



الهيئة العامة لسوق المال
Capital Market Authority



Annual Report **2011**

His Majesty Sultan Qaboos bin Said



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Chairman's Statement

It gives me pleasure to present to all the concerned and those who have interest in the capital market and insurance sectors the thirteenth annual report of the Capital Market Authority which addresses the achievements of CMA in 2011 and highlights, precisely the performance of CMA and its continuous efforts to support the infrastructure of the capital market and insurance sectors which CMA supervises and are considered a continuation of the numerous events and developments the sectors have witnessed in the past years.

CMA adopts, in its endeavours to upgrade the sectors' institutional development based on economic freedom and openness. The policies of the Board of Directors regarding the regulatory framework of the capital market and insurance sectors are based on enhancing the contribution of the capital market sector in the national economy and to develop the role of insurance sector to protect policyholders whether individuals or institutions.

Based on such policies CMA continued in 2011 developing its supervisory, regulatory and enlightening roles by organising events or taking part therein.

On the legislative and regulatory scenes CMA witnessed in 2011 updating and enacting number of legislations and processes regulating the capital market in the legislative fields, issues and corporate governance. The Executive Regulation of the Capital Market Law has been amended as well as issuance of Secured Financing Directive, issuance of Clearance and Settlement Regulation in addition to amending rules for trading commission in MSM.

In the field of disclosure and transparency CMA monitored compliance of issuers of securities with the disclosure guidelines pertaining to the annual and quarterly results so as to detect non-compliant companies to rectify their positions.

CMA also conducted a number of activities and events with the aim of bolstering Arab and international cooperation, community service and dissemination of awareness in investment education and protection of investors and market participants. It also enhanced technical support, operating systems and software, upgrading the efficiency of employees of the securities market sector. CMA attached priority to upgrading professional efficiency of the human resources in CMA and took part in events and meetings inside the Sultanate and abroad and received Arab and foreign delegations to acquaint with the best developments in the capital market and insurance sectors.

On the performance of MSM, after the recovery of the market during the years 2009 and 2010 at 17% and 6% respectively, MSM 30 index recorded decline at about 16% as the index closed at 5695 points at the closing of trading

at the end of 2011 compared to 6755 points at the end of 2010. The fall of the index in 2011 was due to several reasons, the most important are the drop in the profits of listed companies compared to 2010, the decline of the Primary Market and the political conditions in the Arab region since early 2011. Further sovereign debt crisis in Europe and its impact on the global economy in general and western economies in particular in addition to the potentially increased risk for investors and their concerns about financial investments due to speculation about the future of the global economy and growth of the global economy.

The main indices of MSM indicate considerable decrease in the number of transactions, traded shares, trading value and average daily trading. The market value has dropped from RO 10902 million in 2010 to RO 10342 in 2011. The number of listed companies fell from 119 companies in 2010 to 114 companies at the end of 2011 and the number of brokerage companies has fallen from 23 companies to 21. However, the number of bonds traded in 2011 increased by 25% compared to the same term in the past year. The ratio of the contribution of non-Omanis in the market value of the listed companies has decreased from 24.3% in 2010 to 23.8% in 2011.

In the insurance sector CMA continues the development process and activation of its role in the service of the national economy of the country. It issued a number of rules and circulars further to reviewing and amending a number of rules and directives to ensure the legislations and regulations regulating the sector cope up with the best international practices and observing the requirements and uniqueness of the local market. Main indicators of the insurance sector according to the unaudited financial statements of 2011 indicate the total direct premiums were RO 281.73 million. Net total direct premiums which are calculated after deduction of reinsurance were RO 141.86. Omanisation ratio in the insurance sector was 58% of the total employees of the sector and it is expected to increase to 65% at the end of 2012.

In the process of implementation of Islamic products in the capital and insurance markets CMA took certain measures to review the legislative and regulatory frameworks with the assistance of international consultants to make the required amendments to such legislations to accommodate licensing and regulation of institutions dealing in Sharia compliant products and we hope to be ready soon taking into account the practices of other countries to

ensure such products will be a positive addition to our national economy and satisfy the needs of our market. Last but not least, I would like to commend the Board of Directors and Executive Management of the Capital Market Authority, Muscat Securities Market and Muscat Clearing & Depository Company for their efforts to implement the policies of the sector which were crowned by constructive and responsible cooperation by all leading institutions, issuer companies and the companies operating in securities.



Finally it give me honour to extend our sincere thanks and gratitude to His Majesty Sultan Qaboos bin Said the guardian of the process of the blessed renaissance and the foremost guardian of the building and development process for our beloved nation's progress and prosperity.

H.E. Saad bin Mohammed Al Sadi
Minister of Commerce and Industry
Chairman



Executive President's Statement

With the aim of upgrading securities investment environment and to develop insurance sector the year 2011 witnessed a number of developments and achievements carried out by CMA in the capital and insurance sectors so as to be able to take charge of a position enhancing communication with all institutions and entities relevant to its work and strengthening interaction with local, regional and international developments to cope up with the best standards and developments to enhance the sectors' contribution to the national economy.

Based on such vision CMA reviewed a number of laws, legislations and regulations regulating the capital market and insurance sectors in all legislative, administrative and technical aspects, issues and corporate governance further to a number of activities and initiatives with the aim of reinforcing Arab and international cooperation, disseminating of awareness and upgrading the efficiency of the employees.

In the legislative area CMA continued execution of certain draft laws and regulations and review of laws and decisions in coordination with the concerned authorities to enhance the legislative environment in the capital and insurance sectors. The key legislative and regulatory achievements in 2011 were the amendment of certain provisions of the Executive Regulation of the Capital Market Law and issuance of Secured Financing Directives, issuance of Clearance and Settlement Regulation in addition to amending rules for trading commission in MSM.

In the transparency, disclosure and integrity field and to protect the investors and attain justice and enhance confidence in the investment environment in the securities market and to protect policyholders CMA monitored public joint stock companies and insurance companies' compliance with the disclosure guidelines pertaining to disclosure of the annual and quarterly results and follow up of distressed companies. CMA also issued disciplinary decisions against companies infringing the laws and regulations regulating the capital and insurance markets.

Based on its role in investment awareness and education of the public CMA continues its awareness activities and efforts to disseminate savings, investment and insurance culture among all the segments of the community through

a number of conduits by educating investors of their rights and how to maintain them, in addition to education of directors and executives, and strengthening the ideas of saving and investment among minors, and constructive interface with various academic institutions, and educating the public of the importance of capital and insurance markets and how to deal with them. The most salient activity carried out by CMA in 2011 was the Capital Market Awareness Campaign in collaboration with MSM and MCDC further to conducting workshops for students and taking part in cultural events.

In the area of social responsibility and in its belief of the role of institutions in the service of the community CMA sponsored the Annual Education Technology Forum organised by the Directorate General of Education, Governorate of Muscat in addition to financing training the drivers of vehicles on traffic culture to reduce traffic accidents, participation in the Seminar on Fair Financial Services to the Consumers organised by the Omani Society for Consumer Protection, and participation in the Traffic Safety Seminar.

In the training and qualification area CMA was keen to upgrade the professional efficiency of the human resources of CMA and the employees of securities and insurance sector as well as the interested parties from outside the sectors. CMA held a number of courses and sent its employees to specialised training courses and conferences inside and outside the Sultanate. More than 90 activities were conducted with the participation of 426 participants from the employees of CMA in addition to 2000 participants from the various segments of the community.

In the field of continuing the development process of the insurance sector CMA conducted a study to license Takaful insurance companies and to accommodate a legislative environment that may include issuance of a number of regulations and circulars and review and amendment of certain provisions in the Insurance Companies Law and the Regulation to ensure such products coping with the legislation and laws regulating the sector in line with the best international practices.

I extend my sincere thanks to all the entities supervised by CMA for their efficient response and constructive cooperation in line with the laws and procedures issued by CMA which certainly contributed to enhancing the stability and development of the capital market and insurance sectors.

Finally I extend, on behalf of myself and employees of CMA our thanks and gratitude to His Majesty Sultan Qaboos bin Said for the continuous support to CMA confirming our continued endeavours to upgrade the financial sector in the Sultanate within CMA's jurisdiction in line with the local, regional and international economic development.



