

Labuan IBFC, as an international business centre and as part of Malaysia’s financial sector, is committed to ensuring that the Centre maintains its reputation as a well-supervised and orderly market which strictly enforces anti-money laundering/counter financing of terrorism (AML/CFT) compliance.

Adopting the risk-based approach of the Financial Action Task Force (FATF), Labuan IBFC emphasises on the need for the money laundering (ML) and terrorism financing (TF) threats to be vigilantly monitored and addressed as part of an effective AML/CFT regulatory regime. In this regard, two AML/CFT risk assessments were undertaken on Labuan IBFC to gauge the Centre’s vulnerabilities.

# LABUAN IBFC’s AML/CFT RISK ASSESSMENT: MANAGING & ADDRESSING EMERGING UNCERTAINTIES



## Sectoral Risk Assessment 2020 (SRA)

Coordinated by Bank Negara Malaysia and findings are moderated by the National Coordination Committee to Counter Money Laundering (NCC). The first SRA was undertaken in 2017 and is reviewed on a 3-year cycle.

Labuan IBFC was assessed as a key economic segment representing part of Malaysia’s international business.

Information reviewed includes a combination of institutional, supervisory and enforcement statistics of individual business sectors.

Assessment of the Labuan key sectors was based on specific parameters which include:

- (a) *Business features:*
  - Nature
  - Structures
  - Channels
- (b) *ML/TF threats:*
  - Likelihood of the risks
- (c) *Business mitigants:*
  - Internal controls
- (d) *Regulatory measures:*
  - Entry regulations
  - Supervisory monitoring



## Labuan IBFC Risk Assessment 2020 (LRA)

A dedicated risk assessment which focused specifically on Labuan IBFC and complements the SRA 2020 with differentiated risk assessment methodology to SRA’s.

An AML/CFT expert consultant was engaged to inject elements of data analytics and professional criticality into the exercise.

Its objective was to ascertain the Centre’s vulnerability to ML/TF threats covering all Labuan reporting institutions.

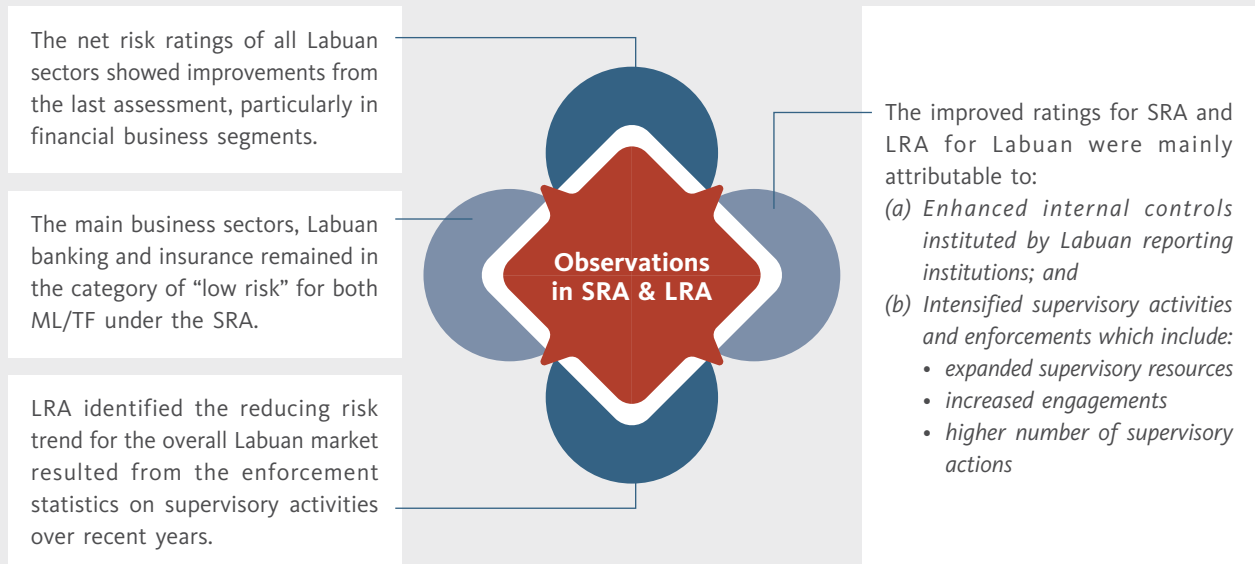
Utilised empirical-data analytical approach over the following parameters:

- (a) *Internal parameters:*
  - Related to Labuan FSA’s supervisory intensity
  - Enforcement activities
  - Business nature
  - Regulatory aspects
- (b) *External parameters: Comprised third-party activities on Labuan entities/businesses*
  - Enforcement Authorities’ statistics
  - Suspicious Transaction Reports

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### Findings of the AML/CFT Risk Assessment on Labuan IBFC

Both SRA and LRA classified Labuan IBFC as **“Low Risk” jurisdiction** in terms of ML/TF threats.



### AML/CFT Risk Assessments Key Recommendations

