

# ***Engagement Session with Labuan Sectors 2021***

**(1) Sectoral Risk Assessment 2020**

**(2) Labuan IBFC Risk Assessment 2020**

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**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	ML Net Risk (Post-Qualitative Assessment)			
		High	Medium High	Medium	Low
Marginal	<ul style="list-style-type: none"> <li>▪ Insurance Intermediaries</li> </ul>	High	Medium	Medium	Low
Acceptable	<ul style="list-style-type: none"> <li>▪ Banking Intermediaries</li> <li>▪ Labuan Money Brokers</li> <li>▪ Leasing</li> <li>▪ Factoring</li> <li>▪ Labuan CMIs ▼</li> <li>▪ Labuan Factoring ▼</li> </ul>	<ul style="list-style-type: none"> <li>▪ DPI Issuers</li> </ul>	High	Medium	Low
Strong	<ul style="list-style-type: none"> <li>▪ Pawnbrokers</li> <li>▪ Labuan Banks ▼</li> <li>▪ Labuan Insurance ▼</li> </ul>	<ul style="list-style-type: none"> <li>▪ NBFIs</li> <li>▪ Insurance/ Takaful</li> <li>▪ Money Lenders</li> <li>▪ Labuan Trust ▼ Company</li> </ul>	<ul style="list-style-type: none"> <li>▪ MSBs</li> <li>▪ CMIs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Banks</li> </ul>	
	Low	Medium	Medium High	High	

### 2 TF Net Risk (Post-Qualitative Assessment)

Inherent Risk	Weak	TF Net Risk (Post-Qualitative Assessment)			
		High	Medium High	Medium	Low
Marginal	<ul style="list-style-type: none"> <li>▪ Banking Intermediaries</li> <li>▪ Leasing</li> <li>▪ Factoring</li> <li>▪ Labuan Factoring ▼</li> <li>▪ Labuan Money Brokers</li> <li>▪ Labuan CMIs ▼</li> </ul>	High	Medium	Medium	Low
Acceptable	<ul style="list-style-type: none"> <li>▪ NBFIs</li> <li>▪ Labuan Banks ▼</li> <li>▪ Labuan Insurance ▼</li> <li>▪ Labuan Trust ▼ Company</li> <li>▪ Money Lenders</li> </ul>	<ul style="list-style-type: none"> <li>▪ CMIs</li> <li>▪ Insurance/ Takaful</li> <li>▪ Pawnbrokers</li> </ul>	<ul style="list-style-type: none"> <li>▪ MSBs</li> </ul>	<ul style="list-style-type: none"> <li>▪ Banks</li> </ul>	
Strong					
	Low	Medium	Medium High	High	

- 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)

