approved by the company's management showing the names of defaulting shareholders who failed to pay the unpaid capital, the number of shares and their serial numbers.

Article (97): The Market shall announce the date of the auction three (3) working days prior to the date of auction and the auction shall continue for five (5) days. Where all the shares offered in the auction are not sold within the specified term, the auction shall continue for another five (5) working days after the date of commencement and the same trading session. If the shares are still not sold the company may request for extension of the time.

Article (98): The sale of the auction shares shall be through only one brokerage company which shall be authorized by the concerned company to execute the selling process.

Article (99): The brokerage company executing the sale of the shares in a public auction shall place selling orders in the form of ordinary orders on the trading screen.

Article (100): The Broker authorized to execute the auction shall observe the following measures when presenting the selling of auction shares orders:

- a. To start with offering the highest price allowed by trading measures or with the highest price recorded during the last fifteen 15 days.
- b. The prices of offers that follow the first offer shall be determined and put up for auction sale in accordance with the auction method.

Article (101): The brokerage company authorized to manage the auction shares selling process may purchase in favour of its clients or its own portfolio.

Article (102): The brokerage company shall issue a cheque with the net value of the sales in the name of the company together with the detailed selling invoice, the quantity and the net value after commission.

Article (103): The company shall take precedence over all the shareholder's creditors in recovering its unpaid dues from the value of the sold shares in the public auction in addition to the accrued interest and expenses. It shall pay the balance to the shareholder. If the selling proceeds were inadequate to pay all the company's dues, it may recourse to the court to recover the remaining amount from the private money of the shareholder.

Article (104): The average price of the total shares sold in the auction shall appear in the company's register in calculating the share-selling price in order to make the final settlement with the shareholder after deducting all related expenses.

Section VIII

Bonds Trading

Article (105): Selling and buying bonds shall only be on the trading platform. Bonds may not be traded in any other place without a decision from the Board of Directors of CMA.

Article (106): Bonds unit, for the purpose of trading, shall consist of one bond based on its face value in every issue. A transaction executed shall consist of one unit and its multiples. A broker shall be obligated to buy or sell at least one bond (one unit). The buyer shall pay the price of the purchased units as per its market value in addition to the accruing interest up to the date of purchase.

Article (107): Interest shall accrue to the bond bearer on the date of maturity.

Article (108): Public auction measures shall apply for determining bond prices in accordance with supply and demand on the issue and its instruments without any limit for daily increase or fall and without any limit on the number of bonds included in one order.

Section IX

Measures for selling securities by court orders or orders or competent authorities

Article (109): Securities may be sold as per directions in final judgments or orders by the competent authorities in accordance with the provisions of the law against debtors.

Article (110): To enforce the selling process in accordance with the previous Article the creditor or his agent shall present the judgment or the order of the competent authority in accordance with the law together with any documents or identification documents required by the market.

Article (111): Where a broker is not assigned by the judgment or order to execute the sale process the Market shall appoint a broker to do so.

Article (112): a.The broker who executed the selling process shall issue a cheque at the net value of the sold securities in the name of the entity that issued the selling order. A selling invoice showing the number of securities sold, their market price and the net amount after deducting the required commissions shall be attached with the cheque.

b.The broker shall hand over the cheque and the sale invoice to the Market management upon the completion of the selling process.

c.The Market shall hand over the cheque and the selling invoice to the entity that ordered the sale, after recording his signature in the register.

d.Securities selling processes which are executed by virtue of final judgment or order of competent authority in accordance with the law shall be recorded in a special register with in the Market.

Chapter III Clearance and Settlement

Article (113): Brokerage companies shall be obliged to carry out settlement of financial obligations resulting from securities trading operations.

Article (114): Brokerage companies and clients shall be obliged to carry out settlement of financial obligations resulting from securities trading operations.

Part IV

Companies operating in the field of securities

Chapter I

Incorporation and Licensing

Article (115): Applications for establishment of companies and branches of foreign companies desirous of carrying out businesses in the field of securities shall be submitted to CMA on the prescribed form together with the following statements and documents, in order to obtain the initial approval:

- a. Payment receipt of application vetting fees.
- b. Names and nationalities of founders.
- c. Evidence of the founders' good reputation and that they were not declared bankrupt during the last five years preceding the application or convicted in a felony or dishonourable crime or for breach of trust or any of the crimes stipulated in the Commercial Companies Law, Commercial Law and Capital Market Law or have been rehabilitated.
- d. Statement of the activities the company is desires to carry out.
- e. Authorization by the founders or directors or their deputies to carry out establishment procedures and obtaining the license.
- f. Approval of the Central Bank of Oman if applicant is a bank with a separate investment banking division.
- g. Any other documents or statements.

Article (116): CMA may issue an initial approval for the establishment if the initial requirements are fulfilled. The company shall be registered in the Commercial Register and complete all technical and legal procedures required for licensing the company within not more than six months from the approval otherwise such approval shall become null and void.

Article (117): Any activities in the field of securities shall not be carried out unless the specific license has been obtained from CMA. This provision shall also apply to the branches of foreign companies.

Article (118): Application for the license to carry out the business for the first time or for renewal shall be submitted in the prescribed format together with the following documents and statements:

- a. Payment receipt of licensing fees and the fees for carrying out the business.
- b. Certificate of registration in the Commercial Register and date, number and place of registration.
- c. Copy of constitutive memorandum and articles of association and any amendments thereto for companies incorporated in the Sultanate of Oman.
- d. Evidence of bank guarantee.
- e. Statement on the directors and officers and their qualifications and experience.
- f. Statement of fulfillment of the minimum number of employees.
- g. Confirmation that the auditor is appointed from among the audit firms accredited by CMA.
- h. Proof of insurance policy taken out against liability for loss or damage to clients due to fault on the part of the company or officers or employees or due to loss or damage or theft of clients' documents or funds.
- i. Copy of internal regulations of the company.
- j. Any other documents that CMA may require.

For branches of foreign companies the followed documents and statements shall be attached in addition to the above:

- a. True copy of constitutive memorandum and articles of association of the parent company in the country of origin and any other documents relating to the incorporation of the company.
- b. Statement that the parent company is carrying out the activities the branch is desires to carry out.
- c. The license granted to the parent company in the country of origin has been valid for not less than last five years.
- d. Copy of the annual reports of parent company containing the audited financial statement for the past five years.

- e. Statement on the business of the parent company, subsidiaries and associates and their locations.
- f. Statement that the paid up capital and shareholders' equity of the parent company is not less than RO 2 Million as per the last audited financial statements.
- g. Statement that the parent company will supervise the branch in the Sultanate and its compliance with the applicable laws, regulations and directives.
- h. Certificate from the regulatory authority in the country where the principal place of business of the applicant is located indicating the license granted to the company, date of commencement of business and continuation.
- i. Statement from the regulatory authority in the country where the principal place of business is located indicating approval for the company to carry out the business of the companies operating in securities in the Sultanate.
- j. Any other documents that CMA may require.

Article (119): The company shall provide evidence, when submitting the application, that it has fulfilled the minimum requirements of employees and their educational qualification and experience to satisfy the standards that CMA deems necessary. CMA may request the employees to undergo tests it sees fit to satisfy this requirement.

Article (120): The company shall deposit with CMA, together with the application, unconditional bank guarantee issued by a bank operating in the country and authorized to the extent of 1% of the paid up capital of the company but not exceeding RO 15,000 on the format prescribed by CMA for this purpose.

The bank guarantee for the branch of a foreign company shall be RO 50,000.

The guarantee may be increased by resolution by the Board of Directors of CMA if the public interest so requires. The company shall top up the guarantee to the required limit within one week from the date of the resolution of the Board or from the date of increase of the company's capital.

Article (121): The Executive President shall decide on the license or renewal application within one month from the date of receipt of the duly completed application. The decision shall be informed in writing.

Article (122): Licensed companies and branches shall be registered in a special register maintained by CMA. Each company shall have serial number specifying the type of business for which it is licensed including the company details, capital, directors, officers and branches.

Every licensed company shall receive a certificate showing its types of licensed activities and it should be placed in a conspicuous place at all its offices.

Article (123): a. The company shall commence the business within one month from the date of the license.

b. The license shall be for three years ending at the end of December in the third year from the year in which the license is granted. Renewal application shall be submitted during the last month of such year.

Article (124): Licensed company may establish branches and appoint agents inside or outside the country after obtaining approval from CMA pursuant to the directives of CMA in this respect.

Chapter II

Activities of the companies operating in securities

Article (125): Licensed companies may carry out the following activities respectively provided the paid-up capital and shareholders' equity shall not be less than the specified limit:

- | | |
|--------------------------------------|--------------|
| 1. Market Maker in MSM: | RO 5 Million |
| 2. Custodian: | RO 3 Million |
| 3. Margin Financing: | RO 1 Million |
| 4. Issuer of Structured Instruments: | RO 1 Million |
| 5. Brokerage: | RO 700,000 |
| 6. Portfolio Management | RO 200,000 |
| 7. Managing Investment Funds | RO 200,000 |
| 8. Issue Management | RO 200,000 |
| 9. Investment Advice and Research | RO 200,000 |
| 10. Marketing non- Omani Securities | RO 200,000 |
| 11. Agent for Bondholders | RO 200,000 |

The licensed company that seeks to carry out more than one activity shall satisfy the minimum limit of capital and shareholders' equity separately for each activity for which it has applied.

Article (126): Licenses for branches of foreign companies shall be limited to the following activities:

1. Investment Advice and Research
2. Marketing non- Omani Securities
3. Issue Management
4. Portfolio Management

Article (127): Licensed companies and braches of foreign companies may underwrite the issues approved by CMA after obtaining CMA' approval and paying the fees for each issue. The company shall prove to CMA its solvency prior to obtaining the approval. The company which obtains the approval may engage a sub-

underwriter provided that such contract shall not exonerate the company from its liabilities.

Article (128): The company licensed as market maker shall provide liquidity to one or more securities listed in the market. It may not carry out any other activity.

Article (129): The custodian is licensed to:

- a. Hold and keep track of customers' securities and funds in segregated accounts and monitor them to ensure that the investment mandate basis and objects is followed.
- b. Ensure the safekeeping of the securities and rights associated with these securities, including the right to receive dividends and the right to vote.
- c. Provide customers' directly with safekeeping functions, which are independent from the customer's relationship with the broker.
- d. Ensure accuracy of transactions undertaken by the broker.
- e. Receive, hold and pay out customer funds as settlement of executed transactions for securities listed on MSM or not listed on the MSM.
- f. Other custodial and related functions requested by the customer or Global Custodian.

Article (130): The company licensed for margin financing is licensed to:

1. Provide customers with financing for investment in securities, collateralized by securities held in the name of the licensed company pursuant to the rules issued by CMA.
2. Operating trust accounts.

Article (131): The company licensed as issuer of structured instruments shall create, distribute and manage structured products based on securities and/or index and/or any products traded in any stock exchange. It may also create Special Purpose Vehicles (SPV), employ leverage, arrange securitization or use its own balance sheet for the primary purpose.

Article (132):

The company licensed for brokerage is licensed to:

1. Execute trades on stock exchanges inside and outside the Sultanate.
2. Manage trust accounts.
3. Provide advice only to the company's customers.
4. Market GCC public offerings in the Sultanate.
5. Distribute of investment units registered with CMA.

Article (133): The company licensed to carry out brokerage business shall:

1. Ensure that the seller owns the securities prior to execution of sell orders.
2. Ensure that the buyer can pay the price prior to execution of buy orders.
3. Shall not provide investment advice unless licensed to do so.
4. Refuse any order by the customer if it infringes the laws and regulations or the fairness and integrity of dealing in securities. The broker shall record on the authorization the reasons for refusal and keep the same in the records.

Article (134): The Company licensed for brokerage or portfolio management or margin trading, with the exception of the branches of foreign companies, may operate trust accounts. They shall observe the following:

- a. Arrangement shall be under written contract concluded between the company and the customer. The contract shall specify the fees received by the company and where the securities are to be kept, kind of reports to be sent to customers, basis for allocation of orders among the customers in the event of execution of consolidated orders, procedures for dividends, bonus shares, rights issue, attendance of general meeting and voting rights.
- b. Keep customers securities in segregated accounts under the name and surveillance of the company.
- c. Ensure safekeeping of the securities and rights associated

with these securities, including the right to vote, receive dividends, notices and financial statements.

- d. Any other requirements prescribed by CMA.

Article (135): Securities portfolio management shall be on the basis of the following rules:

1. Arrangement shall be pursuant to written contract between the company and the customer. The contract shall specify whether or not the company has the discretion or it shall the decisions of the customer, terms of operation of the account, fees and where to keep the securities.
2. The contract shall stipulate the customer's or the company's right to terminate the contract at any time, after giving notice to the other party. The company shall receive fees for the term during which the portfolio is managed.

Article (136): The company licensed for investment funds management shall create the fund after obtaining approval from CMA for each fund. It may also carry out, further to acting as investment manager, the following:

- a. Calculation of Net Asset Value (NAV) and Net Realized Value (NRV)
- b. Processing issue and redemption of units.
- c. Calculation and payment of dividends.
- d. Maintenance and updating of the fund's financial books and records, the calculation of the funds income and expenses accruals and preparation of periodical financial statements.
- e. Supervising orderly liquidation and dissolution.
- f. Corporate governance of the fund.
- g. Carry out daily processes of the back office including settlement of daily trading and bank settlements.

Article (137): The company licensed for issue management shall carry out the functions stipulated in Article (13) of this regulation.

Article (138): The company licensed for securities investment advice and research shall prepare and publish research and investment advice, provide financial news services and provide customized analysis on demand. The company shall inform the customer of any conflict of interest that may affect its objectivity. CMA may prescribe the requirements.

Article (139): The company licensed for marketing non-Omani securities shall observe the following:

- a. Marketing and advice shall be limited to regulated securities.
- b. Information pertaining to the security shall be provided to investors including the approved prospectus, any amendments thereto and copy of their due diligence report.
- c. Provide statement to CMA every six months within seven days from the end of the term including the details of the issuer of the security, number and value of the marketed securities.
- d. The company shall not use fraudulent or deceptive methods or provide false or incomplete information or conceal any material information in order to promote the security that it distributes.
- e. Shall not use the media to promote the security.
- f. Marketing shall be limited to investors who are financially solvent, have experience in securities investments and have indicated the same in the (Investor Qualification Form).
- g. Statement that the investor is acquainted with all the documents relating to the security and that he is aware of the rewards and risks of the security.
- h. Initial investment of any investor in any security shall not be less than RO 5,000 (Five Thousand).
- i. Keep detailed register of investors who subscribed to the security including the documents and statements relating to such investors.

Above provisions shall not be necessary for securities issued in GCC States and offered as public offerings.

Article (140): The company licensed as agent of bondholders shall carry out the functions stipulated in Article (27) of this regulation.

Chapter III

Obligations of the companies operating in securities

Article (141): The company shall prepare internal rules describing their processes and control mechanism, in compliance with all applicable laws, regulations and directives to avoid conflict of interests and ensure that they are followed in practice. Such internal rules shall at least cover the following areas:

1. Organizational structure of the company which shall show the powers, function and responsibilities of executive management and other functions in the company and reporting methods.
2. Flow of document.
3. Determination of authority regarding approval of expenses.
4. Purchases and services contracts policy.
5. Human resources policies which include salaries, appointment, development, training, promotion, termination and other relevant matters.
6. Investment policies of the company.
7. Processing related party transaction.
8. Processing investors' complaints.
9. Any other rules prescribed by CMA.

Article (142): The company shall comply with internationally accepted rules of professional and ethical code of conduct in the field of securities and shall maintain its own code of conduct in accordance with the minimum requirements set out by CMA.

Article (143): The board of directors shall review the efficiency and adequacy of the whole internal control mechanism and code of conduct at least once in every year.

Article (144): The board of directors shall make reasonably adequate efforts to ensure that all employees and agents and other representatives of the company are ethical, honest and of good character and that they are properly qualified for whatever tasks they carry out.

Article (145): the board of directors shall appoint a general manger who acts as the executive manager of the licensed company or the investment banking division of the licensed banks and the like. The person who occupies this position shall have at least five years of experience in the field of securities or related areas.

Article (146): The company shall appoint a compliance officer who shall be a whole time employee on the following terms and conditions:

1. The power to appoint and terminate the compliance officer shall vest with the board of directors. The compliance officer shall be a top management officer.
2. Compliance officer shall not carry out any duties to be reviewed or audited by him and shall act independently from the executive management.
3. Compliance officer shall have unfettered right to access the documents and records.
4. Compliance officer shall act in accordance with internationally accepted standards.
5. Compliance officer shall report to the general manager or the like and shall provide copy to the board of directors and the audit committee.

Article (147): Compliance officer shall ensure the company's compliance with legal requirement provided in the Capital Market Law, the regulation and directives and any other requirements specifically:

1. Act as the liaison between the company and CMA and cooperate with CMA's staff who inspect or audit the company.
2. Continuously and independently, monitor and review the company to ensure compliance with statutory and regulatory requirements.
3. Identify shortcomings in regulatory compliance and violations (if any) and immediately
 - a. Report to their board of directors and to the CMA
 - b. Take all remedial actions to minimize chances of recurrence or to control the damage, either directly or through the top management.

