



PRESS RELEASE

Labuan IBFC Market Performance for 2019: 30 Years of Intermediating Asia: Embracing Business Innovation & Digitalisation

- *The banking and insurance market's profitability grew by 26.9% and 43.7%*
- *More than 55% international businesses in banking and insurance*
- *28 new licences approved for digital financial services business*
- *More jobs creation; boosting industry total workforce to more than 6,000*

Labuan, 28 May 2020: In 2019, the Labuan International Business and Financial Centre (LIBFC) remained resilient in the face of challenges in the global market. The Centre maintained its growth in key business sectors and witnessed a surge in innovative business ventures - in tandem with Labuan IBFC's progressive shift towards more digital-based financial business. As the Centre unveiled its Market Report 2019, it also marks the Labuan IBFC entering its third decade of operation since 1990. The 30th anniversary signifies the success of the Centre's long standing journey, and a pivotal time to embark on new direction for the next phase of development and growth.

In 2019, one of the watershed events was the rollout of the new Labuan IBFC tax framework, which had in many ways changed the Labuan IBFC's business landscape. The salient features of the new framework included removal of the RM20,000 tax option, removal of ring-fencing elements and the introduction of substance requirements. The substance requirements will further enhance the Labuan IBFC's market players contributions towards the island's economic growth via increasing their business presence.

The Labuan Financial Services Authority (Labuan FSA) remains optimistic that the Centre would continue to grow in strength and expand its regional prominence. This is made possible by industry players' business agility coupled with robust capabilities and capacities that allow them to realise their strategies while at the same time adapt to new business norms.

For the year under review, notable achievements in Labuan IBFC's business sectors included:

- New company incorporations continued to grow albeit at a slower pace with 981 new incorporations in 2019. Companies hailing from Far East continued to show positive trending over the last three years with a significant increase of 33.3% growth in 2019.

- The positive trend in company incorporations was in tandem with the increase in Labuan trust companies, with five new licences issued in 2019, bringing the total number of trust companies to 61.
- Labuan banking industry remained financially strong to support their businesses in the region. Labuan's strategic position in the Asian region sharing similar time zone with major cities and its broad based financial market players have given the Centre the edge to continue providing effective financial intermediation in Asia. This is reflected by the 80.9% of the banks' total financing being channeled to the region. Profitability of the industry grew by 26.9% to USD634.8 million.
- Labuan insurance industry showed a modest topline growth but higher profitability performance for 2019. Total gross premiums were transacted at USD1.5 billion with 89% of the total premiums originating from the Asian market. The industry's profitability grew by 43.7% to USD190.5 million mainly due to improved underwriting performance and better cost management. Labuan IBFC is the second largest captive market in Asia with 52 captives operating in the Centre. Increasingly Asian companies are embracing the use of captive as alternative risk management. Labuan IBFC will continue to tap on this potential with suitable captive structures supported by a strong pool of intermediaries and insurers.
- Labuan IBFC continued to attract digital financial services (DFS) setups with its facilitative regulation with 28 new licences being approved. A total of 34 DFS provide digital-based services including insurtech, payment services, and digital exchange in Labuan IBFC.
- The Labuan wealth management business continued to trend upward with registration of new foundations increasing by 36.8%, bringing the total number of active foundations to 192. Majority of these are vehicles for private wealth management.

While 2019 had been a year of sustained growth for Labuan IBFC, it had been a challenging start for 2020 as global markets being impacted by the Covid-19 pandemic and distressed oil prices. Considering the uncertainties looming in the international business scene, Labuan FSA has been closely monitoring the situation and taken pre-emptive measures to maintain stability and sustainability of the industry. A set of regulatory reliefs which provided administrative flexibilities and financial reliefs was given to Labuan entities to cushion the impact and minimize disruption to business operations arising from the Covid-19 outbreak. Labuan FSA will continue monitoring the situation to ensure that the Centre's business operations and the delivery of services remain uninterrupted. Further reliefs will be considered as the condition evolves and based on engagements with the industry players. During these challenging times, the Labuan entities including the financial institutions which operate in multiple markets within the Asia region continue to be able to provide services and business facilitation to their clients.

The Covid-19 pandemic has also brought hardships to the livelihood of the local community in Labuan. Labuan FSA together with the Labuan IBFC industry through the

Association of Labuan Banks, Labuan International Insurance Association, Association of Labuan Trust, Labuan Investment Bank Group and Labuan Fintech Association had pooled resources to help out and provide aid to the Labuan community. These CSR efforts included procurement of medical equipment and essential items for the frontliners, local hospital and quarantine centres.

The business and financial landscape post Covid-19 is fraught with uncertainties and challenges. However, Labuan FSA firmly believes that the situation can be managed with the support of all stakeholders. Strategic thrusts have been put in place to chart Labuan IBFC's way forward including measures to enhance the role of the Centre to better serve as the jurisdiction to intermediate regional businesses.

Labuan Financial Services Authority

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