














Curating a Regulated Digital Ecosystem

October 2021

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Executive Summary



Labuan IBFC continues to provide fit-for-digital business structures to facilitate various digital financial-related businesses in the Centre

The financial services landscape has undergone a profound transformation over the past decades. With the increasing trend of BigTech and FinTech companies offering financial services' products, central banks and regulators are working to accelerate DFS-related regulations in their own respective countries. The digital transformation landscape is pivoted by a growing digitally-savvy population with increasing customer expectations. As such, financial institutions should accelerate their transformation. Distributed ledger technology, also known as blockchain is a trending topic within the financial industry, where activities can decentralize and eliminate certain intermediary processes, validating and authenticating transactions. Additionally, automation is also seeing a growing impact in the banking and financial services space – to optimize operational efficiency, perform credit decisioning, and prevent fraudulent transactions. Hence, central banks and regulators must transform together with the advancements to ensure the growth of its financial services industry and the country's economy as a whole.

Digitization is a forward-looking concept that is expected to be realized within a short period of time. However, new financial services' companies in the emerging market environment will face challenges including, but not limited to the following:

- Rigid regulatory policies and frameworks;
- Lack of inclusivity practiced by bigger banks and firms;
- High vulnerability to cyber-attacks; and
- Higher focus on generating initial returns rather than the long-term benefits.

Labuan IBFC recognizes the rapid transformation within the financial services landscape and has subsequently taken progressive approach in embracing digital revolution by facilitating innovative digital business to take root in Labuan IBFC. The Centre has a ready "toolbox" of solutions to meet the needs of the rapidly expanding digital industry within a regulated environment. The accelerated growth for financial services in Labuan IBFC are driven by four key factors:

- Strategic location in Southeast Asia (SEA);
- Favorable regulations and frameworks for vast financial offerings that provide a safe environment for companies to test the prototype/minimum viable product;
- Provide differentiated solutions that are not offered by other jurisdictions in Asia such as digital takaful captives; and
- A substance-enabling jurisdiction to provide better tax certainty.

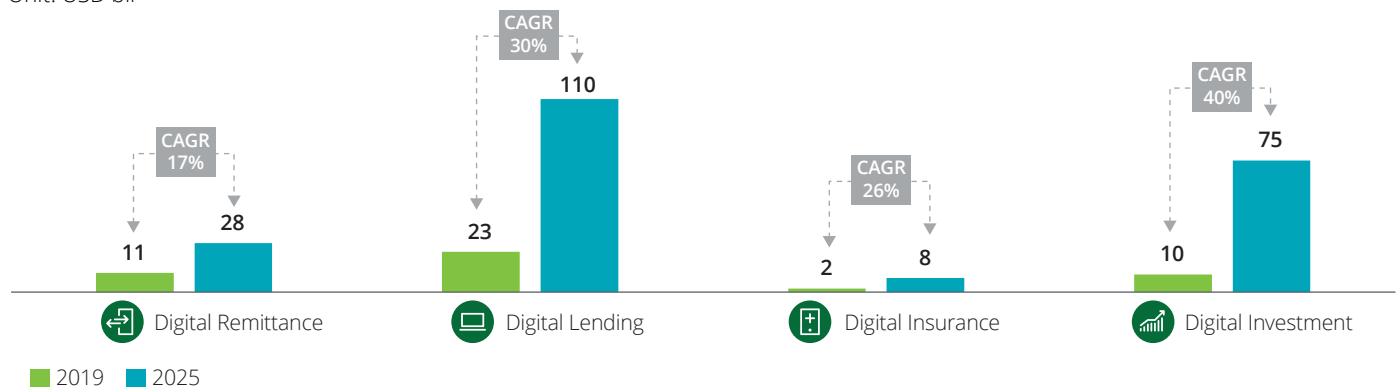
Global DFS Outlook and Trends

The global financial services landscape has pivoted into digitization and digital engagement, accelerated by the COVID-19 pandemic. DFS are on the rise to fill the gap of traditional financial institutions, due to the strict compliance and various siloed systems. With the spike of DFS, traditional financial institutions are now looking for ways to transition to a more agile setup. Governments have taken the opportunities to leverage on the digital transition to fast track the financial inclusion agenda.

The digital payments market is the largest segment within the digital spectrum and accounts for more than 80% of global digital market revenues. Digital payments' gross transaction value is estimated to reach USD1 trillion by 2025. Other DFS such as digital lending, Insurtech, and digital investment are still relatively nascent but shows increased growth of more than 20% from 2019 to 2025.

DFS Revenue Growth

Unit: USD bil

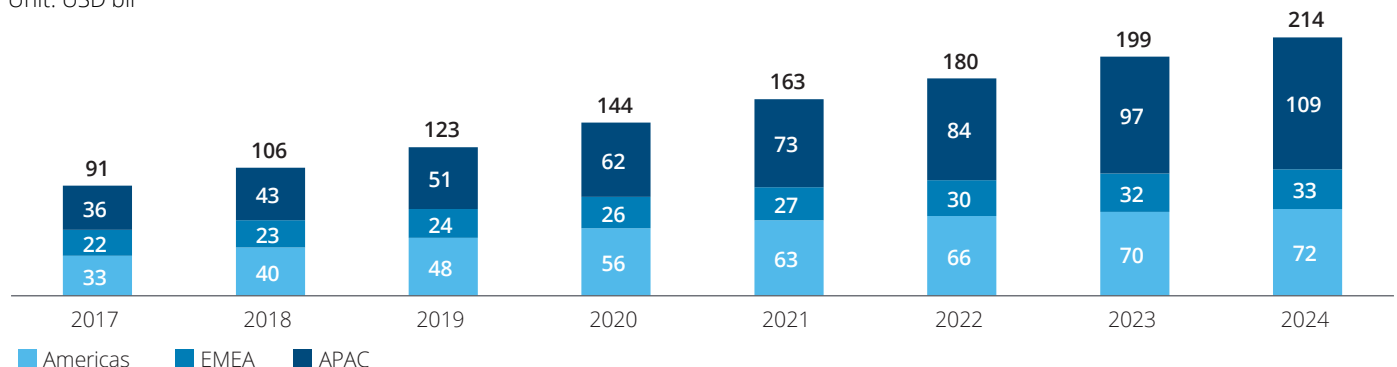


Global Digital Market

- Global digital market revenues in 2018 were about USD106 billion and expected to grow to more than USD214 billion in 2024 (pre-COVID-19 forecast).
- The digital markets in the APAC and Americas regions are currently the largest, with both having around 40% of the global market share. The EMEA region is significantly smaller, with around 20% of the total market share. The digital market in the APAC region is projected to be the fastest growing.
- Although COVID-19 causes uncertainty in the digital market, it creates opportunities for the digital market as well. The adaptability and digital innovation allows the sector to truly realize its growth path.

Global Digital Market Revenue¹








Unit: USD bil



Note: (1) Actual figures up until 2018.

