



**WHY
LABUAN IBFC
FOR ISLAMIC
FINANCE?**

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Strategic Thrusts

An ideal Shariah-compliant Jurisdiction for International Islamic Finance

Malaysia's Islamic finance infrastructure, coupled with Labuan International Business and Financial Centre's (Labuan IBFC) robust regulatory framework provide a conducive business environment for Shariah-compliant financial transactions, catering not only to emerging Asian markets but also to the wider global market.

Labuan IBFC, located in the centre of Asia, offers global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards and best practices. Labuan IBFC is home to the world's only omnibus Islamic legislation – the Labuan Islamic Financial Services and Securities (Amendment) Act 2022 (LIFSSA). The jurisdiction is regulated and supervised by Labuan Financial Services Authority (Labuan FSA), a statutory body under the Ministry of Finance, Malaysia.

The LIFSSA legislation names the Shariah Supervisory Council (SSC), which comprises renowned international and Malaysian Islamic finance scholars as the sole reference authority in matters of Islamic law to ensure Shariah-compliant businesses, products and structures.

“ Labuan IBFC recognises the huge potential of the Islamic fintech landscape. Armed with Shariah principles, values and goals, Islamic fintech is by nature financially inclusive and aims to promote economic well-being and enable socio-economic equitable distribution which is in line with the United Nation's Sustainable Development Goals.”

Hence, Labuan IBFC is positioning Islamic finance to be the fulcrum of the jurisdiction's future strategic planning. With the internationalisation of Islamic finance and Malaysia's position as a leading international hub for Islamic finance, Labuan IBFC is able to support and complement Malaysia's development synergistically as a key player on the global Islamic finance stage. This underscores its position as a crucial part of Malaysia's financial system.

In fact, Labuan IBFC is no stranger to the sukuk market, having been home to various sukuk issuances as well as listings of sukuk on the Labuan International Financial Exchange originating from the year 2000. Labuan IBFC is also home to the world's first US dollar-denominated exchangeable sukuk, which reinforces Malaysia's position as the global leader in sukuk issuance.

Labuan IBFC Shariah-compliant Solutions



Islamic banking



Sukuk

Green, Social and Sustainability Sukuk, Aviation Sukuk, Wakalah Sukuk, and other underlying Sukuk structures such as Ijarah, Mudarabah, Musharakah, and Murabahah



Ijarah leasing



Wealth management

Islamic trusts, foundation including Waqf foundation, and Islamic private trust companies



Takaful insurance including captive takaful



Digital Islamic financial services

Labuan IBFC Strategic Roadmap 2022–2026: A focus on Islamic Finance

To maintain Labuan IBFC's growth trajectory and provide better value to all stakeholders in the ecosystem, the expansion of the Labuan Islamic finance sector will focus on enabling technology-led business diversification. Notwithstanding this, Islamic financial solution providers will also offer a range of solutions that are sustainable, value-based and competitive to conventional consumers and investors.

For the next five years, it is envisaged that the existing ecosystem of Islamic finance in Labuan IBFC will be elevated through:

- 1** Embedding digital innovations within current regulations, players, Shariah-compliant offerings and infrastructure.
- 2** Bringing in social reforms in topical socio-economic agendas which include financial inclusion; and transparency and value-based intermediation, in line with the Maqasid As-Syariah (the objectives of Shariah).
- 3** Amalgamating Islamic pillars with fintech solutions through the implementation of digital Shariah governance in Labuan IBFC in order to attract global players, innovative Shariah-compliant products and their intermediation, as well as supporting infrastructures.

Labuan IBFC as a Well-Recognised Islamic International Centre



Enabling Initiatives

2022-2023	2023-2025	2024-2026
<ul style="list-style-type: none"> • Create thought leadership in the development of Shariah exchanges • Attract new digital prospects in banking and other traditional financial sectors • Service new sectors through takaful captives and Shariah-compliant tokenisation • Complement the global Islamic infrastructure 	<ul style="list-style-type: none"> • Support the vision of Government in enriching the rakyat (people) via digitalisation 	<ul style="list-style-type: none"> • Institutionalise globally social finance via digitalisation such as Pension, Hajj, Waqf and Zakat • Host international Islamic digital dialogues and associations

Why Labuan IBFC?



Has a well-developed Islamic finance infrastructure and business supportive ecosystem with a comprehensive legal and regulatory framework developed under the LIFSSA.



Has the SSC comprising leading global Shariah scholars and practitioners, which provides advisory and issues Shariah pronouncements which may be deemed admissible in Shariah Courts around the world.



Recognition of Shariah opinions issued in other jurisdictions and vice-versa.



Allows Shariah-compliant division with a conventional license.



Adheres to international Islamic standards and best practices – Islamic Financial Services Board (member) and International Islamic Financial Market (founding member).



Access to a wide array of professional service providers in Malaysia, or abroad.



A cost-efficient tax-neutral jurisdiction which is ideal for substance creation.



No withholding of taxes on income distributions.



No stamp duty on all instruments which are executed by a Labuan entity in connection with a Labuan business activity.



Businesses are able to establish a marketing office anywhere in Malaysia.

Summary of Labuan IBFC Strategic Roadmap 2022-2026



Strategic Thrusts



Spurring Market Innovations & Vibrancy

- Transforming into a Digital Financial Hub
- Intensifying Labuan's insurance market growth
- Promoting international Islamic finance
- Revitalising niche and prospective segments



Promoting Market Facilitation & Visibility

- Upscaling Labuan IBFC's ecosystem and infrastructure
- Enhancing Labuan IBFC's visibility and branding



Strengthening Labuan IBFC's Complementary Roles to Malaysia

- Complementary capacity to Malaysia's economy



Effecting Relevant & Proportionate Regulations

- Continued prudential regulatory and legal upscaling in accordance with international standards
- Developing risk-sensitive, fit-for-purpose regulations to cater for emerging concerns
- Securing good ratings for incoming international assessments on Labuan IBFC
- Fiscal planning to meet Organisation for Economic Co-operation and Development's (OECD) new requirements and BEPS 2.0



Effecting Pre-Emptive Supervision & Enforcement

- Intensifying and modernising supervisory approach and cross-border engagements

For more information, log on to www.labuanibfc.com

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