

Decision No. E/153/2021

Rules for Crowdfunding Platforms

Based on the Capital Market Law enacted by Royal Decree No. 80/98; and

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

In the interest of the public;

It has been decided

First Article

The attached Rules shall have effect with regard to Crowdfunding Platforms.

Second Article

The Executive President of the Capital Market Authority shall issue the decisions, forms and instructions required to effect the provisions of the attached Rules.

Third Article

This decision shall have effect from 22 November 2021.

Issued on: 16 Rabi II, 1443H
Corresponding to: 21 November 2021

Abdullah Salim Abdullah Al Salmi
Executive President

RULES FOR CROWDFUNDING PLATFORMS

Chapter 1

Definitions and General Provisions

Article (1)

In the application of these Rules, the following words and expressions shall have the meaning respectively assigned to them unless the context otherwise requires:

1. **CMA:** Capital Market Authority
2. **Crowdfunding:** A method enabling those who seek funding to obtain amounts from donors or investors for the purpose of supporting their projects via the platform for donation or in consideration of reward or equity or investment note.
3. **Operator:** Legal person licensed by the CMA to carry out the activities of crowdfunding platform.
4. **Platform:** Electronic operating system displaying funding application and user's interaction managed by the Operator.
5. **Applicant for Funding:** Legal person seeking funding hosted on the platform.
6. **Directors:** Directors of closed joint stock companies and partners boards for other form of companies.
7. **Users:** Investors, donors and applicants for funding.
8. **Sophisticated Investor:** Refers to:
 - (a) Units of the administrative status of the Government;
 - (b) Entities licensed by the CMA including capital market institutions, companies operating in the field of securities, insurance and Takaful companies;
 - (c) Financial institutions licensed by the Central Bank of Oman;
 - (d) Pension funds;
 - (e) A company or investment fund with total assets exceeding **RO 1,000,000 (One Million Omani Rial)** or its equivalent in foreign currencies;
 - (f) High net worth individuals:
 - I. Whose total net personal assets or total net joint assets with his or her spouse exceed **RO 500,000 (Five Hundred Thousand Omani Rial)** or its equivalent in foreign currencies, excluding the value of the individual's primary residence; or

- II. Whose gross total annual income is not less than **RO 30,000 (Thirty Thousand Omani Rial)** or its equivalent in foreign currencies in the last twelve (12) months; or
- III. Who, **jointly** with his or her spouse, has a gross total annual income exceeding **RO 50,000 (Fifty Thousand Omani Rial)** or its equivalent in foreign currencies in the last twelve (12) months.

9. **Angel Investor:** Refers to any of the following:

- (a) Whose total net personal assets exceed **RO 300,000 (Three Hundred Thousand Omani Rial)** or its equivalent in foreign currencies; or
- (b) Whose gross total annual income is not less than **RO 20,000 (Twenty Thousand Omani Rial)** or its equivalent in foreign currencies in the last twelve (12) months; or
- (c) Who, jointly with his or her spouse, has a gross total annual income exceeding **RO 30,000 (Thirty Thousand Omani Rial)** or its equivalent in foreign currencies in the last twelve (12) months.

10. **Retail Investor:** An investor who is not an angel or sophisticated investor.

11. **Conventional Investment Note:** Means any bond, securities contract, agreement, note or any other document evidencing a borrowing offered through the platform, where an investor expects a financial return, but does not include:

- (a) A cheque, banker's draft or any other bill of exchange or a letter of credit;
- (b) A banknote, guarantee or an insurance policy; or
- (c) A statement, passbook or other document showing any balance in a current, deposit or savings account.

12. **Islamic Investment Note:** Means any Sukuk, securities contract, agreement, note or any other document evidencing undivided ownership or investment in any assets in compliance with Shariah principles and concepts and is offered through the platform where an investor expects a financial return, but does not include:

- (a) A cheque, banker's draft or any other bill of exchange or a letter of credit;
- (b) A banknote, guarantee or a Takaful policy; or
- (c) A statement, passbook or other document showing any balance in a current, deposit or savings account.

13. **Invoice Financing:** Sale of trade receivables or invoices through the platform in the form of an investment note.

