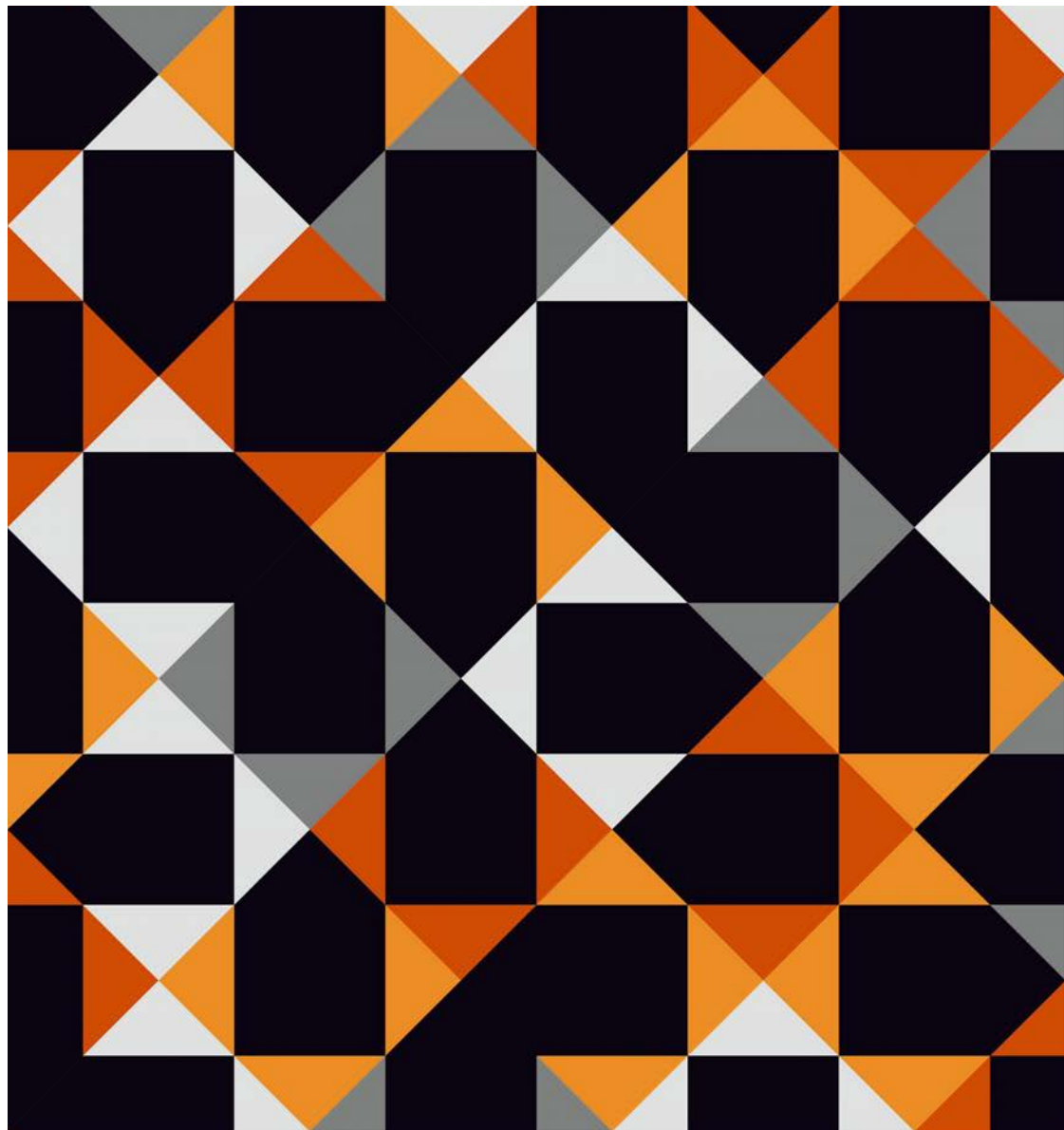


Oman: Executive Regulations to the Commercial Companies Law

4 November 2021





In brief

In implementation of the provisions of the Commercial Companies Law issued by Royal Decree No. (18/2019), His Excellency Qais bin Muhammad bin Moosa Al-Yousef, the Minister of Commerce, Industry and Investment Promotion, (MOCIIP), issued a Ministerial Decision No. (146/ 2021), promulgating the much awaited Executive Regulations (the ER) of the Commercial Companies Law.

The ER were issued on 14th October 2021, published in the Official Gazette on 24th October 2021, and is effective from the following day of its publication, i.e. from 25th October 2021.

