



PRE-GIFF SESSION:

Unveiling Labuan as Asia's Islamic Digital Asset
Centre (IDAC) – Pioneering A New Asset Class

4 October 2022

Welcome Address



Nik Mohamed Din Nik Musa
Director General, Labuan FSA

*World Bank : Global growth from **5.7 percent** in 2021
↓ to **2.9 percent** in 2022*

*...digital adoption has been accelerated...
prompted financial institutions to question the
sustainability of existing business models*

Global Islamic Finance Assets :

2020 – USD3.4 trillion *(double-digit growth)*

2025 – USD5 trillion *(projection)*

*...millennial generation of **socially-conscious** investors...*

*...seek to invest into more
responsible and moral finance solutions with
reasonable returns*

*the trend of investing in **sustainable,**
environmentally friendly and **socially conscious** businesses
is also making **Islamic financial products**
more appealing to non-Muslim investors*

*...**ESG** Islamic bonds or sukuk issuances reached
a record value of over **USD5.3 billion** in 2021...*

*Labuan's role in **Islamic finance** is gaining in significance...*

*...has a **comprehensive infrastructure**
that supports and accords
certainty as well as integrity for Shariah-based structures*

as at June 2022



>USD1.9 billion

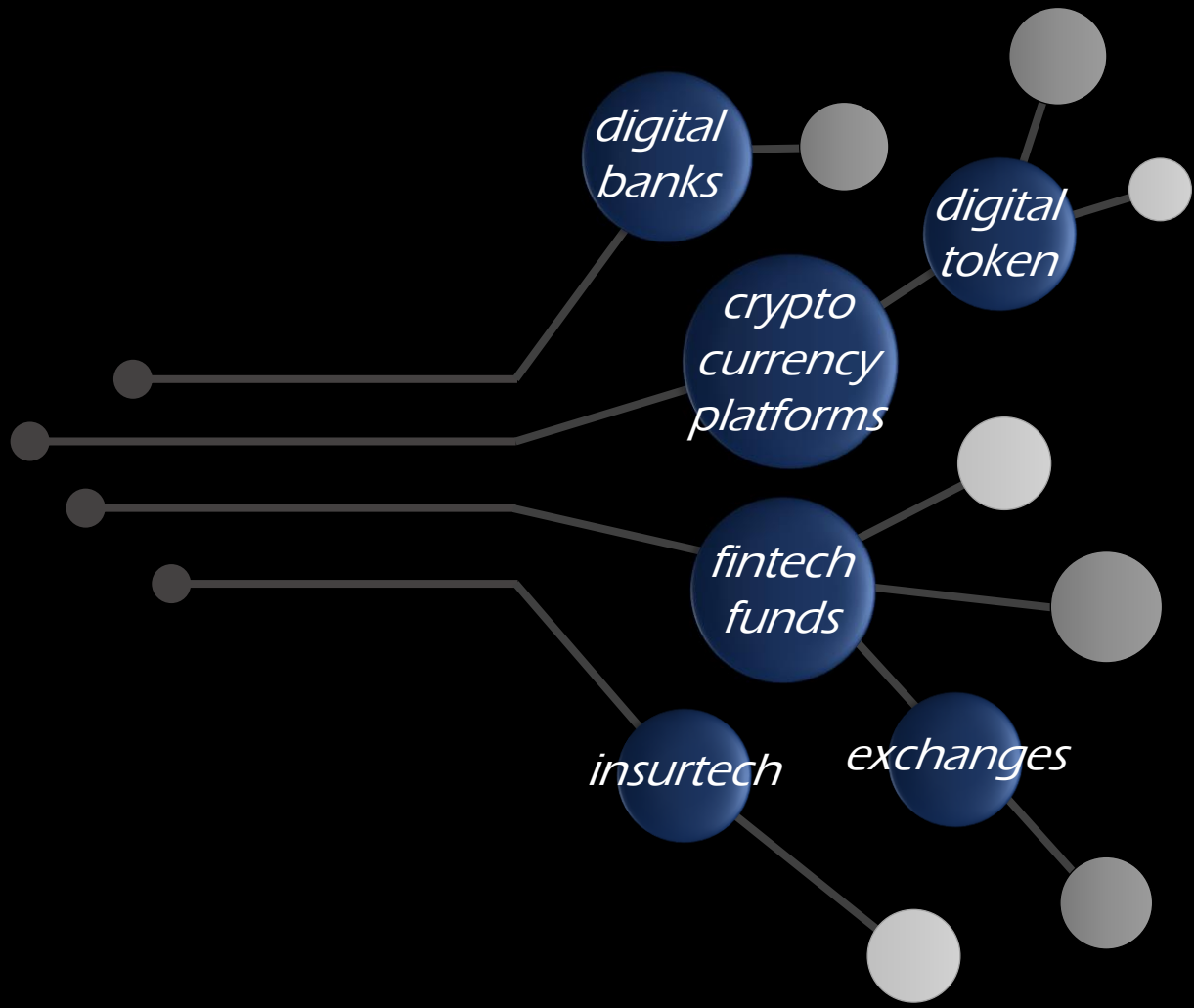
Total Islamic Banking Assets



USD59 million

(Re)Takaful Gross Contributions

Labuan IBFC has more than
90 digital licensed



Labuan is unveiled as Asia's gateway for
Islamic Digital Asset Centre (IDAC)

RAMZ

the new brand name for Islamic digital asset

*...it is envisaged Labuan will play a significant role as a
fund raising and investment hub ...*

*with a niche in
ESG and Shariah compliant activities*

*...issued **Guidance Note on Issuance of Green, Social and Sustainability Sukuk...***

*...will roll-out **guidelines on digital assets and RAMZ** as a testimony for
strengthening the governance
of the centre*

*...the Shariah Supervisory Council of Labuan FSA issued a
pronouncement:*

*...the **minimum compliance criteria for offering of
Labuan Islamic digital-based solutions**, in order to
highlight the Shariah permissibility for such offerings*

*...the launch of the **first Labuan Islamic/ESG digital asset exchange**, and possibly it was the **world's first** of such exchange*

*SMEs can **digitally securitise or tokenise their assets or commodities** such as gold, property real estate or even carbon credit, via securities token offering (STO) to back their fund raising exercise*

*...the **asset tokenization market** will grow
50 times from USD310 billion in this year,
to over **USD16 trillion by 2030...***

*...and since they are **blockchain** based,
the transactions are **immutable,**
traceable and fully transparent*

...can tokenise existing sukuk issuances by sovereign and multilateral institutions...

*...to provide other alternatives for **liquidity** and expand the **clientele** of the sukuk issuances*

*...a digital token is created on a blockchain that supports smart contracts to **represent interest in the underlying assets and the beneficial ownership***

World Economic Forum Global Risks Report 2021 :

...climate change as the most likely and impactful threat to stability

and cyber risk is considered as top global risk for the insurance sector

Labuan FSA is positioning itself as a...