4. Ensure that all the reports and information required by CMA are properly prepared and filed on time.
5. Ensure adequacy of internal regulation and audit, verify implementation and ensure that improvements are introduced to the systems and control processes.
6. Provide advice to the top management regarding financial risks, market risks and credit and operational risks.
7. Maintain written records as evidence of carrying out surveillance functions.
8. Ensure that training courses are provided to the company staff on statutory and anti money laundering requirements and ensure they are notified of any developments in regulation.
9. Review customers' complaints and assist in resolving the same.

Article (148): Securities can be lent to brokerage companies in accordance with the rules prescribed by CMA.

Article (149): No person may own, without CMA's approval, more than 15% of the voting shares in any company licensed pursuant to this regulation. Person in this Article means a natural person, spouse, relatives up to first degree and business concerns in which such person own 20% of the voting share or a juristic person and the business concern in any of which the person owns 20% or more of the voting shares.

Article (150): The company shall not own shares in another company carrying out the same activity except if that company is listed.

Article (151): The company may not merge with any company or person or to be taken over or increase or reduce its capital or dissolve or liquidate its business except with the prior approval of CMA.

Article (152): There shall be "Chinese Wall" rules and procedures to ensure that the company or any related party does not improperly utilize undisclosed information.

All licensed banks shall have “Chinese Walls” between the commercial banking and investment banking division.

Article (153): All customer information and orders shall be classified as confidential and treated accordingly and shall be used only for the purpose for which they are given.

Article (154): Access to information stored in the computers or modification thereof shall only be by the authorized personnel in accordance with internal regulation of the company.

Article (155): The company shall maintain a “watch list” for the securities for which it possesses undisclosed information and shall follow such procedures necessary to ensure that such information will not be misused. The company shall prohibit its staff from trading in these securities.

Article (156): Trading by the staff of the company shall be pursuant to the following rules:

1. Trading shall only be through the company for which the staff is working and shall disclose this account to the company.
2. Prior approval shall be obtained from the compliance officer of the company or the general manager/equivalent.
3. Inform the compliance officer of all their accounts and the accounts of their spouses, minor children, their sole companies and institutions. They shall also provide the compliance officer with any additional information they request on these accounts.
4. The company shall inform the Department of Trading Surveillance of all trading accounts stated in the above clause.
5. Compliance officer shall review all the trading by the staff to ensure they are not trading on the basis of undisclosed information or in breach of the statutory requirements.
6. The company shall keep a register on the trading by each staff member and shall review this register regularly.

Article (157): Segregation of customers funds shall be pursuant to the following rules:

1. All funds belonging to customers shall be deposited and kept in a separate bank account (account) of the company, which shall be titled as “customer account”. Customer funds would include amounts received from customer for purchases, amounts received from settlement of his sales and dividends received on his account.
2. The company shall use the funds deposited in customer’s account to fulfill the settlement of obligations due to MSM and other brokers arising from the purchases for the account of that customer.
3. If the customer does not have sufficient deposits to cover his purchases or a customer’s cheque fails to clear the bank, the deficit shall not be covered from the funds of other customers.
4. The funds deposited in the customer’s account may not be lent or used by the company for its other operations or purposes or pledged or otherwise used as collateral.
5. The company shall appropriate its commissions and fees earned to the general bank account of the company.
6. The audited and un-audited reports of the company’s account shall reflect both the amounts due to customers, and the amounts deposited in the customer’s account.
7. The licensed company may not charge the customer interest on amounts due to the company unless the company is licensed to provide margin financing.

Article (158): The securities held by the company shall be segregated pursuant to the following rules:

1. No licensed company shall hold customer securities except pursuant to a written contract. The contract must be signed by the customer and the general manager of the company. The contract must state the conditions of operation of the account.
2. Companies holding customer securities in the name of the company must continuously maintain accurate separate

accounts clearly identifying the assets and transactions belonging to each customer and portfolio. The back office shall record the transactions and make reconciliations on a daily basis.

Article (159): The following rules shall be observed in account opening and customer files:

1. The licensed company shall prepare its internal rules detailing the conditions and procedures for account opening and maintenance of customer files.
2. Open a customer account with the company and MDSRC if the securities are listed in the Market.
3. The company shall maintain a written record documenting the identity of the customer.
4. The company shall comply with all the applicable agreements, laws and regulation pertaining to anti money laundering.

Article (160): The licensed company which receives and processes orders to buy or sell securities shall have reasonable systems to ensure fairness in order placement, execution and allocation.

Article (161): The Company shall be responsible towards the customer and CMA for the actions of its branches or agents licensed by CMA in accordance with the rules issued by CMA.

Article (162): The licensed company while carrying out promotions to its customers or the public shall not publish any misleading or incorrect information.

Promotion shall include advertisements in any media, publication, web pages, text of signs or billboards, circulars, all regular or occasional research reports, material used in seminars, press releases, articles and interviews with staff and all material distributed or promoted by the company that refers or explains the products and services offered by the company.

Article (163): The liabilities of the company shall not exceed, at any time, 200% of the net assets. CMA shall issue capital adequacy rules in accordance with the following provisions:

1. The company shall maintain the minimum capital adequacy. The company shall have adequate systems to monitor capital adequacy and ensure it does not fall below the specified limit.
2. Increase the capital adequacy to the required minimum adequacy level during the specified term.
3. The measure CMA takes where the capital adequacy falls below the specified limit.

Capital adequacy rules shall not apply to the banks licensed by the Central Bank of Oman and the branches of foreign companies licensed by CMA.

Article (164): The licensed company shall not buy or sell such securities where it is aware that they are subject of any dispute or pay the value of securities before settlement of sale transaction.

Article (165): The licensed company shall not charge any fee or impose any requirement on its customers for rendering services which the company has announced as free of charge.

Article (166): The company shall not conceal material differences in comparing different securities or the performance of different companies.

Chapter IV

Disclosure by companies operating in securities

Article (167): The licensed company shall maintain the required accounting books and registers to properly carry out its business in accordance with the international accounting standards and shall prepare its statements adequately in a manner that truly reflect its financial position and satisfies all the requirements prescribed by CMA.

Article (168): The licensed company shall prepare quarterly un-audited financial statements for the first, second and third quarters of the financial year and file the same to CMA on the prescribed form within thirty (30) days from the end of the quarter and forty five (45) days for those with subsidiaries. Annual audited financial statements shall be prepared in accordance with International Accounting Standards and filed to CMA within two months from the end of the financial year or fourteen (14) days prior to the general meeting for public joint stock companies.

Financial statements mean the balance sheet, income statement, cash flow statement, statement of change in shareholders' equity, notes to the financial statements and board of directors' report.

Article (169): a. The licensed company shall submit to CMA monthly capital adequacy reports within ten (10) working days from the end of the month. CMA may require the company to submit any additional reports on capital adequacy.

b. The company shall submit to CMA audited capital adequacy report annually within the period prescribed for submitting financial statements. CMA may require the company to also submit the report for any lesser period. The external auditor, while auditing the report, shall comply with the standards issued by CMA and the report shall state whether or not the system of the company ensures that the capital adequacy does not fall below the required level.

Article (170): The licensed company shall provide CMA, within the prescribed time period, any information or statements or reports.

Article (171): The licensed company shall, prior to contracting with the customer, disclose all the services that it provides and the commissions and expenses he would incur for dealing with it.

- Article (172):** a. The licensed company authorized to hold customers assets, whether securities or funds, shall send a statement of the account every month in which transactions are made and at least once every six months where there is balance of funds or securities in the account. Proper confirmations shall be sent for each buy or sell transaction within twenty four hours from the execution of the transaction and the reasons should be disclosed in the event the transaction is not executed.
- b. The licensed company, on request by the customer, shall provide the customer with its annual and quarterly financial statements and inform him on any change in its board of directors or major shareholders or owners or executive management.

Article (173): The licensed company shall immediately inform CMA in the event of any of the following:

1. Change of name and address of its offices in the Sultanate or any of its branches.
2. Change in the memorandum and articles of association.
3. Change of the chairman or any director or members of the top managements showing the reasons in the event of resignation or termination or change of office.
4. Closure of any branch or termination of dealing with any agent in the Sultanate or abroad.
5. Change of external auditor of the company.
6. Any attachment or mortgage on the company's assets.
7. Any unexpected losses that affects the financial position of the company showing the reasons.
8. Proceedings instituted by the company or against the company that may have a material impact on the financial position and the magnitude of the expected impact on the company's profitability.
9. Financial distress or where it is likely to be financially distressed in the near future.
10. Appointment or termination of any of the employees of the executive management including the brokers, compliance officer, internal auditor and managers.

Chapter V

Brokers Association of the Companies Operating in Securities and Investor Protection Fund

Article (174): The Association of the Companies Operating in Securities shall be established by resolution of the Board of Directors of CMA and shall operate in accordance with the provisions of the law and shall abide by the following rules:

1. The association shall be a professional, non-commercial, non profit organization. It shall not carry out commercial activities or distribute profits to its members. The association may carry out any non commercial activity for its purpose for fees in accordance with its internal rules.
2. Membership of the association is compulsory for the licensed companies.
3. Members shall enjoy equal rights and obligations including the right to vote.

Article (175): The constitutive contract and internal rules of the association shall contain a code of conduct that obligates the members to comply with integrity, competence and moral soundness in the market in carrying out the businesses of the companies operating in securities and shall set out how to inform CMA and the MSM of the action taken against the members including penalties and appeal procedures. The association shall maintain books and registers for its activities.

Article (176): The association shall submit to CMA, within ninety (90) days from the end of its financial year, audited accounts and all relevant documents, statements and information.

Article (177): The association shall establish an investor protection fund in which all the companies operating in securities that keep customers' assets shall be members. The fund's regulation shall include:

- a. Rules for management of fund.
- b. Limits of coverage and contribution by the members in the fund.

- c. Rules for dissolution and liquidation of the fund.
- d. Penalties for infringements by members.

Article (178): The sources of funding of the Fund shall comprise the following:

1. Registration fees of the members
2. Annual subscriptions
3. Proceeds of the Fund's claims
4. Proceeds of investment of the Fund's funds in government bonds and bank deposits.
5. Annual contributions of the Market at not less than RO 5,000.
6. Any other sources approved by the Board.

Article (179): Registration fee shall be RO 2,000. The member shall pay annual subscription fee at 0.025% of its total revenue at not more than RO 3,000.

Article (180): Where the member fails to pay its obligations toward the investors due to bankruptcy, the investor shall be compensated from the Fund at 50% of the due amount from a member or more, up to a maximum of RO 50,000. The total compensation to the investors of a single member shall not exceed 25% of the net assets of the Fund.

Where more than one member is insolvent the compensation due to a single investor shall be reduced. Total compensation for all investors shall not exceed 75% of the net assets of the Fund.

Pension funds and investment funds, insurance companies, banks, directors of the failing member and employees shall not be entitled to such compensation.

Article (181): The Fund's money shall be deposited with more than one bank operating in the country. The money shall be invested only in government bonds and bank deposits.

Article (182): The Fund shall be managed by a board of directors comprising of five to seven representatives of the members. They may elect the

chairman and secretary from themselves. The board of directors may establish an executive body for the Fund or contract with another entity to undertake the executive management function within the available resources and approval of the general meeting.

Article (183): The Fund's board of directors shall maintain registers to record the revenues and expenses and shall prepare a file for each case in which compensation is granted to the members' clients.

Article (184): The board of directors of the Fund shall provide CMA and MSM with quarterly reports on the activity of the Fund, its financial position and the compensations to the members' clients. CMA and MSM may access and view the registers and documents.

Part V

Credit assessment Companies

Chapter I

General Provisions

Article (185): Credit Assessment companies are those whose activities are limited to carrying out one of the following activities:

1. Credit rating agencies.
2. Credit Bureaus.

Article (186): Application for establishment of credit assessment companies shall be made on the form prepared by CMA to obtain initial approval together with the following documents:

- a. Names of founders, nationalities and qualifications.
- b. The business the company is desirous to carry out.
- c. Proposed capital provided it is not less than RO 200,000.
- d. Receipt for payment of application vetting fees.
- e. Any other documents CMA may require.

Article (187): CMA shall issue initial approval for the establishment if the initial requirements are fulfilled. The company shall be registered in the Commercial Register and complete all technical and legal procedures required for licensing the company within not more than six months from the approval otherwise such initial approval shall be null and void.

Article (188): Any activities of credit assessment companies shall not be carried out unless after obtaining the license from CMA.

Article (189): Application for the license to carry out the business for the first time or for renewal shall be submitted on the prescribed form together with the following documents and statements:

1. Payment receipt of licensing or renewal fees.

2. Certificate of registration in the Commercial Register and date, number and place of registration.
3. Copy of constitutive contract and articles of association and any amendments thereto.
4. Statement on the company ownership, management, staff and relationship with the foreign partner if any and any amendments thereto.
5. Any other documents relating to the organization of the company's business and capital adequacy.

CMA may require any other documents or statements.

Article (190): The Executive President shall decide on the license or renewal application within one month from the date of receiving the completed application. The decision shall be conveyed to the applicant in writing. Where such period passes without any decision on the application, it shall be deemed as rejected.

Article (191): Licensed credit assessment companies shall be registered in special register maintained by CMA. Each company shall have serial number specifying the type of business for which it is licensed including company details, capital, directors, officers and branches. Every licensed company shall receive a certificate showing the types of licensed activities to be placed in a conspicuous place at all its offices.

Article (192): a. The company shall commence the business within one month from the date of the license.
b. The license shall be valid till the end of December in the third year following the year in which the license is granted. Renewal application shall be submitted during the last month of such year.

Article (193): Credit Assessment company's capital and shareholders' equity shall not be less than RO 200,000 at any time.

Article (194): The company shall inform CMA of any dispute with any of its customers and the result of such dispute.

Article (195): The company shall provide CMA, within the specified term, with any information, statements or reports.

Article (196): The company shall prepare its internal code of conduct in which it should undertake to adhere to the ethics of the profession, refrain from violating the laws and refrain from manipulating the assessment results. The company shall make fair and timely disclosure of the results and shall maintain confidentiality of information obtained from clients in addition to other obligations specified by CMA on the prescribed form.

Article (197): The company shall conclude written agreement with its clients including all the data, information, terms and condition as well as the rights and obligations of each party such as fees charged by the company and client's pledge to cooperate with the company and consent to access its information and data with various entities and by providing data and information that help fair, integral and sound assessment and consent to periodic review of the assessment.

Chapter II

Types of Credit Assessment companies

Section I

Credit Rating Agencies

Article (198): The activity of credit rating agencies shall be limited to providing opinion on the potential credit solvency of banks, companies, securities and loans through analysis of available information relating to issuers and borrowers and the background information relating to the sector they represent and the economic factors that affect such sector.

Article (199): The company wishing to carry out the business of credit rating agencies shall comply with the following:

1. Senior managers and analysts of the agency shall have an experience of not less than five years in the financial sector after obtaining certification in the field of rating or financial analysis or related specializations from an educational institution recognized by the Sultanate.
2. Shall have professional engagement with international rating agency (foreign partner) with sound reputation and professional experience of not less than five years in this field. The latter shall be obliged to provide physical and technical capabilities and human resources that enable the agency to provide assessment services.
3. Any other conditions that CMA deems necessary.

Article (200): The company shall not provide its services to related parties.

Article (201): International rating agencies who do not have offices or branches in the Sultanate but are desirous of providing their services in the local market may be exempted from establishing licensed local company or representative office or branch in the Sultanate. They are also exempt from licensing procedures. Such agencies shall be identified by the Board's resolution.

Section II Credit Bureaus

Article (202): The activity of credit bureaus shall be limited to collecting information on the clients of providers of credit facilities and matching and processing of such information to prepare credit reports and any other analysis on the credit history in a certain activity or sector.

Article (203): Credit facilities providers are banks, financing institutions regulated by CBO, companies and commercial institutions regulated by the Ministry of Commerce and Industry that provide credit facilities through selling by any form of transfer of ownership in installments for goods and services and private and public institutions that provides paid services to the consumers.

Article (204): Credit bureaus shall comply with the following:

- a. Maintain confidentiality of information. They shall not use the information except for the purpose of issuing reports on the credit history, for use by the provider of credit facilities.
Credit bureaus may publish reports generally without indication to specific persons to assess the credit position of certain sector or industry.
- b. Shall not give opinion in the credit report to grant or not to grant credit facilities to the client, whether directly or indirectly.
- c. Update the credit record of each client continuously and ensure that the information contained in the report is accurate and correct prior to submitting to the requesting entity.
- d. Put in place appropriate mechanism for receiving clients' complaints and follow up.
- e. Provide any information or statements required by CMA.

Article (205): Credit facilities providers shall not send clients' information to credit bureaus except those pertaining to the nature, type and size of loans and installments due from client and their commitment to pay.

Article (206): The client may obtain copy of his credit report from the credit bureaus or credit facilities providers free of charge, at least twice per annum. He may apply to the credit bureau to correct the information in his report. The bureau shall examine the application and ensure the data are correct and modify the credit report if there is error in the details.

Part VI

Investment Funds

Chapter I

General Rules

Article (207): The funds aim to pool funds from investors for the purpose of investing on their behalf, in various fields in accordance with the principles of professional management of collective investments.

Article (208): The capital of the fund shall be divided into investment units with equal rights. The liability of the unit-holders shall be limited to the value of their contributions. The value of the units shall be payable upon subscription.

