



## Labuan As an International Offshore Financial Centre

**DANIAL MAH ABDULLAH**  
**DIRECTOR, LOFSA**

# Location – Proximity to key Asian capitals



# History

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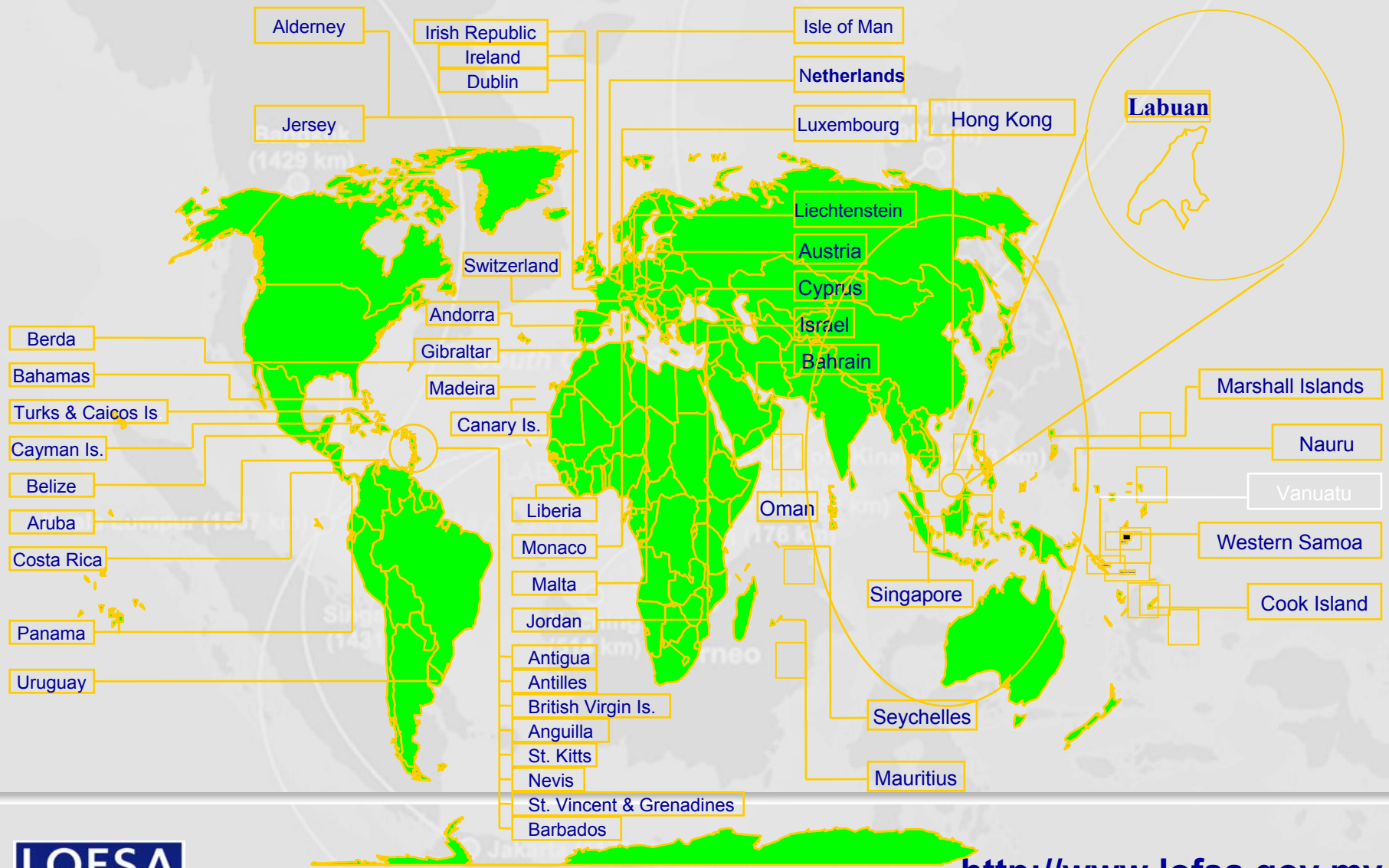
- Labuan is not a sovereign state
- Part of Sabah
- Declared as F.T. on 16 April 1984

# Labuan IOFC

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- 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

# Offshore Jurisdictions



# LOFSA



# Ministry of Finance

Bangkok (1758 km)  
**Domestic**

Manila (903 km)  
**Offshore**

**BNM**

**SC**

**LOFSA**

Banking  
Insurance

Capital Markets

Banking  
Insurance  
Capital Markets  
Registrar

**R O C**

# Labuan Offshore Financial Services Authority (LOFSA)

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- 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



# LOFSA

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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

