

# LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE



## M A R K E T R E P O R T

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[www.labuanibfc.com](http://www.labuanibfc.com)



China

South Korea

Japan

Hong Kong

India

Vietnam

Thailand

Philippines

Singapore

Indonesia

Australia

**Labuan IBFC**



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# MARKET REPORT 2018

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**THE LABUAN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE (IBFC) ACHIEVED ITS 28TH YEAR OF ESTABLISHMENT IN 2018. IN 1990, THE ISLAND WAS DECLARED AN INTERNATIONAL BUSINESS AND FINANCIAL CENTRE WITH THE PRIMARY OBJECTIVES TO COMPLEMENT MALAYSIA'S DOMESTIC FINANCIAL ACTIVITIES AS A REGIONAL FINANCIAL HUB, AND TO DRIVE THE ECONOMIC DEVELOPMENT OF LABUAN ISLAND AND ITS VICINITY.**



In its early years, the Centre's energies were focused on developing financial products and services to match international demand. It provided a conducive business environment with the necessary physical infrastructure and attractive fiscal incentives to draw critical mass to its shores. This was done by the concerted efforts of the relevant authorities and industry players. Over the years, the Centre has witnessed favourable business growth in markets fueled by the establishment of internationally-renowned financial institutions and multinational corporations to conduct and offer a diversified range of financial products and services.

Labuan IBFC has continued to align itself to the evolving international business landscape and regulatory changes. Against this changing business

environment, the Centre adopted a pragmatic midshore approach that combines regulatory upscaling with business dynamism to ensure sustainability, stability and vibrancy. Labuan IBFC's strong foundation has enabled growth and expansion which encompasses the following:

- A continuously enhanced legislative framework to ensure regulatory and business relevancy.
- The introduction of forward-looking policies to enable industry to offer innovative solutions that meet increasingly sophisticated market needs.
- The Centre's strong adherence to high international standards of regulation and supervision that promote sound and transparent operations.

Labuan IBFC continued its expansion in 2018 with double-digit growth in key sectors. This was made possible by a facilitative business regime in a well-regulated environment and supported by the Centre's professional service providers. Going forward, the global business landscape will continue to evolve, presenting not just challenges of varying complexities but also opportunities that can be tapped into.

This inaugural issue of the Market Report 2018 for Labuan IBFC is intended to provide information and statistics related to the many business sectors of the Centre. It can be used by various stakeholders for different purposes such as measurement, analysis and forming strategies. Labuan FSA will continue to publish this Market Report on an annual basis.





# KEY HIGHLIGHTS IN 2018



- Foreign insurance business – major source of six-year high for gross premiums underwritten

✓ **19.1%** growth in gross premiums

✓ **67.4%** of captive premiums derived from out-out business



- Recovery of oil prices spur commodity trading and leasing activities

✓ **40.4%** growth in LITCs' revenue

✓ **88.6%** growth in new leased assets value



- Double-digit growth of

**12.5%** in new company incorporations

- Labuan IBFC remains in the radar of Far Eastern investors - Japan, China and South Korea



- Lending activities by banks recorded historical high

✓ **19.1%** growth in loans

✓ **14.6%** growth in total deposits



- Digital market - hybridisation of FinTech solutions and conventional financial products to create more innovative offerings

- Digital exchanges, securities token, payment system, robo-advisors



# COMPANIES

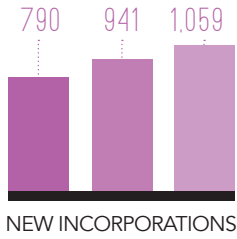


**LABUAN IBFC REMAINS A PREFERRED JURISDICTION FOR INVESTORS SEEKING BUSINESS EXPANSION IN THE REGION, IN TANDEM WITH THE GROWING PACE AND POTENTIAL OF ASIA'S ECONOMIES.**

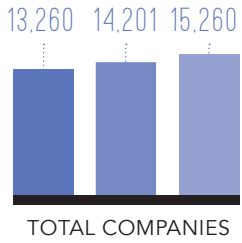
THE YEAR SAW CONTINUED GROWTH IN NEW INCORPORATION BY 12.5%; THIS POSITIVE UPTREND OF COMPANY GROWTH REFLECTS LABUAN IBFC'S POSITION AS A CENTRE WITH NUMEROUS VALUE PROPOSITIONS TO INVESTORS.



NUMBER OF NEW INCORPORATIONS AND OPERATING COMPANIES

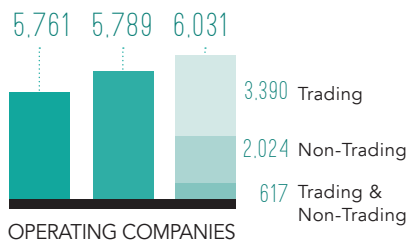


NEW INCORPORATIONS



TOTAL COMPANIES

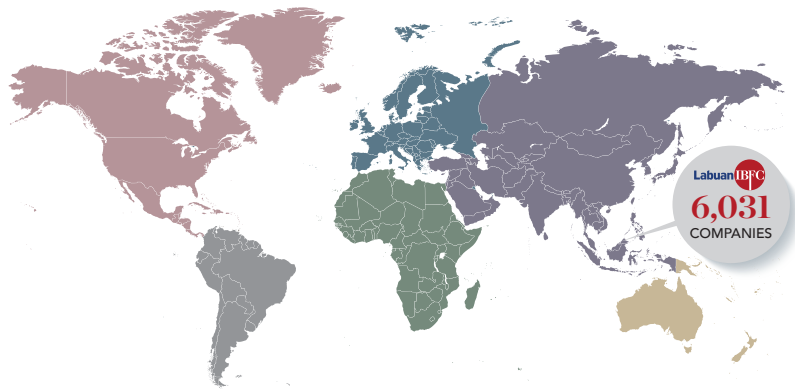
- New companies incorporation grew by 12.5% to 1,059.



OPERATING COMPANIES

- Operating companies increased to 6,031 with a hike of 4.2% from the previous year.
- 3,390 or 56.2% were trading companies, involving licensed and non-licensed activities.
- 2,024 or 33.6% were established solely for holding of investments.

THE ORIGIN OF LABUAN COMPANIES



3.8%

MIDDLE EAST & AFRICA



11.2%

AMERICA



12.1%

EUROPE



12.8%

FAR EAST



60.1%

ASIA & THE PACIFIC

- 60.1% of the total companies originated from Asia and the Pacific region. Representation from the Far East stood at 12.8% followed by Europe at 12.1%; while America, and the Middle East and Africa, accounted for 11.2% and 3.8%, respectively.

- There was an increase in establishment of companies from the Far East at 12.8% from 9.8%. These were mainly investments from Japan, China and South Korea to undertake ICT-related businesses and consultancy services.
- For Asia and the Pacific region which amounted to 60.1%, the majority of these companies were from Malaysia at 72.8%. These were predominantly set up for investment abroad as well as for fund-raising

purposes. Companies originating from Singapore and Australia accounted for 10.6% and 3.7%, respectively. The remaining came from various Asian countries including Indonesia, India and Bangladesh.

1,059  
NEW  
COMPANIES





# TRUST COMPANIES AND ANCILLARY SERVICE PROVIDERS

## THE INCREASE IN COMPANY INCORPORATION HAS BOOSTED THE GROWTH OF THE TRUST AND CORPORATE SERVICES SECTOR IN LABUAN IBFC.

CURRENTLY, THE CENTRE IS HOME TO A WIDE RANGE OF TRUST AND CORPORATE SERVICE PROVIDERS WITH DIVERSE EXPERTISE AND COMPETENCIES. THESE PLAYERS OFFER A WIDE RANGE OF SERVICES TO ENTITIES ACROSS THE MARKET AS WELL AS TO THE INTERNATIONAL INVESTORS. THIS AUGURS WELL FOR LABUAN IBFC IN PLAYING A STRATEGIC ROLE TO FACILITATE TRADE AND INVESTMENT IN THE REGION.

The professional services rendered by Labuan trust companies include corporate secretarial and administrative services for Labuan companies, trusteeship, business process outsourcing services for global operations and provision of advisory services for wealth preservation vehicles in the form of trusts and foundations.

With globalisation and changing market needs, Labuan trust companies have become more specialised in offering greater value-added services to their clients. More importantly, the Labuan trust companies are entrusted by their clients to ensure their businesses are in compliance with regulatory requirements and Labuan laws as well as with anti-money laundering and counter-financing terrorism requirements.

**58**NUMBER OF  
TRUST COMPANIES**63.8%**

FULL-FLEDGED

**31%**

MANAGED TRUST

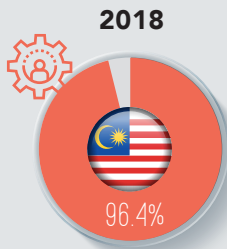
**5.2%**

PRIVATE TRUST

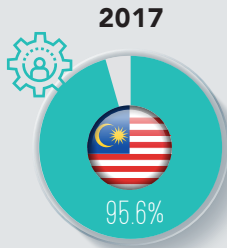
- Six newly approved companies, comprising two full-fledged, three managed trust and one private trust company, bringing the total number of trust companies to 58, an increase of 11.5% from the previous year.
- Trust companies have widened their professional services to serve global investors through affiliation with their international counterparts.



**MAJORITY OF THE EMPLOYEES WERE LABUAN-BASED MALAYSIANS**



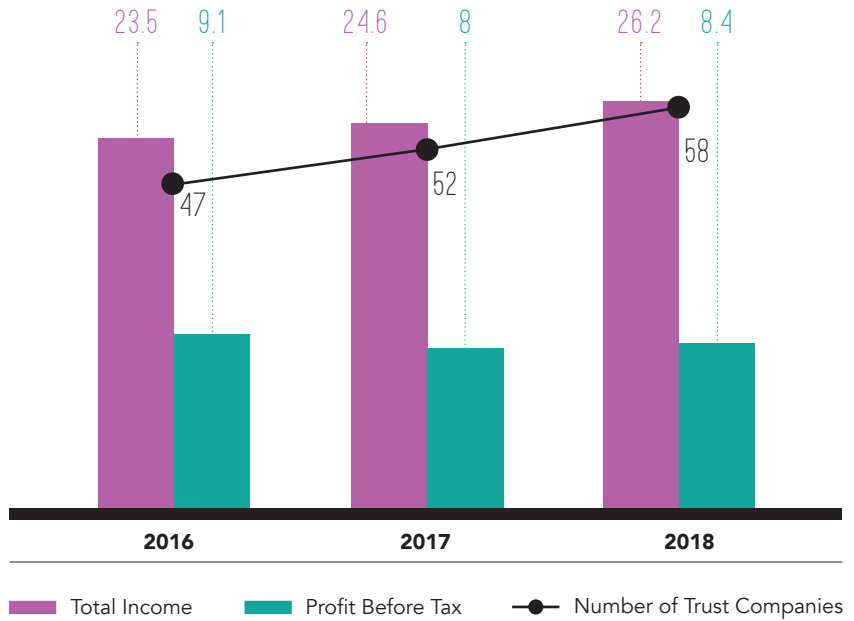
**576**



**541**

- Manpower for Labuan trust companies have increased to a total of 576 employees, including 112 approved trust officers compared to 108 in the previous year.

**PROFITABILITY**  
(In USD Million)



- Total income increased by 6.5% to USD26.2 million resulting in a 5.1% increase in the sector's profitability to USD8.4 million.
- The income was mainly derived from secretarial, trusteeship, accounting and administrative activities.