Article (209): The fund shall be a legal entity in itself and may take any of the following forms:

1. Open –end investment fund is a fund with variable capital. The capital of this fund may be increased with the issue of new investment units and may be reduced by the redemption of part of its units during a period prescribed in its articles of association.
2. Closed-end investment fund is a fund with fixed capital whose investment units are only redeemable after the expiry of its term. The capital of this fund may be increased pursuant to the provisions of its articles of association. The units of this fund shall be listed in the Market.

Funds aiming to invest in real estate shall only be in the form of closed-end fund.

Article (210): The ownership of the fund's assets shall be registered in the name of the fund and shall not be registered in the financial accounts of the sponsor or any other service provider and shall not be affected by any claims resulting from liquidation or bankruptcy of any of such persons.

Article (211): The fund on making any contact or disclosure to market investment units shall disclose all facts and information pertaining thereto without exaggeration. Further, in all cases, marketing and promotional advertising shall be subject to prior approval by CMA.

Article (212): The management of the fund, sponsor and the service providers shall provide all the information, documents and statements requested by CMA within the prescribed period. CMA may visit and inspect the offices and the records of the fund or any of the abovementioned and may get all the necessary information and statements for the sake of audit and inspection processes.

Chapter II

Establishment of the fund

Article (213): Any person desirous of establishing a fund shall appoint a company licensed by CMA to be the investment manager for funds, to coordinate with CMA in respect to all matters pertaining to the process of establishment of the fund, issuing and listing its units.

Article (214): The sponsor shall apply to CMA to obtain approval to establish the fund and shall attach with the application, the draft articles of association, draft prospectus in accordance with the format prescribed by CMA as well as any statements or documents that CMA may require.

Article (215): CMA shall consider the application and issue its decision within fifteen (15) days from the date of receipt of the duly completed application. Where such period passes without a decision in the application, the application shall be deemed to have been rejected.

Article (216): The sponsor manager shall complete the process of establishing the fund within three (3) months from the date of notice of the approval by CMA as otherwise such approval would be considered void.

Article (217): Issuance of investment units as regards issue, subscription and allocation processes shall be subject to the provisions of Part I of this regulation in accordance with the provisions of this Part.

Article (218): CMA shall prepare a register for funds in which the fund which fulfills the terms and conditions of establishment, after the end of subscription period, shall be registered.

Article (219): The articles of association of the fund shall contain the following information at minimum:

1. The form of the fund (closed- end or open-end).

2. Name
3. Capital
4. Currency
5. Constitution of the management for the Fund.
6. Investment objectives of the fund
7. Method of transfer, issue and redemption of its units.
8. Frequency of redemption (if any).
9. Dissolution and liquidation of the fund.
10. Commencement and end of the financial year of the fund.
11. Any other items that CMA desires to be incorporated in the articles of association.

Article (220): The sponsor shall, in collaboration with the sponsors, appoint the service providers prior to approval of the prospectus by CMA.

Article (221): The fully paid-up capital of the fund at the time of establishment shall not be less than RO 2 million. The share of the sponsors shall not be less than 5% of this capital. The sponsor shall not sell or redeem its share except after three years from the date of closure of subscription.

Chapter III Investment Rules

Article (222): The fund shall invest at least 75% of its capital to achieve its main investment objects.

Article (223): Fund aiming to invest in securities shall comply with following rules:

1. The fund shall not hold more than 10% of the outstanding securities of any issuer.
2. The fund's investments in any securities issued by any single issuer shall not exceed 10% of the net asset value of the fund (NAV). This provision shall not apply to index funds.
3. The investment fund shall not borrow more than 10% of its net asset value.

Article (224): Fund investing in real estate shall not borrow more than 30% of its net asset value.

Chapter IV

Net Asset Value (NAV) and Net Realized Value (NRV)

Article (225): Calculation of NAV and determination of NRV for open-ended funds, as per the terms prescribed in the articles of association, shall be carried out and disclosed immediately, at least once in a week.

NAV shall be calculated and stated in the same way it was calculated and stated in the financial statements.

Article (226): a. Open- end funds may issue and/or redeem units on the basis of NRV calculated in accordance with International Financial Reporting Standards.

b. Where units are redeemed at a NRV which is lower than the NAV, the discount from the NAV may not be more than 10%. This limitation shall not apply to redemption at the time of liquidation of the fund.

Article (227): Front end load and back end load which may be charged to investors at the time of issue or redemption shall not enter into the calculation of NAV or NRV.

Article (228): Each purchase or sale of securities made by the investment fund shall be reflected in the first calculation of NAV following the transaction.

Article (229): Issue and redemption of investment unit shall be reflected in the first calculation of NAV of the fund made after the issue or redemption.

Article (230): The article of association of the fund shall establish the method of valuing listed or unlisted securities or other illiquid assets that have not been traded during the preceding twenty working days. Valuation method for illiquid securities shall be established for the calculation of NAV and NRV.

Chapter V

Listing and Trading of Units

Article (231): Investment units of closed-end funds shall be listed and traded in the Market in accordance with the provisions of the Capital Market Law and this regulation.

Open- ended fund may also list its units in the Market.

Article (232): Listed funds shall be governed by the same listing and trading terms and conditions stipulated in Part III of this regulation subject to the provisions of this Part.

Article (233): Un-listed fund shall prepare and maintain a register for investors. It may appoint another entity through a management contract to prepare and maintain such register after verifying the fitness of the entity. Ownership of units shall transfer on registration in the register. The fund's management shall register transfer of ownership free of charge within three days from the date of receipt of the necessary documents.

Chapter VI

Issue and Redemption of Unit

Article (234): The provisions of this Chapter shall apply to the issue and redemption procedure for units of open-end investment funds.

Article (235): Open- end fund shall issue simplified prospectus at least once in every year, incorporating the annual report.

Article (236): All orders for issue or redemption of the fund's units shall be executed at a price equal to the NAV or NRV determined after the receipt by the fund of the order.

The fund shall consider orders received after specific time on any business day or any day which is not a business day to be deemed as received by the fund on the next business day following the day of actual receipt. The fund shall maintain a register for all issue and redemption orders.

Article (237): As soon as the NAV and/or NRV is calculated, the investment fund shall send a confirmation to the investor including the nature of the transaction, the amount issued or redeemed, sale or redemption charge, NAV or NRV and the number of units issued or redeemed and the date of the transaction.

Article (238): Front end load shall be expressed at percentage of the net amount issued and the back end load shall be expressed at percentage of the net amount redeemed.

Article (239): Investor shall pay the amount of purchase order of the issued units immediately or at a date not later than three (3) days from the date on which the issue price was determined.

Article (240): The fund shall make annual disclosures on the procedures to be followed for the issue and redemption of units and the documents required to be furnished in connection with redemption order. Relevant statements shall be included in the simplified prospectus.

Article (241): If the fund determines that its requirements for redemption have not been satisfied, the fund shall notify the investor who has given the redemption order, by the end of the business day following the receipt of the redemption order, that its requirements have not been satisfied and further specify the procedures that would have to be completed or the documents which are needed to be submitted by the investor.

Article (242): The fund shall pay the price of redeemed units to the investor after deducting the charges, on or before the third business day after the date of calculation of the NAV or NRV which was used in establishing the redemption price.

Article (243): The fund may not suspend the right of the investor to redeem the value of his units except:

1. For any period during which trading is suspended on securities representing at least 51% of the total assets of the fund.
2. In accordance with any limits or provisions clearly stated in the articles of association of the fund.
3. In exceptional circumstances approved by CMA.

The fund that has suspended redemption shall, within the next business day after the date of suspension, send a notice to CMA and shall disclose the same.

Chapter VII Fund Management

Article (244): The fund shall be managed and supervised by a management body elected by the general meeting in accordance with the provisions of the articles of association. The members of the management body shall not be less than three and not more than seven including the chairman and vice chairman. The chairman or his deputy shall represent the fund in courts and in its relations with third parties.

The articles of association shall determine the term of office of the management body provided it shall not be more than five years from the date of formation.

The first management body shall be appointed by the sponsor in coordination with the sponsors, provided its term shall not be more than one year from the date of its registration in the funds' register.

Article (245): Members of the management body are liable before the investors and CMA, to supervise and oversee the investment manager and other service providers and to safeguard the interests of the fund and investors in accordance with the law.

Article (246): Meetings of the fund's management body shall observe the following:

1. The number of attending members shall not be less than two third of the total strength.
2. The members shall not take part in discussions and/or voting on matters if he or his spouse or relatives up to second degree have interest.
3. Approval of resolutions shall need support from majority of the members.
4. Objection by a member to any resolution shall be recorded in the minutes of the meeting.
5. The management body shall meet at least four times per year with a maximum time gap of four months between any two consecutive meetings.

Article (247): The members of the management body shall satisfy the following criteria:

1. Having good conduct and sound reputation.
2. Not convicted in any crime or an offence involving honesty of breach of trust or a crime stipulated in the Capital Market Law, Commercial Companies Law or Commercial Law unless rehabilitated.
3. Not declared as bankrupt.

Article (248): Where any member's position falls vacant prior to the end of the term, the other members may co-opt member as replacement until the end of the term.

Article (249): The fund's management shall carry out oversight and supervision of the fund's business and shall undertake the following:

1. Evaluation of the fund's investment performance compared to similar funds or any other benchmark taking into account investment objectives of the fund.
2. Ensure the fund's compliance with the prospectus, articles of association and statutory requirements.
3. Evaluation of the performance of sponsor and other service providers.
4. Ensure adequacy of the fund's systems to safeguard its assets and ensuring that adequate accounting controls are in place.
5. Ensure the investment manager's system and controls are adequate to ensure compliance with the interests of the fund and investors.
6. Avoidance of conflicts of interest and ensuring that adequate measures are in place to resolve any conflict of interest in the best interest of the fund and investors.
7. Ensure segregation of function when one company is acting as provider of more than one service to the fund.
8. Approve the transactions with related parties and disclose the same.
9. Approve the annual report, financial statements and other information and disclose to the public and investors to ensure that disclosure is fair, timely, transparent and not misleading.

10. Appointment and removal of service providers and determining their fees.
11. Take resolutions pertaining to distribution of dividends.

Article (250): Investors who holds at least 5% of the investment units may request the fund management to cancel any resolution adopted by the funds management or in the general meeting as the case may be, if such resolution is detrimental to the fund or investors. The request shall be referred to the same body which has issued the resolution, to decide on it.

Chapter VIII

General Meeting

Article (251): The general meeting is the supreme authority of the fund and shall comprise of all unitholders.

Article (252): Every unitholder or his proxy carrying a written authorization may attend the general meeting and shall have one vote for every investment unit held by him.

Article (253): The general meeting shall be held in accordance with the articles of association. The extraordinary general meeting may be held if the fund's interest so requires or in accordance with the law or regulation or on request by an investor or more who hold 10% or more of the fund's capital. However, in case of all of the following issues, the extraordinary general meeting shall be convened to consider:

1. Amendment to the articles of association.
2. Change of main investment objectives of the fund.
3. Change in the frequency of calculation of NAV or NRV.
4. Reducing the frequency or limits on redemption.
5. Change of the funds status such as a merger, spinoff or conversion or other.
6. Dissolution and liquidation of the fund.

Article (254): Where the fund management fails to convene the general meeting the investment manager shall convene it. Notice to attend the general meeting shall not be valid unless it also includes the agenda. Notice to attend the general meeting shall be published, after approval by CMA, in at least two daily newspapers for two consecutive days. The notice shall be sent to the investor by ordinary post or delivered by hand or to his representative after recording his signature, at least two weeks prior to the date of the meeting together with authorization form, agenda, memos and documents to be discussed by the meeting.

Article (255): The fund management shall establish the agenda of the general meeting or it may be established by investment manager if the meeting is convened by the investment manager. The agenda shall also include proposals by any investor who holds at least

5% of the capital, at least two weeks prior to the date of sending the notice to the unit-holders to attend the meeting.

The general meeting shall not consider any issues that are not included in the agenda.

Article (256): Investors and proxies who hold all the units of the fund may hold a general meeting without regard to the rules stipulated for such meeting. The meeting may adopt any resolutions within the authority of the general meeting.

Article (257): The general meeting shall be valid if attended by investors or proxies representing at least 50 % of the investment units in case of an ordinary general meeting and at least 60 % for extraordinary general meetings. Where the required quorum is not present, a second general meeting shall be called within one month from the date of the first meeting. The notice shall be published in the daily newspapers at least one week prior to the date of the meeting. The second ordinary general meeting shall be valid regardless of the percentage of attendance. The second extraordinary general meeting shall require attendance by investors holding at least 50% of the investment units.

Article (258): Resolutions of the ordinary general meeting and extraordinary general meetings shall be adopted by absolute majority unless the articles of association of the funds provides for a higher percentage.

Article (259): The general meeting shall be chaired by the chairman of the fund's management body or its vice chairman and by the investment manager if it has called for the general meeting but the chairman and vice chairman are absent. The meeting shall appoint a secretary to record the minutes including deliberations, resolutions and votes. Every investor shall have the right to access the minutes.

Article (260): CMA may send an observer to attend all general meetings, supervise its procedures and ensure that resolutions are adopted in accordance with the law. The minutes signed by the secretary and approved by the chairman of the meeting, auditor and the legal advisor, shall be filed with CMA within fifteen days from the date of the meeting.

Chapter IX Service Providers

Article (261): Service provider means the juristic person who provides service to the fund or investors in consideration of fees under a contract with the fund. Service providers include the investment manager, custodian and external auditors.

Article (262): The service provider shall be a person licensed or approved by CMA and shall have adequate human and financial resources to carry out its obligations.

Article (263): A service provider may provide its services for more than one fund provided that proper segregation of functions is in place to avoid conflicts of interests. The service shall be provided with due diligence and in the best interest of the fund and investors.

Article (264): The fund shall conclude a contract with the service provider setting out the rights and obligations of each party. The contract shall be reviewed at least once in every year.

Section I Investment Manager

Article (265): The fund shall entrust the management of its investment to the investment manager.

Article (266): Investment manager shall undertake the following:

1. Manage the portfolio of the fund in the best interest of the investment objectives of the fund as stipulated in the articles of association.
2. Take all investment decision or other decisions in the best interest of the fund and investors.
3. Accurately record all purchase and sale transactions undertaken in favour of the fund and in keeping with their time sequence.

4. Shall have an accounting system to classify, monitor and check all transactions in the fund's portfolio which are entered into the system and adjust to the cash and securities accounts opened in the name of the fund with the custodian.
5. Provide liquidity for the fund to discharge any obligations.
6. Safeguard the fund from any unnecessary investment risks.

Section II Custodian

Article (267): Assets of an investment fund shall be kept with a custodian whose principal place of business is within the Sultanate of Oman. They may be kept outside the Sultanate to facilitate transactions abroad. The custodian may appoint a sub-custodian to keep the assets located outside the Sultanate of Oman. Appointment of sub-custodian shall not exonerate the custodian of any of its obligations.

Article (268): Written consent of the fund's management body shall be obtained for all the contracts concluded with the sub-custodian and such contracts shall provide adequate protection for the assets on terms and conditions consistent with the contract with the main custodian.

Article (269): All contracts concluded with the main custodian or sub-custodian shall at least cover:

1. Requirements that enable the fund to exercise all the rights pertaining to the assets kept with the sub-custodian.
2. Requirements pertaining to the location where the fund's assets are kept.
3. Method of holding the assets.
4. Care and liability for loss.
5. Review and compliance reports.
6. Fees, method of payment and timing of payment.

- Article (270):** No contract concluded with the main custodian or sub-custodian shall provide for creation of any encumbrance on the assets of the fund, except for claims of payment of fees and charges to the custodian or the sub-custodian for acting in such capacities. The contracts shall not contain any provision that would require the payment of fees or expenses to the custodian or sub-custodian in the form of transfer of ownership of assets belonging to the fund.
- Article (271):** Subject to Article 210, the assets of the fund shall be registered in the name of the custodian or sub-custodian or their respective nominee with an account number or other designation in the records of the custodian or sub-custodian or the nominee, to establish that the ownership of the assets is vested with the fund.
- Article (272):** The custodian or sub-custodian shall exercise due diligence in keeping the assets of the fund and shall protect the interests of the fund in every act, and they shall be liable for any loss to the fund's assets resulting from any omission or wrongful act by them or their respective employees, directors or managers.

Section III External Auditor

- Article (273):** The management body of the fund shall appoint an external auditor from among the audit firms accredited by CMA.
- Article (274):** The auditor shall have the right to access the books of the fund and request any statements or notes verify the assets and liabilities and submit its report to the fund's management body.
- Article (275):** The external auditor of the fund shall not serve as external auditor of the investment manager.
- Article (276):** The external auditor shall be appointed for one financial year and shall not act as the external auditor for more than four consecutive years and before the expiry of a cooling period of two years.

Chapter X

Dissolution and liquidation of the fund

Article (277): The management of the fund shall recommend to the extraordinary general meeting to dissolve and liquidate the fund for any reason including:

1. Expiration of its term.
2. Accomplishment of the objective for which the fund was established pursuant to the articles of association and the prospectus.
3. Reduction of the net asset value (NAV) of the fund to less than RO 500,000
4. The fund stops carrying out its business without legitimate reason.
5. Reduction in the net asset value (NAV) to the extent that expenses incurred by the investors are unreasonably high.
6. On recommendation by the investment manager.
7. On request by CMA.