Abdullah Salim Al Salmi
Executive President

Board of Directors



H.E. Saad bin Mohammed Al Sadi
Minister of Commerce and Industry
Chairman



Abdul Malik Abdullah Al Hinai
Adviser to the Ministry of Finance,
In-charge of the Ministry of National
Economy
Vice Chairman



Ali Hamdan Al Raisi
Vice President,
Economic Research & Statistics, C.B.O.
Member



Ahmed Saleh Al-Marhoon
Director General,
Muscat Securities Market
Member



Mudrek Kathim Al Musawi
Director General of Commerce,
Ministry of Commerce & Industry
Member



Hamdan Said Al Durie
Advocate & Legal Advisor,
Member



Abdul Razzak Ali Issa
CEO, BankMuscat
Member



Areej Mohsin H. Darwish
Managing Director,
Mohsin Haider Darwish L.L.C.
Member



H.E. Abdullah Salim Al-Salmi
Executive President,
Capital Market Authority
Member

Top Management



H.E. Abdullah Salim Al-Salmi
Executive President,
Capital Market Authority



Talal Said Al Kiyumi
Vice President,
Administration and Finance Affairs



Ismail Ahmed Al Balushi
Vice President,
Registration and Development



Mohammed Taqi Al Jamalani
Vice President,
Insurance Operation Regulations

The Capital Market Authority

1.1 Establishment of the Capital Market Authority:

CMA was established by virtue of Royal Decree 80/98 issued on 9 November 1998. It is a government entity with juristic personality, financial and administrative independence and its Board of Directors is chaired by HE the Minister of Commerce and Industry.

CMA assumes the following roles and responsibilities:

- Supervising Muscat Securities Market (MSM).
- Supervising Muscat Clearance and Depository Company (MCDC).
- Licensing, Supervising and Regulation of:
 - Public joint stock companies
 - The companies operating in securities
 - Insurance companies, brokers and agents
 - Credit Rating Agencies
- Developing capital market and insurance sectors through research and legislation in accordance with the best international practices.
- Enforcement of the laws under its jurisdiction.

1.2 CMA's Vision

Efficient and developed authority that endeavours to promote the role of the capital market sector and insurance sector in sustainable economic development.

1.3 CMA's Mission

Establishing economic and legislative order that provides attractive investment environment for the participants based on the principles of fairness, efficiency, transparency and development.

1.4 CMA's Values and Principles

CMA deals with the institutions it supervises and market participants such as investors and insurance policyholders based on a number of basic values and principles as follows:

- Rule of law: CMA exercises its powers in accordance with the written laws and regulations promulgated in accordance with the applicable constitutional processes.
- Fairness: CMA complies with, in applying the legislation and dealing with all the relevant parties, fair treatment based on the laws and legislation accompanied by earnestness, appreciation and respect.
- Integrity: CMA complies with the ethical values and principles to gain the confidence of the participant with regard to the services it renders or the fair penalties it imposes.
- Transparency and self-regulation: CMA complies with a distinguished and clear regulatory approach to establish the concept of transparency among the companies and other parties in the market.
- Excellence in work: CMA's employees' devotion to the highest standards of professional excellence and efficiency in the performance of their roles.

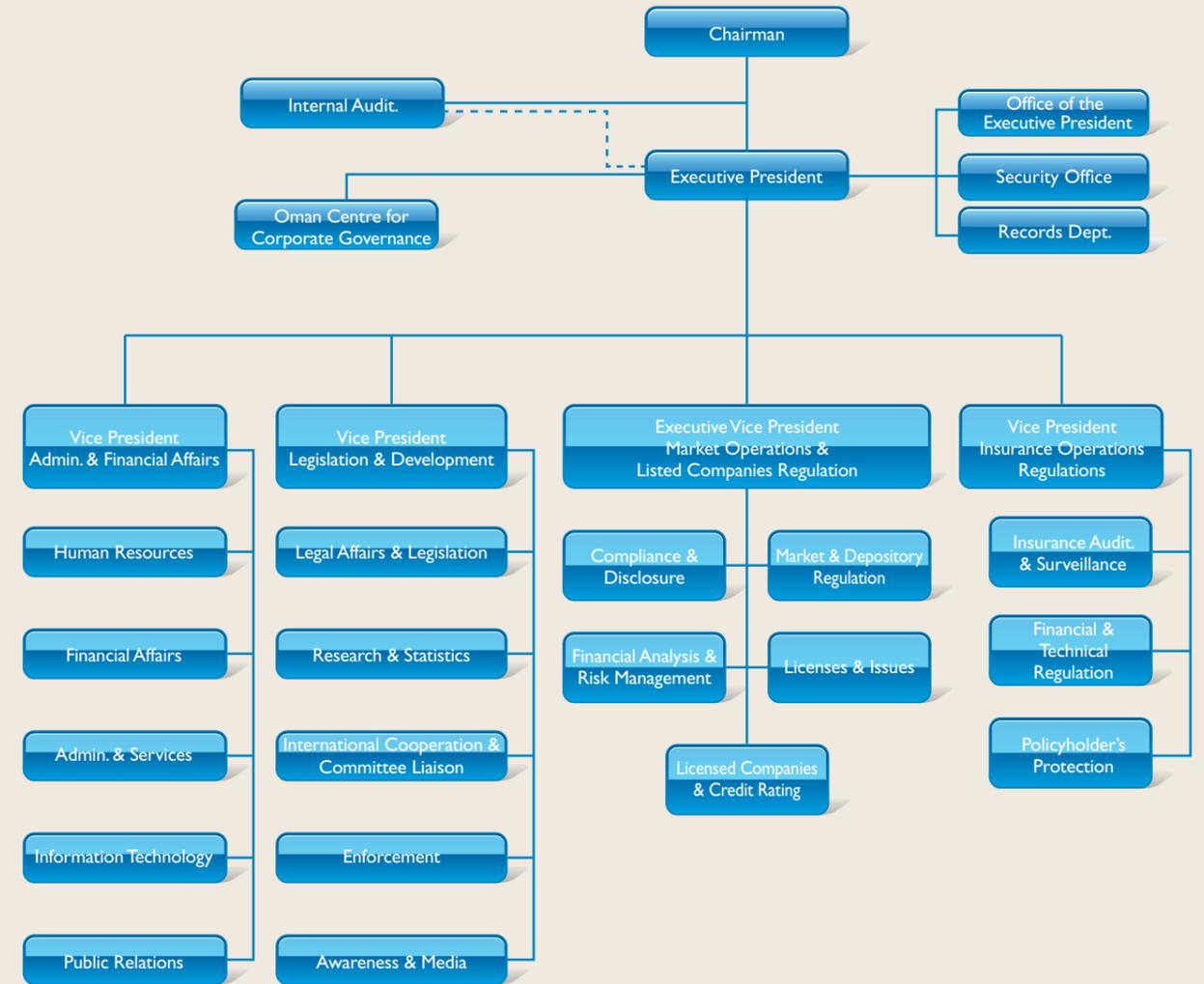
1.5 CMA's Objects:

- Upgrading the efficiency of the capital market and insurance sector.
- Protecting investors, market participants and insurance policyholders.
- Enhancing and developing investment environment.
- Upgrading the efficiency of human resources working in the capital market and insurance sectors.
- Ensuring development and integration of financial sectors in the country in line with the latest international developments.
- Establishing the principles of professional conduct and self-regulation.
- Enhancing investment and insurance awareness.

1.6 Entities Regulated by CMA

The Capital Market Authority is the regulator and supervisor of the capital market and insurance market in the Sultanate. It regulates and supervises Muscat Securities Market (MSM), MCDC, licensed companies such brokerage companies, asset management companies, investment advisors etc., public joint stock companies, investment funds, insurance companies, including Takaful insurance companies and insurance brokers and agents. Besides, CMA also supervises external audit firms and credit rating entities.

I.7 Organisation Structure



Securities Market Sector: Developments and Achievements

CMA concluded in the year 2011 issuance and enactment of a number of legislations and processes of regulating the capital market in the legislative, technical and managerial areas, issues, and corporate governance. The key developments were the adoption of the Master Plan of CMA (2011-2015) in addition to launching SMART scheme for unifying financial ratios. CMA also carried out a number of activities with the aim of Arab and international cooperation, community service, dissemination of awareness, investors and market participants protection and upgrading the efficiency of the employees of the capital market sector.

2.1 Legislative and Regulatory Framework

CMA sets out laws, rules and regulations required for regulating the capital market sector in the Sultanate, it assumes review of such laws and amends and develops the same in accordance with the developments in the sector. The key laws and regulations supervised by CMA are the Capital Market Law, Commercial Companies Law and the regulations issued to put them into force and the Code of Corporate Governance.

Most significant legislative and regulatory achievements during 2011 were the amendment of the Executive Regulation of the Capital Market Law, issuance of the work rules for Financial Market Magazine, issuance of Secured Financing Directives, issuance of Clearance and Settlement Regulation in addition to amending rules for trading commission in MSM.