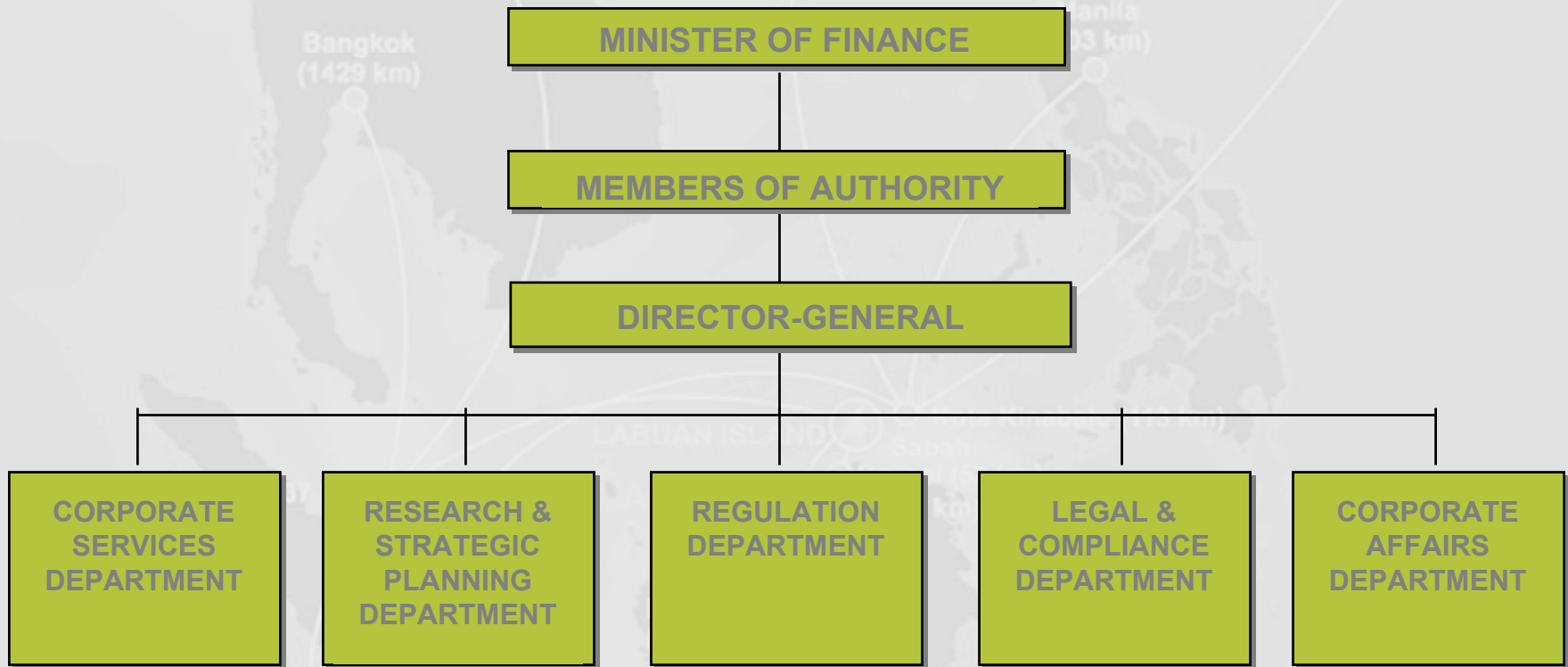
MIDA – Promotions

# Mission Statement

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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

# Organisation Chart



# 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

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- 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
- Labuan Offshore Securities Industry Act 1998

# Business in Labuan

## Banking OBA

Commercial  
Investment  
Credits  
Deposits  
Custodial  
Transfers

## Insurance OIA

Life  
General  
Brokers  
Manager  
Underwriters  
Captives  
Re-insurer

## Trust Co LTCA

Trust Com  
Trustees  
Secretarial  
& Accounting

## Securities LOSIA

LFX  
Funds Mgmt.