**ANCILLARY SERVICE PROVIDERS**

To further support the activities of Labuan entities, Labuan IBFC also has ancillary service providers to provide accounting, auditing and liquidating services. In 2018, there was a total of 65 auditors

and 42 liquidators in Labuan IBFC. In addition, professional legal practitioners and tax consultants were available to provide relevant consultancy and advisory services.



## BACK OFFICE SHARED SERVICES

Trust companies are operating in an increasingly globalised and competitive market. They have continued to develop strategies to target niche services and specific market segments such as the adoption of service delivery model or back office shared services. These strategies are aimed at optimising business operations and at attaining cost efficiency.

The back office delivery model is rising in popularity as many conglomerate companies adopt

it for their finance, human resource management and IT operations in Asia. Leveraging on its unique value propositions of a multilingual and multicultural background as well as its large pool of experienced talents, Malaysia is one of the strongest contenders in the region. Malaysia has consistently ranked third in AT Kearney's Global Services Location Index, which is based on financial attractiveness, people skills and availability, and business environment.

### BACK OFFICE FUNCTIONS PROVIDED BY TRUST COMPANIES



For Labuan IBFC, the back office model has also been adopted by a number of Labuan trust companies that provide back office shared services to companies from other jurisdictions such as Singapore, Hong Kong, Chinese Taipei, Jersey, Cayman Islands, the British Virgin Islands and Seychelles. The range of services cover corporate secretarial, treasury support (trade support), custodian, trust administrator and client accounting. About 100 staff are employed by these trust companies to service more than 4,000 companies of other jurisdictions. Considering the economic benefits of these services, such business can be developed further through a more conducive operating environment.

### ADVANTAGES OF PROCURING BACK OFFICE SERVICES IN LABUAN IBFC

- ✓ **Cost Efficiency:** Comparatively lower cost of services and operations.
- ✓ **Strategic Location and Same Time Zone:** With a central location in Asia, and the same time zone with financial cities and economic zones in the region, connectivity is boosted in service delivery.
- ✓ **Organisational Optimisation:** Reliable high quality services with standardisation of processes, systems and internal control.
- ✓ **Up-front Cost:** Low establishment costs which enable easy transition and centralisation of technology, office and equipment as well as employees to Labuan.
- ✓ **Business Continuity Plan:** Safe from natural disasters to facilitate business continuity.
- ✓ **Talent Access:** Readily available talent with skills and competencies in various disciplines.



# INSURANCE

**WHILE IMPROVING ECONOMIC CONDITIONS MAY HAVE BRIGHTENED THE SHORT-TERM OUTLOOK FOR INSURERS GLOBALLY, THE PROSPECTS FOR 2019 AND BEYOND ARE STILL UNCERTAIN. MARKET PLAYERS MUST SURMOUNT EMERGING CHALLENGES TO MAINTAIN THEIR UPWARD BUSINESS TREND.**

There are a multitude of challenges in the form of technological changes, talent crunch, new regulations and standards, mergers and acquisitions and major tax reform.

Similarly, the Labuan insurance sector will need to be vigilant and take cognisance of the increasingly complex business landscape and the arising risks to adapt their strategies and business operations. With the recent changes in the Labuan tax framework, among others, Labuan insurance players need to have business substance in Labuan island in order to continue enjoying the Labuan's tax incentives.

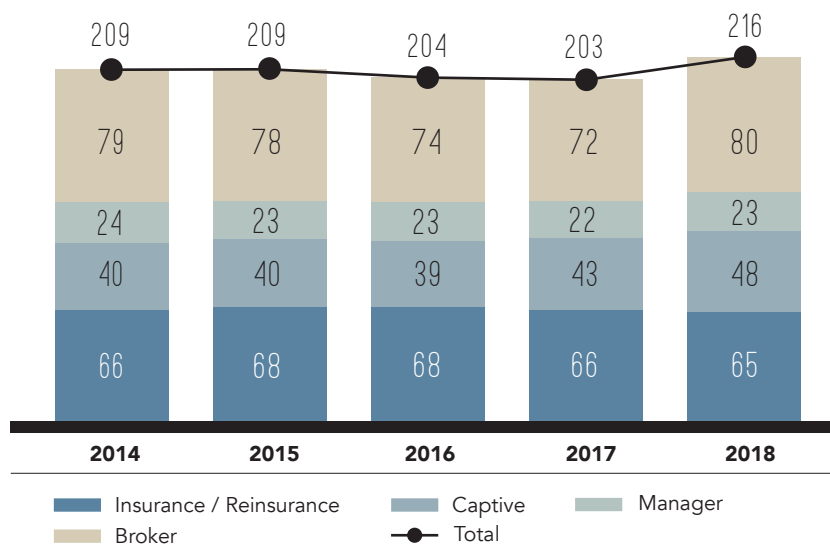
Labuan IBFC is home to more than 200 insurance and insurance-related entities with substantial retrocession market. The Labuan insurance business includes life, general, reinsurance, insurance manager, underwriting manager, insurance broking and (re)takaful. In addition, the Labuan IBFC also offers a wide range of risk management structures such as captive and protected cell companies.

In 2018, the Labuan insurance industry garnered a significant double-digit growth in its total gross premiums underwritten.





### NUMBER OF LABUAN INSURANCE AND INSURANCE-RELATED ENTITIES

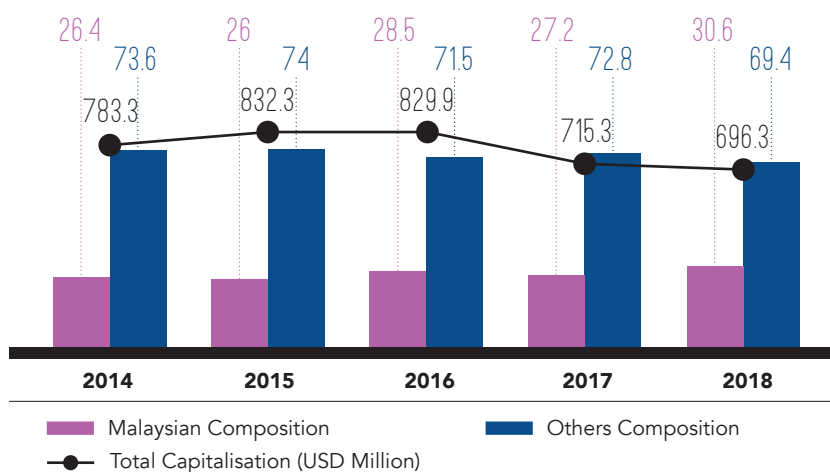


- 22 insurance and insurance-related entities were approved, comprising six captives, 13 brokers, two (re)insurers and one underwriting manager, bringing the total number of approved Labuan insurance and insurance-related entities to 216.



### TOTAL CAPITALISATION

(In %)

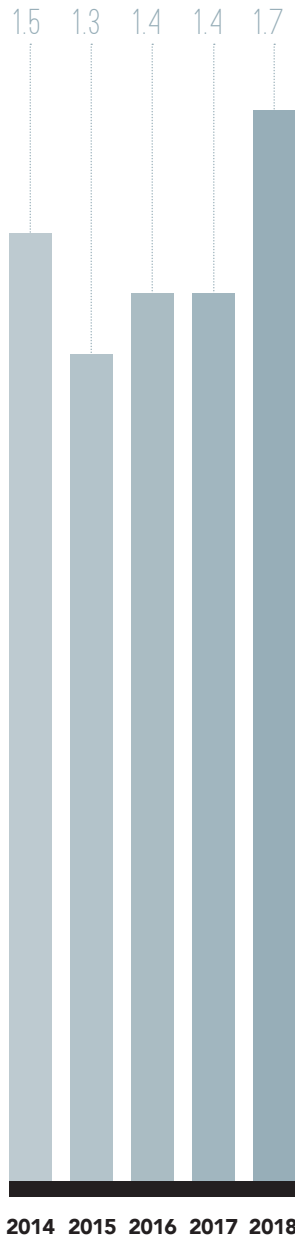


- The shareholdings continued to be foreign-dominated, which accounted for 69.4% of total capitalisation.
- Capitalisation decreased slightly by 2.7% to USD696.3 million.

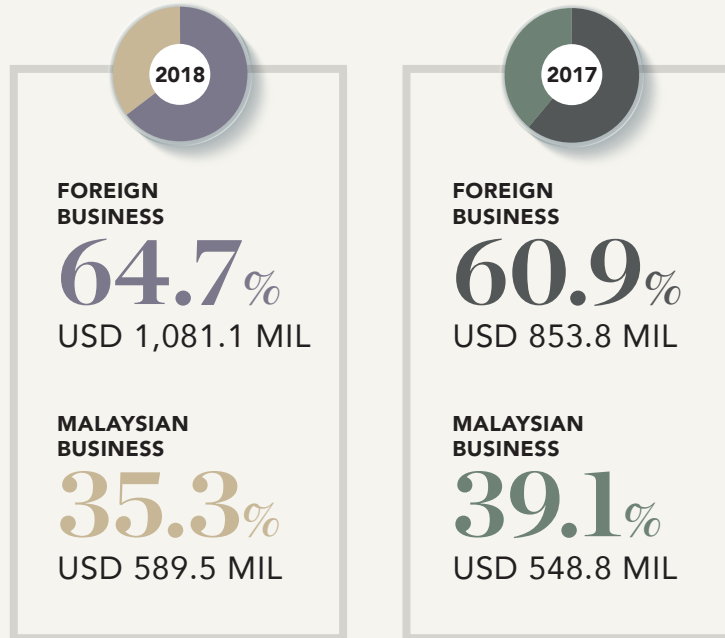


**TOTAL GROSS PREMIUMS**

(In USD Billion)

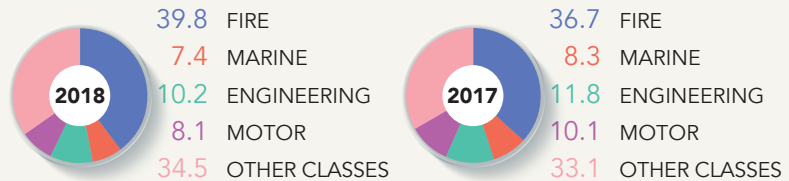


**PREMIUMS BY ORIGIN**



**DISTRIBUTION OF GROSS PREMIUMS**

(In %)

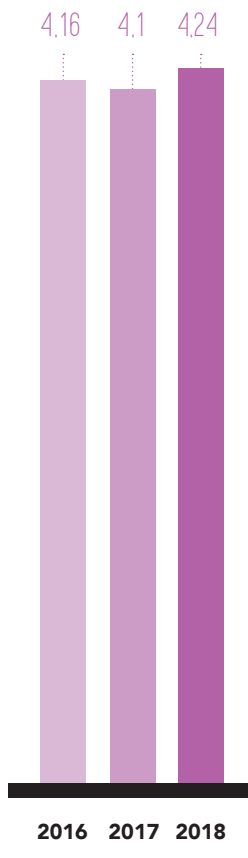


- A significant increase of 19.1% in the total gross premiums to USD1.7 billion was mainly due to the increase in gross premiums written on fire insurance outside of Malaysia by Labuan general (re)insurers.
- Non-resident business continued to dominate the reinsurance activity with a higher share of 64.7%. Fire sector remained the biggest contributor of 39.8% or USD664.9 million of the total gross premiums.



## TOTAL ASSETS

(In USD Billion)



- Total assets increased by 3.3% to USD4.2 billion, mainly attributed to the increase in amount due from ceding/related companies.
- Fixed deposits and money market remained the largest portion of total assets components, representing 22.4% or USD948.5 million.