The general meeting shall issue the resolution to dissolve and liquidate the fund including appointment of liquidator, setting its fees and the liquidation process. The powers of the fund's management and service providers shall end immediately on appointment of the liquidator.

Article (278): The proceeds of the liquidation shall be used to discharge the due and payable obligations of the fund, after payment of dissolution and liquidation expenses. The balance shall be distributed to investors on pro rata basis according to their holdings.

Part VII
Provisions for Disclosure of Issuers of Securities and Insider Trading
Chapter I
Disclosure of issuers of securities
Section I
Disclosure of financial statements

Article (279): Every issuer shall prepare un-audited interim financial statements for first, second and third quarters of the financial year and disclose the same immediately after approval by the board of directors and within not more than thirty (30) days from the end of the quarter. However, the issuers who have subsidiaries and are required to prepare consolidated financial statements would be allowed forty five (45) days for the same.

Financial statements mean the balance sheet, income statement, cash flow statement, statement on change in shareholder's equity and the notes to the financial statements.

Such disclosures shall be accompanied by a report containing the material events that affected the issuer's performance and its financial position during the financial period of the report and reasons for material changes in figures compared to the same financial period of the previous year.

Article (280): Issuer shall disclose the initial quarterly and annual un-audited financial results immediately after preparation. In all cases disclosure shall be in not more than fifteen (15) days from the end of the quarter or the financial year as the case may be.

The initial annual results shall include the following:

- Total sales or revenues
- Sales costs or total expenses.
- Net profit after deduction of tax
- Comparison with the same items for the previous year
- Any other items required by CMA or the issuer feel necessary to disclose. It shall be noted in the disclosure that the results are initial and un-audited.

Article (281): Issuer shall prepare audited annual financial statements and disclose the same immediately, after approval by the board of directors, not less than two weeks prior to the annual general meeting, together with the following reports:

1. Directors' report
2. Management discussions and analysis report
3. Corporate governance report
4. Auditors' report on corporate governance report
5. Auditors' report on audited financial statements

Issuer shall include in the above reports the statements prescribed by CMA in the forms.

Article (282): 1. Financial statements shall be prepared in accordance with International Financial Reporting Standards (IFRS)) and shall include all required information to fairly reflect the financial position of the company and its performance during the relevant financial period. Any changes in the accounting policies of the issuer and their effects shall be disclosed in the financial statements.

CMA may prescribe additional disclosure requirements.

2. Where there is conflict between any of the IFRS /IAS and the legislation applicable in the Sultanate, such legislation shall prevail and the issuer shall disclose such conflict and disclose its impact on the financial statements.

Article (283): Audit Committee shall review the financial statements prior to approval by the board of directors.

Article (284): Issuer shall disclose quarterly and annual audited and un-audited financial statements and initial results through the electronic transmission system of MSM in Arabic and English within the statutory time limits.

Electronic transmission system is the system provided to send the information of the issuer to the Information Centre of MSM on its website.

Article (285): Issuer shall publish statements including the balance sheet, income statement and an adequate summary of the most important events that affected the company's performance and its financial position in respect of un-audited quarterly financial statements and adequate summary of the directors' report in respect of audited annual financial statements.

Publication shall be in two daily newspapers, at least one being Arabic immediately after filing it through the electronic transmission system and no later than five days after the regulatory deadline for filing the statements.

The published statement shall include the contact addresses through which a complete copy of the statements can be obtained.

Article (286): Issuer shall make the financial statements available both in Arabic and English through the head office during business hours and by posting the statements on the issuer's web site.

Article (287): Issuer's auditor shall audit the financial statements in accordance with International Standards of Auditing. The report shall include the following:

1. The responsibility of the issuer's management for the financial statements
2. Whether the financial statements are prepared in accordance with IFRS/IAS.
3. Whether the issuer is in compliance with these rules and guidelines and the requirements of the Commercial Companies Law and other relevant laws.
4. Indicate any qualification to the accounts and the effect of such qualification on the figures of the financial statements of the company.

Article (288): External Auditor shall issue separate report including its opinion on the Corporate Governance Report of the issuer certifying that the report is free of any material misrepresentation and that the report fulfills the requirements of CMA.

Article (289): External Auditor shall inform shareholders of any significant affairs of the issuer such as:

1. Adequacy and efficiency of the issuer's internal regulation, their suitability for the issuer's position and implementation thereof.
2. Whether the business of the issuer is 'a going concern'.
3. Adequacy and efficacy of issuer's internal control systems in place.

Article (290): Issuer that changes its financial year shall observe the following rules:

1. Where the financial period from the end of the previous financial year (before change) to the end of the new financial year (after change) is not exceeding six months then the first financial year shall be extended to not more than eighteen (18) months and the issuer shall continue filing un-audited quarterly financial statements until the end of the new year. Issuer shall prepare annual report for the first financial year and invite the general meeting to approve it.
2. Where the financial period stated in the previous clause is more than 6 months the audited annual report shall be for the previous financial year (before change) as well as audited financial report for the new financial year which will be less than 12 months. The annual general meeting shall be called separately for each financial year to approve them.

Section II

Timely Disclosure of Material Information

Article (291): Issuers shall disclose all its material information and those pertaining to its subsidiaries immediately through the electronic transmission system. The issuer shall disclose such material information or events amply before the trading session for any information or events occurring before it.

Issuer shall take due care to maintain confidentiality of such information until they are disclosed to the public.

Material information means those if disclosed are price sensitive and that would impact investment decisions of market participants or market trends.

CMA may issue forms determining material information to be disclosed immediately.

Article (292): Material information shall be disclosed by written announcement in Arabic and English to be sent to the MSM through the electronic transmission system. MSM shall duly disseminate and circulate the information by suitable means to make it available to market participants. MSM shall also create proper communication channels between it, CMA and the media to circulate the information disclosed by the issuers of securities.

Article (293): On preparation, the statement containing material information issuers shall observe the following:

1. The statement shall be realistic and clear. Disclosure of negative information shall be at the same level of disclosing positive information.
2. The statement shall include adequate details so that investors could understand the issue, evaluate the information and its impact on the financial position of the company and profit performance.
3. The statement shall be balanced, fair and shall not omit material facts that may negatively affect the financial position of the company. It shall not portray potential situation as certain or overstate them, and shall not present any expectation or estimation without being supported by adequate facts.

4. It shall avoid complex technical jargon, unnecessary details or promotional remarks.
5. If it is not possible to evaluate impact and effect of the information on the issuer's future this shall be made clear with substantiation.

Article (294): The issuer, on request by MSM, shall hold a press conference on any information that has been disclosed, if the matter needs more clarification. Market intermediaries, local media and investors shall be invited to attend the conference.

Article (295): If the issuer has reasonable reason to believe that disclosure of material information or events would cause damage to its interests, such information may be treated as confidential information. It may not disclose such information until such reason cease to exist provided that it shall ensure the confidentiality of the information and ensure that no transactions are made by insiders. The issuer may refrain from disclosing in the following cases:

1. If the disclosure can prejudice the issuer's ability to achieve its objects and objectives.
2. If the information to be disclosed is unstable and volatile especially for matters at the stage of negotiations.
3. If disclosure of such information would compromise the company's competitive advantages.

Article (296): The issuer shall ensure that its advisors or any other expected parties who would have access to such information by virtue of their relation with the issuer, are refrained from using them for purposes other than those required in the interest of the business, through confidentiality agreements.

Article (297): Issuer shall monitor trading movements of its securities while maintaining undisclosed confidential information. Where there is unusual trading activity it shall disclose the information forthwith.

Article (298): The issuer shall immediately comment on any undisclosed material information or incorrect information taken up by the daily press or analyst reports or through rumors, by confirmation or denial of such information. If the information is untrue, it shall send the correction.

Article (299): Issuer may request MSM for temporary suspension of trading of its securities where there is an event requiring timely disclosure provided that timely disclosure is made as soon as possible after the suspension if the issuer perceives maintaining confidentiality of information is not possible.

Such request may be made orally by the spokesperson of the company to be confirmed later in writing. The request shall be supported by reasons of suspension and period of suspension.

The MSM may accept or reject suspension applications. It may reduce the requested suspension period. The suspension shall be lifted at least half an hour after disclosure of information.

Chapter II Insider Trading

Article (300): Insider is the person who has access to undisclosed material information by virtue of his position and includes the directors, executive management and every person who may obtain such information through his family or personal relations or work relations or otherwise.

Article (301): Insider shall not deal in the securities of the issuer on the basis of undisclosed material information. Insider shall not allow any other person access to any material information prior to disclosure.

Article (302): Issuer, within a month from the end of the financial year, shall provide the Department of Trading Surveillance of MSM with names of directors, executive management and their spouses and relatives up to first degree (father, mother, and children). It shall inform MSM in writing of any change to such information within a week from its occurrence, in accordance with the procedures prescribed by the Market.

Chapter III General Provisions

Article (303): The MSM shall put in place electronic transmission systems through which issuers can send financial statements and information required by disclosure rules. Issuer shall be obligated by the terms and conditions set out by MSM for use of such systems.

Article (304): Design and use of electronic transmission system shall observe the following terms and conditions:

1. The system shall be used by persons responsible for disclosure at the end of the issuer of the security. User name and password shall be given to the person designated by the issuer after signing undertaking that he/she is aware of disclosure rules and the rules for use of such system.
2. Technical mechanisms shall be put in place to prevent abuse of the system by other parties.
3. Timings and period set for disclosure of information shall be observed.
4. System user shall sign an electronic undertaking each time he/she enters information confirming his/her responsibility for correctness of the entered information and that the information is identical to the information approved by the issuer.
5. Issuer shall maintain chronological register showing date and time of entry and user's name (log record).
6. The MSM shall review the information coming through the electronic system to ensure they satisfy formal and substantive elements before posting and dissemination on its web site.

Article (305): Issuer shall be legally liable for accuracy and adequacy of the information sent through the electronic system. It shall ensure that the sent information was disseminated through the system. Issuer shall maintain a register showing information and data sent through the system, date and time of transmission and name of sender. Such register shall be available for inspection by CMA on request.

Article (306): Any failure in the electronic transmission system whether on the part of the MSM or the issuer shall not absolve the issuer from legal liability of failure to disclose information as per regulatory requirements. Issuer shall coordinate with the Market to disclose the information as they see fit.

Article (307): The board of directors of the issuer shall set out internal disclosure policies and procedures to ensure the following:

1. Fair and timely disclosure of material information of the issuer.
2. That the disclosed information is sound, true, reasonably adequate and not misleading the investors.
3. Prevent any dealings in its securities based on undisclosed information.

Article (308): The board of the issuer shall be responsible for ensuring the issuer's compliance with disclosure rules. The board shall appoint one or more persons from among the directors or executive management to perform the following:

1. To act as spokesperson of the issuer
2. Preparing written announcement about the information to be disclosed.
3. File information to CMA, MSM, market participants, financial analysts and the media in accordance with disclosure provisions.
4. Follow up the trading movement of the issuer's securities and take immediate action where there is unusual movement on the trading thereof.
5. Inform the directors and management on the importance of disclosure and related policies, procedures and legal obligation for non-compliance.

The issuer shall inform CMA and MSM of the names and contact addresses of such persons.

Article (309): The person or persons appointed by the board to take over the above mentioned tasks shall be:

1. Aware of the requirements of the provisions related to disclosures and well-informed about the disclosed information.
2. Shall be continuously available to solve problems that may come up suddenly or unexpectedly.

Article (310): Issuers operating in securities, insurance companies, investment funds, banks and financial institutions shall observe other disclosure provisions and rules.

Article (311): Issuer shall disclose the resolutions of the general meetings immediately or with sufficient time before commencement of trading on the next day. The Market may suspend trading of the issuer's security in case it fails to file such information.

Minutes of the general meeting shall be filed with CMA after approval by the chairman, auditor, legal advisor and secretary within fifteen (15) days from the date of the meeting.

Article (312): The issuer shall disclose the board's resolution or recommendation to declare dividends at least ten days prior to the date of record. The board shall not amend such resolution or recommendations after disclosure to the public unless there is adequate justification acceptable to CMA.

Article (313): Subject to the cross listing agreements between the MSM and other jurisdictions, if the issuer has securities listed in more than one market, information disclosed under disclosure rules in a certain market shall be simultaneously disclosed in the other market where it is listed, regardless of either being the main market in which the stocks are listed.

Article (314): The issuer is prohibited from making selective disclosure of material information to certain parties including initial results of the financial statements, especially to financial analysts or financial institutions before being disclosed to the public in accordance with disclosure provisions.

Article (315): Issuer shall disclose any changes or amendments to the previously disclosed information providing reasons for change or amendments. Issuer shall indicate the current information is a corrected version of the previously disclosed information.

Article (316): CMA or the Market may request from the issuer and its auditor to provide additional clarification on the previously disclosed information or other statements or information or documents within the prescribed time limit.

Part VIII

Conciliation and Committees

Chapter I

Conciliation

Article (317): The Board may conciliate with the violator for the violations he committed in breach of the provision of the law, regulations and directives, after payment of the amounts stipulated in the table below:

S	Violation	Conciliation amount
1	Failure to include all material information or statements pertaining to the issuer in the prospectus	From RO 10,000 to RO 30,000
2	Prospectus includes incorrect information or false statements.	From RO 20,000 to RO 50,000
3	Issue of securities or raising funds in violation of the provisions of the law, regulation or directives	From RO 5,000 to RO 50,000
4	Publication or allowing the public to access the prospectus prior to obtaining CMA's approval	RO 1,000
5	Failure to file any change or amendment in the prospectus with CMA within the prescribed period or effecting the same without CMA's approval	RO 500
6	Failure to publish the change or amendment in the prospectus in two daily newspapers at least one is Arabic daily, within the prescribed period.	RO 500
7	Failure to provide CMA with protected soft copy of the approved prospectus within two days from the date of approval	RO 500
8	Failure to publish offering notice after approval within prescribed period and by the prescribed method.	RO 2,000

9	Advertising or conducting promotional campaign relating to issuance of securities without approval by CMA	RO 1,000
10	Failure of the issue manager to perform any of the functions entrusted to it	From RO 1,000 to RO 10,000
11	Failure of the collecting bank to perform any of the functions entrusted to it.	From RO 1,000 to RO 5,000
12	Failure to list shares or bonds or any securities in the Market during the prescribed period.	RO 5,000
13	Failure of the listed company under conversion to finalize the registration processes within two months from the date of listing	RO 500
14	Failure of brokerages to protect the user name and password given by the market to access the trading system	From RO 500 to RO 5,000
15	Broker executing an order in breach of the laws, regulations and directives or infringing integrity and fairness in dealing in securities	RO 500
16	Any act regarding securities that may mislead market participants or lead to creating false impression of active market for the security	From RO 20,000 to RO 100,000
17	Any fraudulent act aimed at fixing the price of a security, infringing the applicable laws, regulation and directive.	From RO 20,000 to RO 100,000
18	Failure of the brokerage company to disclose the trading made in favour of its directors, managers, their spouses and relatives up to first degree as well as its brokers and staff	RO 500
19	Infringement of the provisions regulating authorization	From RO 1,000 to RO 5,000
20	Infringement of the processes and timing for capital call	RO 300
21	Carrying out the businesses in the field securities without being licensed by CMA	From RO 50,000 to RO 100,000

22	Failure of the company licensed to carry out business in the field of securities to commence business within one month from the date of the license	RO 1,000
23	Failure to top up the bank guarantee within the prescribed period	RO 1,000
24	Failure of a company operating in securities to apply for renewing its license	RO 300
25	Failure of the company operating in securities to inform CMA of any of the events that requires notice to CMA	RO 300
26	Failure of a company operating in securities to put in place internal rules and code of professional conduct or failure to comply therewith	From RO 500 to RO 5,000
27	Failure of a company operating in securities to appoint compliance officer or failure to comply with appointment requirements	From RO 1,000 to RO 3,000
28	Failure of a company operating in securities to comply with capital adequacy requirements	From RO 1,000 to RO 5,000
29	Failure of a licensed company to prepare "watch list" and failure to take procedures required to ensure such information is not used	RO 300
30	Failure of a licensed company to maintain register on the trading of its staff or failure to update such register	RO 300
31	Promotion by a company operating in securities in misleading or incorrect manner	From RO 500 to RO 3,000
32	Failure of a company operating in securities to comply with the rules on segregation of customers funds or securities segregation	From RO 1,000 to RO 10,000
33	Non compliance of the company operating in securities of any of the disclosure provisions	From RO 200 to RO 5,000
34	Failure of a credit assessment company to renew the license	RO 300

35	Failure of a credit assessment company to prepare internal code of conduct as required	RO 500
36	Failure of a credit assessment company to conclude a contract with the customer in accordance with the requirements	RO 500
37	Licensed credit rating company providing services to related party	RO 500
38	Failure by a credit assessment company to provide CMA with the required statements or reports on time	RO 500
39	Failure of a credit rating bureau to comply with any of its obligations	RO 500
40	Failure of an investment fund to comply with the required investment rules	RO 2000
41	Failure of an investment fund manager to observe timing and method of calculation of NAV of NRV	RO 500
42	Failure of an investment fund manager to comply with mechanisms and timings for issue and redemption of investment units	RO 500
43	Trading based on undisclosed information whether directly or indirectly by insiders	From RO 20,000 to RO 100,000
44	Dissemination of rumor on the position of any company to impact share prices	From RO 10,000 to 30,000
45	Infringement of IFRS in preparing financial statements	From RO 3,000 to RO 3,0,000
46	Infringement of International Auditing Standards in auditing financial statements	From RO 3,000 to RO 30,000
47	Failure to transmit all quarterly un-audited financial statement and the required accompanying reports through electronic transmission system within the period prescribed in the Regulation	RO 1,000

48	Incomplete quarterly un-audited financial statements and the required accompanying report transmitted through the electronic system	RO 500
49	Failure to publish quarterly un-audited financial statements in the daily newspapers within the period prescribed in the Regulation	RO 500
50	Publication of quarterly un-audited financial statements in only one daily newspaper within the period prescribed in the Regulation	RO 250
51	Failure to send the un-audited annual results through the electronic transmission system within the period prescribed in the Regulation	RO 500
52	Failure to send contents of un-audited annual results through electronic transmission system	RO 250
53	Failure to send all the contents of audited annual financial statements and the accompanying reports through the electronic transmission system	RO 1,500
54	Incomplete audited annual financial statements and accompanying report transmitted through the electronic transmission system	RO 750
55	Failure to publish audited annual financial statements and summary of the board of directors report in the daily newspapers within the period prescribed in the Regulation	RO 750
56	Publication of audited annual financial statements and summary of the board of directors report in only one newspaper or the statements being incomplete	RO 350
57	Delay in lodging the soft copy of the prospectus with CMA and MSM	RO 300
58	Delay in publication of offering advertisement in the daily newspapers	RO 300

59	Failure to make timely disclosure of material information	RO 500
60	Failure to file minutes of the general meeting with CMA	RO 250
61	Failure on the part of the issuer company to file list of the names of insiders to MSM or modification within the prescribed term	RO 300

Article (318): where the violator makes any financial gains from the violation that shall be refunded to the person who incurred damage or where there in no such person they shall accrue to CMA.

