



Thursday, 21 Oct 2021

# Jurisdictional Review: The Growth of Digitalisation in Labuan IBFC

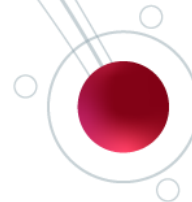
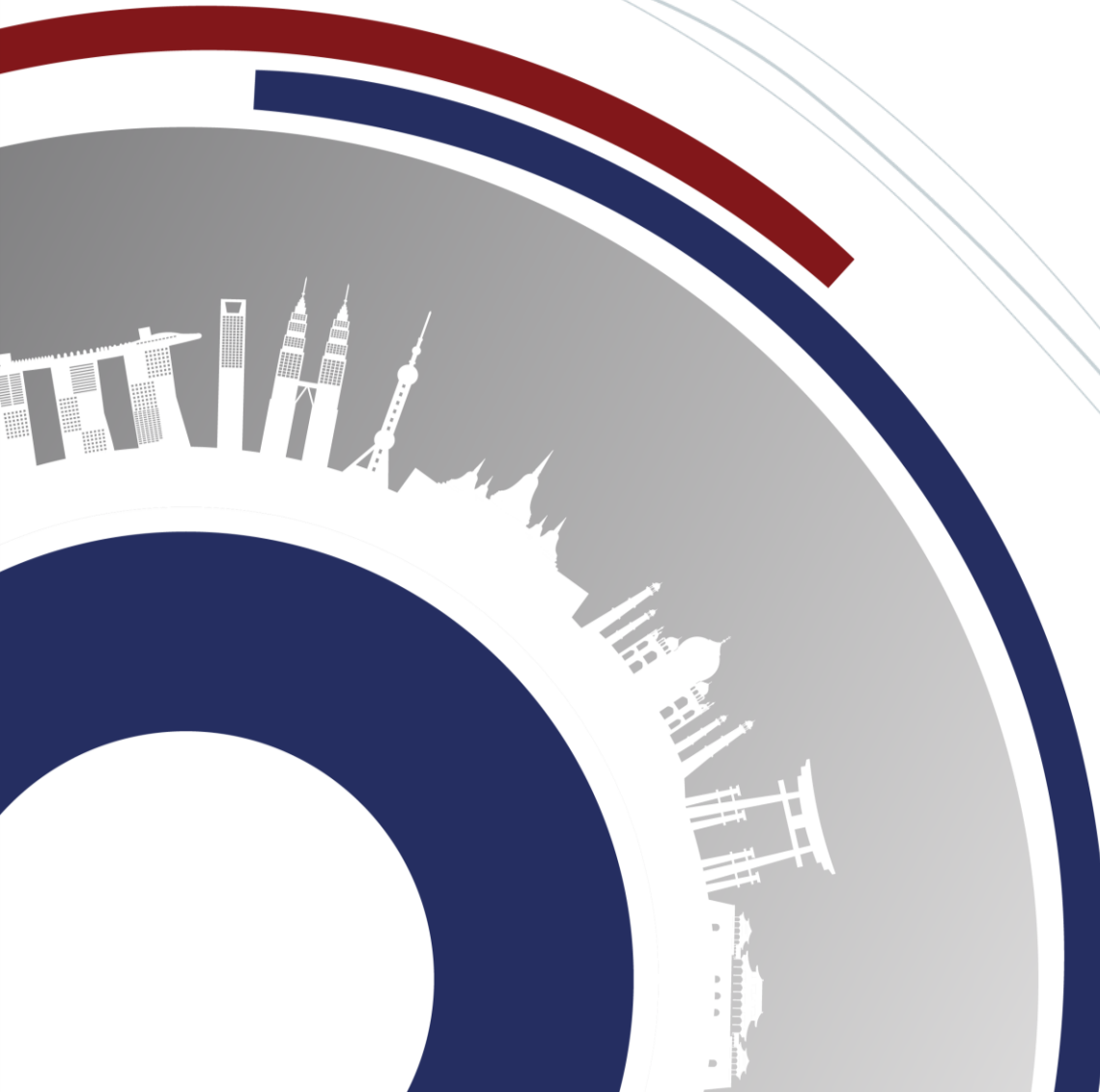
**Farah Jaafar**

**CEO**

Labuan IBFC Inc.