*...**Takaful Captives Hub,***

*a unique proposition not found in other parts of the **world***

*Labuan IBFC is now home to **64 captives** which
include **eight takaful captives**
and **captive windows***

Thank You
Terima Kasih



Labuan IBFC Strategic Roadmap 2022-2026



Doreen Fadli
Head of Business Policy Unit,
Labuan FSA

Introduction to Labuan International Business and Financial Centre (Labuan IBFC)

Global Islamic Finance Forum 2022

Sasana Kijang, Kuala Lumpur

4 October 2022

Doreen Fadli

Head, Business Policy Unit, Labuan FSA



Labuan FSA - A Single Regulatory Authority



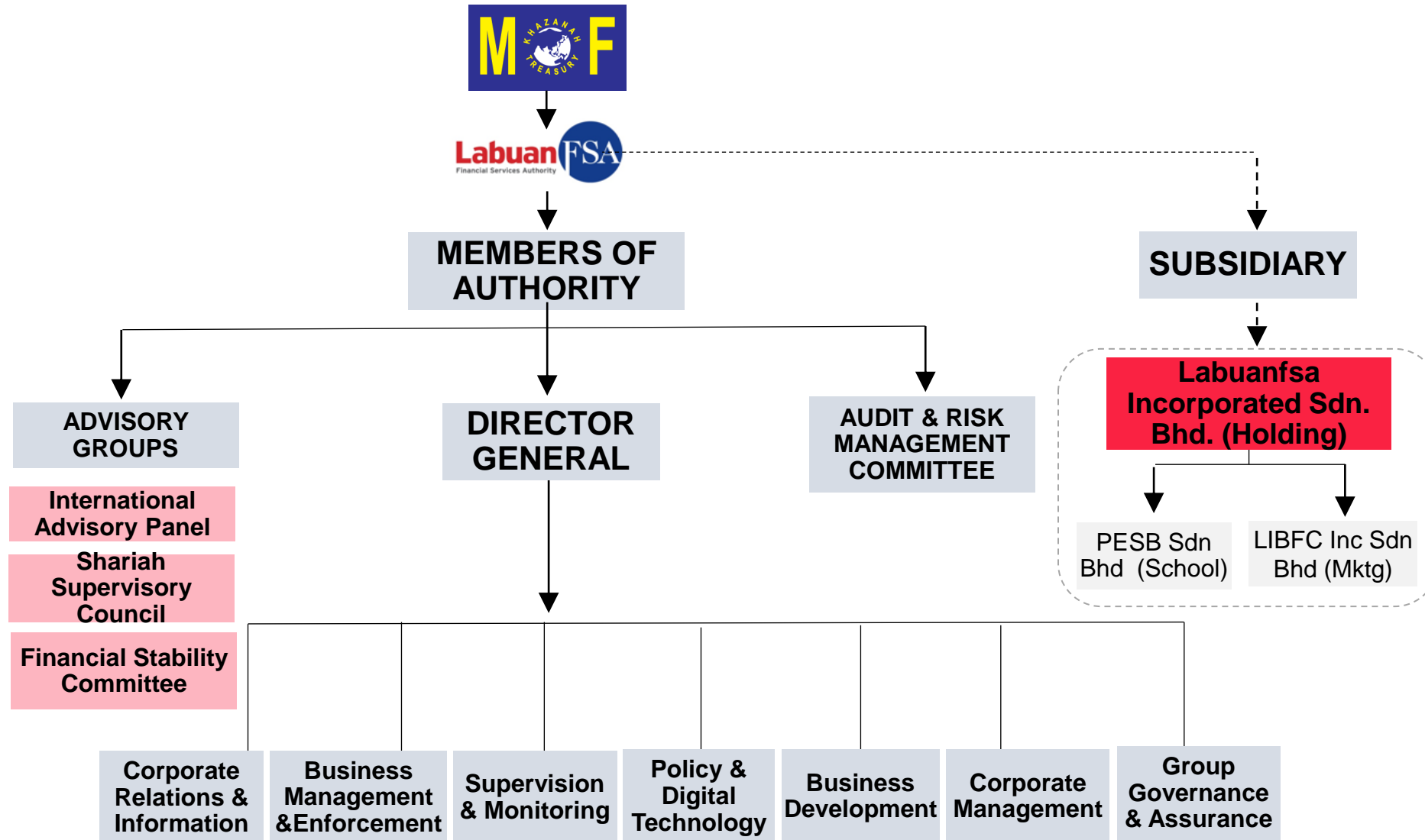
Prior 1996

Since 1996



- To promote and develop Labuan as an international centre for business and financial services
- To act as the central regulatory, supervisory and enforcement authority of the Labuan IBFC
- To develop national objectives, policies and priorities for the orderly development and administration of the Labuan IBFC

Labuan FSA – Organisational Structure



A Comprehensive Suite of Legislation

Adherence to International Standards and Best Practices



1. Labuan FSA

- i. Labuan Financial Services Authority Act 1996
- ii. Labuan Companies Act 1990
- iii. Labuan Financial Services and Securities Act 2010
- iv. Labuan Islamic Financial Services and Securities Act 2010
- v. Labuan Trusts Act 1996
- vi. Labuan Limited Partnerships & Limited Liability Partnership Act 2010
- vii. Labuan Foundations Act 2010

2. Inland Revenue Board

- i. Labuan Business Activity Tax Act 1990 (LBATA)
- ii. Income Tax Act 1967 – including relevant gazette orders
- iii. Stamp Act 1949

3. Acts of General Applications include

- i. Anti-Money Laundering and Anti Terrorism Financing and Proceeds of Unlawful Activities Act 2001
- ii. Mutual Assistance in Criminal Matters Act 2002
- iii. Malaysia Anti – Corruption Commission Act 2009
- iv. National Anti- Financial Crime Centre Act 2019
- v. BNM's Foreign Exchange Notices

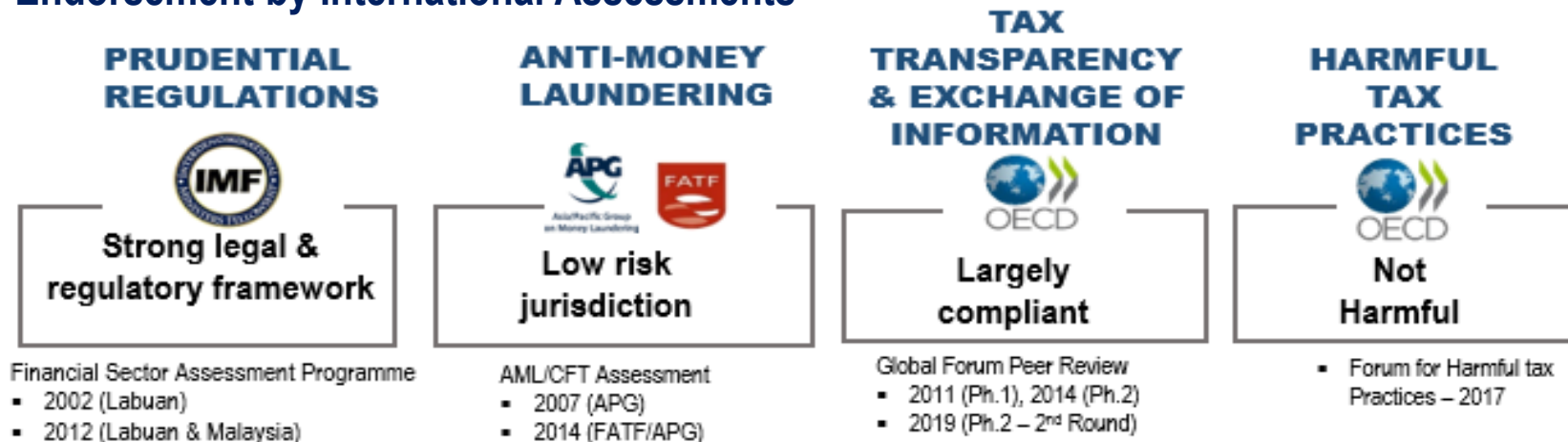
Labuan IBFC remains Relevant, Internationally Recognized and Well-Developed IFC

