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Omani opportunities



Vineeta Tan
Managing Editor
Islamic Finance news

The Omani Islamic finance industry is at a crossroads: after years of stellar double-digit growth since its impressive start a short six years ago, it is the expectation of market participants for the expansion level to moderate moving forward as macroeconomic pressures weigh on while the industry irons out some regulatory kinks which may redefine the Shariah banking landscape.

Islamic banking windows, which have long dominated the sphere with the help of their banking parent, may find the tables turning as the rules of the game are likely to favor stand-alone Shariah banks in the near future as the regulator mulls changes in light of mergers. From the discussions at this year's IFN Oman Forum, uncertainty over future Shariah banking models looms.

Despite so, there are clear signals of continued support from the regulators: the Central Bank of Oman confirmed it is considering potentially launching a Shariah compliant banking deposit insurance scheme and is working on new Islamic liquidity management solutions, while the Capital Market Authority is actively engaging the industry to bring new products to the market including REITs. One thing was clear from conversations at the forum: with its population dynamics, market maturity and existing infrastructure, Oman's operating environment is unique and therefore requires a bespoke approach.

We are once again pleased to be producing the IFN Oman Report, which provides an overview of the market and key insights into the exciting Omani Islamic finance sector.

Islamic Finance news

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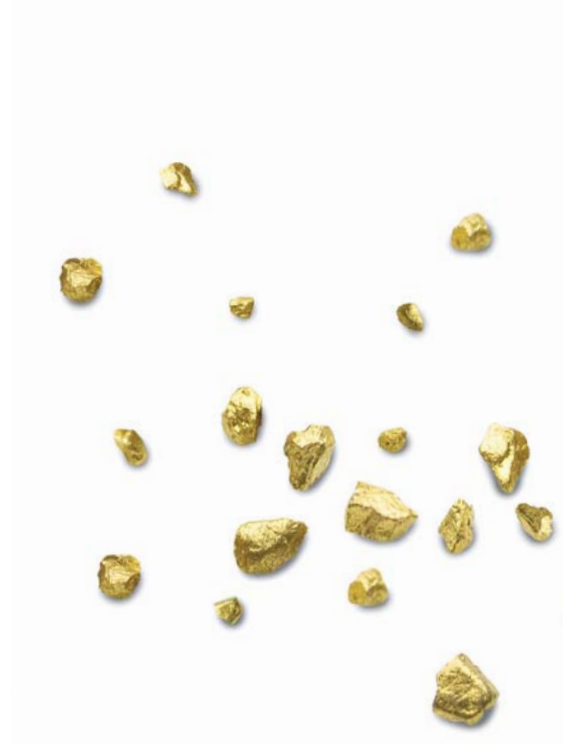
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SHEIKH ABDULLAH SALIM AL SALMI — *Executive President, Capital Market Authority, Sultanate of Oman*

First of all, I would like to thank the organizers for inviting me to provide the initial address this morning, and would like to welcome everyone to IFN Oman Forum & Dialogue 2019, which has been organized by the Redmoney Group in cooperation with the Capital Market Authority and other market players.

This IFN Oman Forum & Dialogue, which is being held for the 4th time in Oman, is being organized again after receiving tremendous feedback from participants in the previous forums held, for the purpose of introducing Islamic finance and with the objective to continuously create more awareness, educate the public and discuss and address the challenges facing the fast-growing Islamic financial market in the Sultanate of Oman and globally.

At the same time, the Oman Dialogue, which was first initiated in 2016, will bring regulators and operators, local and international, together in a high-level closed-door roundtable to discuss, and get the relevant feedback on the Islamic finance industry, challenges and the steps needed for further development and diversification.

We certainly welcome the organization of such events in Muscat, and would like to congratulate and thank the Redmoney Group and market players for selecting the Sultanate of Oman to organize this event. In this regard, and after the successful experience of previous events, it may also be good to involve in future discussions, especially closed-door sessions, other relevant parties in the Islamic finance process, such as Shariah scholars and other participants.

The CMA [Capital Market Authority] fully supports the initiatives taken by market players — as a vibrant financial market, including

the Islamic financial market, is essential to the development, financial stability and diversification of the economy in Oman. This is also an integral part of the overall strategy of the CMA, to enable the capital market to play its vital role as an alternative fundraising and financing platform for projects, especially large-scale projects, and as a practical means for economic development. Within a short span of six years, Islamic finance has emerged as one of the fastest-growing segments within the financial services industry in Oman since the establishment of two Islamic banks and six Islamic banking windows beginning early 2013.

Since then, in the capital market sector, the MSM Shariah Index was launched for the Muscat Securities Market (MSM) with 31 Shariah compliant listed companies currently listed on the MSM, three Islamic investment funds established, and with three Oman sovereign Sukuk and four corporate Sukuk issuances with various structures issued (both in the Omani rial and the US dollar), while two Takaful operators are currently licensed in the local Takaful market.

In addition, the CMA has recently given initial approvals for the issuance of the first Islamic REIT, the Aman REIT fund, by the Thara Group with a size of OMR20 million (US\$51.82 million), and is reviewing another REIT fund, the Izdihar Barka REIT fund, with assets of OMR11 million (US\$28.5 million) being managed by Bank Muscat, and the second Meethaq Sukuk issuance through a public offering to retail investors under its OMR100 million (US\$259.1 million) Sukuk program.

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The various Sukuk being issued thus far will certainly contribute toward building the benchmark yield curves in Oman and hopefully spur further Sukuk issuances in the market.

Also, the development of the REIT industry, which is being promoted by the CMA, is one of the priority projects under Tanfeedh or the National Program for Enhancing Economic Diversification, as part of the government's strategy in diversifying the economy, releasing funds and liquidity toward financing economic development projects, encouraging savings by the various segments of the community as an alternative financing method for economic development and attracting foreign investments into Oman.

All the aforementioned activities are supported by the dedicated Sukuk Regulation, REIT Fund Regulation and the Takaful Law issued by the CMA. The CMA is also finalizing the draft Takaful Regulation with the Ministry of Legal Affairs and hope to issue it soon this year.

“ We hope this will spur further issuances of Islamic capital market products, such as Sukuk issuances and investment funds including REITs, from the private sector players in order to meet their development and funding needs, while diversifying the financing base in tandem with conventional products ”

In addition, the new Commercial Companies Law (CCL) has also been recently issued which provides more flexibility and efficiency in the issuance of capital market products, including bonds and Sukuk. Under the new CCL, all corporate transactions undertaken by public joint stock companies will be supervised and come under the CMA's authority. This will enhance efficiency in the process and make the CMA a one-stop center. The CCL also allows for the creation of Shariah compliant companies with specific guidelines.

The CMA is continuously enhancing and putting in place the building blocks to ensure an effective and dynamic Islamic capital market and Takaful market in Oman. Some of the CMA's initiatives have begun to bear fruit. This can be seen in the growth and size of the Islamic capital market and Takaful market in Oman.

As of the 31st December 2018, the Islamic capital market value of about OMR1.91 billion (US\$4.95 billion) (comprising Shariah compliant shares, investment funds and Sukuk), represented

10.37% of the total capital market value (for both conventional and Islamic issued in Oman).

This Islamic capital market value does not include the additional sovereign Sukuk issuances issued by the Oman government through the Ministry of Finance, outside of Oman, totaling US\$2.5 billion thus far.

With regards to the Takaful market size, the premium had reached OMR53.16 million (US\$137.74 million) as at the end of 2018 representing 11.4% of the total insurance premiums (for both conventional and Islamic) in Oman.

This is commendable growth, as six years ago, the value contribution of both the Islamic capital market and the Takaful market to the overall capital market and insurance market respectively in Oman was non-existent.

The relative size of Oman's Islamic financial market as it stands today, vis-à-vis its overall financial market, is also a commendable achievement when compared to the size of other developed Islamic financial markets such as those in Malaysia and Dubai, based on the short development time period and the size of the local economy.

With the facilitative initiatives being taken by the CMA, and the increasing understanding of such products which provides further efficiency, competitiveness, security and assurance as to the compatibility with the Maqasid Shariah, we hope this will spur further issuances of Islamic capital market products, such as Sukuk issuances and investment funds including REITs, from the private sector players in order to meet their development and funding needs, while diversifying the financing base in tandem with conventional products.