# Jurisdictional Review: The Growth of Digitalisation in Labuan IBFC



## Where is Labuan?

Labuan is part of Malaysia, a Federal Territory under the Federal Government.

Located 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. Has a total population of about 100,000 people.

Kuala Lumpur

**LABUAN**

### OUR ECONOMIC DRIVERS



International Business  
& Financial Centre



Logistics



Tourism



Oil & Gas



Retail Trading

# Labuan IBFC – Gateway to Asia Pacific

## Intermediating Asia for More than 30 years

- 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.



# Globally Recognised Industry Memberships and Recognitions

**GIFCS**



Asia/Pacific Group  
on Money Laundering





## ORGANIZATION CHART MINISTRY OF FINANCE

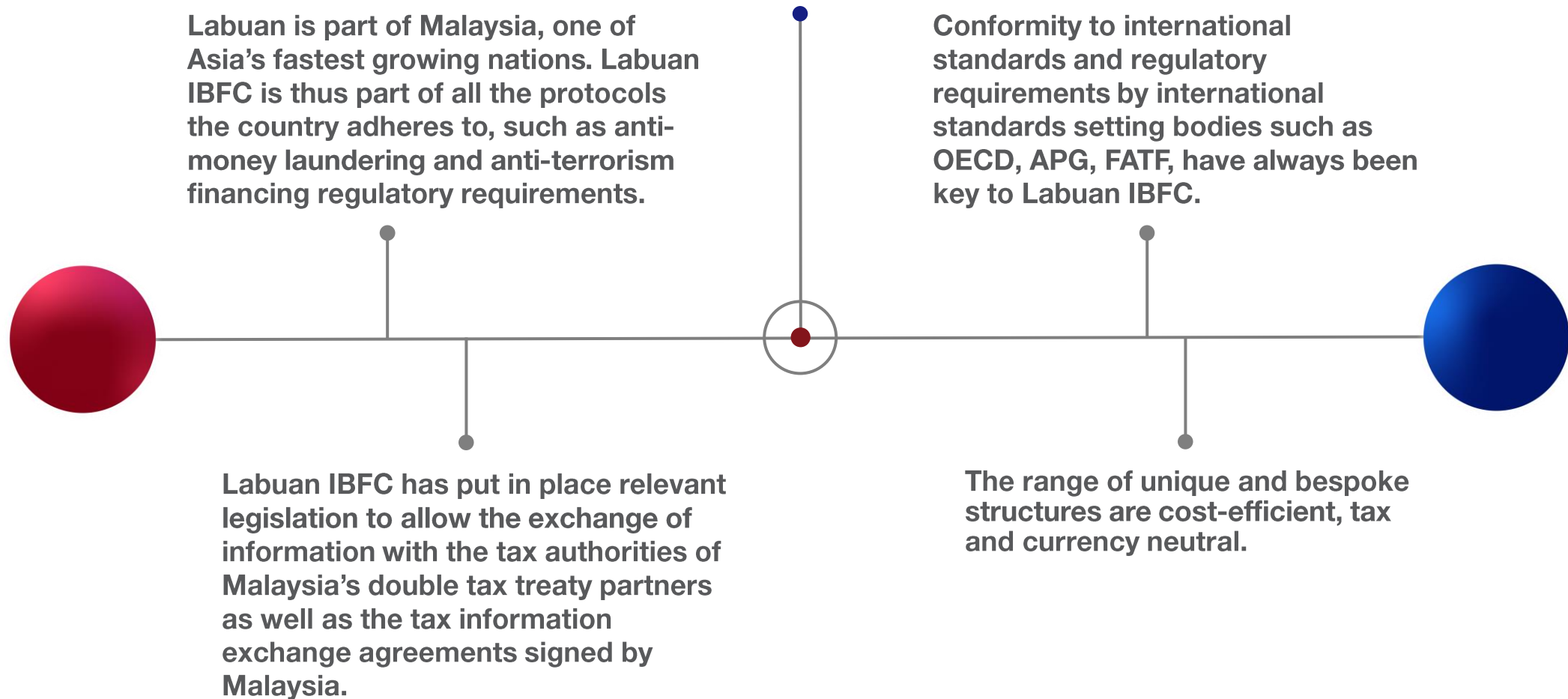


## THE REGULATOR

Labuan Financial Services  
Authority

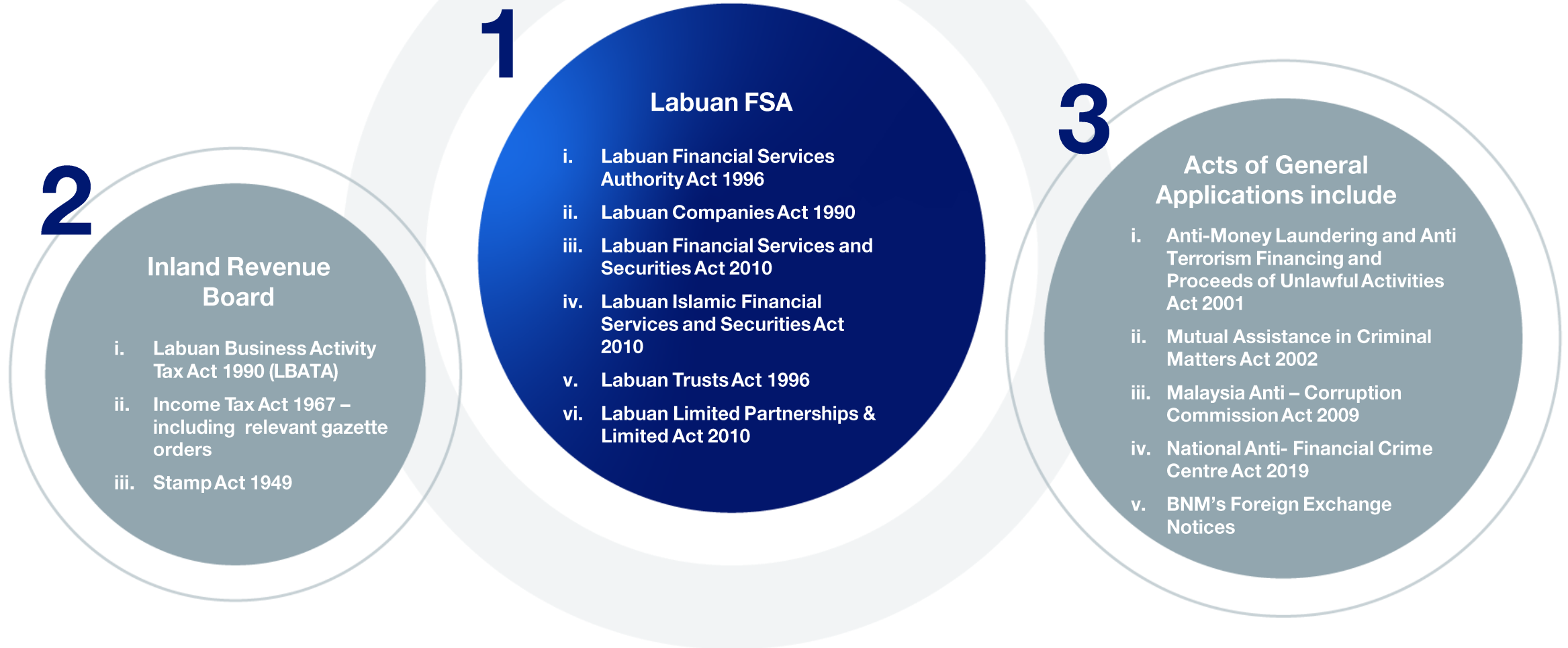
Labuan Financial Services Authority a  
*statutory body under Ministry of  
Finance, Malaysia*