Article (319): If the violation is related to a failure in complying with the requirements within the prescribed time limit mentioned in this Regulation, the conciliation amount shall be increased for each day of delay at 15% of the reconciliation amount up to a maximum of fifteen days.

Article (320): Violator shall pay the conciliation amount to the Department of Financial Affairs of CMA within ten days from the notice. CMA may bring legal proceedings against the violator if he fails to pay the reconciliation amount within the prescribed time period.

Chapter II Appeals Committee

Article (321): Appeals from the decisions of the Minister or Executive President of CMA pursuant to the provisions of the law, the regulation and or the decisions or circulars shall be to the Appeals Committee. Appellant shall deposit the prescribed fees which shall be refunded if the requests in the appeal are granted.

Article (322): Appeal shall contain the following information:

1. Name, profession and address of the appellant.
2. Date of the appealed decision and date of notice to the appellant.
3. Subject matter and grounds of the appeal Supporting documents shall be attached with the appeal.

Article (323): The Department of Legal Affairs of CMA shall receive the appeals and register the same in a register on the date of filing and shall return a copy of the appeal to the appellant showing the registration number and the date and shall present the appeal immediately to the Chairman of the Appeals Committee for action. The committee may request any further explanation or documents.

Article (324): The Committee shall issue its substantiated decision on the appeal within thirty days from the date of filing or the date of receiving the explanations and the documents it requested as the case may be.

The deliberations of the Committee shall be confidential and the decisions shall be taken by majority. The Department of Legal Affairs shall inform the appellant through an approved copy of the Committee's decision.

Chapter III

Accountability Committee

Article (325): The Board shall form from among its members a Accountability Committee comprising three members including the chairman. The secretary shall be an employee of CMA who is also qualified to act as a legal practitioner.

The secretary shall receive all the papers and requests by the concerned party and present them to the Chairman of the Accountability Committee and inform the concerned party of the time appointed for the Committee's meeting and any other matter assigned by the Chairman. The Secretary shall not have a vote in the deliberations.

Article (326): The Secretary shall inform the violator of the time appointed by the Accountability Committee for consideration of the violation attributed to it by written notice to be delivered at least three days prior to the date of appointment. The notice shall include a summary of the violation.

Article (327): The Secretary shall enable the defendant or his attorney to access all the papers pertaining to the violation and provide copy of the documents on payment of the prescribed fees.

Article (328): The Accountability Committee shall confront the defendant with the violation attributed to him, enable him to defend himself personally or through an attorney and hear witnesses' statements on their own or on request by the violator or his attorney. Absence of the violator to whom a notice has been served shall not prevent the Committee from hearing the violation and issuing its decision.

Article (329): Deliberations of the Committee shall be in camera. Decisions to impose any of the penalties stipulated in Article 63(a) of the law shall be taken by majority vote except for the penalty of final termination of the Market's membership which shall be taken unanimously.

The concerned party may obtain a copy of the Accountability Committee's decision within five days from its issuance.

Article (330): The Secretary shall notify CMA and the Market of all the decisions of the Accountability Committee within three days from their date of issuance.

Part IX Fees

Article (331): CMA shall collect the following fees:

S	Fee	Fee Amount	Due
1	Fee for approval of prospectus for the issue of shares and investment units	0.05% (Five in ten thousands) of the total value of the securities including the nominal value, issue premium together with nominal value of founders' shares subject to a maximum of RO 25,000 and minimum of RO 2,000.	Once on filing the initial draft prospectus
2	Fee for approval of prospectus for issue of bonds	0.05% (Five in ten thousands) of the total nominal value of the issued bonds subject to a maximum of RO 2,000 and minimum of RO 1,000.	Once on filing initial draft proposal
3	Fees for listing shares of public joint stock companies and units of investment funds	0.05% (Five in ten thousands) of the nominal value of the listed securities subject to a maximum of RO 25,000 and minimum of RO 2,000.	Annually on January 1st of every year and on listing any new securities during the course of the year, proportionately for the remaining months of the year. Fraction of a month shall be rounded up to a whole month.

4	Fees for listing shares of closed joint stock companies	RO 100	Annually on January 1st of every year and on listing any new securities during the course of the year, proportionately for the remaining months of the year. Fraction of a month shall be rounded up to a whole month
5	Fees for listing of corporate bonds	0.01% (One in ten thousand) of the nominal value of bonds subject to a maximum of RO 2,500.	Annually on January 1st of every year or on listing any new securities during the course of the year, for the remaining months of the year. Fraction of a month shall be rounded up to a whole month
6	Fees for listing government development bonds	0.015% (One and half in ten thousand) of the value of the bonds subject to a maximum of RO 3,000 and minimum of RO 200.	Annually on January 1st of every year or on listing any new securities during the course of the year, for the remaining months of the year. Fraction of month shall be rounded up to month
7	Fees for processing of application for establishment of a company operating in securities or a branch of a foreign company	RO 500	Once on submission of application

8	Licensing fees for Omani company or branch of any foreign company to operate in the field of securities	RO 150,000	Once on issuance of the license
9	Fees for carrying out any of the activities of licensed companies	<ol style="list-style-type: none"> 1. Brokerage: RO 50,000 2. Portfolio management: RO 5,000 3. Investment fund management RO 5,000 4. Issue management RO 10,000 5. Marketing of non Omani securities :RO 10,000 6. Investment Advice and research: RO 5,000 7. Market maker: RO 10,000 8. Custodian: RO 10,000 9. Margin financing: RO 10,000 10. Issuer of structured instrument: RO 10,000 11. Agent for bondholders: RO 10,000 	Once on approval to carry out the business

10	Fees for underwriting of an issue	RO 5,000	Once on approval to carry out underwriting
11	License renewal fees for an company or a branch of foreign company to operate in the field of securities	RO 500	Once on renewal
12	Membership fees for companies and branches of foreign companies operating in securities	RO 3,000 plus RO 1,000 for each licensed activity	Annually on January 1st every year or on licensing the company during the course of the year, proportionately for the remaining months of the year. Fraction of A month shall be rounded up to a whole month
13	Application vetting fee for establishment of credit assessment company	RO 500	Once on submission of application
14	Licensing fee for credit assessment company	RO 1,000	Once on licensing
15	License renewal fee for credit assessment company	RO 500	Once on renewal

16	Annual membership fees for credit rating companies	RO 500	Annually on January 1st of every year or on licensing the company during the course of the year, proportionately for the remaining months of the year. Fraction of a month shall be rounded up to a whole month
17	Fees for filing minutes of the general meeting or amendments to the articles of association	RO 10 for each filing	Once on filing
18	Fees for obtaining a true copy of documents, registers and minutes filed with CMA	RO 5 for each copy	Once on obtaining the copy
19	Fees for filing appeal to the Appeals Committee	RO 50	Once on filing the appeal
20	Fees for obtaining copy of the violation documents referred to the Accountability Committee	RO 20	Once on obtaining the copy

**Decision
No. 3/2016
Issuing Sukuk Regulation**

Pursuant to the Capital Market Law promulgated by Royal Decree 80/98; and
The Executive Regulation of the Capital Market Law issued by Ministerial
Decision No. 1/2009; and
The Resolution of the Board of Directors of the Capital Market Authority; and
The approval of the Ministry of Finance
In the interest of the public

It has been decided

- Article (1):** Sukuk shall be regulated by the provisions of the attached Regulation.
- Article (2):** The Executive President of the Capital Market Authority (CMA) shall issue forms and directives to prescribe the implementation of the provisions of this Regulation.
- Article (3):** This decision shall be published in the Official Gazette and shall come into force on the day following the date of publication.

**Yahya Said Abdullah Al Jabri
Chairman of the Board of Directors
of the Capital Market Authority**

Issued on: 27th Jumada A'thaniya 1437 H
Corresponding to: 5 April 2016

Sukuk Regulation

Chapter I

Definitions and General Provisions

Article (1): In the application of this Regulation, words and expressions shall have the same meaning assigned to them in the Capital Market Law and the Executive Regulation and the following words and expressions shall have the following meanings unless the context requires otherwise.

Sukuk:	Securities of equal value, issued for a specific term, that represent joint ownership in underlying assets or services or rights or a combination thereof, or assets of specific undertaking or existing investment activity or which will be established from the proceeds of subscription.
Beneficiary:	Public or closed joint stock company or other entity approved by the CMA, and the government benefiting from the proceeds of subscription in the Sukuk.
Special Purpose Vehicle (SPV):	A juristic person licensed by the CMA in the form of a limited liability company or any other legal entity established for the purpose of issuing Sukuk for the benefit of the Beneficiary and may be entrusted to act as Trustee.
Sukuk Issuer:	The SPV.
Sukuk term:	Maturity term of the Sukuk which commences on issuance of the Sukuk and ends on redemption.
SSB:	Shariah Supervisory Board.
Sukukholders Agent:	A person licensed by the CMA and appointed by the Beneficiary.

Prospectus:	Written document which includes all the statements, terms and conditions, specifications and provisions relating to the issuance and redemption of the Sukuk.
Trust:	An agreement whereby a Settlor entrusts the Trustee with the Trust Property to exercise the functions and powers specified in the Trust Instrument in favour of the Sukukholders.
Trustee:	The juristic person entrusted with the management of the Trust Property, who is specialized in this area.
Settlor:	Beneficiary.
Trust Instrument:	An instrument issued creating a Trust under the provisions of this Regulation.
Trust Property:	Includes any property, transferable or non-transferable, or any financial right or any intangible asset.

Article (2): The Sukuk shall be issued in favour of the Beneficiary through the Special Purpose Vehicle to be established according to the provisions of this Regulation, according to Islamic Shariah.

Article (3): The CMA may restrict subscription and trading in certain Sukuk to Omanis only.

Article (4): The Beneficiary and SPV shall maintain any relevant documents, registers and books relating to the Sukuk.

Article (5): No person may issue or offer or promote any Sukuk or publish any false statements thereon in violation of this Regulation.

Article (6): The provisions of this Regulation shall not prejudice the rules and regulations regulating foreigners' ownership of lands and properties in accordance with the applicable laws and regulations. Sukuk shall not be issued in consideration of fixed or moveable assets owned by the state as public ownership. The Executive President shall determine by decision the rules specifying the assets in consideration for which the Sukuk may be issued, in coordination with the concerned entities.

Article (7): Where no specific provision is provided on any matter in this Regulation, the relevant provisions of the Capital Market Law and the Executive Regulation shall apply.

Chapter II Issuing of Sukuk

Article (8): Subject to the provisions for issuance of securities in the Executive Regulation of the Capital Market Law, the Beneficiary desirous of issuing Sukuk shall apply to the CMA to obtain an initial approval and attach with the application a brief statement on the Sukuk to be issued.

Article (9): The Beneficiary who has obtained initial approval from the CMA shall provide the following documents on application to obtain the final approval:

1. The resolution of the board of directors of the Beneficiary, and the decision of the head of the unit for governmental entities, approving the issuance of the Sukuk. In the event of a convertible Sukuk, the resolution of the extraordinary general meeting, and the decision of the head of unit for government entities, approved by the competent authority.
2. Draft prospectus as per the form prepared by CMA.
3. Draft offering notice.
4. Copy of the constitutional documents of the Beneficiary and the SPV.
5. Copy of appointment decision appointing the Sukukholders Agent and copy of the contract concluded with the agent.

6. Certificate by the SSB confirming compliance with Shariah precepts.
7. Receipt evidencing payment of the prescribed fees for the approval of the prospectus.
8. Any additional information or documents that the CMA may require.

Article (10): The Sukuk may be issued in Omani Rial or any convertible foreign currency subject to the provisions regulating foreign currencies.

Article (11): The CMA may request the Beneficiary intending to issue the Sukuk to provide an acceptable credit rating certificate from an institution determined by the CMA. The CMA may refuse approving the issue if the credit rating, according to the institution's report, indicates the Beneficiary is unable to meet its obligations toward the Sukukholders when they fall due.

Article (12): The prospectus shall include the following:

1. Mechanism for determining the subscription price of the Sukuk.
2. Determining the assets the Sukuk issuer will keep, type of the issue contract, method of investment (if any) through which the income of the Sukukholders will be achieved and protection method of the Sukukholders' interest.
3. Terms of the Sukuk.
4. Name of the Beneficiary, details, rights and obligations.
5. Nominal value of the Sukuk, subscription value and term.
6. Name of the SPV.
7. Credit rating certificate of the issue by a rating institution determined by the CMA, if required.
8. Procedures of Shariah supervision.
9. Mode and procedures of payment of returns due to the Sukukholder.
10. Redemption events and procedures.
11. Method of listing and trading of the Sukuk in the market, whether in the Sultanate of Oman or abroad.

12. Statements relating to the Trust Instrument, if there is an agreement to create it.
13. Provisions pertaining to cases of dissolution or liquidation of the Beneficiary, except for the government, prior to the date of maturity of the Sukuk and method of settlement of the Sukukholders' rights.
14. Statement on the position of the assets after the end of the term of the Sukuk.
15. Description of the assets to be structured into the Sukuk supported by the required documents, and shall include the rights of the Sukukholders.
16. Any other statements the CMA may determine.

Article (13): The contracts whereby the Sukuk are issued shall contain the statements stated in Article (12) of this Regulation.

Article (14): The Beneficiary shall, on announcing the offering of any Sukuk for public subscription, observe the following:

1. Ensure the investor must read the prospectus.
2. Caution the investors to bear the risks of the Sukuk and that their right to recourse to the assets of the Sukuk may be restricted if the Beneficiary is subject to liquidation procedures according to the terms and conditions of the prospectus.

Article (15): The Beneficiary shall, on issuance of a convertible Sukuk, observe the relevant provisions relating to the capital increase and the terms and conditions of the Prospectus.

Article (16): All Sukuk shall be of the same issue, terms and conditions, nominal value and maturity date and the Sukuk shall be fully paid up on the date of subscription.

Article (17): The Sukuk may be issued through an issuance programme in several issues through one (1) prospectus covering all the Sukuk intended to be issued. The Beneficiary shall in this case be obligated by the following:

1. Include in the prospectus details of the issue, maturity and redemption dates of the Sukuk.
2. Specify the nominal value of the Sukuk in each issue.
3. Prepare additional statement for each issue showing the details and terms and conditions of each issue.
4. Notify the CMA of the results of allocation and total amounts paid compared to the total issue amount specified in the prospectus.

Article (18): The Sukuk may be redeemed prior to the end of their term according to the prospectus.

Article (19): The Sukuk may be redeemed by granting Sukukholders securities or in any other Shariah complaint way, pursuant to the terms and conditions set out in the prospectus.

Article (20): The terms and conditions in the prospectus shall not be amended except after approval of the general meeting of the Sukukholders. Such approval shall only be valid after the consent of the CMA.

Article (21): The general meeting of the Sukukholders may request to redeem the value of the Sukuk prior to their maturity, in the event of any violation of the terms and conditions of the issuance and such resolution shall be binding.

Article (22): The returns accruing on the Sukuk shall be paid to the Sukukholder registered in the Sukukholders register as per the timings and terms and conditions contained in the prospectus.

Chapter III Sukukholders Agent

Article (23): The Sukukholders shall have an agent to be appointed by the Beneficiary. The agent shall be a licensed company operating in the field of securities. The written agreement shall set out the rights and obligations of the parties.