Nevertheless, all these initiatives cannot be undertaken by the CMA alone, but with active participation, understanding and coordination of all the relevant government entities, particularly the Central Bank of Oman, the Ministry of Finance, the legislative departments, the Implementation Support and Follow-Up Unit and the private sector institutions which are closer to the market reality and needs. We, on our part, should provide the flexibility and adequate space for innovation and development, which is the only way to develop this promising and vital sector.

Furthermore, I would like to emphasize the importance of attending to the end-users' need of such products because they have great expectations that must be heeded. On the one hand, they are desirous of proper, safe and cost-effective products, while on the other hand, they want to ensure that the products are Shariah compliant. As such, I would like to see the usage of such a forum [like this one] to do this and also to see market players, especially investment banks, play their role in attracting companies to the capital market and Islamic products in particular.

Once again, I would like to extend my sincere gratitude and appreciation to all of you for attending and taking part in this event today, and I look forward to the outcome of your discussions and deliberations especially during the Oman Dialogue.

Thank you.



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- **Best Islamic Community Support Bank** by Global Financial Market Review
 - **Islamic Bank of the Year - Oman** by The Banker
- **Best Islamic Window - Maisarah, Oman** by International Finance Magazine
 - **Best Islamic Bank Oman** by Global Banking & Finance Review
- **Best Islamic Community Support Bank** by Global Financial Market Review
 - **Best Islamic Window in Oman** by Global Financial Market Review

Oman: An overview

Oman has had a tough year as prolonged tepid oil prices continue to drag the economy. But there are bright spots of light for the Shariah finance sector nonetheless.

Regulatory environment

Oman has been consistently enhancing its Islamic finance regulatory infrastructure since issuing the royal decree authorizing Islamic finance in May 2011.

Islamic banking is under the purview of the Central Bank of Oman (CBO) while Islamic capital market activities and Takaful are under the Capital Market Authority (CMA). Both regulators are ardent supporters of Shariah finance: a royal decree authorizing Islamic finance was issued in May 2011, the CBO released the Islamic Banking Regulatory Framework (IBRF) in 2012 and established a dedicated Islamic banking department in 2015 while the CMA in 2016 issued several regulations including the Takaful Law and rules for issuing Sukuk.

Banking and finance

Out of the 22 banks in Oman, two are fully Shariah-based: Bank Nizwa and Alizz Islamic Bank, while six operate Islamic banking windows: Al Yusr (Oman Arab Bank), Meethaq Islamic Banking (Bank Muscat), Sohar Islamic (Bank Sohar), Muzn Islamic Banking (National Bank of Oman), Al Hilal Islamic Banking (Ahli Bank) and Maisarah Islamic Banking Services (Bank Dhofar).

As at the end of January 2019, Islamic banking assets stood at OMR4.4 billion (US\$10.68 billion), representing a year-on-year increase of 13.89%, according to the CBO. Islamic banking entities provided financing for a total of OMR3.64 billion (US\$8.81 billion), increasing from OMR3.06 billion (US\$7.26 billion) in the previous year. Total Islamic banking deposits were also up by 5.64% year-on-year to OMR3.23 billion (US\$8.04 billion).

Despite the positive growth in the Islamic banking industry, Oman has been suffering from weaker economic growth, which is causing tight liquidity conditions and a reduction in the government's capacity to support the country's banks. Earlier in March, Moody's Investors Service downgraded Oman's long-term issuer rating to 'Baa3' from 'Baa2' with a negative outlook.

Moody's said that it expects Oman's fiscal and external metrics will continue to deteriorate, in part reflecting institutional and policy constraints. In March, Capital Intelligence revised the outlook on the long-term foreign currency ratings and financial strength ratings of Ahli Bank, Bank Muscat and the National Bank of Oman (all three banks operate Islamic windows) to negative from stable following a similar rating action on the sovereign. The World Bank is cautious, setting the nation's GDP projection modestly at 2.5% in 2019.

Omani banks are exploring merger opportunities, with Alizz Islamic Bank in the midst of merger talks with Oman Arab Bank, while Bank Dhofar and National Bank of Oman (NBO) commenced merger negotiations in July.

Islamic capital market

Oman issued a total of OMR45 million (US\$116.66 million)-worth of Sukuk as at the end of 2017, according to the CMA. Bonds and Sukuk accounted for OMR17.95 billion (US\$46.53 billion) in market capitalization in the same year, with an increase of 3.8% from 2016.

The secondary market, however, did not record positive results. A total number of traded securities fell by 8% compared to the past year due to the sharp fall in the number of traded bonds and Sukuk by more than 87%, the highest among all the other indices.

The corporate segment is looking promising: aside from Meethaq's maiden paper issued under its OMR100 million (US\$259.25 million) program last year, Golden Group established its **Sukuk program**, the largest corporate Sukuk program in the Middle Eastern country. The first tranche under the program was issued for OMR50 million (US\$129.62 million) and received strong demand. Mazoon Electricity Company also priced its **debut Sukuk** in November, coming in at the tight end of the price guidance and seeing orders top US\$5 billion.

Following a successful **dollar public Sukuk** debut last year for US\$2 billion, Oman is considering returning to the market soon with another international paper. The Sultanate's sovereign Sukuk and bond papers have also been included into the JPMorgan EMBI Index, which will see issuances from other GCC nations included in the coming months.

Takaful

Unlike their banking counterparts, insurance operators are prohibited from offering Islamic products on a window basis. There are currently two Islamic insurers: Al Madina Takaful and Takaful Oman Insurance which entered the Takaful space in 2014; a third player is expected to enter the market — Oman United Insurance, which has received board approval to convert its business to be in full compliance with the Shariah.

In April this year, the High Shariah Supervisory Authority of Oman discussed during its first meeting of 2018 the draft law of the Bank Deposit Protection Scheme — Takaful Fund for licensed Islamic banking entities. But no news has transpired since. The Sultanate is also working to make health insurance mandatory, which is expected to boost its Takaful sector.

Gross direct premiums of Takaful companies in the Sultanate increased by 8.8% to OMR45.76 million (US\$118.63 million) in 2017, compared with OMR42.06 million (US\$109.04 million) in 2016. The General Takaful business was also up by 7.54% to OMR40.52 million (US\$105.05 million) from OMR37.68 million (US\$97.68 million) recorded in 2016. Gross direct premiums of Takaful companies for Family Takaful surged by 19.63% to OMR5.24 million (US\$13.58 million) in 2017, compared with OMR4.38 million (US\$11.36 million) made in the previous year.

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Case for gold in 2019

“Gold has motivated civilizations through the centuries to aim higher and strive harder. Gold is more than just a financial asset; it is an integral component of human life.”

Dr Hamed Hassen Merah, a former secretary-general of AAOIFI

Central bank buying surges

2018 marked the largest single year of gold buying by central banks since 1967, a time when the gold standard was in place and the precious metal played a vital role in international finance.

At the end of 2018, the World Gold Council (WGC) announced the tonnage of gold bought by central banks over the year was the second-highest annual total on record.

Central bank net purchases reached 651.5 metric tons last year, a massive 74% higher than the previous year's 375 metric tons.

The WGC reported that net purchases jumped to their highest since the end of US dollar convertibility into gold in 1971 as more central banks bought gold as a diversifier. It has estimated that the so-called official sector now holds nearly 34,000 metric tons of gold.

Some of the more notable purchases by sovereign entities during 2018 were:

- China
- Russia

- Turkey
- India
- Iraq
- Kazakhstan
- Hungary
- Poland, and
- The State Oil Fund of Azerbaijan.

Buoyant interest in the precious metal pushed total gold demand in 2018 to 4,345.1 metric tons, up from 4,159.9 metric tons in 2017.

Looking ahead into 2019, the WGC forecasts central banks and private investors across the globe will continue to buy gold. This is due to the interplay between gold's use as a hedge against potential risk and its role as a long-term savings tool, particularly as many analysts forecast slowing growth in the US and Europe alongside middle-class expansion in emerging markets.

In light of these recent insights, private financial institutions may wish to consider why central banks are investing in gold at current price levels and whether they and their clients should follow suit in their own portfolios.

