

This Exposure Draft (ED) issued by Labuan FSA to introduce a new Guidelines on the Establishment of Labuan Protected Cell Companies (PCC) for Labuan Mutual Fund and Islamic Mutual Fund (Labuan mutual funds) to strengthen the regulatory framework governing the establishment and operation of mutual funds and Islamic mutual funds structured as a Labuan protected cell company in the Labuan International Business and Financial Center (Labuan IBFC).

Labuan FSA welcomes and values feedback from industry players, professional advisers, potential applicants and other relevant stakeholders on the proposed requirements under this ED. Comments may include suggestions, recommendations or alternative proposals and should be supported by rationale, practical considerations and relevance to the Labuan PCC for Labuan mutual funds.

Feedback on the ED shall be submitted electronically to Labuan FSA using the response template by **2 November 2026** to **bpu@labuanfsa.gov.my**. Should you require any clarification on the ED, please contact the following officers:

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**GUIDELINES ON THE ESTABLISHMENT OF
LABUAN PROTECTED CELL COMPANIES
FOR LABUAN MUTUAL FUNDS AND ISLAMIC MUTUAL FUNDS**

1.0 Introduction

- 1.1 A Labuan Protected Cell Company (Labuan PCC) provides a flexible corporate structure through which multiple businesses, portfolios or investment strategies may be established within a single legal entity, while maintaining the statutory segregation of assets and liabilities attributable to each cell.
- 1.2 In the context of Labuan mutual funds, the Labuan PCC structure enables fund managers (FM) or fund administrators to establish and operate multiple fund offerings within a common corporate and governance framework, including funds with different investment strategies, asset classes and investor profiles, while preserving the distinct assets and liabilities of each cell.
- 1.3 Cellular structures are recognised and utilised in established international fund jurisdictions as a means of facilitating multi-fund and multi-strategy arrangements within a single corporate vehicle. In Labuan IBFC, the PCC structure similarly provides an opportunity to support innovative and commercially responsive fund structures, while maintaining appropriate governance, transparency, risk segregation and investor protection.
- 1.4 The Guidelines provides clarity on the establishment, structure and operation of a mutual fund and an Islamic mutual fund structured as a Labuan PCC. For the purpose of the Guidelines, a Labuan mutual fund and a Labuan Islamic mutual fund shall be collectively referred to as a “Labuan mutual funds”, unless otherwise specified.

2.0 Applicability

- 2.1 The Guidelines is applicable to a Labuan company incorporated or converted as a Labuan PCC under Part VIIIB of the Labuan Companies Act 1990 (LCA) to conduct the following activities:
- (i) business as a mutual fund as defined under Part III of the Labuan Financial Services and Securities Act 2010 (LFSSA); and
 - (ii) business as an Islamic mutual fund as defined under Part IV of the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA).

3.0 Legal Provision

- 3.1 The Guidelines is issued pursuant to Section 4A of the Labuan Financial Services Authority Act 1996 (LFSA) to clarify the provisions of Part III of LFSSA and Part IV of LIFSSA.
- 3.2 A Labuan PCC and its cell(s) undertaking the business as Labuan mutual funds shall comply with the applicable requirements under the LFSSA or LIFSSA, as the case may be, and the *Guidelines on the Establishment of Labuan Mutual Funds including Islamic Mutual Funds* issued by Labuan FSA.
- 3.3 Any person who fails to comply with the Guidelines may be subject to an administrative penalty and/or other enforcement action under sections 36B and 36G of the LFSA.

4.0 Effective Date

- 4.1 The Guidelines shall come into effect immediately and will remain effective and applicable unless amended or revoked. The Guidelines would supersede the *Guidelines for the Establishment of Labuan Protected Cell Companies* dated 20 June 2025.
- 4.2 All approvals granted by Labuan FSA relating to Labuan PCC before the effective date of this Guidelines shall remain valid unless revoked and are subjected to the new requirements of this Guidelines upon its effective date.

5.0 Structure of a Labuan PCC

5.1 General Structure and Name

- (i) A Labuan PCC shall be a single legal person and may establish one or more cells for the purpose of segregating and protecting cell assets.
- (ii) The creation of a cell by a Labuan PCC does not create a legal person separate from the Labuan PCC.
- (iii) The name of a Labuan PCC shall include the expressions “Protected Cell Company” or “PCC” and in accordance with section 21 of LCA.
- (iv) Each cell of a Labuan PCC shall have its own distinct name or designation.

