

Introduction to Labuan IBFC

Labuan International Business and Financial Centre (Labuan IBFC) was established by the Malaysian government in 1990. It provides a wide spectrum of financial products and services for corporations and individuals, both in the conventional and Islamic space. The Asia Pacific's leading international business and financial centre has moved beyond banking, capital markets, leasing and insurance to also include protected cell companies, partnerships, trusts, foundations and an international shipping registry, among others.

The domicile boasts a wide range of business and investment structures facilitating cross-border transactions, business dealings and wealth management needs. The jurisdiction is regulated by its own special regulator, Labuan Financial Services Authority (Labuan FSA) which is governed by Malaysia's Ministry of Finance. Meanwhile, Labuan IBFC Incorporated Sdn Bhd (Labuan IBFC Inc), a wholly-owned subsidiary of Labuan FSA acts as the official marketing agency for the centre.

Strategically located in the heart of Asia Pacific, Labuan IBFC is well positioned to tap into one of the fastest growing regions in the world, presenting the perfect opportunity for businesses seeking to connect with Asia's economies and beyond.

A well-regulated jurisdiction

Labuan IBFC's modern and globally-recognised regulatory framework adheres to international standards and best practices in financial services and prudential supervision, including protocols on anti-money laundering and exchange of information and regulatory requirements as determined by the Organisation of Economic Co-operation and Development (OECD). This underscores Labuan IBFC's commitment to ensuring a safe and secure business environment.

Forward-looking legislation

Labuan IBFC's wide-ranging regulatory framework caters to a broad range of legal entities including companies limited by shares or by guarantee, foundations, special purpose trusts, protected cell companies, captives,

limited liability partnerships and private trust companies. Businesses in Labuan IBFC are generally governed by the following current legislation:

- Labuan Business Activity Tax Act 1990
- Labuan Companies Act 1990
- Labuan Trusts Act 1996
- Labuan Financial Services Authority Act 1996
- Labuan Financial Services and Securities Act 2010
- Labuan Islamic Financial Services and Securities Act 2010
- Labuan Foundations Act 2010
- Labuan Limited Partnerships and Limited Liability Partnerships Act 2010

Availability of Shariah-compliant Financial Services

Labuan IBFC is the first international business and financial centre to introduce the world's first omnibus legislation governing all Shariah-compliant businesses. The centre also has its own Shariah Supervisory Council, which provides a greater degree of comfort and certainty to businesses and investors as it covers every aspect of Shariah-compliant financial services.

Simple Tax Structure

Labuan IBFC's simple and straightforward tax system applies to Labuan entities carrying on a Labuan business activity under the Labuan Business Activity Tax Act 1990. It has an unambiguous fiscal framework that provides an ideal ecosystem for global companies to house their international dealings and transactions.

Labuan offers global investors and financial services providers a competitive tax structure and various tax exemptions, as well as access to the majority of Malaysia's extensive network of more than 70 double taxation treaties.

Substance-Enabling Jurisdiction

In addition, Labuan is a cost-efficient, substance-enabling jurisdiction with an English speaking and well-educated workforce. The domicile also adheres to Malaysia's AMLCFT requirements and

international standards and best practices set by multilateral global institutions.

Labuan IBFC – Insurance Solutions

Labuan offers comprehensive insurance solutions, which can be broadly categorised into Labuan insurance business, Labuan insurance-related business and Labuan general takaful business. The Labuan insurance business category encompasses Labuan general insurance business, Labuan life insurance business, Labuan reinsurance business, Labuan takaful and retakaful windows as well as Labuan captive business. This article today will focus specifically on Labuan captive business.

Labuan Captive Business

The domicile offers various captive structures, including pure/single owner captives, group/association captives, master and subsidiary rent-a captives, as well as cell and multi-owner captives. To establish a Labuan captive business, an applicant must be a Labuan company (including protected cell companies) incorporated or registered under the Labuan Companies Act of 1990, or a special purpose vehicle.

Every Labuan captive insurer must have an operational management office in Labuan, managed by a team that has adequate knowledge and expertise in the insurance business, including the captive insurance business. Otherwise, they need to appoint a licensed Labuan underwriting manager. Persons in control, directors and principal officers need to be approved by Labuan FSA.

A Labuan captive insurer needs to maintain a minimum paid-up capital or working funds amounting to a specified sum with a bank in Labuan. In addition, the captive insurer needs to monitor the level of its solvency regularly. Higher capital requirements may be imposed commensurate with the Labuan captive insurer's business activities and risk exposures. More information about Labuan captives, including the capital requirements for each type of structure, is available at www.labuanibfc.com.

Last but not least, they must also be a member of the Labuan International Insurance Association.

Labuan International Insurance Association

The LIIA, which is based in Labuan, has more than 200 members involved in various areas of insurance and reinsurance – from life and non-life Insurance and reinsurance brokers, insurance and reinsurance companies, including captives, to related management and accounting services. The LIIA membership is a requirement for all insurance and reinsurance related entities in Labuan. The association serves as the gatekeeper for the laws and guidelines related to the sector, in addition to offering seminars and trainings for members. It also produces and circulates newsletters concerning relevant issues and trends.

Asian Captive Conference 2022

The Asian Captive Conference is back! This thought leadership programme brings together captive and risk management professionals from Malaysia and its surrounding region. As per usual, the event will be jointly organised by Labuan IBFC Inc and LIIA.

The Asian Captive Conference 2022 will be held on 18 August 2022 at the Sime Darby Convention Centre, Kuala Lumpur. The event, which is aimed at promoting the captive business in Labuan, will serve as a platform for industry experts to share their best practices and highlight global trends vis-à-vis the captive market. Challenges faced by the captive business, particularly from those based in Labuan will also be discussed, along with possible solutions. Please register your interest for this event at <https://tinyurl.com/57hbwfvs>.

