

1. Labuan FSA is enhancing the Guidelines on the Establishment of Labuan International Commodity Trading Company under the Global Incentives for Trading Programme (GIFT) to establish a clear and structured regulatory framework for entities undertaking GIFT activities in Labuan IBFC.
2. This exposure draft sets out Labuan FSA's proposed list of specified commodities and related derivatives, regulatory requirements on the application, operational and other requirements in Labuan IBFC. It aims to enhance regulatory clarity and facilitate effective implementation of the framework.
3. In this regard, Labuan FSA welcomes and values feedback on the requirements of the exposure draft. The comments or input may encompass suggestions, recommendations and alternatives, which should be supported with clear rationale, practicality and relevance for Labuan FSA's consideration. Feedback shall be submitted electronically to Labuan FSA using the response template by **30 October 2026** to bpu@labuanfsa.gov.my.
4. Should you require any clarification on the exposure draft, please contact the following officers:
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**GUIDELINES ON THE ESTABLISHMENT OF
LABUAN INTERNATIONAL TRADING COMPANIES
UNDER THE GLOBAL INCENTIVES FOR TRADING (GIFT) PROGRAMME**

1.0 Introduction

- 1.1 The Global Incentives for Trading (GIFT) programme was established to encourage companies to use Malaysia as an international trading base for specified types of commodities to be conducted in, from or through Labuan. The programme supports the positioning of Labuan International Business and Financial Centre (Labuan IBFC) as a platform for international commodity trading activities.
- 1.2 Under the GIFT programme, a Labuan International Commodity Trading Company (LITC) may undertake the trading of specified physical products and related derivatives, including petroleum and petroleum-related products including liquefied natural gas, minerals, agriculture products, refined raw materials, chemicals, base minerals and coal.
- 1.3 In view of market developments and evolving commodity trading dynamics, the LITC framework is being enhanced to provide clearer interpretation of qualifying commodities, introduce Environmental Commodities as a new qualifying commodity, differentiate the qualifying revenue thresholds for agriculture and non-agriculture LITCs and encourage greater support for the Labuan banking ecosystem in relation to external funding arrangements.
- 1.4 The Guidelines aim to provide clarity on the scope of business, application procedures, licensing and operational requirements for Labuan companies intending to undertake international commodity trading business as LITCs under the GIFT programme in Labuan IBFC.

Question 1

With reference to Paragraph 1.3, do you agree that Environmental Commodities should be limited to intangible environmental commodities? Please provide your views and the rationale for your position, including whether there are any tangible environmental commodities that may also warrant consideration under the proposed framework and, if so, examples of such commodities.

2.0 Applicability

- 2.1 The Guidelines is applicable to all Labuan companies licensed as LITC under Section 86 of the Labuan Financial Services and Securities Act 2010 (LFSSA) to conduct international commodity trading business in Labuan IBFC.

3.0 Legal Provision

- 3.1 The Guidelines is issued pursuant to Section 4A of the Labuan Financial Services Authority Act 1996 (LFSAA) to clarify the provisions of Section 92 LFSSA pertaining to the licensing and operational requirements of LITC.
- 3.2 Any person who fails to comply with the Guidelines may be imposed with an administrative penalty under Section 36G and 36B of the LFSAA and/or other enforcement actions provided under the LFSAA
- 3.3 The Guidelines should be read together with the requirements of the relevant Guidelines and Circulars including those listed under **Appendix I**.

4.0 Effective Date

- 4.1 The Guidelines shall come into effect immediately, except for the requirement under paragraph 6.10 (d) which shall take effect from **1 January 2027**. These will remain effective and applicable unless amended or revoked.
- 4.2 Upon the issuance of the above Guidelines, the previous Guidelines on the Establishment of Labuan International Commodity Trading Company under the Global Incentives for Trading Programme shall be repealed.

5.0 Global Incentives for Trading Programme

- 5.1 The GIFT programme is a framework of incentives for traders that are undertaking the trading of the physical products and related derivatives outlined in paragraph 5.3 by using Malaysia as their international trading base to undertake international commodity trading business via Labuan IBFC.
- 5.2 Any person intending to establish a Labuan entity to undertake such international commodity trading business shall apply for LITC licence under GIFT Programme from Labuan FSA.
- 5.3 The specified trading of physical products and related derivatives instruments in relation to:

- (a) petroleum and petroleum-related products including liquefied natural gas;
- (b) minerals;
- (c) agriculture products;
- (d) refined raw materials;
- (e) chemicals;
- (f) based minerals;
- (g) coal; and
- (h) such other commodities, including environmental commodities as may be prescribed or approved by Labuan FSA from time to time.

