

LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY

Our Reference :

Circular No.: 1/2009/ALTC/LIIA/AOB/Investment Banks

29 May 2009

Chairman/CEO/Principal Officer

*Association of Labuan Trust Companies
Labuan International Insurance Association
Association of Offshore Banks Labuan
Offshore Investment Banks*

Dear Sir/Madam,

Guideline on Co-location of Labuan Holding Company

The above refers.

Further to the announcement made by Yang Amat Berhormat Dato' Sri Mohd Najib Tun Abdul Razak, Prime Minister of Malaysia on 27 April 2009 on the Liberalisation of the Financial Sector, effective from 1 June 2009, a Labuan company known as "Labuan Holding Company" may apply to LOFSA to open an operational and management office in Kuala Lumpur.

This new flexibility is aimed to benefit Labuan companies or multinationals companies that intend to enhance operating efficiencies by relocating their corporate headquarters to Kuala Lumpur which offers competitive first-grade facilities and infrastructure, quality human capital and professional services as well as low-cost operating environment, strategic business and geographical location.

In relation to the above, LOFSA is pleased to issue the Guideline on Co-location of Labuan Holding Company to facilitate the application process.

With kindest regards.

Yours sincerely,



(Md. Yunus Bin Atip)

Director

Financial Services and Policies Department

7/53/4

GUIDELINE ON CO-LOCATION OF LABUAN HOLDING COMPANY

1.0 Preamble

- 1.1 This Guideline provides the requirement for the establishment of an operational and management office of Labuan Holding Company (LHC) in Kuala Lumpur (co-location). This is to facilitate the business of the LHC by leveraging, among others, on the infrastructures, human capital, professional services, recreational and residential facilities that are available in Kuala Lumpur.
- 1.2 The application for approval to set up an operational and management office should be submitted to LOFSA prior to the establishment of the office.
- 1.3 For the purpose of this Guideline, the term “LHC” refers to a Labuan company incorporated under the Offshore Companies Act 1990 (OCA) that carries on permitted activities as stipulated in paragraph 3.0 herein in its office in Kuala Lumpur.

2.0 Who Qualifies?

- 2.1 The application for approval under this Guideline can be made by-
 - 2.1.1 a company incorporated under the OCA; or
 - 2.1.2 any person intending to incorporate a company under the OCA.
- 2.2 The applicant must have international and/or regional operations/businesses.

3.0 Permitted Business Activities

- 3.1 The LHC must carry on business with non-resident of Malaysia and in non-Ringgit except as permitted under the OCA and the Exchange Control Act 1953.
- 3.2 Subject to LOFSA’s approval, the LHC is allowed to carry on any one or a combination of the following business activities from its office in Kuala Lumpur-

- 3.2.1 Holding of investment in securities, stocks, shares, loans, deposits or immovable properties.
- 3.2.2 Providing management services including administrative, human resource, accounting and backroom support services to:-
 - a. related companies within Malaysia; or
 - b. related or non-related companies outside Malaysia.
- 3.2.3 Managing surplus funds and providing credit facilities to related companies within the group in and outside Malaysia.
- 3.2.4 Trading or invoicing activities outside Malaysia.

Note: "Related companies" has the meaning assigned to it in the OCA.

4.0 How to Apply?

- 4.1 The application under this Guideline can be submitted to-

Director-General
Labuan Offshore Financial Services Authority (LOFSA)
17th Floor, Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 Federal Territory of Labuan
Malaysia

Telephone no.: 087 591 200 / 591 300
Facsimile no. : 087 453 442 / 413 328
E-mail : communication@lofsa.gov.my

- 4.2 The submission should include but not limited to the following-
 - 4.2.1 The proposed name of the LHC.
 - 4.2.2 Nature of business of the applicant.
 - 4.2.3 Business plan including the purpose of co-locating the office under this Guideline.
 - 4.2.4 Organisation chart of the proposed office in Kuala Lumpur including the estimated number of staff.
 - 4.2.5 Information on director(s) and shareholder(s) of the applicant.
 - 4.2.6 Biodata of the proposed Principal Officer who will be

managing the office. “Principal Officer” means the principal executive officer of the company by whatever name called and whether or not he is a director and who is accustomed to act under the instructions of the applicant.

- 4.3 Notwithstanding the above, LOFSA may request additional information for the purpose of processing the application.

5.0 Operational Requirements

5.1 *Location and address of the office*

5.1.1 An LHC is required to inform LOFSA the address and contact numbers of its office in Kuala Lumpur prior to the commencement of the operations and any subsequent changes.

5.1.2 The office of the LHC in Kuala Lumpur must be-

- a. separated from the office of other entity/company; and
- b. managed by its own personnel with independent books and records.

5.2 *Name and Signboard*

5.2.1 The name of an LHC must be easily legible in Romanised characters, printed on a signboard affixed at the entrance of the office.

5.2.2 The signboard must contain the following information-

- a. the LHC’s incorporation number.
- b. the words “Labuan Company” or “Labuan Offshore Company”.

5.2.3 In addition, the LHC must comply with requirements of the relevant local authorities, whenever applicable, with regard to the signboard.

5.3 **Directors and Principal Officer**

5.3.1 An LHC shall appoint a minimum of one (1) director of any nationality and no corporate director is allowed.

5.3.2 An LHC is required to notify LOFSA of any change of its Principal Officer.

5.4 **Others**

5.4.1 An LHC must have sufficient paid-up capital to commensurate or in accordance with its operations and activities.

5.4.2 An LHC must make an irrevocable election to be taxed under the Income Tax Act 1967 (ITA) pursuant to section 3A of Labuan Offshore Business Activity Tax Act 1990. Hence, the LHC is required to:-

- a. comply with the provisions of the ITA;
- b. submit annual audited accounts to LOFSA; and
- c. conduct Annual General Meeting in Malaysia.

5.4.3 An LHC must provide statistical information to LOFSA in such manner and frequency as may be determined by LOFSA.

5.4.4 Subject to relevant provision of the laws relating to disclosure of information, the LHC will provide LOFSA with any information relating to its business and operations whenever it is required.

5.4.5 To comply with other requirements of the OCA and the relevant laws, whichever applicable, including obtaining work permit from the Immigration Department of Malaysia for expatriates employed by the LHC in Malaysia.

6.0 **Annual Fee**

The LHC that co-locate under this Guideline is required to pay to LOFSA an annual fee of RM7,000 once the approval is given. The subsequent payment of annual fee is payable not later than 15 January of each year during which the approval is valid.

7.0 Revocation and Surrender

- 7.1 LOFSA reserves the right to revoke the approval if LOFSA is satisfied, based on the information made available to it, that the LHC has not complied with any laws or requirements.
- 7.2 Notwithstanding the above, the LHC may surrender the approval under this Guideline by notifying LOFSA in writing not less than 1 (one) month from the date it intends to close the office.

For further information, please contact-

Md. Yunus Atip at yunus@lofsa.gov.my
Yon Zahimah Ibrahim at yon@lofsa.gov.my
Abdul Salam Chandran Abdullah at salam@lofsa.gov.my
Mohd Ridzuan Zulkifli at ridzuan@lofsa.gov.my

Tel. No. : 6 087 591 200

Fax. No. : 6 087 453 442

Labuan Offshore Financial Services Authority
1 June 2009