During 2011 CMA continued its efforts to draft laws and regulations, some have been completed and sent to the competent authorities such as the new Commercial Companies Law and Executive Regulation as well as the revision of the Capital Market Law, amending the Rules for Election of Directors of Public Joint Stock Companies and their Responsibilities and amending the Personnel Regulations.

2.2 Issues

The market witnessed in 2011 sharp fall as regards the number and volume of issues approved by CMA. The number of issues have dropped from 16 issues in 2010 to only 6 in 2011 and the value decreased from RO 410 million to RO 69 million during the same period at 83% (see the table).

Number of Issues (2009-2011)

Type of issue	2009		2010		2011	
	No.	Value in RO	No.	Value in RO	No.	Value in RO
Initial Public Offering	0	0	1	221,321,037	1	37,431,683
Establishment of Investment Fund	2	115,733,237	1	89,470,000	2	18,200,993
Convertible Bonds	2	107,314,011	1	7,713,813	0	0
Unsecured subordinated bonds	0	0	1	35,000,000	0	0
Rights issue and private placement	1	2,500,000	12	57,108,754	3	13,573,919
Total	5	225,547,248	16	410,613,604	6	69,206,595

As to the activities of the Primary Market in 2011 the market witnessed a single IPO namely SMN Power Holding and two issues for investment units and capital increase of three companies through rights issue as the following tables shows:

Issues during 2011

Public subscription				
Name of company	Issue type	Number of shares*	Issue price	Value (RO)
SMN Power Holding	Shares	19,963,564	3.500	37,431,683

*6,987,246 shares at 3.500 RO per share were issued for public subscription. Number of founders shares' were 12,976,317 shares at a nominal value of 1 RO per share.

Capital increase				
Name of company	Issue type	Number of shares	Issue price	Value (RO)
1 Taajeer Finance	Shares	40,000,000	0.100	4,000,000
2 Salalah Flour Mills	Shares	6,913,064	0.300	2,073,919
3 National Financing	Shares	75,000,000	0.100	7,500,000
Total				13,573,919

Issue of Unit				
Name of company	Issue type	Number of issued units	Issue price	Value (RO)
1 Vision Fund for Gulf Markets	Units	6,200,993	1	6,200,993
2 Financial Corporations' Private Equity Fund	Units	1,200	10,000	12,000,000
Total				18,200,993
Grand Total				69,206,595

2.3 Licenses

Licensing the companies operating in securities and renewal of licenses is one of the key roles of CMA, it assumes such role in accordance with the requirements and documents as provided in the Capital Market Law and

the Executive Regulation. CMA received in 2011 a number of new licensing applications, applications to carry out new business and renewal of licenses or cancellation of a license.

1. Key decisions issued by CMA pertaining to licenses:

- New company: Licensing Gulf Securities to carry out custodian activities for three years.
- New company: International Alliance Muscat to operate in securities to carry out the business of distribution of non-Omani securities.
- Licensing Sarasin Alpen to carry out two additional businesses i.e. portfolio management and research and advice in addition to distribution of non-Omani securities.
- Changing the name of Vision Securities LLC to EFG Hermes Oman LLC in the register as from 9 January 2011.
- Licensing Bank Dhofar to carry out the activity of distribution of non-Omani securities.
- Cancellation of the research and advice activity from the license of Global Trust Investment.
- Cancellation of the license of Blade Financial Investment on request by the company.

2. Change of legal status of some public joint stock companies:

The legal status of three public joint stock companies was changed to closed joint stock companies, these are Oman National Dairy Products Company, Tagleef Industries and Dhofar Power. The legal form of National Packaging Factory was changed from public joint stock company to limited liability company.

3. Activities carried out by the companies operating in securities:

The number of the companies operating in securities was 33 in 2011 carrying out 115 activities compared to 110 activities in 2010, the activities carried out by each company ranges from one activity to eight activities pursuant to the applicable laws and regulation. None of these companies carries out the business of market maker, margin financing and bondholders agent. The following table shows the companies and the activities they are carrying out. Only Bank Muscat offers the service of restructured products and the rest offers mainly brokerage, research, advice, portfolio management and distribution of non-Omani securities.

Table (3)
Licensed securities activities in 2011

		Legal form of company	Market Maker	Custodian	Margin financing	Product Structure	Brokerage	Portfolio Management	Fund Management	Issue Management	Research and advice	Distribution of non-Omani securities	Bond holders Agent	Total
1	National Bank of Oman	SAOG		I			I	I	I	I	I	I		7
2	Middle East Investment	LCC										I		1
3	Oman Arab Bank	SAOC		I			I	I	I	I	I	I		7
4	Inter. Fin. Service	LLC					I							1
5	Financial Services	SAOG					I	I		I	I	I		5
6	Al Amin Securities	LLC					I							1
7	United Securities	LLC					I	I	I	I	I	I		6
8	Rasmala Investment	LLC									I	I		2
9	Gulf Baadr	SAOC					I	I	I	I	I	I		6
10	International Securities	LLC					I	I						2
11	Shurooq Securities	LLC					I				I			2
12	Standard Chartered	Branch		I								I		2
13	National Securities	SAOG					I	I		I	I			4
14	Vision Invest. Ser.	SAOC						I	I	I	I	I		5
15	Al Madina Fin. & Inv. Ser.	SAOC					I	I	I	I	I	I		6
16	National Investment Funds	SAOC		I				I	I	I	I			5
17	FINCORP	SAOG					I	I	I	I	I	I		6
18	Bank Muscat	SAOG		I			I	I	I	I	I	I		8
19	HSBC	Branch		I								I		3
20	Bank Dhofar	SAOG					I	I	I	I	I	I		6

		Legal form of company	Market Maker	Custodian	Margin financing	Product Structure	Brokerage	Portfolio Management	Fund Management	Issue Management	Research and advice	Distribution of non-Omani securities	Bond holders Agent	Total
21	Middle East Brokerage	LLC					I				I			2
22	EFG Hermes	LLC					I				I			2
23	Vision Securities	LLC					I				I			2
24	Global Trust	SAOC					I	I						2
25	Shurooq Asset Management.	LLC						I	I		I	I		4
26	Alpen Capital	LLC								I	I			2
27	Sarasin Alpen	LLC						I			I	I		3
28	ICICI Securities	Branch										I		1
29	Tawasul Fin. & Inv. Serv.	LLC					I	I						2
30	Horizon Capital Markets	SAOC					I	I		I	I			4
31	Falcom Fin. Serv.	SAOC					I							1
32	Al Maha Fin. Serv.	SAOC					I	I		I	I	I		5
33	Gulf Custody	SAOC		I										1
34	International Alliance Muscat	LLC										I		1

2.4 Continued Development and Updating

CMA continued in 2011 its efforts to enhance and support its performance to contribute to upgrading the capital market and insurance sectors in the Sultanate. The key developments pertain to strategic, legislative and regulatory aspects are as follows:

1. Approval of the Strategic Plan of CMA (2011-2015)

To have administrative authority based on sound logical grounds on which CMA and its employees can rely in upgrading the capital and insurance markets in the Sultanate and out of faith in the role of CMA in supporting comprehensive and sustainable development process and to consolidate the principles of professional conduct in the legislative, regulatory and technical fields, CMA prepared a Strategic Plan for the period 2011-2015. The strategy addresses the work plans and methods prepared by the various departments or received from the relevant company and entities as well as the recommendations of Financial Services Assessment Programme (FSAP).

2. Launching SMART

The Capital Market Authority launched during 2011 the Standard Market Analysis Ratio Tools (SMART) with the aim of encouraging exchange of information and ease the way CMA obtains financial statements automatically from the companies. CMA may learn about the position of the company and detect the

potential risks and address them early to ensure the soundness and stability of the concerned company to avoid crisis. The system aims at providing consistent statements which can be used in analysing the financial position of the companies and compare with the others in the same sector or for making inter-sector comparisons smoothly.

3. Formation of Work Team to review the regulations of Investment Funds

Within the efforts to review the regulations regulating the Omani capital market and develop it in line with the local and international developments, a committee was formed to review the legislations regulating investment funds to develop and update the legislations to comprise new diversified products and instruments of various and diversified objects more attractive to small investors such as preparing legislations for Exchanged Traded Funds.

4. General Meetings

CMA urged all public joint stock companies and investment funds to hold the ordinary annual general meetings after 3 PM to avoid changes in the shareholder register at the time of the meeting if coincided with trading timings which could affect the person who is entitled for dividends declared in the meeting and who is entitled for voting.



