

# Asia's Wholesale Midshore Intermediation Centre

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**15 April 2021**

# Where is Labuan?

- Part of Malaysia, a Federal Territory under the Federal Government
- Off the coast of Sabah, East Malaysia, in the center of Asia
- Labuan derived its name from the word “labuhan” or a port - has naturally deep, well-sheltered harbour
- Easy access from Kuala Lumpur and Kota Kinabalu
- About 100,000 population



# Labuan IBFC

More than 30 Years of Intermediating Asia

- An international business and financial centre set up by Malaysia in 1990 to intermediate trade, finance, risk and wealth.
- A tax-efficient substance enabling **MIDSHORE** jurisdiction to facilitate businesses, trading, investments through financial services and a wide array of legal structures.
- Well-balanced legal and regulatory framework, proportionality in regulatory stance.
- Robust governing legislations passed by the Malaysian Parliament, administered by Labuan Financial Services Authority, a statutory body under the Ministry of Finance, Malaysia.
- Adheres to Malaysia's AMLCFT requirements and international standards and best practices set by multilateral global institutions.



# Labuan Financial Services Authority

A Statutory Body under MOF Malaysia



**Labuan Financial Services Authority  
a statutory body under Ministry of  
Finance, Malaysia**

# Why the Midshore Balance?

Labuan is part of Malaysia, one of Asia's fastest growing nations. **Labuan IBFC is thus part of all the protocols the country adheres to**, such as anti-money laundering and anti-terrorism financing regulatory requirements.

**Conformity to international standards and regulatory requirements** by international standards setting bodies such as OECD, APG, FATF, have always been key to Labuan IBFC.

Labuan IBFC has put in place relevant legislation to allow the **exchange of information** with the tax authorities of Malaysia's double tax treaty partners as well as the tax information exchange agreements signed by Malaysia.

Labuan IBFC **offers a combination of the ease of doing business and adherence to robust international standards** in regulatory and supervisory frameworks, layered with **proportionality in regulatory stance**.

The range of unique and bespoke structures are **cost-efficient, tax and currency neutral**.

# A Comprehensive Suite of Legislation

Adherence to International Standards and Best Practices

## International Memberships



LABUAN FINANCIAL  
SERVICES  
AUTHORITY ACT

LABUAN FINANCIAL  
SERVICES AND  
SECURITIES ACT

LABUAN ISLAMIC  
FINANCIAL SERVICES  
AND SECURITIES  
ACT

LABUAN COMPANIES  
ACT

LABUAN LIMITED  
PARTNERSHIPS AND  
LIMITED LIABILITY  
PARTNERSHIPS ACT

LABUAN  
FOUNDATIONS ACT

LABUAN TRUST ACT

LABUAN BUSINESS  
ACTIVITY TAX ACT

# Creating a Complete Ecosystem of Solutions



## 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
- ▶ Specialised plants, machineries and equipment



## TRUST COMPANIES

- ▶ Corporate secretarial services
- ▶ Company administration
- ▶ Trustee services
- ▶ Custody 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