Full Legal and Business Ecosystem – Strong International Linkages

8 International memberships



Endorsement by International Assessments



Captive's Recognition



Fiscal Structure and Corporate Entity Benefits

Tax Structure

- Income from Labuan trading activities (as defined) taxed at 3% of net audited profits
- Non-trading income (e.g. from investment holding activities) attracts no tax
- Clear and prescribed Substance Requirements based on business activities via a Gazette issued by Parliament of Malaysia
- Fiscal Regime is perpetual not time bound

Other Benefits

- Exemption from withholding tax on dividends, interest, royalties, service fees and lease payments to non-residents
- Exemption from stamp duty
- Access to most of Malaysia's 70+ double taxation agreements*
- 100% foreign ownership
- Access to live in Malaysia

**Business
and
Investment
Activities**



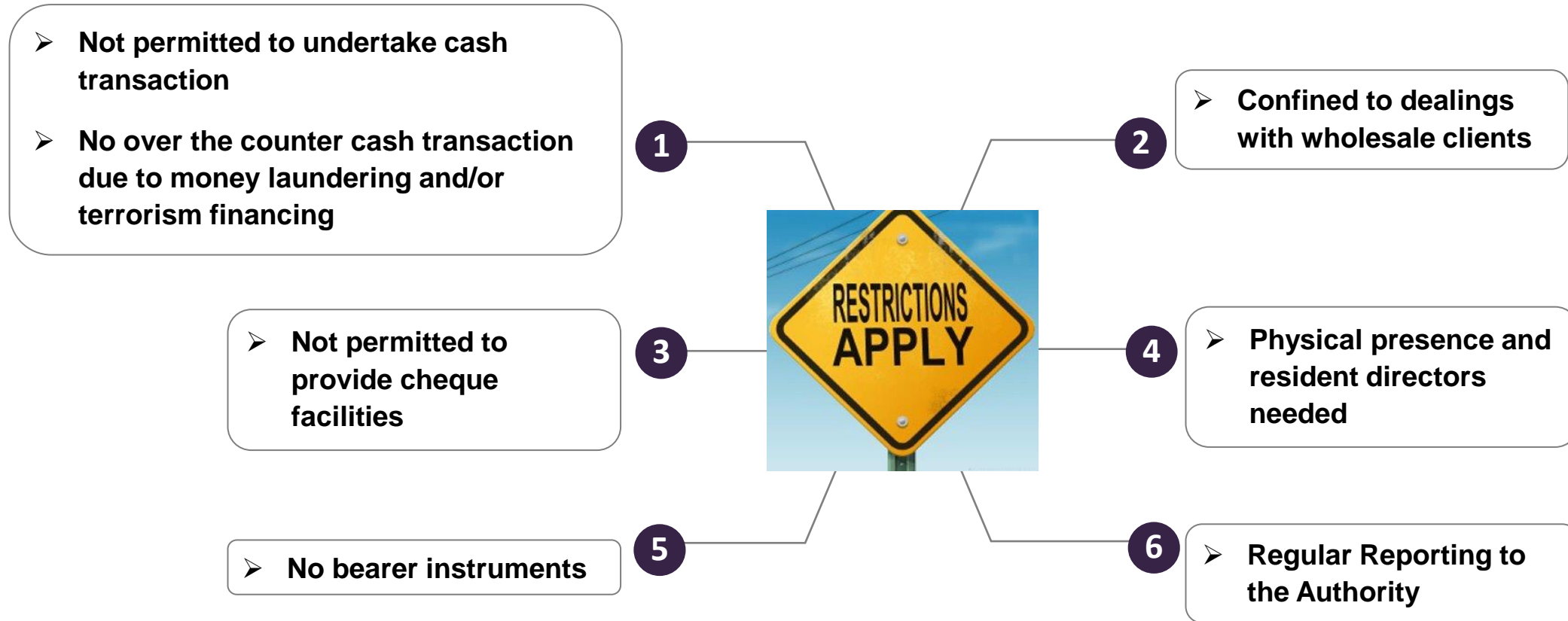
* Labuan entities enjoy the benefits of most of Malaysia's tax treaties, but certain treaties have specifically excluded Labuan entities from treaty benefits

Distinctive vis-à-vis the Domestic Market



	LABUAN IBFC	Domestic
Legislation	Independent legal & tax framework	Domestic Law
Clientele	Mainly Non-Residents	Mainly Residents
Currency Denomination	Predominantly Non-Ringgit	Ringgit
Business Scope	Wholesale	Retail
Exchange Control	No exchange control	BNM's Foreign Exchange Administration
Regulatory Authority	Labuan FSA	Domestic Authorities – BNM, SC, SSM

Business Controls Imposed on Labuan Entities



Creating A Complete Ecosystem of Solutions

available in conventional, digital and Shariah-compliant forms

COMPANIES



- Trading
- Investment holding

BANKING



- Commercial banking
- Investment banking

INSURANCE



- Direct Insurance
- Reinsurance
- Insurance broking
- Captive Insurance
- Underwriting and insurance manager

LEASING



- Big – ticket items including aircrafts, ships and support-vessels
- Specialized plants, machineries and equipment

TRUST COMPANIES



- Corporate secretarial services
- Company administration
- Trustee services
- Accounting, tax and advisory services

WEALTH MANAGEMENT



- Trust
- Foundation
- Family Office

CAPITAL MARKET



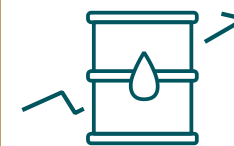
- Private and public funds
- Fund management
- Securities licensee business
- Fund administration
- Exchange

DIGITAL MARKET



- Digital banks
- Insure-tech
- Digital assets trading platform
- e-Wallet
- Digital assets issuances
- Digital assets custodian

COMMODITY TRADING



- Petroleum and petroleum related products and LNG
- Agriculture
- Base minerals
- Chemicals
- Refined raw materials