As one of the world's most highly accredited and largest fully integrated precious metals enterprises, The Perth Mint offers a range of Shariah compliant options. These allow private financial institutions to share with their clients this same convenient and liquid diversification tool sought by central banks, with The Perth Mint's unique government guarantee.

As well as providing hedging and saving opportunities, products from The Perth Mint have been endorsed by highly respected Shariah advisory consultants Dar Al Sharia, in accordance with the Shariah standard on gold set by AAOIFI.

Within a Shariah compliant portfolio, gold can play a vital and effective role as follows:

1. Diversification tool

Over the 10 years to October 2018, gold's correlation to major Islamic equity indices ranged from only 0.14 to -0.03.

In relation to Sukuk and Islamic REITs, over the same period gold exhibited a minimal correlation of 0.05 and 0.03 respectively.

Gold's low correlation with other asset classes within a portfolio can help investors minimize risk, reduce volatility and potentially enhance returns.

2. Low volatility

Gold is less volatile than major Islamic equity indices, REITs and the Takaful index.

While gold can be more volatile than Sukuk, it is potentially a safer asset class because it carries no credit risk or third-party liability.

3. Strong risk management

Gold's behavior as a risk management tool is particularly significant for Islamic investors given derivative-based risk management instruments — such as credit default swaps and conventional futures or forwards — are not Shariah compliant.

4. Many traditional safe haven assets are not Shariah compliant

US Treasuries, conventional money market funds or other developed market sovereign bonds are often favored during times of market turbulence. However these, like many risk management tools, are not Shariah compliant.

Gold, on the other hand, offers a larger and more liquid Shariah compliant asset pool than what has been traditionally available as a safe haven.

5. Long-term preserver of wealth

Gulf-based investors generally hold positions denominated in the US dollar or a currency pegged to the dollar.

However Southeast Asia-based investors tend to denominate their positions in local currencies, usually the Malaysian ringgit or Indonesian rupiah. These currencies have historically fluctuated against G10 currencies and have tended to underperform during periods of severe market instability.

Adding gold to a ringgit or rupiah-denominated portfolio can greatly moderate exchange rate risk.

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Through The Perth Mint's close relationship with the WGC, it can facilitate the training of staff and product marketing among existing and new clients.

** The Shariah Compliance Pronouncement on Tradability of Gold and Silver Products may be found at perthmint.com/ShariaCompliance.*

Further details about The Perth Mint can be found at www.perthmint.com/invest.

John Durham is the manager of the Depository of the Gold Corporation at The Perth Mint. He can be contacted at John.Durham@perthmint.com.



Carrera Learning: The Next Generation for Learning

During IFN World Leaders Summit in Dubai, Carrera Learning was pleased to announce the launch of an innovative online training platform enabling users to learn Islamic finance at the click of a button. Carrera Learning showcased the online platform which contains training on various topics related to Islamic banking and finance ranging from Islamic retail banking and Takaful to Islamic capital markets.

During the summit, we heard from several organizations, the importance of technology and artificial intelligence in this sector and how a lot of jobs and processes will be replaced by technology. We believe that sooner or later the traditional face-to-face training will disappear and will be replaced by technology. Carrera Learning is a breakthrough product that manages to truly replace and ameliorate the training experience by taking the learners' career path to the next level.

The way the training is provided is in line with many Islamic financial institutions that are looking to efficiently train their staff. The interactive videos are very easy to follow. The structure of each training is usually built on defining a concept, followed by an example and then a practice question to ensure content absorption. At the end of each video, there is a short one-page summary with the key takeaways. All the modules are bite-sized, taking between 15 to 30 minutes to complete.

For both large and small organizations, Carrera Learning is the ideal way going forward for an effective training experience. It is user-friendly, cost effective and scalable.

The platform has revolutionized the way Islamic finance training is delivered by offering endless customization for the organization. For instance, training can become a weekly deliverable or can also be set up so that employees need to achieve a certain score before they can move to the next module. People working in the same organization

can comment and chat with each other via the platform. Human resources or managers can track the progress of their employees and support them in the areas where they need the most help. The platform comes with an online chat with qualified Islamic finance professionals, allowing learners to ask questions at any time.

At the summit, Carrera Learning called on Islamic finance experts and Shariah scholars to join hands in assisting to develop talent in Islamic finance. Carrera Learning is open for anyone to add content and get paid for it. We believe this will enable us to capture good content that is still being delivered in the traditional way.

All training comes with a certificate of completion and also offers the opportunity to take accredited certifications from the Chartered Institute for Securities and Investments such as the Islamic Finance Qualification.

Additionally, Carrera Learning is translating all the content into Arabic to cater to the needs of Arabic-speaking countries. We expect to roll out our first Arabic content by June 2019.

In order to promote the development of talent in Islamic finance, some of the modules are free and accessible to anyone wishing to learn more about Islamic finance.

Zaineb Sefiani is the founder of Carrera Learning. She can be contacted at z.sefiani@carreralearning.com.



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- **Islamic Asset Management**
- **Takaful - Islamic Insurance**
- **Sukuk**

- ✓ **Efficient**
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Oman mulls introducing Islamic banking subsidiary model as Shariah banking providers undergo mergers and acquisitions

With mergers in the offing, the Omani banking regulator is mulling regulatory changes to accommodate Islamic banking subsidiaries in addition to the current models of fully-fledged Islamic banks and Shariah windows as the banking community readies itself for impending structural changes.

The Central Bank of Oman (CBO) is considering amending the Islamic Banking Regulatory Framework to accord more independence to Islamic windows to facilitate them toward a subsidiary model, Saud Al Busaidi, the manager of the Islamic Banking Department at the CBO, revealed at IFN Oman Forum 2019.

Last of the GCC to officially adopt Islamic finance in 2013, Oman's Shariah banking needs are being met by two fully-fledged Islamic banks and six conventional banks on a window basis. The composition, however, is up for a change as the Sultanate undergoes a series of potential mergers and acquisitions.

Alizz Islamic Bank and Oman Arab Bank (OAB) — the operator of Shariah window Al Yusr — have agreed to consolidate their businesses while two other Islamic banking window operators, National Bank of Oman (Muzn Islamic Banking) and Bank Dhofar (Maisarah Islamic Banking Services), are discussing the possibility of a merger.

Whether or not these entities would remain as fully-fledged Islamic banks, Shariah windows or be spun off as separate legal entities

under the subsidiary model remains to be seen as the latter is unprecedented.

Holding 14.6% of the total banking asset market share as of September 2018 according to latest CBO data, the Sultanate's Islamic banking sector has witnessed impressive growth in the last six years. And this growth is also witnessed in the Islamic capital market.

The Capital Market Authority (CMA) is currently reviewing a second retail Sukuk offering by Meethaq Islamic Banking under its OMR100 million (US\$259.07 million) Sukuk program, Abdullah Salim Al-Salmi, the executive president of the CMA, confirmed in his keynote at IFN Oman Forum which welcomed over 180 delegates. This would add to Oman's Sukuk repertoire of three sovereign Islamic papers and four corporate offerings in the last few years.

Excluding the US\$2.5 billion in sovereign Sukuk issued, Islamic instruments — including shares, investment funds and Sukuk — command a 10.37% market share of total capital market value as at the end of 2018. The Takaful sector on the other hand accounted for 11.4% of total insurance premiums.

Path Solutions to pilot Islamic retail fintech solution in Oman

An Islamic core banking solution provider will be using the Sultanate of Oman to pilot its new Shariah compliant retail fintech solution with plans to expand its offerings to include an SME-targeted product before bringing the new services global.

Kuwait-based Path Solutions has engaged two fintech companies to roll out two Islamic fintech solutions in collaboration with Omani Shariah banks. Working to introduce the retail product first, an SME service will follow suit six months after the launch of the first solution, according to Group Chairman and CEO Mohammed Kateeb.

"The fintech [start-ups] use the banks as a back-end, similar to a middle service that allows financing to customers through Islamic banks," Mohammed explained, adding: "I think people and fintech companies are realizing that to play in this space successfully, you need to complement the banks."

Speaking to IFN, Mohammed confirmed that the group is looking at implementing the fintech solutions in 35 markets within the first three years of launch.

"We need this initial success to understand the market and services; after we have taken all the feedback into our system and services, then we will be able to launch them more efficiently into other countries," Mohammed said.