## THE GROWING ASIA PACIFIC INSURANCE MARKET

Labuan IBFC's insurance market over the last 3 years, particularly for 2018, has been buoyed by the region's growth momentum. Many market reports have cited that the Asia Pacific's insurance markets particularly those of the emerging economies were the growth drivers for the global insurance industry with a 2.8% compound annual growth rate.

Strong economic factors contributing to this favourable market trend included:

1. Growing Asia economies with expanding working populations which fueled domestic demands.
2. Rising levels of wealth coupled with higher purchasing powers of individuals.
3. Increasing investments and business expansions driven by strong business confidence.

The prospects for general insurance are higher than life insurance. Market analysts have attributed the region's non-life upward trends to the following:

- **Facilitative regulatory policies** for specific line of business such as health, agriculture and auto insurance.
- **Streamlined of underwriting models** involving composite entities splitting their life and general insurance portfolios, with a higher focus on general insurance.
- **Industry shift towards simpler and clearer business** appetite for targeted class line has shown inclination towards general insurance.
- **Cost efficiencies have been built across business lines** in emerging markets that provide the impetus for further expansion in these market.

The forecasts for the overall insurance market remained positive for 2019 and beyond, riding on favourable developments such as:

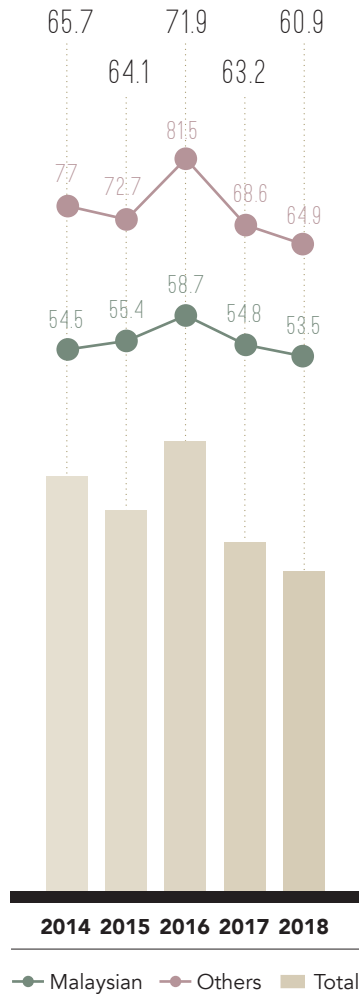
- The **digital transformation** of the financial market offers cost-effective solutions for the industry in the region.
- Increased **exposure to cyber risks** will continue to translate into higher demand for insurance covers as part of corporate cyber risk management.
- **Underinsurance of Asian large perils** observed in the past years is expected to persist in the near future, considering that natural catastrophes in the region have become frequent and intense.

Whether the above will escalate insurance demands will depend on risk owners' awareness and appetite, governmental policies for insurance, and how well premiums are priced by insurers. Labuan IBFC insurance sector can certainly accommodate the growing regional insurance market.



### NET RETENTION RATIO

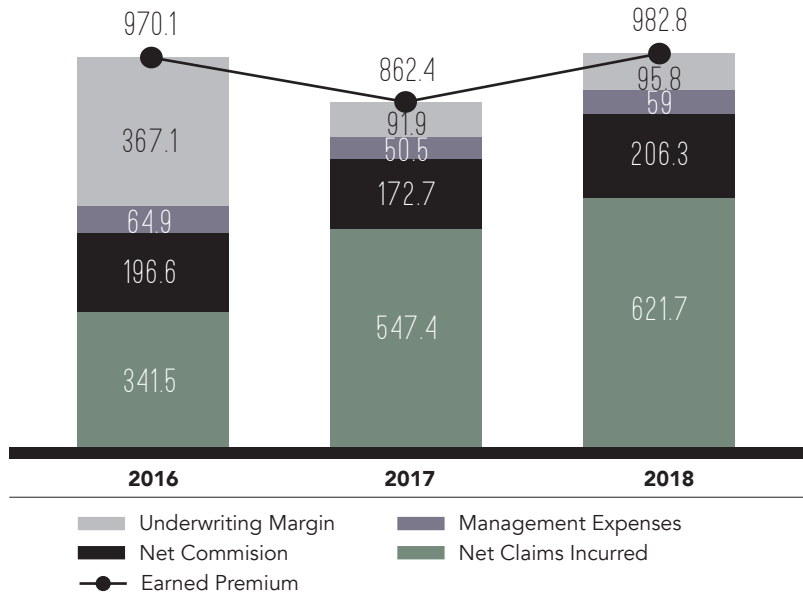
(In %)



- The overall net retention ratio of the industry decreased to 60.9% with the reduction of retention in the motor, marine and other sectors. Nonetheless, motor sector recorded the highest total net retention at 73.3%.

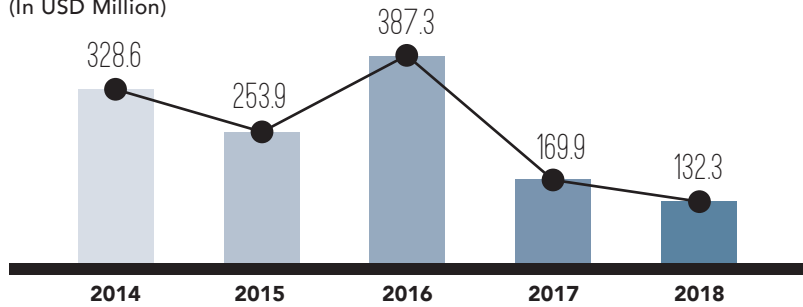
### UNDERWRITING MARGIN

(In USD Million)



### PROFITABILITY

(In USD Million)



- The industry earned premium income increased by 14% to USD982.8 million, hence, increase in underwriting margin by 4.3% to USD95.8 million.
- Net claims incurred recorded an increase of 13.6% to USD621.7 million. Consequently, the profit before tax decreased by 22.1% to USD132.3 million.
- The commission and management expenses recorded an increase of 19.5% and 16.9% to USD206.3 million and USD59 million, respectively.

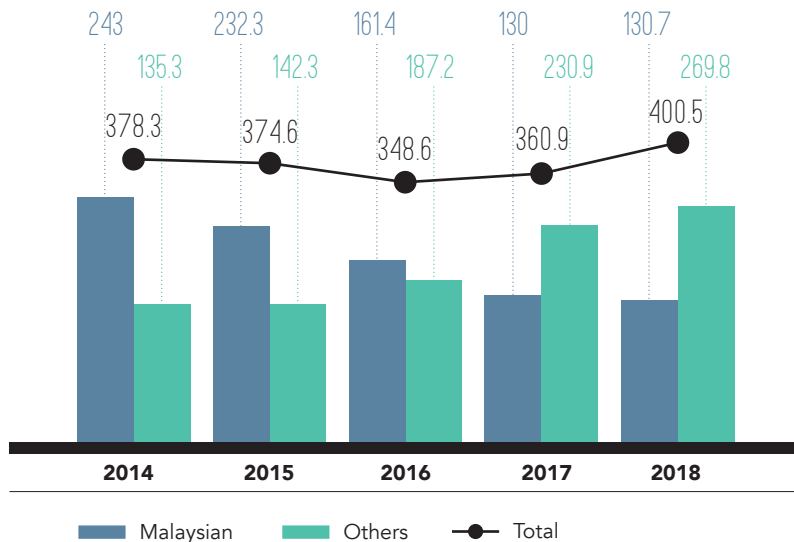




## CAPTIVE BUSINESS

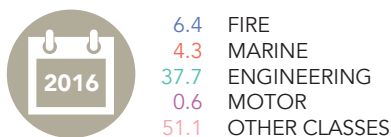
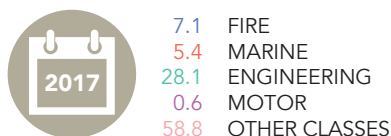
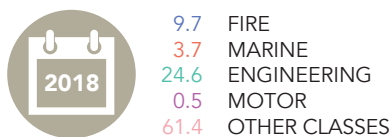
### TOTAL GROSS PREMIUMS

(In USD Million)



### DISTRIBUTION OF GROSS PREMIUMS

(In %)



- The total gross premiums for captive insurance business increased by 11% to USD400.5 million. The engineering sector and other classes of business continued to be the main sectors that contributed to the increase of total gross premiums of the captives with USD98.7 million and USD246.1 million, respectively.
- The reduction of net claims coupled with lower management expenses have resulted in a higher underwriting margin for the captive business.

### LABUAN IBFC CONTINUES TO ATTRACT CAPTIVE BUSINESS

The captive business continued to grow with more than half of captive insurance premiums coming from international markets. In Labuan IBFC, apart from the traditional captives, the Protected Cell Company (PCC) structure is also a viable option for captive owners due to potential cost saving, diverse use and unique benefits offered by the PCC. The Centre was awarded the “Best Asian Domicile” by Captive Review Awards for 2018.

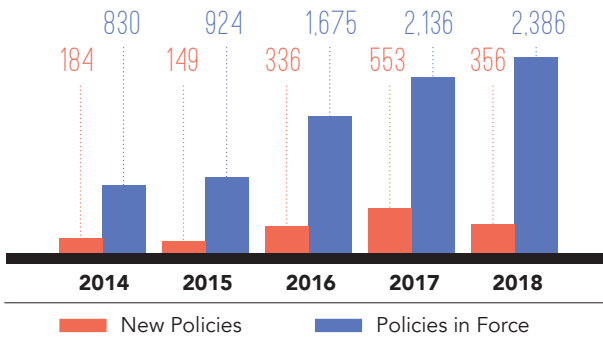
The low operating cost, robust regulatory framework and wide range of captive solutions are the driving factors for the establishment of captives in Labuan IBFC. In 2018, the market saw the entry of a Labuan captive established by a large utility corporation in Malaysia.



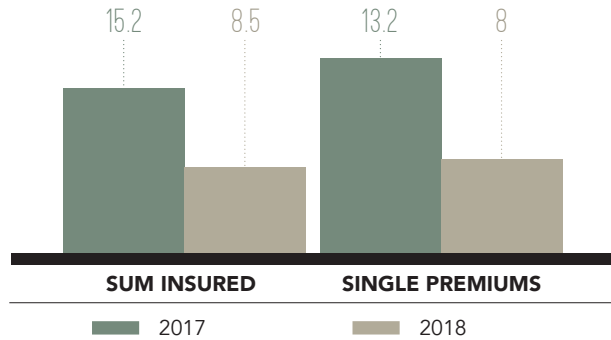


## LIFE BUSINESS

NUMBER OF INVESTMENT-LINKED POLICIES



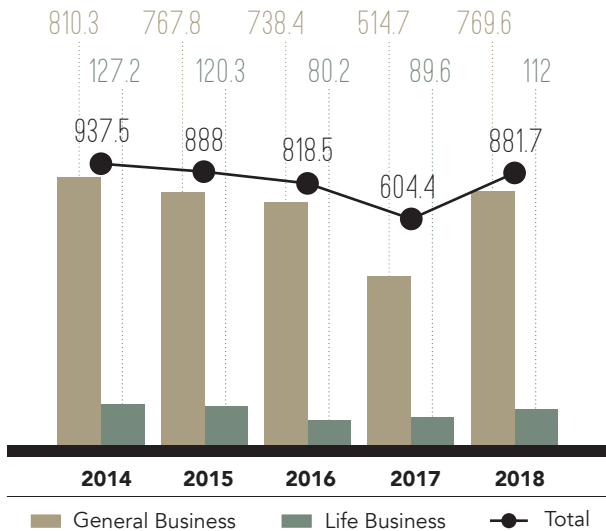
NEW INVESTMENT-LINKED POLICIES (In USD Million)



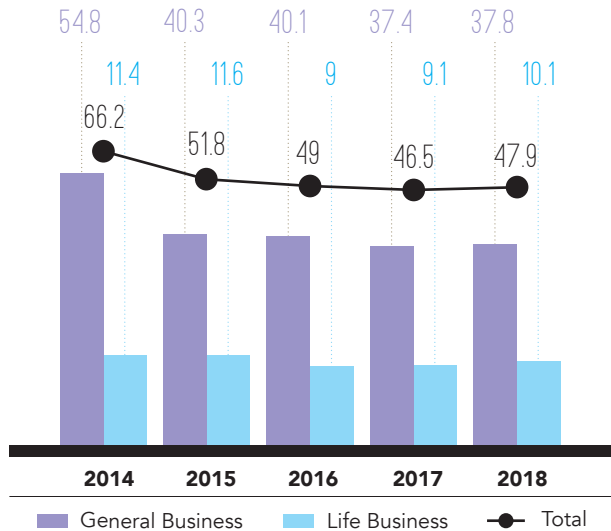
- A total of 356 new investment-linked policies were issued in 2018 with a total of USD8 million worth of premiums. The total number of policies in force increased by 11.7% to 2,386.