5.4 The clarification and interpretation of the specified commodities under paragraph 5.3 are set out in **Appendix II**.

Question 2

- (i) Do you have any comments on the proposed list of specified commodities and related derivatives under paragraph **5.3**, including the proposed new paragraph **5.3 (h)** on such other commodities, including environmental commodities, as may be prescribed or approved by Labuan FSA from time to time?
- (ii) Please also indicate whether the clarification and interpretation of the specified commodities in **Appendix II** are sufficiently clear, appropriate and consistent with existing regulatory and market practices. If yes, please provide your recommendation and justification.
- (iii) In addition, please provide your views on the potential market demand, commercial feasibility and expected industry participation for the proposed new commodity category, including environmental commodities.

6.0 Operational Requirements

6.1 In setting Malaysia as its trading base, the LITC is expected to have the following functions (but not limited to) in Malaysia:

- (a) Strategic management;
- (b) Banking, finance and treasury management;

- (c) Risk management;
 - (d) Market research and product portfolio development;
 - (e) Logistics management;
 - (f) Compliance function;
 - (g) Global procurement; or
 - (h) Marketing and sales planning.
- 6.2 Have and maintain sufficient capital or working funds that commensurate with its operations and activities.
- 6.3 Indicate clearly on its letterhead, stationery and other documents including signage containing its name that is licensed as a “Labuan International Commodity Trading Company licensed by Labuan FSA”, together with its license number.
- 6.4 Establish and maintain its operational office, which can be anywhere in Malaysia. The following details must be identified and provided to Labuan FSA prior to commencement of business:
- (a) Principal Officer
Name, designation and contact details such as telephone number and e-mail address of the officer that is in charge of the LITC.
 - (b) Operational Office and Organisation Structure
To provide address and organisational structure (indicating its existing and proposed staff) to be stationed at its operational office.
- 6.5 Establish an adequate set of internal policies and controls for its operation, proper corporate governance, risk management and compliance frameworks in place. These need to be regularly reviewed to ensure that they remain appropriate, relevant and prudent.
- 6.6 Ensure that the Principal Officer, Director(s) and Officer(s) are responsible for the management of the company and always remain fit and proper person pursuant to Section 4 of LFSSA and the *Guidelines on Fit and Proper Person Requirements* issued by Labuan FSA.
- 6.7 Maintain a separate set of accounts for any business carried out by LITC other than the business specified under paragraph 5.0.
- 6.8 Obtain prior approval from Labuan FSA on the following matters:

- (i) Change of ten per centum (10%) or more of the shareholding¹;
- (ii) Change of business plan;
- (iii) Change of its director and principal officer;
- (iv) Change of name.

6.9 Notify Labuan FSA within seven (7) working days pertaining to the following matters:

- (i) Change of place of business or office in or outside of Labuan;
- (ii) Change of its financial year end²; and
- (iii) Resignation of directors or principal officer.

6.10 Comply with the following conditions after commencement of business:

- (a) Meet the minimum annual turnover threshold as follows:

No	Type of Commodity	Minimum Annual Turnover Threshold
i)	Non-Agriculture and Petroleum and Petroleum related	USD 50 million
ii)	Agriculture products	USD 10 million
iii)	Environmental Commodity	USD 1 million

- (b) Incur minimum annual business spending in Malaysia as follows;

No	Type of Commodity	Minimum Annual Business Spending in Malaysia
i)	Non-Agriculture and Petroleum and Petroleum related	RM 3 million
ii)	Agriculture products	RM 3 million
iii)	Environmental Commodity	RM500,000

- (c) Employ at least two (2) professional traders, one of which can be the Principal Officer of the LITC and fulfill the following requirements:

- (i) The Principal Officer who would be principally accountable for:
 - (a) making decisions that affect the whole, or a substantial part of the LITC business;

¹ For branch set-ups, only notification to Labuan FSA is required for the change of shareholding structure and appointment of its board of directors