2021 Performance Highlights – Key Sectors

5,151 Operating companies & 889 Financial Institutions



67 Banks

- 11 new approvals, of which 4 with digital capability
- Profitability grew 127.8%



90 Digital Players

- 31 new approvals, 38.5% increased in new players
- Predominantly token issuers, e-payment portal and digital assets trading platform providers



253 Leasing Companies

- 8 new approvals
- Total leased assets - USD39.8 bill



229 Insurance & Insurance Intermediaries

- 21 new licences were approved
- Home to 63 captives, with premium contributed 33.5% of the total insurance industry premiums. More than 65% of the premiums were generated from the international insurance business



40 Commodities Traders

- 4 new approvals
- Total commodities traded grew by 67.9% to USD39.1 billion
- Petroleum and petroleum-related products contributed 88.2% of the total commodities traded



174 Non-charitable Foundations

- Majority of assets endowed/vested are non-cash assets such as equity and real estates

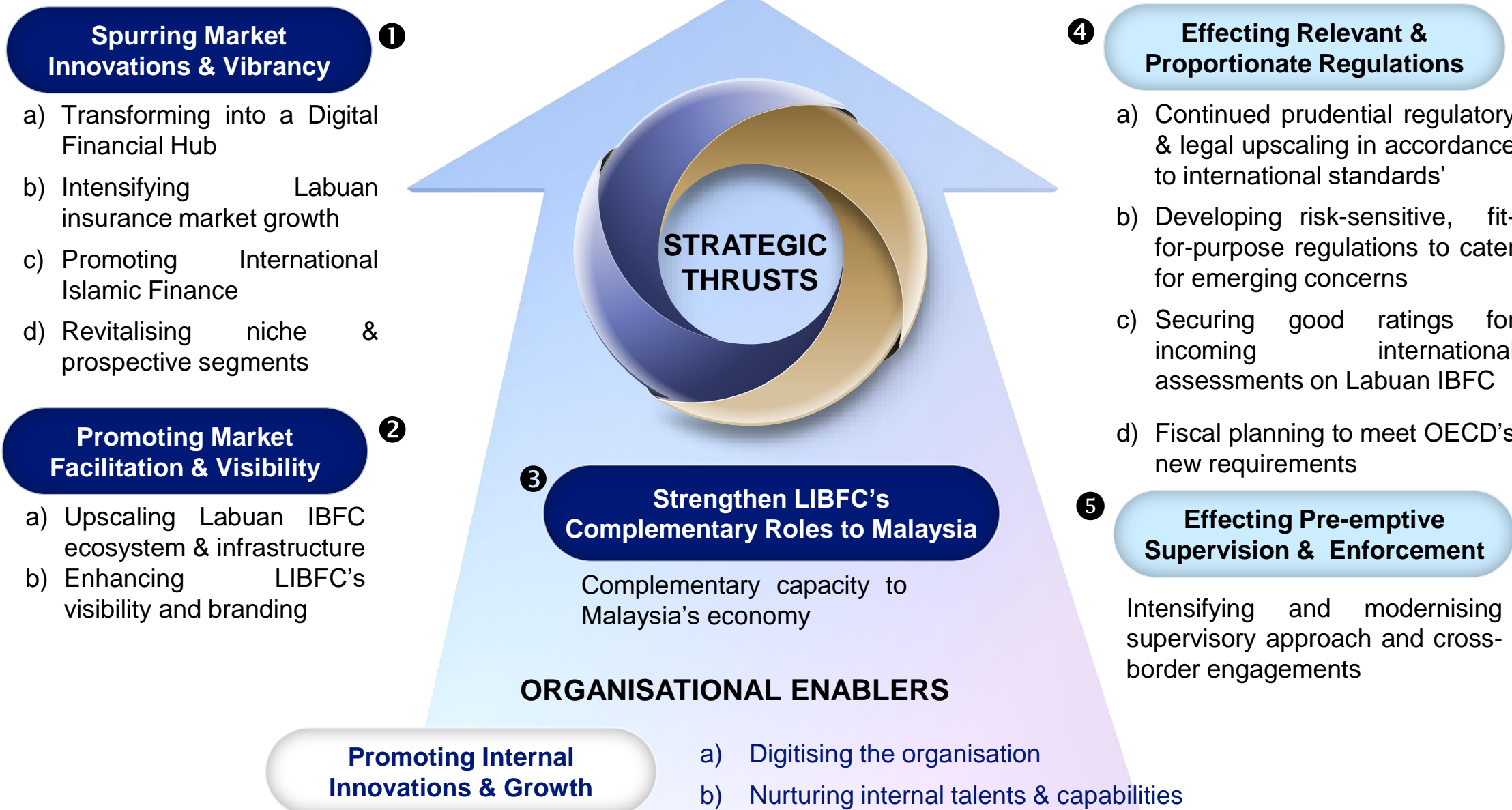
16

Registered Trusts

LIBFC Strategic Roadmap 2022-26....*Key Thrusts & Enablers*

BUSINESS STREAM

REGULATORY STREAM



Transforming Labuan IBFC into a Digital Financial Hub...

Promotes Digital Financial Innovation



No. Digital Players

35 Digital Trading Platforms

2 Issuance of Securities

17 E-Payment Systems

18 issuance of Digital Tokens

3 Exchanges

2 Insurtech

4 Robo-Advisory

10 Digital Banks

- ✓ Circular on Innovative Financial Services (2018)
- ✓ Labuan Digital Banking Framework (2020)
- ✓ GL on Application for Licence – Insurance & Insurance-Related (2001)
- ✓ GL on Establishment of Labuan Fund Managers (2019)

- ✓ GL on Money Broking Business (2017)
- ✓ Guidelines on Digital Governance Framework (2021)

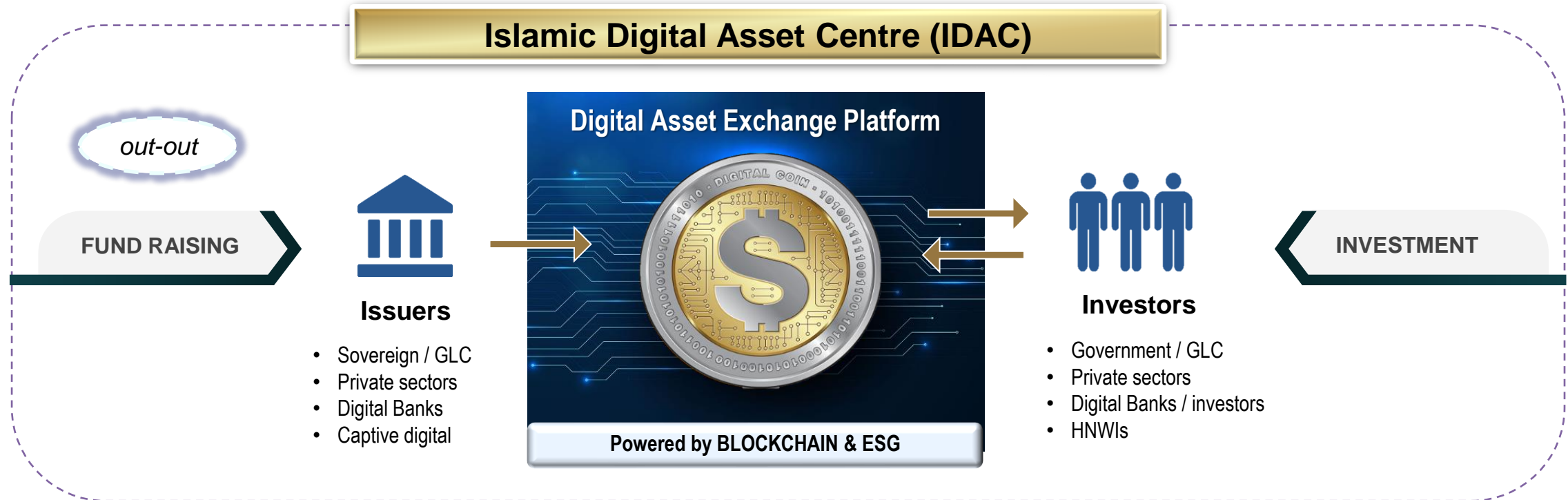
Transforming Labuan IBFC into a Digital Financial Hub

