

LABUAN IBFC: ASIA PACIFIC'S LEADING MIDSHORE INTERNATIONAL FINANCIAL CENTRE

Farah Jaafar
CEO, Labuan IBFC Inc.

9 December 2021

Kuala Lumpur

LABUAN

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.

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





ORGANIZATION CHART MINISTRY OF FINANCE

MINISTER OF FINANCE
YB SENATOR TENGKU DATUK SERI UTAMA ZAFRUL TENGKU ABDUL AZIZ

DEPUTY MINISTER OF FINANCE
YB TUAN MOHD SHAHAR ABDULLAH

DEPUTY MINISTER OF FINANCE
YB TUAN HAJI YAMANI HAFEZ MUSA

DEPARTMENT UNDER MINISTRY OF FINANCE

MALAYSIA TREASURY
SECRETARY GENERAL OF TREASURY
DATO' ASRI BIN HAMIDIN @ HAMIDON

ROYAL MALAYSIAN CUSTOMS DEPARTMENT
DIRECTOR GENERAL
DATO' SRI ABDUL LATIF ABDUL KADIR

ACCOUNTANT GENERAL'S DEPARTMENT OF MALAYSIA
ACCOUNTANT GENERAL
DATUK DR. YACOB MUSTAFA

VALUATION AND PROPERTY SERVICES DEPARTMENT
DIRECTOR GENERAL
DATO' Sr AZMI ABDUL LATIF

LANGKAWI DEVELOPMENT AUTHORITY
CHIEF EXECUTIVE OFFICER
VACANT

AGENCY UNDER MINISTRY OF FINANCE

BSN
BANK SIMPANAN NASIONAL
CHIEF EXECUTIVE OFFICER
JAY KHAIRIL JEREMY ABDULLAH

BURSA MALAYSIA
BURSA MALAYSIA BERHAD
CHIEF EXECUTIVE OFFICER
DATUK MUHAMMAD UMAR SWIFT

THE CENTRAL BANK OF MALAYSIA
GOVERNOR
DATUK NOR SHAMSIAH MOHD YUNUS

SECURITIES COMMISSION MALAYSIA
CHAIRMAN
DATUK SYED ZAID ALBAR

TUN RAZAK FOUNDATION
SECRETARY
TENGKU HARITH TENGKU AZIZ

RETIREMENT FUND (INCORPORATED)
CHIEF EXECUTIVE OFFICER
NIK AMLIZAN BINTI MOHAMED

PIDM
MALAYSIA DEPOSIT INSURANCE CORPORATION