## BROKING BUSINESS

PREMIUMS PLACEMENT (In USD Million)



BROKERAGE FEES EARNED (In USD Million)



- The total premium placement by the Labuan insurance brokers increased by 45.9% to USD881.7 million. The general insurance business contributed 87% of the total premium placement, mainly derived from the international market.

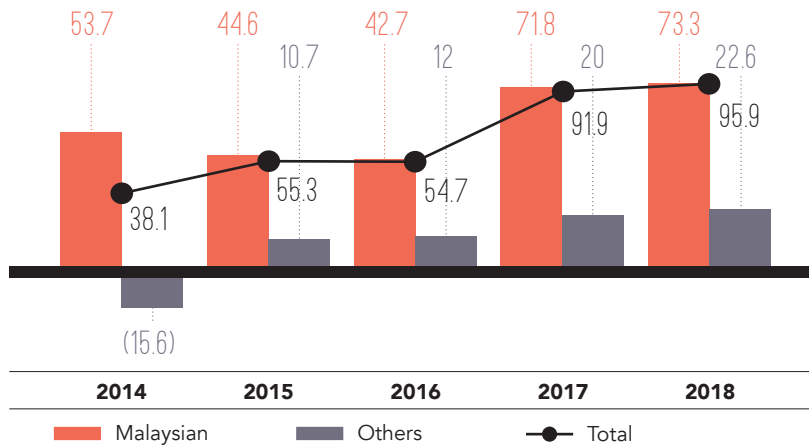
- The brokerage fees earned by the Labuan insurance brokers improved slightly by 3% to USD47.9 million.



## (RE)TAKAFUL BUSINESS

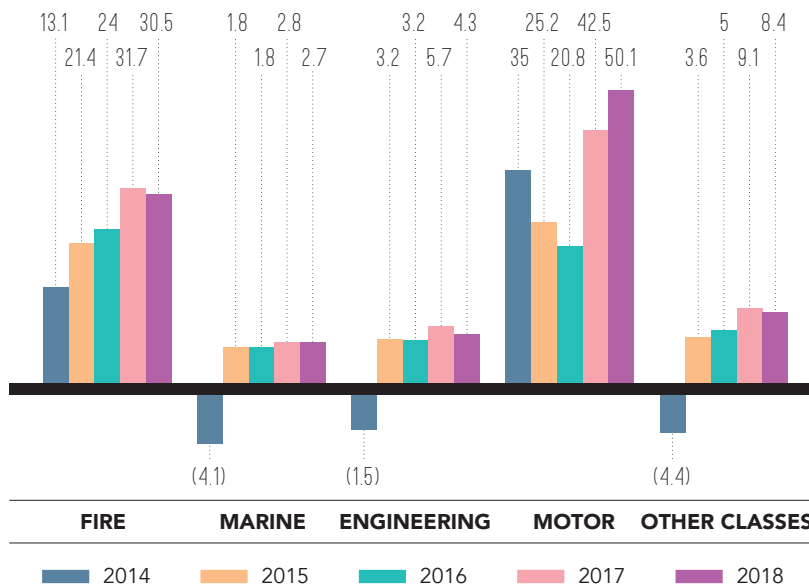
### TOTAL GROSS CONTRIBUTION

(In USD Million)



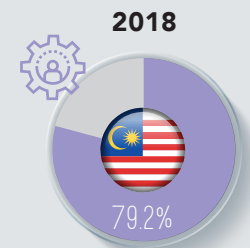
### DISTRIBUTION OF GROSS CONTRIBUTION

(In USD Million)

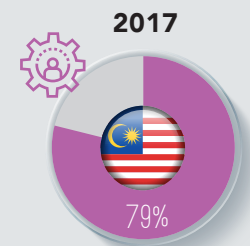


- The total gross contribution for (re)takaful sector improved by 4.4% to USD95.9 million. Motor sector remained the highest contributor of 52.2% or USD50.1 million.

### MAJORITY OF THE EMPLOYEES WERE MALAYSIANS



919



861

- In terms of employment, a total of 919 employees worked in the Labuan insurance and insurance-related entities, an increase of 6.7% from the previous year.



# BANKING



**DESPITE THE CHALLENGES AFFECTING THE INTERNATIONAL BANKING LANDSCAPE IN 2018, LABUAN BANKS STOOD RESILIENT AND MAINTAINED THEIR BUSINESS MOMENTUM. BACKED BY STRONG CAPITAL SUPPORT, THE YEAR WAS MARKED WITH A STEADY LEVEL OF EARNINGS ACCENTUATED BY CONTINUED POSITIVE LIQUIDITY AND QUALITY OF ASSETS.**

Labuan banks provide a wide host of financial services to international customers and investors including credit facilities, deposits and advisory services, with a strong focus on the Asia Pacific region. In addition, a subsidiary bank originating from China was appointed to be a Renminbi settlement bank in Labuan. This has further enhanced the services offering of Labuan banks; to tap into the opportunities presented by the Chinese market.



**55**  
NUMBER OF  
OPERATING BANKS



**70.9%**  
COMMERCIAL  
BANKS

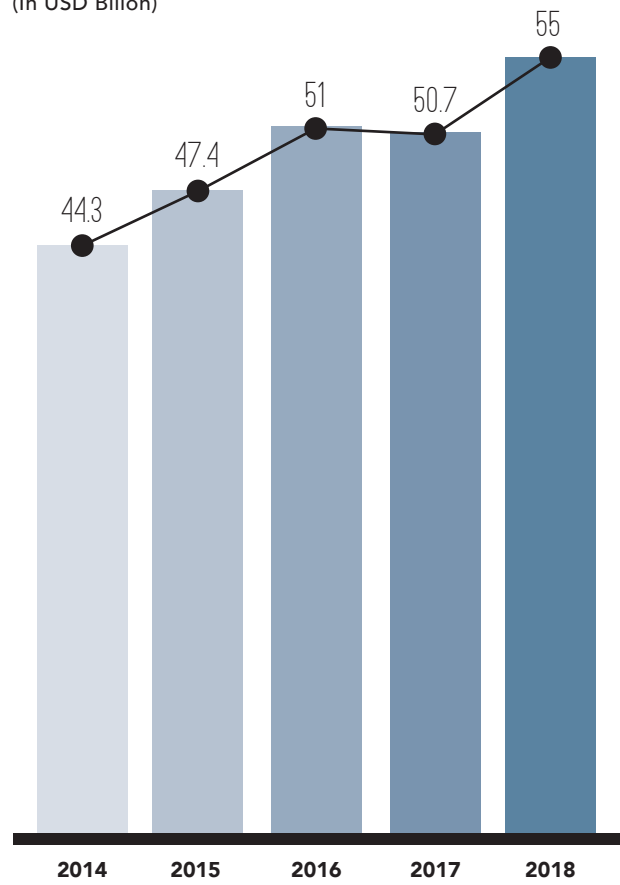


**29.1%**  
INVESTMENT  
BANKS

- The Labuan banking sector continued to grow with the entrance of one commercial bank and one investment bank, bringing the total number of banks to 55.



**TOTAL ASSETS**  
(In USD Billion)

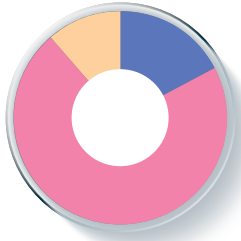


- Total assets improved by 8.4% to USD55 billion. The increase in total assets was due to higher financing, particularly in the manufacturing sector. In terms of capital, the shareholders' funds of Labuan banks increased to USD3.5 billion.



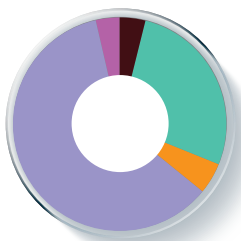
SOURCES AND USES OF FUNDS

(In %)



SOURCES

- 17.3 Deposits
- 71.4 Amount due to financial institution/ Interbank borrowing
- 11.3 Others



USES

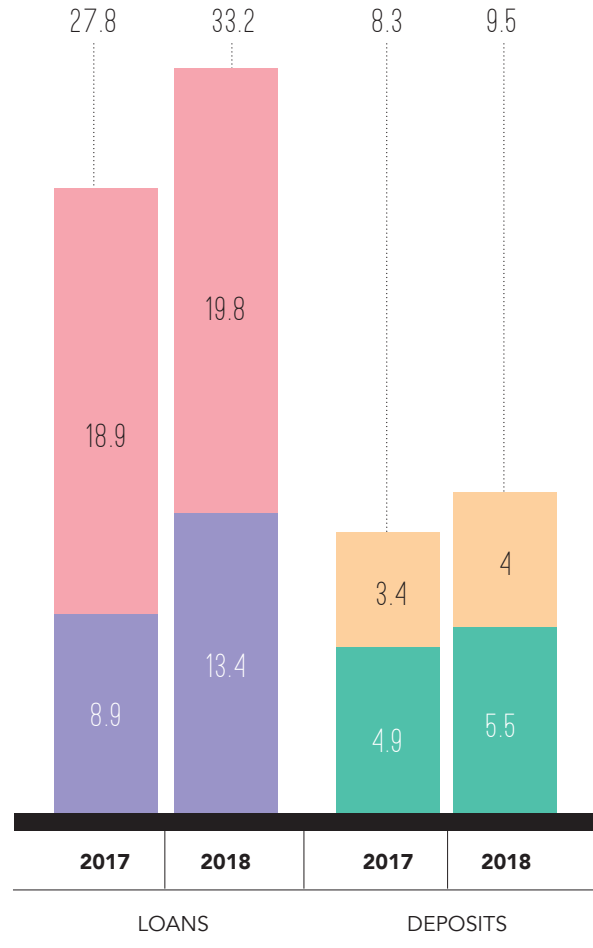
- 3.9 Cash and short term funds
- 27.2 Balance due from head office and branches outside Malaysia
- 4.9 Investments
- 60.3 Loans and advances
- 3.7 Others

- Borrowing from head offices and financial institutions continued to be the primary funding source for Labuan banks, comprising 71.4% or USD39.2 billion.



LOANS AND DEPOSITS

(In USD Billion)



■ Resident      ■ Resident  
■ Non-Resident      ■ Non-Resident

- The total loans portfolio expanded with non-resident customers contributing 59.7% or USD19.8 billion of the loans portfolio.
- The total customer deposits increased by 14.6% to USD9.5 billion. Deposits from residents amounted to USD5.5 billion or 58%.