Promotes Digital Financial Innovation...Cont'd

KEY INITIATIVES

1	Revitalise Labuan banking and capital market via digital solutions <ul style="list-style-type: none">a) Enhance the scope and operational requirements of Labuan banking activities.b) Formulate digital assets regulatory requirements including tokenisation of non-securities via digital platform.c) Develop and enhance Labuan exchanges' scopes and functions including promoting environmental, social and governance (ESG) agenda.
2	Enhance digital environment <ul style="list-style-type: none">a) Promote formation of centralised facilities for digital authentication for Labuan market.b) Effect end-to-end digitisation of processing of licensing and registration.c) Develop and enhance existing requirements for dealings on digital assets and digital exchange platforms.

Towards a Leading Islamic Digital Asset Centre: **Pioneering a New Asset Class**



LAW & GUIDELINES

- Labuan Financial Services and Securities Act 2010
- Securities exchange S134 of LFSSA
- Labuan Islamic Financial Services and Securities Act 2010
- Guidelines on Digital Governance Framework
- Labuan Digital Banking Framework
- Business Guidelines for money broker, fund manager, securities licensees

PRODUCT INSTRUMENTS

- (Backed by sukuk, shares, land, gold, ships, buildings)
- Credit Tokens
 - Securities tokens

KEY INITIATIVES

Well-Recognised Islamic International Centre

- a) Create thought leadership in the development of Shariah exchanges.
- b) Attract new digital prospects in banking and other financial sectors.
- c) Support the vision of Government in enriching the rakyat (people) via digitalisation.
- d) Servicing new sectors through takaful captives and Shariah-compliant tokenisation.
- e) Institutionalise globally social finance via digitalisation such as pension, hajj, waqf and zakat.
- f) Complement the global Islamic infrastructure.
- g) Host international islamic digital dialogues and associations.

Intensifying Labuan Insurance Market Penetration & Growth: *Self-Insurance (Captive)*



Target prospects

- MNCs
- Malaysian authorities
- GLCs / GLICs
- Service providers e.g. Brokers

200

Captives incl. Captive Takaful
(Q2 '22: 64)

Target Market

- Asian countries e.g. China, Japan, Indonesia, The Philippines
- Middle East
- Europe

Types of Captive Structure

- ▶ Pure/single
- ▶ Group/ Association
- ▶ Master rent-a-captive
- ▶ Subsidiary rent-a-captive
- ▶ Cell captives

Labuan IBFC's Captive

64

Captive

8

Takaful
Captive

USD351 million

Captive Premiums
(64% international market)

KEY INITIATIVES

1	Expand intra-Labuan insurance business potentials a) Underwrite specialised risks of Labuan entities. b) Develop industry-wide retention policy and market cession schemes.
2	Rationalise captive framework a) Varieties of Labuan captive structures will be harmonised and reviewed to ensure its effectiveness and relevancy are at par with international market development. b) Functions of captive managers will be reviewed and expanded to effectively assist captive insurers in the business operations, particularly on risk management activities.
3	Diversify Protected Cell Companies (PCC) structure a) Detailed study will be undertaken to expand the scope of business of PCC.
4	Upscale the role and professionalism of insurance intermediation a) Explore the possibility of sector-based tiering of insurance intermediaries against practice of another international financial centre. b) Undertake a feasibility study to introduce new or specialised “underwriter” licences to cater for growing demands for underwriting of specialised risks.

THANK YOU

www.labuanfsa.gov.my

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The information contained herein is of a general nature and should not be regarded as offering a complete explanation of the business of Labuan IBFC or Labuan FSA.

Disclaimer

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The Strategic of IDAC from Regulatory, Shariah and Players' Perspectives



Datuk Prof. Dr Akram Laldin

Executive Director of International Shari'ah
Research Academy for Islamic Finance (ISRA)



Dr. CK Lee

Founder, CEO and President
GreenPro Capital Corp.



Aqim Marzuki

Owner and Founder
Cattle Queen Ranch & Digital Token Issuer



Greg Miller

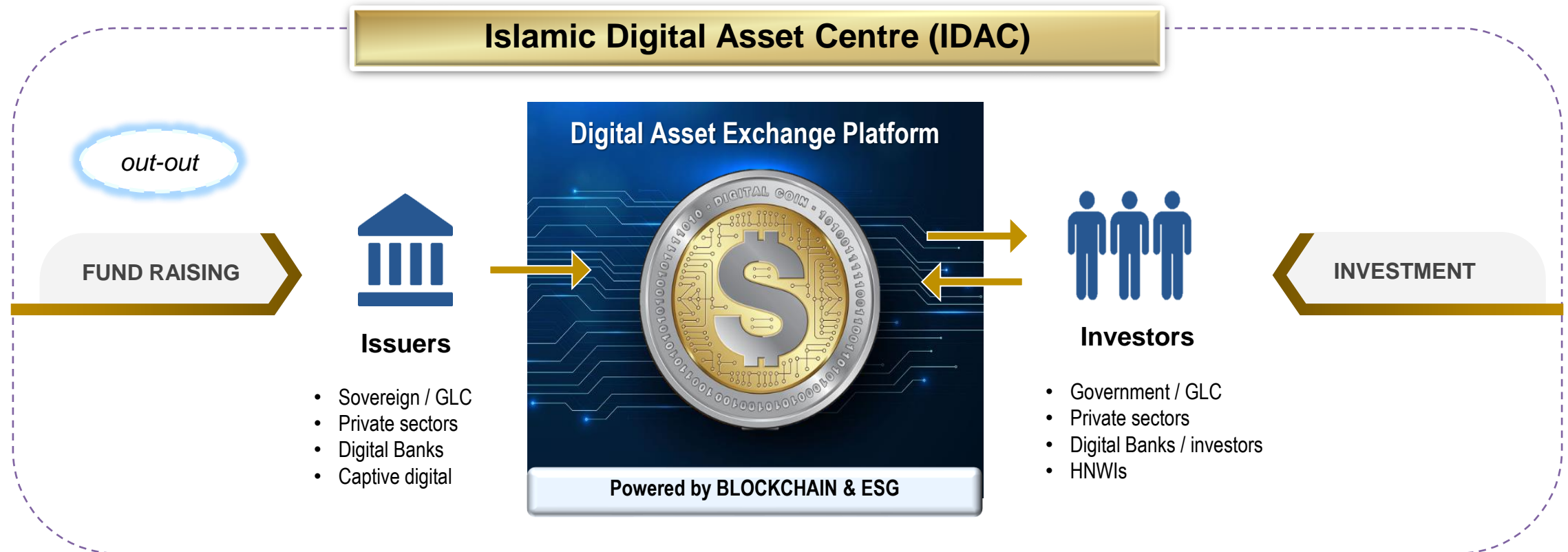
co-Founder Aspac Capital Limited,
New Zealand & Digital Token Issuer



