

LABUAN FINANCIAL SERVICES AUTHORITY
(LEMBAGA PERKHIDMATAN KEWANGAN LABUAN)

Our Ref. : LFSA.500-16/GL/AMLSEC(4)
Date : 29 July 2022

Association of Labuan Banks (ALB)
Labuan Investment Banks Group (LIBG)
Labuan International Insurance Association (LIIA)
Association of Labuan Trust Companies (ALTC)
Labuan Money Brokers
Labuan Fund Managers
Labuan Securities Licensees
Labuan Credit Token Companies
Labuan Exchanges
Labuan Leasing Companies
Labuan International Trading Companies
Labuan Factoring Business

Dear Sir/Madam,

**Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Labuan Key Reporting Institutions
- Clarification on Issues Raised**

We refer to the *Guidelines on Anti-Money Laundering, Countering Financing of Terrorism and Targeted Financial Sanctions for Labuan Key Reporting Institutions* (the Guidelines) which was issued on 31 March 2022.

2. Based on the feedback received from Labuan FSA's recent AML/CFT industry briefings as well as dialogues with the industry associations, Labuan FSA wishes to clarify on the following requirements to ensure appropriate implementation by the Key Reporting Institutions (KRIs):

	The Guidelines' Requirements	Clarification
(i)	<p>Para 6.7 <i>Risk Based Assessment (RBA)</i></p> <p>In conducting its risk assessment, a Labuan KRI is to be guided by the results of the National Risk Assessment (NRA).</p>	<ul style="list-style-type: none"> • In effecting RBA for its AML/CFT risk management, a KRI is required to use the results and findings of the NRA. KRIs are to refer to the latest NRA 2020 which also contains the risk ratings of Malaysia financial sectors including Labuan's, as summarised at: https://www.labuanfsa.gov.my/amlcft/ml-cft-compliance/amlcft-communications/national-risk-assessment-2020 • Among others, KRIs are to use the NRA for its compliance programme including determining appropriate risk assessments of clients as part of their customer due diligence process.
(ii)	<p>Para 7.7(vii) <i>Designated Compliance Officer (DCO)</i></p> <p>Senior Management of the KRI is required to designate a Compliance Officer at management level at each branch or subsidiary.</p>	<ul style="list-style-type: none"> • Apart from the group's Compliance Officer at head office or parent, KRIs are required to have their own DCO as the officer serves as key AML/CFT internal control and key reference person for AML/CFT matters. The DCO also acts as a focal point of contact with Labuan FSA. • The DCO's role can be further strengthened via Group/parental support so that the officer can play his role in an effective manner within the KRI. • The DCO must be "fit and proper" to carry out his AML/CFT responsibilities effectively.

(iii)	<p>Para 7.31 <i>Independent Audit Function</i></p> <p>The Board is required to determine the frequency and scope of independent audit to be conducted by the Labuan KRI would commensurate with its ML/TF risks and vulnerabilities.</p>	<ul style="list-style-type: none"> • The determination of a KRI's internal audit policy would be subject to its Board (and Audit Committee, if any). The policy set would need to be consistent with its risk management and governance framework as well as suitable to be applied to its business operations. • In respect of a KRI which is a branch, the said policy is to be determined by its regional office or head office that overseeing the management of the said KRI.
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3. We would also appreciate it if the industry associations could distribute this Circular to your respective members as well as relevant Labuan entities, accordingly. Should you require any clarification, please do not hesitate to contact the following officers:

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Yours sincerely,



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