

# Oman

## Chamber of commerce:

Oman Chamber of Commerce and Industry  
PO Box 1400  
112 Muscat Ruwi  
Oman  
Tel: +968 24 70 76 74  
Fax: +968 24 70 74 97  
Email: info@omanchamber.com  
Web: www.chamberoman.com

## An overview of capital markets - public offers

Mansoor Jamal Malik  
Al Busaidy Mansoor Jamal & Co  
Muscat

Since the restructuring of the Sultanate's stock exchange, previously known as the Muscat Securities Market (MSM), in 1998 with the issuance of a new Capital Market Authority Law (CMAL), the responsibilities of the MSM were restructured with the overall regulatory authority over the stock exchange being conferred upon the Capital Market Authority of Oman (CMA). Among other things, it has assumed the functions of regulating the market activities previously under the control of the MSM and overseeing the issue and trading of securities in Oman. The MSM was given responsibility for, among other things, facilitating the trading of securities issued by joint stock companies, as well as of bonds issued by the government, commercial companies, investment fund units and any other domestic or foreign securities approved by the CMA.

The Muscat Depository and Securities Registration Company (MDSRC) was established in 1998 to act as the sole provider, in Oman, of the services of registration of the transfer of ownership of securities and the safekeeping of security documents, acting as a trustee and/or a custodian of securities where required.

### Continuous growth

Years of continuous growth since 2000 indicate that the reorganisation undertaken in 1998 has enabled the government to build up a strong financial sector, inspiring confidence among foreign investors. While it may be the smallest Gulf Cooperation Council exchange in terms of market capitalisation, the MSM has reported positive gains for the past six years and its main index, the MSM-30, closed 2007 with a 62% year-on-year gain.

In 2007 we saw great interest from investors in the IPOs of Bank Sohar and Galfar Engineering, which were oversubscribed six and 14 times respectively and raised \$210 million between them after listing. A number of large private placements by Omani public joint stock companies with strategic investors in Oman have also taken place.

This year has been somewhat slower, with only the OR2.5 million (\$6.5 million) offering by Voltamp Energy being made to date. However, indications are that the second half of the year will see further listings come onto the market across the banking, power, telecommunications and manufacturing industries.

### Legal framework for IPOs

The main Laws governing the IPO process in Oman are the Commercial Companies Law (CCL), the CMAL, the CMA and their amendments.

The CCL and the executive regulations lay down the criteria that a joint stock company must fulfil in order for it to be eligible to proceed with an offer of shares to the public. The capital of the company must be at least OR2 million and a minimum of three persons (natural or juristic) are required to act as its promoters. The promoters must offer at least 40% of the company's shares for public subscription and no single founder may hold more than 20% of the shares post listing unless otherwise exempted by law. The promoters may, at their discretion, increase the shares being offered to the public up to 70% of the shares issued.

In the case of the conversion of a limited liability company (LLC) or a closed joint stock company (SAOC) to a public joint stock company, the company under conversion will need to have been in existence for at least three years and have published three consecutive financial statements of accounts, unless a shorter period of time is approved by the CMA.

In all cases a company will need to obtain the CMA's approval of its application for making an issue of shares to the public and submit a prospectus to the CMA for approval. The executive regulations provide for the minimum details that a prospectus must contain. These include, among other things: financial data and information relating to the issue and the issuing company, the duties and responsibilities of the company's board of directors, and the proposed internal regulations of the company.

Additional documents that a company making an IPO is required to furnish the CMA with will depend on whether the company is in the process of incorporation or if it is already incorporated and is undergoing an IPO to increase its capital or to convert itself from an LLC or an SAOC to a public joint stock company.

### Public announcement and regulation

Only after the prospectus has been formally approved by the CMA may a public announcement of the subscription be made in at least two national newspapers. For the purposes of collecting public subscriptions to the IPO, at least three national banks licensed to operate in Oman must be appointed as collecting banks.

The CCL imposes a restriction on the promoters of a joint stock company concerning withdrawing from the company or disposing of their shares unless the company has published two balance sheets for two consecutive years, starting from the date of the actual production or the commencement of the company's business activities. This lock-in period may be extended for a further period of one year by a decision of the Minister of Commerce and Industry, upon the request of the CMA.