Sources: Google, Temasek, Bain & Company e-Conomy SEA 2019 Report, Mordor Intelligence, Deloitte Analysis

Enabling DFS such as digital payment and digital lending have transformed the ways of working within the financial services landscape.

Type of financial services	Key trends
 Digital payments and E-wallets	<ul style="list-style-type: none"> Payments are migrating away from cash as consumers and businesses shift purchases to digital channels (online, mobile etc.). Data monetization, local payments needs, and power of large merchants are driving the payments innovation. By establishing a decentralized ledger for payments, blockchain technology can facilitate faster payments at lower fees than legacy banks.
 Digital lending	<ul style="list-style-type: none"> Innovative data points are obtained for a more accurate credit scoring assessment for customized risk-pricing strategy for each customer. Buy Now, Pay Later is on the rise with merchants integrating their platforms with banks and lenders to provide options for customers to purchase items instantaneously without heavy investment cost.
 Insurance	<ul style="list-style-type: none"> There are many rising digital insurers that operate and service customers over a digital platform. Many of these insurance operators are able to customize the insurance contract for each unique individual based on their needs and affordability. Micro-insurance is a new offering in emerging markets that can promote financial inclusion. Central banks are also paying more attention to build and grow reinsurance operators with the proliferation of digital insurance companies.
 Investment	<ul style="list-style-type: none"> Robo-advisor is a digital solution that gives customers and business owners a comprehensive view of their finances, making it easier to manage their business. The digital platform provides financial insights to help make real-time decisions. Algo-trading is popular amongst established investment firms, where AI is able to learn and detect the market's move in a particular trade, or holistically across the entire market spectrum.
 Central Bank Digital Currencies (CBDC)	<ul style="list-style-type: none"> There are several governments that are looking into the viability of creating and issuing CBDCs. CBDCs use a centralized electronic record or digital token to represent the virtual form of a fiat currency of a particular nation (or region) that is regulated by the respective central bank. CBDC aims to bring in the convenience and security of digital assets such as cryptocurrencies, while at the same time maintaining the regulated, reserved-backed money circulation of the traditional banking system.
 Digital banking (Conventional and Islamic Banking)	<ul style="list-style-type: none"> With the growing digitally savvy population and the need for personalization, digital banking is on the rise globally. In SEA, digital banking is a trending topic within the banking and financial services landscape. Digital banking licenses are issued and open for operations in many SEA countries.
 Open banking and decentralized finance	<ul style="list-style-type: none"> Open Application Programming Interfaces (APIs) that enable third-party developers to build applications and services around the financial institutions. Consumers allow third-party providers to use the financial information held by their bank to interact with new digital players.

Type of financial services	Key trends
 Digital Asset and Custody	<ul style="list-style-type: none"> Through digital asset technology, illiquid assets can be turned into liquid instruments by digitalization and standardization, thus creating marketplaces where investors and issuers can meet. As assets become digitized, a wealth of information about demand and supply and historical asset performance becomes available and that can provide financial institutions with a leading edge to generate outsized returns. Digital asset is a forward-looking trend, and custodians will be able to leverage on the volume of data gathered from clients to generate deeper insights, in particular, into risk management and investment performance.
 Digital Fraud and Forensic	<ul style="list-style-type: none"> Biometric authentication is preferred as consumers are becoming more aware that passwords alone are not sufficient in effectively securing accounts. The support for fingerprint scanning, facial recognition, and iris scanning is increasing and deemed as the most effective ways to validate identity. With blockchain, information can be shared in real-time, and the ledger can only be updated when all parties agree. This can reduce time, costs, and fraud. Artificial intelligence (AI) in financial services is a growing need as it is able to analyze real-time activities in any given market or environment and provide close to accurate predictions and detailed forecasts based on multiple variables, which is important for business planning. AI can also detect fraudulent claims and check if claims adhere to regulations.
 Digital Capital Raising	<ul style="list-style-type: none"> Crowdfunding and Peer-to-Peer lending is a growing service for start-ups to raise capital to further realize and commercialize their prototypes. Blockchain and digital coins also play an important role in capital markets, partly due to Initial Coin Offerings (ICO).
 Supervisory Technology (SupTech)	<ul style="list-style-type: none"> SupTech improves oversight, surveillance, and analytical capabilities, and generates real-time indicators of risk to support forward-looking, judgement-based, supervision and policymaking. They can be used in automated reporting and real-time monitoring. SupTech applications, such as chatbots and machine-readable regulations, already found in the area of virtual assistance. Many central banks are also developing a real-time reporting platform that bridges the gap between the IT systems of supervised entities and the supervisory agency.
 Marketing Technology	<ul style="list-style-type: none"> Digital marketing has become important with the rise of DFS. Government and central banks are challenging domestic banks and FinTechs to create awareness and expand outreach of financial services through digital platforms. Many young FinTech companies are also taking this opportunity to reduce operational costs and increase the speed-to-market information to their customers.
 Digital Marketplace	<ul style="list-style-type: none"> With the rise of many e-commerce platforms where transactions usually occur, banks are unable to escape the need to integrate with the digital marketplace to allow faster, secure, and smoother transactions between the buyers and the sellers. Digital marketplace is also a strategic establishment for FinTechs and banks to acquire and retain customers within the ecosystem.

Labuan IBFC's Digital Landscape and Key Solutions

Malaysia is rapidly moving towards an increasingly digitalized economy, and support from the government and regulators for startups and FinTech act as a catalyst in this journey. According to Malaysian Digital Economy Corporation (MDEC), Malaysia has the potential to become a digital hub for ASEAN, while another report dubbed Malaysia as an “Emerging FinTech hub in Asia”. Labuan IBFC has quickly identified the growing importance of a robust digital financial ecosystem, awarding more than 60 approvals to digital entities within

a span of three years. The digital industry has received significant support from Labuan’s regulatory authority, Labuan Financial Services Authority (Labuan FSA), through both a business facilitative and proportionate supervisory approach to develop the digital ecosystem in Labuan IBFC. The Authority recognizes that no single regulatory model fits all, and divergent regulatory frameworks in a complex, fast-moving landscape can add complexity, create uncertainty, and dampen innovation.

“Digital Wrapper” for all product and service offerings

Labuan FSA facilitates innovative compliance solutions for DFS providers

In Labuan IBFC, each element of technology incorporated into a business is embedded into its business plan, which is assessed by the regulator (Labuan FSA) based on merit. Such a system, helps to facilitate the incorporation of innovative digital players.