The expansion of products is on the back of a double-digit profitability growth projection for 2019 following a year which Mohammed described as a successful one without disclosing revenue figures. The private company already has some 140 banks on its client list, with seven new names added in 2018 alone.

This is an excerpt from an interview with Mohammed Kateeb, the group chairman and CEO of Path Solutions. To listen to the full conversation, log on to IFN Podcasts.

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Account Number: 098-654
Date: 12/11/2016
Total: 321 654 876 98

No	Amount	In	Out	Disc	Charge	Card	Out	In	Balance
56	5555	555	555	6666	7777	8888	99	321	5467
9	76	-56	76	78	4	789	-	456	
76	45	-67	45	-78	456	789	6	456	
45	356	-	356	-56	578	356	-87	456	
356	5678	-	5678	-67	78	243	-	457	
5678	4	-	4	-	456	4	-	456	
4	456	-	456	-	678	456	-	456	
456	578	-	578	-	9	578	-	456	
578	78	-7	78	-	76	78	-6	67	578
78	456	-67	456	-	45	456	-	67	578
456	678	-45	678	-7	356	678	-	78	
678	9	-4	9	-67	5678	9	-	456	
9	76	-32	76	-45	4	76	-	678	
76	45	-76	45	-4	5	-	-	78	9
45	356	-97	356	-	5	-	-	78	9
356	56	-53	56	-	6	-7	678	45	
56	789	-4	789	-356	-67	-	356		
789	356	-23	356	-45	56	5678	-	4	
356	243	-62	243	-4	4	-	-	4	
243	457	-73	457	-3	4	36	-	456	
457	689	-31	689	-76	56	456	-	4567	
689	456	-	456	-3	87	78934	-	4657	
456	345	-	345	-3	87	78934	-	56	789
345	23	-	23	-46	56	789	-	345	
23	567	-	567	-8	76	789	-	345	
567	789	-45	789	-34	67	457	-	689	
789	457	-46	457	-8	76	789	-	56	243
457	689	-23	689	-35	456	789	-	67	457
689	456	-8	456	-654	67	457	-	689	
456	345	-34	345	-45	456	789	-	345	
345	23	-35	23	-46	56	789	-	456	
23	44	-654	23	-	3	76	5	34	-7
44	3	-4	3	-7	76	45	23	689	-45
3	76	-5	76	-45	45	356	8	456	-4
76	45	-23	45	-34	356	56	34	987	
45	356	-8	356	-4	56	34	987		
356	56	-34	56	-4	56	34	987		

Tax neutrality for Islamic financial transactions in Oman

In Oman, Islamic financial transactions (IFTs) are taxed ‘at par’ with conventional financial transactions (CFTs). For tax policymakers, at times, achieving ‘at par’ taxation is tougher than granting tax exemption. For example, the borrowers, who have availed Islamic financing, cannot deduct an expense like their other conventional banking loan interest against tax due, in the absence of ‘at par’ provisions that consider ‘in lieu of interest’ as interest.

Not only are there corporate taxes in the nature of taxation of expenses, but there is also the capital gains tax against asset transfers. Capital gains may seem to arise from the plain application of the general law to the Shariah compliant structures as they are asset-proofed. Taxation of these ‘seemed’ capital gains solely due to the nature of Shariah compliant structures means being taxed ‘discriminately’. Unless there are provisions that avoid this discrimination caused by applying the same law to two different types of transactions, it shall cause a disadvantage to one, due to economic double taxation. This disparity can have the effect of making the IFT unattractive to the persons who are religiously or otherwise seeking for it and also fail to achieve the country’s goal of financial inclusiveness.

In Oman, the profits, fee and charges linked to ownership and leasing of the underlying assets, solely in IFTs, are exempt in order to achieve tax neutrality. Under the Oman Banking Law amendments that came into force in 2012, Islamic banks are exempted from charges imposed by transactions related to the ownership, leasing and renting of real estate and movables where the transactions are performed for the purpose of providing Islamic banking services. According to the Capital Market Law amendments that came into force in 2014, an SPV incorporated for the issuance of Sukuk will benefit from the exemption of tax and all kinds of fees that are connected to the registration and transfer of ownership of assets.

Under the Oman Income Tax Law amendments that came into force in 2017 and its executive regulations issued in 2019, disposing of capital or other assets by sale or exchange or waiver, leasing of immovable or movable properties or the usufruct and the income arising in consideration of rent or usufruct linked with these transactions are not subject to tax. Donations (the excess arrived after the Shariah audit) are deductible and the credit losses created by the Islamic banks shall be treated as the loan losses of the CFT. Also, for taxpayers, any amount spent in lieu of interest shall be treated as a deductible expense.

While the Income Tax Law endeavors to achieve neutral tax treatment between IFTs and CFTs, it is clearly ruling out any type of tax avoidance using these provisions intended for a different purpose. It does not accord the neutral treatment to transactions that “explicitly or implicitly” involve financial principles other than IFTs. Understanding that inbound investment is conducive to the Omani economy, there are various tax exemptions and financial incentives provided under the Capital Market Law; however, they are not specifically for IFTs, but also for CFTs.

Dhana Pillai is the head of real estate, tax and project finance at Al Hashmi Law Firm (Oman). She can be contacted at dhana.pillai@ohlaw.net.

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SASLO is a pre-eminent law firm in Oman, providing legal services to the local and international business community since being founded by Said Al Shahry in 1992. The firm prides itself in representing a prestigious clientele, whether they operate locally or globally and whether they are market leaders or smaller firms. It remains the only Muscat based law firm with well-established branch offices in Salalah, the capital of the fast developing Dhofar Governorate in the south of the country, and Sohar, the industrial hub of the Batinah coast.

SASLO is a full service commercial law firm, and thus offers the full spectrum of commercial law services meeting the requirements of commerce and industry. These requirements range across: corporate transactions for both private and listed companies; financing and security transactions for banks, airlines, shipping companies, developers, manufacturing companies and others; infrastructure projects; the full range of commercial agreements; and dispute resolution, arbitration and litigation services. These services are provided through SASLO's two principal departments, Company/Commercial and Dispute Resolution, which are supported by strong administrative departments. SASLO is unique in offering a blend of highly experienced senior Omani and foreign lawyers with extensive local and international expertise.

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SASLO's Corporate/Commercial practice covers the full range of Islamic finance services, including:

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Oman's mandatory health scheme poised to grease the wheels of the Takaful sector

Two years ago Oman announced that it is planning to introduce mandatory health insurance in the country. Positioned as a move to push the nation's insurance industry, the initiative is also poised to boost the nation's small Takaful sector, which currently houses only two operators.

At the end of 2017, the Council of Ministers announced a decision for Oman to provide mandatory health insurance to all private sector employees, residents and visitors to the nation.

More than a year later, the plan is still an ongoing process, but concrete efforts are in full swing as the nation advances toward realizing the initiative. The Capital Market Authority (CMA) published the unified health insurance policy, which is a declaration of preparedness of the legislation infrastructure of the health insurance scheme 'Dhamani' as a prelude for the gradual implementation in phases after approval from the Council of Ministers.

Among the features in the policy are: Dhamani will provide healthcare to more than two million workers and visitors; employers are responsible for the payment of insurance premium; the policy is the minimum limit of basic healthcare; and pregnancy, birth, dental and eye care as well as work injuries are optional features.

"A Shariah compliant company would opt for Takaful coverage, whereas a conventional company will decide to choose either conventional or Islamic insurance on the basis of which provides better premium rates," Asad Qayyum, a partner with expertise in Islamic finance in Al Busaidy Mansoor Jamal & Co, explains.

The CMA said in a statement that implementation phases will be determined as per the classification of commercial companies and the ability of private health institutions to accommodate the expected numbers as the scheme is expected to provide insurance coverage for 2.1 million workers in the private sector, Omanis and residents in addition to visitors to the nation.