2.5 Corporate Governance

Application of the concept of corporate governance has developed considerably since the establishment of CMA in 1998 starting from application of the principles of corporate governance prior to the issuance of the Code of Corporate Governance (CCG) and issuance of CCG in 2002 as the Sultanate was the first country in the region to issue a code of corporate governance for public joint stock companies and insurance companies. Since then it was applied partially and then full implementation in 2004. The efforts continued to launch and establish the principles of corporate governance and holding conferences and seminars and other activities and event. In 2007 a department for corporate governance was established and then the Corporate Governance Committee was formed from the public and private sectors. In 2010 the Oman Centre for Corporate Governance was formed. The Centre launched the Corporate Governance Excellence Award two years ago and carried out a number of training activities which are dealt under the training section of this report. Development of transparency and compliance systems had constructive impact in enhancing the efficiency of listed companies and boosting their competitiveness and bolstering their readiness to withstand crisis. The key developments in corporate governance are as follows:

1. Announcement of the winners of the Excellence Award in Corporate Governance for 2011

The Capital Market Authority represented by the Oman Centre for Corporate Governance announced the winners of Corporate Governance Excellence Award for the second year. The award aims to disseminate corporate governance awareness and culture among the listed companies, to urge the companies to compete and encouraging them to apply best international corporate



governance practices and standards. Twenty-seven companies from the financial, industrial and services and insurance sectors took part in the competition. Three prizes were allocated for each sector and one overall winner. BankMuscat bagged the overall award for corporate governance and the same bank won the first position in the financial sector category.

Table (4)
Corporate Governance excellence Award

Position	Industry Sector	Services and Insurance Sector	Banks and Investment Sector
First	Oman Cables	Shall Oman Marketing	Bank Muscat
Second	Oman Fisheries	Oman Oil Company	National Bank of Oman
Third	Majan Glass	Al Ahlia Insurance	Oman Arab Bank

2. Corporate Governance Committee

The Committee was formed in 2008 and comprises members representing CMA, CBO, Ministry of Commerce and Industry, Diwan of Royal Court, Accountants' Association, Lawyers' Association, Omani Economic Society and aims at evaluating implementation of the best principle, standards and practices in the financial market. The most important achievements of the Committee in 2011 were the appointment of the specialist company that conducted the Corporate Governance Excellence Award competition and appointment of the referees committee.

2.6 Transparency and Disclosure

1. Monitoring Securities Issuers' Compliance

To provide widest range of disclosure and transparency to support the investment environment in MSM, CMA monitored public joint stock companies' compliance with disclosure guidelines of financial statements for statutory periods prescribed in the Executive Regulation of the Capital Market Law as well as timely disclosure of material information to identify non-compliant companies to rectify their status. Table No. (5) indicates remarkable decrease in the number of non-compliant companies in respect of disclosure guidelines in 2011 compared to 2010 by 33%.

Table (5)
Compliant and Non-compliant Companies (2010-2011)

No.	Required Statements	2010		2011	
		No. of Complaint Companies	No. of Non-compliant Companies	No. of Complaint Companies	No. of Non-compliant Companies
1	Unaudited annual results	122	8	121	1
2	Audited annual financial statement	118	4	122	0
3	First quarter financial statements	124	1	122	2
4	Second quarter financial statements	121	2	120	4
5	Third quarter financial statements	121	2	122	2
6	Timely material information	122	4	119	5
	Total	-	21	-	14

In the field audit CMA conducted visits and audited the works of 27 public companies, one audit firm and one investment fund during 2011, further to regular office audit. The results shows that a number of companies are not compliant with regard to the Directors' compliance with their role as per the CCG and lack of minimum requirements of internal regulation. 14 companies were considered defaulting with regards to the disclosure provisions. Table No. (6) below shows the details of defaulting companies and the action taken.

Table (6)
Companies defaulting disclosure provisions for financial statement in 2011

Required statements	Non-compliant companies	Action taken versus defaulting companies		
		Warning	Financial penalty	Enforcement/disciplinary decision
Initial unaudited annual results and audited annual financial statements	1	-	1	-
First quarter financial statements	2	1	1	-
Second quarter financial statements	4	2	1	1
Third quarter financial statements	2	1	-	1
Timely disclosure	5	3	2	-
Total	14	7	5	2

The table below shows the details of violations detected as a result of the audit on the companies in 2011. The year witnessed remarkable decrease in the number of violations compared to 2010 due to the rigorous policy in applying the laws, regulations and disclosure guidelines.

Table (7)
Violations of Companies in 2011

Type of violation	No. of Companies in breach in 2010	No. of Companies in breach in 2011
Non-compliance with number of Directors' meetings	3	1
Non-compliance with Directors' roles	9	6
Non-compliance with audit committee's role	1	4
Non-compliance with rules for appointment of auditors	4	0
Non-compliance with executive management's role	3	0
Non-compliance with minimum internal regulations	6	9
Violation in formation of audit committee	5	0
Violation in appointment of internal auditor and legal advisor	6	3
Non-compliance of internal auditor's work and role	6	4
Non-compliance of internal auditor in preparing annual work plan before the year	6	10
Non-compliance in appointment of secretary to the Board	0	2
Non-compliance in legal advisor's role	0	1
Non-compliance with Articles of Association of the company	0	1
Total	49	41

2. Monitoring distressed companies

CMA monitors distressed companies whose capital has eroded and offers advice to rectify the situation when the erosion reaches 75%. CMA urges the management to hold an extraordinary general meeting to discuss the financial position and adopt the resolution that may help the company to take the right path pursuant to the Commercial Companies Law. The list of distressed companies whose capital has eroded by more than 75% as per the unaudited financial statements up to 30/9/2011 has been listed below.

Table (8)
Distressed Companies whose capital eroded by more than 75% in 2011

No.	Company	Capital RO	Shareholder rights RO	Eroded Capital %
1	Oman Europe Food Industries	5,892,000	1,259,000	79
2	Oman International Foods	6,200,000	1,394,000	78
3	Oman Filters Industry	2,000,000	329,058	84
4	Al-Oula Company	5,100,000	497,370	90
5	Abrasives Manufacturing	1,000,000	(541,677)	154

3. Attendance of General Meetings and Supervision

In 2011 CMA attended and supervised 172 general meetings, of which 121 of them were ordinary annual general meetings, 40 general meetings and 11 extraordinary general meeting. It also supervised the procedures and resolutions adopted in these meeting such as share split, lifting the block on founder's shares and increase or decrease of the listed company's capital. 177 meetings were called for and 5 meetings were not held.

Table (9)
General Meeting supervised by CMA in 2011

Meeting type	General meeting to which invitations are issued	Meetings held	Meetings not held
Ordinary Annual	123	121	2
Ordinary	11	40	0
Extraordinary	43	11	3
Total	177	172	5

2.7 Integrity, Fairness and Investor Protection

1. Decisions of Disciplinary Committee

The Capital Market Authority represented by Disciplinary Committee and the Executive President issued two disciplinary decisions against two public joint stock companies and certain employees for infringing the provisions of the Commercial Companies Law, the Executive Regulations of the Capital Market Law and Administrative Decisions. The penalties included warnings to the companies and employees as follows:

Table (10)
Disciplinary decisions 2011

Infringer	Decision No.	Type	Reasons
Mohammed Ali- Managing Director, Galfar Engineering and Contracting	2/2011	Warning	Infringement of Articles 301 of the Executive Regulation of the Capital Market Law
National Engineering & Investment	3/2011	Warning	Infringement of Articles 117 and 83 of the Commercial Companies Law and Article 20 of the Executive Regulation of the Capital Market Law
Legal Advisor Abbashar Jalal, National Engineering & Investment	3/2011	Warning	Infringement of Article 12 of Administrative Decision 6/2002

2. Investor Trust Fund

Muscat Clearance and Depository Company (MCDC) assumes, through the management of the records of Investor Trust Fund, the role of protecting investors by collecting their funds with public joint stock companies unclaimed for more than six months and keeping them as trust in the Fund and then communicating with the owners.

CMA received since the inception of the Fund up to the end of 2011 more than RO 10 million representing the rights of shareholders in the public companies from dividends in the past years. As the table below shows the Fund received dividends from public joint stock companies during 2011 at RO 1.211 million pertaining to more than 24,000 investors. MCDC distributed in the same year more than RO 1 million to 6266 investors.

Table (11)
Movement of Fund in the Investor Trust Fund (2005-2011)

Statement	2005 to 2010	2010	2011	Total
Amount deposited by companies (RO)	8,894,668	1,133,672	1,211,302	10,105,970
Number of investors	178,773	27,059	24,592	203,365
Total payments (RO)	7,245,284	1,011,847	1,042,256	8,287,540
Number of investors (Claimed)	49,625	11,395	6,266	55,891
Difference between deposited and paid amounts (RO)	1,649,384	121,825	169,046	1,818,430
Difference in number of investors (Claimed and unclaimed)	129,148	15,664	18,326	147,474

Source: MCDC

2.8 Investment Education and Public Awareness

Investor education and public awareness is one of the most important roles of CMA to protect investors and boost

the savings and investment culture in various segments of the community by educating investors of their rights and how to preserve such rights and establishing the savings and investment idea among the youth.

