

GUIDELINES ON THE MANAGEMENT OF DIGITAL MONEY BROKING PLATFORM

1.0 Introduction

- 1.1 The financial services landscape has rapidly evolved, driven by accelerating digital transformation, growing reliance on algorithmic systems and deeper global market integration. In this dynamic environment, digital money broking has increasingly become a key enabler of efficient intermediation for both conventional and virtual assets.
- 1.2 As the digital money broking operations increasingly rely on advanced technologies and real-time data, new risks have emerged which include operational disruptions, technological failures, cybersecurity threats and systemic interdependencies. These developments highlight the need for sufficiently prudent set of operational policies to be in place coupled with a robust risk management framework to ensure that Labuan money brokers remain resilient in conducting digital money broking activities.
- 1.3 The *Guidelines on the Management of Digital Money Broking Platform* (the Guidelines) aim to ensure that Labuan money brokers effect appropriate internal controls and adopt sound risk management practices that are appropriate to their business operations.

2.0 Applicability

- 2.1 The Guidelines are applicable to Labuan money brokers licensed under Part VI of Labuan Financial Services and Securities Act 2010 (LFSSA) and Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA), that operate digital money broking platforms¹, particularly those facilitating the trading and exchanging of digital currencies².

¹ This refers to a technology-enabled platform that enables the Labuan money broker to facilitate the trading or exchanging of traditional or digital currencies on behalf of its clients.

² This refers to the digital currency as defined under the *Admissibility Framework for Digital Currencies* issued by Labuan FSA.

- 2.2 The Guidelines are to be read together with the requirements under the relevant guidelines issued by Labuan FSA as set out in the **Appendix I**.

3.0 Legal Provision

- 3.1 The Guidelines are issued pursuant to Section 4A of the Labuan Financial Services Authority Act 1996 (LFSAA) for the purpose of specifying the requirements to be implemented by Labuan money brokers.
- 3.2 Any person who fails to comply with the Guidelines may be subject to enforcement actions which include an administrative penalty under Section 36G of the LFSAA and/or any other enforcement action provided under LFSAA, or other applicable laws governed by Labuan FSA.

4.0 Effective Date

- 4.1 The Guidelines shall come into effect on **1 January 2027** and would remain effective and applicable unless amended or revoked.

5.0 Operational Framework for Digital Money Broking Platform

- 5.1 In order to ensure safe and sound operation of digital money broking, Labuan money brokers are required to establish and maintain comprehensive policies and procedures to govern their digital money broking platforms (the platform). These are aimed to detect and prevent errors, omissions, fraud and other unauthorised activities and are subject to regular review.

A. Trading on Digital Money Broking Platform

- 5.2 The Labuan money broker must ensure that a trade is executed for a client only if there are sufficient funds available for trading in the client's account with the platform to cover the trade.

5.3 No financial assistance³ shall be provided by the Labuan money broker to clients for the purpose of acquiring any assets traded on the platform.

5.4 The Labuan money broker is required to implement processes that support the platform, including the ability to effectively manage surges in trading volume.

B. Order Handling

5.5 The Labuan money broker is responsible for ensuring client orders are handled by the platform in a fair, transparent and equitable manner. In this regard, the Labuan money broker is required to:

- (i) record the particulars of all client order instructions received;
- (ii) take all reasonable steps to promptly execute client orders;
- (iii) prohibit any withdrawal, delay or withholding of client orders for its own convenience or the convenience of any other person; and
- (iv) execute client orders on the best available terms when acting for or with clients.

5.6 The Labuan money broker is required to provide clients with clear and timely confirmations for each transaction, encompassing both pre-transaction and post-transaction stages as follows:

(i) Pre-Transaction Confirmation

Prior to executing any transaction, the Labuan money broker must provide confirmation to the client containing, at the minimum, the following information:

- (a) Name of the digital currency, fiat currency or money market instrument in the proposed transaction;

³ This refers to any form of credit facility or extension of credit to clients.

