



PRESS RELEASE

Labuan IBFC remained Resilient and Agile amidst a Challenging Business Landscape

- *New company incorporation moderated in 2020*
- *Growth in key sectors congruent with other international financial centres*
- *Self-insurance remained a prominent growth sector reinforcing Labuan IBFC's role as Asia's leading risk intermediation hub*
- *Demand in digital financial services continues unabated*

Labuan, 5 May 2021: The year 2020 marked Labuan IBFC's 30th anniversary since its establishment. It had been a challenging year as the Centre faced numerous challenges due to the unprecedented COVID-19 pandemic whilst concurrently facilitating the market in embracing the recent Labuan tax regulatory changes. Despite the two-pronged challenges, Labuan IBFC remained resilient with some growth moderation across sectors, whilst some still demonstrated respectable growth.

Notwithstanding the pandemic and the changes in the tax landscape, Labuan IBFC and its ecosystem remained intact in spite of the sombre business climate and movement restrictions. In this regard, Labuan FSA had played a vital role in ensuring that the industry embraces technology advancement, providing regulatory reliefs where required by the market, and introducing new business models to better align businesses to the new norms.

In light of the disruption caused by the pandemic, Labuan FSA was agile to respond to the market needs. This came in the form of a set of pre-emptive temporary measures to alleviate the industry's burden in weathering the business strains during this difficult time. In addition, the measures ensured their business operations remained viable and uninterrupted in serving their clients during the pandemic. Some of these measures were extended until December 2021 to meet the market needs in its recovery phase.

Alongside these measures, it is important to highlight Labuan FSA's enhanced digital infrastructure developed over the years, including the facility for online company incorporations, e-payment system, e-client onboarding and regulatory submissions, enabling the industry to operate with minimal disruption in times of uncertainty. By effecting such changes and flexibilities, Labuan IBFC continues to remain stable and relevant during this challenging environment.

Summary of Labuan IBFC Key Sectoral Performance

Despite the challenging business environment, Labuan IBFC remained as an attractive market for wholesale financial intermediation within the region, with more than 800 licensed financial institutions operating currently. The encouraging growth is evident in investment banking,

reinsurance, fund management, digital financial services and leasing. Performance of specific sectors are as depicted below:

Company incorporation: Due to combination of factors on COVID-19 pandemic and the introduction of economic substance regulation, the number of non-licensed companies moderated by about 30% in 2020. Coupled with higher deregistration, the total active Labuan companies stood at 5,802.

Wholesale Banking: The global market uncertainty in 2020 had adversely affected Labuan banks' financing and investments with significant provisioning for possible loan defaults and investment impairments. Total loan portfolios also contracted by 2.7% to USD25 billion, particularly in resident loans due to the non-deductibility requirement imposed on resident borrowers under the revised Labuan tax framework. On a positive note, the Labuan market is seeing increasing potential in digital banking space where out of the eight new banking licences granted in 2020, four are conducting business via digital platform.

Insurance: The sector remained resilient largely driven by captive and reinsurance business. Overall, the insurance sector demonstrated better performance and profitability. Total premiums underwritten increased by 6.7% to USD1.6 billion. Labuan captive remained a popular risk management tool with total gross premiums recorded 8.7% growth in 2020. This steady growth is attributed to the heightened understanding on the business merits of self-insurance solutions in Asia.

Leasing: The triggering domino effect of economic slowdown and imposition of travel restrictions which had knock-on effects on the Labuan aviation leasing business. And while the total industry leased assets declined by 9.9% to USD40.7 billion, stabilization in global oil prices coupled with increasing oil and gas activities, saw this sector of the leasing market growing 196.5% to USD1.5 billion in 2020.

Digital financial services: 2020 was a revealing year for digital financial services (DFS) as the total number of DFS establishments doubled with 30 new DFS licences granted. In tandem with market trend, the Labuan DFS activities also expanded from simple digital trading platforms for fiat or digital currencies, to more complex digital banking and digital assets. With the expanding digital and virtual transactions, Labuan FSA is emphasizing the criticality of industry's cyber resilience. Towards this end, Labuan FSA will be issuing digital governance regulations to ensure the needed business prudence for the Centre's expanding DFS business.