Article (2)

The provisions of these Rules and the requirements of Part Four of the Executive Regulation of the Capital Market Law shall apply on any person licensed to carry out crowdfunding activity or desirous of obtaining a license.

Article (3)

The operator may provide crowdfunding through one or more of the following methods:

1. **Donation Crowdfunding:** Donations without expecting any return.
2. **Reward Crowdfunding:** Funding in return for products in the early version of a product or special version or service on commencement of operation or production.
3. **Equity Crowdfunding:** Providing funding in return of getting shares in the capital. Such shares may be convertible or tradable.
4. **Peer to Peer Crowdfunding:** Providing funding in consideration of issuing conventional investment notes or Islamic investment notes including invoice financing which are convertible or tradable. Such funding instruments may be convertible to equity.

Article (4)

The crowdfunding platform shall grant funding for commercial companies and enterprises, not to individuals.

Article (5)

The following entities are prohibited from raising funds through the platform:

- (a) Public joint stock companies;
- (b) Companies and enterprises with no specific business plans;
- (c) Non for profit societies or organizations.

Article (6)

The operator may invite investors and donors from inside or outside the Sultanate of Oman and provide funding through the platform to any Company and enterprise inside or outside the Sultanate of Oman in accordance with the terms and conditions of these Rules.

Article (7)

Operator may not host an Applicant for Funding concurrently for the same method on one or multiple platforms inside the Sultanate of Oman, and the Applicant for Funding must provide a declaration confirming that to the operator.

Article (8)

A person may donate or invest via the **donation or reward crowdfunding platform** at any amount within the limits of funding the Applicant for Funding hosted on the platform intended to raise.

Article (9)

A person may invest in an **equity crowdfunding platform**, subject to the following limits and provide a declaration to the operator on its category as following:

- (a) **Sophisticated investors**: No restrictions on investment amount;
- (b) **Angel investors**: A maximum of **RO 100,000 (One Hundred Thousand Omani Rial)** within a twelve (12) month period; and
- (c) **Retail investors**: A maximum of **RO 3,000 (Three Thousand Omani Rial)** per applicant for funding with a total amount of not more than **RO 20,000 (Twenty Thousand Omani Rial)** within a twelve (12) month period.

Article (10)

1. An Applicant for Funding constituted less than twelve (12) months shall apply for funding at **RO 100,000 (One Hundred Thousand Omani Rial)** or less, provided they submit the latest audited financial statements from an audit firm accredited by the CMA. Where such statements are unavailable, the operator shall have the right to suffice with any financial statements or information approved by the board of directors of the applicant.
2. An Applicant for Funding constituted twelve (12) months or more and have the latest audited financial statements from an accredited audit firm by the CMA, may apply for funding at more than **RO 100,000 (One Hundred Thousand Omani Rial)**.

Chapter 2

Applicant for Funding's Obligations

Article (11)

An Applicant for Funding proposing to be hosted on a crowdfunding platform shall submit the relevant information to the operator including the following:

- (a) Information that explains key characteristics of the business and company;
- (b) Information that explains the purpose of the fundraising and the targeted offering amount, offering period and minimum acceptance percentage of the funds raised to the targeted amount (if any);
- (c) Information relating to the business plan of the company (where relevant); and
- (d) Financial statements pursuant to Article (10) of these Rules.

Article (12)

The Applicant for Funding shall:

1. Conclude an agreement with the operator and pay the fees specified by the operator.
2. Disclose via the platform during the offering period, in accordance and in addition to the operator's processes and rules the following statements:
 - (a) All information related to it, its management, financial statements, business plan and purpose of participation, targeted amount, proposed offering period and the required percentage of acceptance (if any);
 - (b) Any statements or information requested by the investors (where applicable) or errors or adverse material changes to the Applicant for Funding or its projects;
 - (c) The rewards or any potential investment risks;
 - (d) Exit procedures from any investments (if any).

Article (13)

An Applicant for Funding proposing to be hosted on a crowdfunding platform shall ensure that all information submitted or disclosed to the operator is true and accurate, and shall be liable if the contrary is established.

Article (14)

An Applicant for Funding that has successfully completed its fundraising exercise on the platform must ensure that there is effective, transparent and regular communication with its investors including regular updates on the progress of its business and financial position including the utilization of proceeds from its fundraising exercise.