## Purpose Vehicles OCA, LOLPA, LOTA

Companies  
Limited Partnership  
Trusts

**Islamic Element**

# 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)



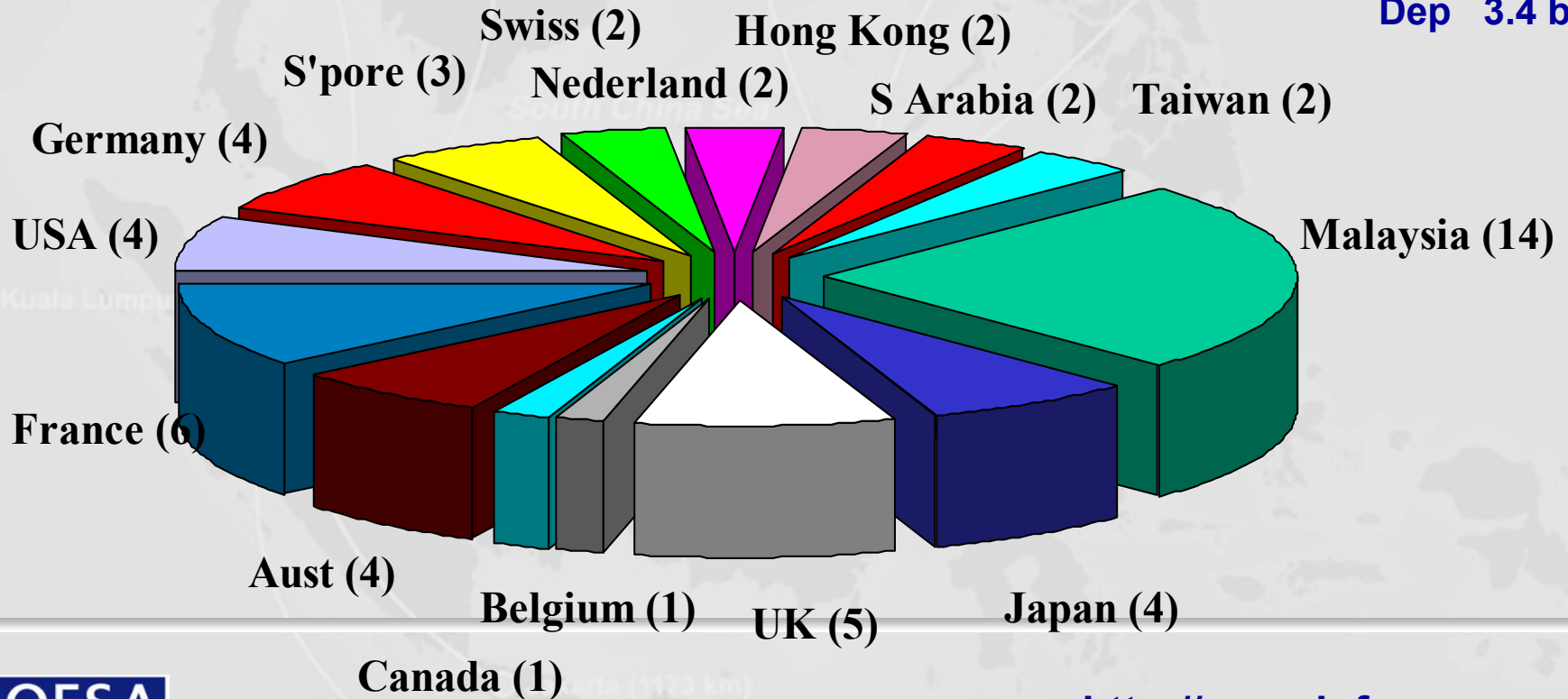
# Progress of Labuan IOFC

Year Activities	1996	1998	2002	As at 31 July 2003
Banking	52	62	54	56
Insurance & Insurance Related	9	35	100	107
Leasing	-	6	34	45
Fund Managers	3	3	12	14
Other Trading & Non-Trading Companies	873	1,748	3,426	3,842
Trust Companies	17	20	18	20
Auditors and Liquidators	25	32	39	40

