

Oman

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Commercial and corporate law in Oman

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The standard law of Oman is the *shariab*, and the country's Basic Law, adopted in 1996, confirms that this should form the basis of all legislation in the Sultanate. The Basic Law states the independence of the judiciary and its role in upholding the law. All legislation flows from the Sultan and only he is empowered to promulgate laws through Sultani Decrees. These are published in the Official Gazette and tend to be concise, empowering ministers or regulatory authorities to issue secondary legislation in the form of ministerial decisions or circulars.

Evolution of Oman's commercial laws

Oman's tax and foreign investment laws have been constantly revised in recent years to encourage foreign participation in the private sector and simplify the tax regime. The country's banking is roughly based on the US system and a new Banking Law was introduced in 2000. Generally speaking, the framework of laws now in place is sophisticated and affords considerable protection to corporate concerns, banking and inward investors. For business law purposes, Oman like virtually all the other Arab countries, and can be considered largely as a civil law jurisdiction. The primary legislation on commercial issues is set out in the Oman Commercial Law promulgated by Sultani Decree 55/90.

The jurisdiction has been experiencing an economic boom over the last few years due to high oil prices, and there has been significant activity in property development and large infrastructure projects. Sultani Decree 12/06 established the rights of foreign nationals to own residential property in designated areas and a number of key developments have

begun. There is also substantial commercial property development taking place, particularly in the capital, Muscat. The government has also embarked on a privatization programme with a view to encouraging the private sector to contribute to the development of the national economy, promote the capital markets and increase employment opportunities for Omani nationals in the private sector.

Inward investment and company establishment

The Foreign Capital Investment Law is the key legislation regulating foreign corporate entities wishing to do business in Oman. Under the strict wording of the law, foreigners may not acquire an interest in the capital of an Omani company exceeding 49%. However as part of Oman's commitments in joining the World Trade Organisation, the government agreed to raise this ceiling to 70%. The Privatization Law of 2004 has also made life easier for foreign investors, particularly by allowing, in certain cases, 100% foreign ownership of the project company. Foreign companies engaged in activities in Oman through agreements or contracts with the government or public institutions, or in connection with activities of national economic importance, may also be able to establish a branch office in Oman.

The Commercial Companies Law promulgated by Sultani Decree 4/74 governs the types of corporate entities that may be established in Oman. These include limited liability companies, joint stock companies and holding companies. Each form of company has its own capital, shareholding and governance requirements. The Ministry of Commerce and Industry maintains the commercial register with the corporate records of the companies. Only open joint stock companies can be listed on the main market of the Muscat Securities Market. The Capital Market Authority, established pursuant to the Capital Market Law, regulates the activities of listed companies and has issued a

series of circulars dealing with corporate governance.

A revised Commercial Companies Law has been awaited for some time and is expected to change the available corporate structures when it is promulgated. Corporate governance is expected to be standardized across all forms of corporate entities and the new legislation is also expected to increase protection of shareholders' interests.

Financial and corporate

Recommended firms

Tier 1

Al Alawi Mansoor Jamal & Co
Trowers & Hamblins

Tier 2

Denton Wilde Sapte
SASLO

The Omani economy is very upbeat at the moment and massive investments are being made in projects. One lawyer in the thick of things since said: "I have been here 18 years and I have never seen business to be so brisk".

Real estate is becoming very big and the government is designating areas where foreigners can buy and own property. 250,000 people are expected to move to an area just south of Barka in the next decade. The Sohar industrial port area is also set to become far more populous, with an additional 200,000 residents expected.

Financial restructuring is also becoming popular as companies that set up shop in the nineties look at their refinancing options in hope of a better deal.

A number of young Omani lawyers are entering the market and there will be an increase in the number of home-grown lawyers entering partnership over the coming years. Four law firms continue to dominate

the legal market and are regarded by many as the only ones that can handle large international transactions. But now DLA is said to be trying to get into Muscat. One market insider commented: "There is room for another good law firm and it would be a welcome development."

Al Alawi Mansoor Jamal & Co

Mansoor Jamal Malik leads 15 associates who concentrate on corporate and commercial work. The team is described by clients as "excellent" and praised for the "fantastic service" it provides. In particular though Malik is frequently singled out. "He is able to accomplish things that normally take much longer in very short timeframes when you're under the gun," said one client. "In novel situations he's very good at finding ways of structuring things and making it happen"

Given this enviable reputation, it was no surprise to see Malik and his team appointed by Suez Energy to advise it on the \$1 billion privatization of Al-Rusail Power Company and setting up of Barka Phase II. Neither was it shocking to find the practice lending its expertise to the lenders in the \$173 million financing of the Sur Desalination Project in Oman. In fact, so highly regarded is the firm's "tremendous knowledge of money law and transactions", which enables it to "tell you very quickly what you can and can't do", that the Omani government sought guidance from it to advise on the Oman Solid Waste privatization and the drafting of relevant laws.

The firm represents a whole host of other big clients. One is Oman Oil Co, which the firm counsels with regard to various projects and most notably of late the formation of Takamul Investment Holding Co through which the company will undertake various projects in Oman. The practice is also reviewing 85 commercial contracts for Sohar Aluminium Co, but was more visible acting as lead counsel for the merger of Oman Refinery Co and Sohar Refinery Co.

The firm has been cashing on the significant expansion in real-estate development over the last year, advising on a number of the largest projects in progress. These include the City Project, in which the firm is acting for the lead arrangers of the finance for Stage I, and the Wave tourist and residential development project, in which a team is representing The Wave Muscat Co, the property developer in Oman. The practice is also advising on large developments by Yenkit Tourism & Development and Majan Gulf Property Developers.