Ja'afar Rihan

Head of Islamic Finance Unit,
Labuan FSA

Towards a Leading Islamic Digital Asset Centre: Pioneering a New Asset Class



IDAC supported by Blockchain Tech will be a DEFI center for the Ummah

out-out



Issuers

a farmer in west Jawa



Digital Exchange Platform



Investors

a turkish carpet trader

Invest

Invest



Muslim expatriate in Norway

Subscribes



Ummah Linked Company

- Pension
- Hajj
- Zakat
- Wakaf



STO : New Wave of Capital in Digital Economy

Traditional Investment

- 1) Stocks
- 2) Bond
- 3) Deposit with Banks

Nature :

- Regulated
- Liquid

US Stocks Market Trading Volume :

Year 2020 : USD121.3T
Year 2021 : USD142.3T

↑17%

10%
to
20%

Alternative Investment

(Year 2020 : USD10T, Year 2023 : USD14T)

- 1) Private Equity
- 2) Private Debt
- 3) Hedge Funds
- 4) Real Estate
- 5) Commodities
- 6) Collectible
- 7) Structure Product

Nature :

- Un-regulated
- Illiquid

Centralize Crypto Exchange Trading Volume :

Year 2020 : USD1.8T
Year 2021 : USD14T

↑689%

Digitalization
&
Tokenization

Assets and Investment Tokenization

- 1) Most of the Alternative Investment (Private Equity Fund, Private Debt, Real Estate, Commodities, Collectible & Structure Product)
- 2) Intellectual Property
- 3) Live Stocks, Income producing Equipment

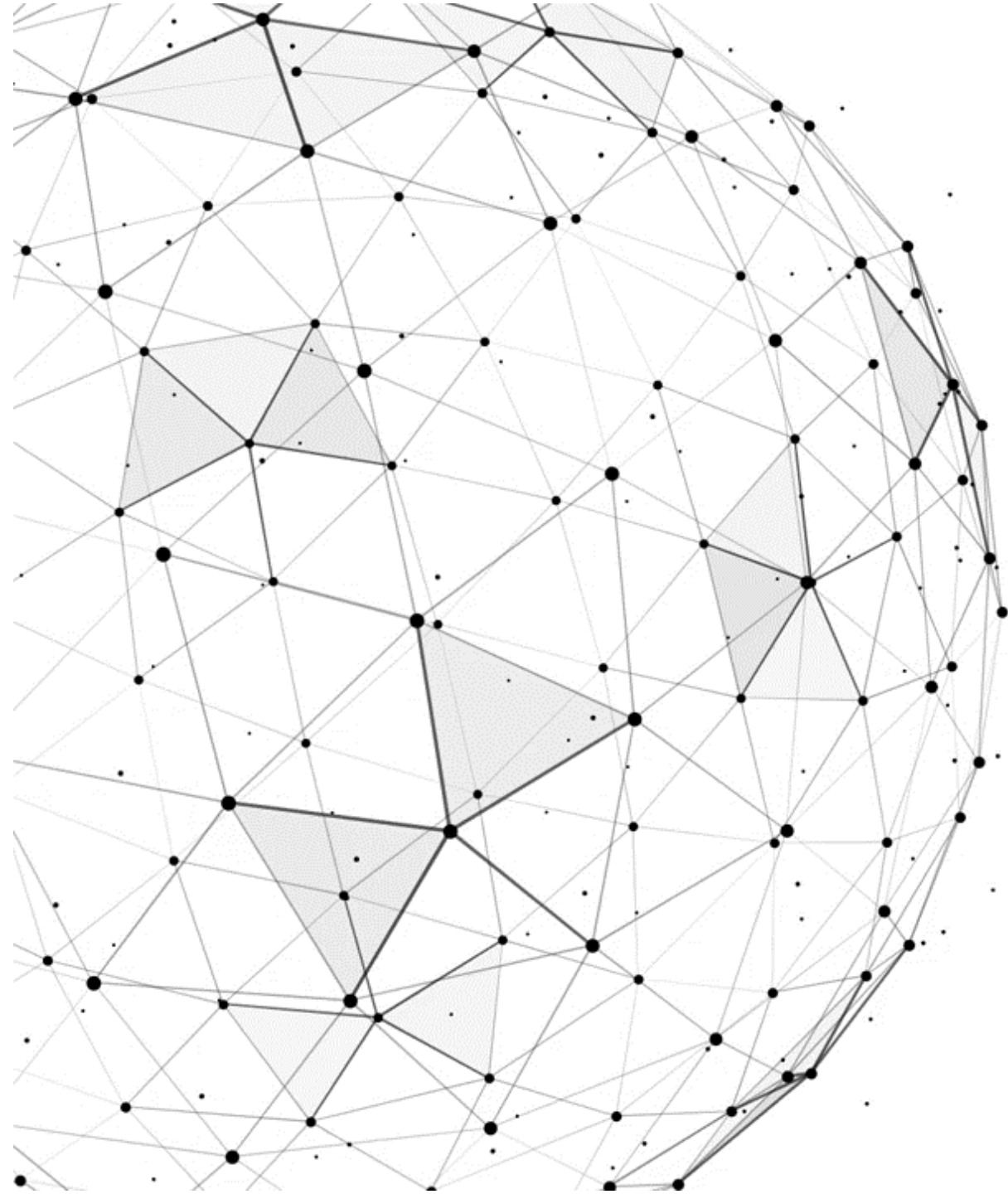
Nature :

- Regulated
- liquid
- Blockchain

Asset Digitalization via Tokenization :

