Labuan As an International Offshore Financial Centre

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DIRECTOR, LOFSA

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Location – Proximity to key Asian capitals

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History

• Labuan is not a sovereign state
• Part of Sabah
• Declared as F.T. on 16 April 1984
Labuan IOFC

- Established as an IOFC by the Malaysian Government in 1990
- Objectives
  - Complement Kuala Lumpur to turn Malaysia into a regional financial centre
  - Promote the economic development of Labuan and its vicinity

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Offshore Jurisdictions

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LOFSA

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Labuan Offshore Financial Services Authority (LOFSA)

- Established on 15 February 1996
- Responsible for:
  - developing national objectives, policies and sets priorities
  - developing and promoting offshore business in Labuan
  - administering and enforcing legislations
  - incorporating and registering companies

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Prior to LOFSA, offshore activities managed and supervised by government agencies –

BNM – Banking & insurance
SC – Management of fund related activities
ROC – Registration of offshore companies/ trust companies
IRB – Tax
MIDA – Promotions
Mission Statement

LOFSA shall act as a one-stop agency to realize the Government’s vision to develop Labuan as a premier IOFC by ensuring the highest level of integrity, commitment and professionalism.
THE BUSINESSES
CHARACTERISTICS OF LABUAN IOFC

- INDEPENDENT LEGAL FRAMEWORK
- INTEGRATED OFFSHORE FINANCIAL SERVICES
- OFFERS BOTH CONVENTIONAL AND ISLAMIC PRODUCTS
- MOSTLY NON-RINGGIT BUSINESS, RINGGIT?
- DEALS MAINLY WITH NON-RESIDENTS
- EXCHANGE CONTROL FOR DEALINGS WITH RESIDENTS
Regulatory Framework

- Offshore Companies Act 1990
- Labuan Trust Companies Act 1990
- Offshore Banking Act 1990
- Offshore Insurance Act 1990
- Labuan Offshore Business Activity Tax Act 1990
- Labuan Offshore Financial Services Authority Act 1996
- Labuan Offshore Trust Act 1996
- Labuan Offshore Limited Partnerships Act 1997
## Business in Labuan

<table>
<thead>
<tr>
<th>Banking</th>
<th>Insurance</th>
<th>Trust Co</th>
<th>Securities</th>
<th>Purpose Vehicles</th>
</tr>
</thead>
<tbody>
<tr>
<td>OBA</td>
<td>OIA</td>
<td>LTCA</td>
<td>LOSIA</td>
<td>OCA, LOLPA, LOTA</td>
</tr>
</tbody>
</table>

- **Banking**
  - Commercial
  - Investment
  - Credits
  - Deposits
  - Custodial
  - Transfers

- **Insurance**
  - Life
  - General
  - Brokers
  - Manager
  - Underwriters
  - Captives
  - Re-insurer

- **Trust Co**
  - Trust Com
  - Trustees
  - Secretarial & Accounting

- **Securities**
  - LFX
  - Funds Mgmt.

- **Purpose Vehicles**
  - Companies
  - Limited Partnership
  - Trusts

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**Islamic Element**

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Business in Labuan

- Offshore Companies
  - Investment holdings
  - Trading
- Banking
  - Credit facilities
  - International trade finance
  - Advisory services
  - Capital market activities
- Capital market
  - Issuances
- Insurance
  - Reinsurance
  - Captive insurance
  - Takaful
- Leasing
  - Operational lease
  - Financial lease
- Fund Management
  - Overseas investments
- Tax planning
- Islamic Finance
- International Shipping Registry (ISR)

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## Progress of Labuan IOFC

<table>
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<tr>
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</thead>
<tbody>
<tr>
<td>Banking</td>
<td>52</td>
<td>62</td>
<td>54</td>
<td>56</td>
</tr>
<tr>
<td>Insurance &amp; Insurance Related</td>
<td>9</td>
<td>35</td>
<td>100</td>
<td>107</td>
</tr>
<tr>
<td>Leasing</td>
<td>-</td>
<td>6</td>
<td>34</td>
<td>45</td>
</tr>
<tr>
<td>Fund Managers</td>
<td>3</td>
<td>3</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Other Trading &amp; Non-Trading</td>
<td>873</td>
<td>1,748</td>
<td>3,426</td>
<td>3,842</td>
</tr>
<tr>
<td>Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust Companies</td>
<td>17</td>
<td>20</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Auditors and Liquidators</td>
<td>25</td>
<td>32</td>
<td>39</td>
<td>40</td>
</tr>
</tbody>
</table>
Banks By Origin of Country