- (b) Amount or value of the proposed transaction;
- (c) Fees and charges to be borne by the client including applicable exchange rates; and
- (d) A warning that once executed, the transaction may not be undone.

(ii) Post Transaction Notification

Upon successful execution of a transaction, the Labuan money broker is required to promptly notify the client, providing the following details:

- (a) Name of the digital currency, fiat currency or money market instrument involved in the transaction;
- (b) Amount or value of the transaction; and
- (c) Fees and charges borne by the client, including any applicable exchange rates.

C. Digital Money Broking Platform Access and Transparency

- 5.7 The Labuan money broker is required to ensure that access to the platform is transparent with non-discriminatory procedures in place for evaluating and granting access to eligible clients.
- 5.8 The Labuan money broker would need to establish a procedure to ensure that prospective users are fully informed of all key information necessary for them to make an informed decision. This includes details on the platform's operational requirements, applicable rules, obligations and regulatory responsibilities and contact information prior to granting access to the platform.

- 5.9 The Labuan money broker must ensure that pre-trade and post-trade information is accessible during normal trading hours through a secure and user-friendly platform to promote market transparency and effective price discovery:
- (i) **Pre-Trade Information:** Provide current bid and offer prices, available assets volume, depth of trading interest and any relevant communication methods; and
 - (ii) **Post-Trade Information:** Disclose the price, trade time and volume of completed transactions as close to real-time as technically feasible.
- 5.10 A transparent and efficient mechanism for resolving platform-related disputes, including defined timelines, escalation protocols and avenues for client recourse must be maintained by the Labuan money broker.

D. Fair Dealing

- 5.11 The Labuan money broker is required to promote fair dealing, prevent market manipulation and ensure that platform activities are conducted in an orderly and transparent manner through the establishment of appropriate mechanisms and controls.

E. Record Keeping

- 5.12 The Labuan money broker must maintain detailed records of all data and transactions, including but not limited to order details, trade confirmations and user communications executed through the platform for a period of not less than six years. These records must be readily available for supervisory review upon request by Labuan FSA.

6.0 Risk Management and Digital Money Broking Platform Controls

A. Risk Management

- 6.1 The Labuan money broker is required to effectively identify, assess and monitor risks arising from its business and operations. This entails the Labuan money broker to adopt appropriate arrangements, processes and mechanisms to effectively manage risks associated with its activities, processes and systems. Such measures would need to be aligned with its risk tolerance level.
- 6.2 In managing its risk, the Labuan money broker is required to ensure continuous monitoring and assessment of the following internal controls:
- (i) The adequacy and effectiveness of risk management policies and procedures;
 - (ii) The level of compliance with the established arrangements, processes and mechanisms; and
 - (iii) The adequacy and effectiveness of remedial measures taken to address any deficiencies including non-compliance with established policies and procedures.
- 6.3 In addition, the Labuan money broker must, at a minimum:
- (i) design and maintain systems with a high level⁴ of security and operational reliability, including having adequate capacity;
 - (ii) establish operational reliability objectives and implement policies to achieve those objectives;
 - (iii) ensure adequate capacity proportionate to stress volumes to achieve its service-level objectives; and

⁴ This refers to the implementation of robust measures to protect the platform against unauthorised access, data breaches and cyber threats, including strong encryption and multi-factor authentication.

- (iv) develop and maintain a comprehensive physical and information security policy that addresses all potential vulnerabilities and threats.

B. Digital Money Broking Platform Controls

6.4 The Labuan money broker must implement robust controls to monitor and manage the operation of its platform. These controls would need to include at a minimum the following features:

(i) System Controls

The Labuan money broker must implement system controls designed to:

- (a) prevent input errors (i.e., fat finger errors) by setting limits or thresholds for order price and quantity;
- (b) detect and block suspicious client orders immediately upon identification; and
- (c) cancel any unexecuted orders on the platform including upon client's instruction.