CMA communicates with the various segments of the community through its website, lectures, seminars, workshops, conferences and association with civic community organisations, local and foreign economic institutions. CMA issues a monthly bulletin containing briefings on key developments and events pertaining to CMA. A quarterly magazine and quarterly bulletin on insurance sector in addition to contributions in the various media about the developments in the capital and insurance market, further to the participation of CMA's staff in the radio and TV programmes to transmit its message.

The year 2011 witnessed a number of activities and events in the field of investor education and awareness, most significant were:

1. Capital Market Awareness Campaign 2011

The CMA organised the Capital Market Awareness campaign 2011 in collaboration with Muscat Securities Market and Muscat Clearing and Depository Company and supported by banks and companies. The campaign covered the Governorate of Musandam, Governorate of Al Buraimi, Governorate of Al Dhahirah, Governorate of Al Dhakhilyah, Governorate of Al Batinah, Governorate of Al Sharqiyah, Governorate of Dhofar and the Governorate of Muscat.

The idea of the campaign is to tour all parts of the Sultanate to introduce the capital market and insurance market and to educate investors and policyholders in addition to stressing the importance of savings and investment through lectures and seminars by professionals and experts as well as distribution of publications and awareness booklets that explain ways of dealing and benefit these sectors.

The campaign comprises professionals and experts who tour the regions and deliver the details of the awareness message to the segments of community they address in a way suitable with the age groups and educational levels.

2. Training government employees on the capital and insurance markets

Within the awareness efforts of the Capital Market Authority to disseminate savings, investment and insurance culture for all the segments of the community, CMA organised a training programme on the capital and insurance markets for government employees in collaboration with the Ministry of Civil Service and Arab Institute for Planning in Kuwait.

The programme included lectures and distribution of publications showing ways of dealing and benefiting from capital and insurance markets.

3. 16 Workshops for Students

Sixteen workshops were held for students of schools, universities and colleges at the CMA premises on the importance of capital and insurance markets and their role in the national economy. Students from the College of Applied Sciences, Rustaq and the College of Technology, Ibra took part.

4. Participation in the Salalah Tourist Festival

CMA participated in the Government institutions exhibit at the Salalah Tourist Festival to introduce the capital and insurance sectors to the public and visitors from inside the Sultanate and abroad through presentation of the legislative and regulatory structures of the sectors.

5. Other Activities

Table (12)
Key Awareness and Media Events in 2011

No.	Month	Activity
1	January	Organisation and participation in the meeting of Arab Insurance Supervisors
2	January	Coverage of the Corporate Governance Excellence Award Ceremony
3	January	Participation in the Oman Achievements Expo
4	January	Organisation and participation in the Arab Securities Commissions meeting
5	February	Organisation of workshop on the role and responsibilities of the legal advisor
6	March	Lecture for the students of Oman College for Management and Technology, Barka
7	April	Participation in the Commercial Forum organised by the College of Technology, Ibra
8	April	Organisation of Discussion Forum on Insurance in Oman
9	April	Participation in the Open Day of the College of Banking and Financial Studies
10	May	Organisation in honouring Excellent Students at the Directorate General of Education, Wilayat Ibra
11	October	Support and participation in the Learning Resources Forum of the Directorate General of Education
12	October	Participation in the Conference of Securities Markets, Challenges and Opportunities
13	November	Participation in the Conference on Islamic Instruments
14	November	Participation in the 6th Forum of MSM
15	December	Organisation and participation in the Conference on Regional Insurance Markets, Challenges and Opportunities

2.9 Social Responsibility

CMA supported in 2011 some events and took part in others based on its social responsibility which it adopted since its establishment. In addition it adopted to the Social Responsibility Initiative more than two year ago and then transferred it to Oman Chamber of Commerce and Industry.

1. Participation in the Annual Forum of Education Technology

CMA participated as main sponsor in the activities of the Annual Forum of Education Technology which was organized by the Directorate General of Education, Governorate of Muscat based on its obligations to support and develop all the cultural and academic activities especially those aiming to developing the educational system and upgrading its performance by applying modern technology for exchange of knowledge.

2. Financing Training Drivers to Establish Traffic Safety Culture

To disseminate traffic safety culture and to reduce traffic accidents the Capital Market Authority signed a contract with Royal Oman Police to train 200 taxi drivers. The move comes within the efforts among government civil and security institutions to reduce traffic accidents by boosting the basic of traffic safety and acquaint the road users including taxi drivers with the skills of safe driving and to develop their knowledge of the applicable laws and regulation and safe transport of passengers in addition to acquainting them with the tourist and commercial sites in the Sultanate.

3. Participation in the Fair Financial Services for Consumers

The Capital Market Authority participated in the Fair Financial Services for Consumers organised by the Omani Consumer Protection Association on the occasion of the International Day of Consumer Protection in March. CMA presented a paper on the role of CMA in protecting investors in MSM and insurance policy holders.

4. Participation in the Traffic Safety Seminar

CMA participated in the Traffic Safety Seminar by highlighting CMA's efforts in reducing traffic accidents and dissemination traffic awareness among the largest segment of the community.

5. Participation in discussion of hot economic issues in the Financial Markets Magazine

The Financial Markets Magazine published four issues in 2011 in which it reviewed the various economic issues and developments on the local, regional and international levels as part of the social responsibility to provide researchers and interesting parties with concrete scientific material focusing on specific topics with the aim of educating the population on

the economic sectors such as capital market sector and insurance sector and their roles in the national economy.

The topics addressed issues on Omani capital and insurance markets in addition to a topic on the of Knowledge Economy and Islamic Financing in which the challenges of the insurance sector is facing were discussed and how to activate its role. The magazine published an article on the Omani capital market and the technical and legislative readiness to accommodate financing needs required for investment projects and contribution in mobilizing comprehensive economic development. The publication also discussed the Knowledge Economy as one of the economies which provide renewable source for the future generations.

2.10 Arab and International Cooperation

CMA participated in a number of events and meetings inside the Sultanate and abroad in Arab and foreign countries and received delegations from Arab and other countries for the purpose of boosting cooperation and acquainting with the latest developments in the securities markets and other fields of concern to CMA. It also conducted a number of procedures to activate memoranda of understandings with a number of Arab and foreign countries, the most important development in this regard were as follows:

First: GCC

In the framework of developing the integration of the GCC financial markets and unification of policies and regulations to implement the economic agreement between GCC members states on the integration of financial markets and to achieve the requirements of the GCC common market to reach to economic integration between the GCC states, CMA participated in a number of meetings, the most important were:

- Participation in the meetings of the Ministerial Committee of the Chairmen of Boards of Directors of GCC Securities Commissions. It was agreed to implement the unified rules for financial markets as guidance for two years and then implement them as an obligation. The meeting also agreed on a number of projects such as the unified listing rules for shares, bonds and Sukuk and the unified rules for listing the units of investment funds in the financial markets of GCC.
- Participation in the meetings of the Committee of the Heads of Securities Commissions in GCC. The meeting approved draft unified listing rules in GCC states and draft Memorandum of Understanding between the regulators of financial markets in member states.
- Participation in the meetings of the Task Force of the Committee of the Heads of Securities Commissions in GCC with the aim of unifying policies and legislations among the markets of the region. The teams included IPOs and Subscription Team; Registration, Listing and

Disclosure Team; and Securities Markets Supervision and Regulation Team.

- CMA received a delegation of the Kuwait Securities Commission to acquaint with the Sultanate's experience in the capital and insurance sectors as well as exchange of expertise.

Second: Arab cooperation

CMA took part in a number of meetings, conferences and seminars in Arab countries to boost mutual cooperation and to acquaint with the best developments in the securities markets:

1. Visit to the Egyptian Centre of Directors to learn about the latest processes and practices in Corporate Governance.
2. CMA hosted the 5th Annual Meeting of the Arab Securities Commissions Association. The Sultanate represented by CMA chaired the Arab Securities Commissions Association in 2011.



Third: International Cooperation

On the international level CMA participated in a number of events and activities pertaining to securities markets and received delegations from friendly countries. CMA took part in the Thirty Sixth Annual Meeting of the International Organization of Securities Commissions (IOSCO) in Cape Town, in addition to acquainting with the experiences of other countries and exchange of expertise, namely the experience of Malaysia in regulating Islamic Financing and Takaful insurance due to CMA's concern to know about the reality of Islamic financial services and supervisory institutions of such products in the leading countries. The delegation visited the Central Bank of Malaysia who supervises the financial services as well as the Islamic

Financial Services Board which issues guiding principles and standards for financial transactions.