## Why the Mid-shore Balance?



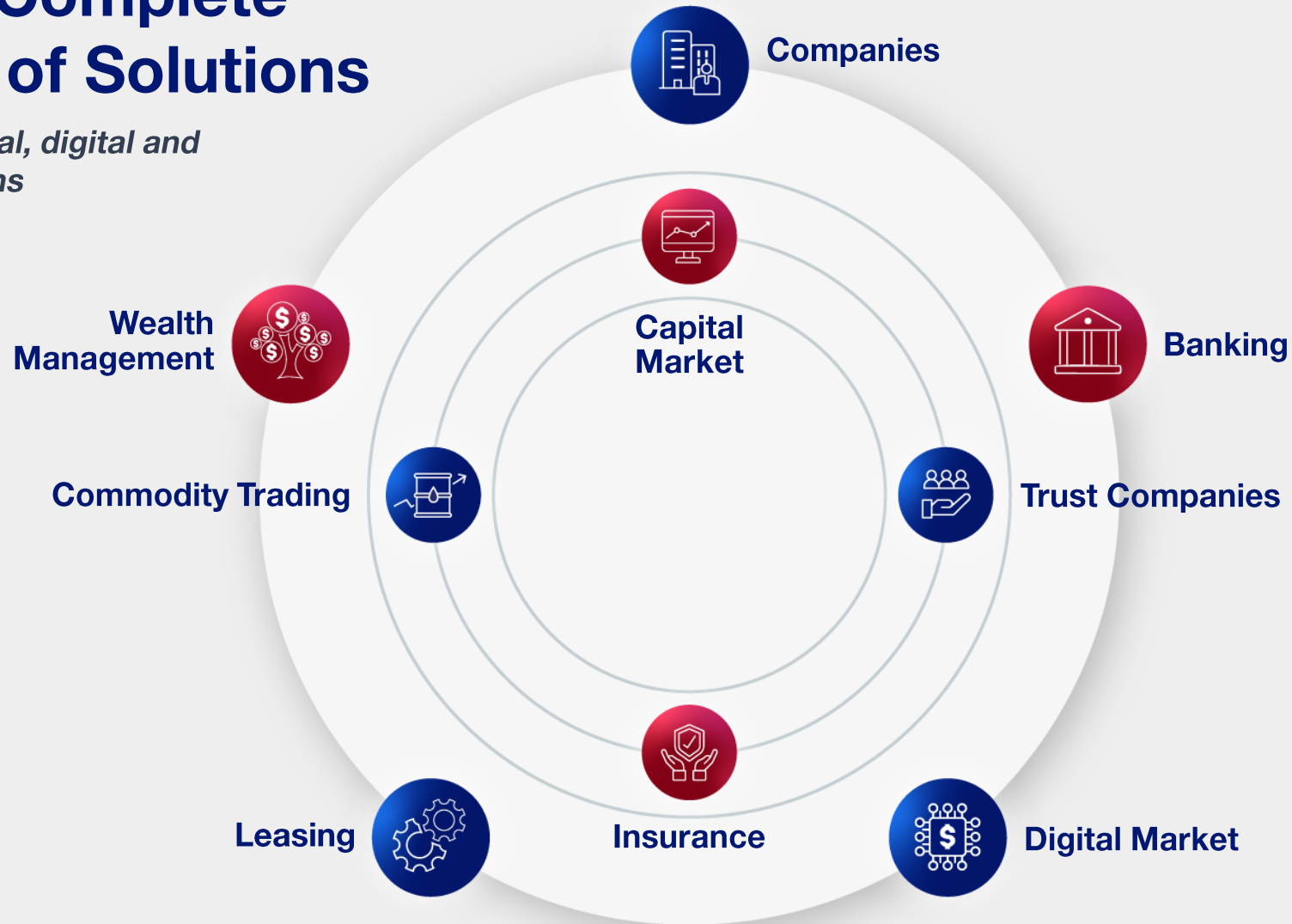
# A Comprehensive Suite of Legislation

Adherence to International Standards and Best Practices



# Creating A Complete Ecosystem of Solutions

*Available in conventional, digital and Shariah-compliant forms*



# Labuan IBFC's Digital Landscape

## **"Digital Wrapper" for all 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 based on merit. Such a system, helps to facilitate the incorporation of innovative digital players.

## **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-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. E.g., 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.

## **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.

## **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.

## **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. E.g. the jurisdiction accepts eKYC for client onboarding and introduces measures to enhance business continuity and cyber resilience.

# The Digital Labuan Ethos

- The ethos of Digital Labuan is that there are no 'sandboxes'
- Digital financial service providers operate within framework of existing laws and regulations. Element of technology that will be utilised is embedded into the business plan of each proposed licensed entity and the Regulator will assess each applicant based on merit.
- This provides for a ready 'toolbox' for blockchain, cryptocurrencies and fintech-related entities namely via money broking licence, credit token licence, securities dealer licence, payment portal approval, private fund management licence, etc.