Digital-friendly ecosystems of financial service providers

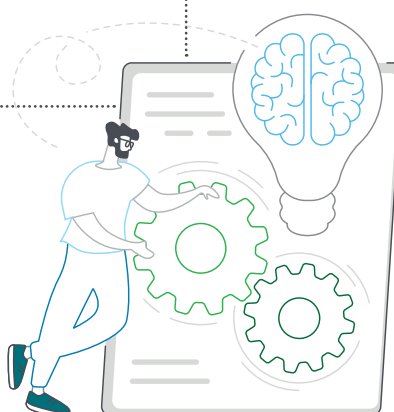
Labuan FSA provides an innovative licensing regime for innovative DFS

Licenses can be combined in Labuan IBFC in order to achieve the operational objective of a potential digital license holder. For example, the digital currency trading platform coupled with the digital token/asset issuance license provides for an entity to not only issue a token, but also creates a cryptocurrency exchange to trade this token.

Digital Banking Framework

Labuan FSA encourages the growth of DFS through digital banks

Labuan FSA has issued a Framework to allow setting up of digital wholesale banks in Labuan IBFC, and approved its first digital bank in 2021.



Labuan FinTech Association

Establishment of Labuan FinTech Association to enhance the digital ecosystem in Labuan IBFC

The industry-led Association was established in 2019, to gather professionals and organizations in a digital space that is committed to develop the digital ecosystem, regardless of whether these entities are licensed in Labuan IBFC or not.

Digital Governance and Cyber Resilience Framework

Labuan FSA aims to protect digital financial service providers from cyber threats

Developed by Labuan FSA in response to growing cyber risks emanating from expanding digital and virtual transactions. It sets out the minimum regulatory expectations to promote sound practices on governance and cyber risk management. For example, the jurisdiction accepts eKYC for client onboarding and introduces measures to enhance business continuity and cyber resilience.

Cryptocurrency and Digital Assets Fundraising

Labuan FSA provides a regulatory framework on crypto and digital assets in Labuan IBFC

Labuan FSA allows companies to issue utility tokens or asset-backed tokens. Additionally, Labuan FSA also issues licenses to carry out digital assets trading business.

“Labuan IBFC is one of the fastest-growing international financial centres which firmly believes in good governance and a balanced regulatory environment. With its determined focus on promoting financial innovation and its invincible approach to creating modern infrastructure, Labuan IBFC has emerged as an attractive destination for digital entities.”

Labuan was proclaimed as a Federal Territory by the Malaysian Government in 1984, and was later re-branded as Labuan IBFC. Labuan is one of the 3 federal territories in Malaysia. Labuan IBFC was established by the Malaysian government in 1990 to intermediate trades, risks and assets in Asia, in addition to developing the island and its surrounding vicinity as well as

complementing the Malaysian economy. Labuan IBFC is a cost-efficient, substance-enabling midshore jurisdiction with geographical advantage. It is Asia's "Innovative Intermediation Centre" in a well-regulated, transparent, and substance-enabling environment with diversified products and solutions available.

As an established and progressive, 30-year old midshore International Financial Centre, Labuan IBFC offers unparalleled range of structures and solutions for global businesses looking at penetrating Asia or Asian entities aiming to go global, with focus on:

Focus area	Potential users	Potential offerings	Unique characteristics of Labuan IBFC
DFS	Digital financial institutions, platforms, and service providers	Labuan IBFC offers digital banking, digital assets trading platform, token issuances, digital exchange, etc.	<ul style="list-style-type: none"> Income from Labuan trading activities (e.g. Crypto trading platform providers, digital banks, insurtech, and fund management activities) taxed at 3% of net audited profits
Holding companies	Investment holding company	A Special Purpose Vehicle (SPV) company can issue sukuk, and the funds obtained by the SPV entity in Labuan IBFC may be invested into a Malaysian company	<ul style="list-style-type: none"> Non-trading income (i.e. from investment holding activities) attracts no tax Clear and prescribed substance requirements based on business activities
Self-insurance	Captive insurance	Insurance, reinsurance, captive, cell captives, takaful, and re-takaful	<ul style="list-style-type: none"> May irrevocably elect to be taxed at the domestic tax rate at 24%
Investment funds	Venture capitals, private funds, and fund managers	Labuan IBFC aims to provide an efficient tax jurisdiction for fund managers, private equity firms, and individuals looking to domicile their investment funds	<ul style="list-style-type: none"> Exemption from stamp duty Exemption from withholding tax on dividends, interest, royalties, service fee, and lease payments to non-residents
Wealth management	Wealth managers, high-net-worth individuals, and family offices	Labuan IBFC offers a range of wealth management vehicles such as trusts, foundations, and private trust companies to high-net-worth individuals/families	<ul style="list-style-type: none"> Access to most of Malaysia's 70+ double taxation agreements (DTAs)

Labuan IBFC offers advantages by virtue of being a cost-effective, substance-enabling jurisdiction with tax efficiency, able to access to most of Malaysia's DTAs. Additionally, Labuan IBFC also offers non-fiscal advantages including:

1. It is a robust and well-regulated midshore jurisdiction, conforming to international standards and best practices.
2. It is supported by a complete ecosystem of intermediaries, including banks, insurance, and service providers such as trust companies, accounting firms, auditors etc.
3. Offers currency neutrality wherein operations can be in any currency supported by the banks.
4. Offers digital players a licensed regime in a reputable jurisdiction

"We are one of the most digital-friendly jurisdictions in Asia, anchored on our more than three decades of wholesale financial intermediation in the region. Being home to one of the fastest growing digital families in Asia, our ethos of constant engagement with industry coupled with innovation, puts us in good stead to embrace the next digital evolution, anchored by sound regulatory parameters."

Farah Jaafar, Chief Executive Officer - Labuan IBFC

Key Growth Drivers in Labuan IBFC

Labuan IBFC maintained its reputation as one of the prominent international centres within Asia. Due to an extensive range of unique structures and solutions, Labuan IBFC now houses close to 16,000 registered companies and more than 800 licensed entities. This has been made possible through proficient planning and execution, starting with the strategic location of the jurisdiction. In addition, the jurisdiction's efforts to build a comprehensive

and robust, yet business-friendly legal framework has earned international recognition and is a driving force for companies looking to set up base in Labuan IBFC. This is further reinforced by the centre's strategy of differentiating itself from its peers by offering unique products and solutions, such as in Islamic finance, DFS and self-insurance, which are targeted at the appropriate niches.



Strategic location

Labuan has a favorable geographic location within Asia, and offers multiple approaches for companies to conduct business in the jurisdiction

Malaysia is the only country in SEA that offers two distinct routes in business facilitation. That is, via the onshore jurisdiction or through Labuan IBFC as an intermediation centre for cross-border trades and investments. Strategically located within Asia, Labuan's proximity to Asia's key cities has made Labuan IBFC the preferred centre for Asian investors.



Favorable regulations

Labuan IBFC offers a well-balanced and internationally recognized legal framework with a wide array of products and services

Labuan FSA promotes a robust yet pragmatic regulatory regime which adheres to the international standards set by global regulatory bodies such as OECD, Asia/Pacific Group on Money Laundering, and Financial Action Task Force. The regulator is continuously reviewing and enhancing the centre's regulatory framework, in order to provide a business conducive ecosystem in line with the various changes that are transforming the marketplaces as well as with regional and international norms.



