

Engagement Session with Labuan Sectors 2021

(1) Sectoral Risk Assessment 2020

(2) Labuan IBFC Risk Assessment 2020

9 December 2021

Sectoral Risk Assessment 2020

SECTORAL RISK RATING FOR FIs AND DNFBPs

Legend:

High net risk Medium-high net risk

Medium net risk

Low net risk

▼ 7 Lower ML net risk since 2017

1 ML Net Risk (Post-Qualitative Assessment)

Control Measures	Weak	Insurance Intermediaries			
	Marginal	Banking Intermediaries Labuan Money Brokers ▼ Leasing Factoring Labuan CMIs ▼ Labuan Factoring ▼	DPI Issuers		
	Acceptable	Pawnbrokers Labuan Banks ▼ Labuan Insurance ▼	NBFIs Insurance/Takaful Money Lenders Labuan Trust Company ▼	MSBs CMIs	Banks
	Strong				
		Low	Medium	Medium High	High

2 TF Net Risk (Post-Qualitative Assessment)

Control Measures	Weak	Insurance Intermediaries			
	Marginal	Banking Intermediaries Leasing Factoring Labuan Factoring ▼ Labuan Money Brokers ▼ Labuan CMIs ▼		DPI Issuers	
	Acceptable	NBFIs Labuan Banks ▼ Labuan Insurance ▼ Labuan Trust Company ▼ Money Lenders	CMIs Insurance/Takaful Pawnbrokers	MSBs	Banks
	Strong				
		Low	Medium	Medium High	High

Inherent Risk

- NBFIs: Non-bank financial institutions (e.g. Lembaga Tabung Haji, Sabah Credit Corporation and Borneo Housing and Mortgage Corporation)
- MSBs: Money services businesses
- CMIs: Capital market intermediaries

- DPIs: Non-bank designated payment instruments (e.g. e-money issuers, charge cards)