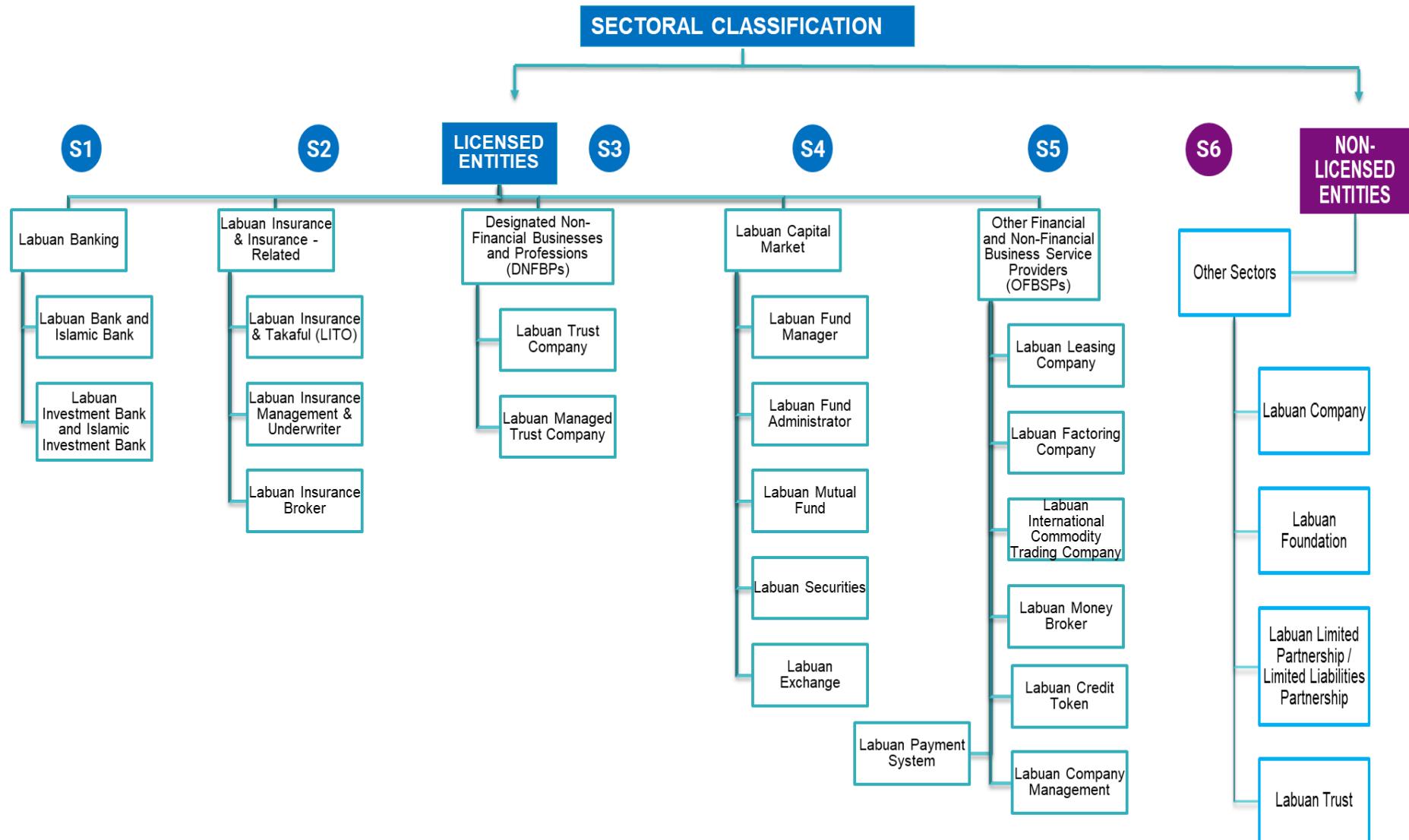
# Sectoral Risk Assessment 2020

## Labuan ML/TF Risk Ratings

Inherent Risk	High	Medium-high	Control Measures
	Medium	Medium	
	Low	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 LFSAs:</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 <sup>rd</sup> 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 LFSAs &amp; Industry:</u> 1) Risk based approach on supervisory activities 2) Developed and applied adequate AML/CFT controls

# Labuan IBFC Risk Assessment 2020



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## 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