5.2 Cell and General Assets

- (i) The assets of a Labuan PCC shall be either:
 - (a) cell assets which comprise the assets the Labuan PCC held within or on behalf of the protected cells; or
 - (b) general assets which comprise the assets of the Labuan PCC which are not cell assets.
- (ii) Labuan PCC shall:
 - (a) maintain separate records for each of its cell;
 - (b) keep the cell assets held for each cell separate from cell assets held for other cells and from general assets; and
 - (c) arrange proper protection of cell assets, both as between cells and in respect of general assets by way of segregation, firewalls and clear identification.

5.3 Cell Shares and Cell Share Capital

- (i) A Labuan PCC may create and issue cell shares and the cell capital which shall be referenced to the cell assets attributable to the cell in respect of which the shares were issued in accordance with subsection 130T of LCA.
- (ii) A Labuan PCC may pay cell dividend in respect of cell shares by reference only to the cell assets and liabilities attributable to the issued cell shares.
- (iii) The proceeds from issuance of shares other than cell shares created and issued by a Labuan PCC shall be comprised in the general assets.

5.4 Rights of Creditors and Liabilities

- (i) The rights of creditors are only limited to the assets of the cell incurring the liability and would not be able to attach their rights to the other cells or general assets of the Labuan PCC.
- (ii) The assets allocated to the cell are only liable to satisfy liabilities incurred by cell and thus should not be attached by liabilities of the other cell.
- (iii) Where a liability is not attributable to a particular cell of the Labuan PCC, it shall be satisfied solely from the general assets.
- (iv) In the case of receivership and winding up of Labuan PCC or any of its cells, the approved liquidator shall be bound to deal with the general

assets of the Labuan PCC or the cell assets of each individual cell of the Labuan PCC respectively, in accordance with the requirements set out under paragraph 130ZB of LCA.

5.5 Transfer of Cell Assets and Consolidation of Cells

- (i) A Labuan PCC may with prior written approval of Labuan FSA:
 - (a) transfer a cell asset attributable to a cell to another cell of the Labuan PCC; or
 - (b) amalgamate or consolidate a cell with, or into, one or more other cells of the Labuan PCC.
- (ii) In addition, Labuan PCC may transfer cell assets attributable to any cell of the Labuan PCC to other person whether resident or incorporated, and whether or not a Labuan PCC if it is authorized by a special resolution of the shareholders made on the recommendation of a director's resolution with prior written approval of Labuan FSA as provided under paragraph 130ZA of the LCA.
- (iii) No prior approval of Labuan FSA is required to the transfer of cell assets attributable to any cell of a Labuan PCC in the ordinary course of business of the Labuan PCC through payments, investments or otherwise as provided under paragraph 130ZA(6) of the LCA.

5.6 Disclosure Requirement

- (i) Labuan PCC must inform through written communication to any person that enters into business transactions with Labuan PCC that:
 - (a) they are dealing with a Labuan PCC;
 - (b) the particular cell that the person is entering into transaction is identified and specified unless that the transaction is not in respect of a particular cell; and
 - (c) only the assets of that particular cell are available to meet the cell's obligations and liabilities.
- (ii) All risks associated with the fund must be clearly disclosed to the investors.
- (iii) The Labuan PCC shall include, as part of its main promotional document to investors, an appropriate disclosure in the following form, or contain wording of similar effect:
"ABC PCC Limited ("name of the Labuan PCC") is established as a protected cell company, under Part VIIIB of the Labuan Companies Act 1990 (LCA). This means that under Labuan laws, and provided the

conditions of the LCA have been complied with, the assets attributable to each cell of the Company will only be available to creditors of that cell. Prospective investors should bear in mind that the segregation of assets and liabilities as provided for in this manner, whilst recognised and protected under the Labuan laws, may not be recognised in certain other jurisdictions in which the company's assets may be located.”