² Notification shall be made via Supervisory Intelligence System

- (b) implementing and enforcing policies and strategies approved by the LITC's Board of Directors; and
 - (c) internal controls and processes of the LITC.
- (ii) These professional traders shall be involved in any one of the following areas:
 - (a) Trading;
 - (b) Risk management;
 - (c) Procurement; or
 - (d) Sales & Marketing
- (d) Obtain not less than five (5) percent of the total external funding utilised for qualifying commodity trading activities from a Labuan or Malaysia banking institution, provided that such funding is available on commercially reasonable and competitive terms.
- (e) Comply with applicable laws, rules and regulations relevant to the LITC business, including relevant guidelines issued by Labuan FSA, regulatory requirements of the jurisdictions where the LITC is authorized to operate in as well as the Malaysian Foreign Exchange Administration rules, where applicable, at all times. In this regard, the LITC is expected to obtain the necessary approvals from the authorities in the markets it intends to operate, including promotional activities prior to commencing its business in those respective markets and shall provide a copy of the said approval to Labuan FSA, where relevant.

Question 3

- (i) In relation to the proposed new inclusions under paragraphs **6.10 (a)**, **6.10 (b)** and **6.10 (d)**, please provide your views, comments or recommendations.
- (ii) Specifically for paragraphs **6.10 (a)**, from an industry's perspective, are there any other practical and measurable criteria, apart from the minimum annual turnover threshold, that may be considered to assess the nature, level and scale of LITC's business activity? Please provide your views, comments or recommendations.
- (iii) Do you agree with the imposition of another tier of financial requirements, as follow:
 - Tier 1: Minimum annual turnover and spending requirements as specified in paragraph 6.10(a); and
 - Tier 2: Minimum statutory capital requirement of RM1 million, where the LITC is unable to meet the Tier 1 turnover and spending requirements.

The proposed Tier 2 requirement is intended to provide an additional capital buffer to support the financial resilience of LITCs that are unable to meet the Tier 1 requirements. Please provide your views on this.

7.0 Reporting Requirement

7.1 The LITC are required to submit to Labuan FSA the following:

- (i) audited financial statements via Supervisory Intelligent System (SIS) within six months after the closure of each financial year; and
- (ii) statistics and information as Labuan FSA may require from time to time.

8.0 Annual Licence Fee

8.1 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 the Authority from time to time.

8.2 The subsequent payment of annual licence fee is payable by 15 January of each year.

9.0 Application Requirements

9.1 Submit a duly completed application form with the relevant supporting documents as stipulated in the *Form LFB – Application for Licence to Carry on Labuan International Commodity Trading Business*, downloadable at www.labuanfsa.gov.my under the category of “licence application form”.

9.2 The application must 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* or such amended or revised regulation as may be prescribed or advised by Labuan FSA from time to time.

9.3 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.

9.4 Labuan FSA may require from the applicant such other information or documents for the purpose of determining the merits of the application.

10.0 Submission of Application and Enquiries

10.1 The application for approval and notification can be submitted 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)

10.2 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

XX XX 2026
17 April 2020 (*updated*)
8 March 2018 (*Revised*)
6 September and 27 December 2016 (*Updated*)
1 January and 26 June 2013 (*Revisions*)
31 October 2011 (*Initial issuance*)

List of Relevant Guidelines, Circulars and Directives

The following are the list of Guidelines/Circulars/Directives that are applicable to LITC:

1. Guidelines on Fit and Proper Person Requirements
2. Directive on Financial Reporting Standards for Labuan Financial Institutions
3. Circular on Financial Reporting Standards for Labuan Financial Institutions
4. Directive on Accounts and Record-Keeping Requirement for Labuan Entities
5. Labuan International Business and Financial Centre Sustainability Taxonomy (LiST)
6. Circular on Submission of Regulatory Applications and Reports via Supervisory Intelligence System (SIS) Platform

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.