(ii) Automated Pre-Trade Controls

The Labuan money broker must establish automated controls before executing trades to:

- (a) restrict the entry of any orders that exceed the prescribed limits for each client;
- (b) alert users to potential erroneous orders and prevent the entry of erroneous orders; and
- (c) ensure that all entered orders comply with regulatory requirements before they are processed.

(iii) Post-Trade Monitoring

The Labuan money broker must regularly conduct post-trade monitoring to:

- (a) identify any suspicious market manipulative or abusive activities. If any of such activities are detected, immediate measures must be taken to prevent such activities from recurring. In a situation where the transactions are cancelled or accounts are closed due to such activities, the Labuan money broker is required to promptly notify the client; and
- (b) detect market events or system deficiencies that may negatively affect market stability and prompt additional risk control measures where necessary.

7.0 Digital Money Broking Platform Security and System Testing

A. Digital Money Broking Platform System Security

7.1 The Labuan money broker shall implement adequate, up-to-date and appropriate security controls to establish a sound mechanism to protect its platform. The security controls, at a minimum, must cover the following features:

(i) Robust authentication and authorisation

- (a) Ensure that access to the platform is restricted to authorised persons only on a need-to-have basis;
- (b) Keep senior management informed about the identity (designation and department) of each authorised staff member, the reason for granting such access and any changes in access permissions;
- (c) Implement strong user authentication methods to uniquely identify each user;

- (d) Conduct annual review of user access rights to the platform and databases and shall revoke unnecessary users' access and privileges on timely basis (e.g., departed staff); and
- (e) Implement policies to detect and prevent unauthorised data changes, errors or misuse by staff members.

(ii) Client account security

- (a) Require two-factor authentication for client account logins;
- (b) Generate client login passwords securely during account activation and password resets;
- (c) Use automated systems to send passwords through secure and tamper-proof channels;
- (d) Enforce a mandatory password reset on first login after client account activation in cases where the password is not system-generated;
- (e) Set minimum password length and complexity (e.g. alphanumeric);
- (f) Regularly prompt clients to update long-unchanged passwords;
- (g) Prevent commonly used or compromised passwords;
- (h) Limit login attempts and enforce session timeouts after inactivity; and
- (i) Notify clients of significant account activities, such as system login, password reset, trade execution and changes to client or account-related information.

(iii) Infrastructure and network security

- (a) Monitor and evaluate security patches from software providers on a timely basis;
- (b) Deploy anti-virus, anti-malware and endpoint detection solutions on critical systems;
- (c) Implement appropriate security solutions such as Intrusion Prevention Systems (IPS), Intrusion Detection Systems (IDS) and Security Information and Event Management (SIEM) to detect unauthorised access on a real-time basis;
- (d) Prevent the installation of unauthorised software and hardware installation and ensure that only authorised storage media and devices are used for storing and transferring critical data; and
- (e) Establish physical security policies and procedures to protect critical platform components within a secure environment and to prevent unauthorised physical access to both the facilities hosting the platform and critical platform components.

(iv) Data encryption

Implement up-to-date data encryption and secure data transfer technology which may include procedures to encrypt sensitive information⁵, protect client login passwords stored on the platform and backup copies of critical data.

⁵ The sensitive information may include client login credentials (i.e., user ID and password) and trade data during transmission between internal networks and client devices.

B. Digital Money Broking Platform System Testing

- 7.2 Prior to commencing live operations or implementing system updates, the Labuan money broker must carry out comprehensive testing of the platform's system functionalities and capabilities.
- 7.3 The testing process should be governed by clearly defined development and testing methodologies to ensure the platform's effectiveness, reliability and security such as:
- (i) unit testing;
 - (ii) integration testing;
 - (iii) user acceptance testing;
 - (iv) application security testing;
 - (v) stress and regression testing; and
 - (vi) exception and negative testing.
- 7.4 The testing must be sufficient to provide the Labuan money broker with reasonable assurance that the platform, at a minimum:
- (i) facilitates ongoing compliance with all applicable legal, regulatory and operational requirements;
 - (ii) maintains effective functionality under stressed or adverse market conditions;
 - (iii) possesses adequate electronic capacity to support anticipated volumes of messaging and order flow;
 - (iv) is scalable under emergency conditions that may disrupt the orderly and proper operations of the platform; and
 - (v) integrates effective risk management controls, such as generating automatic error reports, which operate as intended.