6.0 Labuan Mutual Funds Business under a Labuan PCC

- 6.1 A Labuan PCC may establish and operate one or more cell(s) as a “multi-cell platform”, within the same PCC, to conduct the business of Labuan mutual funds. The cell may accommodate different investment objectives, strategies, investor profiles, asset classes or other investment features.
- 6.2 Each cell may be established to undertake:
- (i) A Labuan private fund and Labuan Islamic private fund which requires notification to Labuan FSA prior its launching and lodge an information memorandum; and/or
 - (ii) A Labuan public fund and Labuan Islamic public fund which requires prior approval from Labuan FSA.
- 6.3 A Labuan PCC shall ensure that each cell is managed and administered by appropriate approved service providers¹ in accordance with the requirements applicable to the Labuan mutual fund. Duties of the service providers such as FM, custodian, and trustee shall be independent from each other.
- 6.4 A Labuan PCC may appoint common service providers across multiple cells or different service providers for individual cells, where appropriate, provided that the arrangements do not compromise the proper governance, administration and segregation of the respective cells.
- 6.5 A Labuan FM may establish a separate legal entity as a Labuan PCC and provide fund management services in respect of the Labuan mutual funds established within the cells of the PCC. This can be referred in the Diagram 1.

¹ Approved service providers include FM, promoter, custodian, trustee, administrator or other service provider.

7.0 Operational Requirements

- 7.1 Labuan PCC undertaking a Labuan mutual fund shall have sufficient capital or working funds to commensurate or in accordance with its operations and activities.
- 7.2 Labuan PCC and its cell(s) shall observe all statutory requirements under any relevant laws, policies and/or guidelines issued by Labuan FSA or the jurisdictions in which it has operations relating to corporate governance, market conduct, investor protection and other relevant applicable prudential standards as a minimum requirement and commensurate to the nature and complexity of its operations from time to time.
- 7.3 Labuan PCC shall appoint a Labuan approved auditor² to carry out an annual audit of its accounts in respect of the business operations in accordance with LCA, LFSSA and LIFSSA, where applicable.
- 7.4 Labuan PCC shall ensure compliance with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001, the 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), and the Guidance Note on Anti-Money Laundering and Counter Financing of Terrorism for Labuan Specific Entities, including any AML/CFT policy documents applicable to Labuan PCC.
- 7.5 Labuan PCC shall obtain prior approval from Labuan FSA for establishment of a branch or an office in any part of Malaysia outside Labuan.
- 7.6 A Labuan PCC undertaking Shariah compliant activities shall ensure compliance with Shariah principles in accordance with the Directive on Islamic Financial Business in Labuan IBFC at all times.
- 7.7 A Labuan PCC must comply with applicable laws, rules and regulations relevant to the Labuan mutual fund business, including relevant guidelines issued by Labuan FSA, regulatory requirements of the jurisdictions where the Labuan PCC is authorised to operate in as well as the Malaysian Foreign Exchange Administration rules, where applicable, at all times. In this regard, the Labuan PCC is expected to obtain the necessary approvals from the authorities in the markets it intends to operate in including promotional activities prior to commencing its business in those respective markets and

² Refer to the list of approved auditors by Labuan FSA.

shall provide a copy of the said approval to Labuan FSA, where relevant.

8.0 Roles and Responsibility of Core Labuan PCC

8.1 The Board and Senior Management of core Labuan PCC is required to:

- (i) be responsible to ensure compliance with the regulatory and corporate governance requirements at all times;
- (ii) keep the funds for cell assets separately from the general assets;
- (iii) keep the cell assets and liabilities attributable to each cell separate from other cells; and
- (iv) provide and maintain sufficient capital or working funds to commensurate or in accordance with its operations and activities.

8.2 To establish a cell, a Labuan PCC must:

- (i) have set of proper internal policies and procedures with regard to criteria included but not limited to requirements under paragraph 5.0, 6.0 and 7.0 above; and
- (ii) conduct due diligence on the cell's establishment.

9.0 Reporting Requirement

9.1 A Labuan PCC shall, within six (6) months after the close of each financial year, submit to Labuan FSA either:

- (i) consolidated audited financial statements of the Labuan PCC incorporating the core and its cell(s), provided that the financial position and financial performance attributable to each cell are separately identifiable. Where this option is adopted, separate management accounts must be maintained for each cell and made available for inspection or examination by Labuan FSA; or
- (ii) separate audited financial statements in respect of the core and each cell of the Labuan PCC.

9.2 Notwithstanding the above, for Labuan PCC undertaking mutual funds or Islamic mutual funds activities, a copy of the cell's financial statements should also be extended to each of the investor of the respective cell.

- 9.3 Labuan PCC shall submit other statistics and information as may be required by Labuan FSA from time to time.