Differentiated solutions

Labuan IBFC offers structures and solutions that are not offered by other jurisdictions in Asia such as Waqf foundation, protected cell companies (PCC), and takaful captives

Labuan IBFC complements other leading IFCs in Asia by providing certain functions and services that these jurisdictions do not offer, such as the Waqf foundation, PCC structures, as well as an extensive range of digital/FinTech related licenses. For instance, Labuan IBFC is the only jurisdiction in Asia that offers a private foundation structure as a wealth management solution. Moreover, Labuan IBFC has been an innovative cradle for Islamic finance, with the jurisdiction offering several unique solutions such as takaful captives and Waqf-embedded private foundation. It is also home to the world's first US dollar-denominated exchangeable sukuk. In support of the emerging trend to embrace innovation, Labuan IBFC is taking a unique approach to financial technology with its digital "toolbox" in a real-world licensed environment. The jurisdiction's aspiration for the market to embrace digitalization in intermediating cross-border trade and investments is a perfect fit for start-ups and legacy financial services providers looking to venture into the digital realm.



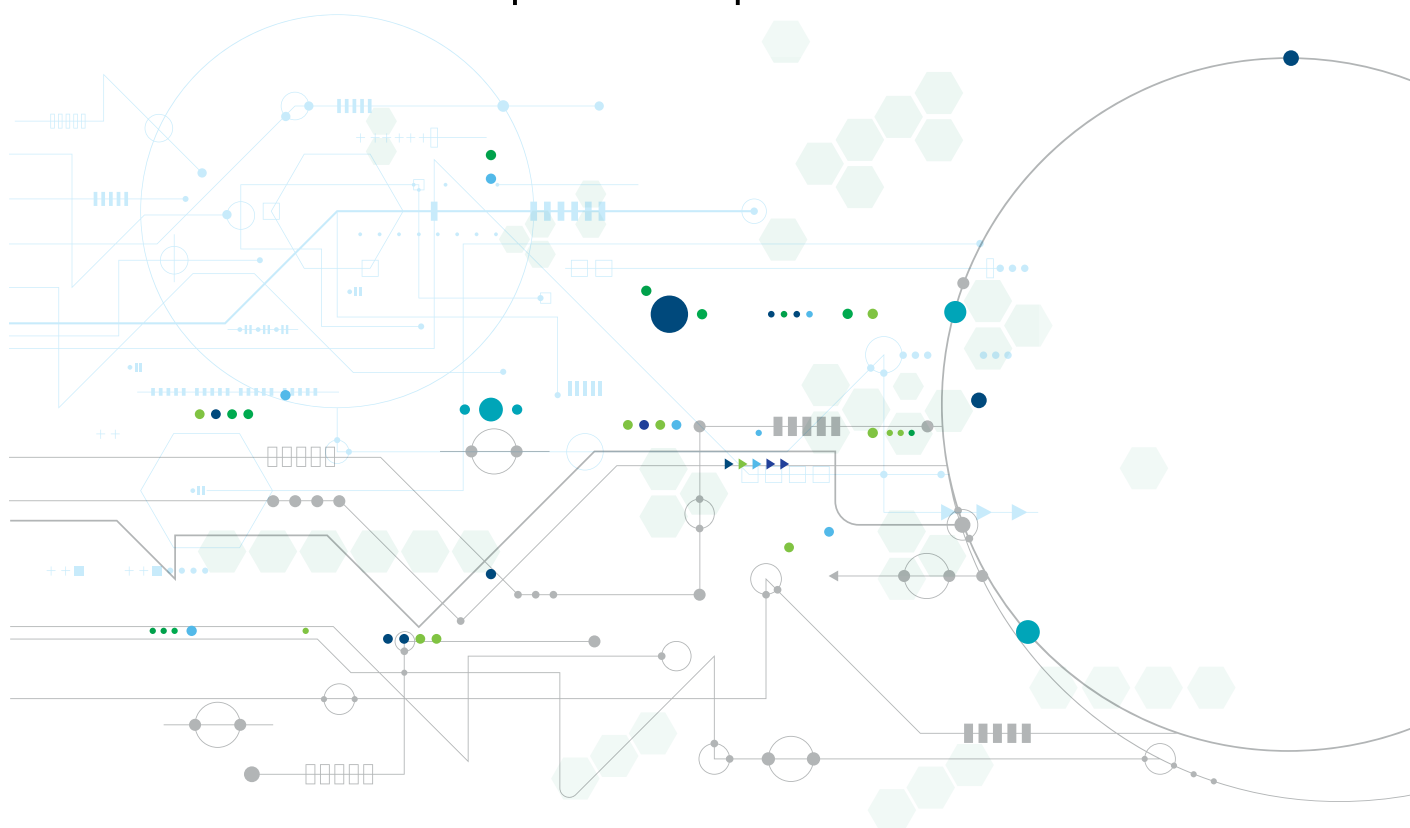
A substance-enabling jurisdiction

Labuan IBFC is well-regulated and encourages the curation of cost-efficient economic substance, which can provide tax certainty for businesses

Labuan FSA, the regulator of the jurisdiction is a statutory body under the Malaysia's Ministry of Finance. Labuan IBFC being part of Malaysia, the jurisdiction also adheres to the international standards and protocols that the country has adopted. There are natural checks and balances to ensure the robustness and competitiveness of the jurisdiction for businesses. Labuan IBFC is taking prescriptive approach via a gazette regulation to economic substance requirements, hence providing better tax certainty. Labuan IBFC also encourages the curation of cost-efficient economic substance in Labuan. Considering the worldwide adoption of OECD's base erosion and profit shifting (BEPS) framework, companies will need to demonstrate that they have economic substance in the domiciles they have chosen to set-up in. Labuan IBFC can prove to be an attractive destination for companies as it is possible to redomicile companies from other jurisdictions to Labuan IBFC, improving tax stability in assessing cross-border situations.

For more information on the Labuan Tax Framework please refer to Deloitte's Report [here](#).

The Leadership Perspective



Good governance, an accommodative regulatory regime, growing quality assets, strong investor confidence, and consistent efforts in growing niche sectors across the financial services industry contributes to the attractiveness of the APAC region. Labuan IBFC's drive for innovation and initiatives aimed at facilitating the growth of the financial

ecosystem complements its reputation as a leading jurisdiction within the APAC region. In the near-term, the jurisdiction could also benefit from new technologies and growing cross-sectoral services as the jurisdiction continues to grow.

Factors driving Labuan IBFC's attractiveness



Growing together as one: According to major companies in the region, achieving the right balance between growth for the region and ensuring strong regulatory guidance continues to be the key focus for Labuan IBFC. Further, Labuan IBFC's facilitative and solution-oriented approach in supporting digital business establishments and solving operational challenges continues to attract potential investors.