- 7.5 The Labuan money broker must conduct periodic capacity testing of critical systems at least annually to ensure the platform's ability to process surges in trading volumes in an accurate, robust and timely manner.
- 7.6 The Labuan money broker shall retain reports on relevant system testing methodologies, parameters and test results for record and audit purposes. The reports must be made readily available to Labuan FSA upon request for supervisory and monitoring purposes.

8.0 Outsourcing of Digital Money Broking Platform's Function or System

- 8.1 Prior to outsourcing of its platform's functions or systems, the Labuan money broker is required to obtain prior approval⁶ from Labuan FSA. In this regard, the Labuan money broker must only engage a service provider that is regulated or supervised by a competent financial services regulator. Notwithstanding the outsourcing arrangement permitted, the Labuan money broker retains full responsibility for ensuring effective oversight and clearly defined accountability over all outsourced functions.
- 8.2 The Labuan money broker must ensure that any outsourcing arrangement to third party service providers or affiliates meets all its legal and regulatory obligations as well as its own internal policies as if the roles were performed in-house.
- 8.3 The Labuan money broker is required to take reasonable steps to avoid undue additional operational risk to ensure continuous and satisfactory provision of services to clients. In this regard, the Labuan money broker must ensure the service provider remains capable of delivering its services in accordance with the required standards. At a minimum, the Labuan money broker is required to:

⁶ This refers to the outsourcing arrangements required under the *Guidelines on the Establishment of Money Broking Business in Labuan IBFC*.

- (i) undertake proper due diligence on the third-party service provider's competency, system infrastructure and financial viability prior to engaging its services;
- (ii) establish a legally enforceable service level agreement that clearly specifies the obligations between the Labuan money broker and the third-party service provider, grant rights to conduct audits and inspections, require regular contingency plan testing and ensure access to all relevant documents and records for Labuan FSA's supervision;
- (iii) conduct ongoing assessments of the operational and risks associated with all outsourcing arrangements;
- (iv) ensure that contingency and business continuity plans are in place to mitigate the impact of any disruption or failure by the third-party service provider, including arrangements for the timely restoration of critical services; and
- (v) promptly report any material developments to Labuan FSA's Supervision Department.

8.4 In relation to paragraph 8.3 (i), the due diligence process expected of the Labuan money broker is provided under **Appendix II**.

9.0 Business Continuity Plan for Digital Money Broking Platform

9.1 The Labuan money broker must establish and maintain a comprehensive business continuity arrangement to safeguard the resilience and operational integrity of its platform. The ability to sustain essential functions during and after a disruptive event, including system failures, is critical to ensuring uninterrupted service and maintaining stakeholder confidence.

- 9.2 The business continuity arrangements must, at a minimum, include the following:
- (i) Clear governance structure for developing and implementing continuity arrangements;
 - (ii) A comprehensive assessment of potential scenarios affecting the platform's operation that would require specific continuity arrangements;
 - (iii) Secure and consistent backup of critical business data processed through the platform;
 - (iv) Defined procedures for transitioning to and operating the platform from a back-up site;
 - (v) Staff training programs on the operation of continuity arrangements and individuals' roles and responsibilities; and
 - (vi) An ongoing program to regularly test, evaluate and review the business continuity arrangements, including procedures for making improvements from time to time.
- 9.3 The Labuan money broker would need to ensure that the business continuity arrangement is documented in the form of a formal manual and made readily available for reference by all staff.
- 9.4 In the event of a significant system delay or failure, the Labuan money broker must take immediate action to rectify the situation and promptly inform clients about the situation. The notification should include details on how their pending orders, deposits and withdrawals will be managed.
- 9.5 The Labuan money broker is required to notify Labuan FSA's Supervision Department as addressed below, through expeditious means (e.g. email, phone call, etc.) on the occurrence of any event that leads to the activation or execution of the business continuity arrangements as soon as practicable or within 48 hours. The notification would provide the trigger and extent of the business continuity management incident.