10.0 Annual Fee

- 10.1 The annual fee payable is as specified under the *Labuan Financial Services and Securities (Amendment) Regulations 2026*, or such amended or revised regulations as may be prescribed or advised by Labuan FSA from time to time.
- 10.2 The subsequent payment of annual licence fee is payable by 15 January of each year.

11.0 Application Requirements

- 11.1 For a Labuan PCC conducting Labuan public fund or Labuan Islamic public fund business, an application shall be submitted to Labuan FSA for approval using the following duly completed application forms, together with the relevant supporting documents as stipulated in the forms which are downloadable at www.labuanfsa.gov.my under the category of “licence application form”.
- (i) *Form PCCMF_Establishment of the Protected Cell Company Undertaking Labuan Mutual Fund*; and
 - (ii) *Form LSCM_Labuan Securities Licensee and Capital Market Business*.
- 11.2 For a Labuan PCC conducting Labuan private fund or Labuan Islamic private fund business, the following requirements shall apply:
- (i) *Form PCCMF_Establishment of the Protected Cell Company Undertaking Labuan Mutual Fund* to Labuan FSA for approval;
 - (ii) For the establishment of a cell(s) of a Labuan private fund or Islamic private fund, only notification to Labuan FSA is required; and
 - (iii) If the cell(s) is managed by the same FM and/or fund administrator, only notification to Labuan FSA is required. Where a different FM and/or fund administrator is appointed for a particular cell, the establishment of such cell shall be subject to the prior approval of Labuan FSA.
- 11.3 The application above shall be accompanied by the applicable processing fee as prescribed under the *Labuan Financial Services Authority (Processing And Approval Fees) (Labuan Financial Institutions) (Amendment) Order 2026 and Labuan Financial Services and Securities (Amendment) Regulations 2026 (Fees)*, where applicable, or amended or revised regulation as may be

prescribed or advised by Labuan FSA from time to time.

- 11.4 Additionally, applicants must submit a soft copy in Portable Document Format (PDF) of the completed application form and supporting documents together with the official receipt issued by Labuan FSA on the payment of processing fee.
- 11.5 Labuan FSA may require from the applicant other information or documents for the purpose of determining the merits of the application.

12.0 Submission of Application and Enquiries

- 12.1 The application and notification shall be addressed to:

Director General
Labuan Financial Services Authority
17th Floor, Main Office Tower
Financial Park Complex, Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia.
(Attention to: Head of Authorisation and Licensing Unit)

- 12.2 Any enquiries or clarification may be directed at the following contact details:
- Telephone no. : 03-8873 2000
- E-mail : (i) bpu@labuanfsa.gov.my (Guidelines)
(ii) bplicensing@labuanfsa.gov.my (Application)
(iii) licensing@labuanfsa.gov.my (Notification & general enquiry including fees)

Labuan Financial Services Authority

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List of Relevant Guidelines, Circulars and Directives

The following are the list of Guidelines/Circulars/Directives that are applicable to Labuan Protected Cell Companies for Labuan Mutual Funds and Islamic Mutual Funds:

1. Guidelines on the Establishment of Labuan Mutual Funds including Islamic Mutual Funds
2. Clarification Note for Guidelines on the Establishment of Labuan Mutual Funds including Islamic Mutual Funds
3. Guidelines on the Establishment of Labuan Fund Managers
4. Directive on Accounts and Record-Keeping Requirement for Labuan Entities
5. Directive on Financial Reporting Standards for Labuan Financial Institutions
6. Guidelines on Fit and Proper Person Requirements
7. Guidelines on Compliance Function for Labuan Financial Institutions
8. Guidelines on Digital Governance Framework
9. Guiding Principles on Business Continuity Management
10. Circular on Submission of Audited Financial Statements by Labuan Entities
11. Circular on Submission of Regulatory Applications and Reports via Supervisory Intelligence System (SIS) Platform
12. Circular on Payment of Fees and Other Chargeable Activities in USD Denomination
13. Circular on Beneficial Ownership of Labuan Companies
14. Circular on Reminder on Accuracy and Timely Submission of Statistical Returns

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.

Diagram 1: Labuan FM establishes a separate legal entity as a Labuan PCC and provide fund management services in respect of the Labuan mutual funds established within the cells of the PCC, subject to the prior approval of Labuan FSA.