Key activities in which CMA participated:

1. Participation in the 2nd Middle East Financial Market Forum.
2. Participation in the meeting of Africa and Middle East Regional Committee in Mauritius.
3. CMA received a delegation from the World Bank to boost economic cooperation between the Sultanate and the Bank.
4. CMA participated in the meeting of the Financial Task Force for the Middle East and North Africa in Kuwait.

2.11 Training and Qualification

CMA continued its endeavours to upgrade the professional skills of the human resources of CMA and the employees of the securities and insurance sectors because the human resources are the main axle that helps in achieving the strategic objects and the development of regulatory and legislative performance.

CMA organised training courses and sent employees to courses and conferences in the Sultanate and abroad and supplied the local market, in collaboration with specialised training institutions, with qualified specialised cadres in brokerage and insurance.

First: Internal Training Workshops for the Employees

1. Training workshop for new employees:

CMA organised in December a two-day training workshop for employees whose service is not more than two years in CMA, MSM and MCDC in addition to other interested employees. The Economic Advisor executed the workshop on the basics and principles of investment in securities.

Lecture on the Modern System of Records Management

The Capital Market Authority organised an introductory forum on the modern system for records management in collaboration with the National Records and Archives Authority. The lecture was attended by senior officials and employees of CMA, Muscat Securities Market and Muscat Clearance and Depository Company, for the purpose of acquainting the employees with the mechanism of the system to ease the processes and increase productivity.



Training & Educational Programmes



The following table shows other programmes organised by CMA:

**Table (13)
In-house Training Programmes**

No.	Programme name
1	Insurance Awareness Development Programme
2	Workshop on Professional Code of Conduct
3	Basics of Investment in Securities for new employees
4	Lecture on Job Loyalty

Second: Training Programmes and other events in which CMA employees took part inside the Sultanate and abroad

CMA organised a number of training programmes for its employees in addition to taking part in conferences, lectures and seminar inside the Sultanate and abroad. 166 employees took part in 29 training programmes, 64 employees participated in about 12 events ranging from conferences to lectures and seminars inside the Sultanate and abroad.

Third: Training Workshop for Capital Market Employees and Participants

These workshops targets the participants and employees of the capital market sector who are not employees of CMA such as the employees of public joint stock companies, investment funds, brokerage companies and the employees of ministries, consultancy firms and legal advisors. The workshops were conducted by experts and professionals. The key events during 2011:

1. Workshop on the Role of Legal Advisor in General Meetings

The Capital Market Authority organised a workshop on the role of legal advisor in general meetings of public joint stock companies in February 2011 in the presence of representatives of law firms and legal advisors of public companies. Four papers were presented in the workshop on the best application of law the companies shall comply with to provide protection, fairness and credibility and to ensure the companies are performing in accordance with the laws.

2. Workshop on the Processes of General Meetings

Oman Corporate Governance Centre of the Capital Market Authority organised a workshop on the procedures for holding general meetings of public joint stock companies for a number of the employees of the Ministry of Finance representing the Government in the Boards of Directors of public joint stock companies. The workshop focused on the role of the legal advisor and the procedures of holding the general meeting.

3. Training Government Representatives in Joint Stock Companies

Training of 138 employees representing the Government's share in joint stock companies on the principles of corporate governance was concluded in collaboration with the Egyptian Directors Institute. The programme was prepared in collaboration with international institutions including International Financing Corporation, World Bank and International Corporate Governance Forum.

4. Training Employees of OMRAN

14 employees of OMRAN were trained on the Activation of the Role of Directors under the agreement between CMA represented by the Oman Centre for Corporate Governance and OMRAN Company.

The following table shows the key training and awareness programmes of the employees of CMA inside the Sultanate with the participation of 1900 participants include students, businessmen, government employees and women in addition to insurance policyholders, investors and interested parties.

**Table (14)
Awareness and training programmed conducted by CMA employees in the Sultanate**

No.	Programme name	Number of participants
1	Capital Markets Programme (for civil service employees)	100
2	40 Lectures in the Awareness Campaign 2011	Approximately 1800
Total		1900

Fourth: Training Programmes, Conferences, Seminars and meeting held abroad with participation of CMA employees

CMA participated in 11 programmes in Arab and foreign countries with the participation of 23 employees these include but not limited to: Understanding Financial Products and Regulatory Impact (IOSCO), Workshop on Islamic Financing and a training programme on the Role of SROs, Principles of Secondary Market Intermediaries-Taipei, and Capital Market Development Enforcement.

53 employees participated in 31 events abroad in the form of delegations, official visits, conferences, seminars and meetings.

Insurance Sector: Developments and Achievements

Since the transfer of insurance jurisdiction to the Capital Market Authority it continued the development process of the insurance sector and enhancing its role in the national economy. CMA issued a number of regulations, directives and circulars to ensure coping with the best international practices taking into account the characteristics of the local market.

In view of the economic liberalisation policy the Sultanate adopts and to enhance competition to upgrade the services rendered by the sector, introducing new products and due to the new investment opportunities CMA renewed the licenses of existing companies and licensed a number of new companies to carry out the insurance business in the Sultanate. It is noteworthy that CMA commenced studying licensing Takaful insurance companies to carry out the business in the Sultanate after studying the market and the role to be played by such companies to set out the requirements and terms and conditions for such licensing.

Key Developments During 2011

3.1 Development and Updating

The year 2011 witnessed important developments in the insurance sector specially in the technical aspects required to regulate and develop the sector. The key developments are as follows:

1. Licensing Takaful companies

Based on the directive of His Majesty Sultan Qaboos bin Said to permit Islamic banks and due to the connection with the Takaful insurance CMA commenced to study the realities of Takaful insurance in the neighbouring countries and sought the assistance of a number of international consultants and experts in this field. It also acquainted with the experience of Malaysia in order to set out the bases and standards consistent with the principles and standards of the Islamic Financial Services Board to implement Takaful insurance in the Sultanate due to its importance in attracting new segments of the community.

2. Increasing the Capital of Foreign Companies

Pursuant to CMA decision in 2008 which obligated the branches of foreign insurance companies operating in the Sultanate to prove that the capital assigned to insurance business in the Sultanate is not less than RO 5 million within three years from the date of the decision and after the grace period all foreign insurance companies submitted letters proving their compliance with the decision. The decision aims at achieving equality in licensing requirement to create fair competition between the national and foreign companies as well as creating strong financial entities with appropriate assets in the local market rather than depending on the assets of the companies in the international market.

3. Study the positions of a number of Insurance and Reinsurance Companies

CMA concluded a contract with professional firm of actuaries to study the positions of a number of insurance and reinsurance companies to review the methods applied in calculation of technical provisions and to evaluate underwriting systems and the policies applied in reinsurance processes and to recommend on upgrading of the technical and administrative levels in insurance companies in the Sultanate in line with the international accounting standards and practices.

4. Upgrading the professional and living standards of Omani employees in the sector

CMA followed up the implementation by insurance companies of His Majesty's instructions to grant cost of living allowance to all Omani employees, and held meetings with the companies to discuss the demands of the employees of the sector to improve their living conditions and upgrade their professional roles and work environment to assume senior technical and administrative positions in the insurance companies.

5. Launching of software for calculation of Solvency of Insurance Companies

The Capital Market Authority launched the first version of automated software for calculating solvency margin for use by insurance companies in order to facilitate the procedures for submitting solvency reports to CMA. The software will contribute to attaining highest standards of accuracy in the calculation and submission of solvency and would save time and effort for insurance companies as well as ensuring accuracy and diligence in recording financial statements.

6. Circular on actuary appointment form

To upgrade the standards of insurance and reinsurance industry and to boost its role in the enhancing the economic and social development in the Sultanate CMA issued a circular on the pledge to be made by insurance companies to CMA when applying for approval of their actuary.

7. Reformation of Consultative Committee of the Insurance Sector

The Consultative Committee of the Insurance Sector was reformed to develop and activate its role in providing technical advice to develop the sector.

8. Time Table to increase Omanisation Ratio in Insurance Sector

The Capital Market Authority issued a circular to all insurance companies operating in the Sultanate and called on them to increase the ratio of Omanis in the insurance sector by setting up a time table and determining the number of persons to be appointed

in insurance companies and specify the available posts. The move comes within the efforts to provide employment opportunities for the nationals in the various specialisations. CMA had earlier issued a circular to all insurance companies and brokers to increase Omanisation ratio to 65% by the end of 2012.

3.2 Licensing

CMA renewed the licenses of Axa Insurance (Gulf) and Dhofar Insurance for five years to carry out general and life insurance business and renewed the license of New India Assurance to carry out general insurance business for five years.

