

# LABUAN BANKING

## Fact Sheet

### Labuan Financial Business > Financial Service

All Banking entities set up in Labuan IBFC are governed and regulated under the Labuan Financial Services and Securities Act 2010, Part VI, specifically under the provisions stated in Sections 87 to 100.

All Labuan registered banks are deemed Labuan Trading Companies, as defined in Sections 2 of the Labuan Business Activity Tax Act 1990, and its tax rate at 3% of audited net profits with fulfilled substance requirement.

#### Comparison between Labuan Bank (full-fledged bank) and Labuan Investment Bank

Definition	
Labuan Bank (Full-Fledged Bank)	Labuan Investment Bank
<p><i>Labuan banking business is the business of,</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The business of receiving deposits on current account, deposit account, savings account or any other account as may be specified by the Authority,</li> <li><input type="checkbox"/> Labuan investment banking business,</li> <li><input type="checkbox"/> Labuan financial business,                             <ul style="list-style-type: none"> <li><input type="checkbox"/> Building credit business</li> <li><input type="checkbox"/> Credit token business</li> <li><input type="checkbox"/> Development finance business</li> <li><input type="checkbox"/> Leasing business</li> <li><input type="checkbox"/> Factoring business</li> <li><input type="checkbox"/> Money-broking business</li> <li><input type="checkbox"/> Labuan Islamic financial business</li> </ul> </li> <li><input type="checkbox"/> Labuan Islamic banking business,</li> <li><input type="checkbox"/> Such other business as the Authority, with the approval of the Minister may specify.</li> </ul> <p><b>Note</b>  <i>Deposits are permitted, no cash receipt or withdraw over the counter.</i></p>	<p><i>Labuan investment banking is defined as the business of,</i></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Providing credit facilities,</li> <li><input type="checkbox"/> Providing consultancy, advisory services relating to corporate and investment matters including dealings in securities or making and managing investments on behalf of any person,</li> <li><input type="checkbox"/> Business of undertaking foreign exchange transactions, interest rate swaps, dealings in derivative instruments or derivative financial instruments, or</li> <li><input type="checkbox"/> Any other similar risk management activities,</li> <li><input type="checkbox"/> Labuan Islamic investment banking business, Labuan financial business, or</li> <li><input type="checkbox"/> Such other business as Labuan FSA may specify, with the approval of the Minister of Finance.</li> </ul> <p><b>Note</b>  <i>Labuan investment banks are not allowed to accept deposit.</i></p>
Eligibility	
<ul style="list-style-type: none"> <li><input type="checkbox"/> Must be a bank or financial institution from another jurisdiction,</li> <li><input type="checkbox"/> Possesses a sound track record,</li> <li><input type="checkbox"/> Accorded good credit rating by acceptable rating agencies,</li> <li><input type="checkbox"/> Supervised by a competent regulatory authority, and</li> <li><input type="checkbox"/> Conforms to generally accepted standards of international banking practices or BIS, as the case may be.</li> </ul>	<ul style="list-style-type: none"> <li><input type="checkbox"/> An investment bank or group engaging in investment banking activities licensed by the regulatory authority in the country of origin,</li> <li><input type="checkbox"/> A licensed bank or an established financial institution or financial service provider supervised by a competent regulatory authority,</li> <li><input type="checkbox"/> Any licensed institutions under the Financial Services Act 2013 with prior approval of Bank Negara Malaysia, and</li> <li><input type="checkbox"/> Corporations with the necessary expertise and experience in the financial industry with at least three years of good track records and regulated by an Authority in their home countries.</li> </ul>

**Operational Requirements**

- Maintain a physical presence in Labuan.
- Every director or principal officer (PO) of a Labuan Bank must be a 'fit and proper' person and shall not be subjected of any adverse report from any reliable sources. The appointment of a director or PO of a Labuan Bank must obtain prior approval from Labuan FSA.
- Comply with the statutory requirements under the Labuan Financial Services and Securities Act 2010.
- Comply with the prudential and reporting requirements issued by them.
- Adhere to any other requirements issued by them from time to time.
- Meet certain pre-determined criteria, should it prefer to co-locate to any other parts of Malaysia.

**Annual License Fee**

Annual License fee (USD 30,000) is payable on every 15<sup>th</sup> January.

**Compliance**

1. Any amendments or alterations related to the corporate constitution of Licensee shall in writing to the Authority prior any amendments, depending on the status of entity of the Licensee as follow,
  - Being a Labuan Company
    - ✓ Shall obtain approval prior any amendments are made (*S95(1), LFSSA 2010*)
    - ✓ Any change in shareholding exceeding 15% of paid-up capital (*S95(4), LFSSA 2010*)
  - Being a Foreign Labuan Company
    - ✓ Changes in company constitution shall file in with 3 months after amendments is made (*S95(2), LFSSA 2010*)
    - ✓ Any changes in shareholding exceeding 10% shall immediately notify the Authority (*S88(4)(e)(ii), LFSSA 2010*)
2. Licensee shall submit 2 copies of its audited account to the Authority after 6 months of the financial year end (*Schedule 3, LFSSA 2010*)
3. A Banking licensee is allowed to deal with Resident and in Ringgit Currency (*S2, LBATA 1990*), (*S7(4), LCA 1990*)

**Application Requirements**

Applicants are required to submit the following,

- An awareness letter from a competent regulatory authority that supervises the applicant's shareholder/ head office.
- Letter of guarantee from the applicant's shareholder or an undertaking from the head office.
- Business plans inclusive of 3 years' financial projections of the applicant.
- Certified true copy of the Memorandum and Articles of Association of the applicant.
- Certified true copy of the resolutions of the board or minutes of the general meeting, which will approve the applicant to apply for a license.
- Copy of audited accounts of the applicant's shareholder/ head office for the 3 preceding years.
- Applicant's corporate profile, includes;
  - The name, place and date of establishment of the applicant
  - The names, addresses, qualifications and experience of the directors and officers responsible for the overall management of the affairs of the applicant
  - The name and address of each member who holds 10% or more of the voting shares of the applicant
- Declaration by the applicant on the probity of its directors and officers who are responsible for the management of the applicant
- Any other information relevant to the application.

**Reporting (S99 of LFSSA 2010) and (Part A, Schedule 3 of LFSSA 2010)**

Principal Officer or Director shall perform its fiduciary duties to complete any specific forms (*Monthly, Quarterly, Half-Yearly and Yearly*) as stipulated in the Guideline on Reporting Statistical Return.

**Tax Implication**

All Labuan Banking Licensee is categorized as Labuan Business Activity in which entity tax implication is 3% of audited account of the preceding year. (*S2, LBATA 1990*)

**Signage, Stationery and Letterhead**

Licensee is required to state the entity as a “Licensed Labuan Bank” or “License Labuan Investment Bank” on any stationery or financial instrument, signage and any business documents representing the entity. (*S93, LFSSA 2010*)

## HOW TO APPLY?

**BBS Trust Int’l Limited can assist you for the application of Bank Licence to Labuan FSA.**

**Contact us now for a non-obligational consultation.**

**Email: [info@bbstrust.com](mailto:info@bbstrust.com) or Call: +603-4815 6718**