# Banks By Origin of Country

15 Countries

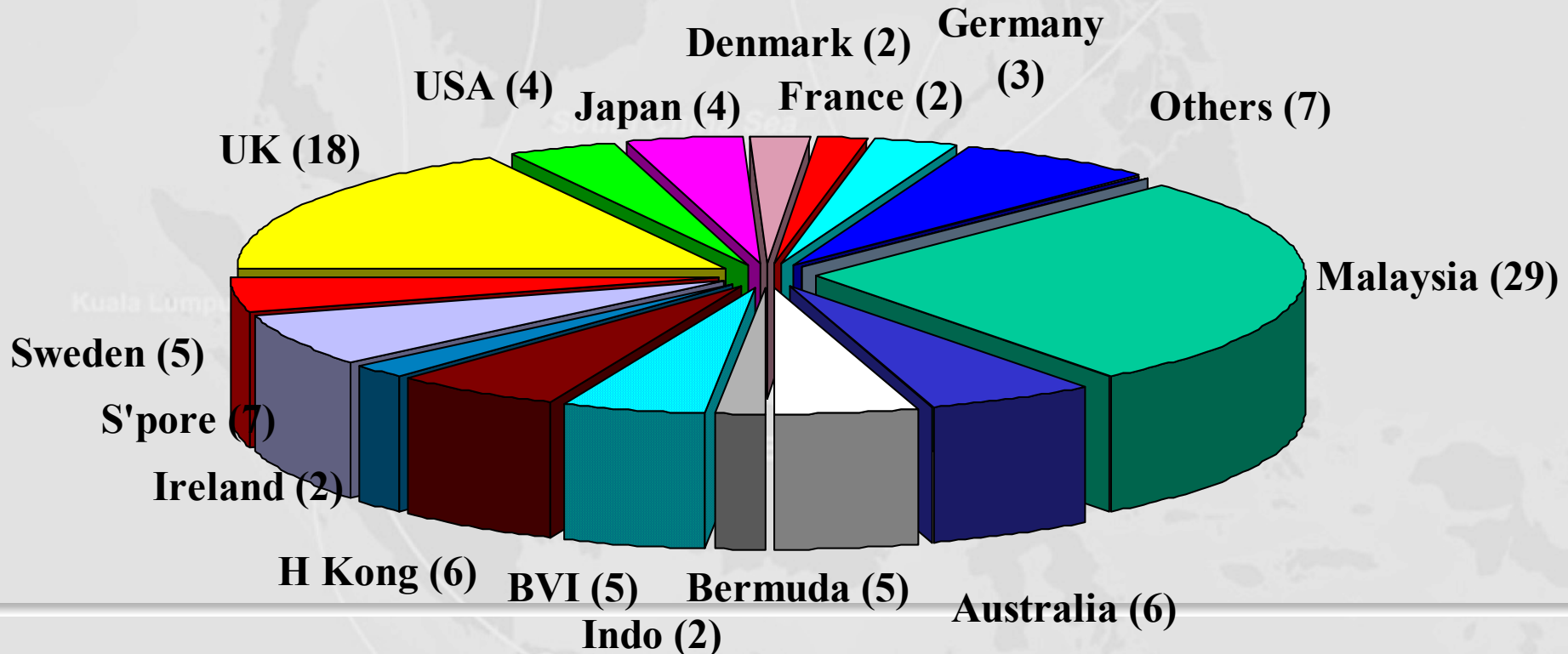
July 03  
Loan 9.3b  
Dep 3.4 b



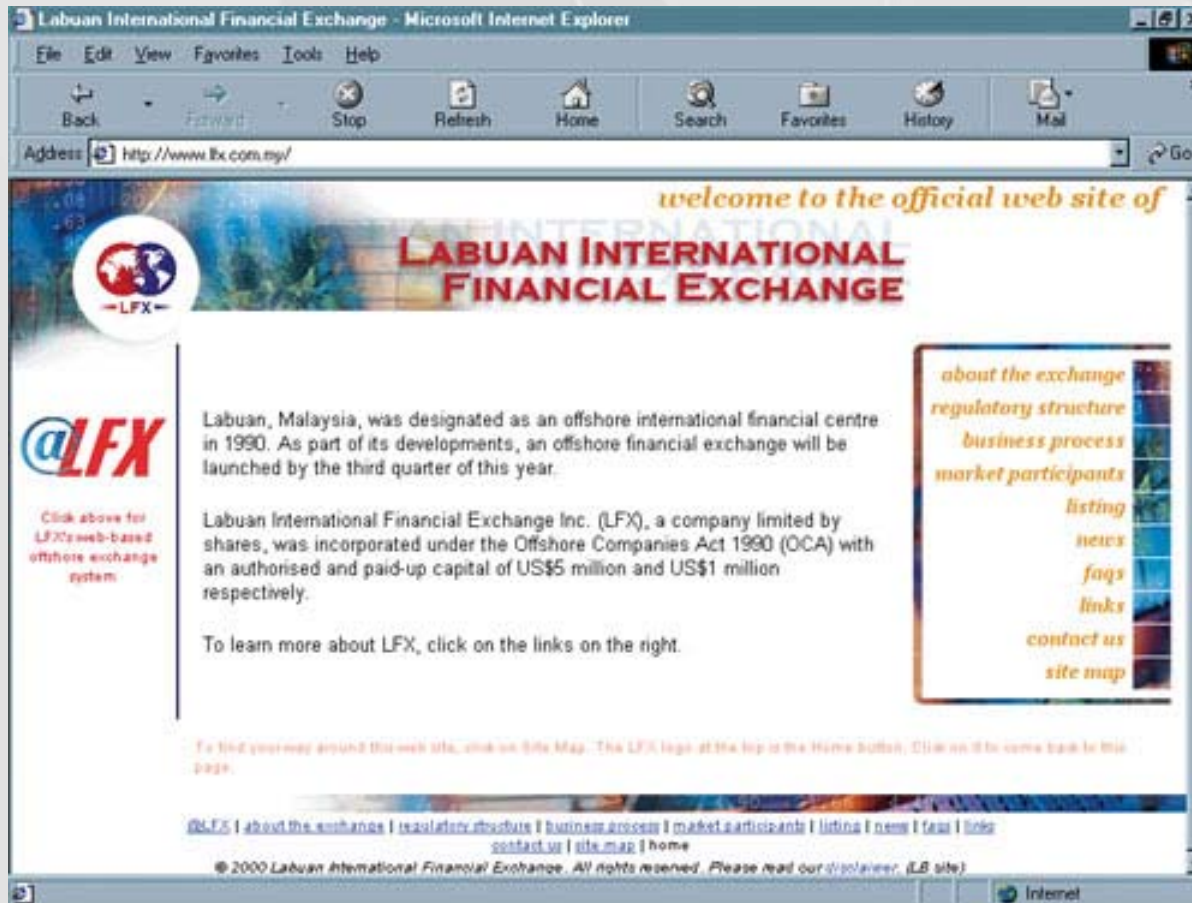
# Insurance Companies by Country of Origin