The practice is also accomplished in capital markets work. Recently it acted for the promoters of Sohar Bank, which offered 40%

of its OR100 million (\$260 million) issued share capital for public subscription through an initial public offering. A team advised the promoters on all legal aspects of setting up the bank and relating to the formation of a public joint-stock banking company as well as liaising, on behalf of the promoters, with the regulatory authorities in Oman.

Leading lawyers

Mansoor Jamal Malik

Trowers & Hamblins

There have been a number of changes at the top of Trowers & Hamblins' Omani division over the last year. Sean Angle has left the firm to manage Reed Smith's Dubai office and Andrew Rae transferred to the Trowers Abu Dhabi branch. Meanwhile Majid Al Toky picked up the managing partner mantle, and the team has been reinforced by the arrival of banking and finance partner Peter Maxfield in March 2007. The following month Charles Schofield was promoted to partner in the corporate and commercial team.

Trowers & Hamblins Oman acts for a significant number of banks and investment funds, and is retained as counsel by an impressive number of governmental organizations (including pension funds and regulators) as well as international organizations on banking and finance matters. Recently the firm has been developing a close relationship with National Bank of Oman, acting for it in connection with club finance deals with The Commercial Bank of Qatar of over \$100 million for various well known borrowers, involving complex security structures.

Over the last year Trowers & Hamblins has also been active in a number of other large-scale developments. Most notably the firm acted for the developers in the successful Phase I financing of the Blue City project, a landmark tourist development, involving a proposed investment outlay of \$15.5 billion over a 15- to 20-year period. In November 2006, the project successfully issued \$925 million bonds listed on the Irish Stock Exchange. The unique financing structure is the first time a rated, listed bond has been used for a real-estate project in the Middle East, and has been described as the most complex financing arrangement ever to be put in place in Oman. The deal was named the 2006 Middle East leisure deal of the year by *Project Finance*.

In another of the year's highlight episodes, a team acted for Al Madina Real Estate in relation to its development of the first large-scale multi-use complex in Oman that is not a designated tourism development. The complex is estimated to cost \$170 million and will

include residential, hotel, leisure and shopping facilities. The practice advised Al Madina on all aspects of the project, including structuring, establishing the corporate vehicles, and drafting and negotiating shareholders agreements and sale agreements for the project companies.

The firm has also been advising SNF in relation to a \$180 million project awarded by Petroleum Development Oman for the engineering and construction of a polymer flooding facility at the Marmul oilfield in Oman. The project is the first large-scale polymer flooding project awarded in the Middle East. Trowers & Hamblins advised its client during the bidding process, contract drafting, and its joint venture and financing arrangements in Oman.

Trowers & Hamblins advised the founders of Gulf International Pipe Industry on establishing a steel pipe mill in Sohar, the first of its type in the gulf region. The team's advice covered the joint venture arrangement between the company's equity investors, the contract for the design and construction of the plant, and its financing arrangements.

The firm, which is the longest-established international law office in the sultanate, has good reach outside of Oman with offices in Abu Dhabi, Bahrain, Dubai, London and Cairo and associations with law firms Nour Law Office in Egypt and Abdul Karim Al Fauri & Associates in Jordan, and a best friends relationship with Hassan Al Khater Law Office in Qatar. In June 2007 the practice launched an association with the Saudi Arabian law firm Feras Al Shawaf.

Leading lawyers

Majid Al Toky

James Harbridge

Denton Wilde Sapte

Peers suggest that Denton Wilde Sapte has upped its game significantly recently and may be on the verge of a breakthrough in terms of competing with the top-tier firms. The practice has certainly been ramping up its capacity, bringing 12 new associates on board in the last year, although senior counsel Nouraddin Al Kheir Ahmed, who has transferred to the firm's Abu Dhabi office, will be missed.

The new lawyers will complement a good set of lawyers already at the practice. In particular Paul Sheridan, who heads the Muscat operation, is "highly recommended" by the market and Mary Allan is reputedly "a very good corporate commercial lawyer".

Over the last year the team has engaged in a good mix of corporate and finance work, a few recent representative examples of which are detailed below. Notably the firm assisted

Alliance Housing Bank robustly and successfully defend against a hostile takeover by Bank Muscat, which withdrew in June 2007, and the OR50 million private placement to Ahli United Bank followed.

In July 2007 the practice advised Dhofar International Development & Investment Holding Company on the OR4.55 million sale of a 35% equity interest in Financial Services to Integration Capital & Trade. On the finance side, a team counselled the Gulf International Bank, the mandated lead arranger, facility agent and security agent, on a \$235 million internationally syndicated secured loan facility for Oman Gas Company in June 2007.

Leading lawyers

Mary Allan
Paul Sheridan

SASLO

SASLO has also been consolidating its position on the market, signing three new associates in the last year. The 18-lawyer practice has a number of “good people”, according to the market, but it is Alistair Neale who is singled out as the leading corporate commercial lawyer at the practice. As one lawyer said: “He has been in the Middle East for years and knows what he’s doing.”

Over the last year the firm has profited from the burgeoning real-estate market, representing Muriya Tourism Development Corporation in connection with its development of four tourist resorts in Oman. The practice has also been called upon to advise on some large project financing matters, most significantly advising Veolia on the \$210 million financing of Sharqiya Desalination Company and the first independent water and power project in Oman.

The team’s dexterity has been tested in several other fields over the last year. For instance it has been advising the Al-Hasher Group of Companies on its restructuring and refinancing as well as giving guidance to MBC Television on the establishment of a Muscat radio station.

Leading lawyers

Fayyaz Mahmood
Alistair Neale