The ER have set out controls, rules, and procedures for establishing and regulating the commercial companies. These regulations are applicable to all types of commercial companies, established in Oman or carrying out their principal activities in Oman, except public joint stock companies which are subject to separate regulations issued by the Capital Market Authority.

The introduction of the ER forms part of the steps taken by the Omani government to enhance and improve the legislative framework for the commercial companies in a way that contributes to achieving the national priorities of Oman Vision 2040 of stimulating the private sector and activating the national economy.

In detail

The key features of the ER introduced

We believe that the ER have been set with the aim of creating a stronger and more transparent corporate governance regime in the country, speedier processing and ease of doing business in Oman and protecting the investors interest. We summarise below the key provisions provided by the ER, among many others that may not be listed below.

Use of electronic system of the MOCIIP

Major part of the procedures and communications with the MOCIIP are required to be made through the electronic system of the MOCIIP, including but not limited to: filing request to establish a commercial company, registering of a commercial companies or branches of foreign companies, updating share capital whether increasing or reducing it, request for approval for liquidation, transforming legal form of the company, mergers, appointment of board of directors, etc. In the case of filing any request, the MOCIIP may request for further information and documents and the company is required to respond to the same within 7 days from date of request made otherwise the MOCIIP has the right to reject such request.

Branches of foreign companies

The ER specified the controls for registering branches of foreign companies with the MOCIIP through the electronic system, provided that the branch takes the legal form of the company in its head office and with the same purposes.



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Establishment of commercial representative offices (CRO)

The ER also contained provisions related to establishment of CROs to take care of the interests of companies and institutions whose headquarters are outside the Sultanate. The ER specified the permissible and non permissible activities of the CROs.

Bank account

The ER obligated commercial companies to open a bank account in a bank licensed to operate in the Sultanate of Oman, in which the value of the shareholders contribution in cash as specified in the incorporation documents shall be deposited from the date of their registration with the MOCIIP.

Contributions to the Capital

Certain provisions of the ER has detailed rules related to evaluation of contribution to capital in-kind, as well as contribution by services or labour, when establishing the company or increasing its capital. The ER further provides that an agreement between the partners shall be made to guarantee the partners' right to the assessed in-kind share that exceeds the value of the capital contribution according to the evaluation made by the approved valutors.

Corporate transformation and merger

One of the landmark provision is relating to allowing for one or more companies - even if it is under liquidation - to merge with another company of its own form or from another form, provided that the application is submitted to the Registrant through the electronic system.

The company buys its shares

A company wishing to purchase its shares must obtain the approval of the Registrar based on an application submitted for this purpose through the electronic system, provided that the application is accompanied by approval of the regulatory authorities under which the company is subject to control, the company's board of directors' decision, the form of the advertisement that must be approved by the Registrar before publication and any other data or information requested by the Registrar.

Employee Stock Option & preference shares

The ER has also set out provisions and rules related to issuance of employee stock options and preference shares.

Legal Advisor

Every company must have a legal advisor, either by appointing a full-time worker in the company, or contracting with one of the law firms and legal advisors registered in Oman

The Limited Liability Company

The ER has provided detailed provisions in respect of the new form of legal companies introduced by the Commercial Companies Law which is the One Person Limited Liability Company.

Disposal of Shares

Every disposition of the partners' shares must be published via the electronic system after being registered with the Registrar.

Management of Limited Liability Company

Partners in a limited liability company may not appoint a manager to work in another company, except after he terminates his services in the company in which he works. An exception to this is the appointment of managers in companies that own shares in the company in which he was appointed.

Information required to be shown in formal documents

The ER requires commercial companies that wish to issue any advertisements, contracts or documents, warnings, receipts, papers or publications, to include the company's name, legal form, address, work center, commercial registration number, means of communication, and any other data specified by the MOCIIP.

Closed joint stock companies

The ER has detailed provisions related to rules of establishing a closed stock joint company, appointment of its board of directors, appointment & removal of external auditors, limits of remuneration & sitting fees of the board of directors, rules related to transactions with related parties etc. A new provision introduced on possibility of conducting ordinary general meetings via virtual means provided by Muscat Clearing & Depository SAOC.

The takeaway

The issuance of the ER has brought clarity to a number of provisions enacted in the Commercial Companies Law, which are in line with the overall direction of the country to strengthening the corporate governance regime, speedier processing and enhancing the ease of doing business for the local and foreign investors. We expect to gain more insights of the implications of the new ER as they start to be implemented in the coming period.

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Let's talk

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