Creating the right infrastructure: Labuan IBFC's consistent focus on creating the right digital infrastructure by issuing licenses such as money broker licenses for digital assets trading platform, credit token licenses for digital assets issuance, payment system gateways for e-wallet, etc., plays a pivotal role in driving investments in the region. It has more than 20 MoUs with other jurisdictions that foster better mutual regulatory collaborations and thus, facilitate new setups in Labuan IBFC.



Unrelenting drive for innovation: Innovation of financial products and instruments to facilitate the growth of the entire digital ecosystem is a desired goal for Labuan IBFC. Labuan IBFC's recent completion of bonds on Blockchain POC (Proof-of-Concept) by Labuan International Financial Exchange (LFX) is a testament to its drive for innovation. It continues to monitor opportunities to keep innovating with a view of developing the entire digital ecosystem and providing support to new initiatives in the jurisdiction.



Growing reputation and creation of a healthy competitive environment: According to major companies in the region, Labuan IBFC aims to encourage innovation amongst the companies in the region, potentially resulting in a higher density of high-quality players and assets in the regional ecosystem, driving innovation, building strong investor confidence. Furthermore, with the rapidly growing digital ecosystem, Labuan IBFC is gaining a reputation as a safe and tax-efficient jurisdiction in the ASEAN region.

1 Can you please introduce your corporate profile to your readers, and share some of your firm's key milestones?

The Labuan Federal Territory of Malaysia, was designated as an international financial centre in 1990. As part of its development, an international financial exchange, LFX was launched on 23 November 2000 as a full-fledged exchange. Wholly-owned by Bursa Malaysia, LFX was designed as a one-stop financial exchange from the submission of application to the approval, licensing, and listing of the products listed.

LFX acts as a practical alternative to other domestic exchanges in the APAC region, offering companies in jurisdictions without a financial or stock exchange, the avenue to raise capital to fund its operations. LFX caters for the changing needs of global investors and companies, including the listing of a multitude of multi-currency financial instruments. Companies wishing to raise capital effectively and efficiently in line with the concept of globalization and liberalization. The extensive usage of technological advancements to enhance efficiency and minimise costs enables market intermediaries to participate at non-prohibitive investment costs as all that is required is a web browser.

Last year, we had completed a proof-of-concept (POC) on bonds using blockchain. In 2020, Project Harbour, the POC was conceived as the result of an industry-wide collaboration between LFX, Maybank Investment Bank Berhad (Maybank), CIMB Investment Bank Berhad (CIMB), and China Construction Bank Corporation Labuan Branch (CCB). The Labuan FSA and the Securities Commission of Malaysia (SC Malaysia) played the role of observers in the POC.

The POC sought to explore two purposes – firstly, to allow the industry to gain broad familiarity with blockchain and digital assets, and secondly to identify areas of opportunities and challenges to validate the use case of developing a blockchain-based platform.

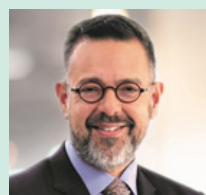
The POC resulted in outlining opportunities in creating an industry utility model to offer an end-to-end platform for issuance, trading, settlement, and depository of bonds, and how a blockchain powered Central Securities Depository (CSD) could fulfil the industry need.

2 What are your primary reasons for choosing this international jurisdiction, and why is Labuan attractive to you?

As a growing region, Labuan FSA has developed Labuan IBFC as an international business financial centre. Labuan FSA incentivizes financial innovations while offering technologies benefits. In the last 24 months, many initiatives have been undertaken in the tokenisation space. As at end-September 2021, Labuan FSA has awarded 67 money broker licenses and 11 credit token licenses.

For more information, please visit:

<https://www.labuanfsa.gov.my/areas-of-business/financial-services/money-broking/list-of-money-brokers>
<https://www.labuanfsa.gov.my/areas-of-business/financial-services/credit-token-companies/list-of-labuan-credit-token-companies>



Datuk Muhamad Umar Swift
 Director of LFX and CEO of Bursa Malaysia Berhad

3 What are the support provided by Labuan IBFC and Labuan FSA so far?

LFX has obtained strong regulatory support for financial innovations from the relevant authorities, including Labuan FSA. In addition, there are opportunities to participate in promotional roadshows conducted by the Labuan IBFC.

4 Where do you see the future opportunities operating from Labuan?

LFX aspires to provide a platform for companies to meet their funding requirements, either via the listing of the company or financial instruments. These could be Malaysian-based companies looking to raise funds for their investment abroad or international companies looking to expand their operations into this region. With good visibility of company listings and multi-currency financial instruments, we aim to entice international investors searching for such exposures to come and invest in the region via LFX.

5 Are you planning to apply for any future licenses issued by Labuan regulator to expand your business?

LFX aims to grow its listings and products that meets customers' requirements. As always, LFX will work closely with the relevant regulators to meet licensing requirements.

For more information about LFX, please visit:

https://www.bursamalaysia.com/trade/our_products_services/lfx/about_the_exchange

“The increasing presence of companies, innovative products and strong investor confidence are among the key drivers for Labuan's growing prominence. A focused approach coupled with a continuous drive for innovation makes Labuan an attractive and strategic jurisdiction. Underpinned by a reliable and efficient regulatory system, the LFX complements Labuan's strategic positioning with opportunities for qualified issuers to profile themselves and raise funds via listing of its securities or financial instruments.”

Datuk Muhamad Umar Swift
 Director of LFX and Chief Executive Officer of Bursa Malaysia Berhad

1 Can you tell us more about the first seamless digital asset-friendly commercial bank in Asia?

Being a modern financial technology player, we find difficulty in opening a bank account as most banks are still shying away from newer sectors such as the blockchain industry. FINTECH BANK is founded to fill this gap in Asia.

We partnered with Hamilton Reserve Bank (HRB), a Saint Kilts and Nevis heritage bank with extensive private banking experience. HRB is currently serving high-net-worth individuals and companies in the Europe and Caribbean. Co-owned by HRB and Ho Wah Genting Investment Bank (Labuan), FINTECH BANK aims to cater the demand for seamless banking solutions in newer sectors, such as the financial technology market. The main driver of the partnership is to bring banking services that are friendly to digital markets in Asia, including the blockchain industry.

We are now a licensed commercial bank by the Labuan FSA and currently operating from Labuan and Kuala Lumpur.

2 How many digital bank account users are there so far? What opportunities do you see?

We received our license around April this year and had our soft launch in early June. Currently, we're in the process of onboarding more individuals and corporate clients, targeting the existing licensed entity in Labuan and eventually will expand to other ASEAN countries.

We are targeting to onboard up to 1 million users in 3 years time where 40% of it comes from FinTech industry, including payment, trading and exchanges companies in the blockchain industry. The remaining 60% is targeted to retail and corporate companies from other ASEAN countries as we aim to balance both traditional and digital market.

