



DIRECTIVE ON ISLAMIC FINANCIAL BUSINESS IN LABUAN IBFC

1.0 Preamble

- 1.1 This directive is issued pursuant to section 4B of the Labuan Financial Services Authority Act 1996 and sets out additional requirements to be observed by any Labuan Financial Institution (LFI) offering Islamic financial products and services in Labuan IBFC.

2.0 Requirements to submit business plan and appoint Internal Shariah Advisory Board/Shariah Adviser

- 2.1 Notwithstanding to the requirements under any guidelines issued by Labuan FSA to the LFI relating to the above, the LFI is also required to-

- 2.1.1 submit to Labuan FSA a business plan comprises of a write up on the LFI's-
- i. Objectives;
 - ii. Products and services to be offered; and
 - iii. Investment strategies and operations;

with regard to the Islamic financial business that they are carrying on or propose to carry on in Labuan IBFC at the point of application.

- 2.1.2 establish its own Internal Shariah Advisory Board (ISAB) or appoint a Shariah Adviser (SA)¹ or engage the services of an existing Shariah Advisory Firm (SAF) available in the market, including the Shariah Advisory Panel of the International Islamic Financial Market (IIFM), to ensure that the products and services offered are Shariah compliant.

¹ The establishment of Internal Shariah Advisory Board (ISAB) and appointment of Shariah Adviser (SA) are provided under sections 129, 130 and 131 of Labuan Islamic Financial Services and Securities Act 2010.

- 2.2 Where the LFI establishes its own ISAB or appoint a SA, the LFI is required to–
- 2.2.1 submit to Labuan FSA the names, addresses, qualifications and experience of the member(s) of the ISAB/SA;
 - 2.2.2 submit to Labuan FSA a declaration (similar to Part IV of Form LBB for director/principal officer of Labuan banks) by each member of the ISAB/SA; and
 - 2.2.3 notify Labuan FSA prior to any change to be made to the membership of the ISAB/SA.
- 2.3 Where the LFI engages the services of an existing SAF available in the market, the LFI is required to notify Labuan FSA–
- 2.3.1 which SAF it intends to engage; and
 - 2.3.2 prior to any change of the SAF that has been engaged.

3.0 Additional Operational Requirements

- 3.1 The LFI carries on both conventional and Islamic financial business is required to–
- 3.1.1 keep the accounts and funds in respect of their conventional financial business separate from that of Islamic financial business; and
 - 3.1.2 submit to Labuan FSA, statistical return for conventional and Islamic financial business, as and when requested by Labuan FSA.
- 3.2 All funds pooled into the Islamic banking and investment portfolio must be channelled into financing investment activities that are Shariah compliant.

Labuan Financial Services Authority
1 October 2003 (First issued)
6 August 2013 (Updated)