

UMMAH-LINKED COMPANY

13 DECEMBER 2024

LABUAN FINANCIAL SERVICES AUTHORITY

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Ummah-Linked Company (ULC)

Under the Islamic Digital Asset Centre (IDAC) Ecosystem

In 2022, the Labuan International Business and Financial Centre (Labuan IBFC) unveiled its pivotal role as the global digital gateway for the Islamic Digital Asset Centre (IDAC), creating a digital market ecosystem that promotes a sustainable investment environment.

IDAC also serves as a platform for digital industry players to innovate and develop Shariah-compliant digital products and infrastructure for the benefit of the global *ummah* (Muslim community).

What is ULC?

Definition

ULC is a strategic initiative designed to foster positive social and economic impacts for the global Muslim community. ULC is defined as follows:

“Ummah-Linked Company is a special recognition accorded to Labuan entities that undertakes Shariah-compliant permissible economic activities in a digital manner”

Objectives

The primary objectives of ULC are to:

- 1** Contribute to the well-being of the ummah by embedding *Maqasid* Shariah principles; and
- 2** Serve the unserved and underserved markets by providing digital solutions and services to address Islamic social finance needs.

Who can be a ULC?

Applicability

The ULC framework is applicable to Labuan entities seeking to engage in Shariah-compliant activities. The following types of entities, licensed or registered with the Labuan Financial Services Authority (Labuan FSA), are eligible to qualify as ULCs:

- Labuan Islamic Bank and Labuan Islamic Investment Bank licensed under Part VI of the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA).
- Labuan (Re)Takaful Operator and Labuan Captive (Re)Takaful Operator licensed under Part VII of the LIFSSA.
- Labuan International Financial Exchange established under Part IX of the Labuan Financial Services and Securities Act 2010 (LFSSA).
- Labuan Islamic Private Charitable Foundation or Labuan Islamic Public Charitable Foundation established under Part IX of the LIFSSA.

Qualifying Criteria



Establish as a fully Shariah-compliant Labuan entity.



Offer Shariah-compliant financial services and solutions within permissible activities.



Operate digitally and integrate modern financial technologies into its business operations.



Submit annual updates on business progress which align with ULC objectives.



Meet the substance requirements as per P.U.(A) 423 Labuan Business Activity Tax (Requirements for Labuan Business Activity) Regulations 2021.



Comply with law and regulatory requirements applicable to ULC structure and business activities, including adherence to Shariah governance.

Why be a ULC?

Benefits of ULC

- Eligible Labuan entity may carry the “ULC” brand name on their corporate profiles, symbolising a prestigious recognition of their commitment to Islamic principles and social responsibility.
- ULC entities may gain enhanced visibility through Labuan FSA’s marketing materials, roadshows, websites, and other promotional initiatives under the IDAC agenda.
- ULCs can promote financial inclusion, enabling investors and the global Muslim community access to Shariah-compliant wealth creation and investment opportunities through secure and transparent digital tools.

How to Apply?

Eligible Labuan entities may express their intention to be categorised as ULC by submitting the letter of intent to ifpu@labuanfsa.gov.my.

Frequently Asked Questions

1. What is *Maqasid Shariah*?

Maqasid Shariah refers to the objectives or intents of Shariah as well as *asrar Shariah* (secrets of Shariah) and *al-hikam* (wisdoms), which are ordained by Allah s.w.t. comprehensively or in most situations, the revelation of the commandments without specifying certain Shariah rulings. These objectives guide believers toward adopting a purposeful and meaningful way of life.

2. How can ULC align its objectives with *Maqasid Shariah*?

For ULC, the implementation of *Maqasid Shariah* principles will shape their business models, conduct, products, services, and overall operations. These principles guide ULCs in promoting social welfare, ensuring fair dealings, preserving human dignity, and facilitating the equitable distribution of wealth. By adhering to these principles, ULCs can achieve both commercial success and deliver meaningful societal benefits. Some of the key areas to consider are:

(i) Humanity and Social Responsibility

ULC should prioritise human dignity, fairness, and the well-being of individuals and communities in its overall operations. This may be achieved by offering products and services that provide positive contributions to the general well-being of society, particularly those that address fundamental needs such as housing, healthcare, and education.