Once listed, the boards of public joint stock companies are subject to well-developed corporate governance regulations and disclosure requirements.

The sultanate has developed well-established procedures relating to the control and regulation of IPOs. Investors can be confident that there is a suitable environment in which confidence can be placed. The strong performance of the capital market in Oman reflects the substantial amount of equity and debt which continues to flow into the country in the form of new projects and investments in listed companies and which demonstrates the confidence investors and lenders have in the sultanate's legal and regulatory regime. For the benefit of potential investors, the CMA imposes stringent conditions on issuers to ensure transparency through both financial and legal due diligence being undertaken prior to going public.

## Financial and corporate

### Recommended firms

#### Tier 1

Al Busaidy Mansoor Jamal & Co  
Denton Wilde Sapte  
Trowers & Hamblins

#### Tier 2

SASLO

As with much of the Middle East, not even the subprime crisis could dampen the spirits and economic prowess of Oman, nor fully obstruct the increasing flow of foreign investment into the country. While traditional oil-and-gas, power, pipeline and water projects form the backbone of the economy, the oil-rich sultanate has remained on track with one of its government-mandated Vision 2020 initiatives to diversify into other areas, including real-estate development, tourism and natural resources.

"There are so many developments going on I can't put my finger on a single one," says one lawyer.

One of the largest tourism developments has been the Blue City Project, an estimated \$15.5 billion development to take place over a 15- to 20-year period, including hotels, residential properties, retail areas and golf courses. Indicating the steady development of the sultanate's infrastructure, there have been a couple of large independent water and power projects (IWPPs), consisting of desalination and electricity-generating plants, such as the Barka II IWPP and the planned Salalah IWPP.

Oman's capital markets have seen their fair share of activity as well. The past year saw a number of IPOs, including the OR13 million (\$33.8 million) Sohar Power IPO. In M&A,

Dubai Financial Group bought a 15% stake in BankMuscat by way of private placement, worth about OR238 million, in August 2007. Private placements such as this one reflect the trend for inward investment, especially from within the Middle East.

### Al Busaidy Mansoor Jamal & Co

The law firm formerly known as Al Alawi Mansoor Jamal & Co became Al Busaidy Mansoor Jamal & Co upon the retirement of former partner Ali Khamis Al Alawi in January 2008. Led by managing partner Mansoor Malik, the firm took on a couple of new senior associates this year, adding to its already respected team.

In particular, senior associate Marcus Pery has gained a reputation as an adept commercial lawyer. "I find him very competent," says one competitor. "He's a good lawyer [to have] on the other side of the table."

Recently, the firm has completed some significant equity capital markets work, such as advising Suez Energy on Sohar Power's OR13 million IPO, and representing the shareholders on the IPO of Voltamp Manufacturing. In connection with the former listing, Pery and Malik have most recently been advising Suez and other founder shareholders on the \$409 million refinancing of Sohar Power. Al Busaidy has also acted on some notable syndicated loan work, including advising Oman Telecommunications Company on its \$205 million syndicated loan from Mashreq Bank.

The firm has had a key role in the growth of Oman's project finance sector. A team advised a syndicate of lenders, including Deutsche Bank and BankMuscat, on the acquisition and financing of the entire operations of Dalma Energy, an Omani international drilling contractor, in December 2007. The firm also completed its advice to lenders on financing the Sur Desalination Project, a \$185 million deal which called for the privatization of an existing desalination project.

Also of note is the firm's involvement in the Salalah IWPP, in which Al Busaidy has been one of the advisors to several consortia on their proposed bids for the project.

#### Leading lawyers

Mansoor Jamal Malik  
Marcus Pery

### Denton Wilde Sapte

Denton Wilde Sapte, one of the few international firms in Muscat, has come up in the market in recent years. "They have put a bit of light between the others," says one competitor. "Denton has consolidated quite a bit in the past 24 months."

Clients too have given their thumbs up to the firm, one saying: "They have an idea of international law, in terms of international best practice, and they are exposed to the UK market, which is what we are guided by."

Dentons promoted Sarah Wright to partnership this year and took on several new lawyers, including a couple of senior associates. The firm is traditionally known for its strong ties to the government and resulting state-owned company related work.