Sectoral Risk Assessment 2020

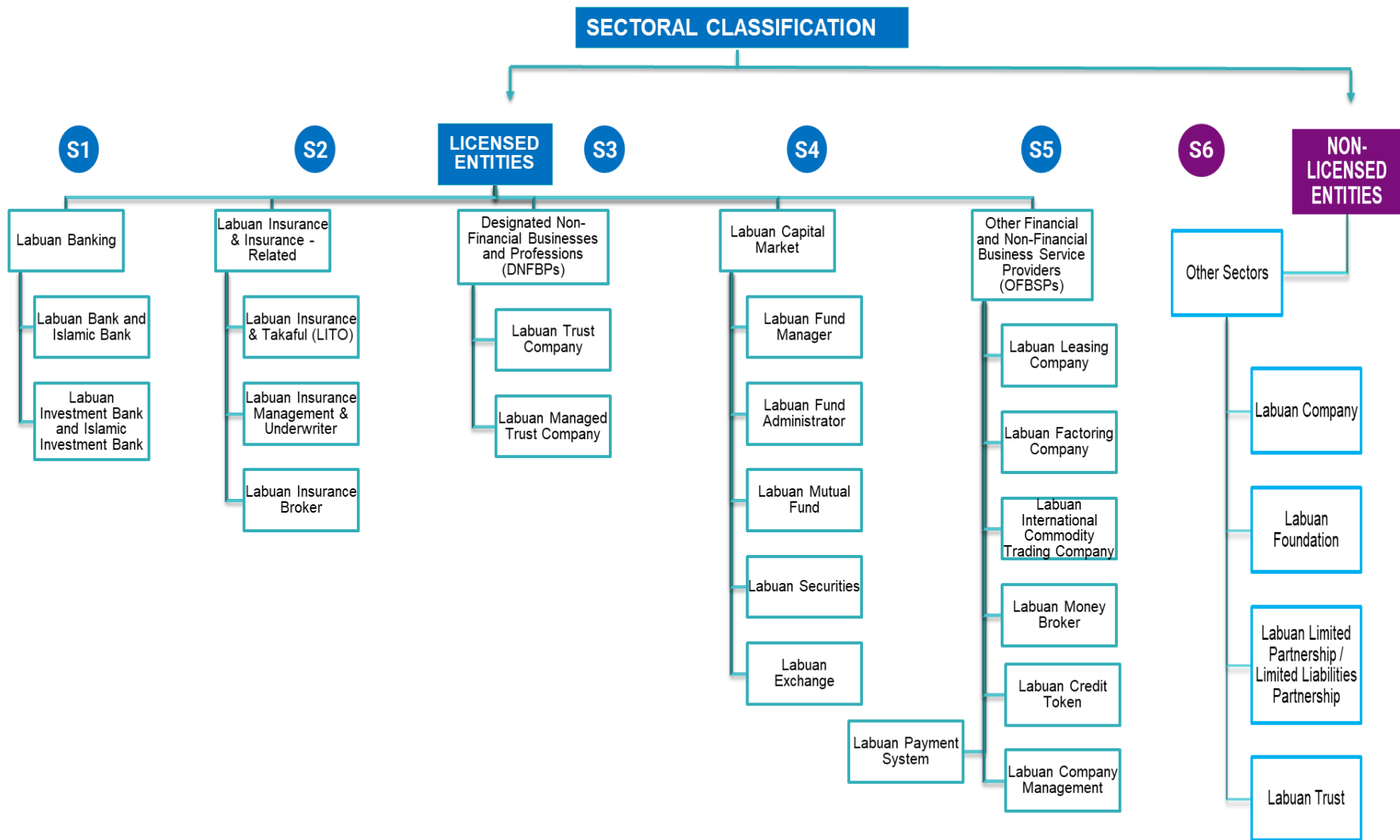
Labuan ML/TF Risk Ratings

Inherent Risk High
Medium-high
Medium
Low

Control Measures Weak
Marginal
Acceptable

Sector	Risk	2017	2020	2017	2020	2017	2020	Movement Rationale
		Inherent Risk		Control		Net Risk		
Labuan Bank	ML TF	L L	L L	M	A	M M	L L	<u>Improved Control Measures by LFSA:</u> 1) Fit and proper assessment upon entry and assessment on beneficial owners 2) Re-assessment process of principal officers with a 2 year renewal condition. 3) Enhanced supervisory resources 4) Increased supervisory activities
Labuan Insurers	ML TF	L L	L L	M	A	M M	L L	
Labuan Fund Managers	ML TF	L L	L L	W	M	MH MH	M M	
Labuan Money Brokers	ML TF	M L	L L	W	M	H MH	M M	<u>Improved Inherent Risk:</u> 1) Small customer base with low exposure to higher risk customers 2) No presence in higher risk locations <u>Improved Control Measures by Industry:</u> 1) Low market risk indicated by STR submissions with no investigation and prosecution.
Labuan Trust Company	ML TF	M L	M L	M	A	MH M	M L	<u>Improved Control Measures by Industry:</u> 1) Majority of RIs put in place AML/CFT compliance programme 2) Majority of LTCs subscribed to established 3 rd party KYC screening services (eg. World Check & Dow Jones)
Labuan Factoring	ML TF	L L	L L	W	M	H H	M M	<u>Improved Control Measures by LFSA & Industry:</u> 1) Risk based approach on supervisory activities 2) Developed and applied adequate AML/CFT controls

Labuan IBFC Risk Assessment 2020



Labuan IBFC Risk Assessment 2020

RESIDUAL RISK – MAIN SECTORS [Residual Risk Matrix Analysis]

The degree of Residual risk is calculated using a Residual Risk Matrix Analysis.

The following 4 Quadrant matrix is employed to evaluate the Residual risk.