Chapter 3

Applicant For License's Obligations

Article (15)

Applicant for license shall establish to the CMA that:

1. The applicant will be able to operate an orderly, fair and transparent platform.
2. The applicant will be able to carry out its obligations.
3. Applicant has obtained the approval of its other relevant regulator (if any).
4. The applicant is not under liquidation and do not have any litigation pending in any court of law.

5. No receiver manager has been appointed within or outside Oman, or in respect of any property of the applicant.
6. The applicant has not, whether within or outside Oman, entered into a scheme of arrangement with its creditors.
7. The applicant's directors, chief executive officer and any person who is primarily responsible for its operations or financial management are fit and proper, taking into account the following:
 - (a) That they are suitably qualified to assume the position in managing a crowdfunding platform;
 - (b) That they have not been convicted for any felony or crime involving moral turpitude, dishonesty or violence; or any provisions of penalties related to violations of laws or regulations relating to the capital market sector.
 - (c) Been terminated during the past five (5) years preceding the application for disciplinary reasons;
 - (d) Been subjected to any disciplinary or punitive action taken by the CMA;
 - (e) Not adjudicated or punished for violation of any rules of an approved stock exchange, clearing house or central depository;
 - (f) Engaged in any business practices appearing to be deceitful, oppressive or otherwise improper;
 - (g) Engaged in or has been associated with any conduct that cast doubt on his ability to act in the best interest of investors, having regard to his reputation, character, financial integrity and reliability.
8. The applicant's business model has a clear or unique value proposition or will contribute to the overall development of the capital market.
9. The applicant will appoint at least the minimum number of qualified employees to carry out the work particularly the chief executive officer and compliance officer.
10. The applicant will provide any other statements or documents that the CMA may require.

Article (16)

The Operator, after meeting all licensing requirements in Article (15) of these Rules and prior to obtaining the final license, shall submit to the CMA a written declaration that:

1. The electronic systems used by the operator are safe, efficient and reliable and that they were tested and checked according to internationally acceptable criteria;
2. The operator has sufficient financial, human and other resources for the operations;
3. The operator has adequate measures to ensure the security of information systems, systems capacity, business continuity plan and procedures, risk management, data integrity and confidentiality, record keeping and audit trail, for daily operations and to meet emergencies; and
4. Sufficient IT and technical support arrangements.

Article (17)

The Operator shall provide to the CMA a copy of all operations and work rules, internal regulations and policies approved by the board of directors and updated copy in the event of any changes within five (5) working days after being approved by the board of directors showing the places of change and purpose.

Chapter 4**Platform's Operation Policies, Processes and Systems****Article (18)**

The platform's policies, processes and operating systems shall include sufficient provisions:

1. For the protection of investors and public interest.
2. To ensure proper functioning of the platform.
3. To promote fairness and transparency.
4. To manage any conflict of interest that may arise.
5. To promote fair treatment of any person who is hosted, or applies to be hosted, on its platform.
6. To ensure proper regulation and supervision of its users.
7. To provide an avenue of appeal against the decision of the operator.

8. Creation and implementation of appropriate risk governance framework identifying all material risks including the policies, processes, systems and controls used in measuring, assessing and monitoring material sources of risks and report thereon or mitigate them, as appropriate.
9. The applicant will be able to manage risks associated with its business and operation including demonstrating the processes and contingency arrangement in the event the applicant is unable to carry out its operations.
10. Creation and implementation of proper internal controls and compliance system commensurate with the nature of the platform's operation and complexity in accordance with international standards.
11. The applicant will be able to take appropriate action against a person in breach including directing the person in breach to take any necessary remedial measure.
12. Sufficient human, financial and other resources to operate the platform at all times.
13. Has a succession plan for the position of CEO to ensure filling the position within not more than three (3) months from the date the position is vacant.
14. Has written information security plan adequate to protect the confidentiality, integrity and quality of the information and technology assets through adoption of best international and domestic practices in the information security legislations.