CHIEF EXECUTIVE OFFICER
RAFIZ AZUAN ABDULLAH

LHDN
INLAND REVENUE BOARD OF MALAYSIA
CHIEF EXECUTIVE OFFICER
DATO' SRI DR. SABIN SAMITAH

EPF
EMPLOYEES PROVIDENT FUND
CHIEF EXECUTIVE OFFICER
DATUK SERI AMIR HAMZAH AZIZAN

Labuan FSA
LABUAN FINANCIAL SERVICES AUTHORITY
CHIEF EXECUTIVE OFFICER
NIK MOHAMED DIN NIK MUSA

MTB
MALAYSIA TOTALISATOR BOARD
CHIEF EXECUTIVE OFFICER
DATO' ABDUL RAUF SANI

PSHF
PUBLIC SECTOR HOME FINANCING BOARD
CHIEF EXECUTIVE OFFICER
MOHD FARID BIN DATO' HAJI NAWAWI



THE REGULATOR

Labuan Financial Services Authority

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

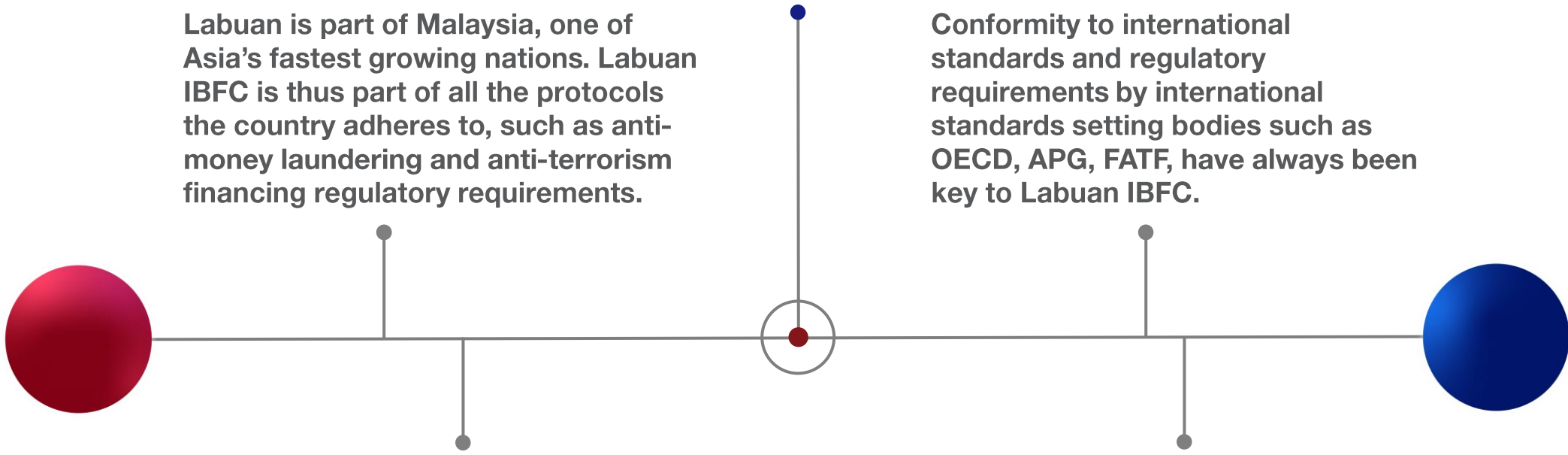
Why the Mid-shore Balance?

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.

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

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Inland Revenue Board

- i. Labuan Business Activity Tax Act 1990 (LBATA)
- ii. Income Tax Act 1967 – including relevant gazette orders
- iii. Stamp Act 1949

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Labuan FSA

- i. Labuan Financial Services Authority Act 1996
- ii. Labuan Companies Act 1990
- iii. Labuan Financial Services and Securities Act 2010
- iv. Labuan Islamic Financial Services and Securities Act 2010
- v. Labuan Trusts Act 1996
- vi. Labuan Limited Partnerships & Limited Act 2010

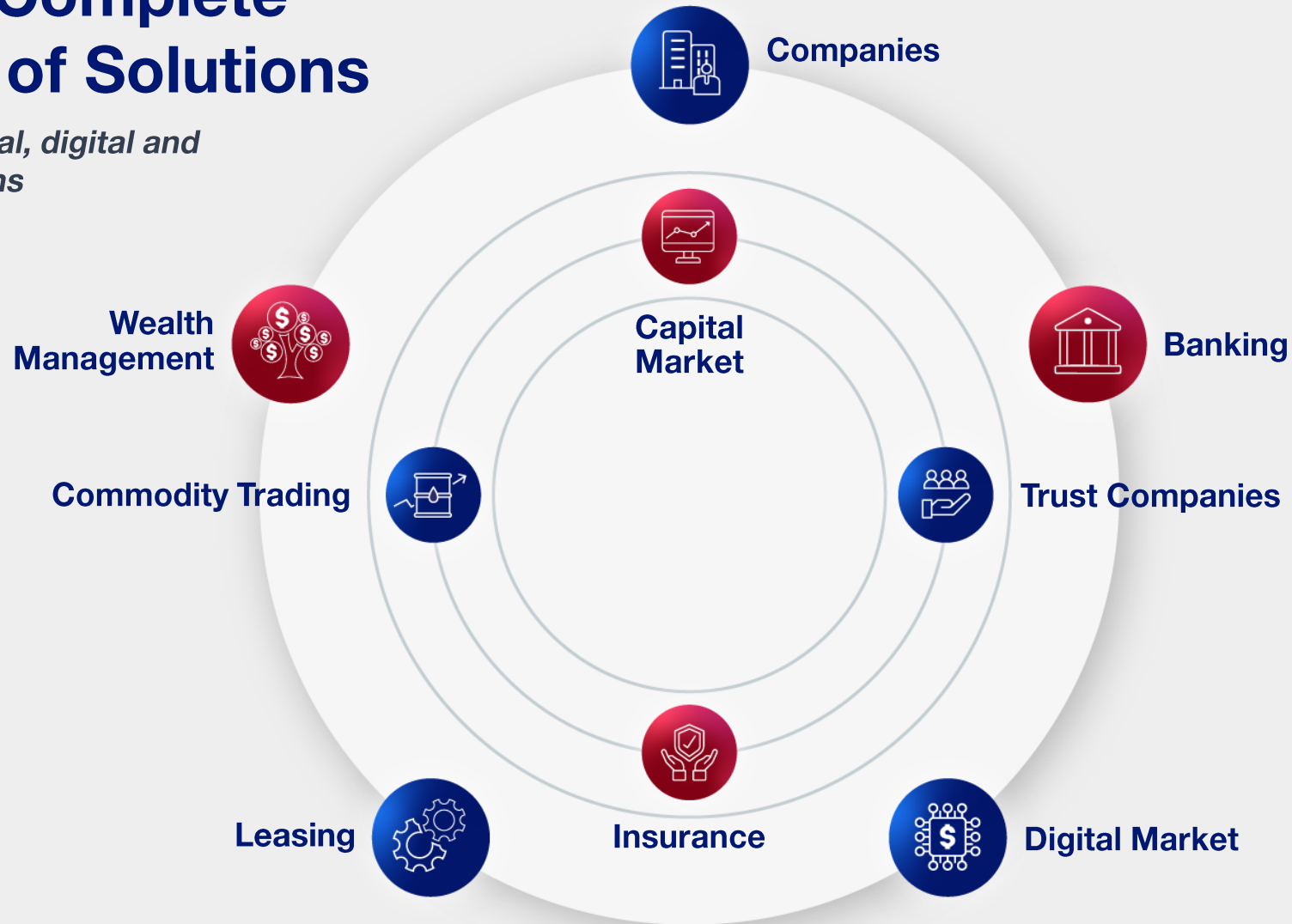
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Acts of General Applications include