- It is worth noting that licences may be combined to achieve the operational objectives of a potential digital licence holder. For example, the digital currency trading platform coupled with the digital token/asset issuance licence provides an entity the ability to issue tokens and at the same time create a cryptocurrency exchange to trade these tokens.



# Regulatory Framework for Digital Labuan

## The Governing Legislations

- Labuan Financial Services and Securities Act
- Labuan Islamic Financial Services And Securities Act
- Labuan Companies Act
- Labuan Business Activity Tax Act
- Labuan Limited Partnerships and Limited Liability Partnerships Act
- Labuan Financial Services Authority Act
- Labuan Foundations Act
- Labuan Trusts Act

## Key Licensing and Operational Requirements

- Fit and proper & financial soundness
- Due diligence: client onboarding framework
- Internal policies, compliance and audit
- Clients' assets management
- Cyber risk management
- Governance, market conduct and investor protection framework
- AML

## Key Digital Licenses

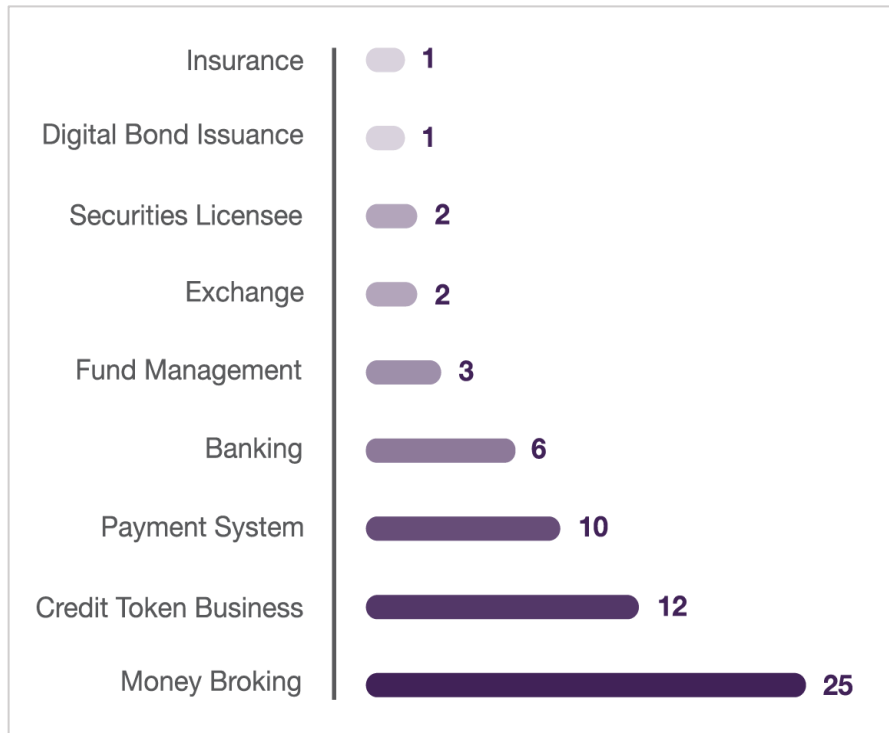
Digital banks	Commercial / investment bank license *
Insurtech	Insurance license
Digital token/assets issuance	Credit token license
Digital securities dealer	Securities licensee license
Digital assets trading platform	Money broking license
Digital asset management	Fund manager license
eWallet	Payment system approval

