



PRESS RELEASE

LABUAN FSA: MARKING A STERLING MILESTONE IN THE 25-YEAR JOURNEY OF TRANSFORMATION AND GROWTH

KUALA LUMPUR, December 15 2021– Having begun its journey as the regulator for Labuan International Business and Financial Centre (IBFC) on 15 February 1996, Labuan Financial Services Authority (Labuan FSA) has grown from strength to strength; and the 25-year progress has been a fulfilling period of growth, with a myriad of challenges accompanied by rewarding achievements.

Labuan FSA's vision for Labuan to be a vibrant and forward looking IBFC with an Asian focus, is still valid today. Guided by its Mission and driven by the corporate values, Labuan FSA is committed at playing its role as a one stop integrated regulatory authority to realise the Government's vision to develop a sound, stable and dynamic Labuan IBFC.

Since its establishment, Labuan FSA has played a strategic and important role in the growth and development of Labuan IBFC. Labuan has evolved into a thriving financial and business centre, with more than 5,200 global and renowned companies, from 125 countries including 849 financial institutions engaged primarily in wholesale intermediation activities ranging from banking, insurance, fund management, money broking, leasing, company management and trust company business. With its conducive and business friendly environment, Labuan IBFC is a viable business proposition as a platform for financial intermediation in the Asia Pacific region.

One of the recognitions for Labuan IBFC is in the area of Captive insurance, being named as Asian Domicile of the Year in 2021 for the third consecutive year and, for the first time named as International Domicile of the Year at the European Captive Review Awards on 8 November 2021 in Luxembourg. These were judged based on

the regulations, the innovative structures and the number of new captive licensees in Labuan IBFC.

The Minister of Finance, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz said "in carrying out its mandates, Labuan FSA is tasked with preserving Labuan's good reputation as an international business and financial centre. While Labuan was primarily established to serve as a gateway for international business flows and financial transactions, opportunities for Malaysian corporates and financial institutions to use Labuan as a stepping stone to invest and venture abroad have been widely available. "

More than 70% of business in Labuan IBFC originates from Asia-Pacific and the Far East, indicating that Labuan is an outward-looking centre that facilitates international commerce and is well-regarded throughout the world, the Minister said in his speech.

Strong Rules and Regulation to Safeguard Labuan IBFC's Reputation

To complement the business growth, the Labuan IBFC tax framework has been modernized in line with OECD standards to increase Labuan's tax contribution to the country and also implement substantive requirements that have further increased employment opportunities and local spending in Labuan Island. Labuan IBFC received a "strong legal and regulatory framework" rating from the International Monetary Fund in 2012, and a "not harmful" rating from the OECD Forum on Harmful Tax Practices in 2017.

Labuan IBFC was also deemed "largely compliant" by the OECD in its 2019 Global Forum on Tax Transparency and Exchange of Information Peer Review Assessment. As part of the commitment to OECD compliance, minimum substance requirements are imposed on entities operating from Labuan IBFC which is expected to generate more socio-economic benefits for Labuan. Recently, "Other Trading Entities" (OTEs) has also been incorporated into the substance requirements and the IBFC's fiscal regime by the Ministry of Finance. This initiative will help the market as OTEs are a large part of Labuan entities.

As an ongoing measure to strengthen market regulation, Labuan's legal and regulatory framework has also been enhanced in line with the Anti -Money Laundering, Anti - Terrorism Financing and Proceeds from Illegal Activities Act 2001 and International Financial Action Task Force (FATF) standards.

The Minister said “for the past 25 years, Labuan FSA has adhered to high international standards. The Government applauds Labuan FSA’s approach which is both pragmatic and market-focused, striking a good balance between risk-based supervisory surveillance and a modern legal framework with a tax-efficient regime. These are its strengths and unique advantages in meeting the needs of international sophisticated investors, as recognised by organisations such as the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD).”

Contribution of Labuan FSA and the IBFC to the Nation and the Island

Minister also said “Labuan IBFC has grown to become Labuan's largest white-collar employer, employing over 6,000 people from the local community, neighbouring states, and the rest of Malaysia, as well as foreign nationals, accounting for 15% of Labuan's total employment”.

It is estimated that in 2019 and 2020, the economic contribution of Labuan IBFC to the nation and Labuan amounted to almost RM5 billion, largely in terms of fiscal collection, local spending by the players in Labuan, and dividends repatriated onshore. Labuan IBFC also contributes more than 60% towards Labuan’s GDP and continues to serve as a key growth engine for the island.

Labuan FSA's next chapter will be based on sustainability, relevancy, and market certainty, all of which are enabled by digital technology and fuelled by innovation. Taking advantage of Malaysia's evolving dual financial system, Labuan IBFC aspires to offer a suite of shariah-compliant products and structures in addition to conventional offerings to meet the demands and preferences of global investors. Labuan IBFC can bolster Malaysia's efforts to advance digital Islamic finance as a viable alternative to the conventional Fintech that has a strong foothold in the region. The support of the

Government and relevant stakeholders will be key to achieving this aspiration as the economy resumes its upward trajectory in 2022.

To commemorate Labuan FSA's 25th years, the Minister of Finance, YB Senator Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, today launched the Labuan FSA 25th Anniversary Commemorative Coin, to honour the historic occasion of its establishment as the regulatory and supervisory agency of the Labuan IBFC. Issued by Bank Negara Malaysia, the coin incorporates a unique feature that will be the first of its kind in Malaysia and will be minted in silver and Nordic gold.

The Minister unveiled the diamond-cut 3D surface coin that depicts the island of Labuan surrounded by the blue waters of the South China Sea. Ornamented on the coin is an actual blue sapphire stone symbolizing Labuan FSA and Labuan IBFC as a precious piece on the Labuan island. The commemorative coin will be issued in limited quantity in February 2022.

Labuan Financial Services Authority

15 December 2021

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ABOUT LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Labuan IBFC offers a wide range of business and investment structures to facilitate cross-border transactions, business dealings and wealth management needs. Strategically located in the heart of Asia Pacific, Labuan IBFC is well positioned to tap into one of the fastest growing regions in the world, presenting the perfect opportunity for businesses seeking to connect with Asia's economies and beyond. Its business-friendly environment is well-supported by a robust, modern and internationally-recognised legal framework enforced by its regulator, Labuan Financial Services Authority (Labuan FSA).