

ISLAMIC DIGITAL ASSET CENTRE - PIONEERING NEW ASSET CLASS, PLAYERS AND INFRASTRUCTURE

In tandem with the rapidly expanding Labuan digital financial market, Labuan IBFC aims to be the leading and innovative international Islamic financial hub for Asia. The Labuan IBFC's Islamic Digital Asset Centre (IDAC) which was launched in October 2022, aims to attract more digital assets, fintech investors and techno-preneurs as a business gateway into Asia. IDAC is a unique business proposition for the region as it enables global community to transact digitally via Shariah-compliant way. As an alternative platform to the conventional digital finance landscape, IDAC provides a broad spectrum of Shariah-compliant digital activities such as banking, fundraising and investment, Islamic social-based finance instruments, trade settlement platform and serving new sectors through captives takaful.

The IDAC catalyst for fundraising and investment will be **RAMZ** (which means “token” in Arabic). RAMZ is a Shariah-compliant Securities Token Offering (STO) which is asset-backed with the following features:

- it has features of a security as defined under the Labuan legislations;
- complies with Shariah principles recognised by the Labuan regulatory framework;
- underlying assets can be any Shariah-acceptable assets including its sukuk.

In essence, similar to sukuk in the Islamic capital market, RAMZ is the alternative fundraising platform via asset tokenisation in the digital space.

Globally, asset tokenisation market is expected to grow 50 times from USD310 billion in 2021, to over USD16 trillion by 2030, driven by demand from a wide range of investors for greater access to private markets¹. Riding on this market potential, RAMZ would reap the benefits of asset tokenisation such as security, liquidity, accessibility and transparency.



¹ https://www.addx.co/files/bcg_ADDX_report_Asset_tokenization_trillion_opportunity_by_2030_de2aaa41a4.pdf

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IDAC in Perspective

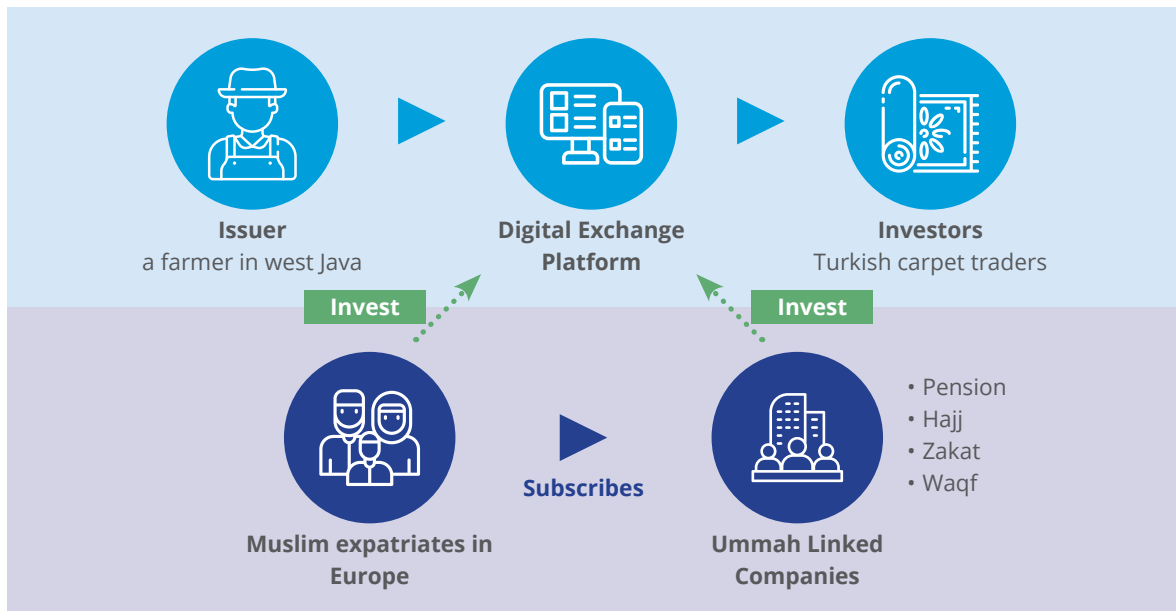


Diagram 1: IDAC – A Shariah-Compliant Digital Asset Ecosystem Supported by Blockchain Technology

Labuan IBFC through IDAC, offers a suitable environment for RAMZ issuance as outlined below:

- The Centre's comprehensive infrastructure supports and accords certainty as well as integrity for Shariah-based business structures;
- RAMZ's appealing factor is that it can cater for a more diverse investment universe as it is available to both conventional and Islamic investors;
- As the new asset class, RAMZ would provide a new avenue for fundraising and meeting investments goals for both issuers and investors, respectively. For example, a farmer in West Java, Indonesia can raise capital fund through issuing of RAMZ, by tokenised his farm as the underlying asset. RAMZ will be traded on the digital exchange platform and subscribed by individual investors i.e. the carpet traders from Turkey; and
- In IDAC, there will be gamut of digital solutions providers termed as Ummah linked companies offering social based finance solutions such as pension, hajj, zakat and waqf amount others, to enable the global Muslim community fulfill their religious requirements. For instance, the Ummah linked companies will use blockchain technology to provide Shariah-compliant pension schemes to Muslim expatriates and Muslim minorities in non-Muslim countries. The pension fund will invest in financial instruments such as RAMZ to preserve and increase the value of capital contributed by members. Furthermore, RAMZ allows people from all over the world, including Muslim expatriates, to invest in small increments, giving small investors the opportunity to earn capital gains in a capital market that they are currently excluded from.

The Progress Thus Far

IDAC holds a big agenda for Labuan IBFC as it paves the way towards an integrated blockchain-based of the Islamic finance ecosystem. To kick start IDAC, the world's first Shariah-compliant and Environmental, Social and Governance (ESG) based blockchain digital exchange was established in 2022. Since the launch of this Islamic/ ESG exchange, Labuan IBFC has received various interests from both private and public sector on the issuances of RAMZ through the Centre.

The IDAC will also carry the ESG banner which includes sustainable investments agenda. Its objectives correlate with the financial inclusion drive by providing innovative, seamless digital solutions to the underserved and unserved segments including the 1.9 billion Muslim population globally.

IDAC has made a profound mark on the international marketing space, with *"The BrandLaureate BestBrands e-Branding Award 2022 for Fintech Islamic Financial Services"* conferred to Labuan FSA. This is in recognition for the Authority's contribution in advancing of the international Islamic finance, particularly in relation to the initiative to promote Labuan as an Islamic Digital Asset Centre for Asia and beyond. This prestigious award indeed affirms the uniqueness of IDAC branding in the global landscape.



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