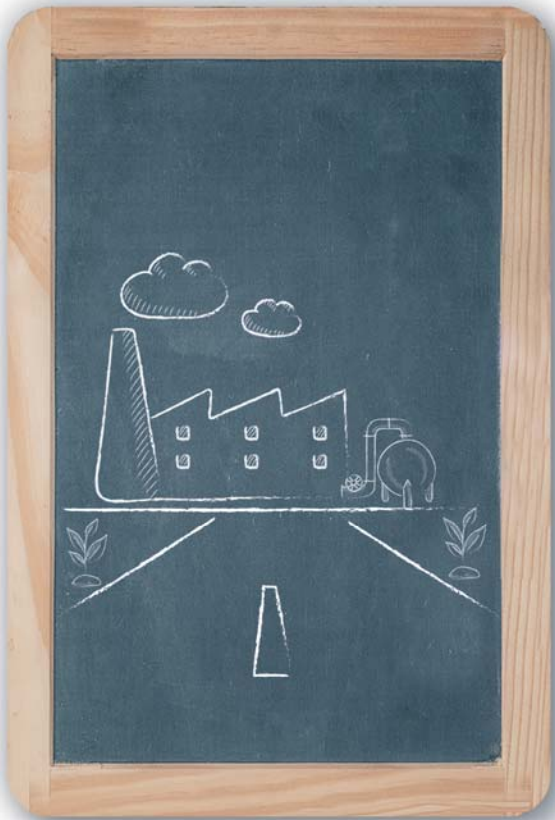
When the project finally takes off, it is expected to open the floodgates to more demand in the nascent local Takaful sector. According to the CMA, as at the end of 2017 (latest report), gross direct premiums of Takaful companies were only 10.13% of the total gross direct premiums of the local insurance industry.

Asad further says that the new regulation could bring more players to the local Takaful space. "The local Takaful sector, however small, is already running successfully. The CMA mentioned that it is hoping to attract more market players, local and international alike, through the initiative. This is inevitable because [an] increase in demand means there will be a surge in supply, translating to more Takaful providers with high-quality services, more competition and should bring in international expertise, among others," he says.

A local Takaful provider, wishing to remain anonymous, echoes the same sentiment, telling IFN that the new initiative is expected to boost the nation's small Takaful sector. "Mandatory insurance means a spike in business. Naturally, we are expecting a surge in demand for our products," the operator expounds.

Middle Eastern nations are increasingly looking to make health insurance, including Takaful, compulsory, especially in the past few years. Saudi implemented this in 2016 whereas a number of emirates in the UAE, for example Dubai and Abu Dhabi, have been practicing mandatory insurance for years. Qatar is also looking to relaunch mandatory health insurance, disbanded three years ago due to various reasons.

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Ahlibank

Khalid Ali Saif Al Yahmadi has resigned as a board member of Ahlibank, which runs Al Hilal Islamic Banking, effective the 27th March 2019. Ibrahim Said Badar Al Eisri has been appointed as a temporary director until the next annual general meeting.

Bank Dhofar

Bank Dhofar, the operator of Maisarah Islamic Banking, has appointed Abdul Hafidh Salid Rajab Al Ojaili as the board chairman; Ahmed Said Mohammed Al Mahrazi as the vice-chairman; and Saad Abdullah Ali as the board secretary.

Bank Nizwa to expand presence

Bank Nizwa, an Islamic bank, will be opening a new branch soon, bringing the total number of branches in the country to 14. The bank's CEO, Khalid Al Kayed, was quoted by Muscat Daily as saying that the lender is looking to open two new branches every year for the next couple of years to expand its reach within the Sultanate.

Fitch downgrades ratings on Omani banks

Fitch has downgraded Bank Dhofar's long-term issuer default rating (IDR) to 'BB' from 'BB+', National Bank of Oman's long-term IDR to 'BB' from 'BB+' and Bank Muscat's long-term IDR to 'BB+' from 'BBB-'. All the banks, which run Islamic banking operations, have a stable outlook and have been removed from Rating Watch Negative under which the banks were placed following the downgrade of the Omani sovereign last year.

XRP live on Rain platform

Rain, a Shariah compliant crypto exchange, has announced on its official Twitter handle that it has added the XRP cryptocurrency onto its platform in various pairs, namely with the Bahraini dinar, Saudi riyal, UAE dirham, Kuwaiti dinar, Omani rial and the US dollar. XRP is now listed on the exchange along with Bitcoin, Ethereum and Litecoin.

MSM discloses list of Islamic companies

A total of 32 companies have been included in Muscat Securities Market (MSM)'s list of Shariah compliant companies whose performance and financial activities have satisfied the requirements of AAOIFI regarding compliance with Islamic investment principles.

According to a bourse filing, the list, generated based on companies' financial statements of the fourth quarter, includes Ooredoo, Sahara Hospitality and Oman Flour Mills, among others.

Bank Nizwa

For the year 2018, Bank Nizwa has recorded a 98% year-on-year jump in net profit to OMR7.5 million (US\$19.43 million) and grew

its total assets by 25% to OMR873 million (US\$2.26 billion) while its total customer deposit base increased 35% to OMR712 million (US\$1.84 billion), confirmed a statement.

Bank Dhofar collaborates with TelyPay

Bank Dhofar, which operates Maisarah Islamic Banking services, has inked an MoU with TelyPay, a fintech provider, according to a statement. The deal will see both firms collaborating to develop highly innovative e-payment solutions.

AMJ

Al Busaidy, Mansoor Jamal and Co (AMJ) has appointed Asad Qayyum as a new partner to head up its natural resource and Islamic finance teams, the firm informed IFN.

Bank Nizwa

Bank Nizwa, an Islamic bank, has announced in a bourse filing the promotion of Salim Al Maharbi from the position of acting CFO to the position of CFO/assistant general manager.

CBO issues Bank Resolution Framework

The Central Bank of Oman (CBO) has issued the Bank Resolution Framework for Oman. The framework aims to prepare banks for self-propelled recovery, and if circumstances necessitate, allow authorities to resolve them in an orderly way with least disruption and minimal cost to the national exchequer while preserving financial stability.

The framework will be applicable to all banks designated as domestic systemically important banks by the CBO, and at its discretion, the CBO may apply all or parts of the framework to any other bank licensed by it.

CMA issues UHIP

The Capital Market Authority (CMA) has issued the Unified Health Insurance Policy (UHIP). The UHIP is one of the main components of 'Dhamani', the compulsory health insurance for employees of the private sector, expatriates and visitors, which the CMA is preparing for actual implementation in collaboration with the concerned entities.

Dhamani will provide healthcare for more than two million workers and visitors. Under the scheme, the employer is responsible for the payment of the insurance premium; the policy is the minimum limit of basic healthcare; and pregnancy, birth, dental and eye care as well as work injuries are optional features.

Sohar rolls out wealth management services

Sohar International, which runs Sohar Islamic, has unveiled wealth management advisory services led by Aziz Al Jahdhami.

Keynote Address



TAHIR SALIM AL AMRI — Executive President, Central Bank of Oman

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Opportunities for Oman: The Next Stage of Development for Islamic Banking, Capital Markets and Takaful

Through a select group of senior market participants, we review recent developments in Omani Islamic banking, finance, Takaful and investment and ask if expectations have been matched, exceeded or otherwise. We examine industry consolidation and assess the efficacy of various operational models for Islamic banks — stand-alone and windows — while at the same time examining pressing issues such as liquidity management as part of the Sultanate's Islamic Banking Regulatory Framework. We also discuss what a deposit insurance scheme would look like in Oman and assess what can be learned from other Islamic finance centers that have successfully implemented such schemes.



JAWAD ALI

*Managing Partner —
ME Offices, King &
Spalding*



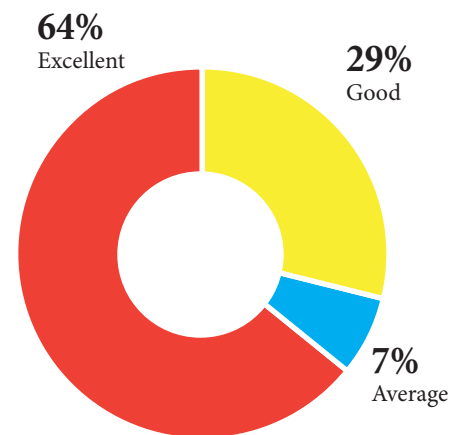
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AL MAMARI**

*Vice-President,
Insurance Sector,
Capital Market
Authority, Sultanate
of Oman*



**KHALID
AL KAYED**

CEO, Bank Nizwa



**MANSOOR JAMAL
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*Vice-President,
Capital Market
Sector, Capital
Market Authority,
Sultanate of Oman*



SAUD AL BUSAIDI

*Manager, Islamic
Banking Department,
Central Bank of
Oman*



REITs and Islamic Investment Funds in Oman

An expert panel discusses the launch and development of the REIT market in Oman. With REITs being recently established in the Sultanate and with more in the pipeline, what can we expect in the coming year and what is current investor sentiment and appetite? We also assess the role of regulation, asset quality and diversification.



