

LABUAN FINANCIAL SERVICES AUTHORITY
(LEMBAGA PERKHIDMATAN KEWANGAN LABUAN)

Circular No.: 250/2020/ALL
Date : 18 November 2020

Association of Labuan Banks
Labuan Investment Banks Group
Labuan International Insurance Association
Association of Labuan Trust Companies

Dear Chairman,

Extension of Regulatory Reliefs for Labuan Entities

We refer to the circular dated 9 April 2020 which provided a set of temporary regulatory reliefs (TRRs) for Labuan Entities as means of cushioning the impact caused by the COVID-19 pandemic outbreak.

2. To date, the market adversities persisted with recent surges in COVID-19 cases which led to business and movement restrictions. In view of these observations as well as to address requests by the industry, Labuan FSA has decided to extend the applicability of some of the TRRs as specified in the **Appendix** which include the following:

- (i) Relaxations on administrative governance in view of the continued travelling and movement restrictions;
- (ii) Flexibility on the technical requirements for valuation of insurance/takaful liabilities in relation to:
 - permitting more realistic discount rates to reflect longer term investment climate; and
 - recognising internationally rated counterparties with good standing for the reserving requirements with regard to reinsurance/retakaful cessions; and
- (iii) Extension of period for key regulatory reporting and submissions to the Authority.

3. In this regard, we seek your assistance to inform and disseminate this circular to the members of your respective associations. Should you require any clarification, please do not hesitate to contact any of the following officers:

Area of TRR	Contact Person	Contact No.	Email Address
Governance Regulatory Reliefs & Financial Regulatory Reliefs	Ms. Carmelitta Liaw Sheau Horng	087-591224	carmelitta@labuanfsa.gov.my
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Area of TRR	Contact Person	Contact No.	Email Address
Statistical Management System (SMS) Reliefs	Mr. Jefri Mohd Jamri	087-591225	jefri@labuanfsa.gov.my
	Mr. Ibrahim Iskandar Azmi	087-591205	iiazmi@labuanfsa.gov.my
COR@L System Reliefs	Registrar of Companies	087-591207 087-591262 087-591354 087-591344 087-591251 087-591317 087-591313 087-591345	roc@labuanfsa.gov.my

Yours sincerely,



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 Director
 Policy & Digital Technology Department
 Labuan Financial Services Authority

Regulatory Reliefs for Labuan Entities

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Current Relief Duration	New Relief Duration
Governance Regulatory Reliefs					
1.	<u>Guidelines on Corporate Governance for Labuan Banks and Labuan (Re)insurers (Para. 6.3)</u> It is expected that at least two board meetings would be held in Labuan with the majority of the board are physically present in the island.	i. Labuan Banks ii. Labuan Investment Banks iii. Labuan Islamic Banks iv. Labuan Islamic Investment Banks v. Labuan (Re)Insurers vi. Labuan (Re)Takaful Operators	The Board meeting can be conducted virtually i.e. there is no need for the board members to be physically present in Labuan for the meeting. <i>e.g. The meetings can be conducted via teleconferencing or videoconferencing using the available software or meeting tools.</i>	For calendar year 2020	Extended to calendar year 2021
Financial Regulatory Reliefs					
1.	i. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para. 12.0)</u> ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 11.0)</u>	i. Labuan Life (Re)Insurers ii. Labuan Family (Re)Takaful Operators	The LEs are continued to be given the discretion to apply a more pragmatic approach for discounting the liability valuation. For clarification, LEs are permitted to apply the base risk-free yield curve and adjustment in line with international standard to reflect longer term investment climate, subject to:	Valuation of insurance/takaful liabilities for the period which falls within the calendar year 2020	Extended to insurance/takaful liabilities valuation for the period which falls within calendar year 2021

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Current Relief Duration	New Relief Duration
	The risk-free discount rate used to compute insurance/takaful liabilities shall be derived from zero-coupon spot yield of the relevant government security.		<p>i. No withdrawal of any surplus arising from such valuation approach that may result in undue reserving deficiency; and</p> <p>ii. The adjustment to the base risk-free discount rate must be certified by the appointed actuary.</p> <p>The modified discounting method would need to be certified by the appointed actuary and disclosed in the actuarial valuation report.</p>		
2.	<p>i. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Insurance Business (Para. 12.0)</u></p> <p>ii. <u>Guidelines on Valuation Basis for Liabilities of Labuan Life Insurance Business (Para. 16.0)</u></p> <p>iii. <u>Guidelines on Valuation Basis for Liabilities of Labuan General Takaful Business (Para. 18.0)</u></p> <p>iv. <u>Guidelines on Valuation Basis for Liabilities of Labuan Family Takaful Business (Para. 13.0)</u></p>	<p>i. Labuan General (Re)Insurers</p> <p>ii. Labuan Life (Re)Insurers</p> <p>iii. Labuan General (Re)Takaful Operators</p> <p>iv. Labuan Family (Re)Takaful Operators</p>	<p>LEs are allowed to value their insurance/ takaful liabilities on net basis by deducting reinsurance/retakaful cessions from counterparties that are internationally rated at least A-.</p> <p>The modified valuation computation would need to be disclosed in the actuarial valuation report.</p>	Not Applicable	New relief applicable for the valuation of insurance/takaful liabilities for the period which falls within the calendar year 2021

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Current Relief Duration	New Relief Duration
	The insurance/takaful liabilities shall be valued on gross basis, and deducting reinsurance/retakaful cessions only if there is a deposit held from (re)insurer/(re)takaful operator other than a LFSA/ BNM licensed (re)insurer.				
Statistical Management System (SMS) Reliefs					
1.	Submission of Statistical Data via New SMS Portal	Labuan Insurance and Insurance-related Companies	The submission of statistical returns via the new SMS Portal has been deferred as announced under the new SMS Bulletin dated 3 September 2020. The submission of data via the old SMS system will remain status quo.	Not applicable	<ul style="list-style-type: none"> The relief is expected to expire by 30 June 2021. Reporting entities will be notified in advance prior to the relief's deadline as well as the implementation of the new SMS Portal.

No.	Current Requirement	Applicability	Temporary Regulatory Relief	Current Relief Duration	New Relief Duration
COR@L System Reliefs					
1.	Submission of audited accounts through COR@L	Labuan Entities	<ul style="list-style-type: none"> • For the year of assessment 2019, LEs have been granted the extension of time to: <ul style="list-style-type: none"> ⇒ adopt the accounts at the members' meeting up to 31 December 2020; and ⇒ submit the audited accounts to Labuan FSA one month after the members' meeting. • For record purposes, trust companies are required to make an application for the extension of time via COR@L. The processing fees for extension of time and penalty for late lodgement will be waived during this period. • Any request for further extension i.e. after 31 December 2020 will be subject to processing fees including penalty fee for late lodgement, administrative penalty or any other related fees associated with the submission. • This has been communicated under the earlier announcement issued on 20 October 2020 which is available at COR@L webpage. 	Not applicable	<ul style="list-style-type: none"> • One month extension of timeline to submit audited accounts for 2019 after the accounts have been adopted at the members' meeting. • Any request for further extension will be subject to relevant fees.