22 Countries

Reinsurance  
Dec 02: 253m



# Labuan International Financial Exchange (LFX)



**Launched in Nov 2000**

**Listing and trading of wide range of financial instruments**

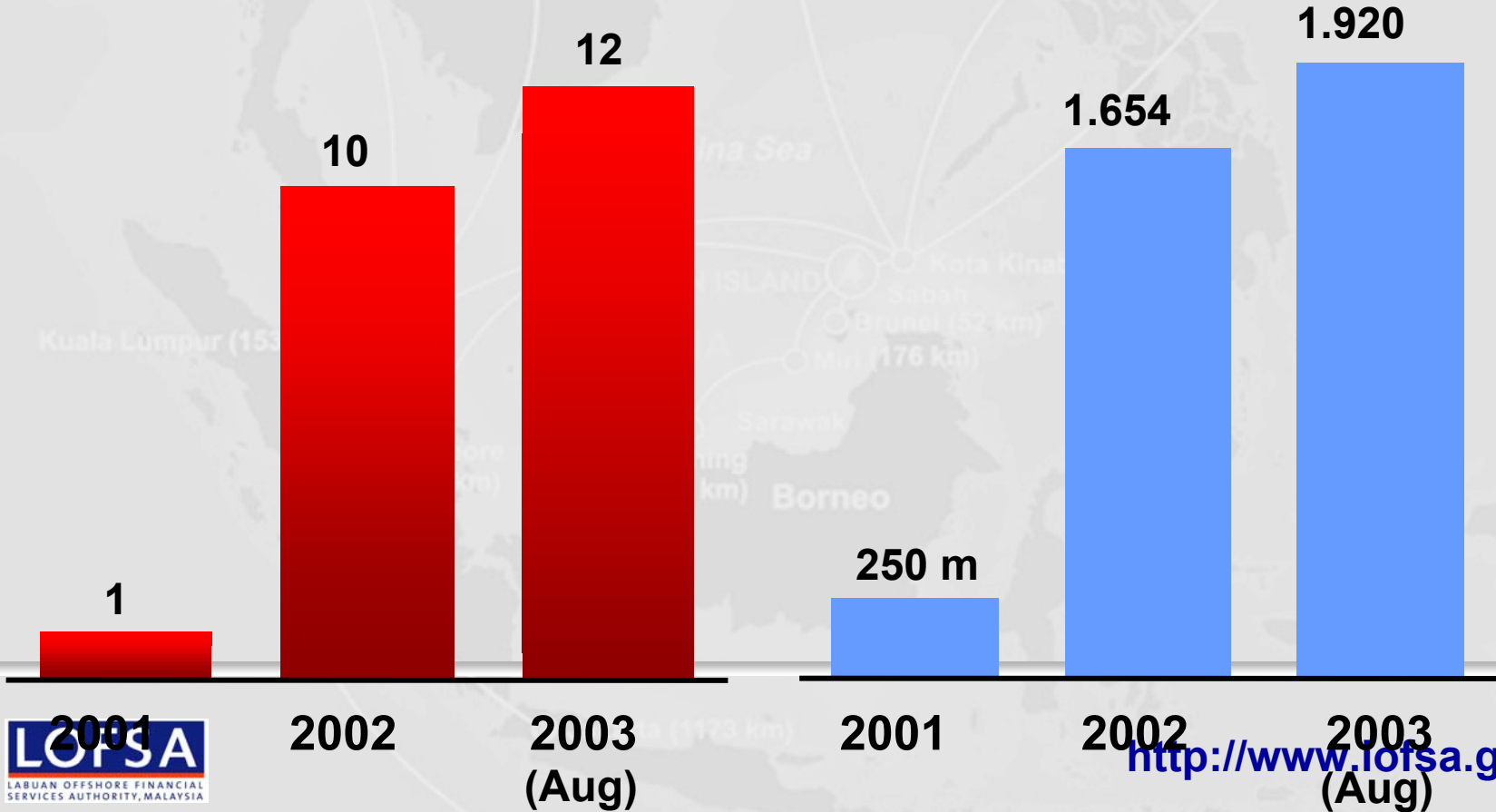
**Window for foreign investment**

# Labuan International Financial Exchange (LFX)

## Progress for LFX ...

Total No. of Listings

Market Capitalisation (US Billion)



## LFX - listings today



### 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

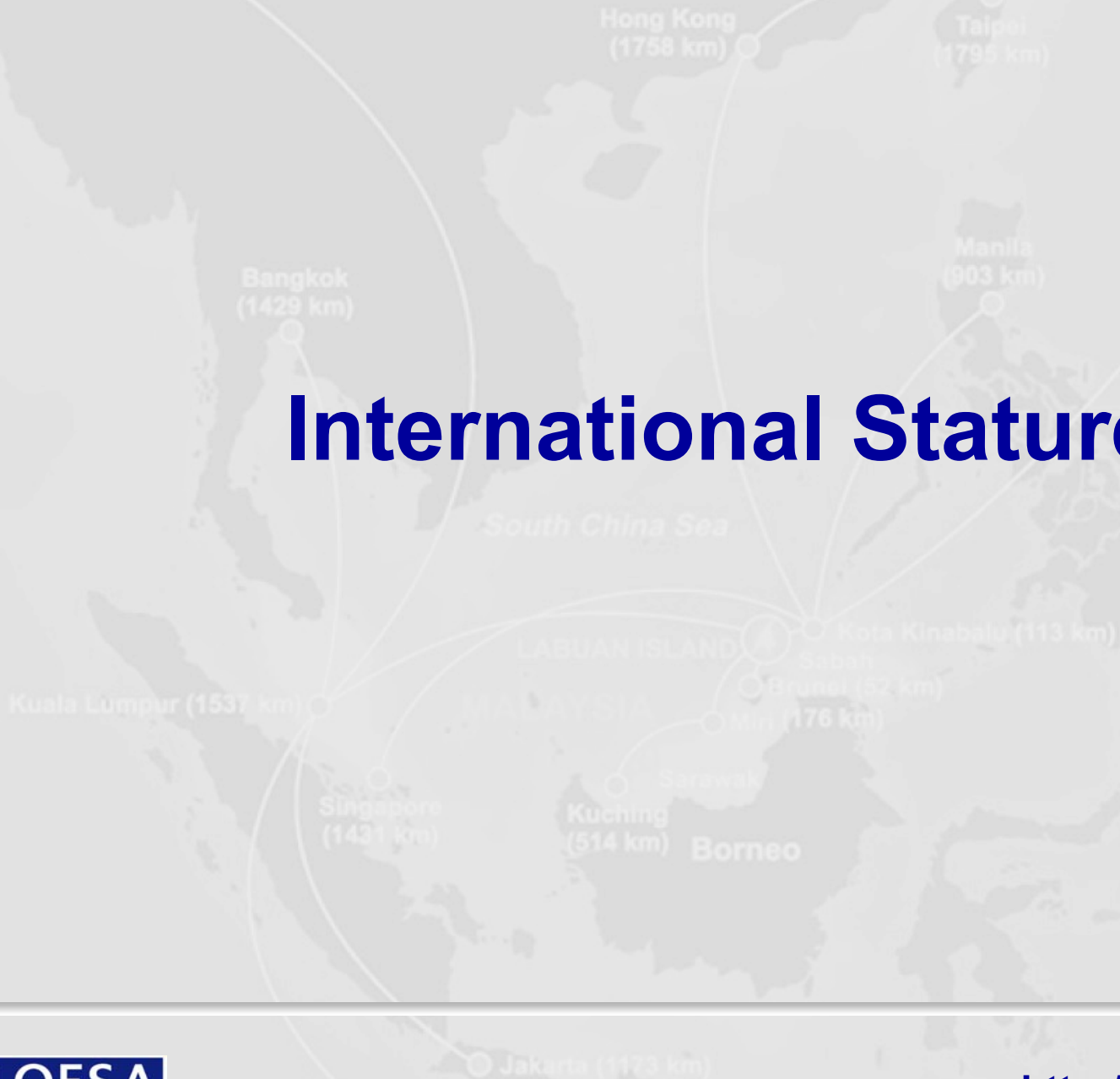
- Floating Rate Notes - 1st Silicon (Labuan) Inc. (2008)
- Guaranteed Exchangeable Bonds - TNB Capital (Labuan) Ltd. (2007)
- RHB BOND - Rashid Hussein Berhad (2007)



