



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

Scope of Survey



Institutional Risk
Assessment



Information System
& support



Customer Profiling



Transaction
Monitoring



Risk Appetite



Training &
Awareness



Governance &
Policy



Due Diligence

THANK YOU

DISCLAIMER

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