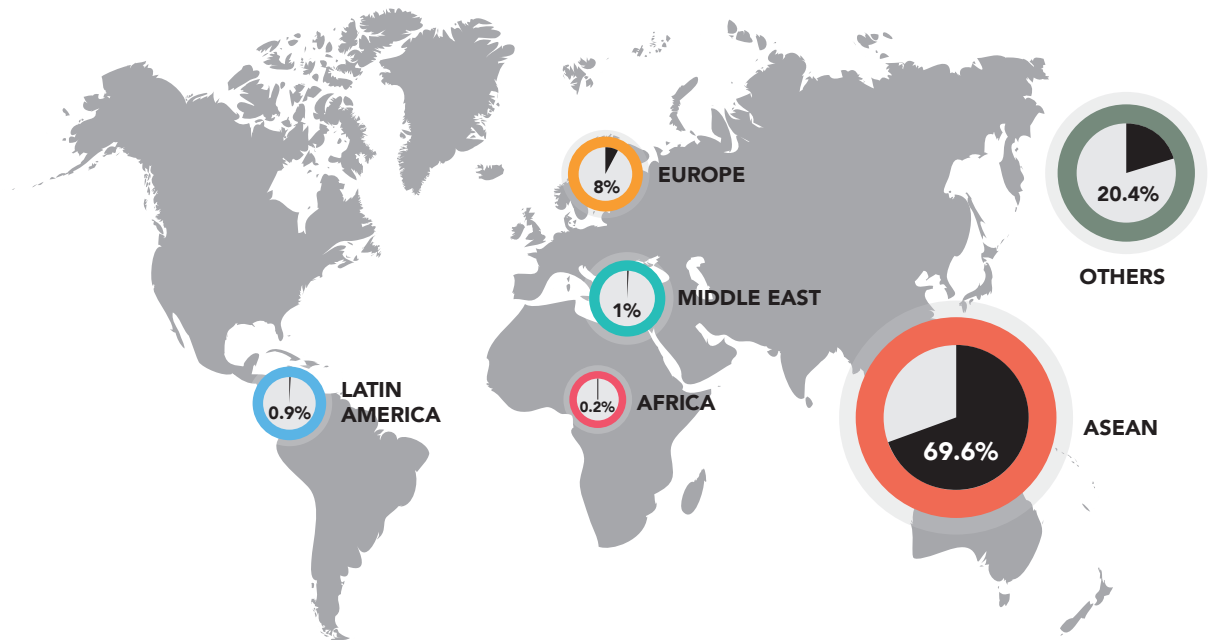
### FINANCING BY SECTOR

(In %)



- Financing extended to manufacturing sector showed a growth of 142.2% or USD3.9 billion during the year. The new lendings were mainly to oil and gas related and electronic businesses.
- The gross non-performing loans edged up to 2.9% from 2.2% due to deterioration of asset quality of borrowers from certain sectors.

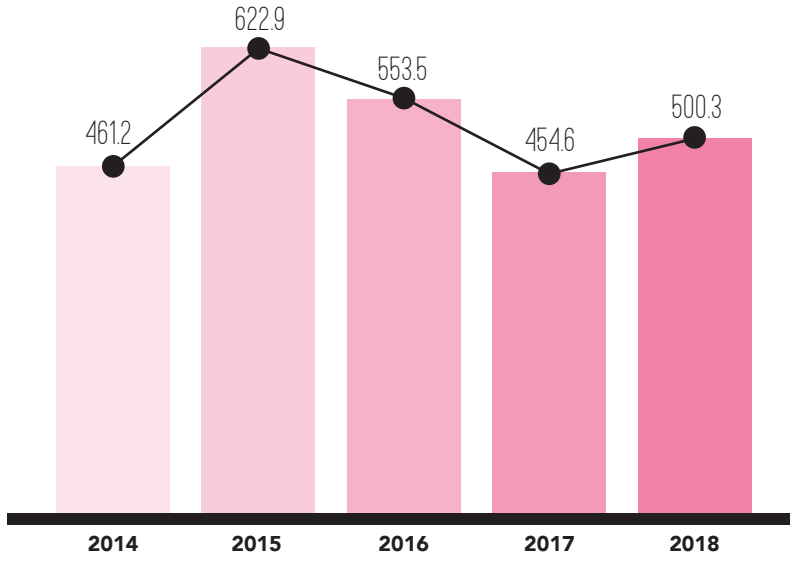
### FINANCING BY REGION





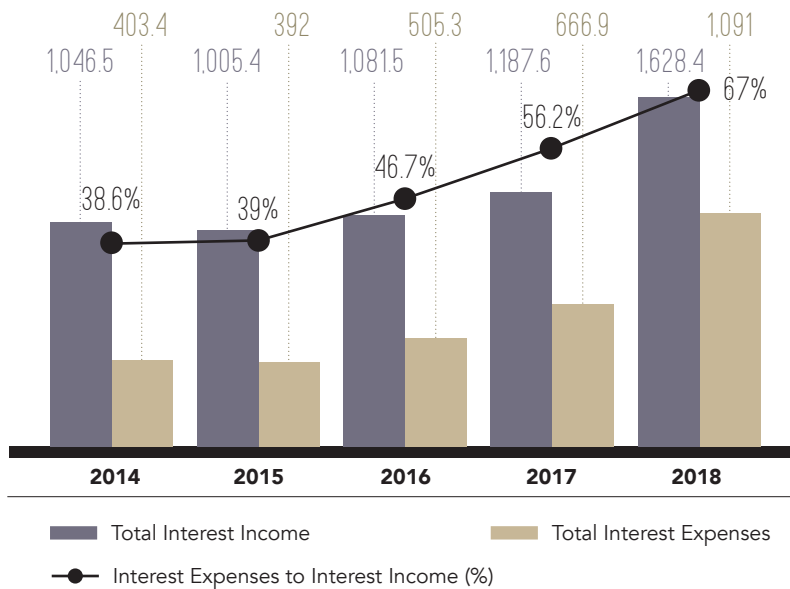
**PROFITABILITY**

(In USD Million)



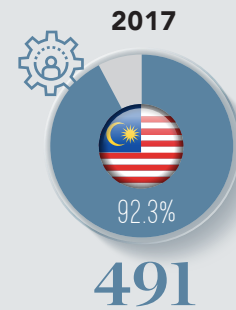
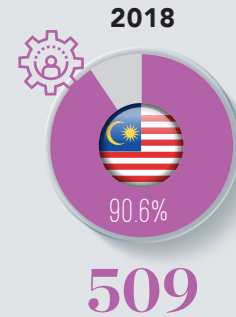
**NET INTEREST INCOME**

(In USD Million)



- The profit before tax registered a growth of 10.1% in 2018 and the return on asset remain at 0.9% for the same period due to expansion of banking asset.

**MAJORITY OF THE EMPLOYEES WERE MALAYSIANS**



- In terms of employment, the total staffing for Labuan banks increased slightly by 3.7% in 2018. The employment for the banking industry in Labuan was still largely Malaysians.

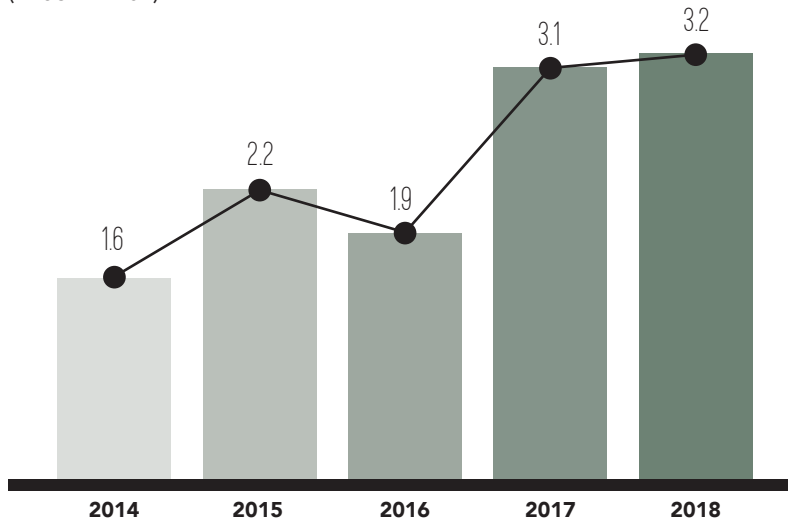




## ISLAMIC BANKING

### TOTAL ISLAMIC ASSETS

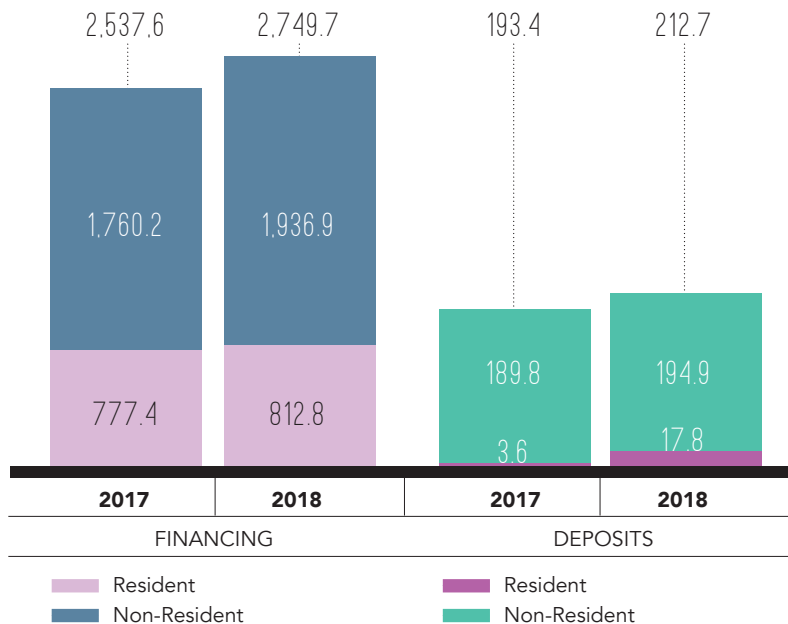
(In USD Billion)



- Islamic banking sector posted a 2.4% growth in assets from the expansion of total financing.

### FINANCING AND DEPOSITS

(In USD Million)



- The total financing generated by the Labuan Islamic banks (including the conventional banks with Islamic windows) increased by 8.4% to USD2.7 billion, accounting for 8.3% share against the total financing of the banking industry. Non-resident customers accounted for 70.4% of the total financing.
- The total Islamic deposits rose by 10% to USD212.7 million. The market share of Islamic deposits stood at 2.2% against the total deposit of the banking industry.



# INTERNATIONAL COMMODITY TRADING



**THE PERFORMANCE OF LABUAN INTERNATIONAL COMMODITY TRADING BUSINESS CONTINUED TO GROW IN TANDEM WITH THE GLOBAL OIL PRICES INCREASE IN 2018.**

BRENT CRUDE OIL WAS AVERAGING AROUND USD71 PER BARREL IN 2018 AS COMPARED TO USD55 IN 2017. THE RECOVERY IN OIL PRICES HAS SIGNIFICANTLY INCREASED THE PROFITABILITY OF LABUAN INTERNATIONAL COMMODITY TRADING COMPANIES (LITCS) BY 63.2% TO USD1.2 BILLION.