### 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

# 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

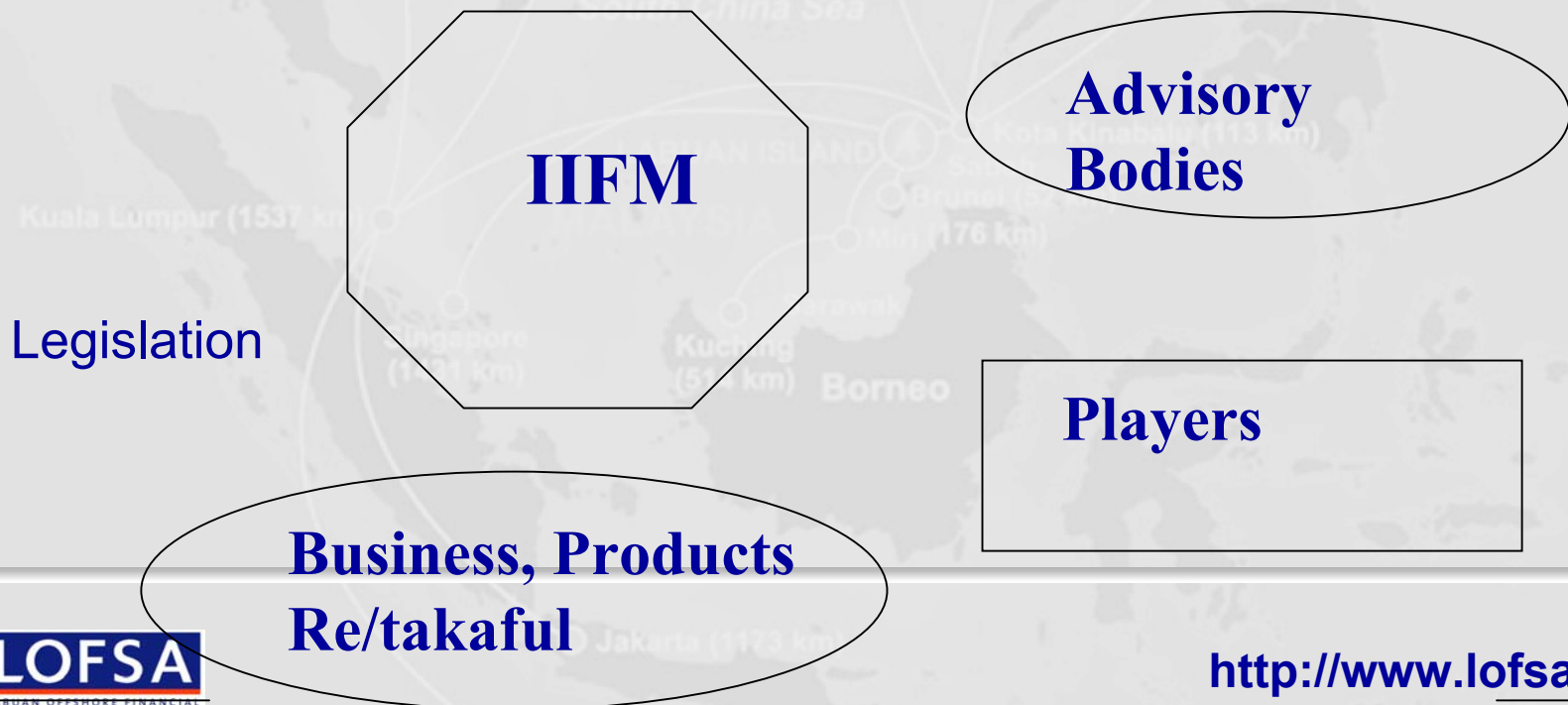




A map of Southeast Asia with Labuan Island in Sabah, Malaysia, as the central point. Concentric circles represent distances to various cities. The South China Sea is labeled. The map includes labels for Hong Kong, Taipei, Manila, Bangkok, Kuala Lumpur, Singapore, Jakarta, Kota Kinabalu, Brunei, Miri, Sarawak, Kuching, and Borneo.

