

FREQUENTLY ASKED QUESTIONS

GUIDELINES ON CREDIT TOKEN BUSINESS AND ISLAMIC CREDIT TOKEN BUSINESS IN LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE

- 1. Is there a transition period for existing credit token entities to comply with the new requirements under the Guidelines on Credit Token Business and Islamic Credit Token Business in Labuan International Business and Financial Centre (Guidelines)?**

Yes, the existing Labuan credit token licensees are granted a two-year period until **8 February 2027** to comply with the Guidelines. The existing Labuan credit token licensees are expected to increase their paid-up capital by at least 50% of their current amount within one year from the effective date of the Guidelines.

- 2. What should the existing Labuan credit token licensees do if they foresee difficulties in meeting the compliance deadlines within the transitional period?**

If an existing credit token licensee is unable to meet the paid-up capital requirement in Paragraph 5.1 of the Guidelines within one year, they may request an extension on a case-by-case basis for up to an additional year, provided they increase their capital by at least 50% after the first year. The application for extension shall be submitted together with the capital plan of the applicant.

Additionally, if a Labuan credit token licensee anticipates challenges in meeting the compliance deadlines during the transitional period, they should proactively seek consideration for an extension from Labuan FSA. To facilitate this, the entity must submit a detailed request outlining the specific issues they are facing and the measures they are taking to address them. Each extension request will be evaluated on a case-by-case basis, and approval will depend on the merits of the justification provided.

The application for extension may be submitted to the Supervision and Monitoring Department of Labuan FSA.

3. Can a credit token licensee carry on fundraising activities?

No, fundraising activities are not allowed under a credit token licence. Fundraising activities can only be undertaken through the issuance or offering of securities under Labuan Financial Services and Securities Act 2010 or Labuan Islamic Financial Services and Securities Act 2010.

4. Can a non-securities token issued on a digital platform be considered as a digital currency?

No. The Admissibility Framework for Digital Currencies issued by Labuan FSA defines a digital currency as a digital representation of value which is issued/transferred using a distributed ledger technology (DLT) or blockchain technology. It can be digitally traded and functions as medium of exchange or store of value. However, a non-securities token issued on a digital platform may be backed by asset that may be recognised by Labuan FSA, which can be either tangible or intangible, such as digital currency.

5. Does a Non-Fungible Token (NFT), being a digital token, likely fall under the definition of non-securities token?

If the NFT fulfils the definition and characteristics of a non-securities token under the Guidelines, it may be considered as undertaking credit token business.

6. What does the word '*credit*' in Credit Token Business mean?

Generally, the term "credit" refers to the customer's ability to receive goods, services or money upfront with an agreement to pay at a later date.

7. What are the examples of recognised international standards for ESG framework in Paragraph 14.0 of the Guidelines?

The following are existing international standards for ESG framework that have been issued globally, primarily relating to securities tokens. These standards may serve as best practices for issuance of ESG's digital non-securities token, where relevant.

- (a) International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines;
- (b) Climate Bonds Initiative (CBI) Climate Bonds eligibility taxonomy and Climate Bonds Standards;
- (c) ASEAN Capital Markets Forum (ACMF) ASEAN Green, Social and Sustainability Bond Standards; and
- (d) People's Bank of China Green Bond Endorsed Project Catalogue.