The firm rode the private-placement trend this year to work on deals like providing counsel to Al Jazeera Steel Products on its private placement to Global Buyout Fund, and Alliance Housing Bank on its OR32 million private placement to the Ahli United Bank of Bahrain and the International Finance Corporation. Wright led a team giving Omani law advice to HSBC Bank, an agent on a \$1.37 billion loan to Oman Refinery, as well as advising the Gulf International Bank on its \$80 million loan facilities to the Gulf International Pipe Industry to finance a steel-pipe mill in Sohar.

Denton's strength in international work is illustrated by one client's comments: "We use Denton Wilde for issues like GDR prospectuses and GDR advisories. They are aware of the problems of documentation [that come up] in London."

#### Leading lawyers

Mary Allan  
Paul Sheridan

### Trowers & Hamblins

The past year has seen a number of big personnel changes for the Omani branch of Trowers & Hamblins. Majid Al Toky was appointed the office's managing partner in August 2007, the international firm's first-ever appointment of a Gulf national to the management of any of its Middle East offices. Meanwhile, rivals all noted that the departure of Sean Angle to Reed Smith in Dubai last year was a great loss to the office, but this did not stop the firm from taking advantage of Oman's upbeat economy to act on some large deals, as well as hiring new partner Roger Byrne, an experienced corporate finance lawyer who relocated from Australia in July 2007.

Clients especially appreciate Trowers & Hamblins' local setup and international reach. "We use them because they are an international firm, and historically we have been getting good support," says one client, commending the firm's lawyers for "their knowledge of the region and their knowledge of local conditions and professionalism".

The firm was awarded a choice role acting for the developers on the Blue City Project, a \$15.5 billion project that will result in the creation of new tourist facilities, having finished Phase 1's \$924 million financing by bond issue and now advising on the development. Al Toky led a team that has been advising Nawras, Oman's second mobile-phone company, on various issues, including a balance-of-trade agreement for the extension of the company's 2G network, and the acquisition of a 3G network and some information technology systems.

In project finance work, power and water projects have been the mainstay of Trowers & Hamlin's workload. The firm acted for Sohar Power on a \$400 million refinancing of its existing facilities. It also advised AES Barka in relation to changes resulting from the Barka II IWPP and the privatisation of Al Rusail, a power supplier. In addition, a team gave local counsel to the lenders to the \$605 Barka II IWPP.

Reflective of the growing foreign investment into the sultanate, the firm conducted a number of financing transactions, including updating BankMuscat's \$800 million EMTN programme, listed in Luxembourg, to include Tier II funding, and advising the National Bank of Oman on a \$200 million syndicated loan, with ING Bank as the agent.

#### Leading lawyers

Majid Al Toky  
James Harbridge

### SASLO

Although it is a locally-grown law firm, SASLO boasts a mix of senior Omani and international lawyers. The firm lost leading lawyer Fayyaz Mahmood last February, but this year grew its ranks with six new company lawyers and several Arabic attorneys. The firm's commitment to a strong local presence can be seen in its establishment of offices not only in Muscat, but also in Salalah and Sohar. It has a good working relationship with the Omani government and finds a plentiful amount of work, particularly in project finance and infrastructure deals.

One client highly rates SASLO's industry knowledge, overall team quality, and value for money, adding: "I am very happy with the services of SASLO, which I find very efficient and reactive to my problems."

A noteworthy project for the firm this year was a \$1 billion iron-pelletisation project, in which Alastair Neale and team assisted mining company Vale on due diligence matters, registering a representative office and forming a project company. In establishing the Sharqiyah desalination plant and Nimr water

treatment plant, a \$300 million undertaking, SASLO worked with Veolia, a French company specialising in water, waste management, energy and transport services. Another large deal saw the firm work on Nexgen Capital's financing of shares in BankMuscat amounting to \$578 million.

In other project finance work, the firm advised Green Dome Petrochemicals on the financing of the construction of ammonia and urea plants, and advised Calyon Investment Bank on its \$96 million financing of ship purchases. SASLO has a solid banking practice as well; its client roster in this area includes the Oman Arab Bank, Bank Sohar, Citibank and HSBC.

#### Leading lawyers

Alastair Neale