Chapter 5

Operator's Obligations Toward the CMA

Article (19)

Notwithstanding the obligations imposed under the Executive Regulation of the Capital Market Law, the Operator shall be obliged by the following;

1. Operator is prohibited from investing in the funding application on behalf of any person.
2. Operator must exercise due diligence when carrying out the business and observe the recognized commercial practices.
3. Operator is prohibited from providing direct or indirect financing to investors or Applicants for Funding offered through its platform, but allowed to invest in the Applicant for Funding.

4. Operator must obtain and maintain investors' risk declarations prior to investing in the crowdfunding platform.
5. Ensure that the fundraising limits imposed on the Applicant for Funding are not breached.
6. Ensure that the investment limits imposed on the investors are not breached.
7. Operator shall put in place written procedures showing the rights and obligations of all the parties, specifically the statements related to investment in the funding applications, the amount outstanding from the investor for participation, the Operator's fees for the service they render, communication channels and declaration by the investor of being aware of the investment risk.
8. Operator must put in place procedures to ensure the Applicant for Funding discharges its obligations toward the investors including completing the procedures for delivery of the proposed product, or ownership of investment note, or registration of title or shares with the relevant authorities.
9. Ensure the Applicant for Funding disclosure document lodged on the platform is verified for accuracy, fairness, not misleading and written in simple and clear language.
10. Immediately disclose on the platform any errors or misleading data or information or detected investment risk related to the application or their projects or investments.
11. Exercising due diligence to ensure there is no fraudulent means or deception or damage to the investor by the Applicant for Funding.
12. Rejection of displaying the Applicant for Funding's application on the platform or deleting it from the platform where the application breaches the interest of investors or violates the applicable regulations in Oman.
13. Operator is prohibited from announcing any funding applications on its website or by other means other than the platform.
14. Operator must ensure that all fees payable by the users are fair, reasonable and transparent.
15. Operator must ensure that it does not engage in any business practices appearing to be deceitful, oppressive or improper or which otherwise reflect discredit on his method of conducting business.
16. Carry out continuous awareness and education programmes.

17. Have in place processes to monitor anti-money laundering, counter terrorism financing and counter weapons of mass destruction proliferation financing requirements, including having adequate investor on-boarding arrangements and processes pursuant to the applicable legislations.
18. Disclose and display prominently on its platform, any relevant information relating to the crowdfunding platform including:
 - (a) All necessary risk warning statements, including all risk factors that users may require in making a decision to participate on the platform;
 - (b) Information on rights and obligations of investors relating to investing or the product or donation;
 - (c) Criteria for access to the platform;
 - (d) Education materials, including comparative information where necessary;
 - (e) Fees, charges and other expenses that it may charge and impose on its users;
 - (f) Information about receiving complaints and whistleblower complaint and how it is handling it or dispute resolution and its procedures; and
 - (g) Information on processes and contingency arrangement in the event the Operator is unable to carry out its operations or cessation of business.
19. Must notify the CMA of the occurrence of any event which would trigger the activation or execution of the business continuity plan.
20. Immediately notify the CMA in the event of any systems error, failure or malfunction and take all necessary and immediate appropriate actions to mitigate any potential losses.
21. Monitor users' compliance with operation rules, regulations and internal policies.
22. Ensure operator have in place the appropriate processes and procedures to manage any conflict of interest where any director or employees intends to donate or obtain a product or invest in any Applicant for Funding listed on the platform.

Article (20)

The scope of due diligence of the operator shall include taking reasonable steps to:

- (a) Conduct background checks on the Applicant for Funding to ensure fit and properness of the Applicant for Funding, its board of directors and senior management; and
- (b) Verify the business proposition of the Applicant for Funding.

Article (21)

Where a member of the board of directors or chief executive becomes subject to any disqualification or becomes otherwise unfit to hold office, the Operator must ensure that such person vacates the position immediately. The Operator must immediately notify the CMA of a director's or chief executive's disqualification and when the position is vacated.