- ▶ Money broking
- ▶ Credit token
- ▶ Payment system



## COMMODITY TRADING

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

# 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



# 2020 Highlights

Agility, Adaptability, Alignment

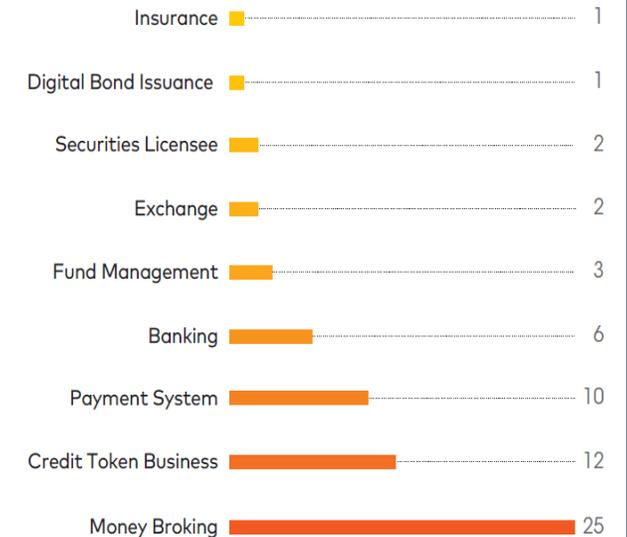
## Digital Financial Services

- The ethos of Digital Labuan is that there are no ‘sandboxes’; Digital financial service providers are able to operate within framework of existing laws and regulations.
- Labuan IBFC has a ready ‘tool box’ for blockchain, cryptocurrencies and fintech-related entities namely via money broking licence, credit token licence, securities dealer licence, payment portal approval etc. It is worth noting that licences may be combined to achieve the operational objectives of a potential digital licence holder.

### LABUAN IBFC'S TOOL BOX



- Has in total 62 digital financial services providers.
- 30 licences were approved, predominantly token issuers, e-payment portal and digital assets trading platform providers
- 4 new digital investment banks were approved. To date, Labuan IBFC is home to 6 digital banks.
- Home to 3 digital exchanges, i.e. Labuan International Financial Exchange, Fusang Exchange and GSX Exchange.



# 2020 Highlights

Agility, Adaptability, Alignment

## Insurance & Risk Management

- Insurance and risk management is the largest sector in Labuan with more than 220 license holders.
- Labuan insurance industry comprises (re)insurers and captive insurers which underwrite either general or life business and other insurance related intermediaries. As with all our offerings, Labuan (re)insurance comprises both conventional insurance as well as shariah compliant, takaful business.
- Labuan captives have grown to become a prominent business sector in the centre with 55 captives and is now licensing a quarter of all captives in the Asia-Pacific and Mena.
- In fact, Labuan IBFC is the only Asian jurisdiction with a comprehensive legal framework to cater for PCC structure.

- Total gross premiums grew 4.5% to USD1.6 billion, of which foreign business forms the larger share of 60.9%.



*Gross premium distributions by region*

- Captive insurance attributes 31.2% of total gross premium underwritten in Labuan IBFC with 65.4% originated from international markets.
- Labuan IBFC won the “Highly Commended” award at the European Captive Awards 2020 under the category “International Domicile of the Year”.



# 2020 Highlights

Agility, Adaptability, Alignment

## Islamic Finance

- Labuan IBFC has in place a complete suite of Islamic financial structures and solutions, effective regulatory standards, a facilitative business environment as well as a Shariah Supervisory Council for Islamic business.
- The Centre has its world's first omnibus legislation governing all Islamic businesses, which covers not only Islamic banks and financial service providers, but also (re)takaful businesses, Islamic wealth management (Waqf foundation, Islamic private foundation, Islamic trust), sukuk issuances, ijarah leasing and Islamic digital offerings
- Labuan IBFC is home to the world's first USD denominated exchangeable sukuk.
- Labuan together with onshore regulators committed to develop Malaysia as the Islamic finance leader under the MIFC initiative.

### Islamic Banking

Total Islamic deposits at Labuan's 20 Islamic banks (including the conventional banks with Islamic windows) increased by 8.5% to USD183.1 million

### Takaful Business

The total gross contributions of general (re)takaful industry showed encouraging double digit business growth of 13.8% to USD114.5 million.

### Islamic listing and capitalisation

Labuan Financial Exchange has 9 sukuk listed at a combined value of US\$ 5.5billion, representing 23.1% of total market capitalisation.

# Strategic Direction

Labuan IBFC 2021-2023

# Enhancing the Sustainability and Relevancy of Labuan IBFC

## Expand and Strengthen Financial Ecosystem

### BUSINESS INTENSIFICATION

To enhance business facilitation and invigorate identified key business sectors.

- Review and align business regulations
- Enhance digital conducive ecosystem
- Tap into full potential of Labuan insurance market
- Revitalize Labuan banking business
- Attract targeted brands and facilitate intra-Labuan business
- Strengthen and expand functions of key intermediaries

## Regulatory and Supervisory Modernisation

### RESPONSIVE REGULATIONS AND SUPERVISION

To modernise regulatory and supervisory approach with forward-looking requirements; and strengthen market monitoring and enforcement capability to ensure continued market stability.