SALMAN AHMED

Partner, Financial Institutions and Capital Markets, Trowers & Hamlin



ABDUL SAMAD AL MASKARI

CEO, Thara Global Business



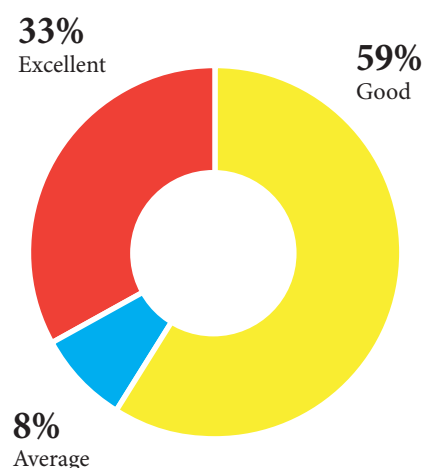
ASAD QAYYUM

Partner, Al Busaidy, Mansoor Jamal & Co



KEMAL RIZADI ARBI

Expert/Advisor, Capital Market Authority, Sultanate of Oman



SAIFUDDIN AHMED

Head of Asset Management, Almadina Investment



SYLVAIN VIEUJOT

CEO, Emirates REIT



YASSER AL TOOQI

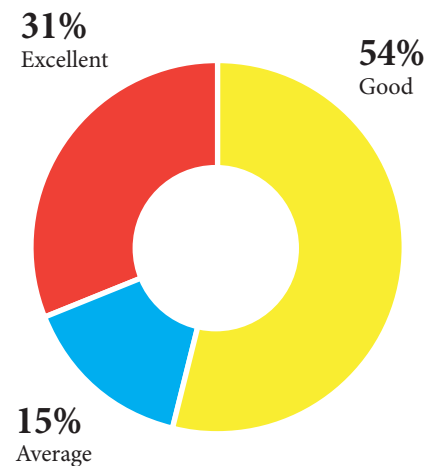
Head, Corporate Planning Team, ISFU (Implementation Support and Follow-Up Unit)

Key Takeaways:

The efforts made by Tanfeedh and the CMA in the promulgation of the REIT Regulations have been commendable and it is encouraging to see the accommodating approach of the regulator to facilitate issuance of REITs in Oman. The introduction of the REIT Regulations should spur foreign investment in the Omani real estate sector and give a boost to the economic diversification initiatives of the government. However, the government should consider providing tax incentives to REIT sponsors who, for the time being, are subject to payment of capital gains tax and land registration fees at the time of transfer of real estate into the REIT. Addressing these costs which are directed at REIT sponsors should enable sponsors to bring REITs to the market.

*Asad Qayyum
Partner, Al Busaidy, Mansoor Jamal & Co*

Presentation: Gold — Opportunities for Financial Innovation



JOHN DURHAM — Manager — Depository, Gold Corporation, The Perth Mint



Gold - a traditional store of wealth



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Gold in a cashless world

“As we have less and less paper currency, there will still be a need to store wealth, to have privacy and to carry out transactions between parties who don’t trust one another – gold fills that role.”

- Ken Rogoff, Professor of Economics and Public Policy Harvard University in Gold Investor, February 2019

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Sharia compliant options

- Financial Institutions Depository Online (FIDO)
- AAAU ETF
- GoldPass® app



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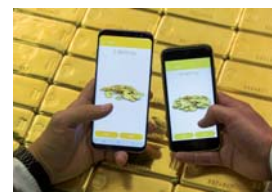
- Precious metals stored on investors' behalf is guaranteed by our owner, the Government of Western Australia.
- Physical storage provided in The Perth Mint's central bank grade vaults, the largest such network in the southern hemisphere.
- We safeguard wealth worth more than \$3 billion for clients from over 130 countries.
- Option to take physical delivery of precious metals at any time.
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- *Coinmarketcap.com*

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Learning from Financial Institutions, Issuers and Projects in Oman

What rationale do issuers, corporates and sponsors use for evaluating the offerings of Islamic capital markets and facilities? What lessons can be learned from recent transactions in Oman? We examine factors for success including structures, pricing, ratings, distribution, market conditions and credit enhancement.



ALEX ROUSSOS

Partner, Dentons



GIRISH KOLI

CFO, Al Madina Real Estate Company



MOHAMMED SAJARI

Head of Shariah Structuring, Bank Nizwa



MOHSIN SHAIK

Head of Investment Banking and Capital Markets, Maisarah Islamic Banking Services



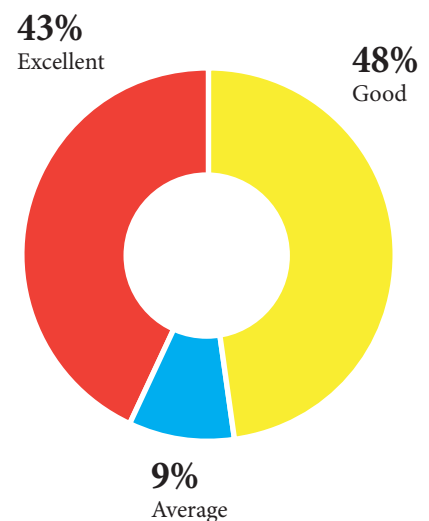
RICHARD PHELAN

Legal Director, Oman Gas Company

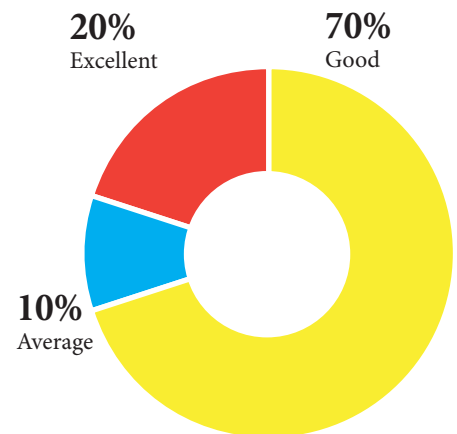


THAMER AL-SHAHRY

Head of Corporate Commercial Department, Said Al Shahry & Partners



Presentation: Talent Development in Islamic finance



ZAINEB SEFIANI — Founder, Carrera Learning

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Drive and Disrupt: Digital Banking and Financial Technology in Oman and the GCC Region

We assess the latest developments in digital banking and fintech and analyze likely industry shifts, regulation and developments in product and delivery channels across a range of product areas. What does the advancement of technology and in particular, blockchain, mean for Islamic financial institutions in Oman and the Gulf region?



VINEETA TAN

*Managing Editor,
Islamic Finance news*



**AHMET SALIM
BILGIN**

*Founder, FinBrain
Technologies*



**MUHAMMAD
KASHIF ZAFAR**

*Head of Islamic
Banking Finance,
Sohar Islamic*



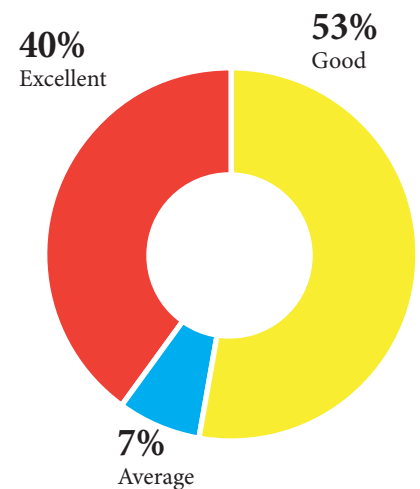
**MUGHEES
SHAUKAT**

*Head, Islamic
Finance, College
of Banking and
Financial Studies*



SALMAN KABANI

*Head of Market Risk,
Operational Risk and
Strategy*



Key Takeaways:

The phenomenon of technology-driven financial disruption has moved into a new phase from fintech to the notion called 'Big Tech'. While the former could also be viewed as complementing the current financial/banking sector, the latter is a direct threat to the same if not both. Banks that are still not proactive and insightful, and operating the business with the usual approach, may soon be missing the bus. The Microsofts, Googles, Apples and the Facebooks, etc, are big enough to immediately run the monopoly in financial services. They have (big) data, (big) network, (big) market cap, (big) user friendly-customer base and (big) technology brands — 'Big Tech'. Apple has already launched the Apple credit card, raising the bar even for fintech brands. There should be a call for better proactivity for banks, particularly Islamic banks. This is a fine opportunity for markets that are new to Islamic/Halal banks. The new age of the Islamic/Halal financial model could start where other systems finish!