Chapter 6

Operator's Obligations Toward Investors

Article (22)

The Operator must be obliged by the following toward the investors:

1. Operator shall observe the principles of honesty, integrity, fairness and equality and avoid conflict of interests when carrying out the business, and shall not put their personal interests or the interest of third parties above the interest of the users and shall not discriminate and must take into account the precedence of applications and the confidentiality of data and information of applicants.
2. Inform investors of any material adverse change to the Applicant for Funding's proposal such as:
 - (a) The discovery of a false or misleading statement in any disclosures in relation to the offer;
 - (b) The discovery of a material omission of information required to be disclosed in relation to the offer; or
 - (c) There is a material change or development in the circumstances relating to the offering or the Applicant for Funding.

Article (23)

The operator, including its board of directors, shareholders and employees must disclose to the public on its platform if:

- (a) It holds any shares in any of the Applicant for Funding hosted on its platform;
or
- (b) It pays any referrer or introducer, or receives payment in whatever form, including payment in the form of shares, in connection with an Applicant for Funding hosted on its platform.

Chapter 7**Operator Board of Directors Obligations****Article (24)**

The Operator's board of directors must ensure that the operator:

1. Is in compliance with all the requirements including any direction issued or any term or condition imposed by the CMA.
2. The CEO carries out his responsibilities and duties and is duly authorized.
3. Identify and manage risks associated with its business and operations, including having in place an effective business continuity plan.
4. Establish and maintain policies and procedures to:
 - (a) Effectively and efficiently manage actual and potential conflicts of interest;
 - (b) Implement anti-corruption and whistle blowing measures that are appropriate to the nature, scale and complexity of its business;
 - (c) Monitor operator businesses and activities to detect non-compliance and take action measure;
 - (d) Deal with complaints or whistleblowers relating to the operations of its market or the conduct of its participants; and
 - (e) Ensure compliance with all relevant laws and regulations.
5. Immediately notify the CMA:
 - (a) Of any irregularity or breach of any provision of the laws and regulations;
 - (b) Of any material change in the information submitted to the CMA; or

- (c) If it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligations or to carry out its functions under this Rules.

Chapter 8

Outsourcing

Article (25)

The Operator must be obliged by the following with regard to outsourcing:

1. Assess the service providers regularly as part of the monitoring process and report the assessment to its board of directors, while taking all reasonable steps to avoid additional operational risk.
2. Must ensure that the service provider has adequate policies and procedures to monitor the conduct of any appointed sub-contractor.
3. A letter of undertaking is also required from the service provider or sub-contractor stating that the CMA will have access to all information, records and documents relating to the material outsourced arrangements.
4. Must notify the CMA immediately of any adverse development arising in the outsourcing arrangement of any outsourced function that could significantly affect the Operator, its operations or users and no later than five (5) working days from the occurrence of the event.

Article (26)

The Operator's board of directors and chief executive officer are accountable for all outsourced functions, and must establish written effective policies and procedures for its outsourcing arrangement including a monitoring framework to monitor the service delivery, quality and performance reliability of the service provider.

Chapter 9

Funds Kept with the Operator

Article (27)

The Operator of the platform must comply with the following with regard to the funds raised from investors or donors for the Applicant for Funding hosted on the platform:

1. Operator must establish systems and controls for maintaining accurate and up-to-date records of investors' monies held.
2. Operator must ensure that investors' monies are properly safeguarded from inappropriate use by its officers and segregated from its own accounts.

3. Establish and maintain in a licensed bank by the CBO, one or more escrow account/s designated for the funds raised in relation to a hosting on its platform, which is segregated from the Operator's own account. Where an Islamic investment note is offered through the platform, the operator must establish and maintain a Shariah-compliant account with a licensed Islamic bank or window approved by the CBO to carry on Islamic banking business, for the purpose of the funds raised.
4. Transfer the funds raised to the Applicants for Funding after the end of offer period or the Applicant for Funding receiving the required funding.
5. Immediately refund the fund to the investors or donors where the offer is unsuccessful or the applicant failed to meet its obligations or cancelled the application or where the funds exceed the target amount (if any), or no later than five (5) working days.
6. Operator only release the funds to the Applicant for Funding after the following conditions are met and a written confirmation to be provided to the CMA:
 - (a) The targeted amount sought to be raised together with all legal requirements and obligations have been met; and
 - (b) There is no material adverse change relating to the offer during the offer period.

The Operator may impose any other additional conditions precedent before releasing the fund, provided that they serve the investors' or donors' interests.