It also licensed a number of insurance brokers namely Al Fajar Insurance Services, Al Nawras Al Malaki Insurance Brokers, Union Insurance Services. The licenses of Armour Insurance Services and First Policy Insurance Services to carry out insurance brokerage business were renewed. The license of Town Design Trading was cancelled through its branch First Policy Insurance Services. The total number of insurance brokers is 25 brokers. CMA also licensed a number of insurance agents as the table shows:

**Table (15)
Insurance Agents Licensed in 2011**

No.	Company/institution name	Agent for
1	Quick Insure Services L.L.C	Al Ahlia Insurance Company
2	Pearl Modern Capital	Al Ahlia Insurance Company
3	Reliable Insurance Services	Oman Insurance (Oman branch)
4	Elite Shine Trading L.L.C	New India Assurance Co. Ltd
5	Kunooz Barka Trading	Zenith Insurance Services

3.3 Disciplinary Actions

The Capital Market Authority represented by the Executive President and Disciplinary Committee issued five disciplinary decision during 2011 imposing fines and warnings on the defaulting companies for infringing the provisions of the Regulation of Insurance Companies Law and relevant ministerial decisions. The table below shows the companies and actions.

**Table (16)
Defaulting Insurance Companies during 2011**

Infringer	Decision No.	Type	Reasons	Decision issuing body	Clarification
Dhofar Insurance	1/2011	Fine RO 5000	Infringement of instructions issued by CMA and internal regulations of the company	Disciplinary Committee	Granting housing loan to CEO and Managing Director of the company and investing in Oman Reinsurance and Syrian Trust companies
First Policy Company	4/2011	Warning	Infringement of Articles 9 of Ministerial Decision 101/90	Executive President	Failure to submit the balance sheet and final accounts on time
Al Maha Insurance Services	5/2011	Warning	Infringement of Paragraph (B) and Clause 9 of Ministerial Decision 101/90	Executive President	Failure to submit list of commission, balance sheet and final accounts on time
Armour Insurance Services LLC	6/2011	Warning	Infringement of Paragraph (B) of Ministerial Decision 101/90	Executive President	Failure to submit the total commission accruing from each company
Iran Insurance Co.	7/2011	Fine RO 5000	Infringement of Article 8 of Executive Regulation of Insurance Companies Law	Disciplinary Committee	Failure to submit financial statements on time

3.4 CMA's Role in protecting policyholders

CMA, through the Department of Protection of Policyholders considers and analyses the complaints filed by policyholders against insurance companies and brokers operating in the Sultanate. The department receives the complaint from the policyholder and considers and analyses from the technical and legal points of view and then decides therein after coordination and follow up among the parties. CMA doesn't consider complaints heard by courts or in which a judgment is rendered or previously considered by CMA and pertains to the same parties, reasons and topic.

CMA received in 2011 545 complaints 367 of which were official complaints pertaining to policyholders and 178 inquiries. In addition to a number of minor complaints which were settled by telephone between the claimant and the company. Further, CMA followed up the electronic link between ROP and insurance companies and sought legal and technical advice in solving the complaints as well as review of the new amendment to the Unified Motor Vehicles Insurance Policy.

Staff member of the Department of Protection of Policyholders was sent to the Jordanian Insurance Authority and Egyptian Financial Regulatory Authority to acquaint with their experiences in this respect.



3.5 CMA's activities and publication in Insurance Sector

1. Participation in the Awareness Campaign on Insurance Sector

CMA organised an awareness campaign on the capital market and insurance sector which covered the governorates and regions of the Sultanate and targeted various segments of the community to disseminate awareness on the various aspects on the sector. It also organised awareness programmes for the employees of the Ministry of Civil Service.

2. Dissemination of insurance culture among the students of Colleges and Universities

The Capital Market Authority organised a workshop in collaboration with the Investment Club of the College of Commerce and Economics, Sultan Qaboos University on the economic importance of the insurance sector with the participation of students of the College of Commerce and Economics, Arab Open University and the College of Banking and Financial Studies at the Businessmen's Auditorium at the CMA premises. The workshop's aim is disseminating insurance awareness culture among the students on the importance of insurance in supporting the national economy and to acquaint them with the basics of the industry.

3. Lecture on Takaful Insurance

The Capital Market Authority organised in August a lecture on "Takaful Insurance and Regulatory Experience" delivered by a number of professionals from Ernst & Young, Bahrain. The lecture was organized as part of the efforts CMA to enhance the role of insurance sector in the Sultanate and to furnish Takaful Insurance products.

4. Training Programme for national cadres working in the Insurance Sector

The Capital Market Authority organised a training programme for the employees of insurance companies with the participation of 25 employees from various insurance companies. The programme aims at establishing the principles of the insurance industry and explaining the insurance concept pertaining to the functions and benefits of the sector. It also aims at acquainting the employees of insurance companies with the available insurance products and how to deal with them in accordance with the terms and conditions and technical and legal rules of each product as well as the methods of underwriting in the neighbouring markets and extent of success in attracting clients and upgrading the performance of companies.

5. Development of national cadres

Five employees obtained ACII certification. They were among the students of the training programme held at CMA in collaboration with the Bahrain Institute of Banking and Financial Studies.

6. Joint cooperation between UAE and the Sultanate

The Omani-UAE Joint Commission discussed the key issues pertaining to motor vehicles insurance between the two countries and ways and proposals to organise the business of Omani and UAE insurance companies and to ensure the rights of the owners of vehicle who sustain road risks.

7. Regional Insurance Conference in the Sultanate

CMA organised a regional conference on the 'Opportunities and Challenges of Insurance Sector in the Region' with the aim of discussing the challenges facing the industry and to learn about the latest international developments and the methods applied to deal with the latest insurance products launched in the global insurance market and how to apply them in the local market.

8. Annual Report on the Insurance Market Review

CMA issued the (Annual) Report on the Insurance Market Review which included financial and operational performance indicators of the insurance market in 2010 and included the number of employees in the insurance sector, Omanisation ratios as well as technical indicators and statistical data on the sector.

9. Quarterly Bulletins of the Insurance Sector

CMA issued quarterly bulletins on the insurance sector in the Sultanate which included the results of the companies with regard to premiums, retention ratios, general and managerial expenses, commissions, Omanisation ratios, total value of assets and the latest news of the sector.



Resolutions of the Board of Directors

The Board of Directors of the Capital Market Authority held four meetings during 2011 and issued forty-one resolutions on the various aspects of regulation of the capital and insurance sectors, the most salient resolution are below:

Table (17)
Salient Resolutions of the Board of Directors during 2011

Resolution No.	Subject	Contents
6/2011	Approval of financial statements of CMA	Approval of financial statements of CMA for the financial year ending on 31 December 2011
9/2011	MSM accounts	Approval of final accounts of MSM for the financial year ending on 31 December 2011
15/2011	Reconciliation Principle	Approval of financial settlement at RO 20,000 with Oman UAE Investment Company and ratification of reconciliation principle
18/2011	MSM Board of Directors	Approval of the new formation of MSM Board of Directors
19/2011	Suspension of a broker	Suspension of Al Amin Securities for three months
20/2011	Cancellation of the license of a broker	Cancellation of the license of Blade Financial Investments
24/2011	Reconciliation Principle	Approval of financial settlement at RO 65,357 with Qurum Commercial Group ratification of reconciliation principle
30/2011	Islamic Financing and Takaful Insurance	Review of the laws and regulation of insurance and financial market and amend them in line with the requirements of Islamic financing and Takaful Insurance in collaboration with the other concerned entities.
34/2011	MSM Commissions	Approval of the commissions MSM charges for trading in shares and bonds and determining minimum limit for the shares and bonds commission as from 23 October 2011
36/2011	Incentives for companies	Granting the licensed companies incentives for merger prior to the end of 2011
37/2011	Secured Financing	Approval of Secured Financing Directives
41/2011	Secured Financing	Amendment of certain provisions of Secured Financing Directives

Performance of MSM

5.1 Introduction

Certain international markets including MSM were able to recover during 2009 and 2010 from the impact of the global financial crisis of 2008, however the political situation in the Arab region since early 2011 and economic situation in the West due to the crisis of sovereign debt had a role in the decline of the performance of Arab and global financial markets including MSM. The index plummeted by 16% in 2011 closing at 5695.12 points at the end of trading in 2011 compared to 6754.92 at the end of 2010.

Data shows that MSM index was at 6838.58 point in January 2011, however, the index witnessed a fluctuation in the early months and continued the fall from May to November closing at 5420.50 point. The fluctuation was due to external reasons and the most significant factors are the global economic situation and political situations in a number of Arab countries. Then the index increased at the end of December by 5% compared to November 2011 in response to the incentives offered by CMA like reducing trading commission and allowing margin financing.