*\* May also apply under the new digital banking framework*

# Growth Continues Unabated

## 2020 Highlights

## Agility, Adaptability, Alignment



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

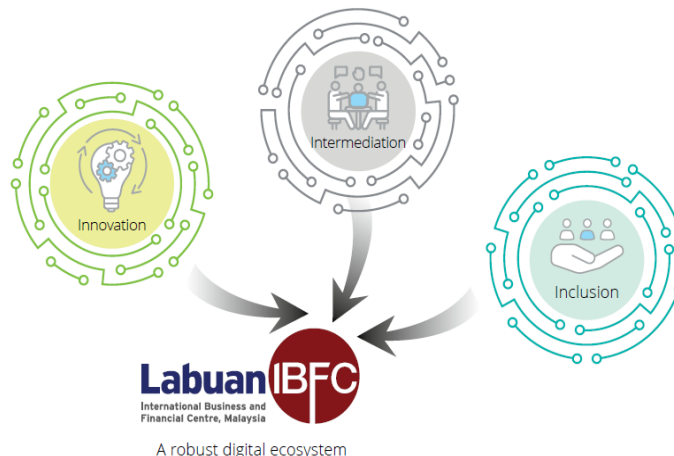
## Our Digital Family as at Q3 2021

- 25 licensing applications were approved and thus bring the total Labuan digital financial services providers to 85.
- New approvals predominantly are from Asia; focusing on provision of digital assets trading platform and e-payment portal.
- 3 digital investment banks and 1 digital bank (under the digital banking framework) were approved.
- To date, Labuan IBFC is home to 8 digital investment banks and 2 digital commercial banks.

# Our Regulated Digital Ecosystem

*Availability of digital 'tool box' that allows digital players operate in a live market, coupled with business friendly regulatory approach*

*Has progressive regulatory approach and digital finance friendly legal structures, processes and licences that foster innovation*



*All elements of financial inclusion and ESG in the business operations are encouraged*

## Key Enablers

### Regulator



Labuan FSA is a one-stop regulatory authority providing a robust, yet pragmatic regulatory approach catered to the digital financial landscape

### Professional Service Providers



First point of contact in Labuan IBFC and provides a comprehensive suite of services towards facilitating intermediation in the jurisdiction

### Labuan Fintech Association



An industry-led institution committed to developing the digital ecosystem in Labuan IBFC, for both licensed and non-licensed entities in Labuan IBFC.