Article (24): The Sukukholders Agent shall monitor the execution by the Beneficiary and SPV of their obligations mentioned in the prospectus to protect the Sukukholders' interests. In particular, it shall be responsible for the following:

1. Requesting for any information related to his obligations from the Beneficiary or SPV.
2. Ensuring that the profits due to the Sukukholders are paid by the SPV on the due dates.
3. Verifying compliance with the provision of the prospectus in the event of redemption or conversion into shares.
4. Calling for the general meeting of the Sukukholders pursuant to the provisions of this Regulation.
5. Ascertaining that the funds raised through the issue of the Sukuk are utilized in accordance with the prospectus.
6. Ensuring there are no material changes in the structure of the Sukuk without prior approval of the general meeting of the Sukukholders.
7. Carrying out such other acts as necessary for the protection of the interests of the Sukukholders.

Article (25): Notwithstanding its obligations toward Sukukholders, the Sukukholders Agent may seek the assistance of experts and professionals to perform its duties.

Chapter IV General Meeting of Sukukholders

Article (26): A general meeting of Sukukholders shall be formed comprising Sukukholders of any single issue of Sukuk to protect their common interests. The resolutions of the general meeting shall be binding on all Sukukholders. The Beneficiary shall bear the related expenses.

The general meeting shall have a secretary and legal advisor to be appointed by the Sukukholders Agent.

Article (27): The Sukukholders Agent shall call for the general meeting of Sukukholders to consider any matter that may affect the interests of Sukukholders or on request by one (1) or more Sukukholders holding at least ten percent (10%) of the total issued Sukuk.

Article (28): The Sukukholder shall have the right to attend the general meeting of Sukukholders.

The Sukukholder may appoint any person in writing to attend the general meeting of Sukukholders and vote on the resolutions.

The general meeting of Sukukholders shall not be valid unless such meeting is attended by a number of Sukukholders representing at least two thirds (2/3) of the Sukuk of a certain issue. Failing such quorum, a second meeting shall be convened and such meeting shall be valid if attended by a number representing at least a third (1/3) of the Sukuk.

Article (29): The notice to the general meeting shall not be valid unless it contains the agenda and substitute date of the second general meeting where quorum is not present in the first general meeting.

The notice shall be, after approval by the CMA, published in two (2) consecutive days, in at least two (2) daily newspapers, one (1) of which shall be in Arabic language. The notice shall be sent to each holder of Sukuk on the addresses registered in the Sukukholders' register maintained by the Muscat Clearing & Depository Company SAOC at least two (2) weeks prior to the date of the meeting. The CMA may send an observer to attend the meeting.

The Sukukholders Agent shall file the minutes of the meeting with the CMA within two (2) weeks from the date of the meeting after being signed by the secretary and legal advisor and approved by the Chairman of the meeting.

Article (30): Every Sukukholder shall have one (1) vote for each Sukuk held. Resolutions shall be adopted by majority of the votes of present Sukukholders.

Resolutions of the general meeting of Sukukholders held to change the date of Sukuk redemption shall not be valid unless approved by two thirds (2/3) of attending votes.

Chapter V Shariah Supervision

Article (31): The Beneficiary shall ensure that the Sukuk issue is Shariah compliant through one of the following means after approval of the CMA:

1. Constitution of the SSB to review the issue.
2. Use the service of existing SSB of the Beneficiary.
3. Contract with independent Shariah consultancy firms.

In all cases, the number of members of the SSB shall be an odd number and shall not be less than three (3) who are competent to perform their duties. The meeting of the SSB shall not be valid unless attended by all the members. Resolutions of the SSB shall be issued by the majority.

Article (32): The Beneficiary and SPV shall not interfere in the work of the SSB and must enable the SSB to perform its duties including access to all relevant records and provision of information and documents relevant to the issue and provision of reasonably required assistance.

Chapter VI

Issuance of Sukuk in Private Placement

- Article (33):** All the relevant provisions relating to public subscription in this Regulation shall apply on the issuance of Sukuk in a private placement, to the extent they are not conflicting with the requirements of private placement provided for in the Executive Regulation of the Capital Market Law.
- Article (34):** The Beneficiary shall, after approval of the prospectus by the CMA, submit the following information to the CMA:
1. Names and nationalities of the persons to whom the Sukuk are allocated.
 2. Disclose the related parties of the Beneficiary to whom the Sukuk are allocated.

Chapter VII

Provisions for Disclosure

- Article (35):** The Beneficiary shall file the following reports annually to the CMA:
1. Report on the position of the Sukuk assets, in addition to any investments during such term.
 2. Report by the Shariah Supervisory Board confirming the Sukuk are Shariah complaint.
 3. Any other reports the CMA may request.
- Article (36):** The Beneficiary who is not listed on the Market shall disclose the audited annual financial statements.
- Article (37):** The Beneficiary shall immediately disclose to the CMA any material information that may affect the Sukuk.

Chapter VIII

Special Purpose Vehicle (SPV)

Article (38): The SPV shall be established after obtaining a license from the CMA, on request by the Beneficiary. The SPV shall have financial liability separately from the Beneficiary.

The SPV may not amend its constitution documents except after obtaining the CMA's approval.

Article (39): Licensing application shall be filed with the CMA by the Beneficiary together with the following documents:

1. Licensing fees payment receipt.
2. SPV constitution documents.
3. Mode of management of the SPV.

Article (40): The license term of the SPV shall be for five (5) years and may be renewed for similar term or terms, and on the same terms and conditions required for the license, on request by the Beneficiary, at least (3) three months prior to the end of the license term.

Article (41): The Beneficiary shall manage the SPV and may use the service of companies specialized in this area.

Article (42): The SPV shall carry out the following activities:

1. Issuance of Sukuk by way of public offering or private placement in favour of the Beneficiary according to the prospectus approved by the CMA.
2. Acquiring financial and non-financial rights for the purpose of financing the Beneficiary by issuing the Sukuk.
3. Receiving the proceeds of subscription in the Sukuk in favour of the Beneficiary.
4. Owning the Sukuk assets and keeping in favour of the Sukukholders.
5. Collecting the Sukuk profits and distribution to the Sukukholders.

6. Acting on behalf of the Sukukholders in all the contracts with the Beneficiary entity and other participants in the Sukuk issue.
7. Regular disclosure to the Sukukholders to inform them of all matters pertaining to their rights.
8. Liquidation of the Sukuk assets at the end of the Sukuk term and distribution of the proceeds between the holders according to the prospectus.
9. Carry out financial trust activity.
10. Any other activity the CMA agrees on.

Article (43): The license may be cancelled by decision for cause by the CMA if the SPV loses any of the terms and conditions of the license.

The CMA may also cancel the license of the SPV if it infringes the provisions and laws or fails to discharge its obligations, provided notice is served on the SPV in any way to remedy the infringement during the term specified in the notice.

Article (44): The SPV shall notify the CMA of any process that may affect its financial position.

Article (45): The SPV shall expire in accordance with the laws and regulations.

Chapter IX Financial Trust

Article (46): The financial trust may be created under a written Trust Instrument after the approval of the CMA including the following statements.

1. The names of the Settlor and Trustee.
2. Description of the Trust Property and of its basic characteristics.
3. The duration of the financial trust and any provision of early termination.
4. The duties and powers of the Trustee.
5. Any other statements required by the CMA.

Article (47): The Trust Property must be defined, and must not violate the public policy or the provision of Shariah. Where the violation leads to invalidity of the Trust Property or obligation or being null and void for any reason, the Settlor shall take the necessary procedures to create another Trust according to the provisions of this regulation including protection of the beneficiaries not less than the invalidated Trust. Where the creation of such new Trust is not possible, the Settlor shall compensate the beneficiaries for any loss they incur.

Article (48): The Settlor shall be obliged to:

1. Deliver the Trust Property or evidence of the Sukukholders' right therein to the Trustee within not more than sixty (60) days from the date of creation of the Trust.
2. Deliver to the Trustee the documents and providing all necessary statements relating to the Trust Property.
3. Refrain from any act that may affect delivery of the Trust Property and causing transfer of the Trust ownership difficult or impossible.

Article (49): The Trust shall be managed by the Trustee in consideration of fees to be agreed in the Trust Instrument. The Trustee may delegate the Trust management to specialized parties, however, the Trustee shall be liable for all the effects of such management. Management costs shall be deducted from the Trust Property unless the Trust Instrument stipulates otherwise.

Article (50): The Trustee shall be financially and administratively independent of the Settlor and shall exercise its powers specified in the Trust Instrument and the provisions of this Regulation without interference by the Settlor. The Trust shall be null and void if the Trust Instrument provides otherwise.

The Settlor may request the court to remove the Trustee or replace it if it violated the limits of its powers provided for in the Trust Instrument or the provisions of this Regulation.

Article (51): The Trustee shall be obliged to:

1. Cooperate with the Settlor to transfer the Trust Property to the Trustee.

2. Take all necessary actions to perform its duties in accordance with the Trust Instrument and best practices.
3. Maintain the necessary accounting books and records, and record in them all transactions and work relating to the Trust.
4. Keep the accounts and records of the financial trust separate from the accounts and records of any other business it may be undertaking.
5. Notify the Settlor and Sukukholders of any matter that may have an important effect on the value of the Trust Property or on investing the Trust Property.
6. Carry out the registration procedures in the Register of Financial Trust provided for in Article (58) of this Regulation and inform the CMA of any changes in the information recorded therein.
7. Keep the Trust Property separate from its own property.

Article (52): The Trustee shall invest the Trust Property, if applicable, in a manner that does not conflict with the terms of the Trust Instrument. The Trustee may delegate the management and investment of the Trust Property, in whole or in part, to specialized parties, in which case, the management costs shall be deducted from the Trust Property, unless the Trust Instrument stipulates otherwise.

Article (53): The Trustee is prohibited from disclosing any accounts, data or information relating to the Trust or giving the documents relating to the Trust to others, except where:

1. Required under applicable laws or the Trust Instrument.
2. Required pursuant to an order of a court.
3. Required by the CMA.

Article (54): The Trustee is prohibited from using the Trust Property for its personal benefit or the benefit of third parties in violation of the provision of the Trust Instrument.

Article (55): Any agreement exempting the Trustee from personal liability in whole or in part for any error shall be void.

Article (56): The CMA, the Settlor and Sukukholders shall have the right to question the Trustee and they have the right to access and to obtain copies of the accounts, documents and records of the Trust.

Article (57): The Trustee, in case of losing such capacity, whether as a result of removal or replacement or liquidation or bankruptcy, must submit to the Settlor, Sukukholders and the CMA a final account of the Trust supported by all the data and documents related to the work the Trustee has done for the benefit of the Trust.

Article (58): a. The CMA shall establish a “Register of Financial Trust” in which detailed data on each financial trust shall be recorded as per the form prepared by CMA for this purpose after payment of the prescribed fee.

b. The Trustee shall be granted a certificate of registration once the financial trust has been registered in the Register. The Trust shall be legally valid only after registration.

c. The Trustee must inform the CMA of any modification to the data and information recorded in the Register of Financial Trust.

Article (59): The Settlor, the Trustee and the Sukukholders may view the information relating to the financial trust and each of them has the right to obtain an official certificate of the data and information recorded in the Register.

Article (60): The financial trust shall terminate:

1. At the expiry of the specified term.

2. If the Settlor, Trustee and Sukukholders agree in writing to terminate the financial trust, however the agreement shall not be effective unless approved by two thirds (2/3) majority of the present votes of the general meeting of Sukukholders.

3. On occurrence of any of the causes provided for termination in the Trust Instrument.

Article (61): Unless the Trust Instrument provides otherwise, upon expiry of the financial trust, the Trust Property shall be returned to the Settlor.

Chapter X Conciliation and Fees

Article (62): The acts committed in violation of the provisions of this Regulation may be conciliated prior to a court ruling after payment of the amount specified by a resolution of the Board of Directors of the CMA.

Conciliation shall result in termination of the public action relating to the conciliated acts.

Article (63): Where the violator makes any financial gains from the violation, that shall be refunded to the person who incurred damage or where there is no such person, they shall devolve to the CMA.

Article (64): If the violation is related to a failure in complying with the requirements provided for in this Regulation, the conciliation amount shall be increased for each day of delay at fifteen percent (15%) of the reconciliation amount up to a maximum of fifteen (15) days.

Article (65): The violator shall pay the conciliation amount to the CMA within ten (10) days from the notice. The CMA may bring legal proceedings against the violator if he fails to pay the reconciliation amount within the prescribed time period.

Article (66): The CMA shall collect the following fees:

S	Fee	Fee Amount	Due
1	Fees for approval of prospectus for the issue of Sukuk	0.05% of the nominal value of the Sukuk subject to a maximum of RO 2,000 and minimum of RO 1,000	Once on filing the initial draft prospectus.

2	Fees for listing of the Sukuk	0.01% of the nominal value of Sukuk subject to a maximum of RO 2,500	Annually on January 1st of every year and on listing any new securities during the course of the year, proportionately for the remaining months of the year. Fraction of a month shall be rounded up to a whole month.
3	Fees for licensing SPV	RO 1,000	Once on licensing.
4	Fees for renewal of licensing SPV	RO 1,000	On renewal.
5	Fees for registration of the financial trust in the Register of Financial Trust	0.01% of the nominal value of Sukuk subject to a maximum of RO 2,500	Once on registration of the Trust.
6	Fees for obtaining an official certificate of the contents of the Register of Financial Trust	RO 10	For each application.

**Decision
No. (5/2011)
Issuing Clearance and Settlement Regulation**

Pursuant to the Capital Market Law promulgated by Royal Decree No. 80/98;
and

Royal Decree No. 82 / 98 establishing Muscat Depository and Securities
Registration Company; and

Royal Decree No. 72 / 2010 amending the name of Name of Muscat Depository
and Securities Registration Company; and

The Executive Regulations of the Capital Market Law issued by Ministerial
Decision No. 1 / 2009; and

The Resolution based on decision of the Board of Directors of the Capital
Market Authority on 24th October 2010

In the interest of the public

It has been decided

Article (1): The provisions of the attached regulation shall be applicable on
clearance and settlement.

Article (2): Anything that violates this decision or contradicts its provisions
shall be repealed.

Article (3): This decision shall be published in the Official Gazette and shall
come into force after two months from the date of publication.

**Saad Mohammed Said Al Mardhouf Al Saadi
Chairman of the Capital Market Authority**

Issued on : 11 Shaban 1432 AH

Corresponding to: 13th July 2011

Clearance and Settlement Regulation

Chapter One

Definitions and General Provisions

Article (1): In the application of the provisions of this Regulations, the words and expressions shall have the meaning assigned to them in the Capital Market Law and the Executive Regulation and the following expressions shall have the meaning shown along with them unless the context otherwise requires:

Company: Muscat Clearance and Depository Company SAOC

Member: Any company operating in the field of securities, licensed to carry out brokerage activity and any other company licensed to operate in the field of securities approved by the Committee.

Fund: Settlement Guarantee Fund.

Committee: The Committee constituted to manage the Fund.

Settlement Bank: The bank in which financial settlements are carried out based on securities trading transactions.

Settlement Account: The account with the Central Bank of Oman from which the funds are paid out and in which the funds are deposited as result of obligations arising out of trading in securities.

Member's account: The account which the member is obliged to open with a commercial bank licensed to operate in the Sultanate for the purpose of clearance and settlement.

Day: Trading day (T).

Article (2): For the purpose of clearance and settlement pursuant to the provisions of this Regulation, the rights and obligations between the seller and buyer of securities traded on the market shall be considered from the date of transaction registered with the market.

Article (3): The Company shall carry out clearance and settlement of trading transactions to determine the net rights and obligations of the members, complete settlement of financial positions arising from such transaction and transfer the ownership in securities pursuant to the provisions of this regulation.

Settlement of trading transactions in respect of the securities deposited with the company shall be on the basis of delivery versus payment.

Article (4): The settlement term for the securities traded on the market shall end on the second day following the day of trading (T+2) for bonds and the third day following the day of trading (T+3) for shares.

Article (5): The Company may, when necessitated, after approval from the market, do the following:

1. Postpone or bring forward the date of settlement among the brokers prior to or after the term specified in the previous Article provided the shares settlement procedures shall be linked to cash settlement.
2. Allow carrying out cash settlement procedures outside the settlement account on request by the parties to the transaction and the documents required by the company shall be attached with the request.

Article (6): For the purpose of completing the funds settlement resulting from trading of securities in the trading system, every member shall open an account with any licensed commercial bank to be named the “member’s account” and authorize the commercial bank to transfer the net funds obligations and withdraw from the account or deposit therein the amounts in the settlement obligations statement issued by the Company for the transactions the member has executed. The member’s account shall be under the disposal of the bank for the transactions executed by the member. The member’s account shall be under the disposal of the bank according to the form approved by the Company.

Article (7): The Company shall have the right, in the event of detecting error in the transfer of settlement amount to the member’s account,

notify the bank to rectify the error directly, without referring to the member in accordance with the procedures specified by the Company.

Article (8): The Company shall be obliged to:

1. Open an account with the Central Bank of Oman for the purpose of daily funds settlements among the members to be named the “settlement account”, with a zero balance at the end of each day in accordance with the agreement between the Company and the settlement bank.
2. Maintain confidentiality of the trading information received from the market, such information shall not be disclosed or used except for the purpose for which it is received.
3. Insure the risks arising out of errors in clearance and settlement processes.

Chapter Two Shares Settlement

- Article (9):**
1. The market shall provide the company with daily trading information electronically, including all the transactions executed in the market immediately after the end of the trading session and containing all the information specified by the company.
 2. The company shall contact the market in case of shortage or error in the information or violation of the applicable laws and regulations.

