

GUIDELINES ON THE ESTABLISHMENT OF LABUAN COMPANY MANAGEMENT BUSINESS IN LABUAN IBFC

1.0 Introduction

- 1.1 One of the key drivers in promoting growth and development of today's global economy is frictionless cross border activities which include international trade and financial services; back-end shared services as well as regional payments and settlements. As businesses engage in more intra-regional, this has led to rising demand for these activities to be undertaken in jurisdiction that has sufficient regulation and compliance-driven structures.
- 1.2 Labuan IBFC facilitates cross-border activities by supporting entities that wish to expand regionally or globally, using the legal structure that is readily available in the centre. It is therefore the policy intent of this revised Guidelines on the Establishment of Labuan Company Management Business in Labuan IBFC (Guidelines) to expand the permissible company management activities to cater for the business needs.
- 1.3 The purpose of the Guidelines is to clarify the application procedures, operational and regulatory requirements for Labuan companies that intend to carry out company management business in Labuan IBFC.

2.0 Applicability

- 2.1 The Guidelines is applicable to any person licensed by Labuan Financial Services Authority (Labuan FSA), including applicants who can meet the prescribed eligibility criteria, to carry out Labuan company management business pursuant to Section 131 of Labuan Financial Services and Securities Act 2010 (LFSSA).
- 2.2 The Guidelines should be read together with the requirements of the relevant Guidelines and Circulars including those listed under the **Appendix**.

3.0 Permissible Activities

- 3.1 Labuan company management business is defined as the provision of treasury processing services and such other services, and to such persons, as may be permitted by the Authority under section 129 of LFSSA.

- 3.2 The permissible activities of the company management firms are as follows:
- (i) Provision of treasury processing services for its group of related companies regionally or internationally. The said services are:
 - (a) arranging intra-group financing/ factoring;
 - (b) managing cash & liquidity positions; or
 - (c) providing in-house investment/finance advisory services.
 - (ii) Provision of managerial services as follows:
 - (a) back-room and middle office services;
 - (b) act as authorised representatives for support services; or
 - (c) intermediation functions¹.
- 3.3. The applicant may conduct such services based on conventional and Islamic requirements.

4.0 Eligibility

- 4.1 The following entities may apply for a Labuan company management business licence in Labuan IBFC:
- (i) A firm engaging in company management activities licensed by the regulatory authority in the country of origin, if applicable; or
 - (ii) A Labuan company incorporated or registered under the Labuan Companies Act 1990 which is managed by personnel with necessary expertise and skills.
- 4.2 In assessing the application, Labuan FSA requires the applicant to have the followings:
- (i) A credible and viable business plan that sets out the approach to implement the proposed business objectives or operations;
 - (ii) A set of proper internal policies and controls that commensurate with the business profile or risks;

¹ Excluding financial intermediation services conducted by financial institutions such as commercial banks, investment banks, (re)insurers, fund managers, money brokers and etc.

- (iii) Board members and senior management that have the competency and experience to undertake company management business; and
- (iv) No adverse report on the shareholder or directors of the company or applicant.

5.0 Effective Date

- 5.1 The Guidelines shall come into on 1 March 2021 and would remain effective and applicable unless otherwise amended or revoked.
- 5.2 The Guidelines supersedes the Guidelines on Company Management Business in Labuan IBFC issued on 14 May 2019.
- 5.3 All approvals granted by Labuan FSA prior to the effective date of this Guidelines shall remain valid unless otherwise revoked.

6.0 Application Requirements

- 6.1 Submit a completed application form with the relevant supporting documents as stipulated in the Form LCM – Labuan Company Management Business, which is downloadable at www.labuanfsa.gov.my.
- 6.2 For applicant that is already regulated elsewhere, prior approval from its home supervisory authority may be required before applying for a Labuan company management licence.
- 6.3 Notwithstanding the above, Labuan FSA may require additional information or documents to support the processing of the application.

