

MONEY BROKING LICENSE

Fact Sheet

Labuan Financial Business > Financial Service

Introduction

Money broking business is defined as the business of arranging transactions between buyers and sellers in money or foreign exchange markets with brokers acting as an intermediary in consideration of brokerage fees paid or to be paid, but does not include the buying or selling of foreign currencies by the broker as a principal in such markets.

Who is eligible to apply?

The eligible applicant to carry on money broking business in Labuan IBFC may include:

- ✓ An individual or institution with money broking expertise and has good track records in carrying on such business, including sufficient number of years of experience.
- ✓ A regulated money broker or any provider of such services from other jurisdictions and has good track records in carrying on such business, including sufficient number of years of experience. A Letter of Awareness or any equivalent written consent obtained from its home supervisory authority for conducting money broking business in Labuan IBFC or,
- ✓ Any licensed institutions including approved money broker under the Financial Services Act 2013 with prior approval from the Central Bank of Malaysia.

What are the requirements to operate?

- ❑ Maintain a paid-up capital unimpaired by losses of at least RM500,000 or its equivalent in any currency. Labuan FSA may also exercise its discretion to require additional capital to commensurate with the business operations of the Labuan money brokers, taking into account the risk profile as well as nature, scale, complexity and diversity of their business activities.
- ❑ Maintain an operational office in Labuan. The operational office should be used for business purposes only and must be appropriately furnished with office equipment.
- ❑ Ensure that the persons in controls, directors and principal officer meets the fit and proper person requirements as specified in the Guidelines on Fit and Proper Requirements issued by Labuan FSA. It is expected that the employees employed to transact in the money broking business are competent and possess sound knowledge of the services offered.
- ❑ Ensure that the counterparties, i.e. principal broker and liquidity provider are regulated by a recognised supervisory or regulatory authority.



PERMITTED ACTIVITIES

- ❑ In carrying on the money broking business, the licensee is expected to:
- ✓ Bring together the counterparties on mutually acceptable terms for the same financial products in money or foreign exchange market to facilitate the conclusion of the transaction,
- ✓ Receive payment for its service in the form of brokerage or commission fees. The fees charged must be adequate and appropriate, and
- ✓ Act as a mediator and strictly not permitted to act as a principal.

MINIMUM ENTRY REQUIREMENTS

- ✓ A licensed money broker company from a recognized jurisdiction, or
- ✓ A Labuan company set-up by individual with money broking expertise and has good track record.



ANNUAL FEE

All licensees are required to pay to Labuan FSA annual license fees on/ or before 15th January of each year.

- ✓ Annual Fee - USD 1,500

Cont. What are the requirements to operate?

- ❑ Labuan money broking business is intended to serve the institutional investors and high-net worth individuals. In this regard, the Labuan money broker is expected to impose a maximum leverage limit of 100:1 on its clients' trading transactions that would translate to a minimum of 1% margin deposit to enable the opening of a trade position. For illustration purpose, assuming that the transacted volume is USD 100,000, the minimum margin requirement will be equivalent to USD 1,000.
- ❑ For Labuan money broker's business model/customer interface which is exclusively or substantially electronic, proper management of technology risk must be in place:
 - ❑ data/system security and arrangements for IT systems maintenance, resilience and support must be supported by a dedicated IT staff;
 - ❑ notify Labuan FSA as soon as possible, upon discovery of any incident of system malfunction and intrusion; and
 - ❑ a root cause and impact analysis report must be submitted to Supervision and Monitoring Department within 14 days or such longer period as the Authority may allow, from the discovery of the incident. The report shall contain:
 - ✓ an executive summary of the relevant incident;
 - ✓ an analysis of the root cause and the description of the impact of the relevant incident to the money broking business; and
 - ✓ a description of the remedial measures taken to address the root cause and consequences of the relevant incident.

How is the taxation?

- ✓ A Labuan Company involved in money broking business is deemed a Labuan Trading Company under Section 2 of the Labuan Business Activity Tax Act, hence the company has to pay a 3% of audited net profit as its tax with fulfilled its substance requirements.
- ✓ Fails to comply with the substance requirement for a basis period for a year of assessment shall be charged to tax at the rate of twenty-four per cent (24%) upon its chargeable profits for that year of assessment.



ADVANTAGES

- ✓ ZERO withholding tax on payments of dividend and interest to non-residents.
- ✓ No import duty/ sales tax.
- ✓ No foreign exchange controls.
- ✓ No capital gain tax/ inheritance tax.
- ✓ Double Tax Agreements between Malaysia and over 70 countries.
- ✓ 100% exemption for director's fees received by non-citizen directors of Labuan companies.



ECONOMIC SUBSTANCE REQUIREMENT (ESR)

- ✓ To have an operational office in Labuan.
- ✓ To employ minimum two (2) full-time employees in Labuan, one must be in managerial position.
- ✓ To incurred annual operating expenses of at least RM 100,000 in Labuan (equivalent in any foreign currency).

HOW TO APPLY?

BBS Trust Int'l Limited can assist you for the application of Money Broking License to Labuan FSA.

Contact us now for a non-obligational consultation!

Email: info@bbstrust.com or Call: +603-4815 6718