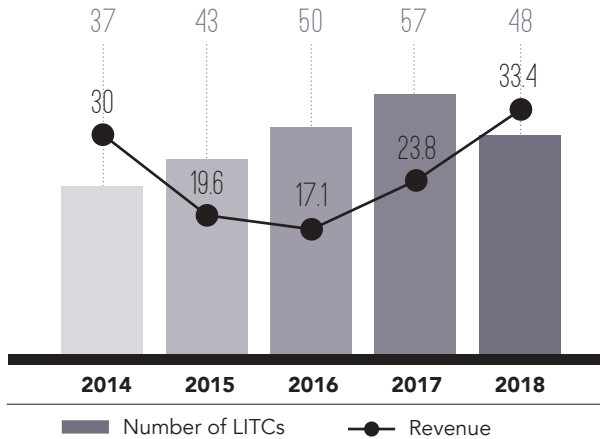
In 2018, changes were made to the Guidelines on the Establishment of LITCs under the Global Incentives for Trading Programme, where only trading of petroleum and petroleum-related products are subjected

to the guidelines. Companies that trade in commodities other than petroleum and petroleum-related products are no longer subjected to these guidelines.



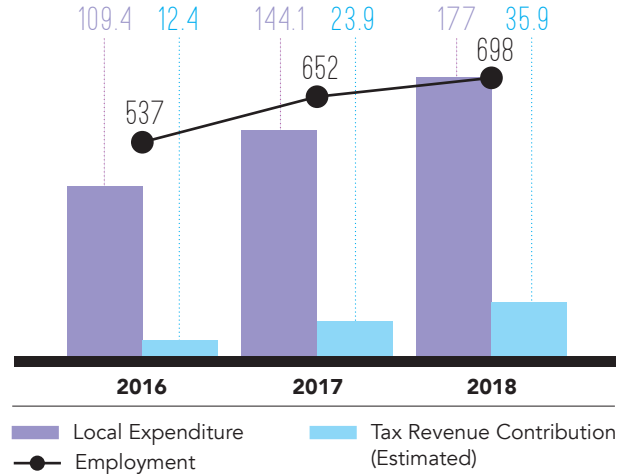
### TOTAL REVENUE

(In USD Billion)



### LOCAL SPENDING

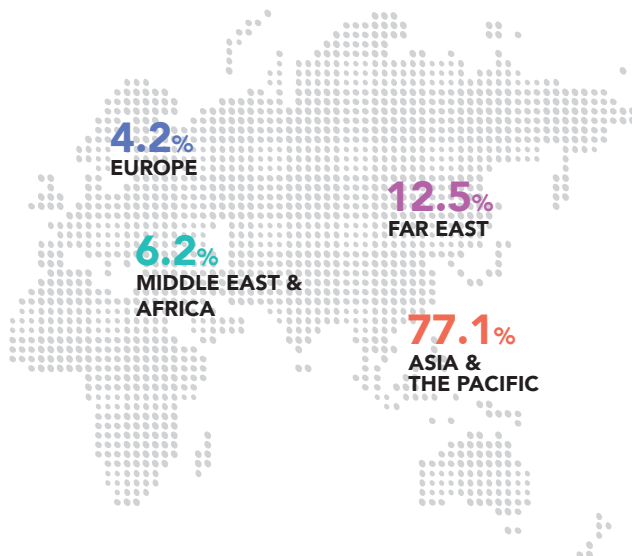
(In USD Million)



- Three new companies were approved, bringing the total number of LITCs to 48. Due to the revised requirements, nine companies have surrendered their licences and continued their operations as normal trading companies.
- The total revenue increased by 40.4% to USD33.4 billion while total expenditure incurred decreased by 7.9% to USD307.6 million. More than half, 57.6% or USD177 million out of the total expenditure was spent in Malaysia.



### THE ORIGIN OF LITCs




- 77.1% of the LITCs originated from ASEAN and the Asia Pacific Region, mainly from Malaysia and Singapore. The remaining 22.9% were from the Far East (12.5%), Middle East (6.2%) and Europe (4.2%).
- LITCs are allowed to establish an operational office anywhere in Malaysia for the global traders to use Malaysia as their regional base to trade commodities. Twenty-four companies have established their Malaysian operational offices in Kuala Lumpur, Selangor, Johor and Sarawak.
- A total of 656 Malaysians and 42 non-Malaysians were employed, of which 105 were Malaysian professional traders and 20 were foreigners.



# LEASING

**THE  
IMPLEMENTATION  
OF TAX POLICY  
CHANGES AND  
SUBSTANCE  
REQUIREMENTS FOR  
LABUAN LICENSED  
ENTITIES INCLUDING  
THOSE IN THE  
LEASING INDUSTRY  
HAVE LED TO THE  
RATIONALISATION  
AND  
RESTRUCTURING  
EXERCISE OF  
LABUAN LEASING  
COMPANIES.**

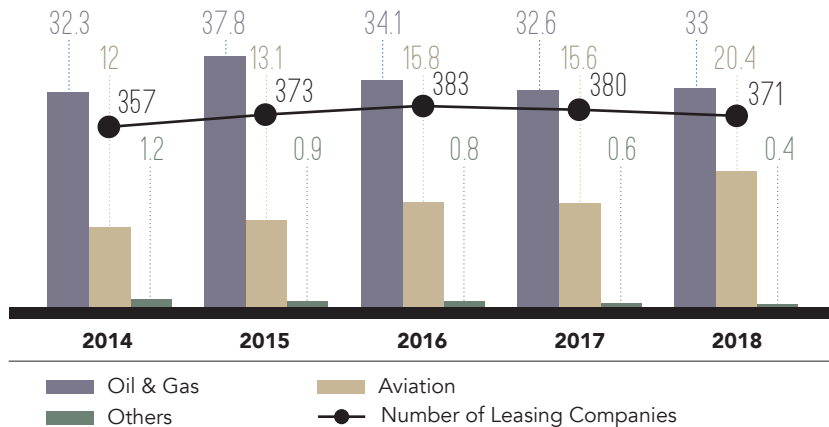


For the aviation sector, the airline companies were restructuring the leasing of aircrafts, engines and simulators under their own group of companies or via acquisition of smaller leasing companies to take over the existing leasing arrangements. Although the consequential effect of the rationalisation has resulted in lower number of total leasing companies, Labuan IBFC has remained an attractive hub for leasing, particularly for the aviation sector.



### TOTAL COMPANIES AND LEASED ASSETS BY SECTOR

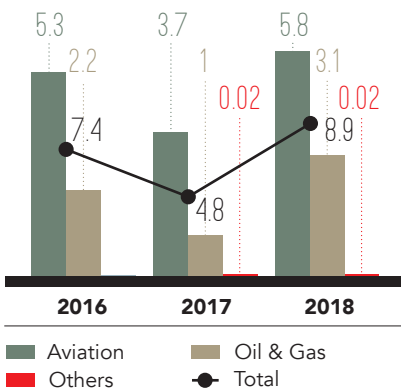
(In USD Billion)



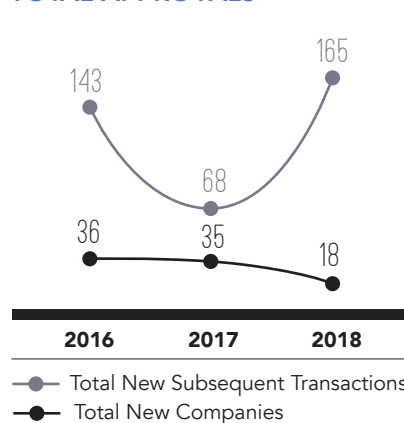
- Eighteen new leasing companies were approved, bringing the total number to 371. The 2.4% decrease in number was due to the completion of leasing agreements and novation of leasing arrangements by 25 leasing companies and withdrawal of two approvals.
- The cumulative value of assets leased grew by 10.2% to USD53.8 billion, with the oil and gas and aviation sectors contributing 61.3% and 37.9% of the total assets leased, respectively.
- Out of the approved leasing companies, 233 were in oil and gas sector, 114 in aviation sector and the remaining in shipping, transportation, marine, maritime, construction and other sectors.

### NEW ASSETS LEASED

(In USD Billion)



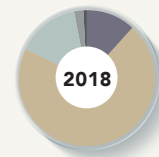
### TOTAL APPROVALS



- 165 approvals were granted to the existing leasing companies to conduct subsequent leasing transactions, of which 141 were approved for leasing of aircrafts.

### THE ORIGIN OF LEASING COMPANIES

(In %)



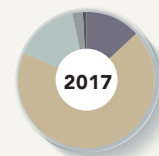
70.4 Asia & the Pacific

14.8 Europe

11.8 America

2.2 Far East

0.8 Middle East and Africa



68.2 Asia & the Pacific

15.5 Europe

13.2 America

2.4 Far East

0.8 Middle East and Africa

- 70.4% of the Labuan leasing companies originated from Asia and the Pacific region. The remaining 29.6% were from Europe (14.8%), America (11.8%), Far East (2.2%) and Middle East and Africa (0.8%).



# WEALTH MANAGEMENT

**THE OUTLOOK OF THE WEALTH MANAGEMENT SECTOR REMAINS STRONG WITH CONTINUED GROWTH IN GLOBAL ASSET AND WITH THE RISING NUMBER OF HIGH NET-WORTH INDIVIDUALS (HNWIS) POPULATION IN ASIA.** THE NEED TO PRESERVE FAMILY WEALTH ACROSS DIFFERENT GENERATIONS HAS ALSO TRANSLATED INTO HIGHER DEMANDS FOR DYNASTIC WEALTH MANAGEMENT VEHICLES SUCH AS FOUNDATIONS AND TRUSTS.

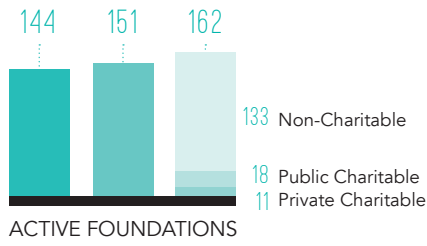
Such trends arise in tandem with the growing wealth of family businesses as observed across the Asian region. This has continued to present opportunities for Labuan IBFC's wealth management sector to grow and to be used by HNWIs for estate planning, investment holding and management of private wealth.

In the last decade, this traditional business has evolved with technologically-driven innovations, where wealth managers leverage on FinTech solutions including automated-advisory services and financial planning model to manage their clients' portfolios. Digitally-enabled driven business models are becoming the 'new normal' for wealth managers to fulfil client preferences, particularly that of the young HNWIs.





## FOUNDATIONS

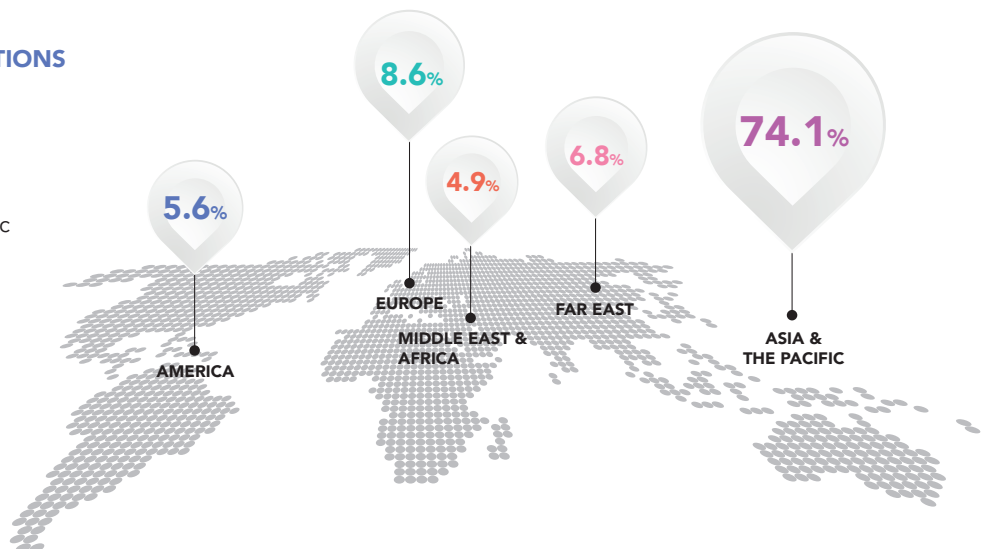


### NUMBER OF NEW REGISTERED AND ACTIVE FOUNDATIONS

- Registration of new foundations increased by 31% to 38. Thirty-three foundations were either struck off or dissolved and six were reactivated, bringing the number of total active foundations to 162.
- Of the total, 29 were charitable foundations and 133 non-charitable. The charitable foundations consist of 11 private and 18 public charitable foundations. Two private charitable foundations originating from Malaysia and United Kingdom were registered to provide financial aid and support for education and other activities to benefit the local community.
- In 2018, three Malaysian public charitable foundations registered were established to benefit underprivileged Malaysians through food and shelter programmes, better healthcare, promotion of microenterprises and engagement in social and cultural activities.