7.0 Operational Requirements

- 7.1 Maintain a minimum paid-up capital (unimpaired by losses) of a minimum of RM100,000 or its equivalent in any foreign currency. Labuan FSA may exercise its discretion to require additional capital to commensurate with the business operations, taking into account the risk profile as well as nature, scale, complexity and diversity of the company management businesses activities.
- 7.2 Place a non-interest bearing security deposit with Labuan FSA amounting to RM100,000 or its equivalent in any foreign currency.
- 7.3 Comply with substantial activity requirements in Labuan as prescribed under the Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2018 (Substance Regulation) including establishing an operational office in Labuan.

- 7.4 Establish an adequate set of internal policies and controls for its operations, compliances, corporate governance and risk management. These need to be regularly reviewed to ensure that they remain appropriate, relevant and prudent.
- 7.5 Obtain prior approval from Labuan FSA on the following matters:
- (i) Change of business plan;
 - (ii) Change of ten per centum or more of the shareholding² ;
 - (iii) Appointment of its board of directors and principal officer;
 - (iv) Reduction of paid-up capital³;
 - (v) Use of external service provider; or
 - (vi) Change of name.
- 7.6 Notify Labuan FSA within 14 days pertaining to the following matters:
- (i) Resignation of directors and principal officer;
 - (ii) Change of place of business or office in Labuan;
 - (iii) Change to its constituent documents; or
 - (iv) Significant event that affects its going concern or reputation.
- 7.7 Ensure that the persons in control, directors and officers meet the fit and proper person requirements. It is also expected that the employees employed in the company management business are competent and possess sound knowledge of the services to be offered.
- 7.8 Maintain adequate and proper records and books of accounts in Labuan. Its name, licence number must be clearly indicated on its letterhead, stationery and other documents.
- 7.9 Comply with the applicable laws, rules and regulations relevant to the company management business, including relevant guidelines issued by Labuan FSA and other regulatory requirements of the jurisdictions where the Labuan management company is authorised to operate in as well as the Malaysian Foreign Exchange Administration rules (where applicable), at all times. In this regard, Labuan company management entity is expected to obtain the necessary approvals from the authorities in the markets it intends to operate in prior to commencing its business in those respective markets

² For branch set-ups, only notification to Labuan FSA is required for the change of shareholding structure and appointment of its board of directors.

³ Not tantamount to reduction of amount lower than the prescribed minimum paid-up capital requirement and/or higher capital as imposed/determined by Labuan FSA, during the licence granted.

7.10 Comply with any other operational requirements as may be imposed by Labuan FSA from time to time.

8.0 Annual Licence Fee

8.1 The annual licence fee payable for Labuan company management business upon the grant of its licence is USD1,500.

8.2 The subsequent payment of annual licence fee is payable by 15 January of each year.

9.0 Submission of Application and Enquiries

9.1 The licence application for Labuan company management business is to be submitted to:

Head of Authorisation and Licensing Unit
Labuan Financial Services Authority
17th Floor, Main Office Tower
Financial Park Complex, Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia

9.2 The Frequently-Asked-Questions (FAQ) is available and can be downloaded at www.labuanfsa.gov.my which may be updated from time to time.

9.3 Any enquiries or clarification may be directed to the following contact details:

Telephone no. : 087 591 200
E-mail : bpu@labuanfsa.gov.my (Guidelines)
licensing@labuanfsa.gov.my (Licence application)

Labuan Financial Services Authority

1 March 2021 (Revised)

14 May 2019 (Updated)

List of Relevant Guidelines and Circulars

1. Guidelines on Fit and Proper Person Requirements;
2. Guidelines on Compliance Function for Labuan Licensed Entities;
3. Directive on Financial Reporting Standards for Labuan Financial Institutions;
4. Circular on Financial Reporting Standards for Labuan Financial Institutions;
5. Directive on Accounts and Record-Keeping Requirements for Labuan Entities;
6. Guidelines on External Auditor of Labuan Financial Institutions;
7. Guidelines on Shariah Governance for Labuan Islamic Financial Institutions;
8. Directive on Islamic Financial Business in Labuan IBFC;

Note: The above list is not exhaustive and may be amended from time to time.