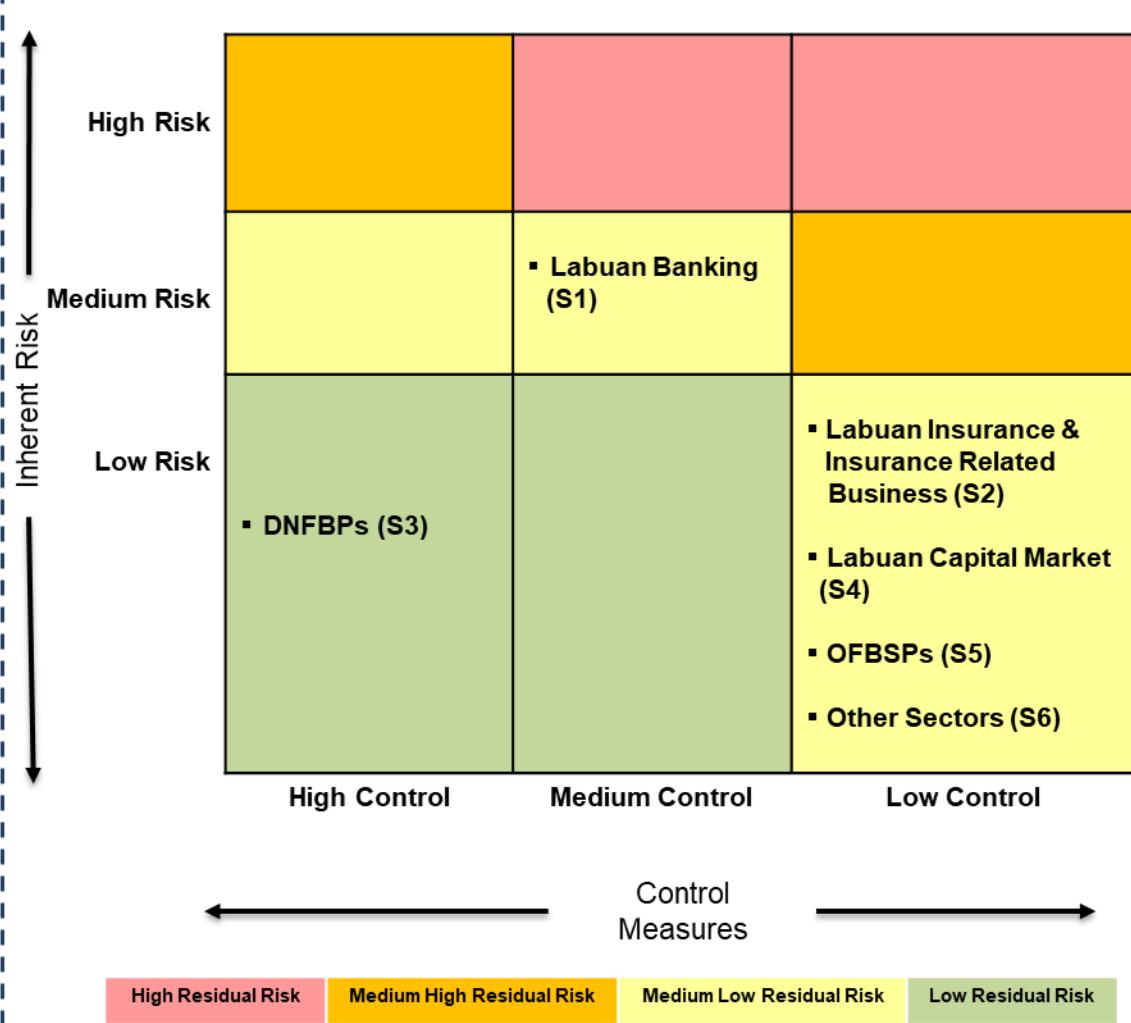
Medium Inherent Risk X Medium Control Measures =  
Medium Low Residual Risk

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
<b>Improvement to Supervisory Capabilities</b>	
<ol style="list-style-type: none"><li>1. Ensure appropriate resources allocated for supervisory purposes that commensurate with risks.</li><li>2. Conduct effective supervision/ monitoring for lower risk sectors/sub-sectors.</li></ol>	<ol style="list-style-type: none"><li>1. Apply refined supervision for more proportionate, pre-emptive monitoring.</li><li>2. Employ suptech for more effective, data driven surveillance including early warning system i.e. big data analysis.</li><li>3. Enhance Supervisory monitoring of Labuan entities' cyber resilience especially digital financial business.</li></ol>
<b>Improvement to Reporting Institutions' Capabilities: AML/CFT Controls &amp; STRs</b>	
<ol style="list-style-type: none"><li>1. Continue to elevate RI's awareness through strategic and targeted engagements/awareness.</li><li>2. Enhance controls for weak sectors e.g. customer risk profiling, transactions monitoring and STRs submission.</li></ol>	<ol style="list-style-type: none"><li>1. Regulator - Industry collaboration to conduct sector specific awareness session.</li><li>2. Inter-Agency cooperation with BNM to organize AML/CFT training program for Labuan market.</li><li>3. Additional market guidance to complement current AML/CFT Guidelines.</li><li>4. Thematic periodic dialogue with FIED on AML/CFT monitoring/STR.</li></ol>

# THANK YOU

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#### 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.