*Mughees Shaukat
Head, Islamic Finance at College of Banking and Financial Studies.*

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SPEAKERS' LIST

Name	Company Name
ABDUL SAMAD AL MASKARI	Thara Global Business
ABDULLAH SALIM AL-SALMI	Capital Market Authority, Sultanate of Oman
AHMED AL MAMARI	Capital Market Authority, Sultanate of Oman
AHMET SALIM BILGIN	FinBrain Technologies
ALEX ROUSSOS	Dentons
ASAD QAYYUM	Al Busaidy, Mansoor Jamal & Co
GIRISH KOLI	Al Madina Real Estate Company
JAWAD ALI	King & Spalding
JOHN DURHAM	The Perth Mint
KEMAL RIZADI ARBI	Capital Market Authority, Sultanate of Oman
KHALID AL KAYED	Bank Nizwa
MANSOOR JAMAL MALIK	Al Busaidy, Mansoor Jamal & Co
MOHAMMED SAID AL ABRI	Capital Market Authority, Sultanate of Oman
MOHAMMED SAJARI	Bank Nizwa
MOHSIN SHAIK	Maisarah Islamic Banking Services
MUGHEES SHAUKAT	College of Banking and Financial Studies
MUHAMMAD KASHIF ZAFAR	Sohar Islamic
RICHARD PHELAN	Oman Gas Company
SAIFUDDIN AHMED	Almadina Investment
SALMAN AHMED	Trowers & Hamlins
SALMAN KABANI	Bank Nizwa
SAUD AL BUSAIDI	Central Bank of Oman
SHEIKH MUADH SALIM AHMED AL-GHAZALI	Golden Group of Companies
SYLVAIN VIEUJOT	Emirates REIT
TAHIR SALIM AL AMRI	Central Bank of Oman
THAMER AL-SHAHRY	Said Al Shahry & Partners
VINEETA TAN	Islamic Finance <i>news</i>
YASSER AL TOOQI	ISFU (Implementation Support and Follow-Up Unit)
ZAINEB SEFIANI	Carrera Learning

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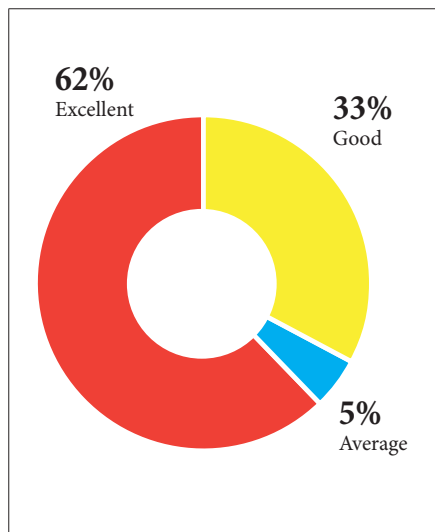
COMPANIES' LIST

Addleshaw Goddard	Kuwait Finance House - Bahrain
Ah22 Bank	Legal Affairs Dept
Ahli Bank Saog	Lower
Al - Thabat Holding	Maisarah Islamic Banking
Al Alawi & Co., Advocates & Le	MB Holding Company
Al Busaidy, Mansoor Jamal & Co	Meethaq - Bank Muscat
Al Hashmi- Law	Millennium Hotels & Resorts
Al Hashmi Tax	Ministry of High Education
Al Islamic Bank	Modern College (Mcbs)
Alizz Islamic Bank	Muscat Clearing & Depository
Al Rashdi, Al Juma & Ewing	Muscat Securities Market
Al Roya Press & Publishing House	National Bank of Oman
Al- Thabat Holding	Nomura Islamic Asset Mgt
Al Yusr Islamic Banking	Oab - Al Yusr
Alama	Oman American Business Center
Al-Kathiri & Associates	Oman Arab Bank
Almadina Investment	Oman Daily Observer
Amana Bank	Oman Growth Fund
American Express	Oman-Switzerland Association
Asaas	Omantel
Bahwan Enterprises	Ooredoo
Bahwan Services And Trading	Oxford Business Group
Bank Dhofar	PricewaterhouseCoopers
Bank Examination Department	Quality English
Bank Nizwa	R.O.P Pension Fund
Bank of Muscat	Rajab Al - Kathiri Associates
Bankdhofar- Maisarah	Said Al Shahry & Partners
Braht Muscat	SASLO
Capital Market Authority	Security & Safety Services
Carrera Learning	Seven Seas Company
Central Bank Of Oman	Sharakah
Civil Service Employees Pension Fund	Sohar Islamic
Clyde & Co	Thara
CMS Cameron Mckenna Nabarro Ol	The Zubair Corporation
CNBC	Tomoooh
Dentons	Toyota
Eiger Trading Advisors	Capital Markets & Financial Institutions
Equitativa Group	Trowers & Hamlins
Farner Consulting Ag	United Securities
Finbrain Technologies	Vago Holding
Implementation	

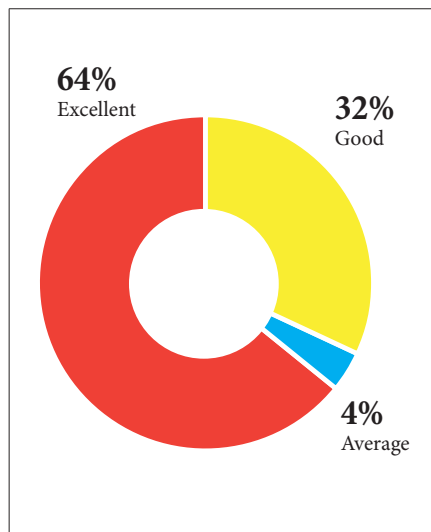
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OVERALL EVALUATION