- Upscale proportionate regulations to suit new business developments
- Refine supervisory approach to cater for emerging risks
- Inculcate greater international regulatory and supervisory cooperation

## Visibility Enhancement and Branding Strategy

### PROFILING AND VISIBILITY OF LABUAN IBFC

To foster closer collaboration with key stakeholders to enhance prominence of Labuan IBFC.

- Active participation and involvement in international bodies and forum
- Reinforce strategic ties and create greater synergies with key stakeholders through MoUs
- Strategic communication to enhance timely information exchanges and responses to public
- Joint collaboration with the industry to provide cohesive support to the Labuan community

### ENHANCING ORGANISATIONAL REPUTATION AND DELIVERY EFFICIENCIES

To continue to enhance organisational reputation, capabilities and to drive operational efficiencies

- Improve key facilities via digital solutions to support organisational needs
- Strengthen reliability of key digital service platforms
- Continue upskilling of internal competencies and new skillsets in line with market development
- Prudent financial management of Labuan FSA

# Why Labuan IBFC?



## REGIONAL OPPORTUNITIES

Southeast Asia is estimated to be 4th largest economy by 2050, investors and businesses can gain access to a larger marketplace into the region via Labuan IBFC.



## EFFICIENT AND FLEXIBLE TAX SYSTEM

Simple and straightforward tax system to carry out a Labuan business activity as defined by the Labuan Business Activity Tax Act 1990.



## SUBSTANCE CREATION AND TRANSPARENCY

Complying with the latest global regulatory standards including requirements for transparency and substance creation.



## WELL-REGULATED JURISDICTION

A robust regulatory framework to ensure entities remain in compliance with international best standards.



## EASE OF DOING BUSINESS

Ease of doing business with cost-effective solutions and structures.

## WIDE ARRAY OF SOLUTIONS AND STRUCTURES INCLUDING SHARIAH-COMPLIANT OPTIONS

Banking | Risk Management | Leasing | Wealth Management | Commodity Trading  
Protected Cell Companies | International Business Companies

## GLOBALLY RECOGNISED INDUSTRY MEMBERSHIPS AND RECOGNITIONS

**GIFCS**

Group of International Finance Centre Supervisors (GIFCS)

**OICU-IOSCO**

International Organisation of Securities Commissions (IOSCO)

**GIICS**

Group of International Insurance Centre Supervisors (GIICS)

**IAIS**

International Association of Insurance Supervisors (IAIS)

**APG**

Asia/Pacific Group on Money Laundering

Asia/Pacific Group on Money Laundering (APG)

**FATF**

Financial Action Task Force (FATF)

**IFSB**

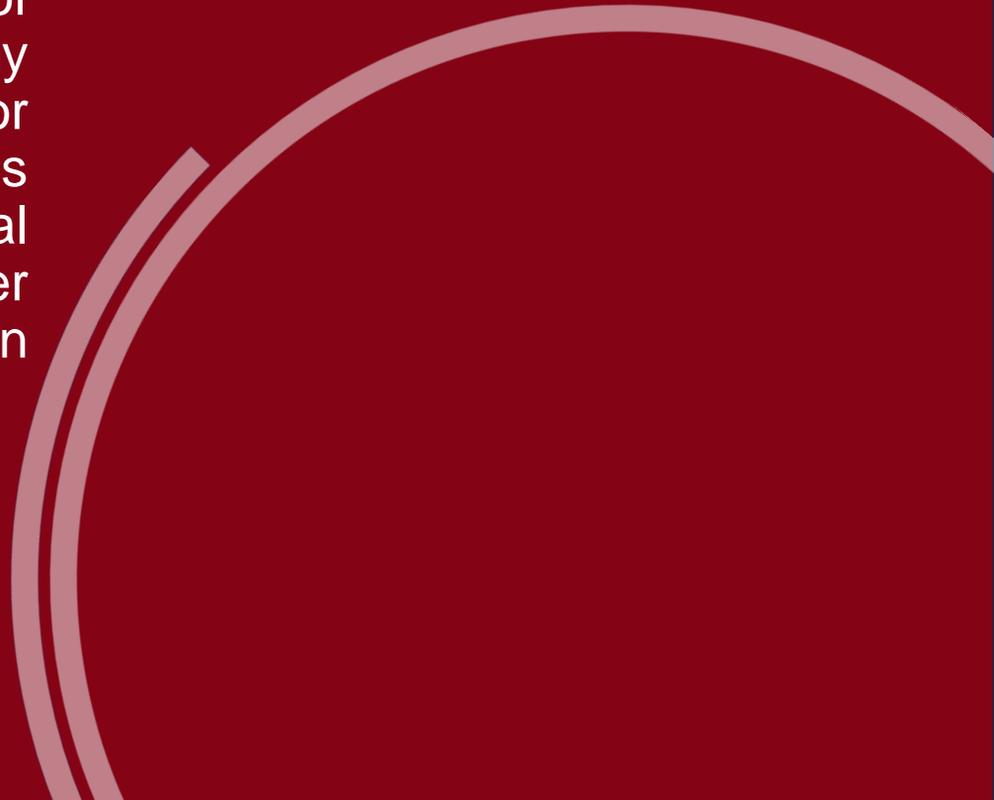
Islamic Financial Services Board (IFSB)