The information shall be deemed final including any facts after correction.

- Article (10):** The Company shall be obliged, after receipt of the final trading information, to provide every member the information pertaining to the transactions executed by him before the end of the trading day in accordance with the applied mechanism. The Company shall also be obliged to provide the custodian the information pertaining to his clients in accordance with the applied mechanism.

The custodian shall confirm acceptance of the executed transaction in accordance with the procedures agreed with the company and approved by CMA latest by 9 AM on the day next (T+1) for bonds and 9:30 AM on the second day (T+2) for shares. Non confirmation shall be deemed acceptance of the executed transactions.

- Article (11):** The member may request modification of data in respect of the executed transactions on (T) in consideration of payment of RO 10 to the Company for each transaction at a maximum of RO 200 for each security. The rectification request shall be made latest by the end of (T+1) for shares and 10AM on (T+1) for bonds.

The Company shall make the required modification in accordance with the rules set out by the Market and approved by CMA.

- Article (12):** Ownership of securities shall be registered in accordance with the final trading data received from the Market, provided the buyer member shall pay the price of the purchased securities on the specified time.

Chapter Three

Pending Transactions

Article (13): The transaction shall be deemed pending in case of non-completion or non-settlement in any of the following cases:

- a. Deficit in the balance of traded securities:
 1. If the number of securities registered in the account of the seller client on execution of the transaction is insufficient to execute the sale transaction.
 2. If the sold securities are pledged or attached or there are any restrictions that prevent disposal thereof.
 3. If the securities are sold prior to authorization.
 4. Transactions rejected by the custodian.
- b. If the transaction violates the laws and regulations pertaining to the ownership percentage for non-Omanis or exceeding the prescribed ownership limits.
- c. Any other reasons that lead to non-completion of the executed transaction.

Article (14): The Company shall notify the member of his pending transactions at the end of (T) on the prescribed form. The member shall rectify the reasons of pending latest by (T+1) for bonds and (T+2) for shares.

Article (15): 1. If the transaction is pending due to deficit in the balance of traded securities the member shall take the required procedures to cover the deficit in his client's balance during the term specified in Article 14 of this regulation.

2. Where the member fails to cover the deficit in accordance with the previous clause the company shall, on request by the Fund, take the required procedures to cover the deficit immediately within 7 trading days from the date of the pending transaction.
3. The transaction shall be deemed if the Fund failed to cover the deficit in securities on behalf of the selling member within the term specified in the previous Clause and the amount shall be refunded to the buying member on behalf of this client. The selling

- member shall be obliged to compensate the buying member for the losses resulting from such cancellation in accordance with the rules set out by the Market and approved by CMA.
4. The selling member shall bear the amount of the purchased securities and any resulting difference in prices, commissions and any other expenses. It shall also bear all the losses the buying member incurs including dividends or bonus securities for any deprivation of subscription rights or any other rights. The selling member has a right of recourse against the client to recover such amounts.
 5. The company may charge the selling member the following:
 - a. Price differences which represent deficit in the value of coverage from the value of sale.
 - b. An amount of 1% of the market value on T day for the number of securities required to be covered at not less than RO 50 and not more than RO 2,000 for each security.

Article (16): If the transaction is suspended for exceeding the statutory ownership percentage in the security pursuant to the law or the articles of association of the company, the buying member shall dispose of the excess securities.

Article (17): Subject to the provisions of Article 15 of this regulation, where rectification of the pending transaction is not possible within seven days, the Director General of the Market shall cancel the transaction without prejudice to the rights of the concerned parties.

Article (18): The Company shall charge the member who causes the pending transaction, RO 5 per day for each pending transaction as from T until rectification of the reasons of pending of the transaction.

Article (19): The member shall pay the financial claims of the company pertaining to the pending transactions within a maximum of 15 working days from the date of the claim. In case of delay in payment during such term, the claim amount shall be increased by 1% for each day of delay of the principal amount of claim at a maximum of 15 days. Thereafter, the company may request the market to stop providing services to the member.

Chapter Four Funds Settlement

Article (20): Funds settlement aims at ensuring execution of funds obligations of trading transactions of the securities registered in the Market for all trading transactions on the settlement day through the company.

Article (21): The Company shall provide the member and the commercial bank with the funds settlement in accordance with the applicable mechanism by statement specifying the net obligations in terms of payments and receipts for each member for the transactions carried out on the T day, prior to trading on (T+1) as per the prescribed form.

Article (22): 1. The member shall deposit the settlement amount through the commercial bank in the settlement account at the time the Company determines.

2. The Company shall be obligated to complete the financial settlement process latest by 11 AM on the second day following the day of trading (T+2) for bonds and the third day following the day of trading (T+3) for shares from the settlement account to the accounts of the entitled members.

Article (23): The member shall be deemed to be defaulting on his funds obligation, if he fails to pay the amounts due to the settlement account at the specified time. The company shall inform the Fund immediately and the Fund shall discharge such obligations on behalf of the member.

The Fund shall transfer the amount the member failed to pay to the settlement account.

Chapter Five

Settlement Guarantee Fund

Article (24): A fund named “ Settlement Guarantee Fund” with juristic personality and financial and administrative independence with the aim of concluding timely settlements of trading transactions shall be established. The membership of the Fund shall comprise all licensed companies to carry out brokerage business. The Committee may grant membership of the Fund to other companies licensed to carry out business in the field of securities.

Article (25): The responsibility of the Fund shall be limited to discharging the obligations arising out of dealing in securities which their clearance and settlement procedures are carried out by the company as follows:

1. Cover the funds deficit resulting where the buying member defaults payment.
2. Cover the deficit in securities where selling member defaults delivery.

Article (26): a. The Fund shall be managed by a Committee supervising its affairs to be constituted by the General Manager of the Company and to be chaired by a representative of the company along with following members:

- CMA representative.
- MSM representative.
- Another representative of the Company.
- Two members representing the companies operating in securities to be named by the Association of the companies.

b. The Committee shall be formed for three renewable years and the decision shall determine the Deputy Chairman and Secretary. The Deputy Chairman shall take the place of the Chairman during his absence and determine remuneration and sitting fees of the members and the Secretary.

c. The Committee shall hold its meeting on request by the Chairman and the Secretary shall give notices to meetings and record the minutes, prepare communication and follow up implementation

- of its resolutions in addition to any other works assigned by the Chairman.
- d. The meetings of the Committee shall only be valid if attended by at least three members including the Chairman or Deputy Chairman. The Committee shall adopt resolutions by simple majority. In case of tie vote the Chairman shall have a casting vote.

Article (27): Terms of reference of the committee:

1. Approve the general policy of the Fund management.
2. Ensure the use of Fund's money in purposes for which the fund is established and invest them in the ways specified herein
3. Open bank accounts in the name of the fund to deposit fund's money and delegate authority upon such accounts on behalf of the Fund.
4. Procure insurance policy against the risks of the fund if sees fit.
5. Instruct the banks where the Fund's monies are deposited to withdraw amounts from the Fund's accounts to conclude financial settlements among members.
6. Follow up the collection of Fund 's receivables with members and other parties.
7. Sale or liquidation of Fund's assets for the Fund's interest.
8. Borrow or obtain credit facilities to pay for settlements using Fund's assets as a guarantee and each member shall bear his cost in such loans.
9. Provide any proposal its sees expedient for the fund's work and submit for the concerned authorities for approval.
10. Recruitment of qualified staff to run the fund.
11. Pay operation expenses of the executive body of the Fund.
12. Identify charges and fees to be paid by defaulting members on whose behalf the Fund has covered.

The Committee may delegate any of its powers to the Chairman or any member and may seek the assistance of experts to discharge its function with the exception of supervision of the fund.

Article (28): Every member of the Fund shall be obliged by the following:

1. To contribute in the capital of the Fund by 5% of its paid up capital at not less than RO 45,000 (Forty Five Thousand) and not more than RO 135,000 (One Hundred Thirty Five Thousand). In the event of increase of the member's capital the contribution shall be increased accordingly.
2. Additional contribution to be determined by the Committee.

Article (29): The Committee shall review and evaluate the capital adequacy of the fund every three months in view of the risks of each member in accordance with the standards and controls set out by the Committee and approved by CMA.

Article (30): If the amount paid by the Fund on behalf of the defaulting member pursuant to Article 23 of this Regulation is equal to or less than his contribution to the Fund, the total amount shall be deducted from the member contribution to the Funds.

If the amount is more than the member's contribution to the Fund, the Fund shall take the following procedures:

1. Deduct the amount paid on behalf of the member from his contribution to the Fund
2. The Fund shall hold the securities the member has bought and failed to pay in accordance with the statements and documents provided by the Fund.

Article (31):1. The Fund shall inform the defaulting member that the Fund has paid his obligations by covering the deficit in cash or securities and claim cover in favour of the Fund latest by 9 AM on the day following the day of payment.

2. Where the member fails to pay at the specified time and the client fails to pay the value of the securities transferred to the fund, the Market shall assign a member to sell the securities registered in the name of the Fund and pay the proceeds to the account of the Fund and the defaulting member shall bear any difference to the Fund and the Fund shall benefit from any profits or proceeds from the sale transaction as well as any proceeds of the securities during the term of registration in the name of the Fund.
3. The defaulter member shall bear for each day of delay the obligations resulting from the deficit and determined by the

Committee and approved by CMA. All such amounts shall be collected in favour of the Fund.

Article (32): Where the defaulter member fails to pay the amount due to the Fund on the specified time, the Market shall suspend the member from trading until payment of its obligations, the Fund may coordinate with the Company to stop providing its service to the defaulter member.

Article (33): Fund's money shall be invested in a way that maintains, develop and increase them in following investments:

1. Bank deposits.
2. Bonds.
3. Any other short and medium term and high liquidity investment instruments.

Investment decision shall be made by the Committee after reviewing all appropriate alternatives mainly focusing on liquidity and risk when selecting the available alternatives taking into consideration ensuring adequacy of liquidity in the Fund for payment of any claim.

Article (34): Financial statements of the fund shall be separate from those of the Company and shall be audited by external auditor to be appointed to audit the accounts of the Company.

Article (35): The financial year of the Funds shall commence on 1st January and end on 31st December every year.

Article (36): At the end of each financial year, distributions shall be made to the members of the Fund on pro rata basis and shall be added to the members contributions to the Fund.

The committee may decide to distribute yields if the financial status of the Fund allows.

Article (37): The Member may receive his net rights within 90 days of the termination of the membership in the Market after meeting all his obligations toward the Market, the Fund, CMA and the Company.

Chapter Six

Transfer of ownership of securities exempted from trading

Article (38): The company shall assume transfer of ownership of the securities for transactions exempted from trading:

1. Inheritance transmission.
2. Family transfers.
3. Transfer between accounts of the same person.
4. Internal transfers.
5. REPO transfers
6. Global Depository Receipts (ADR/GDR) transfers
7. Transfer of securities among custodians.
8. Dual listing transfers.
9. Transfers pertaining to enforcement of court judgments.
10. Transfers pertaining to division of jointly owned securities.
11. Transfers pertaining to rectifying subscription errors.
12. Transfers pertaining to endowment of securities to charities registered with the official authorities.
13. Transfers pertaining to securities legacy.
14. Transfers resulting from mergers.
15. Any other transfer executed outside the trading system, provided CMA approves the transaction.
16. Transfers resulting from merging errors.
17. Transfers resulting from rounding fractures of securities.

Transfer shall be in accordance with the forms prescribed by the Company and includes the required statements and documents to finalize transfer process.

Article (39): Transfer of title of securities for exempted transfers shall not be effected except after ensuring ownership of the securities to be transferred.

Article (40): Inheritance transmission:

1. Such transmissions shall be limited to cases of transmission of ownership in securities from the deceased to the heirs in accordance with inheritance shares in the inheritance inventory documents to be submitted by the concerned or their legal representative.
2. Securities shall not be transferred from the account of the legator to a joint account except in case of opening new personal accounts for the heirs is not possible. Transactions in the joint account shall be limited to sale transactions.
3. The Company shall charge 0.0003 of the market value of the securities that devolved to the heirs and shall be charged to one party (the heirs) provided it shall not be less than RO 1 for each transmission transaction.

Article (41): Family transfers:

1. These transfers shall be limited to transfer of securities among the father, mother, children, husband and wife.
2. The Company shall charge 0.0003 of the market value of the securities and shall be charged to each party provided it shall not be less than RO 2 for each transmission transaction.

Article (42): Transfer among the account belonging to the same person:

1. These are transfer of securities between the accounts of shareholders and their accounts under trust accounts with the licensed companies in the Sultanate as well as transfer of securities between the accounts of the same person.
2. The Company shall charge the prescribed commission at 0,0001 of the market value of the securities for each transfer transaction provided it shall not be less than RO 2 and no more than RO 50 for each transaction.

Article (43): Internal transfers:

1. These transfers are limited to transfer of securities between the sole trader and owner.
2. The Company shall charge the prescribed commission at

0,0003 of the market value of the securities provided it shall not be less than RO 2 and no more than RO 50 for each transaction.

Article (44): REPO transfers:

1. These are limited to transfer of title of Government Development Bonds between the accounts of commercial banks and the account of the Central Bank of Oman and to and from the accounts of commercial banks that pertain to REPO transactions of bonds.
2. The Company shall charge a commission at 0.00005 of the market value of the transferred bonds to be charged to the applicant at a maximum of RO 500 and not less than RO 5 for each transaction.

Article (45): Transfer of Global Depository Receipts (GDR/ADR)

1. These are limited to transfer of title in securities to and from the entity that manage GDR/ADR trading transactions.
2. The Company shall charge the prescribed commission at 0,00025 of the market value of the securities to be charged to the applicant provided it shall not be less than RO 10 and not more than RO 500 for each transaction.

Article (46): Transfer of securities among custodians:

1. These transfers shall be limited to transfer of title in securities among the accounts of the shareholder registered under custodian's account and his personal name and the transfers between custodians provided that the custodian shall be licensed by CMA.
2. The Company shall charge the prescribed commission at 0,0001 of the market value of the securities to be charged to the applicant provided it shall not be less than RO 10 and not more than RO 50 for each transaction.

Article (47): Dual listing transfers:

1. These transfers shall be limited to transfer of title in securities to and from the accounts of dual listing.

2. The Company shall charge the prescribed commission in accordance with dual listing agreement.

Article (48): Transfer pertaining to enforcement of judgments:

1. These transfers shall be limited to transfer of title in securities in accordance with the orders of enforcement judge from the account of the person against whom enforcement is requested to the account of the person who requested enforcement.
2. The Company shall charge a commission at 0.001 of the market value of the securities from one party (the party who requested enforcement) and shall not be less than RO 5 for each transaction.

Article (49): Transfers pertaining to division of jointly owned securities:

1. These transfers shall be limited to transfer of title in securities from the joint accounts to the personal accounts of shareholders.
2. The Company shall charge the prescribed commission at 0,0003 of the market value of the securities to be charged to the applicant provided it shall not be less than RO 2 and not more than RO 50 for each transaction.

Article (50) : Transfers pertaining to rectifying subscription errors:

1. These transfers shall be limited to transfer of title in securities for the purpose of rectifying subscription errors.
2. The Company shall charge the prescribed commission at 0.0001 of the market value of the securities to be charged to the applicant and shall not be less than RO 10 and a maximum of RO. for each transaction.

Article (51): Transfers pertaining to endowment of securities to charities registered with the official authorities:

These shall be limited to transfer of title in securities from the accounts of shareholders to the accounts of charities registered with the official authorities.

Article (52): Transfers pertaining to securities legacy:

1. These shall be limited to transfer of title in securities from the account of shareholders to the transferees in accordance with the legacy approved by the competent authority.
2. The Company shall charge the prescribed commission at 0.001 of the market value of the securities to be charged to the transferee and shall not be less than RO 5 for each transaction.

Article (53): Transfer resulting from mergers:

1. These are the transfers of title in securities between the accounts of the merging companies or the company resulting from the merger.
2. The Company shall charge the prescribed commission at 0,0001 of the market value of the securities provided it shall not be less than RO 10 and not more than RO 50 for each transaction.

Article (54): The buyer member shall issue purchase invoices prior to the next trading session and such invoices shall be handed to the clients in accordance with the account opening form and shall include the following:

1. Name of issuer of the security, number of purchased securities, price, total value, net value, interests on bonds and date of purchase.
2. Commission charged by the buyer member.
3. Serial number.

Article (55):

1. The buyer client shall pay the value of the purchased securities prior or during the settlement term by cheque or bank draft. Payment may be in cash if the value is not exceeding RO 200.
2. The buyer member shall issue receipt voucher in favour of the buyer client at the amount he received.
3. The buyer member shall not accept post-dated cheques drawn by the clients or endorsed by them or accept any other guarantees as payment for the executed transactions. He may not carry out financing operations in favour of the clients unless licensed to do so.

4. The buyer client shall not sell the purchased securities prior to payment of the value to the buying member except through the same buyer member.
5. The buyer member shall inform the Company and Settlement Guarantee Fund in case of any financial confusion in the names of investors whose cheques have bounced due to lack of balance in their bank accounts.

Article (56): The seller member shall issue sale invoiced prior to the next trading session and such invoices shall be handed to the clients in accordance with the account opening agreement and shall include the following:

1. Name of issuer of the security, number of sold securities, price, total value, net value, interests on bonds and date of sale.
2. Commission accruing to the selling member.
3. Serial number.

