

LEGAL AND REGULATORY FRAMEWORK OF ISLAMIC FINANCE IN OMAN

ASAD QAYYUM
Senior Associate (Islamic Finance), AMJ

7 MARCH 2017

The Firm that gets things done



Core Principles of Shariah Finance

2

- Prohibition of interest (*riba*);
- Prohibition of excessive speculation in transactions (*gharar*);
- Profit and loss sharing arrangements; and
- Prohibition of investment in non Shariah-compliant ventures, products and commodities e.g. alcohol, gambling, etc.



The Firm that gets things done

Legal and Regulatory Framework of Islamic Finance in Oman

3

Laws:

- ❑ Royal Decree No. 69/2012 amending the Banking Law issued by Royal Decree No. 114/2000
- ❑ Royal Decree No. 59/2014 amending the Capital Market Law issued by Royal Decree No. 80/1998
- ❑ Royal Decree No. 11/2016 introducing Takaful insurance
- ❑ Royal Decree No. 9/2017 amending the Income Tax Law issued by RD No. 28/2009

Regulations:

- ❑ Central Bank of Oman (CBO) Circular IB 1 of 2012 introducing the Islamic Banking Regulatory Framework
- ❑ CBO Regulation No. BM/54/12/2013 regarding the establishment of the Supreme Shariah Audit Authority within the CBO
- ❑ Capital Market Authority (CMA) Decision No. 3/2016 issuing the Sukuk regulations

Expected in 2017:

- ❑ Securities Law of Oman
- ❑ Real Estate Investment Trusts Regulation



The Firm that gets things done

Royal Decree No. 69/2012

4

- Amended the Omani Banking Law (Royal Decree No. 114/2000)
- First law in Oman to formally recognise Islamic finance
- Granted the CBO authority to license and regulate the operation, management, services and Shariah compliance of Islamic banking activities.
- Sets out the activities which Islamic banks are permitted to undertake
- Sets out incentives available to Islamic finance transactions



The Firm that gets things done

The Islamic Banking Regulatory Framework (CBO Circular IB 1 of 2012)

5

- Permits incorporation of fully-fledged Islamic banks as well as Islamic windows
- Comprehensive framework for Islamic finance – includes, licensing regime, corporate governance obligations, accounting and auditing standards, capital adequacy requirements, etc.
- Requires the establishment of several bodies to ensure internal compliance with Shariah provisions as follows: i) Shariah Supervisory Board, (ii) Internal Shariah Reviewer, (iii) Shariah Compliance Unit and (iv) Shariah Audit Unit.
- Sets out the products/investments that may (and may not) be undertaken by Islamic banks and windows.



The Firm that gets things done

CBO Regulation No. BM/54/12/2013

6

- Set up the Supreme Shariah Audit Authority of Oman
- Provides advice and consultation to the CBO on Shariah aspects of Islamic banking transactions
- Sets out the structure, membership requirements and jurisdiction of the Shariah Authority



The Firm that gets things done

Royal Decree No. 59/2014

7

- Amended the Omani Capital Market Law (Royal Decree 80/1998)
- First law to formally recognise Sukuk as tradeable securities in Oman
- Granted the CMA authority to determine requirements for Sukuk issuances
- Provided incentives for Sukuk issuances



The Firm that gets things done

Takaful Law (Royal Decree 11/2016)

8

- Recognised Shariah-compliant insurance as a specific industry separate from conventional insurance.
- Grants the CMA the authority to regulate the licensing and operation of Takaful insurance companies.
- Lists the specific conditions for the licensing of Takaful insurance companies
- Lists the ongoing obligations of insurance companies
- Lists the penalties applicable in case of breach of the Takaful law



The Firm that gets things done

The Sukuk Regulations (CMA Decision No. 3/2016)

9

- Stand alone law for Sukuks
- Sets out requirements and conditions for Sukuk issuance, listing and trading
- Sets out the role and obligations of parties involved in the issuance
- First law that expressly recognises trust structures and duties of trustees
- Governs both corporate and sovereign Sukuk



The Firm that gets things done

Thank you



10

Any questions?

Asad Qayyum
Senior Associate
Al Busaidy, Mansoor Jamal & Co.

Telephone: +968-24814466

Email: asad.qayyum@amjoman.com



The Firm that gets things done