### THE ORIGIN OF LABUAN FOUNDATIONS

- 74.1% of Labuan foundations originated from Asia and the Pacific region.



## TRUSTS

- Three new trusts were registered and one terminated in 2018, bringing the total number of registered Labuan trusts to 14; comprising of 11 private trusts, one corporate trust and two shariah compliant trusts.
- The three registered trusts originated from Malaysia were established for poverty relief and education advancement.

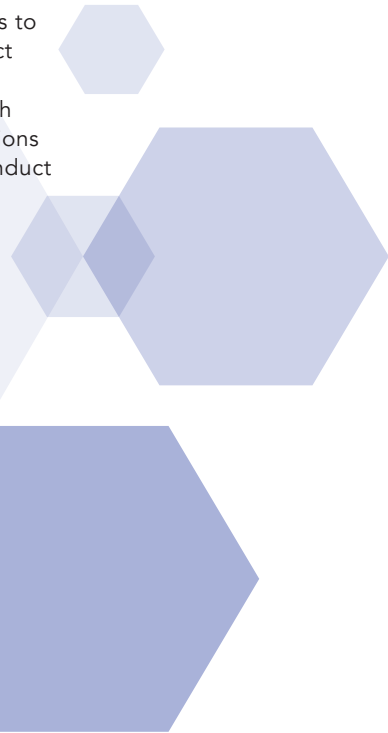


# DIGITAL MARKET

## INNOVATIVE FINANCIAL SERVICES IN LABUAN IBFC

**RIDING THE WAVE OF  
FINANCIAL INNOVATIONS,  
LABUAN IBFC WELCOMES  
FINTECH-RELATED  
BUSINESSES BY USING  
A READY SUITE OF  
STRUCTURES AND  
SOLUTIONS.**

To further support FinTech-related businesses, a circular on Innovative Financial Services (IFS) was issued to facilitate the setting-up of these businesses in Labuan IBFC. The Centre allows for IFS start-ups to operate, subject to the entities' compliance with current regulations and market conduct requirements.





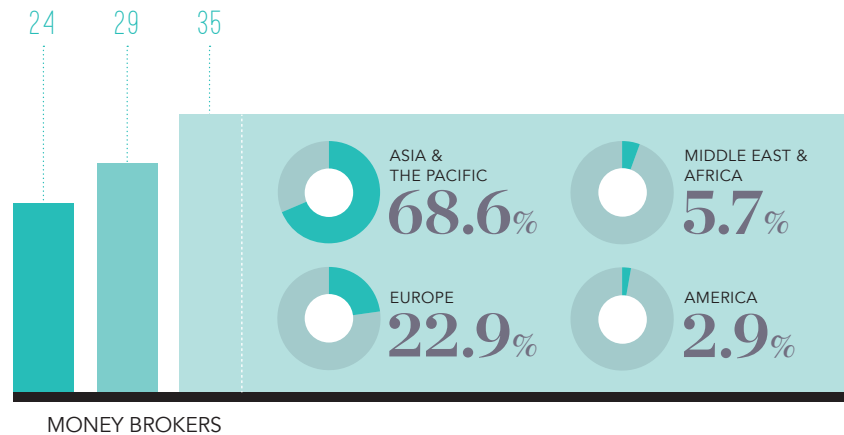


## MONEY BROKING

Money broking businesses continued to grow in Labuan IBFC with increasing interest to provide a platform for trading of digital assets. It is expected that more potential investors will establish money broking businesses via digital platforms in Labuan IBFC due to the established legal framework and requirements.

- Nine money brokers were approved of which two were licensed to provide digital currencies as part of their money broking operations, bringing the total number of approved money brokers to 35, an increase of 20.7%.

### NUMBER OF MONEY BROKERS

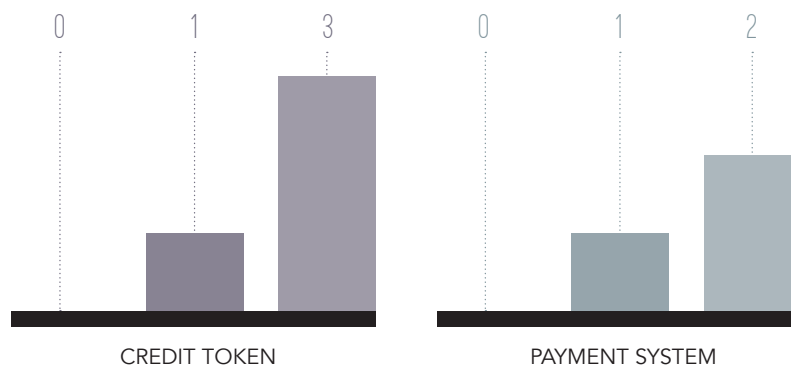


- 68.6% of Labuan money brokers originated from Asia and the Pacific region, mainly from Japan, Hong Kong and Malaysia.

## CREDIT TOKEN, PAYMENT SYSTEM OPERATOR AND DIGITAL EXCHANGE

The provisions under the laws and guidelines in Labuan IBFC with regard to credit token business and payment system operator have further facilitated the setting up of IFS-related activities such as distributed ledger technology and digital currencies.

### NUMBER OF CREDIT TOKEN AND PAYMENT SYSTEM



- Three licences were approved for the purpose of issuing asset back tokens.
- One payment system has also been approved within the credit token business to support the clearing and settlement of funds.
- One securities token exchange was approved to provide platform for fiat/ cryptocurrency conversion, listing and trading of securities token custodial services of digital assets.



# CAPITAL MARKET

**LABUAN CAPITAL  
MARKET  
INTERMEDIARIES  
PROVIDE FUND  
MANAGEMENT  
SERVICES, ADVISORY  
SERVICES AND FUND  
ADMINISTRATION.**

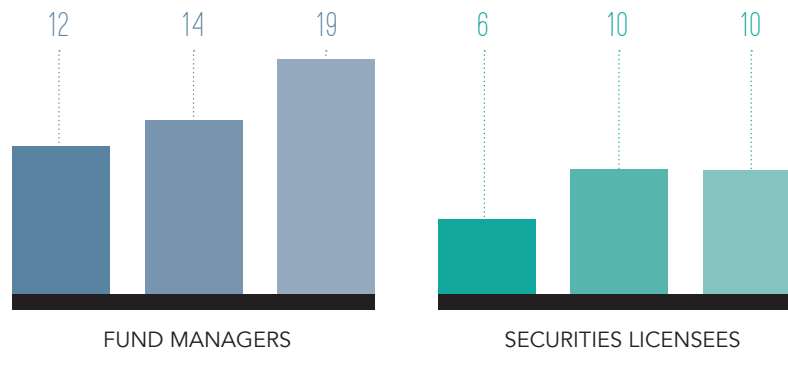
TO EVOLVE THEIR  
BUSINESS FURTHER  
AND IN LINE WITH THE  
GROWTH OF WEALTH  
MANAGEMENT SECTOR  
IN LABUAN IBFC, THESE  
INTERMEDIARIES ARE  
MOVING TOWARDS  
USING FINTECH  
SOLUTIONS TO  
PROVIDE VALUE ADDED  
SOLUTIONS FOR  
INVESTORS.



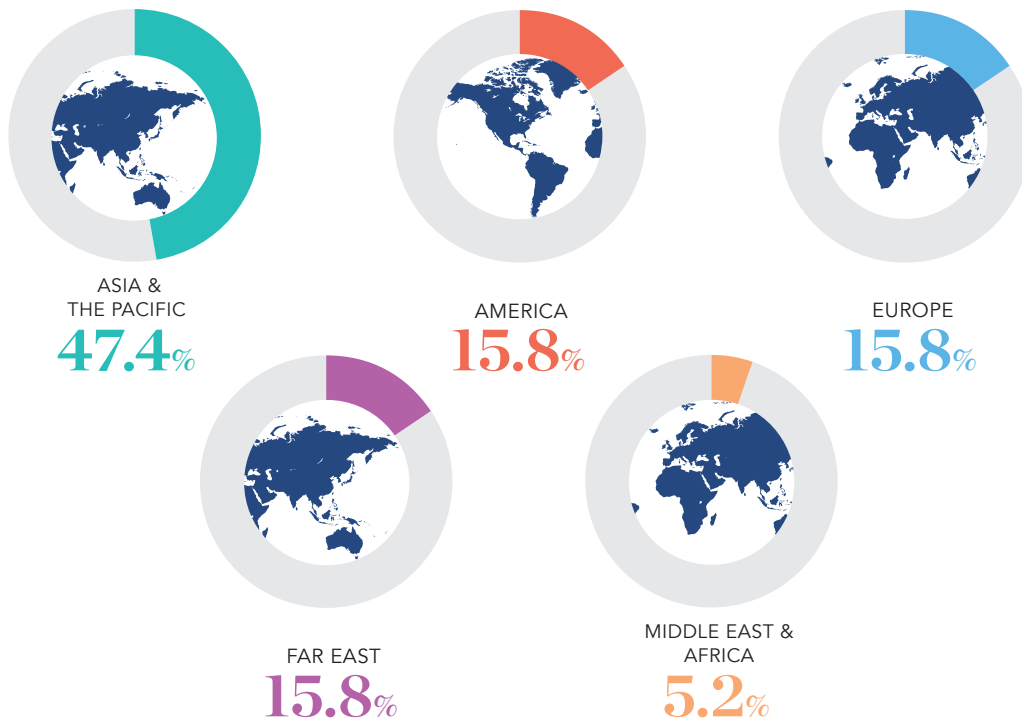


## INTERMEDIARIES

### NUMBER OF FUND MANAGEMENT COMPANIES AND SECURITIES LICENSEES



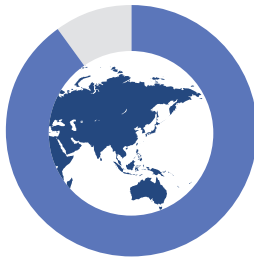
### THE ORIGIN OF FUND MANAGERS



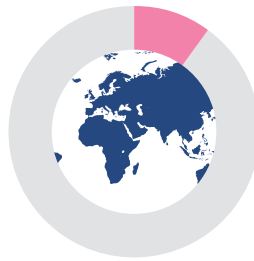
- Five fund management companies originating from Hong Kong, Malaysia, British Virgin Islands and United Kingdom were granted approval, bringing the total number of fund management companies to 19.
- The number of securities licensees remained at 10.



