

LABUAN FINANCIAL SERVICES AUTHORITY  
(LEMBAGA PERKHIDMATAN KEWANGAN LABUAN)

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Circular No. : 238/2020/ALL  
Date : 9 April 2020

Association of Labuan Banks  
Labuan Investment Banks Group  
Labuan International Insurance Association  
Association of Labuan Trust Companies

Dear Sir/Madam,

**Regulatory Reliefs for Labuan Entities**

Taking cognisant of the COVID-19 situation, Labuan FSA wishes to announce temporary regulatory reliefs (TRRs) for Labuan entities (LEs) to cushion the impact and disruption to Labuan IBFC market caused by the pandemic.

2. The TRRs are intended to provide administrative and financial reliefs to the LEs. With the flexibilities accorded, the Authority expects the LEs to continue to provide uninterrupted services to their clients and the markets that they serve. The LEs may even have the opportunity to provide better business facilitation to support their clients, where possible, in this challenging time.

3. The TRRs provided cover:

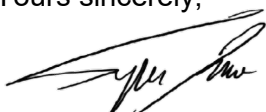
- (i) Relaxations on administrative governance and market conduct requirements so as to ensure practicality in view of the current situation;
- (ii) Flexibility on the technical requirements for the (re)insurance and (re)takaful liabilities; and
- (iii) Extension of period for the regulatory reporting and submissions to the Authority.

Details and scope of TRRs are attached in the **Appendix**. Please take note that some of these relief measures have been earlier communicated to the industry by the respective functions within the Authority which relate to the COR@L System, Statistical Management System and supervisory reporting. Further reliefs or extensions may be provided depending on the developments of the situation.

4. We seek your assistance to inform and disseminate this circular to your members, accordingly. Should you require clarification on the above, please do not hesitate to contact any of the following officers:

Area of TRR	Contact Person	Contact No.	Email Address
Governance & Conduct Regulatory Reliefs	Ms. Jennifer Voon Mei Ying	087-591365	jennifer@labuanfsa.gov.my
	Ms. Doreen Fadli	087-591391	doreen@labuanfsa.gov.my
Financial Regulatory Reliefs	Ms. Carmelitta Liaw Sheau Horng	087-591224	carmelitta@labuanfsa.gov.my
	Mr. Billy Gumbang	087-591331	billy@labuanfsa.gov.my
Regulatory Submission & Supervisory Reliefs	Mr. Pooi Jun Jin	087-591329	pooijj@labuanfsa.gov.my
	Ms. Norleza Abdul Rahman	087-591349	norleza@labuanfsa.gov.my
Statistical Management System (SMS) Reliefs	Ms. Nazuhana Hood	087-591205	nazuhana@labuanfsa.gov.my
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	Mr. Jefri Mohd Jamri	087-591225	jefri@labuanfsa.gov.my
	Mr. Yap Ye Li	087-591226	yapyl@labuanfsa.gov.my
COR@L System Reliefs	Mr. Nickie Yapp Thau Leong	087-591262	nickiey@labuanfsa.gov.my
	Mr. Mohamad Ibrahim Abdul Hamid	087-591207	ibrahim@labuanfsa.gov.my

Yours sincerely,



Syahrul Imran Mahadzir  
 Director  
 Labuan Financial Services Authority

## Regulatory Reliefs for Labuan Entities

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
<b>A) Governance &amp; Conduct Regulatory Reliefs</b>				
1.	<p><u>Guidelines on Corporate Governance for Labuan Banks and Labuan (Re)Insurers (Para. 6.3)</u></p> <p>It is expected that at least two board meetings would be held in Labuan with the majority of the board are physically present in the island.</p>	<ul style="list-style-type: none"> <li>▪ Labuan Banks</li> <li>▪ Labuan Investment Banks</li> <li>▪ Labuan Islamic Banks</li> <li>▪ Labuan Islamic Investment Banks</li> <li>▪ Labuan (Re)Insurers</li> <li>▪ Labuan (Re)Takaful Operators</li> </ul>	<p>This is to clarify that the Guidelines recognise that <b>Board meeting can be conducted virtually</b>. i.e. there is no need for the board members to be physically present in Labuan for the meeting.</p> <p><i>e.g. The meetings can be conducted via teleconferencing or videoconferencing using the available software or meeting tools.</i></p>	For calendar year 2020
2.	<p><u>Guidelines for Labuan Trust Officers (Para. 9.1)</u></p> <p>All trust officers are required to complete a minimum of 30 continuing professional development (CPD) hours per year.</p>	Labuan Trust Officers	The CPD hours are <b>reduced to 15</b> .	For calendar year 2020