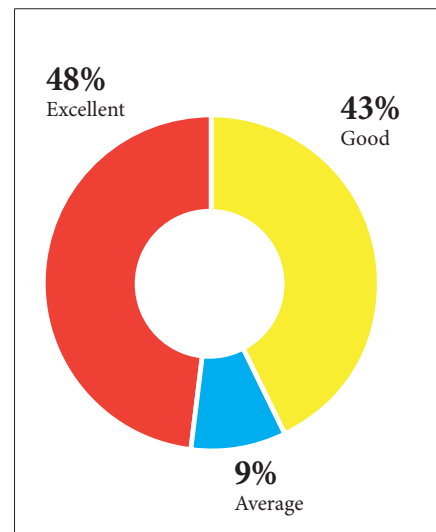
Pre-event Contact



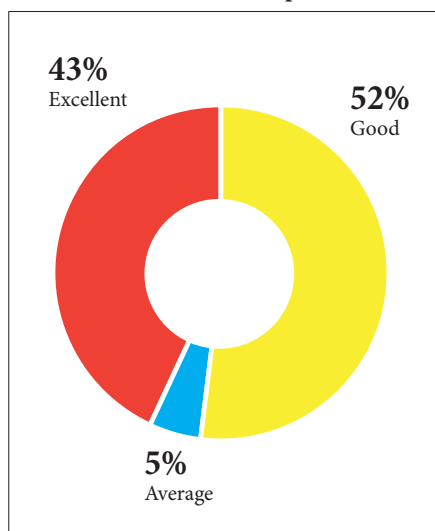
Venue & Facilities



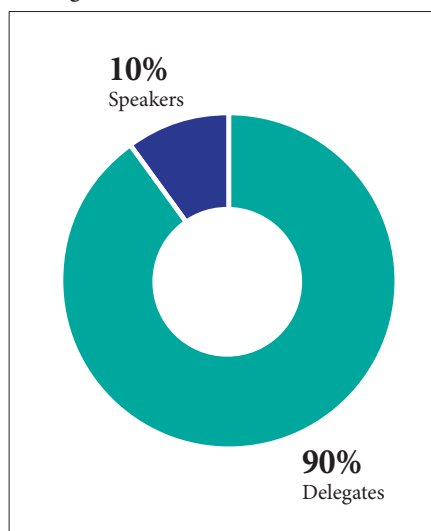
Overall Evaluation of the Event



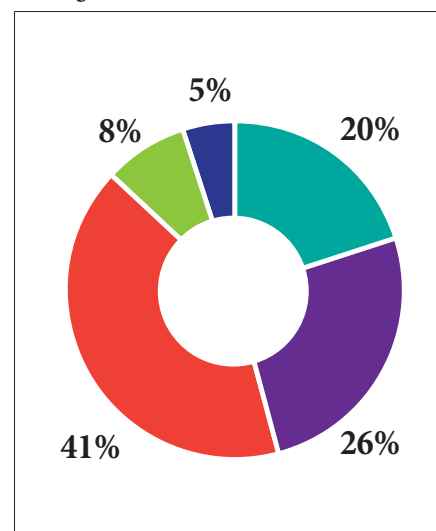
Overall Evaluation of the Speakers



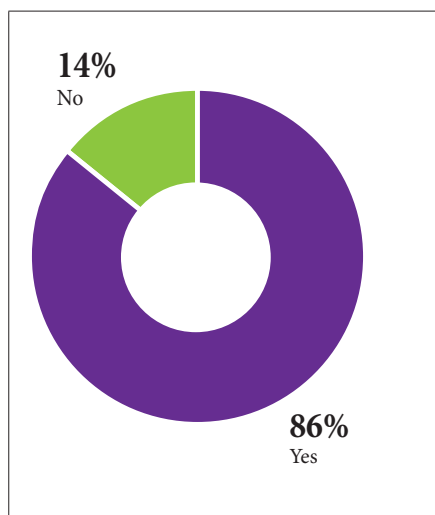
Delegate Breakdown



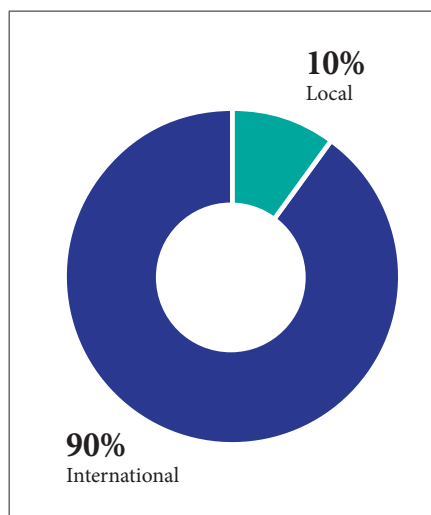
Delegate Job Title Breakdown



Delegates Who Would Like to Attend IFN Oman Forum 2020



Delegate Breakdown (International & Local)



Board Level Management	88
Senior Management	57
Management	44
Executive	10
Others	18
Total	217



“Thank you IFN for these productive events you guys do the world over. Always felt at home and keen to contribute and promote these efforts.”

Mughees Shaukat
Head, Islamic Finance, College of Banking and Financial Studies

“Indeed it was a great event. The IFN team did a great job. I want to extend a special thank you for having Sohar Islamic as a sponsor and me as a panelist. I would love to have senior management participation next time. We can discuss that nearer to the event date. Also, I hope that we can get more companies on board.”

Muhammad Kashif Zafar
Head of Islamic Banking Finance, Sohar Islamic



“The organization of the IFN Forum is excellent and allows us to meet all key players in the Islamic finance sector in Oman, including the regulators, lenders and legal advisors. The panel discussions were well moderated and very well paced, allowing the panelists to go straight to the point in presenting their thoughts on the most current and relevant issues in the industry. This mode of open discussion fosters relationship-building with fellow panelists and the audience, which can be deepened if necessary at the end of the forum. It is therefore an event not to be missed for the various players of the Islamic finance sector in the Sultanate!”

Thamer Al-Shahry
Head of Corporate Commercial Department, Said Al Shahry & Partners



“It was indeed a pleasant experience and enjoyable events including networking.”

Girish Koli
CFO, Al Madina Real Estate Company

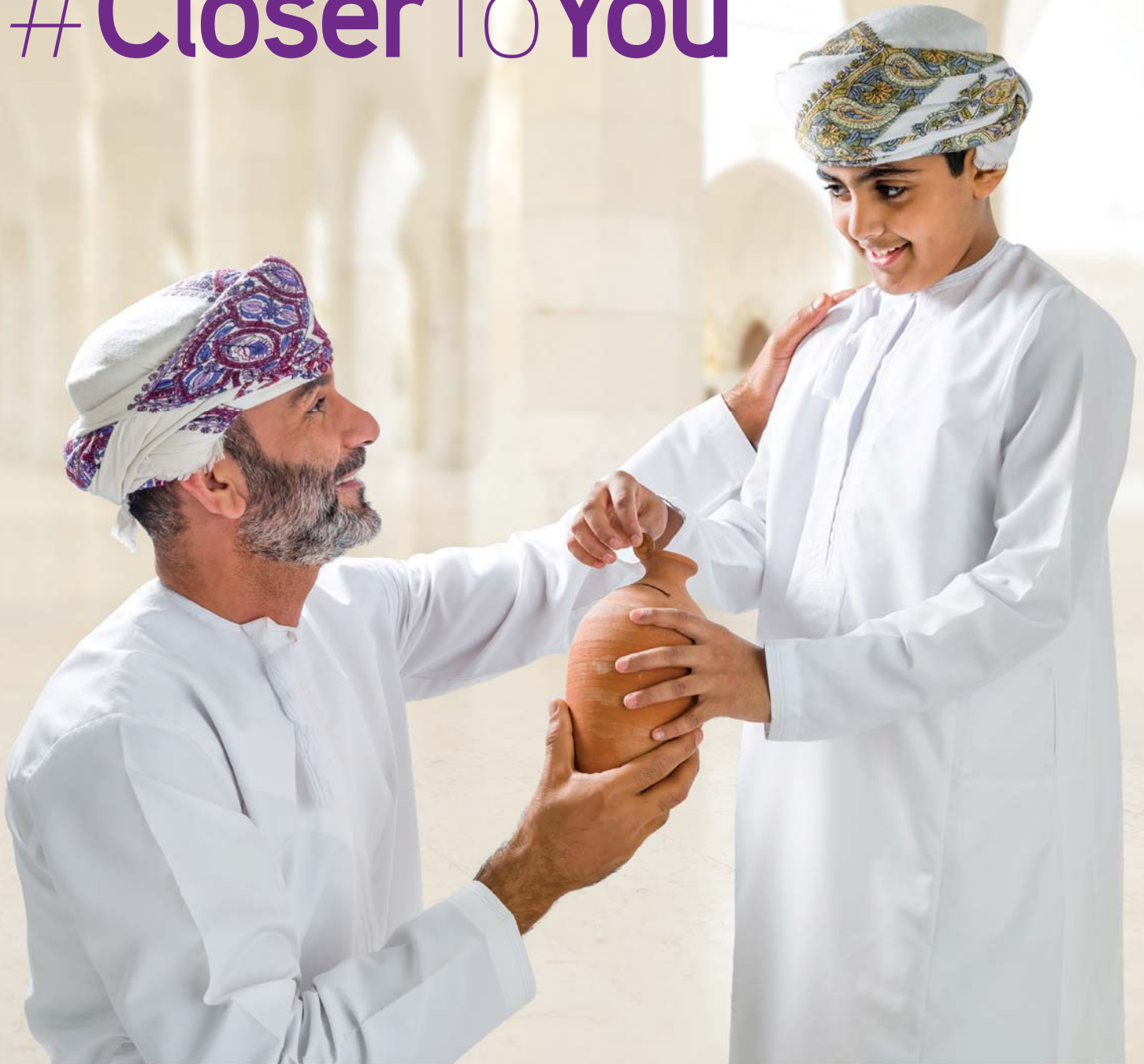


“The experience of attending IFN Oman 2019 event has been wonderful. It hits all the right notes with contemporary issues being discussed and experts sharing their thoughts. The format has been well planned with conference sessions and networking sessions evenly paced out. It was a pleasure to meet all the financial industry experts, regulatory bodies and clients present at the event.”

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