LITC Commodity and Interpretation

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
Petroleum and petroleum-related products including liquefied natural gas	Any petroleum and petroleum-related products, including: (a) petroleum in its natural condition, including mineral oil, relative hydrocarbon, natural gas, casinghead petroleum spirit, bituminous shales and other stratified deposits from which oil can be extracted; (b) any petroleum-related product derived from the extraction, separation, processing, refining, liquefaction or other treatment of petroleum, crude oil, condensate, natural gas or other hydrocarbon substances; or (c) liquefied natural gas and any other gaseous, liquid or solid petroleum-derived product. but excluding chemically defined substances, formulated chemical preparations, polymers, resins, plastics or other products more appropriately classified as chemicals.	Examples may include Crude oil, condensate, natural gas, liquefied natural gas, liquefied petroleum gas, naphtha, petrol/gasoline, diesel/gasoil, jet fuel, kerosene, fuel oil, bitumen, petroleum coke and other petroleum-derived fuel or feedstock products.
Minerals	Any naturally occurring non-petroleum, non-coal mineral commodity customarily traded in commerce, including: (a) any mineral substance occurring naturally, or as a result of mining on,	Examples may include barite, fluorspar, gypsum, kaolin and other clays, feldspar, salt, phosphate rock, talc, silica sands and quartz sands, mica, borates, vermiculite,

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	in or under the earth, sea or seabed, and formed by or subject to a geological process; (b) any mineral ore or mineral substance of economic interest from which valuable constituents may profitably be recovered by treatment, including ores, concentrates and other primary or beneficiated forms customarily traded as mineral commodities, other than those falling within base minerals as a separate category; or (c) any other mineral commodity customarily traded in physical or related commercial form, but excluding petroleum and petroleum-related products, natural gas, coal, base minerals, chemicals, refined raw materials, environmental commodities and fully manufactured end-products.	perlite, natural graphite, and precious metal ores and concentrates.
Base Minerals	Any common non-precious industrial metal or metal-bearing mineral commodity customarily traded in commerce, including: (a) any metal-bearing mineral, ore or concentrate of a common industrial metal, whether ferrous or non-ferrous, including iron, manganese, copper, nickel, cobalt, aluminium, lead, zinc, tin, chromium, tungsten, molybdenum, titanium, zirconium, antimony, vanadium and other	Examples may include iron ores and concentrates, manganese ores and concentrates, copper ores and concentrates, nickel ores and concentrates, cobalt ores and concentrates, aluminium ores and concentrates including bauxite, lead ores and concentrates, zinc ores and concentrates, tin ores and concentrates,

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	comparable base-metal commodities; (b) any primary or intermediate metal-bearing product customarily traded for further metallurgical treatment, including concentrates, mattes, slags, tailings, residues or similar forms of value containing such metals; or (c) any other non-precious industrial metal commodity customarily traded in physical or related commercial form, but excluding precious metals and stones, petroleum and petroleum-related products, natural gas, coal, chemicals, refined raw materials, environmental commodities and fully manufactured end-products.	chromium ores and concentrates, tungsten ores and concentrates, molybdenum ores and concentrates, titanium ores and concentrates, zirconium-bearing ores and concentrates, and comparable mattes, slags, tailings, or residues traded for further metal recovery.
Agriculture products	Any agricultural, plantation, forestry, livestock or other land-based bio-derived commodity customarily traded in commerce, including: (a) any crop, horticultural produce, animal product or other produce of economic interest derived from agriculture, plantation, forestry or related land-based biological activity, whether raw, harvested, or processed into primary commodity form; (b) any bulk or intermediate commodity or raw material customarily traded in	Examples may include Wheat, corn, soybeans, soybean meal, soybean oil, crude palm oil, natural rubber, raw cotton, cocoa beans, coffee beans, raw sugar, pepper, live cattle, feeder cattle, lean hogs, skim milk powder, hides and skins, and, where intended to fall within this Agri commodity bucket, primary timber commodities such as logs or other standardised wood raw materials

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	physical or related commercial markets, including grains, oilseeds, fibres, vegetable oils, sugar, cocoa, coffee, feed products, hides and skins, and other primary bio-based raw materials customarily traded in commerce; or (c) any livestock, dairy or other standardised land-based commodity customarily traded in physical or related commercial form, but excluding fisheries and seafood, chemicals, refined raw materials, environmental commodities and fully manufactured food products.	
Refined Raw Materials	Any primary extracted, harvested, or otherwise produced commodity that has undergone refining, purification, smelting, bleaching, deodorising, pulping, calcining, leaching, sorting, processing or comparable processing so as to become a standardised intermediate input for further manufacturing or recovery, where such commodity is not more appropriately classified under petroleum and petroleum-related products, minerals, base minerals, agriculture products, chemicals, coal or environmental commodities, including: (a) refined or semi-refined agricultural, forestry or other bio-based materials customarily traded as industrial inputs, including pulp and	Examples may include Refined, Bleached and Deodorized (RBD) palm oil, RBD palm olein, RBD palm kernel oil, wood pulp, metallurgical-grade alumina, higher-purity copper products, refined lead, refined zinc, refined tin, and similar standardised intermediate materials traded for downstream manufacturing use.