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
3.	<p><u>Supplementary Guidelines on Standards of Certification for Labuan Financial Advisors under the Employment of Labuan Life Insurance Broking Companies (Para. 5)</u></p> <p>All financial advisors employed by Labuan life insurance broking companies are required to complete 35 hours Chartered Insurance Institute UK (CII) certified CPD.</p>	Financial Advisors employed by Labuan Life Insurance Broking Companies	The CPD hours are <b>reduced to 17.</b>	For calendar year 2020
<b>B) Financial Regulatory Reliefs</b>				
4.	<p>i. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business (Para. 17.0)</u></p> <p>ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para. 12.0)</u></p> <p>iii. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business (Para. 12.0)</u></p> <p>iv. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 11.0)</u></p> <p>The risk-free discount rate used to compute insurance/takaful liabilities</p>	<p>i. Labuan General (Re)Insurers</p> <p>ii. Labuan Life (Re)Insurers</p> <p>iii. Labuan General (Re)Takaful Operators</p> <p>iv. Labuan Family (Re)Takaful Operators</p>	<p>Due to the fluctuating investment condition which is not reflective of the current capital market, the LEs are given the discretion to apply a more <b>practical approach for discounting the liability valuation.</b></p> <p>The LEs are permitted to recognise a more pragmatic discount rate to be used for the valuation which is actuarially acceptable.</p> <p><i>e.g. Discount rate based on an average of past 12 months risk-free rate or derived based on the Smith-Wilson methodology.</i></p> <p>The modified discounting method would need to be <b>disclosed</b> in the actuarial report.</p>	Valuation of insurance/ takaful liabilities for the period which falls within the calendar year 2020

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
	shall be derived from zero-coupon spot yield of the relevant government security.			
5.	<p>i. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business (Para. 9.1)</u></p> <p>ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para. 9.2)</u></p> <p>iii. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business (Para. 9.5)</u></p> <p>iv. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 9.4)</u></p> <p>Provisioning of premium/contribution and claim at Best Estimate with Provision for Adverse Deviation (PAD) to cover uncertainty inherent in the best estimate.</p>	<p>i. Labuan General (Re)Insurers</p> <p>ii. Labuan Life (Re)Insurers</p> <p>iii. Labuan General (Re)Takaful Operators</p> <p>iv. Labuan Family (Re)Takaful Operators</p>	<p>In view of the adverse market environment, the LEs are permitted to value the premium/contribution liabilities and claim liabilities <b>at Best Estimate values</b> where it is actuarially acceptable to their business i.e. may choose not to specifically provide for the PAD portion into the liability valuation.</p> <p>The modified valuation computation would need to be <b>disclosed</b> in the actuarial report.</p>	<p>Valuation of insurance/ takaful liabilities for the period which falls within the calendar year 2020</p>

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
<b>C) Regulatory Submission &amp; Supervisory Reliefs</b>				
6.	<p>Audited financial statements (AFS) to be submitted to Labuan FSA within six months from financial year end:</p> <p>i. Relevant provisions under the Labuan Financial Services and Securities Act 2010 (LFSSA) and Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA).</p> <p>ii. Relevant guidelines based on the different licensed entities.</p>	Entities licensed under LFSSA and LIFSSA	Extension of <b>one (1) month period</b>	<p>For audited financial statements due for submission by 31 March* and 30 April 2020</p> <p>*AFS due for submission by 31 March 2020 had been granted one-month extension on 20 March 2020.</p>
7.	<p>Submission of valuation report to Labuan FSA within six months from financial year end:</p> <p>i. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business (Para. 23.1)</u></p> <p>ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para. 18.1)</u></p> <p>iii. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business (Para. 16.8)</u></p>	<p>i. Labuan General (Re)Insurers</p> <p>ii. Labuan Life (Re)Insurers</p> <p>iii. Labuan General (Re)Takaful Operators</p>	Extension of <b>one (1) month period</b>	For valuation report due for submission to Labuan FSA by 31 March and 30 April 2020