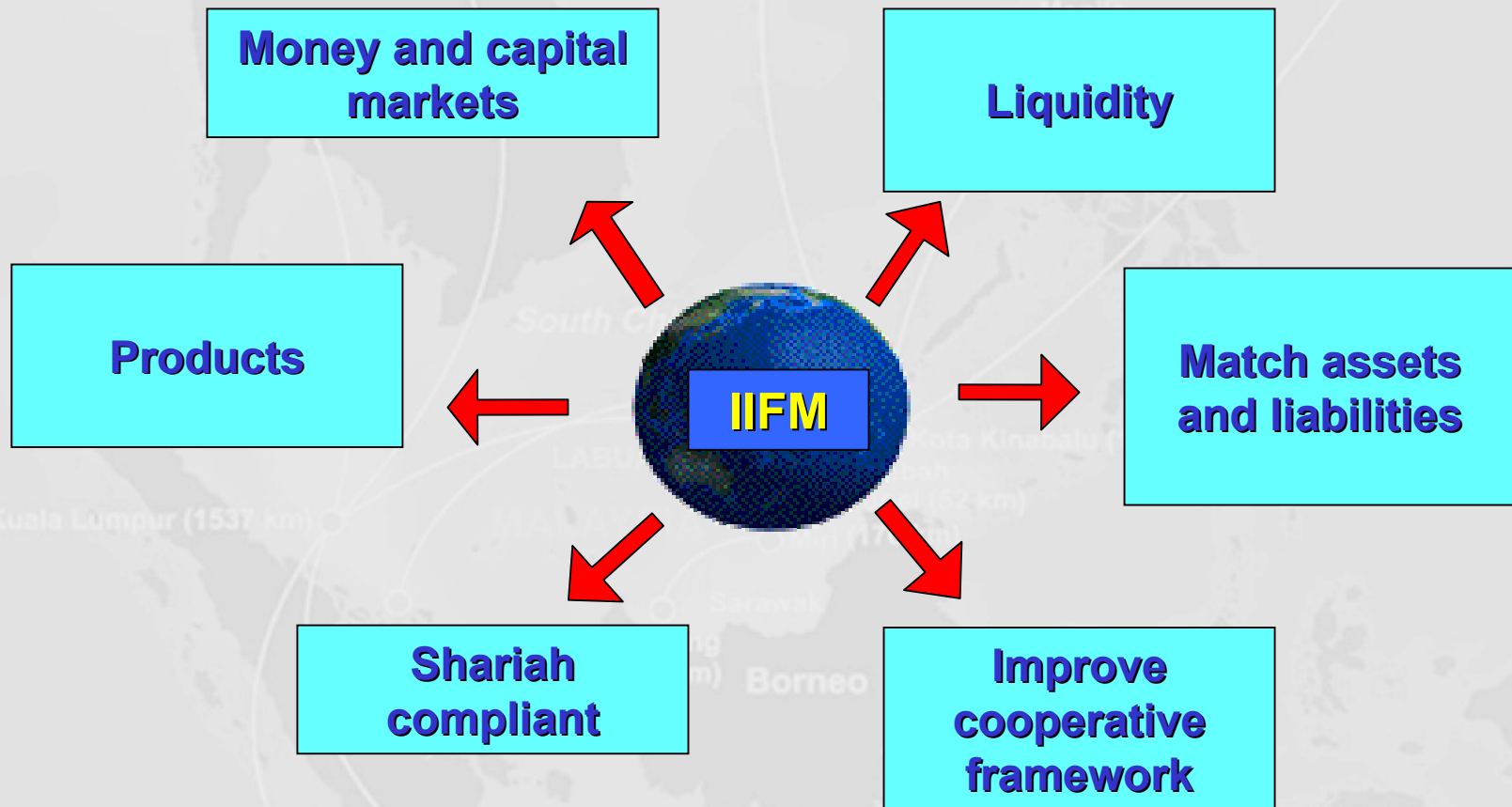
# ISLAMIC BANKING & FINANCE

**A more significant Islamic banking and takaful industry with greater global orientation, and Malaysia/Labuan as regional Islamic financial centre**



# INTERNATIONAL ISLAMIC FINANCIAL DEVELOPMENTS (IIFM)

The International Islamic Financial Market (IIFM)...



Serves to enhance liquidity on the global front ...

# Labuan IOFC – Islamic Finance

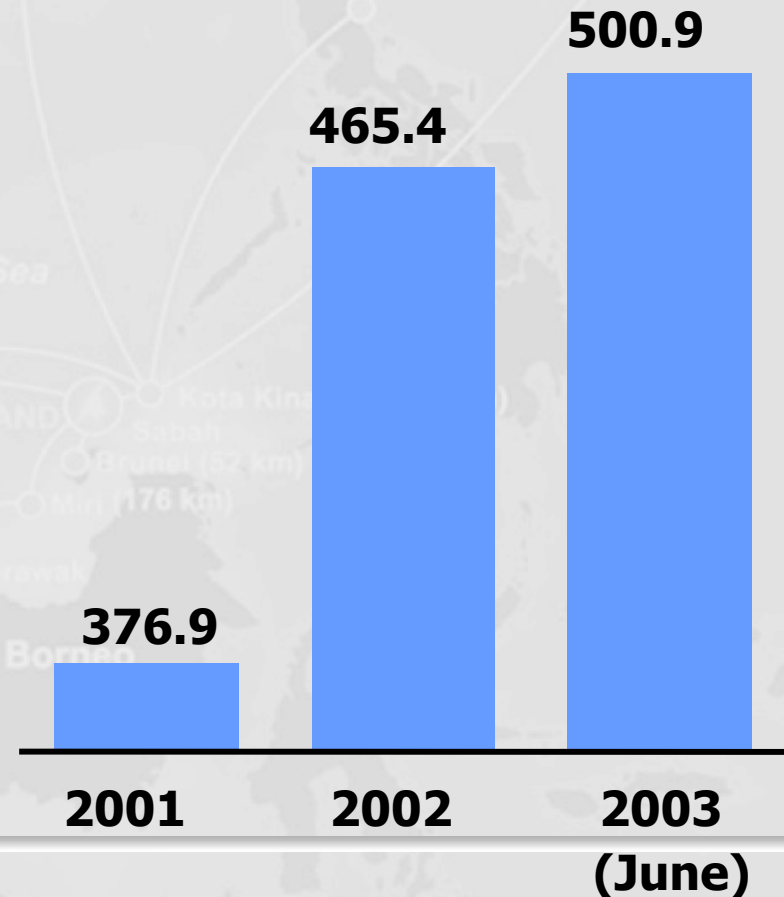
- Labuan IOFC offers dual banking facility