(ii) Promoting Fairness and Equity

ULCs are expected to act with fairness, clarity, and accountability in all interactions, ensuring the equitable distribution of wealth and transparent communication with stakeholders. This includes engaging in activities that promote the fair distribution of resources, with transactions conducted freely and fairly, without undue influence or coercion.

(iii) Innovation and Flexibility

ULC should responsibly innovate to meet the evolving needs of customers. Innovation allows for adaptation while maintaining compliance with Islamic laws. For example, ULCs can leverage blockchain technology and decentralised applications to facilitate wealth management by:

- (a) Providing a seamless avenue for wealth generation, preservation and distribution; and
- (b) Facilitating trade finance, fund management (including funds for pensions, pilgrimage and *zakat* (almsgiving as an act of worship) and other *ummah* related financial activities.

(iv) **Inclusivity and Wealth Distribution**

Ensuring access to financial services for all segments of society is crucial. ULC should offer products and services that cater to diverse needs while acting responsibly, ethically, and in the best interests of all stakeholders. These include:

- (a) Serving as a cross-boundary channel to reach both the unserved and underserved communities; and
- (b) Providing Islamic social finance activities such as *infaq* (spending), *sadaqah* (sincere gift), *waqf* (endowment or withholding a certain property for the sake of Allah), etc.

3. What are the unserved and underserved markets?

The unserved and underserved market refers to individuals, communities, and businesses that lack sufficient access to conventional financial services or have little to no access to Islamic finance, which caters specifically to the needs of the Muslim population. This includes communities in countries where Islamic finance is either underdeveloped or non-existent, particularly in regions where Muslims are a minority. Details of these groups are elaborated more on page 7.

4. How can ULC serve the unserved and underserved markets to address Islamic social finance needs?

The ULC should aim to provide these markets with accessible and affordable Shariah-compliant financial solutions that promote economic empowerment, wealth creation, poverty alleviation, and access to digital financial services, in line with *Maqasid* Shariah principles.

ULC can leverage digital technology and platforms like blockchain, artificial intelligence (AI), decentralised applications and mobile services to deliver Shariah-compliant products efficiently to unserved and underserved markets. This includes offering *zakat* (almsgiving as an act of worship), *waqf* (endowment or withholding a certain property for the sake of Allah), and *sadaqah* (sincere gift) solutions, as well as Islamic microfinance options for micro-loans, savings, and investments.

5. What is Islamic social finance?

Islamic social finance refers to financial initiatives and mechanisms that adhere to Islamic principles and are geared towards addressing social welfare needs and promoting community development.

6. How can Labuan entities seeking to be categorised as ULC prove they are meeting the ULC objectives?

Labuan entities seeking ULC categorisation must submit documentations detailing, but not limited to:

- (i) The types of products and services offered;
- (ii) The technology applications used in business operations; and
- (iii) The business plan aligning with ULC objectives.

These documentations will be reviewed by Labuan FSA to determine whether the entity meets the criteria for ULC status. To avoid redundant submissions, entities may attach copies of previously submitted application forms/documents for licensing or registration as supporting evidence, where applicable.

7. What are the compliance requirements for a Labuan entity seeking to be categorised as a ULC?

There is no distinction between existing Labuan entities and those seeking to be categorised as a ULC with regard to regulatory compliance. A ULC must adhere to all applicable regulatory requirements as outlined in the relevant laws and guidelines governing its structure and business activities. This includes adherence to Shariah governance principles and compliance with Anti-Money Laundering and Countering the Financing of Terrorism regulations. For instance, a ULC operating as an Islamic bank must follow all the regulations governing Islamic banking.

8. How long will ULC status be granted?

Currently, there is no specific timeline for the duration of ULC status. However, ULC entities are required to submit an annual update on their business progress to demonstrate continued alignment with the ULC objectives in order to maintain their ULC status.