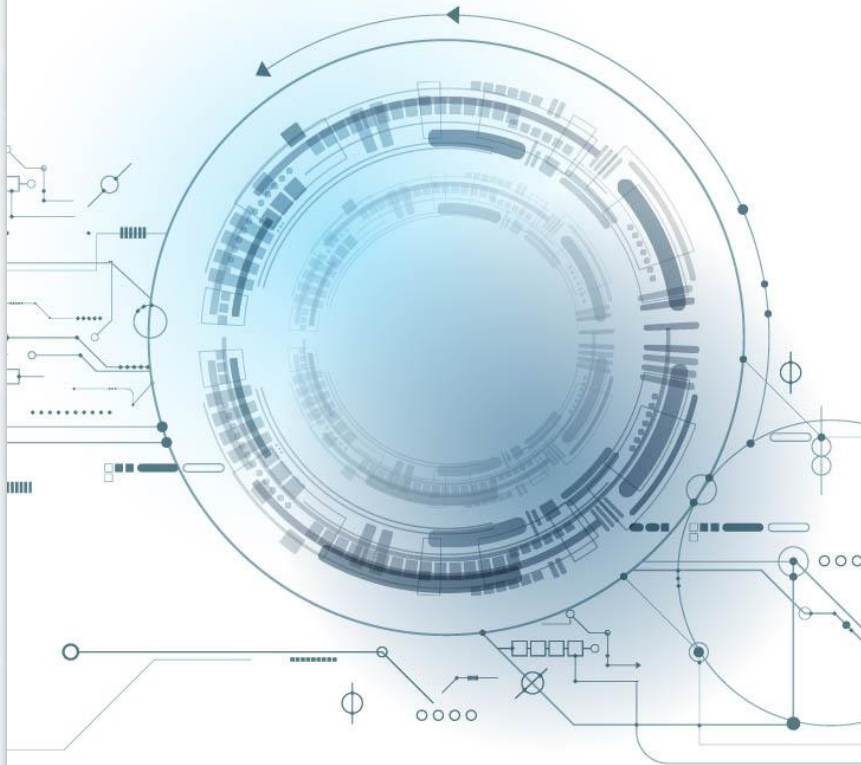
**Levelling the playing field between digital and legacy financial services is key to Labuan IBFC's objective of creating a financially inclusive Asian marketplace**

# So Why Labuan for Digital Financial Services?

- 1** 'Pick and mix' toolbox approach
- 2** 'Supportive regulatory regime
- 3** Access to skilled talent in Malaysia
- 4** Currency neutral operating environment
- 5** Business-friendly tax laws
- 6** Well-developed infrastructure
- 7** Shariah-compliant digital options
- 8** Encourage financial inclusion and ESG innovation, as well as adoption
- 9** Well respected and supervised jurisdiction

**Deloitte.**

**Labuan IBFC**  
International Business and  
Financial Centre, Malaysia



## Curating a Regulated Digital Ecosystem

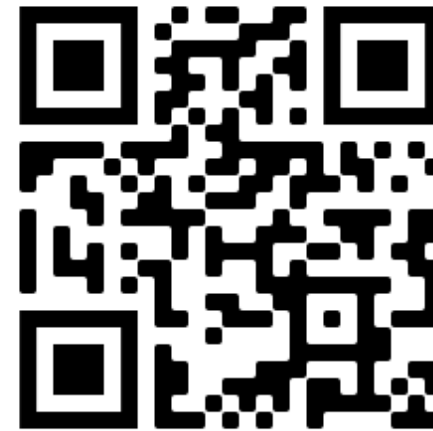
October 2021



**Labuan IBFC**  
International Business and  
Financial Centre, Malaysia

# CURATING A REGULATED DIGITAL ECOSYSTEM

Download here:



<https://bit.ly/digitaleco2021>

**Thank You**



**Terima Kasih**

# Disclaimer

**This presentation should not be regarded as offering a complete explanation of the matters referred to and is subject to changes in law. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Labuan IBFC cannot accept any responsibility for loss occasional to any person acting or refraining from action as a result of any material in this presentation. The republication, reproduction or commercial use of any part of this presentation in any manner whatsoever, including electronically, without the prior written permission from Labuan IBFC Inc. is strictly prohibited.**