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	comparable bio-based immediate inputs; (b) refined, smelted, purified, or otherwise processed mineral- or metal-derived materials customarily traded in unwrought, ingot, cathode, oxide, or comparable intermediate form; (c) sorted, processed or standardised end-of-life plastic traded as recycling or recovery feedstock; or (d) other standardised intermediate materials customarily used directly as raw-material inputs in downstream manufacturing, but excluding crude or unbeneficiated commodities, separately classified petroleum and petroleum-related products, coal, chemicals, environmental commodities and fully manufactured final goods.	
Chemicals	Any chemically defined substance, compound, or formulated chemical preparation customarily manufactured, formulated, or traded for industrial or commercial use, including: (a) organic and inorganic chemical substances in pure, technical-grade, or commercially pure form; (b) formulated chemical mixtures or preparations customarily traded for	Examples may include Ethylene, propylene, methanol, ammonia, urea, ammonium phosphate, polyethylene in primary forms, polypropylene in primary forms, caustic soda, chlorine, polymeric methylene diphenyl diisocyanate (PMDI), slab stock polyol, fatty acids,

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	industrial, agricultural, or manufacturing use, including fertilisers, pigments, solvents, surfactants, resins, coatings, and comparable preparations; or (c) polymers, resins, and plastics in primary forms customarily traded as industrial inputs, but excluding crude petroleum, petroleum-derived fuel or feedstock products whose commercial identity remains petroleum-based, crude or merely physically refined raw materials more appropriately classified as refined raw materials, coal, environmental commodities and finished consumer products whose commercial identity is determined more by final presentation than by chemical composition.	glycerin / glycerol, and methyl esters.
Coal	Any solid, combustible organic sedimentary rock or manufactured solid fuel derived from such rock, traded in bulk for energy generation or metallurgical processes, including: (a) any natural rank of coal, including anthracite, bituminous coal, sub-bituminous coal, and lignite; (b) any coal-derived solid fuel or manufactured solid carbon fuel obtained from coal, including coke, semi-coke, and coal briquettes; or	Examples may include Anthracite, bituminous coal, sub-bituminous coal, lignite, thermal coal, coking coal, coke, semi-coke, and coal briquettes.

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	(c) any other solid coal product customarily traded in bulk physical or related commercial form, but excluding liquid or gaseous hydrocarbons more appropriately classified as petroleum and petroleum-related products, petroleum coke more appropriately classified as petroleum and petroleum-related products, inorganic metalliferous ores more appropriately classified as base minerals, chemicals, refined raw materials and environmental commodities	
Environmental Commodities (New)	Environmental commodity means any tradeable intangible environmental instrument, credit, certificate, allowance, unit, asset or similar entitlement, whether voluntary or compliance-based, that represents or evidences: (a) a verified, recognised or registrable greenhouse gas emission reduction, avoidance, removal, offset, mitigation outcome, carbon credit, carbon unit or emission allowance; (b) a verifiable environmental attribute associated with the generation, delivery, purchase, consumption or use of energy, including renewable energy, low-carbon energy or other comparable environmental attribute; or	Examples may include Voluntary carbon market (VCM) credits, verified carbon credits, carbon offsets, recognised emission reduction units, Article 6 mitigation outcomes where applicable, compliance-based carbon allowances, renewable energy certificates (RECs), environmental attribute certificates (EACs), international renewable energy certificates, tokenised carbon assets backed by recognised registry-based instruments, and other recognised tradeable environmental attribute instruments.

Category	Interpretation	Examples of commodities (The lists are not exhaustive)
	(c) any other tradeable environmental attribute, certificate, unit, credit or entitlement recognised or customarily traded in voluntary, compliance or organised environmental markets, but excluding the underlying physical commodity, electricity, fuel, project activity, advisory service, technology service, derivative contract, security, digital payment token or other financial instrument, unless expressly approved by Labuan FSA as an eligible environmental commodity for LITC purposes.	