Supervision Department
Labuan Financial Services Authority
Level 17, Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia

Telephone no: 03 8873 2000

Facsimile no: 03 8873 2209

Email: sed@labuanfsa.gov.my

- 9.6 The Labuan money broker is required to maintain the Incident Reporting Template as part of its business continuity management record keeping. As a reference, the Labuan money broker may, at a minimum, consider the contents of the template as outlined in **Appendix III**. This document may be requested by Labuan FSA as part of its supervisory monitoring.

10.0 Internal Audit Expectation for Digital Money Broking Platform

- 10.1 The Labuan money broker is required to ensure that its internal audit includes comprehensive oversight of the platform. This oversight must cover key aspects of the platform management including, but not limited to:
- (i) Risk management measures and controls;
 - (ii) System reliability and security features such as operating system updates, log-in security, data encryption protocols and real-time system health monitoring;
 - (iii) Clients' trade execution and settlement process including reconciliation of trades and clients' accounts; and
 - (iv) Outsourcing and business continuity arrangements.

10.2 The internal audit assessments on the platform operations would need to be incorporated into the Labuan money broker internal audit plan to ensure comprehensive and ongoing evaluation of the associated risks, controls and compliance measures. The intensity of the audits on the digital platform shall be determined by the Labuan money broker in accordance with its risk management policy and sound governance practices. The Labuan money broker is required to ensure that the internal audits are conducted not less than once every three (3) years.

Labuan Financial Services Authority

16 December 2025

APPENDIX I LIST OF POLICY DOCUMENTS TO BE READ TOGETHER WITH THE GUIDELINES

The Guidelines are to be read together with the following guidelines:

- (i) Guidelines on the Establishment of Money Broking Business in Labuan IBFC;
- (ii) Admissibility Framework for Digital Currencies;
- (iii) Guidelines on Market Conduct for Labuan Digital Financial Intermediaries;
- (iv) Guidelines on Technology Management;
- (v) Guidelines on Digital Governance Framework;
- (vi) 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 KRIs);
- (vii) Guidelines on Travel Rule for Labuan Digital Financial Services;
- (viii) Circular on Electronic Know-Your-Customer (e-KYC) for Digital Financial Services; and
- (ix) Directive on Accounts and Record-Keeping Requirements for Labuan Entities.

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.

APPENDIX II DUE DILIGENCE PROCESS

The Labuan money broker should ensure the due diligence process for the outsourcing arrangements is documented and includes the following:

- (i) Technological and system capacity, quality of services, financial strength and overall business reputation of the service provider;
- (ii) Adequacy of service provider's risk management and internal control capabilities;
- (iii) The location of the arrangement to be undertaken (e.g. city and country);
- (iv) Access and audit rights of the Labuan money broker to the service provider;
- (v) Measures to ensure data protection and confidentiality of all trading and client data;
- (vi) Reliance on sub-contractors, if any; and
- (vii) Any potential risks arising from similar business arrangements, if any, including concentration risks.

APPENDIX III INCIDENT REPORT TEMPLATE

Name of Labuan money broker (may include the Labuan money broker's logo)		
Incident Reporting Template		
<i>Part A: Contact Information</i>		
(i)	Name and Designation of Reporting Officer	
(ii)	Date of report	
<i>Part B: Details of Incident</i>		
(i)	Nature of incident	
(ii)	Immediate actions or responses taken	
<i>Part C: Impact Assessment</i>		
(i)	Impact to business or operations	
(ii)	Impact to stakeholders	
<i>Part D: Root Cause Analysis</i>		
(i)	Factors or gaps that have contributed to the incident	
(ii)	Actions taken or enhancement or rectification identified to prevent future incidents	