Forward Action Plan

With the imminent economic recovery, both globally and within Asia, Labuan IBFC remained cautiously optimistic of its expected performance in 2021. With this in mind, a 3-year roadmap for Labuan IBFC had been charted by Labuan FSA for 2021-2023, to enhance the Centre's sustainability and relevancy moving forward. The strategic plan comprises four key priorities:

- ❖ Expand and strengthen Labuan IBFC's financial ecosystem;
- ❖ Regulatory and supervisory modernization;
- ❖ Visibility enhancement and branding strategy; and
- ❖ Enhance organizational reputation and delivery efficiencies.

Labuan FSA is committed to intensify business growth by realigning policies and guidelines in tandem with new market development, including enhancing business in the digital space. As Labuan IBFC matures into the next phase, and with the co-existence of over 800 licensees conducting a wide spectrum of business activities, it is important for the Centre to promote intra-Labuan business as more synergies between market players are realised. This would augur well for Labuan IBFC to foster a closer collaboration between different sectors and enhances the business vibrancy of the Labuan market.

The Labuan Community

2020 was hugely challenging year for Labuan Island due to the economic slowdown experienced, bringing distress to local businesses, affecting livelihoods. However, this adversity has brought in solidarity amongst the financial industry players with pooling of aids in the form of COVID-19 fund to assist the Labuan's community. Through this fund, direct reliefs were extended to the Labuan locals and a virus test machine for the Labuan hospital was also procured. Labuan FSA and its financial intermediaries will continue to be committed towards the well-being of the Labuan community.

The Labuan IBFC Market Report 2020 is available [here](#).

Labuan Financial Services Authority
5 May 2021

FOR FURTHER INFORMATION, PLEASE CONTACT:

Labuan Financial Services Authority
Corporate Communication & External Relations Unit
Tel: 087- 591 200 Fax: 087- 428 200
E-mail: communication@labuanfsa.gov.my

ABOUT LABUAN FSA

Labuan Financial Services Authority (Labuan FSA) was established on 15 February 1996 under the Labuan Financial Services Authority Act 1996. Labuan FSA is the statutory body under the purview of the Ministry of Finance, Malaysia, responsible for the development and administration of the Labuan International Business and Financial Centre (Labuan IBFC).

The objectives of Labuan FSA include the following:

- To promote and develop Labuan as an international centre for business and financial services;
- To develop national objectives, policies and priorities for the orderly development and administration of international business and financial services in Labuan; and
- To act as the central regulatory, supervisory and enforcement authority of the international business and financial services industry in Labuan.

Labuan FSA's key role is to license and regulate licensed entities operating within Labuan IBFC and to ensure all such entities remain in compliance with the internal and international best standards adopted by the jurisdiction. Labuan FSA also develops policies for the orderly conduct of business and financial services in Labuan IBFC.

For more information, please visit www.labuanfsa.gov.my.

ABOUT LABUAN IBFC

ASIA PACIFIC'S MIDSHORE INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

Labuan International Business and Financial Centre (Labuan IBFC), Malaysia, through our internationally recognised yet business-friendly legal framework, is the preferred international business and financial centre in Asia. Established in 1990, Labuan IBFC is regulated by the Labuan Financial Services Authority (Labuan FSA), statutory Regulator under the purview of the Ministry of Finance, Malaysia.

As a midshore jurisdiction, we offer global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards of compliance in tax transparency. We also provide fiscal neutrality and certainty in a currency neutral operating environment. Labuan IBFC, located in the centre of Asia, boasts a cost-efficient enabling environment making it an ideal location for substance creation for both global businesses looking at penetrating Asia or Asian entities aiming to go global.

Offering a wide range of business structures and investment solutions catered to cross-border transactions and international business dealings including fintech related solutions. We also provide services and solutions in niches such as risk management, commodity trading, reinsurance, wealth management, international business companies and Islamic financial services. Operating with clear and comprehensive legal provisions, guidelines and practice notes, enforced by a single regulator, Labuan FSA, Labuan IBFC provides an ideal jurisdiction for both corporates and high-net-worth individuals with international exposure.

To keep up with everything about Labuan IBFC, follow us on Twitter or @LabuanIBFC. Alternatively, visit www.labuanibfc.com