

Note: The Arabic prevails

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Article (2): Ministerial Decision No. 4/2001 shall be repealed and anything that infringes the articles of the attached Regulation shall be repealed.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

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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
Investment Manager	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
Disciplinary 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 work plan prepared by a professional entity 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.

(i) 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.

(ii) 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 in this market, subject to the following terms and conditions:
 1. The paid-up capital is not less than R.O. 2 million.
 2. Shareholders' equity is not less than the paid-up capital.
 3. The company has earned achieved net profits in the last two years.
 4. The number of days during which the shares and units are traded are not less than 30 trading days in a year and annual turnover of the share or unit is not less than 5%.

Share of Omani public joint stock companies resulting from privatization processes shall be listed in this market. The provisions for transfer between market segments shall apply.

- b. Parallel Market: Shares of companies and units of investment funds shall be listed in this market in case of the following:
 1. Newly established joint stock companies and investment funds.
 2. Joint stock companies and investment funds whose shareholders' equity is not less than 50% of the paid –up capital.
 3. Public joint stock companies and investment funds who fail to satisfy the requirements of listing in the Regular Market.
- c. Third Market: Shares of companies and units of investment funds shall be listed in this market in case of the following:
 1. Closed joint stock companies.
 2. Joint stock companies and investment funds whose shareholders' equity is less than 50% of the paid-up capital.
 3. Public joint stock companies and investment funds who fail to satisfy the requirements of listing in the Regular Market
- d. Bond Market: Bonds shall be listed in this market segment.

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 of 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.

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 0.04% and not exceeding 0.075% for each transaction inclusive of the market's share which is 0.015% 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 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.

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.

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

a- 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 county 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 its 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 (13): 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
 - Report to their board of directors and to the CMA
 - 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. The provision shall also apply on the partners and directors.
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 specified by CMA. The company shall have adequate systems to monitor capital adequacy and ensure it does not fall below the prescribed ratio.
2. The company shall top up the capital to the required minimum adequacy level within thirty (30) days from the date it falls below the prescribed level.

3. CMA shall take appropriate decision where the capital adequacy falls below the prescribed level.
4. Capital adequacy rules shall not apply to banks licensed by the Central Bank of Oman.

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 capital adequacy reports to CMA within thirty (30) days from the end of each quarter. CMA may require additions 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:

- a. 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.
- b. Membership of the association is compulsory for the licensed companies.
- c. 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 accordance with the following:

- a. Membership of the funds shall be mandatory for all the companies operating in securities that keep customers' assets.
- b. Rules for management of Investor Protection Fund.
- c. Limits of coverage and contribution by the members in the fund
- d. Rules for dissolution and liquidation of the fund.
- e. Penalties for infringements by members.

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

- a. Registration fees of the members
- b. Annual subscriptions
- c. Proceeds of the Fund's claims
- d. Proceeds of investment of the Fund's funds in government bonds and bank deposits.
- e. Annual contributions of the Market at not less than RO 5,000.

f. 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 Rating 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.
6. 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 Rating 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 asses 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 investment manager 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 (211): The management of the fund, investment manager 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 investment manager 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 investment 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 (319): 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 investment manager 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 (40): 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 investment manager 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 investment manager 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 (60): 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. 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. Review and compliance reports.
5. 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 225, 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 annual un-audited financial results immediately after preparation, within the periods indicated in the previous Article.

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 audited and un-audited financial statements and initial results for the year 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): Insiders shall not deal in the securities of the issuer on the basis of undisclosed material information especially during the following periods:

1. The period during which there is material information undisclosed to the public until the date of disclosure of such information.
2. Closing Period of un-audited interim accounts from the end of the quarter until the date of disclosure of such information.
3. Closing Period of the audited annual accounts from the end of the financial year until the date of disclosure of the un-audited initial results of the year.

Insiders shall not facilitate other person's access to material information before it is disclosed.

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	RO 300

	capital call	
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 3,000
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	RO 250

	CMA	
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

Disciplinary Committee

Article (325): The Board shall form from among its members a disciplinary 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 Disciplinary 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 Disciplinary 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 Disciplinary 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 Disciplinary 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 Disciplinary 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	1. Brokerage: RO 50,000 2. Portfolio management:	Once on approval to carry out the business

		<p>RO 5,000</p> <p>3. Investment fund management RO 5,000</p> <p>4. Issue management RO 10,000</p> <p>5. Marketing of non Omani securities :RO 10,000</p> <p>6. Investment Advice and research: RO 5,000</p> <p>7. Market maker: RO 10,000</p> <p>8. Custodian: RO 10,000</p> <p>9. Margin financing: RO 10,000</p> <p>10. Issuer of structured instrument: RO 10,000</p> <p>11. Agent for bondholders: RO 10,000</p>	
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 Disciplinary Committee	RO 20	Once on obtaining the copy