Main indicators on the performance of MSM indicates that 2011 has witnessed remarkable decline with regard to the number of transactions, traded shares, total trading value and daily trading turnover. Also, market value and foreign contribution fell by 5% and 2% consecutively. The number of listed companies decreased from 119 in 2010 to 114 at the end of 2011 and the same apply to the licensed companies which were 21 compared to 23 in the past year. Notwithstanding the above, the number of traded bonds increased by 25% compared to the same term in the past year.

Table (18)
Main Statistical Indicators of MSM 2011

Indicator	2010	2011	Change (%)
MSM 30 Index	6,754.92	5,695.12	(16)
Trading days	247	246	(0.4)
Number of trades (1000)	538.56	359.60	(33)
Number of traded shares (million)	3,013.17	2,366.22	(21)
Value of traded shares (RO million)	1,274.12	981.33	(23)
Number of traded bonds(1000)	1,1318	1,4101	25
Value of traded bonds (RO million)	43.34	10.24	(76)
Total value of trading (RO million)	1,317.46	991.57	(25)
Average daily trading (RO million)	5.33	4.03	(24)
Market Capitalisation (RO million)	10,901.64	10,342.38	(5)
Foreign contribution (%)	24.26	23.76	(2)
Number of listed companies	119	114	(4)
Number of brokerage companies	23	21	(9)

Source: MSM

5.2 Market Performance by Sector in 2011

The year 2011 witnessed restructuring of MSM 30 Index components and sector indices. The number of the companies comprising sector indices were increased from

10 to 15 companies while the components remained unchanged, the change aims to improving coverage of sectors' indices.

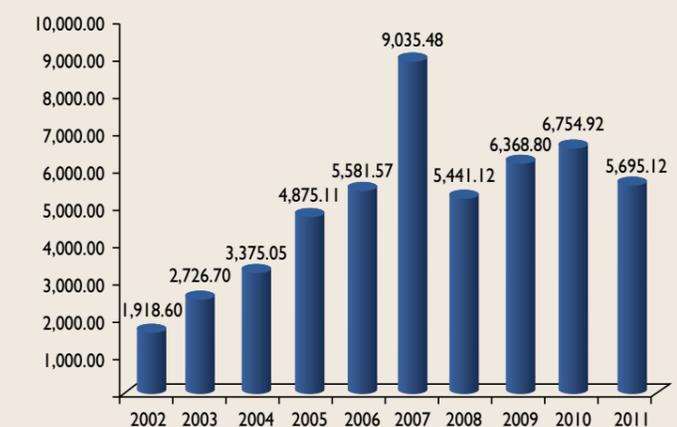
New sub-sectors were introduced to the main three sectors. In the financial sector the companies were classified into 5 sub-sectors, namely banks, insurance, financing and leasing, investment and brokerage and funds. In the industry sector there are 10 sub-sectors, namely food industries and beverages, cement, engineering and construction industries, textiles, mining, building material, paper, glass and packaging industries, chemicals, pharmaceuticals, electrical and mechanical industries. In the services sector 8 sub-sectors were created, namely tourism and hospitality, logistics services, oil and gas marketing, education and training, power, miscellaneous commercial services and healthcare.

Statistical data of the market performance by sector in 2011 indicates all indices have declined considerably, financial sector index fell by 23%, industry sector index by 18% and services sector index by 5%.

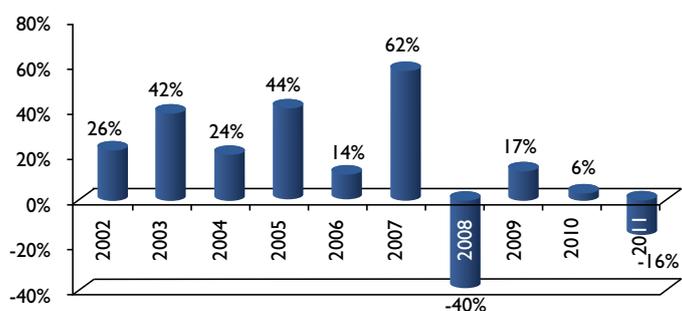
5.3 MSM Index Performance 2002-2011

MSM Index increased remarkably during the period 2002-2007. It closed at 1918.6 in 2002 to reach the highest level in 2007 at 9035.47 then decreased in 2008 to 5441.12 due to the impact of the global financial crisis, however, it recovered in 2009 to close at 6368.80 then continued the increase modestly to reach 6754.92 points at the end of 2010 and plummeted again in 2011 to close at 5695.12 falling by 16%. The fall is due to investors' worries to enter the market owing to the potentially increased risk for investors and their concerns about financial investments due to speculation about the future of the global economy and fragile growth of the global economy, financial instability in certain economies which have psychological impact on the investors in the financial markets.

Figure 2: MSM Index performance development (2002- 2011)



MSM Index witnessed mixed performance during the period 2002-2011. Figure below shows fluctuation in the increase of index during the period 2002 to 2011 and reached the peak in 2008 at 62% and then the financial crisis reversed the trend of the Index to decline sharply by 40% in 2008 and with the recovery of the global economy, the waning impact of the global financial crisis the index improved to close the years 2009 and 2010 with a 17% and 6% increase consecutively. However the political turmoil in the Arab region and the sovereign debt crisis in Europe led to remarkable decline in the index at 16%.



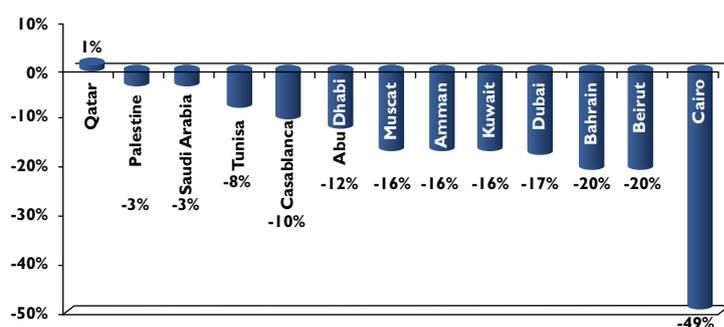
5.4 Comparison between MSM and GCC and Arab Markets

Comparison of the performance of the indices of GCC markets during 2011 indicates that all GCC markets have declined except the Qatari market which increased by 1%. Other GCC markets fell by different percentages with the highest decline in Bahrain by 20% followed by Dubai by 17% and then Kuwait and MSM by 16% and then the Saudi market which fell by 3%.

As regards the Arab markets all Arab markets recorded decline in 2011 except the Qatari market. The Egyptian market fell remarkably by 49% due to the political circumstances in the country followed by the Bahraini and Lebanese markets by 20%.

Table (19)
Arab and GCC indices in 2011

No.	Market	Index close end of 2010	Index close end of 2011	Change %
1	Qatar	8681.65	8779.03	1
2	Palestine	489.6	476.93	(3)
3	Saudi Arabia	6620.75	6417.73	(3)
4	Tunisa	5112.52	4722.25	(8)
5	Casablanca	12224.2	11027.65	(10)
6	Abu Dhabi	2719.87	2402.28	(12)
7	Muscat	6754.92	5695.12	(16)
8	Amman	2373.58	1995.13	(16)
9	Kuwait	6955.5	5814.2	(16)
10	Dubai	1630.52	1353.39	(17)
11	Bahrain	1432.26	1143.69	(20)
12	Beirut	1475.56	1176.73	(20)
13	Cairo	7142.14	3622.35	(49)



5.5 Market Achievements in 2011

MSM witnessed a number of achievements in 2011 in the legislative, regulatory, technical and awareness fields in addition to dissemination of information.

In the technology field in 2011 preparation of 95% updated version of the electronic trading system was completed as well as other related systems in line with the needs of the Market.

In the training field MSM concluded mutual cooperation agreement with Bombay Stock Exchange Institute to conduct training programmes in the field of financial markets and a programme on "Analysis of the Dynamics of Financial Markets" was conducted. The agreement with CISI was effected by organising three CISI examination sessions.

In the field of information dissemination MSM concluded an agreement with an international firm to develop and update MSM's website with the regard to form and content to cope with the developments in informatics. A software on listed companies performance was provided to furnish basic financial analysis of the statements of listed companies to brokers, investors and the media.

With regard to MSM Index the sectors have been changed, the Banking and Investment Sector was renamed to be the Financial Sector; the Services and Insurance Sector was renamed to be the Services Sector; and the Industrial Sector remained unchanged. Such change resulted in reclassification of certain companies in the new sectors as per the main business.