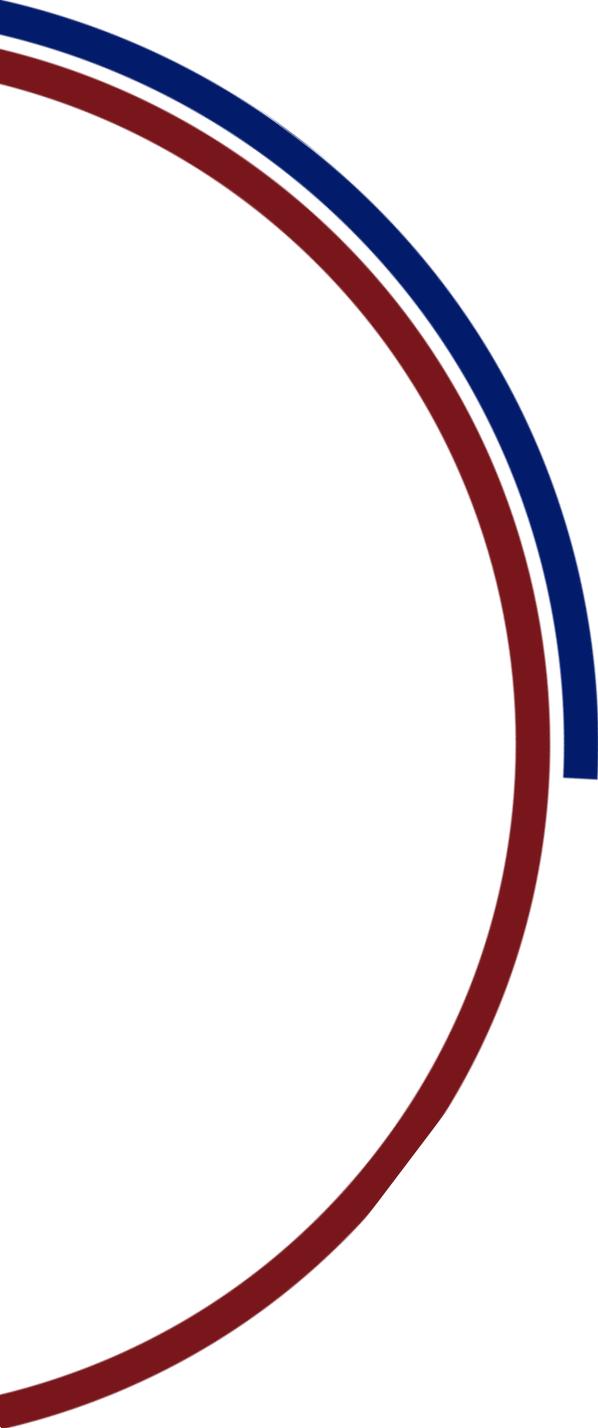
**IIFM**

International Islamic Financial Market (IIFM)

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**Terima Kasih**