Article (28)

The Operator shall not withdraw from or deal with investors' monies in the account stated in Article (27) above except for the purpose of making a payment:

1. To the Applicant for Funding, investor or donor or payment of operation fees as the case may be; or
2. That is directed by the CMA or by any other enforcement agencies as provided under any laws and regulations.

Article (29)

The Operator must disclose and display prominently on its platform:

- (a) Information relating to the Applicant for Funding.
- (b) Details on how the platform facilitates the investor's investment including providing communication channels to permit a live discussions about offerings hosted on its platform and the Applicant for Funding. Such discussions/ dialogues shall be available to the public.

Article (30)

In addition to the disclosure requirements stipulated in the Executive Regulation of the Capital Market Law, the Operator must provide to the CMA an annual report within thirty (30) days after the end of its financial year showing:

1. Description of key activities.
2. Description of key achievements and the challenges.
3. Description of risk management systems and the main developments that occurred in all practical aspects, technological, administrative, financial and other key aspects.
4. Summary of the detected adverse material violations, clients' complaints, whistle blowing cases in addition to material manipulations and violations.

Chapter 10**Peer-to-peer crowdfunding platform****Article (31)**

The Operator must:

1. Ensure there is an efficient and transparent risk scoring system in place relating to the investment note or Islamic investment note.
2. Have in place processes or policies to manage any default by the Applicant for Funding including using its best endeavors to recover amounts outstanding to investors.
3. Carry out a risk assessment on the Applicant for Funding.

Article (32)

In the case of invoice financing, the operator shall take reasonable steps to ensure that the receivable or invoice:

1. Is payable to and is owned by the Applicant for Funding;
2. Represents a bona fide payment obligation from a client to the Applicant for Funding;
3. Has not been offered for financing or otherwise disposed in any way to any person before being hosted on the platform; and
4. Is not subject to any encumbrances which may adversely affect an investor's rights, title, interests and benefits.

Article (33)

All offers to subscribe the investment note or Islamic investment note must be rated by the operator.

Article (34)

The operator is accountable for the risk scoring mechanism and methodology employed.

Article (35)

An Applicant for Funding is permitted to keep any amount which was raised through a hosting on the platform provided that the Applicant for Funding must have at least raised **eighty (80) percent** of the target amount.

Article (36)

An operator must disclose and display prominently on its platform:

1. Information relating to the Applicant for Funding as specified above, at the point of offering and throughout the tenor of the investment note or Islamic investment note;
2. Information on the criteria by which an investment note or Islamic Investment note is regarded as in default;
3. Information about the processes and policies put in place by the operator to manage default of Applicants for Funding; and
4. Information including statistics on late payment and default rate of Applicants for Funding hosted on the platform.

Article (37)

A person may invest in any Applicant for Funding hosted on the platform, subject to the following limits and provide a declaration to the operator on the category of the investor as follows:

1. **Sophisticated investors:** No restrictions on investment amount;
2. **Angel investors:** No restrictions on investment amount; and
3. **Retail investors:** A maximum of **RO 20,000 (Twenty Thousand Omani Rial)** at any period of time.

Chapter 11

Shariah Adviser

Article (38)

Where an Islamic investment note is offered through the crowdfunding platform, the operator must appoint a Shariah adviser who must be either a person or a company; and in such case must name and give adequate information on the advisor and the information related to the structure and characteristic of the offered product.

Article (39)

The role and responsibility of the Shariah adviser shall include the following:

1. Advising on compliance with Shariah principles relating to the offering of the Islamic capital market product;
2. Providing Shariah expertise and guidance on all matters, particularly in documentation, structuring and investment instruments, and ensure compliance with the relevant laws and regulations issued by the CMA;
3. Ensuring that the applicable Shariah rulings, principles and concepts are complied with;
4. Applying ijtiḥad (intellectual reasoning) to ensure that all aspects relating to the offering of Islamic investment notes are in compliance with Shariah, in the absence of any rulings, principles and concepts; and
5. Where applicable, issue a Shariah pronouncement, which must include:
 - (a) The basis and rationale for the pronouncement;
 - (b) The structure of the Islamic investment note that has been used; and
 - (c) The applicable Shariah rulings, principles and concepts used.