- i. Anti-Money Laundering and Anti Terrorism Financing and Proceeds of Unlawful Activities Act 2001
- ii. Mutual Assistance in Criminal Matters Act 2002
- iii. Malaysia Anti – Corruption Commission Act 2009
- iv. National Anti- Financial Crime Centre Act 2019
- v. BNM's Foreign Exchange Notices

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.

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

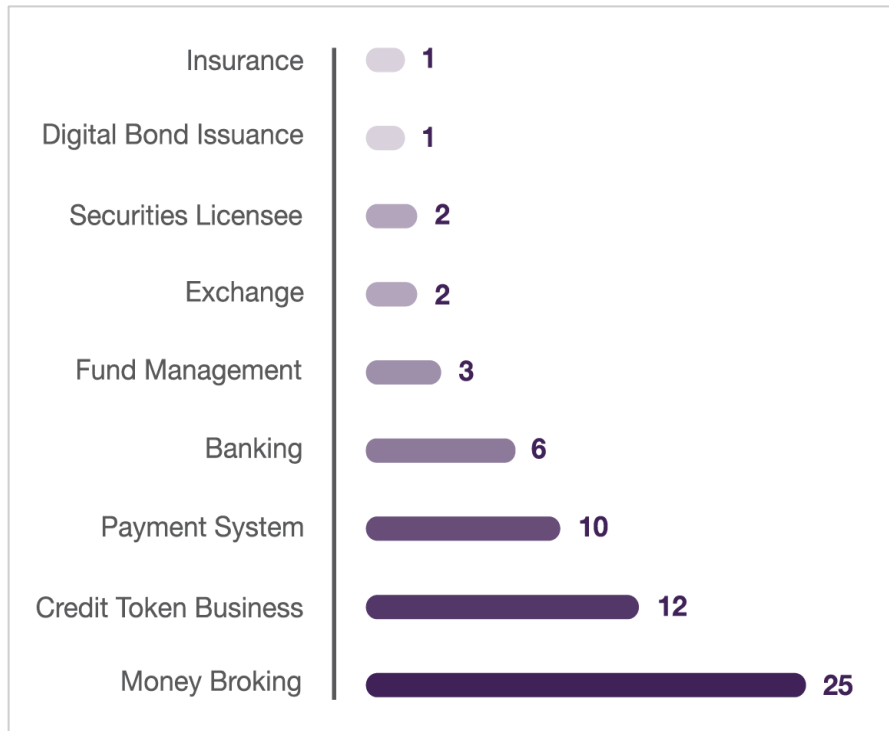
Digital banks	Commercial / investment bank license *
Insurtech	Insurance license
Digital token/assets issuance	Credit token license
Digital securities dealer	Securities licensee license
Digital assets trading platform	Money broking license
Digital asset management	Fund manager license
eWallet	Payment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