9. Which Department or Unit in Labuan FSA can be contacted with regard to matters relating to ULC?

You may email to Islamic Business Development Unit of Labuan FSA at ifpu@labuanfsa.gov.my should you have any inquiries relating to ULC.

Unserved and Underserved Market Groups

(i) **Low-Income Groups**

Individuals or households in the lowest income brackets, particularly within the global Muslim community. These groups often face challenges in accessing financial services due to limited resources, geographic isolation, or low financial literacy.

(ii) **Micro, Small and Medium Enterprises (MSMEs)**

MSMEs, particularly in developing regions or rural areas, encounter difficulties in obtaining financing, investment, and banking services from formal financial institutions. The lack of Islamic finance offerings further restricts Muslim entrepreneurs from accessing Shariah-compliant financial products, limiting their business growth and sustainability.

(iii) **Immigrants, Expatriates, and Foreign Workers**

Groups who relocate to other countries, particularly non-Muslim majority countries, for long-term residence or employment. These groups have limited access to Islamic financial services due to legal, cultural, or systemic barriers. Islamic finance options, such as Shariah-compliant remittance services, savings accounts, and investment opportunities, may be scarce or unavailable in these regions.

(iv) **Muslim Minorities in Non-Muslim Majority Countries**

In countries where Muslims are a minority, there is often little to no availability of Islamic finance services. Muslim communities in these regions face challenges in accessing Shariah-compliant products such as *halal* savings, investment opportunities, or Islamic insurance (takaful).

(v) **Geographically Remote Communities**

Populations in rural or remote areas where financial infrastructure is limited or non-existent, leaving these communities largely unserved or underserved.

(vi) **Financially Excluded Individuals**

Individuals, including those in poverty, refugees, or displaced persons, may not have access to basic financial services due to the absence of Islamic finance options, leaving them unable to access solutions such as *zakat*, *waqf*, or Shariah-compliant savings products that are designed for social welfare.

List of Relevant Guidelines and Circulars

1. Labuan Digital Banking Framework
2. Guidelines on Digital Governance Framework
3. Guidelines on the Establishment of Labuan Investment Banking Business in Labuan IBFC
4. Guidelines on Takaful and Retakaful Businesses in Labuan IBFC
5. Guidelines on Captive Insurance Business in Labuan IBFC
6. Guidelines on the Establishment of Labuan Foundation including Islamic Foundation
7. Guidelines on Corporate Governance for Labuan Banks and Labuan (Re)Insurers
8. Guidelines on Shariah Governance for Labuan Islamic Financial Institutions
9. Guidelines on Technology and Cyber Risk Management for Labuan Banking and Insurance Business
10. Guidelines on Technology Management
11. Guidelines on Fit and Proper Person Requirements
12. Guidelines on Beneficial Ownership for Labuan Legal Persons and Legal Arrangements
13. Directive on Financial Reporting Standards for Labuan Financial Institutions
14. Circular on Financial Reporting Standards for Labuan Financial Institutions
15. Directive on Accounts and Record-Keeping Requirements for Labuan Entities
16. Directive on Islamic Financial Business in Labuan IBFC
17. Guidelines on Implementation of Targeted Financial Sanctions on Terrorism Financing
18. Guidelines on Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Labuan Key Reporting Institutions (AML/CFT/CPF and TFS for Labuan KRs)
19. Guidance Note on Anti-Money Laundering and Counter Financing of Terrorism for Labuan Specified Entities
20. Guiding Principles on Business Continuity Management
21. Guidelines on Compliance Function for Labuan Licensed Entities
22. Guidelines on Market Conduct for Labuan Digital Financial Intermediaries
23. Labuan International Business and Financial Centre Sustainability Taxonomy (LiST)

Disclaimer: The above lists are not exhaustive. In the event of any amendments to the existing guidelines, the stipulations outlined in the new/updated guidelines will prevail.