

LABUAN IBFC: PIONEERING THE FUTURE OF ISLAMIC FINANCE

Global Islamic finance is expanding rapidly with Islamic financial assets worldwide surged 163% over the past decade, from USD1.71 trillion in 2012 to USD4.51 trillion in 2022, with projections reaching USD6.7 trillion by 2027¹. The growth is largely fuelled by the rising global Muslim population which is anticipated to reach 2.2 billion by 2030² and the expanding demand for Shariah-compliant financial products, particularly within the Islamic banking and capital market sector. Riding on these growth factors, there has been an increased demand for Islamic ethical financial solutions.

On the technology space, digital transformation is reshaping Islamic finance, with Islamic fintech emerging as a key driver of financial inclusion. The sector's transaction volume reached USD138 billion in 2022/23, projected to surge to USD306 billion by 2027. With 417 global Islamic fintech firms offering solutions such as digital banking, P2P lending, and blockchain-based finance, technology is revolutionising how Shariah-compliant services are delivered³.

Labuan FSA remains committed to expanding the Labuan IBFC's Shariah-compliant digital ecosystem through the introduction of modernised regulations to support development of innovative products, and the involvement of forward-thinking industry players. The Centre is leading this evolution through the launch of Islamic Digital Asset Centre (IDAC) in 2022, followed by IDAC 2.0 in 2023. Built on three pillars consisting of Islamic Digital Capital Markets, Islamic Digital Financial Markets, and Islamic Digital Social Finance, IDAC provides a fully Shariah-compliant alternative to conventional digital finance.

Stellar growth in RAMZ tokenisation

By the end of 2024, a cumulative total of 18 Shariah-compliant securities token (RAMZ) offerings have been successfully listed on Labuan digital exchanges, with an estimated combined market value of USD1.05 billion. This marks a twenty-one times growth from previous year's market value, with an astonishing 2,000% increase.



The listings were primarily driven by five key RAMZ issuers:



The International Islamic Liquidity Management Corporation (IILM)

IILM FDR tokens, representing IILM's short-term sukuk (rated A-1 by S&P Global Ratings and F1 by Fitch Ratings) valued at USD218 million.



An ESG-Compliant Technology Company

Tokenisation of the company shares, with the underlying asset being the intellectual property of an electric vehicle battery, valued at USD3.5 million.



An Asset Management Company

RAMZ representing the digitalisation and tokenisation of refined Chinese ceramics backed by antiquarian collectors, valued at USD17.7 million.



A Precious Metals Mining & Blockchain Development Company

Tokens backed by USD6 billion in gold reserves, supporting investment and expansion in the U.S. mining industry, valued at USD788 million.



A Gemstones Collector Company

Tokens backed by investment-grade gemstones, valued at USD19.2 million.

¹ ICD – LSEG Islamic Finance Development Report 2023.

² Pew Research Center, 2011.

³ Global Islamic Fintech Report Executive Summary 2023/24.

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2024 SIGNIFICANT MILESTONES

MAY

Launch of the World's First Shariah-Compliant Blockchain Hub Masterplan

This Masterplan aims to establish Labuan IBFC as the premier digital financial hub in the world. It serves as a launchpad for blockchain technology adoption within Islamic finance, ensuring Shariah compliance across financial and non-financial sectors.

OCT

Expansion of 5-Year 0% Tax Exemption for Islamic Digital Players

As announced in Malaysia Budget 2025, the 5-year 0% tax exemption for Islamic digital players was further expanded to include digital takaful operators, effective from Year Assessment 2024 to Year Assessment 2028.

Eligible Labuan entities:

- Banks, investment banks, Islamic banks and Islamic investment banks.
- Insurance, takaful operators and intermediaries.
- Credit token licensees and Islamic credit token licensees.
- Fund managers.
- International financial exchanges.

2024

Expansion of the Listing of Shariah Advisers in Labuan IBFC (the List)

The List, which includes both qualified institutions and individuals, has expanded significantly, **from 19 to 33**. This expansion strengthens the availability of Shariah expertise, providing Labuan entities with greater access to guidance on Shariah-compliant matters.

JULY

Introduction of the Labuan Islamic Digital Bank Regulatory Sandbox (i-BOX)

i-BOX was introduced to foster the growth and development of Islamic digital banks in Labuan, with a particular focus on Islamic social finance. The i-BOX is designed within a controlled regulatory environment via its three main phases.