“We strongly believe Labuan IBFC has a lot of potential to become a strategic centre of FinTech and Digital Innovations. Our aim at FINTECH BANK is to be the main settlement bank for all our FinTech partners in the jurisdiction and eventually, Asia.”

Gavin Lim
Director of FINTECH BANK



Gavin Lim
Director
FINTECH BANK

3 What kind of support has FINTECH BANK received from Labuan FSA?

FINTECH BANK is now working together with Labuan FSA to support banking solutions infrastructure in Labuan IBFC. Labuan FSA was very supportive in terms of the bank's application and understanding the business plan to be compliant to the regulatory needs in Labuan IBFC, but not limiting innovation on our product offering. They provided good guidelines on the law regarding bank operation as a global banking player.

FINTECH BANK has now gained more exposure within Labuan IBFC's digital ecosystem, and regionally.

4 What other products do you plan to launch?

Our parent company is known as a depository bank. Hence, in the current state, our main source of revenue is from the transaction from other depository and telegraphic transfer.

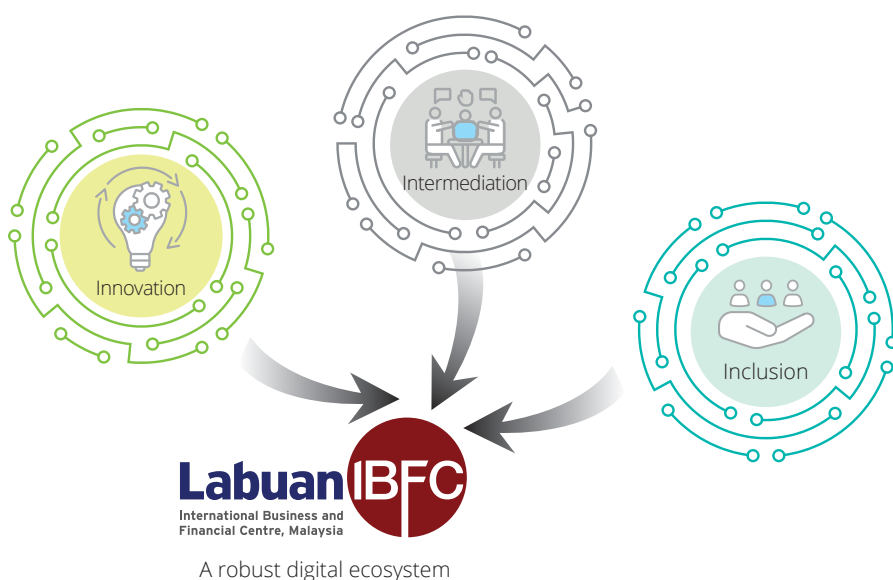
We are planning on launching more products and services in the near future. The first one would be offering of saving and current account to individuals and business entities within the ASEAN region.

Meeting the Needs of the DFS

Labuan IBFC's commitment to become a facilitator of Asia's digital revolution is a key driver of the centre's success in recent years. Labuan FSA – the jurisdiction's regulator – has adopted an open mindset towards this, amending regulations and setting up institutions – some in collaboration with the community – specifically to

support the digital financial landscape. In order to attract DFS firms and allow them to thrive in the business world, the jurisdiction relies on innovation, intermediation, and access. Combined with a legacy licensing approach, this helps attract not only startups but also large corporates looking to expand their digital footprint in Asia.

Innovation	<p>The jurisdiction has a progressive regulatory approach and digital financial friendly legal structures, processes, and licenses that foster innovation.</p> <p>To operate as a digital player, Labuan IBFC requires no digital-specific license, rather, interested business owners only need to apply to operate as a Labuan-licensed entity (legacy license) under the applicable legal framework. Moreover, existing Labuan entities can undertake DFS within the same permissible business activities under its license with prior approval from Labuan FSA.</p> <p>This is in line with the jurisdiction's belief that the digital financial landscape needs to operate in a live international market to better adapt to practical market conditions.</p> <p>In addition, Labuan IBFC encourages all elements of financial inclusion and ESG in the operations of its license holders.</p>
Intermediation	<p>The jurisdiction's "pick and mix" toolbox approach allows for licenses to be combined to facilitate the intended operations of the applicant.</p> <p>Furthermore, Labuan FSA emphasizes on collaboration and facilitation, allowing the option of regulatory consultation and discussion before submission of the license application. This allows business owners to articulate their commercial proposition as well as highlight the digital element of their business directly to the regulator.</p>
Inclusion	<p>Labuan IBFC is a member of international digital associations such as Global Digital Finance (GDF), Singapore's and Malaysia's Cryptocurrency and Blockchain Industry Association (ACCESS), and Asean Blockchain Consortium.</p> <p>Labuan IBFC also has a comprehensive set of globally recognized Shariah-related solutions, and regulatory guidelines supervised by a global Shariah Supervisory Council (SSC) that can ensure that the products and services offered by digital financial service providers are Shariah-compliant and accessible by the Muslim population.</p> <p>Levelling the playing field between digital and legacy financial services is key to Labuan IBFC's objective of creating a financially inclusive Asian marketplace.</p>