Article (57): 1. The seller member shall pay the net price of the securities to the client directly or to his representative under official power of attorney by cheque or bank transfer at the net value of the sale invoice issued by him to be issued in the name of first beneficiary immediately after the settlement term. The seller member may pay the net value of the sold securities in cash if the price is not more than RO 200.

2. The seller member may not issue post-dated cheques drawn or endorsed by him in favour of the client in consideration of the sold securities.

Terms and conditions for holding 25 % or more of the shares of public joint stock companies

Article (1): For the purposes of application of these terms the words and expressions stated herein shall have the same meanings stipulated in article (1) of the Capital Market Law No. 80/98 and article No. (1) of the Executive Regulations No. 4/2001. The expression “Relatives up to second degree “ shall mean the followings:

- a. Ancestors - even though they are the far ascendants - , their sole-owned establishments and the companies they own jointly with each others or with their relatives up to the second degree.
- b. Descendants – even though they are their far descendants- and spouses and their sole-owned establishments as well as the companies they own jointly with each others or with their ancestors or relatives up to the second degree.
- c. Brothers and sisters and their sole-owned establishments as well as the companies they own jointly with each others or with their ancestors or relatives up to the second degree.

Article (2): A person willing to hold 25% or more of the shares should take the following procedures:

1. submit a written application addressed to the Executive President to obtain the approval pursuant to the Law.
2. specify in the application the objectives and reasons for ownership of shares in details and state the anticipated date of starting the purchase.
3. attach to the application a detailed statement of the shares listed in the market owned by him and his relatives up to the second degree.
4. the Authority has the right to request additional information.

Article (3): The competent department shall consider the application and decide therein within a week from the date it is submitted. If the application is rejected the President issues a decision justifying the same.

Article (4): The company whose shares are intended to be owned should not be scoring a high turnover in the market.

Article (5): The company whose shares are intended to be owned should not be operating in strategic or essential industry that affects the majority of the population, or operating a facility of an economic or strategic importance.

Article (6): The aim of ownership should be the interest of the national economy not causing damage to it as the Authority may deem fit.

Decision 3/2015 Issuing Rules for Selling Securities in which the Client Fails to Pay their Value

Pursuant to Capital Market Law issued by Royal Decree number 80/98,
And to Executive Regulations of Capital Market Law issued by Decision 1/2009,
And to Approval of the Board of Capital Market Authority on 6th October, 2015,
And in the interest of the public,

It has been decided;

Article 1: the following rules regarding selling of securities the client fails to pay their value shall be applied.

Article 2: any other provision in violation of this decision shall be cancelled.

Article 3: the decision shall be published in the official gazette, and shall be applied on the following day of its publish.

**Yahya Saeed Al Jabri
Chairman of Capital Market Authority Board**

Issued on: 11 Raby' al-awal 1437 AH
Corresponding to: 23rd December, 2015

- Article (1):** Rules of this decision shall apply to all securities' sale transactions processed by the broker for the benefit of the client, and the client therefore fails to pay their value provided that the broker is authorized to process the purchase order by the client.
- Article (2):** The broker shall without written authorization from the client to sell the securities that the client fails to pay their value immediately during the next working day of the end of settlement period (T+3). In case of no demand for these securities on the said day, the broker may reoffer them for sale for a maximum of 5 working days starting from the following day of the said day as per the prevailing prices.
- Article (3):** The broker shall inform the client, prior to the sell transaction stated in Article (2) of this decision, through the agreed communication channels or any other appropriate channel in case of no such agreement, and the broker shall preserve a prove for such notification
- Article (4):** The broker shall not sell other securities their value is already paid to cover an outstanding amount from the client or to cover any deficit resulting from selling securities their value was not paid.
- Article (5):** Where the client deposits insufficient amount to the broker to pay the value of securities and the amount is not completed prior to the end of the settlement period, the broker may sell all the unpaid part.
- Article (6):** Where the broker buys more than one security for the client on the same day, and the client pays part of the accruing amount prior to the end of the settlement term, the paid amount shall cover the value of the securities according to the sequence of the purchase processes based on the first executed transaction according to the records of Muscat Clearing and Depository Company (MCDL).
- Article (7):** The client shall bear the difference in loss resulting from selling the securities he failed to pay in addition to the broker's commission as debt in the client's account with the brokers.

In the event of profit the proceeds shall be transferred to the Investor Guarantee Fund. The broker shall commit to process the transfer to the Fund in three (3) working days starting from the day following the sell execution date.

Article (8): The broker shall not process any purchase transaction for a client who fails to pay value of securities unless the client pays all his outstanding debits resulted according to the rules of this decision.

Article (9): If the broker executes sell transactions for one of his clients twice according to this decision, he shall immediately inform the Oman Association for Securities of the identity of this client and his account in Muscat Clearing and Depository Company (MCDC), and the Association therefore shall set up a list of these clients and circulate it to all members as it sees appropriate.

Article (10): The broker shall commit to send CMA a monthly report of the executed sell transactions according to the rules of this decision.

Article (11): The broker shall ensure including these rules in the account opening form and purchase authorizations of the company.

Article (12): The broker shall set out a clear internal policy and use the appropriate systems to ensure the proper application of these rules.

**Decision
No. 4/2016
Directives for Margin Financing**

Pursuant to the Capital Market Law promulgated by Royal Decree 80/98 as amended;

The Executive Regulation of the Capital Market Law issued by decision No. 1/2009; and

Margin Financing Directives issued by Decision No. 1/2012; and

The resolution of the Board of Directors of the Capital Market Authority in its meeting on 29 March 2016;

In the interest of the public

It has been decided

Article (1): The attached Directives shall be applicable to margin financing.

Article (2): Margin Financing Directives issued by Decision No. 1/2012 shall be repealed.

Article (3): The Decision shall come into force on the date of issuance.

**Yahya Saeed Al Jabri
Chairman of Capital Market Authority Board**

Issued on: 16Shaban 1437 H

Corresponding to: 23 May 2016

Directives For Margin Financing

Article (1): In the application of the provisions of these Directives words and expressions defined herein shall have the same meaning assigned to them in the Capital Market Law and its Executive Regulations and the following words and expressions shall have the following meaning unless the context otherwise requires:

Margin Financing: a transaction where the broker finances part of the securities guaranteed by the securities or the available cash in the margin financing account.

Margin financing account: Client's account with the broker for the purposes of financing investment in securities by agreement between the broker and the client.

Client's rights: The value of securities and cash available in the client's account less broker's dues.

Actual Margin: Client's funds divided by the total market value of the client's portfolio.

Initial Margin: Amount of client's contribution on the date the contract has been concluded divided by the total fund in the account (client's contribution + financing).

Maintenance Margin: The minimum amount prescribed in these directives the actual margin should not go below at any time after the date of buying.

Article (2): A broker who is licensed to carry out margin financing activity may grant financial facilities to its clients to buy securities provided the client pay the value of such securities within a period not exceeding three (3) months from the date of execution of the transaction.

Article (3): A broker who is willing to carry out margin financing must satisfy the following requirements:

1. Be licensed by the CMA to carry out margin financing activity.
2. The amount of the funds allocated for margin financing shall not exceed, at any time, 50% of the broker`s total assets.
3. Capital adequacy shall not be less than 100% at any time.
4. Shall possess the necessary technical and administrative capabilities for managing margin financing accounts and maintain internal controls and financial auditing systems to demonstrate compliance with all requirements provided for in these directives.
5. Facilities granted to any client shall not exceed 15% of the total funds allocated for margin financing by the broker. In all cases such facilities shall not exceed RO 500,000 (Five Hundred Thousands).

Article (4): The broker shall not open more than one margin financing account for any client individually or with his minor children or his enterprises.

Article (5): Margin financing account shall be managed under a contract between the broker and the client . The contract shall at least provide for:

1. Securities purchased, to be registered and kept in a trust with the broker.
2. Client`s investment policy and his ability to endure investment risks.
3. Broker`s authorities and responsibilities and the operations to be carried out by him without seeking client`s consent.
4. Rights and obligations arising from his ownership of securities such as voting rights, share or cash dividends and right issue.
5. Expenses, commissions and accrued interests against funds allocated by the broker as well as calculation methods and the due dates.
6. Interest rate and means of calculation. Such rate shall not be less than the percentage approved by the Central Bank for personal loans.

7. Client's consent to the broker to charge his account with any due amounts as specified in the contract.
8. Specify means of contact with his client and the actions to be taken where contact is not possible.
9. Identify a third party (if client agrees), for being contacted with, if the broker fails to communicate with his client. Such third party's responsibilities and authorities must be specified.
10. The broker's right to specify securities to be financed.
11. Specify the amounts of facilities the broker may grant to the client on the margin financing account.
12. Specify the initial margin, maintenance margin and the method to be followed where the actual margin exceeds the initial margin and the right of client to ask the broker to refund the excess value in cash or to grant additional amount equivalent to the excess value to purchase additional securities.
13. Shall include a provision stating the client's or the broker's right to terminate the contract at any time after serving notice on the other party.
14. Shall contain an indication that assets in trust under margin financing account shall not be pledged to third party for obtaining financial facilities.
15. Specify means and periods for providing the client with account statement.
16. Client may request the broker to replace collateral securities by other securities acceptable by the broker, which shall be of the companies prescribed in Article (7) herein.
17. Acknowledgement by the client on the margin financing accounts and those of his minor children and enterprises with other licensed companies at the time of concluding the contract and an undertaking to report to the company in the event of opening any financing new accounts.
18. Specify the minimum limit for turnover of the portfolio and the time required for the same.

- Article (6):** The broker shall ensure client's legal capacity to contract before entering into margin financing contract as well as his ability to meet his financial obligations that may arise out of the account. The broker shall ensure client's awareness of the risks and rewards of investment through margin financing.
- Article (7):** The broker may set out standards for the securities he is willing to trade in through margin financing provided the trading is limited to the securities of the companies listed on the regular and parallel markets only.
- Article (8):** Where any securities taken as collateral for margin financing are removed from the list referred to in article (7) above, the broker shall forthwith cease buying that security and notify the client through the means specified in the facilities agreement. Where such removal results in the fall of the actual margin below the agreed maintenance margin the broker shall dispose of it within thirty (30) trading days from the date of removal unless the client paid the value of buying in cash.
- Article (9):** The initial margin shall not be less than 50% and maintenance margin shall not be less than 40%. Where the maintenance margin falls below the specified percentage at any time the broker shall be fined 0.5% daily for the difference between the maintenance margin and actual margin after five trading days from the end of the trading session during which the fall occurred.
- Article (10):** The broker shall calculate the market value of the securities, the subject matter of financing, at the end of each business day. Where the actual margin falls below maintenance margin, at any time, the broker shall, immediately after the trading session, make a margin call on the client through the means specified in the facilities agreement to deposit additional funds or securities to raise the actual margin to the required maintenance level within five (5) working days as of the trading date where the fall occurred. Where the broker fails to contact the client or the client fails to deposit the required funds the broker may liquidate part or the whole of the client's portfolio under the margin financing to restore the actual margin to the agreed maintenance margin.

Article (11): The broker shall bear the resulting responsibility if he delays in contacting his client to raise the actual margin to the agreed maintenance margin or doesn't sell the securities in case of his client's failure to respond, save where provides evidence there is no demand on the security.

Article (12): The broker shall provide his clients with, at least, monthly statement showing sell and buy transactions, the available cash balance and the actual collateral at the end of the period.

Article (13): The board of directors of the brokerage company shall regularly review the status of such facilities with regard to:

1. Ensuring no breach to these Directives.
2. Full details of newly opened margin financing accounts and the accounts to be liquidated.
3. Full details of accounts to be liquidated (showing the causes and conditions).
4. List of clients of margin accounts who defaulted to satisfy the minimum margin maintenance requirements to maintain the minimum limits provided for in these Directives.
5. Violations (if any) regarding excess of the amount granted by the broker to the amount specified upon opening the margin financing account, the reasons and the proposed remedial actions.

Article (14): The broker shall disclose to the CMA and MSM any margin financing accounts relating to its directors or employees or their relatives up to first degree and the companies in whose capital they hold 20% or more , and shall ensure such parties will not receive any preferential favors compared to the other clients' of the broker.

Article (15): The broker shall provide CMA with a report containing the following information and statements, either at the end of every monthly, or upon any time to be prescribed by the CMA:

1. Account details and maintenance margin limit where the same falls below the agreed level and the amount of decline.

2. Number of new accounts and amounts of facilities granted in addition to market value of the securities taken as collateral.
3. Number of closed accounts and reasons for such closure and the amount of deficit to be paid (if any).
4. Any other statements or information CMA requires.

Article (16): Whoever violates the provisions of these Directives shall be subject to the penalties provided for in the Capital Market Law and the Executive Regulator

Administrative Decision

No. 5/2003

Establishing Investors Trust Fund and approving its Articles of Association

Pursuant to the provisions of the Commercial Companies Law No. 4 / 74 as amended;

The provision of the Capital Market Law, as amended;

The decision of the Board of Directors of the Capital Market Authority dated 5 July 2003 establishing Investors Trust Fund;

In the interest of the public

It has been decided

Article (1): A fund named “ Investor Trust Fund” shall be established at the Capital Market Authority.

Article (2): The attached Articles of Association shall be applied to the management and organization of the fund.

Article (3): The Executive President of CMA shall issue the regulations of the fund.

Article (4): This decision shall come into force from the date of its issue.

Maqbool bin Ali Sultan

Minister of Commerce & Industry

Issued on: 30 Shaban 1424 AH

Corresponding to: 26 October 2003

Article of Association Investors' Trust Fund

- Article (1):** The object of the fund is to keep investors' funds in the form of trust and return them to the owners after verifying they are entitled to such funds.
- Article (2):** All entities having investors' funds unclaimed within a maximum period of seven months from the date of maturity (date of record), shall transfer them to the Investors' Trust Fund. These amounts are:
1. Surplus subscriptions after allocations.
 2. Refunded or rejected subscription amounts.
 3. Cash dividends for share and interests of bonds on maturity.
 4. The principal value of bonds on redemption or maturity.
 5. The proceeds of the sales of the shares of defaulter shareholders who failed to pay the remaining amounts of their share in the capital.
 6. Proceeds of liquation.
 7. Any other amount CMA sees to be included in the amounts to be transferred to the fund.
- Article (3):** CMA shall open a separate bank account with commercial banks to deposit the fund's monies. Fund's accounts, assets, liabilities and revenues shall be separate from CMA's accounts.
- Article (4):**
- a. The Executive President shall set out the rules and procedures pertaining to the management and finances of ITF, its accounts, disbursement, management of funds, audit of accounts and documents and establishing investment policies.
 - b. The Department of Financial Affairs of CMA shall undertake management of the fund and take all procedures required to achieve its objects specifically:
 1. Ensuring timely record of beneficiaries and transfer of funds from the entities to CMA.
 2. Make quarterly reconciliation of the cash flows with the records kept at MDSRC.

3. Submit annual report to the Executive President showing the details of amounts deposited, claims paid, revenues and expenditure during the period. A summary of the report shall be included in the annual reports of CMA and MDSRC.

Article (5): The auditor of CMA shall examine and audit the funds business in accordance with the applicable auditing standards.

Article (6): MDSRC shall keep beneficiaries' records against a consideration to be agreed on between MDSRC and CMA.

Article (7): Entities having investors' funds shall take the following measures:

1. Identify amounts un-receive by beneficiaries, keep detailed records on them including the following data:
 - Shareholder's full name as recorded in the identification papers.
 - Shareholder number (in accordance with MDSRC records)
 - Accrued amounts and corresponding periods (separately for each year).
 - Statement of the nature of the amounts accrued (dividends, interests, surplus subscription, rejected subscriptions, net proceeds of the sales of defaulters' shares, liquidation proceeds).
 - Shareholder's postal address and place of domicile (if any)
 - Shareholder's bank account No. (if any).
 - Ownership certificates Numbers (if any).
 - Any other data related to the shareholder (if any).
2. Keep electronic record of the data for easy entry at MDSRC in accordance with the technical specifications set by CMA.
3. Disclosure, in the audited annual financial statements, of the investors' funds in separate notes for the period in which the funds are transferred to the Fund.

Article (8): a. Entities having funds not received by investors shall deposit such funds, within two weeks after the completion of seven months, with CMA by cheque together with a detailed list approved by

the issuer entity showing the names of shareholders and their entitlements and all the information that may help to identify the owners of such amounts. This information shall be provided in floppy disk according to the technical specification set by MDSRC.

- b. Such entities shall publish a notice in the daily newspapers notifying shareholders to receive their funds after one month as of the date they fall due. The notice shall expressly indicate the deadline in which the funds will be transferred to ITF.

Article (9): ITF funds shall be deposited in a bank to be selected by CMA. Payments from such account shall be based on the records of MDSRC in accordance with the procedure to be set by a decision to be issued by the Executive president.

- Article (10):**
- a. The Department of Financial Affairs of CMA may invest ITF funds in government bonds, term deposits and any other guaranteed investments within the investment policy approve by the Executive President. The Department shall ensure the availability of adequate liquidity to meet any claims by beneficiaries.
 - b. The proceeds of the investment shall be used to meet administrative and general costs related to the management of the fund. The surplus shall be used by CMA in executing educational programmes aimed at upgrading market efficiency and investor protection.

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