## THE ORIGIN OF SECURITIES LICENSEES



ASIA &  
THE PACIFIC  
**90%**

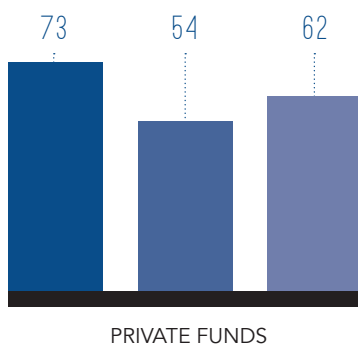


EUROPE  
**10%**

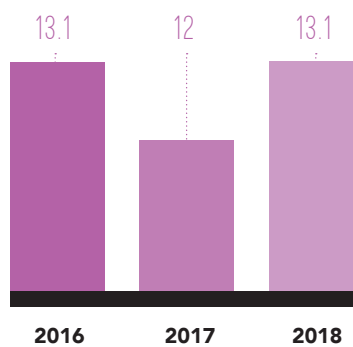
- Majority of these market intermediaries originated from Asia and the Pacific.

## PRIVATE FUNDS

### NUMBER OF PRIVATE FUNDS



### APPROVED FUND SIZE (In USD Billion)



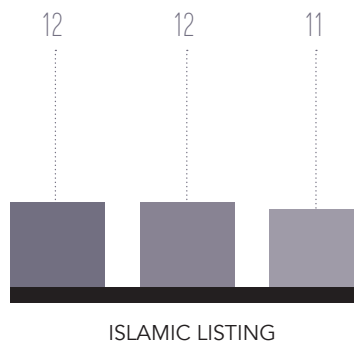
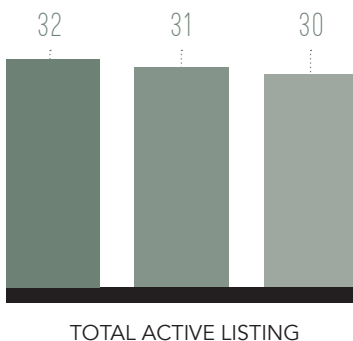
- Ten new private funds were registered and two ceased their operations, bringing the total number of private funds to 62.
- The total cumulative fund size increased by 9.2% to USD13.1 billion. Most of these funds were used as investment vehicles for infrastructure projects in the ASEAN region.



# EXCHANGE

**THE LABUAN INTERNATIONAL FINANCIAL EXCHANGE (LFX) OPERATES AS A FULL-FLEDGED INTERNATIONAL FINANCIAL EXCHANGE WITH LISTING OF SECURITIES AND FINANCIAL INSTRUMENTS.**

## NUMBER OF ACTIVE LISTINGS

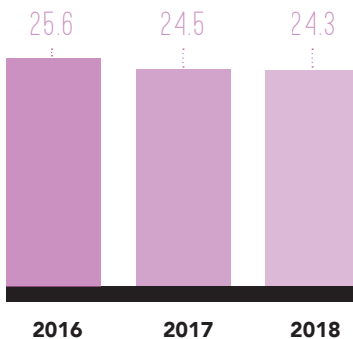


- In 2018, LFX recorded one new listing with a market capitalisation of USD320 million, and two existing instruments were delisted upon reaching maturity, bringing the total number of active listings to 30.

## MARKET CAPITALISATION

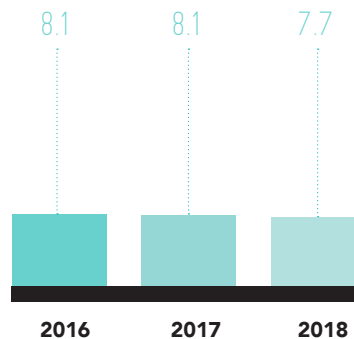
### TOTAL

(In USD Billion)



### ISLAMIC

(In USD Billion)



- The total market capitalisation declined by 1% to USD24.3 billion. Of the total, 31.7% or USD7.7 billion were sukuk listings.



## GENERATING GREATER AWARENESS FOR LABUAN IBFC IN 2018

Throughout the year, there was a continuous effort to enhance Labuan IBFC's global and regional brand recognition. The year witnessed Labuan IBFC's presence in 37 industry specific events spanning 14 cities in Asia. These brand-building initiatives included both self-developed proprietary events as well as specifically curated sponsored events showcasing Labuan IBFC's diverse selection of offerings.

The promotional events were focused on the attractiveness of Labuan IBFC as Asia's only midshore jurisdiction for intermediation of trade, investment and assets. Strategic and topical content were delivered at these proprietary engagements which included discussions and presentations led by leading subject matter experts.

The following were the key events for the year which included joint efforts with industry associations:

- **Asset Leasing Symposium 2018**

The Asset Leasing Symposium 2018, themed "*Meeting the Needs of Transparency and Substance*," was held with the objective of providing the Asian market with insights into the latest developments in global asset leasing practices and regulations. Furthermore, the event served as a platform to increase market understanding of the revisions made to the Labuan leasing business policies which were issued in December 2017.

- **Joint Seminar with the International Islamic Financial Markets**

The seminar was held to facilitate pertinent discussions on the Islamic finance market trends and opportunities. Panel sessions

were focused on the global sukuk market, trade finance, risk management, FinTech and wealth management. The event was participated by Labuan IBFC players, along with academicians and practitioners from law and advisory firms.

- **The Asia Captive Conference 2018**

The Second Asian Captive Conference with the theme of "*Challenges in Self-Insurance: Transparency and Digital Disruption*" highlighted the current challenges facing the industry and risk management professionals. Labuan IBFC-domiciled captives and their risk and insurance managers benefitted from the participants' sharing on their self-insurance strategies and risk retention approaches due to digital business disruption and international tax requirements.

### Brand Building and Awareness

In 2018, Labuan IBFC was awarded the Best Asian Domicile at the inaugural Asia Captive Review Awards 2018 and the Captive Jurisdiction of the Year at the China Offshore Awards. These awards were testament to Labuan IBFC's dedicated efforts in providing the needed captive solutions to the Asia Pacific market.

A Brand and Perception Audit was also undertaken in 2018 to gauge the level of awareness of Labuan IBFC and its products as well as services by the market. The Audit has assisted to provide understanding of the market expectations on the needed ecosystem and product demands. The exercise was also a useful reference point for Labuan FSA in developing policies and services required to continuously formulate strategies and chart the development of Labuan IBFC.



# KEY PRIORITIES IN 2019

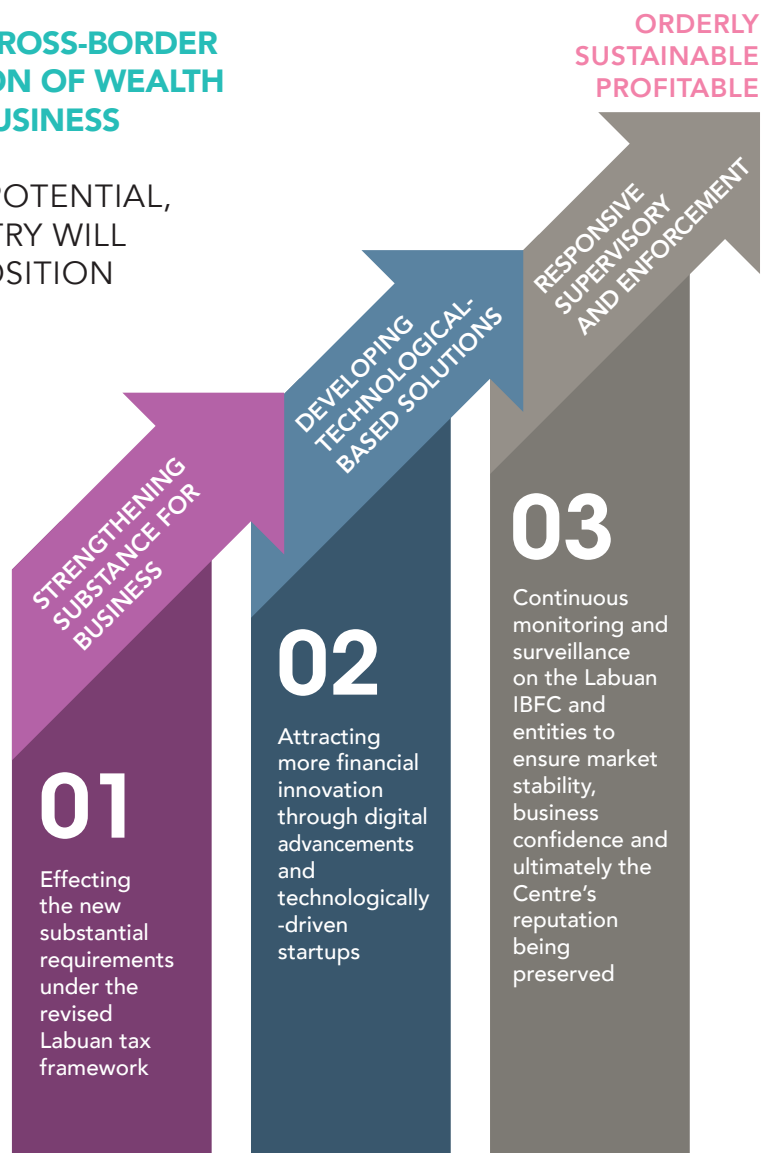
## THE CONTINUED GROWTH IN CROSS-BORDER CAPITAL FLOWS AND EXPANSION OF WEALTH IN ASIA BODE WELL FOR THE BUSINESS PROSPECTS OF LABUAN IBFC.

TO CAPTURE ASIA'S GROWTH POTENTIAL, LABUAN IBFC AND THE INDUSTRY WILL NEED TO STRATEGICALLY REPOSITION THE MARKET AND EVOLVE THE CENTRE'S BUSINESS MODEL FROM TIME TO TIME.

This can be undertaken with tactile initiatives to constantly adapt to changes in the business environment, by offering innovative business solutions and structures, addressing talent demands, while complying with international requirements and best practices.

Moving forward, the strategic priorities for 2019 are depicted in the diagram.

These priorities and growth strategies for Labuan IBFC will require strong collaboration between the Authority and key stakeholders, particularly the industry. The Centre is committed to contributing towards the economic well-being of the Island, and it is also dedicated to its growth as an integral component of the nation's economy. Ultimately, the objective is for Labuan IBFC to further elevate Malaysia's financial prominence and prestige in the region.



LABUAN

# ISLAND @ A GLANCE

COMPRISING SEVEN ISLANDS - LABUAN, KURAMAN, DAAT, RUSUKAN BESAR, RUSUKAN KECIL, PAPAN AND BURUNG.

An island of history to understand and adventures to explore, visitors can delve into fascinating places from local traditions, arts, historical monuments, sensational diving sites to tranquil beaches.

Labuan is a flat island of

95KM<sup>2</sup>

located at the northwest coast of Borneo

The name

Labuan

derived from a Malay word "labuhan" meaning anchorage

The island has a population of about

100,000

people and most are descendants of the Brunei Malay and Kedayan

## PLACES OF INTEREST :



### 1 BEACHES & ISLANDS

- United Nation Beach
- Pantai Batu Manikar
- Pantai Layang - Layangan
- Pulau Rusukan Besar and Pulau Papan



### 2 HISTORY & CULTURE

- Water village traditional living
- Chimney
- War Word II Monument
- Peace Park - Surrender Point



### 3 DUTY FREE SHOPPING

- Textiles and perfumes
- Tobacco
- Confectionery
- Motor vehicles



### 4 DIVING SITES

- American Wreck
- Australian Wreck
- Blue Water Wreck
- Cement Wreck







## MAJOR INDUSTRIES



LABUAN IBFC



OIL & GAS



HALAL HUB



TOURISM



EDUCATION



### 5 PARKS & GARDENS

- Botanical Garden
- Labuan Bird Park
- Memorial Park



### 6 LEISURE

- Golfing
- Island hopping
- Hiking
- Fresh seafood