High Inherent Risk X High Control Measures =
Medium High Residual Risk

High Inherent Risk X Medium Control Measures =
High Residual Risk

High Inherent Risk X Low Control Measures =
High Residual Risk

Medium Inherent Risk X High Control Measures =
Medium Low Residual Risk

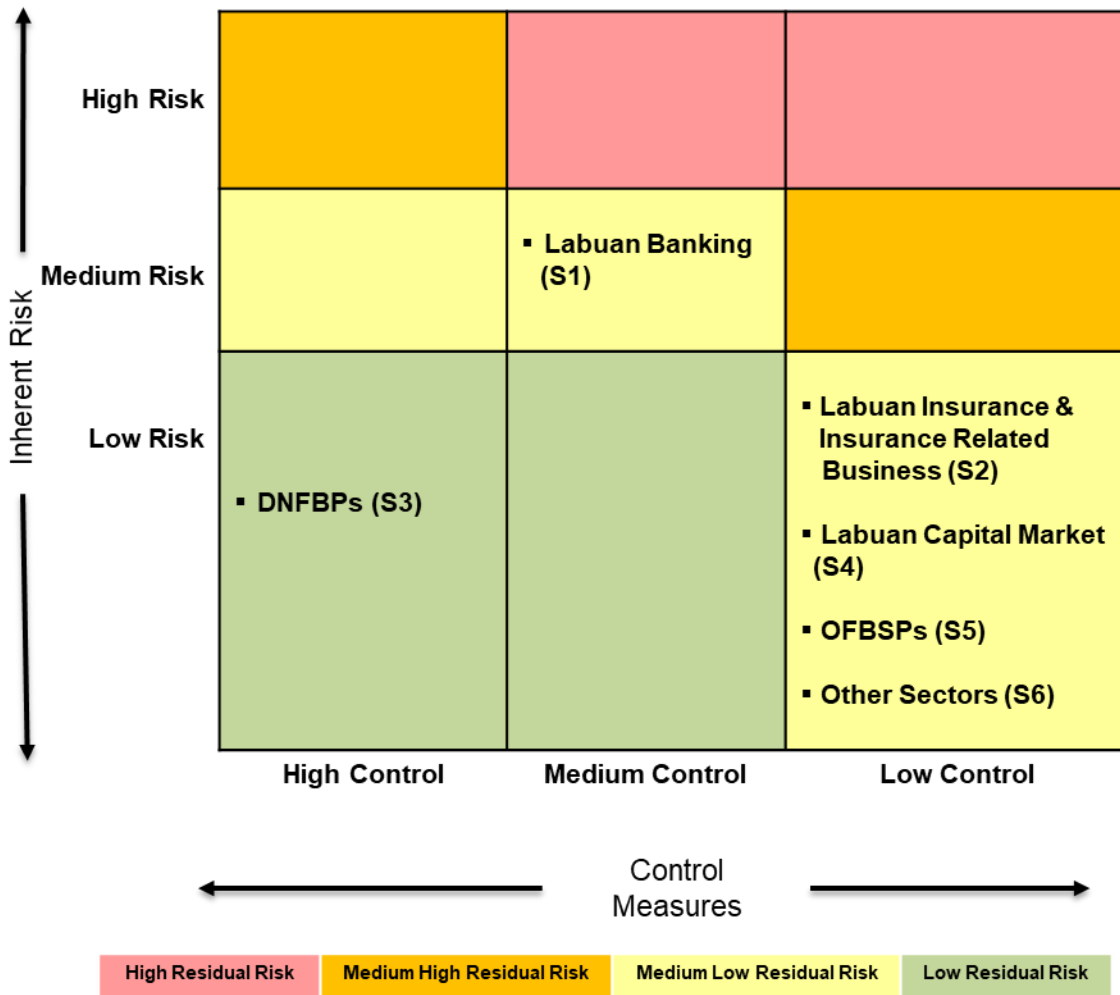
Medium Inherent Risk X Medium Control Measures =
Medium Low Residual Risk

Medium Inherent Risk X Low Control Measures =
Medium High Residual Risk

Low Inherent Risk X High Control Measures =
Low Residual Risk

Low Inherent Risk X Medium Control Measures =
Low Residual Risk

Low Inherent Risk X Low Control Measures =
Medium Low Residual Risk



Labuan IBFC Risk Assessment 2020 ... *Assessment Outcomes*

Recommendations

Labuan FSA- Action Plans

Improvement to Supervisory Capabilities

1. Ensure appropriate resources allocated for supervisory purposes that commensurate with risks.
2. Conduct effective supervision/ monitoring for lower risk sectors/sub-sectors.

1. Apply refined supervision for more proportionate, pre-emptive monitoring.
2. Employ suptech for more effective, data driven surveillance including early warning system i.e. big data analysis.
3. Enhance Supervisory monitoring of Labuan entities' cyber resilience especially digital financial business.

Improvement to Reporting Institutions' Capabilities: AML/CFT Controls & STRs

1. Continue to elevate RIs awareness through strategic and targeted engagements/awareness.
2. Enhance controls for weak sectors e.g. customer risk profiling, transactions monitoring and STRs submission.

1. Regulator - Industry collaboration to conduct sector specific awareness session.
2. Inter-Agency cooperation with BNM to organize AML/CFT training program for Labuan market.
3. Additional market guidance to complement current AML/CFT Guidelines.
4. Thematic periodic dialogue with FIED on AML/CFT monitoring/STR.

THANK YOU

www.labuanfsa.gov.my

Disclaimer

The information contained herein is of a general nature and should not be regarded as offering a complete explanation of the business of Labuan IBFC or Labuan FSA.