15 Countries

Malaysia (14)
Japan (4)
UK (5)
Belgium (1)
Canada (1)
S Arabia (2)
Taiwan (2)
S'pore (3)
Swiss (2)
Nederland (2)
France (6)
Aust (4)
Germany (4)
USA (4)

July 03
Loan 9.3b
Dep 3.4 b

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Insurance Companies by Country of Origin

22 Countries

- Malaysia (29)
- UK (18)
- USA (4)
- Japan (4)
- France (2)
- Germany (3)
- Others (7)
- Bermuda (5)
- BVI (5)
- Indo (2)
- H Kong (6)
- S'pore (7)
- Sweden (5)
- Ireland (2)
- Denmark (2)
- Germany (3)
- Others (7)

Reinsurance
Dec 02: 253m
Labuan International Financial Exchange (LFX)

Launched in Nov 2000

Listing and trading of wide range of financial instruments

Window for foreign investment

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Labuan International Financial Exchange (LFX)

Progress for LFX ...

Total No. of Listings

<table>
<thead>
<tr>
<th>Year</th>
<th>Listings</th>
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<tbody>
<tr>
<td>2001</td>
<td>1</td>
</tr>
<tr>
<td>2002</td>
<td>10</td>
</tr>
<tr>
<td>2003 (Aug)</td>
<td>12</td>
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</table>

Market Capitalisation (US Billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capitalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>250 m</td>
</tr>
<tr>
<td>2002</td>
<td>1.654</td>
</tr>
<tr>
<td>2003 (Aug)</td>
<td>1.920</td>
</tr>
</tbody>
</table>

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Syariah Compliant Instruments

- Serial Islamic Lease Sukuk - First Global Sukuk Inc. (2004)
- Serial Islamic Lease Sukuk - First Global Sukuk Inc. (2006)
- Sukuk Al-Ijarah Trust Certificates - Malaysia Global Sukuk Inc. (2007)

Debt Instruments

- Floating Rate Notes - 1st Silicon (Labuan) Inc. (2008)
- Guaranteed Exchangeable Bonds - TNB Capital (Labuan) Ltd. (2007)
- RHB BOND - Rashid Hussein Berhad (2007)

Mutual Funds

- IDB European Bond Class B
- IDB Multi-Manager Asia Ex-Japan
- IDB Multi-Manager Balanced A
- IDB Multi-Manager Equity A
- Insinger De Beaufort Zeus (OS)
- Am-Macquarie Sovereign Plus Fund

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International Stature
On Par With Best Practices

- Member of Offshore Group of Banking Supervisors
- Member of Offshore Group of Insurance Supervisors
- Member of International Association of Insurance Supervisors
- Asia-Pacific Group on Anti-Money Laundering
- IOSCO
A more significant Islamic banking and takaful industry with greater global orientation, and Malaysia/Labuan as regional Islamic financial centre.
The International Islamic Financial Market (IIFM)...

- Money and capital markets
- Products
- Shariah compliant
- Improve cooperative framework
- Match assets and liabilities
- Liquidity

Serves to enhance liquidity on the global front...

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Labuan IOFC – Islamic Finance

- Labuan IOFC offers dual banking facility
- 2 Islamic Banks and 3 Islamic Investment Banks
- Issue of world’s first:
  - USD600 million Islamic sovereign Sukuk
  - Shariah-compliant international investment-linked takaful product

Offshore Banks - Islamic Assets (US Million)

- 2001: 376.9
- 2002: 465.4
- 2003 (June): 500.9

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Issuance of the First Sovereign Global Islamic Bond...

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GLOBAL RECOGNITION

- Best Asian Sovereign Bond of Year 2002 - Euromoney
- Deal of the Year 2002 – Institutional Investor
- Most Innovative Bond Deal 2002 Asiamoney
- Best Structured Islamic Financial Instrument – Islamic Banker
- Most Innovative Bond Issue – The Asset

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Other Attractions
Outdoor Activities

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Approach

- Long term agenda
- Reputation and Credibility
- Consultative and pro-active
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