Year 2022 : USD310B
Year 2030 : USD16.1T

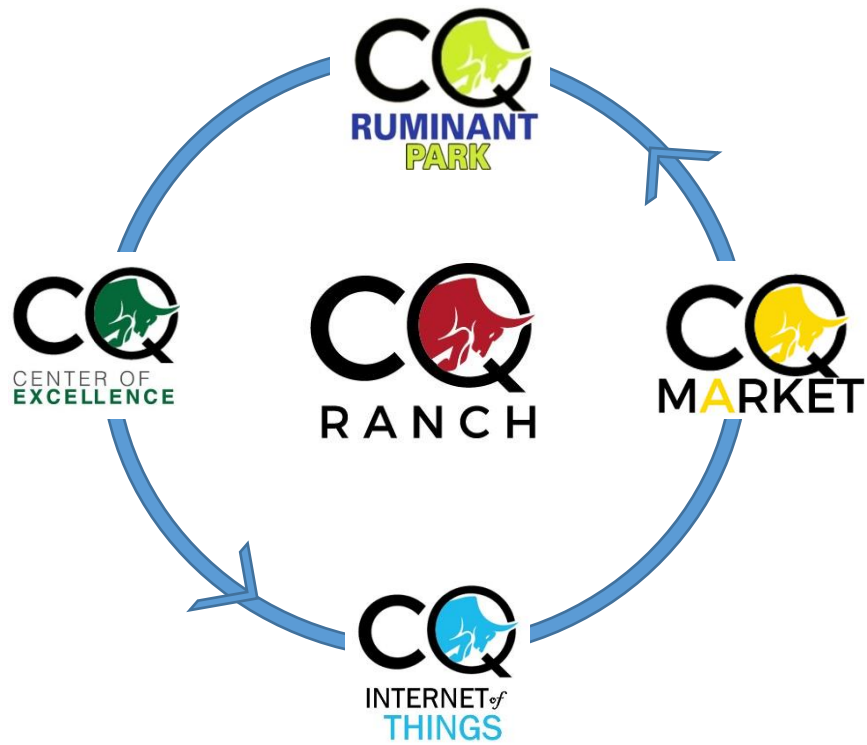
↑5,194%



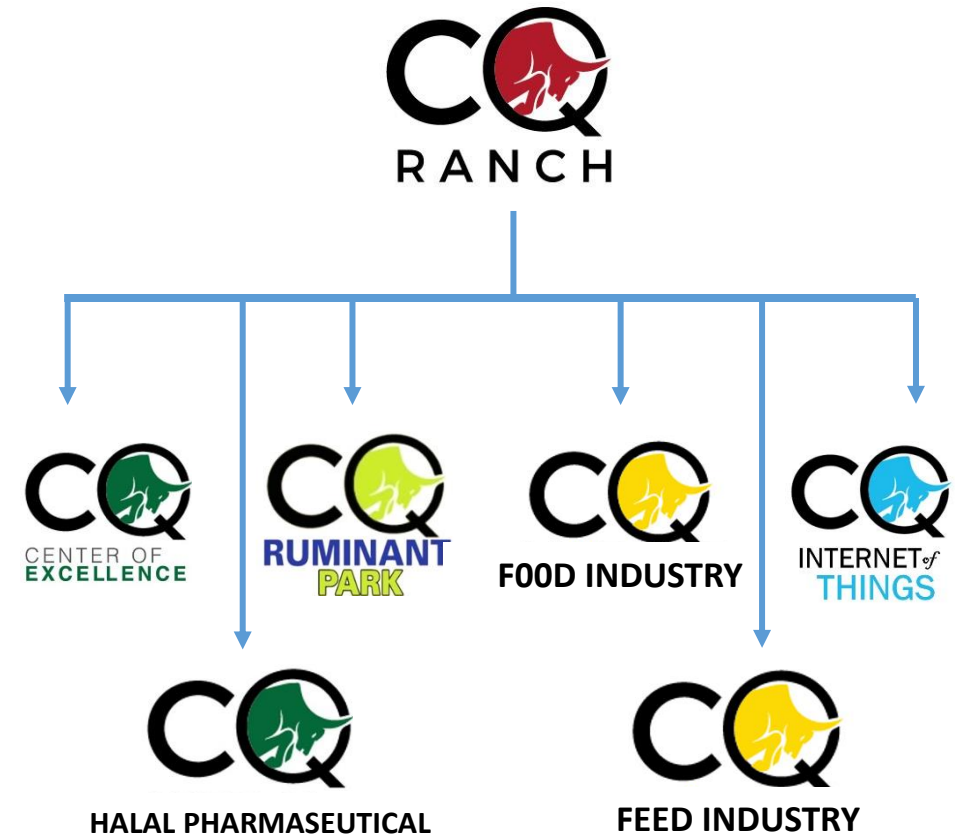
CATTLE QUEEN RANCH

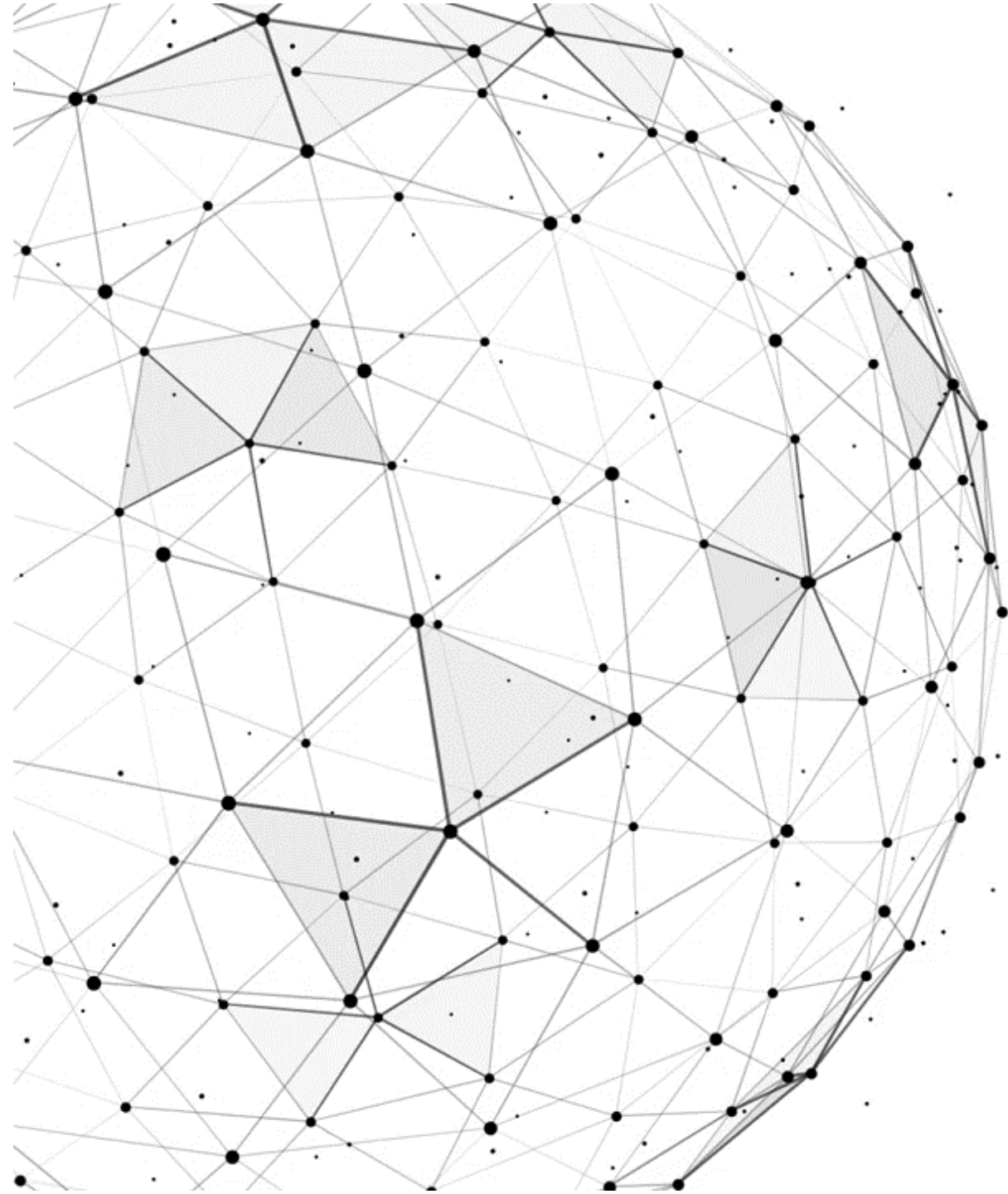
*Sustainable Farming creates
Sustainable Community*