- 2 Islamic Banks and 3 Islamic Investment Banks

## Issue of world's first:

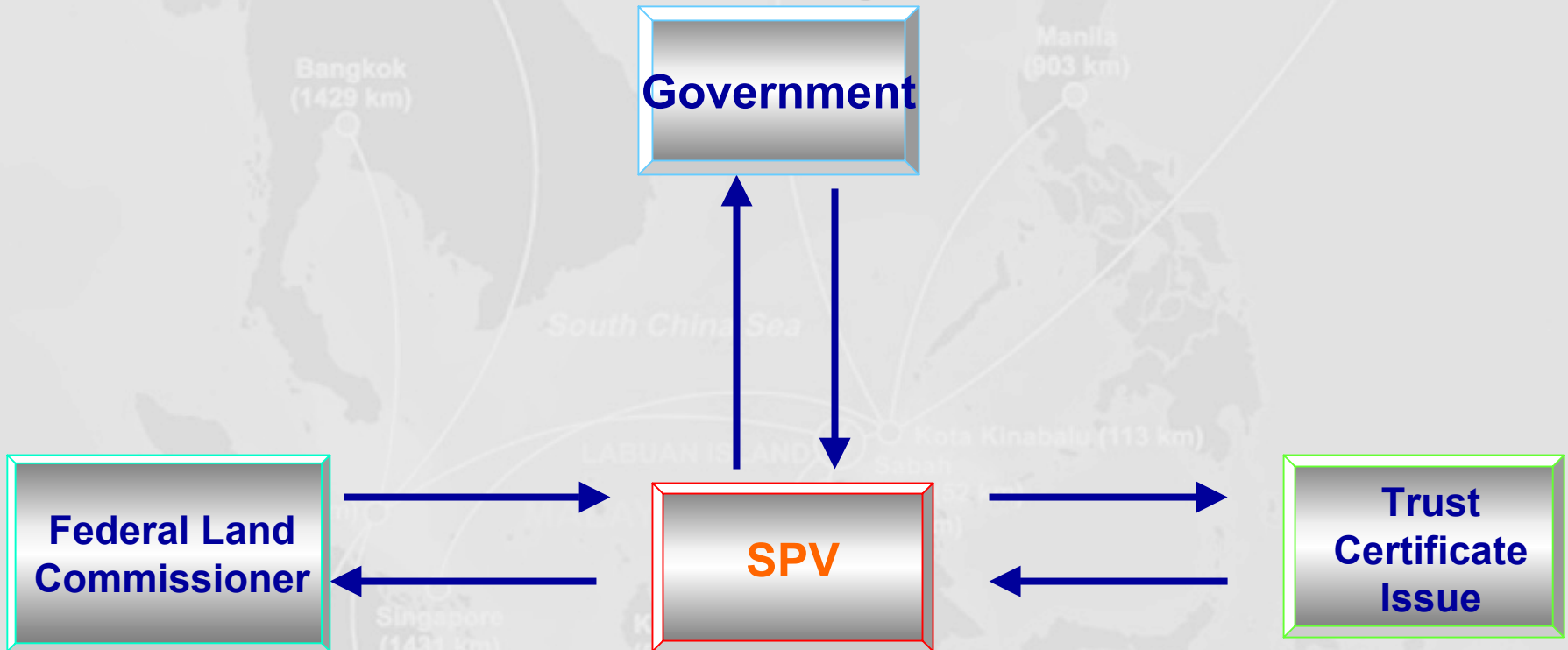
- USD600 million Islamic sovereign Sukuk
- Shariah-compliant international investment-linked takaful product

## Offshore Banks - Islamic Assets (US Million)



# INTERNATIONAL ISLAMIC FINANCIAL DEVELOPMENTS (MALAYSIA ISLAMIC GLOBAL BOND)

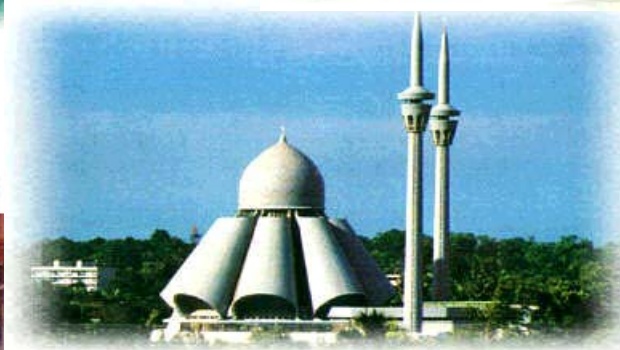
## Issuance of the First Sovereign Global Islamic Bond...



# GLOBAL RECOGNITION

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

# Other Attractions



# Outdoor Activities

Hong Kong  
(1758 km)

Taipei  
(1795 km)



Kuala L

Jakarta (1173 km)



# Approach

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



Singapore  
(1431 km)

Kuching  
(514 km) Borneo

**VISIT LABUAN IOFC**  
**[www.lofsa.gov.my](http://www.lofsa.gov.my)**

Jakarta (1173 km)