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
	iv. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 14.7)</u>	iv. Labuan Family (Re)Takaful Operators		
8.	<p>Submission of valuation report to LE's board within three months from financial year end:</p> <p>i. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business (Para 22.3)</u></p> <p>ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para 17.3)</u></p> <p>iii. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business (Para. 16.7)</u></p> <p>iv. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 14.6)</u></p>	<p>i. Labuan General (Re)Insurers</p> <p>ii. Labuan Life (Re)Insurers</p> <p>iii. Labuan General (Re)Takaful Operators</p> <p>iv. Labuan Family (Re)Takaful Operators</p>	Extension of <b>one (1) month period</b>	For valuation report due for submission to LE's board by 31 March and 30 April 2020
9.	<p>Submissions of:</p> <p>i. Annual Compliance Report (ACR)</p>	<p>i. Labuan Banks, Labuan Investment Banks, Labuan Islamic Banks, Labuan Islamic Investment Banks, Labuan (Re)Insurers, Labuan (Re)Takaful Operators, Labuan Trust Companies, Labuan Fund</p>	<p>Extension of <b>one (1) month period</b> to 30 April 2020.</p> <p>Please refer to the announcement made to the industry Associations via email dated 20 March 2020 by Supervision Unit.</p>	For submissions due by 31 March 2020

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
	<p>ii. Letter of Compliance</p> <p>iii. Internal Audit Report (audit conducted in December 2019)</p> <p>iv. AMLCFT Independent Audit Report</p>	<p>Managers and Labuan Securities Licensees (for ACR)</p> <p>ii. Labuan Captives and Labuan Insurance Brokers</p> <p>iii. Labuan Banks, Labuan Investment Banks, Labuan Islamic Banks, Labuan Islamic Investment Banks, Labuan (Re)Insurers, Labuan (Re)Takaful Operators, Labuan Captives*, Labuan Insurance-related Companies*, Labuan Trust Companies including Labuan Managed Trust Companies</p> <p>iv. Labuan Banks, Labuan Investment Banks, Labuan Islamic Banks, Labuan Islamic Investment Banks, Labuan Financial Business Licensees, Labuan (Re)Insurers, Labuan (Re)Takaful Operators, Labuan Captives*, Labuan Insurance-related Companies*, Labuan Trust Companies, Labuan Managed Trust Companies, Labuan Fund Managers, Labuan Fund Administrators, Labuan Securities Licensees and Labuan Exchanges.</p>		



No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
		*Labuan Captives and Labuan Insurance Brokers are to submit Letter of Compliance.		
<b>D) Statistical Management System (SMS) Reliefs</b>				
10.	Submission of Financial Year End Returns (audited) for reporting entities' financial year ended 30 September 2019	All Reporting Entities	Extension of <b>one (1) month submission timeline</b> i.e. from 31 March 2020 to 30 April 2020.  Please refer to the announcement which is earlier made available at SMS Bulletin.	
11.	Quarterly/monthly submission for the reporting period ended 31 March 2020	<ul style="list-style-type: none"> <li>▪ Labuan Banks</li> <li>▪ Labuan Insurance and Insurance-related Companies [Old SMS]</li> <li>▪ Labuan Money Brokers</li> </ul>	Extension of <b>two (2) weeks submission timeline</b> i.e. two weeks after the end of the Movement Control Order (MCO) e.g. from 15 April to 30 April 2020. This may be changed subject to the official announcement on MCO period.  Please refer to the announcement which is earlier made available at SMS Bulletin.	
12.	Submission for reporting period ended 31 December 2019 and 31 March 2020 to 15 June 2020 (parallel submission) via New SMS Portal	Labuan Insurance and Insurance-related Companies	Extension of <b>two (2) months submission timeline</b> after the end of MCO. This may be changed subject to the official announcement on MCO period.  Please refer to the announcement which is earlier made available at SMS Bulletin.	

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Relief Duration
13.	Submission of External Assets and Liabilities via ESS Portal for reporting period ended 31 March 2020 from 15 April to 20 April 2020	<ul style="list-style-type: none"> <li>▪ Labuan Banks</li> <li>▪ Labuan Insurance and Insurance-related Companies</li> <li>▪ Labuan Trust Companies</li> <li>▪ Labuan Fund Managers</li> </ul>	<p>Extension of submission timeline from 15 April to <b>20 April 2020</b>.</p> <p>Please refer to the announcement which is earlier made available at Bulletin module in ESS Portal.</p>	
<b>E) COR@L System Reliefs</b>				
14.	Statutory declaration to be signed by the Commissioner of Oath for filing of new company incorporation under COR@L.	Labuan Entities	<p>Submission of statutory declaration (SD) <b>without the signature</b> of Commissioner of Oath for the filing of new incorporation of company in COR@L is permitted. The signed SD can be submitted once the MCO has ended, <b>without penalty</b>.</p> <p>Please refer to the announcement which is earlier made available at COR@L Portal.</p>	During MCO