

LABUAN FINANCIAL SERVICES AUTHORITY
(LEMBAGA PERKHIDMATAN KEWANGAN LABUAN)

Circular No. : 215/2018/ALL
Date : 26 June 2018

Association of Labuan Trust Companies (ALTC)
Labuan International Insurance Association (LIIA)
Association of Labuan Banks (ALB)
Labuan Investment Bank Group (LIBG)

Y.Bhg. Datuk/Sir/Madam,

Innovative Financial Services in the Labuan International Business and Financial Centre

The fast-changing technology-driven innovations in financial services [referred to as “Innovative Financial Services” (IFS)] globally has led to many prospects expressing interest in providing IFS in Labuan International Business and Financial Centre (Labuan IBFC).

2. The potential IFS that can be undertaken in Labuan IBFC is numerous and made possible with the rapid technological advancements. In this regard, Labuan Financial Services Authority (Labuan FSA) supports IFS and Labuan entities are welcomed to use IFS as part of their business activities to serve their clients whether in, from or through Labuan IBFC. Amongst others, IFS that can be offered include digital currency¹ activities; robo-advisory services; blockchains or distributed ledger; *insurTech*; or any other IFS-related services.

3. Whilst IFS is encouraged to be conducted in Labuan IBFC, it is imperative that these activities are undertaken in an orderly and transparent manner and that there are safeguards to protect clients’ interests. In this regard, Labuan entities would need to obtain Labuan FSA’s prior approval for their proposed IFS-related activities that fall within the ambit of the Labuan Financial Services and Securities Act 2010 or the Labuan Islamic Financial Services and Securities Act 2010. For avoidance of doubt, **approval is not required for innovations undertaken by the Labuan entities for their in-house organisational enhancements.**

4. To ensure the IFS is undertaken professionally and in a sufficiently prudent manner, Labuan FSA expects that the Labuan entities to have adequate measures. This includes having sufficient safeguards to manage risks related to money

¹ Reference is made to Bank Negara Malaysia’s policy paper on “Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) – Digital Currencies (Sector 6)”.

laundering and the countering of terrorism financing, and to safeguard the interests of their clients in the course of their business dealings. For this purpose, Labuan entities undertaking IFS would need to adhere to the Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Requirements issued by Bank Negara Malaysia and Labuan FSA; and market conduct requirements to promote fair and equitable market conduct practices via product transparency and disclosure as well as high standard of professionalism in their dealings with client.

5. Labuan entities undertaking IFS should also ensure that their business operations can cater for such activity. Typically, they would need to ensure maintenance of sufficient capital; adequate set of internal policies and controls; cyber risk management and governance; and compliance with the applicable laws, rules and regulations relevant to the IFS's business operations, at all times.

6. To emphasise, in respect of Labuan Financial Institution² (LFI) that is approved to undertake IFS, aside from the general expectation stated under paragraphs 4 and 5 of the Circular, the LFI is also expected to comply with the specific regulatory requirements of the respective sectors.

7. For any enquiries with regard to this circular, you may liaise directly with the following Labuan FSA officers:

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Kindly inform your members on the Circular accordingly.

Yours sincerely,



Syahrul Imran Mahadzir
Director
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² This would include Labuan entities that are registered, approved or licensed under the Labuan Financial Services and Securities Act 2010 or Labuan Islamic Financial Services and Securities Act 2010.