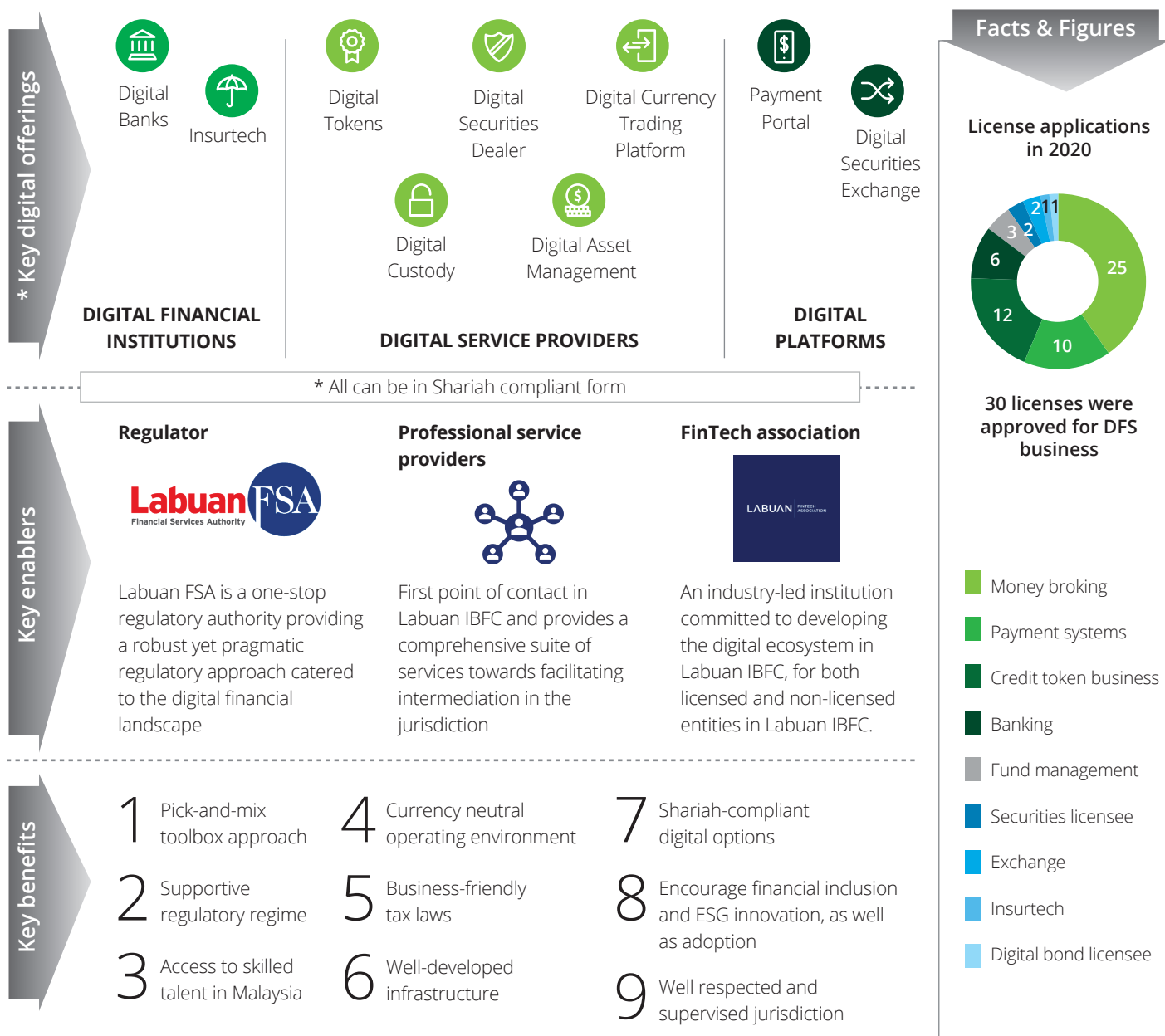
“Driven by strong investor confidence, a reliable and efficient regulatory system, and a focused approach towards fostering innovation, Labuan IBFC continues to grow its reputation as an attractive innovative intermediation centre in the APAC region.”

Shahariz Aziz, Executive Director
– Banking, Financial Services, and
Technology Risk, Deloitte Business
Advisory, Malaysia

Digital Products and Offerings in Labuan IBFC

Since the introduction of DFS in 2018, there has been an influx of digital setups ranging from digital banking and insurtech, to digital exchanges and other intermediaries. While Labuan FSA continues to support the growth and expansion of DFS, it is important to ensure their viability

and proper market conduct. Labuan FSA has issued several digital related regulatory frameworks including digital governance and cyber resilience as well as the principal rules for electronic client on-boarding.



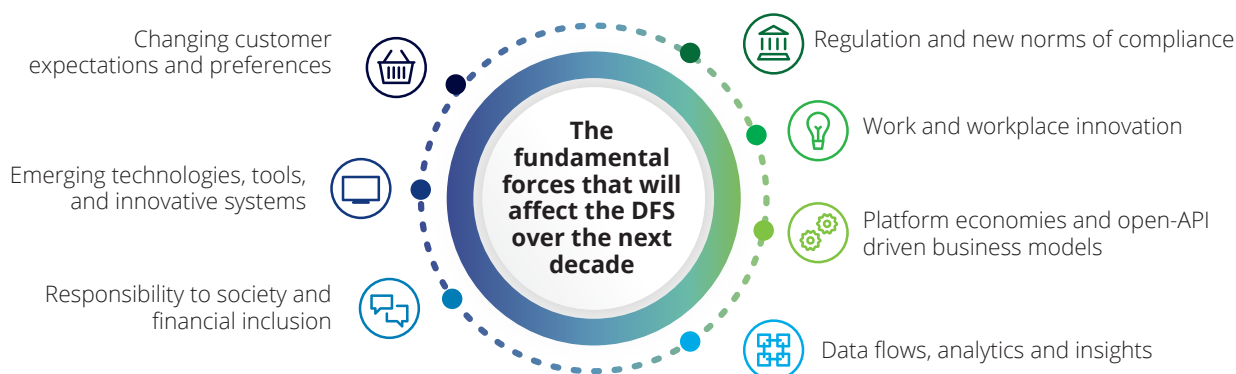
Sources: Labuan Fintech Association, Labuan Market Report 2020

Conclusion

Labuan IBFC is the key enabler for DFS in a well regulated jurisdiction

As financial services continue to move towards digital, the trend has reflected the growing need for presence in a regulated digital space. Labuan IBFC aims to offer in this space and continues to encourage innovation and offer a balanced and well-regulated digital framework,

curating a digital conducive ecosystem with regulatory proportionality. Labuan IBFC aspires for the market to embrace digitalization as the future of conducting business and intermediating cross-border trade and investments moving forward.



Labuan IBFC not only embraces these fundamental forces, but also strive to lead and accelerate the shift by providing strong regulatory support and designing innovative tools & frameworks. Its business friendly stance, operating within a regulated environment continued. Regulatory proportionality will be key to its growth.

In addition, the jurisdiction is committed to:



Continue to be a fast-growing midshore jurisdiction in the APAC region

As Asian economies continue to grow, Labuan IBFC is well-equipped to help companies expand internationally into new markets. The jurisdiction believes in good governance and conforms to international standards and best practices. Labuan IBFC's growing reputation in the region and its immaculate brand image, combined with favorable regulations, makes it well-poised to become a major digital intermediation hub in the APAC.



Making the jurisdiction a hotbed for DFS innovation and FinTech

Labuan IBFC supports a robust digital financial ecosystem through accommodative tools, policies, initiatives, and institutions. It aims to foster strong and healthy competition to drive innovation and support new initiatives that could drive the growth and evolution of the digital financial ecosystem in the region. With a facilitative approach in supporting business establishments, and an unwavering focus towards fostering financial innovation, the jurisdiction will continue to be an attractive destination for digital entities seeking to establish themselves in the region.



Building attractive benefits and business advantages

The jurisdiction caters to investors' business needs as a cost-efficient, digital friendly, substance-enabling jurisdiction coupled with tax efficiency. Labuan IBFC offers structures and solutions such as Waqf foundation, PCC, and takaful captives. As DFS become more ubiquitous, Labuan IBFC with its "grow together as one" approach, is set to merge traditional finance and digital intermediation, once again proving its midshore proposition.



Enabling cooperation and knowledge exchange with regulatory bodies and industry associations

Continue to build new partnerships to foster greater collaboration on joint financial activities, share pertinent information on digital financial services regulation, explore mutual benefits projects that facilitate innovation and development of DFS.

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our shared culture and mission—to make an impact that matters—remains unchanged. This is evident not only in Deloitte's work for clients, but also in our *WorldClass* ambition, our *WorldClimate* initiative and our ALL IN diversity and inclusion strategy.

