Thematic Review on Labuan Entities' Exposures to Legal Arrangement (LA) and Adequacy of Controls Measures - Result

Labuan Financial Services Authority August 2024



Background Overview

- The thematic review was conducted due to:
 - > MER 2015 Recommendations
 - To carry out LA risk assessment and apply appropriate mitigation measures
 - > Action Plan 19(a) NCC Action Follow up on the recommended actions on risk assessment: Expansion of the scope of institutional risk assessment (IRA) to include customers who are LA by financial sector (e.g.: Trust)
 - Legal Arrangements Risk Assessment Report 2021 :
 - Enhance awareness of RIs and LEA on features and vulnerabilities of LAs
 - · Undertake institutional risk assessment by banking institutions on exposure and vulnerabilities of LAs

Objective

 Assess the exposure and risk of LA, identify gap and apply mitigation measures

Approach

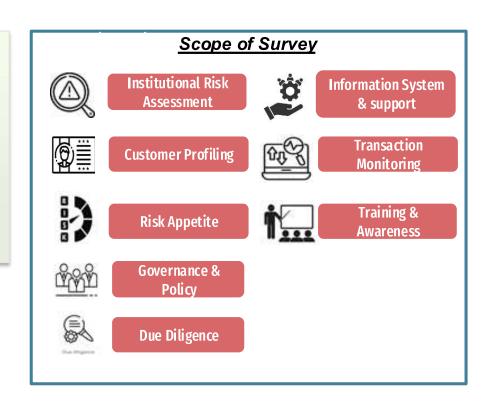
SAQ sent to relevant sectors

Labuan Landscape

- Only few Licensed Entities (LE) had exposure to LA
- Some of the LAs are registered with Labuan FSA.
- LA's Asset Property, Shares and Cash (Bank Account)
- Location of LA's Asset: Mainly in Malaysia, followed by Taiwan and United Kingdom

Executive Summary and Scope

- ☐ Only few LEs had exposure to LA.
- Most LEs applied strict adequate CDD/EDD and on-going monitoring on LA customers.
- ☐ Areas for improvements :
 - 1.Enhance understanding on LA requirements
 - 2. Institutional Risk Assessment
 - 3. Training





THANK YOU

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