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

Growth Continues Unabated

2020 Highlights

Agility, Adaptability, Alignment



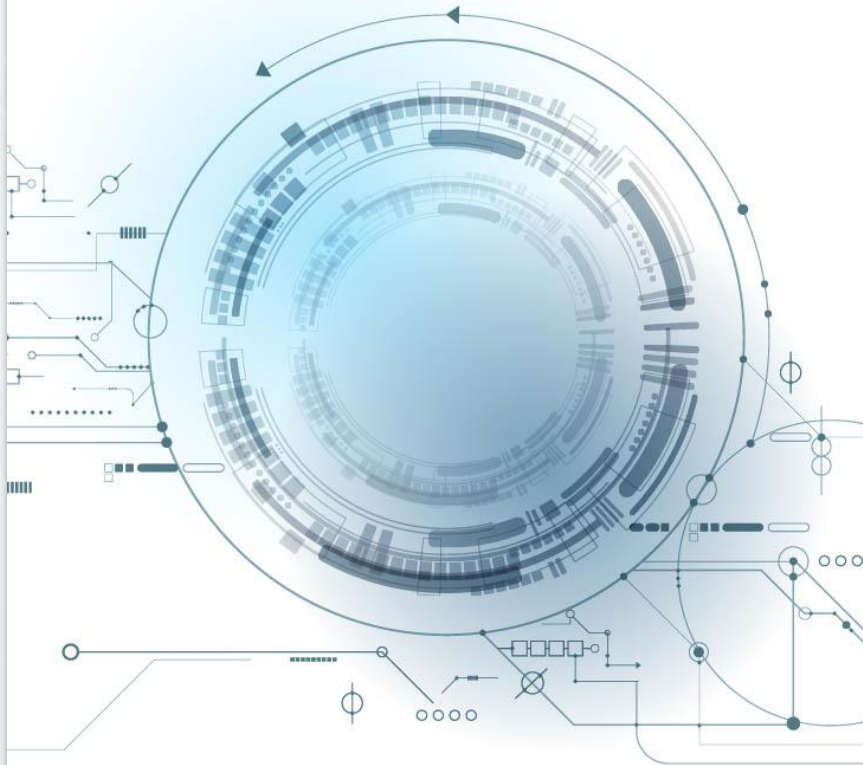
- Has in total approved 62 digital financial services providers.
- 30 new licences were approved, predominantly token issuers, e-payment portal and digital assets trading platform providers.
- Home to 3 digital exchanges, i.e. Labuan International Financial Exchange, Fusang Exchange and GSX Exchange.

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.

Deloitte.

Labuan IBFC
International Business and
Financial Centre, Malaysia



Curating a Regulated
Digital Ecosystem

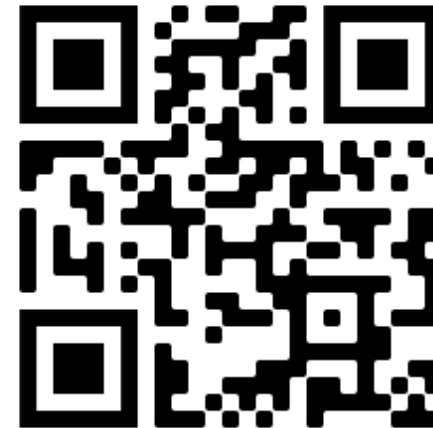
October 2021



Labuan IBFC
International Business and
Financial Centre, Malaysia

CURATING A REGULATED DIGITAL ECOSYSTEM

Download here:

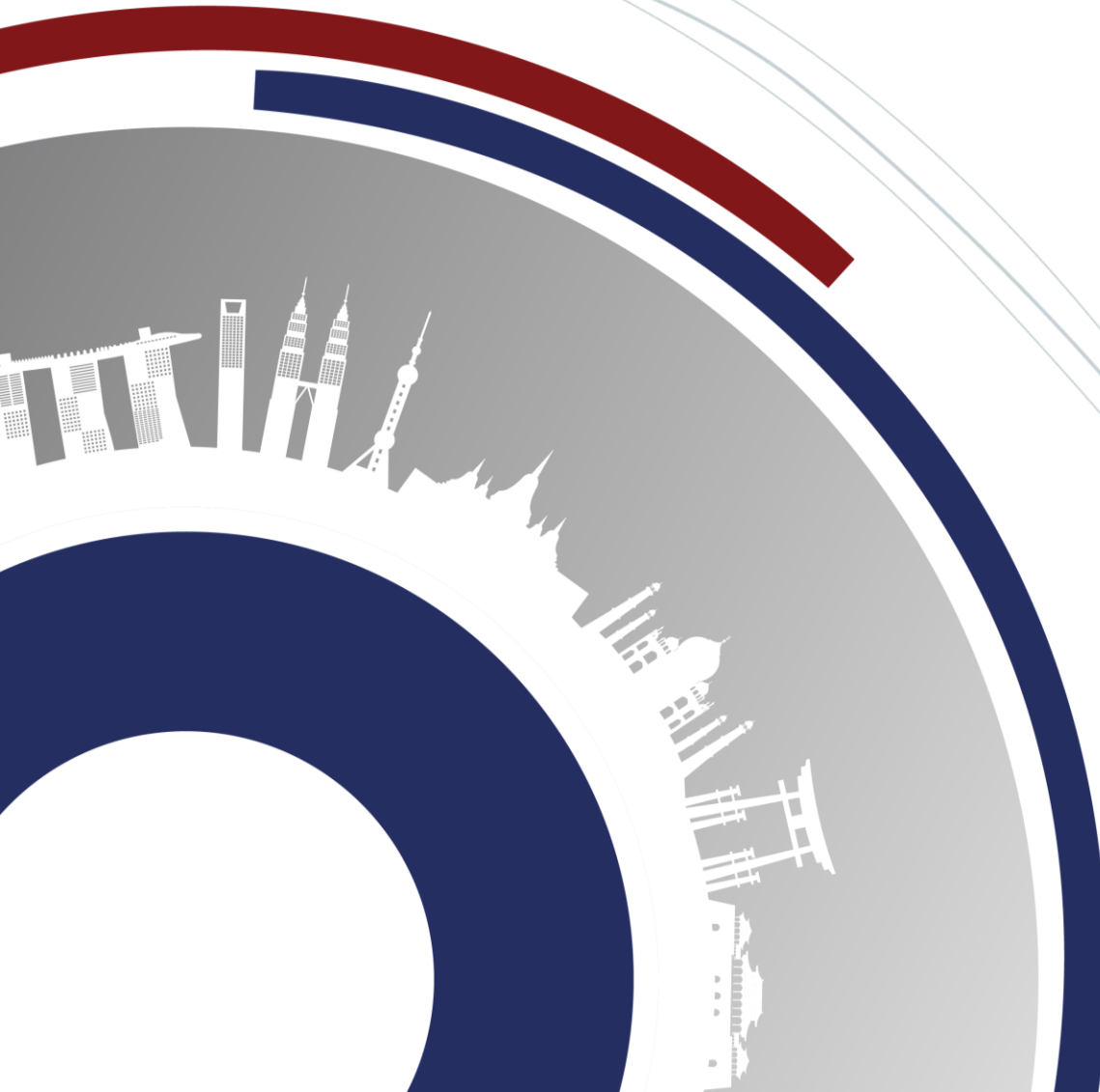


<https://bit.ly/digitaleco2021>

FACILITATING ASIA'S DIGITAL REVOLUTION

Henry Chong
Chairman, Labuan FinTech Association

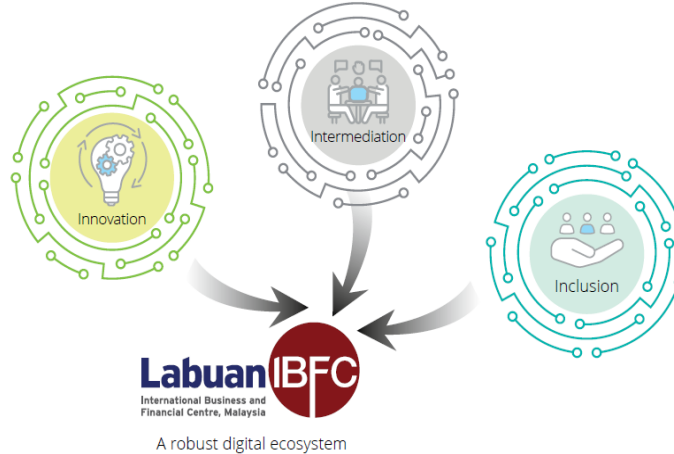
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Our Regulated Digital Ecosystem

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.

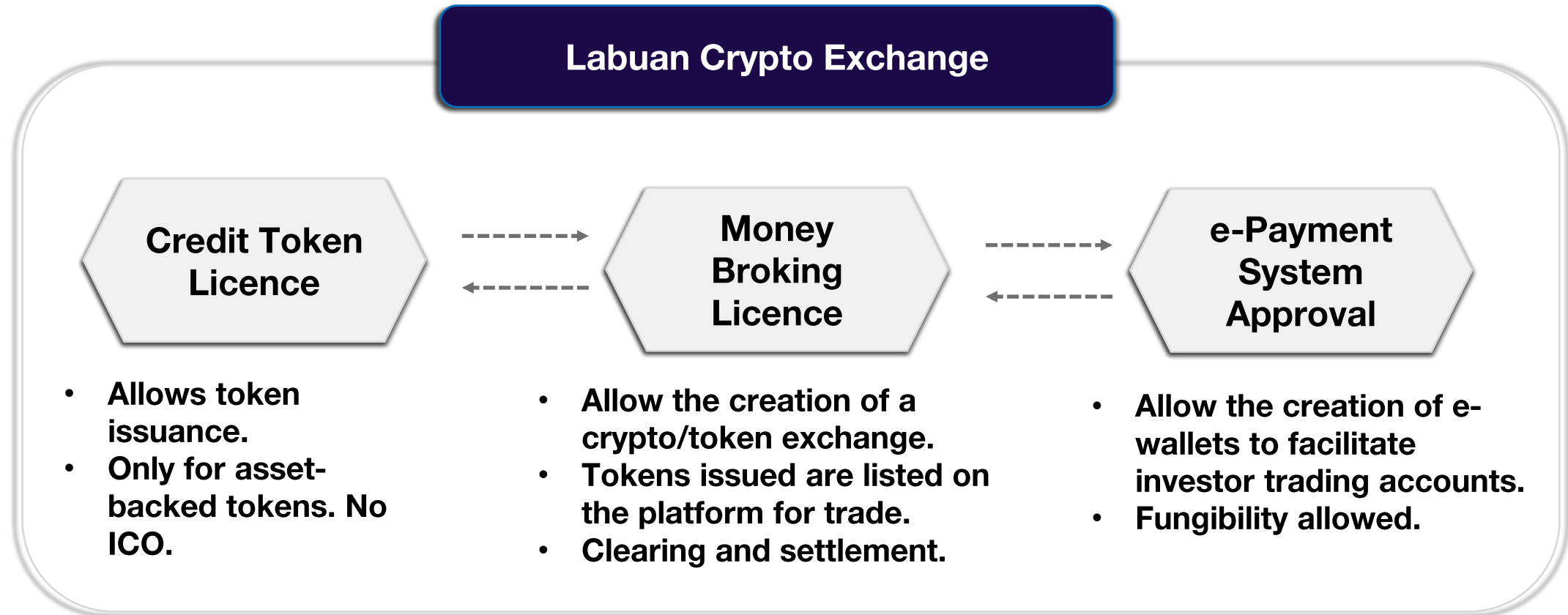
Levelling the playing field between digital and legacy financial services is key to Labuan IBFC's objective of creating a financially inclusive Asian marketplace

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.



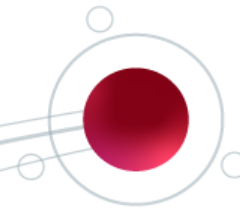
Example: Crypto Exchange With Token Issuance



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

Thank You



Terima Kasih

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