- 1 Assessment of eligibility and readiness of the participants.
- 2 36-month provisional license period under close regulatory oversight.
- 3 Graduate to full-fledged operations, subject to meeting all necessary compliance requirements.

DEC

Issuance of Guidance for the Ummah-Linked Company (ULC)

ULC is a special recognition accorded to Labuan entities that undertake Shariah-compliant permissible economic activities digitally for the well-being of global Muslim and to serve the unserved and underserved markets. ULC promotes financial inclusion and wealth distribution such as:

- Savings and investments for *Haji* (pilgrimage) and pensions for Muslim diaspora.
- Administering global *waqf* (endowment) and *zakat* (obligatory almsgiving).

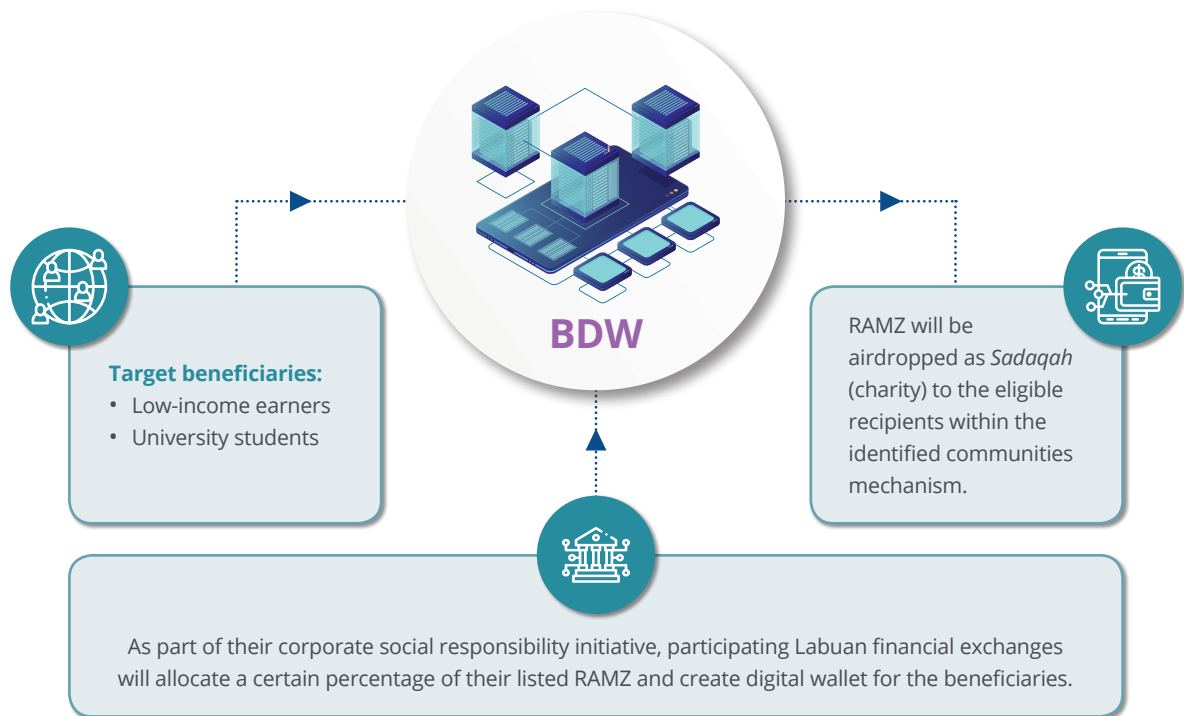


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2025 FOCUS

BIMP-EAGA Digital Wallet (BDW) Initiative

Set to launch in 2025, the BDW is designed to foster financial inclusion across the BIMP-EAGA (Brunei-Indonesia-Malaysia-Philippines – East Asia Growth Area) region. It aims to provide low-income earners and university students, among others, with access to Shariah-compliant investments, particularly in RAMZ.



Awards and Recognitions

IDAC's milestones continued to resonate internationally, with Labuan FSA receiving prestigious recognitions of the "14th Global Islamic Finance Awards (GIFA) 2024 for the Best International Jurisdiction for Islamic Banking & Finance" and "The BrandLaureate BestBrands e-Branding Award 2022 for Fintech Islamic Financial Services." These awards underscore Labuan IBFC in pioneering innovation that promote Labuan as a premier Islamic Digital Asset Centre, reaffirming its distinct branding and profound impact in the global Islamic finance arena.