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Deloitte member firms serve 85 percent (or 109 companies) of the 128 2017 Fortune Global 500® FSI companies.



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- All of the **top 30** global banks, providing audit services to 17 percent¹
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- All of the **top 30** global asset managers and audit 25 percent³
- 19 of the **top 30** real estate and construction companies by sales, and audit 30 percent of them⁴

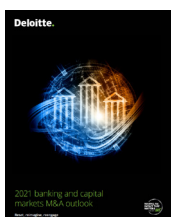
1: The Banker, July 2016: Top 1000 World Banks: Ranking by total assets and auditor are for y/e results Sept 2015 – March 2016

2: Insurance FG500, OneSource and AM Best Ranking Y/E – Dec 2015 – March 2016

3: Willis Towers Watson, The World's 500 Largest Asset Managers. Year-end 2015. Published Oct 2016

4: OneSource Real Estate and Construction List ranked by Revenue November 2016

Additionally, Deloitte has released DFS and fintech publications covering the latest trends and innovations.



2021 Banking & Capital Markets M&A Outlook



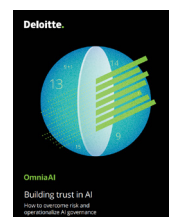
2021 Insurance M&A Outlook: Powering through Disruption



Securitization Accounting 11th Edition



Capital Market Regulatory Outlook 2020



Building trust in AI : How to overcome risk and operationalize AI governance



Realizing the Digital Promise: Key Enablers for Digital Transformation in Financial Services



Digital banks in Asia Pacific: adding value to financial services?



A market overview of custody for digital assets: Digital custodian whitepaper



Realizing the Digital Promise: Transformation in an Ecosystem of Regulators, BigTech, FinTech and More



Realizing the digital promise: Top nine challenges to digital transformation for financial institutions



The Open Revolution is Here: Competing through Collaboration in Financial Services



Accelerating digital transformation, responsibly: Achieving a higher bottom line in financial services

About Labuan IBFC

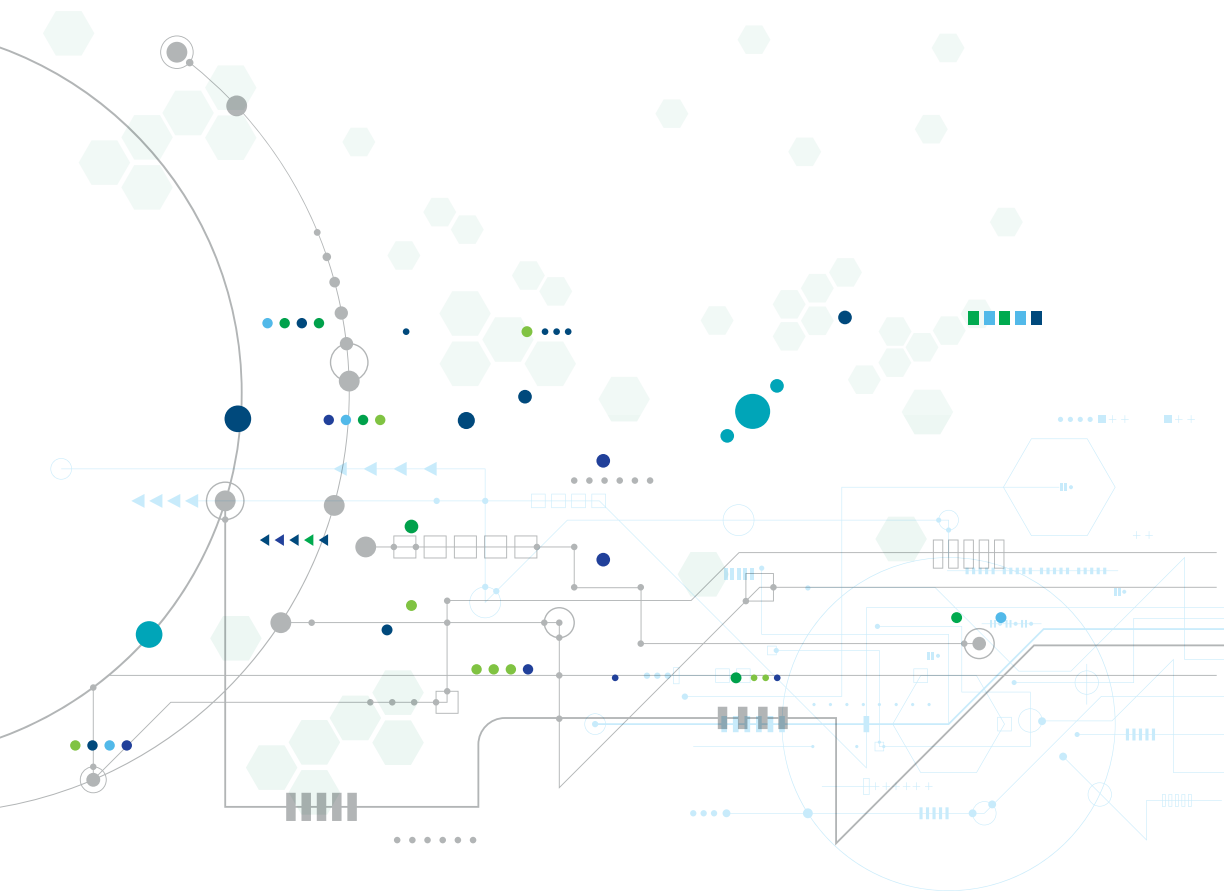
ASIA PACIFIC'S MIDSHORE INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Labuan International Business and Financial Centre (Labuan IBFC), Malaysia, through our internationally recognized yet business-friendly legal framework, is the preferred international business and financial centre in Asia. Established in 1990, Labuan IBFC is regulated by the Labuan Financial Services Authority (Labuan FSA), statutory Regulator under the purview of the Ministry of Finance, Malaysia.

As a midshore jurisdiction, we offer global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards of compliance in tax transparency. We also provide fiscal neutrality and certainty in a currency neutral operating environment. Labuan IBFC, located in the centre of Asia, boasts a cost-efficient enabling environment making it an ideal location for substance creation for both global businesses looking at penetrating Asia or Asian entities aiming to go global.

Offering a wide range of business structures and investment solutions catered to cross-border transactions and international business dealings including fintech related solutions. We also provide services and solutions in niches such as risk management, commodity trading, reinsurance, wealth management, international business companies, and Islamic financial services. Operating with clear and comprehensive legal provisions, guidelines, and practice notes, enforced by a single regulator, Labuan FSA, Labuan IBFC provides an ideal jurisdiction for both corporates and high-net-worth individuals with international exposure.

To keep up with everything about Labuan IBFC, follow us on LinkedIn, Facebook and Twitter at @LabuanIBFC. Alternatively, visit <https://www.labuanibfc.com/>.



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