Business Strategy



Business Structure





CATTLE QUEEN RANCH

*Sustainable Farming creates
Sustainable Community*

Labuan Presentation

Greg Miller – Aspac Capital

Introduction

- I'm Greg Miller, Chairman of Aspac Capital
- After 36 years as a Logistician working in the supply chain industry I have built many supply chains across the globe and the ASEAN marketplace.
- Now as an entrepreneur and primary producer I will utilise my skill set to collaborate commercially with this marketplace for food security.
- The global race for quality protein is on as every country with a food deficit seeks outcomes for their people
- This is all about Supply Chains – Value Chains and Blockchains



The Current Situation

- The current global population is 7.9B By 2050 it will grow to 9.8B people.
- The food we need to produce over the next 30 years is greater than all of the food we have produced over the 10,000 years combined.
- Yesterday's process-driven technology and traditional supply chains cannot solve tomorrow's problems
- Timing and Opportunity for technology convergence are essential in our new world
- As a Logistician and Industrialist, I fully support and will engage with this new Labuan exchange as the platform and a key integration component of the finance sector for blockchains in the Muslim marketplace of the future.
- Let me tell you why...

Progress in the World of Supply Chains

- The future of Digital integration with modern supply chains is all about technology
- Over the past 3 decades the world has moved from proficiency in supply chain capability, to proficiency in value chain capability and of late to digital proficiency in blockchain capability
- In the 1990's disparate entities joined forces to consolidate services to make up supply chain capability for customer's needs
- In the 2000's big operators like Toll and Maersk integrated their acquisitions and linked their own products or services to become global supply chain entities, therefore making a single offering to market



Risk Mitigation

- So what does this mean?
- Let's think about applicability!
- Cross-border trade into different jurisdictions has risk in many forms
- The capital security aspect of trade is very important. With blockchains, security comes in the form of a fully transparent system
- A system that can provide many things

The Layer Cake Effect

- First of all, is the layer cake effect
- This means as you can track all aspects of activity across your value chain you can also expect that the system can be customised in design in such a way that you can then see all aspects of things across your value chain as exceptions reporting
- You're able to set up gateways or standards across your value chain for essential behaviour to give security of capital use i.e.
 - For all Goods procured - Linked terms of trade, and payment terms and systems for banks or customers or funders: LCs, SBLC's in bank guarantees etc.
 - All Linked to waybills or bills of lading for shipping by road rail sea or air to the destination market
 - Linked to all providers of services for compliance with export and import like customs requirements.

Rules of Reporting

- from this establishment phase you are able to set the Rules of Reporting to secure your standards and for your providers or partners to meet these
- i.e. exception reporting or red flag on incidents related to shipments like:
 - Weigh points or data collection point
 - Order placed
 - Payment made
 - Payment received
 - Order procured
 - order dispatched
 - Domestic transit info.
 - Delivery on route to processing
 - Order on sea or air export document completion
 - Customs documentation for export
 - Transit data
 - Arrival data
 - Customs cleared for entry to destination country
 - Arrival tracked traced closed out for whole sales supply



Supply Chain Integration with Blockchain Capability

- As you see all of this activity allows you to hang off of these waypoints or data collection points for all your capital compliance needs:
 - Cost Models
 - Margin models
 - Inventory capital requirement for cash flow prediction
 - Net profitability
 - All end to end
- This is essential so that you can predict your market capitalisation
- All of this is designed to give blockchain transparency for Capital security, trackers or identifiers for the movement of your capital.



Some Key Benefits

- Prediction with accuracy creates a science that allows you to determine business outcomes
- This is the single largest benefit to investors or funders of international trade
- For example a “Halal or Shariah” compliant supply chain may have many “Nuances or compliance needs”. These differ from the protocols of conventional supply chains
- ie. Licences, documents, compliance, performance, movement, transit data, provisioning with the like of banks and suppliers
- These are now 100% visible to drive successful outcomes on your standards.



Best Use of Capital

- As a physical supply chain is underway, the new wave of Capital in a fully Digital economy is now possible
- The capability requirement is all possible so long as you build or customise it all correctly from the outset
- For example a "Shariah value chain" can have digital compliance in banking investment standards or Procure Compliance standards etc. all preset.

So how does this relate to Aspac Capital?

- We are building a fully-fledged vertical ecosystem
 - Across farm asset ownership
 - Live stock ownership – for the security of offtake from animal production by our customer by country
 - Transport to factory
 - Processing at the factory
 - Shipment to port sea freight to market customs cleared cargo
 - Arrival at destination
 - Destination Processing at the factory
 - Shipment to market
 - Wholesale
 - Retail trade data value
- Now as we are a vertical we need to have our own visibility systems that recognise all of our stakeholder's needs: traditional or Shariah compliant



Our Value creation is for

- Our Funders, our investors, and the Halal economy
- IP Owners based on:
 - Farm investment performance metrics
 - Livestock investment performance metric
 - Machinery productivity and finance performance metric
 - Shipping data
 - Import tariff data
 - And all of the components related to a vertical provision to the Dairy industry
- Our offer is a global vertically integrated dairy farming business for goat and cow products
- All under the same digital blockchain.
- From all this, we know where we going to support the goals of food security.

Thank you...



**Greg
Miller**
CHAIRMAN

Phone:

+64 21-965-020

Website:

www.aspacdairy.com

Email:

greg@aspac-capital.nz
kiaoragreg@gmail.com



Aspac Capital Limited
Suite 4, 89 Grafton Road
Auckland 1105, New Zealand

Aspac Capital Limited
Unit B, 17/F United Centre
95 Queensway, Admiralty
Hong Kong

Thank You
Terima Kasih





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