



FREQUENTLY ASKED QUESTIONS
GUIDANCE NOTE ON RED FLAG INDICATORS FOR
LABUAN DIGITAL FINANCIAL SERVICES

A. APPLICABILITY

1. Pursuant to paragraph 1.2 of the Guidance Note on Red Flag Indicators for Labuan Digital Financial Services (the Guidance Note), which sectors are to be guided by the document?

For clarity, the Guidance Note is applicable to the following Labuan Reporting Institutions (Labuan RIs):

- (i) Labuan banks and Labuan investment banks licensed under Part VI of the Labuan Financial Services and Securities Act 2010 (LFSSA);
- (ii) Labuan Islamic banks and Labuan Islamic investment banks licensed under Part VI of the Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA);
- (iii) Labuan insurers and reinsurers licensed under Part VII of the LFSSA;
- (iv) Labuan takaful and retakaful operators licensed under Part VII of the LIFSSA;
- (v) Labuan captive insurance business and Labuan captive takaful business licensed under Part VII of the LFSSA and Part VII of the LIFSSA, respectively;
- (vi) Labuan insurance-related companies (insurance intermediaries) and Labuan takaful-related companies (takaful intermediaries) licensed under Part VII of the LFSSA and Part VII of the LIFSSA, respectively;
- (vii) Labuan trust companies, Labuan managed trust companies and Labuan private trust companies licensed under Part V of the LFSSA;

- (viii) Labuan money-brokering business and Islamic money-brokering business licensed under Part VI of the LFSSA and Part VI of the LIFSSA, respectively;
- (ix) Labuan fund managers and fund administrators licensed under Part III of the LFSSA and Part IV of the LIFSSA;
- (x) Labuan securities licensees and Islamic securities licensees licensed under Part IV of the LFSSA and Part V of the LIFSSA, respectively;
- (xi) Labuan credit token business and Islamic credit token business licensed under Part VI of the LFSSA and Part VI of the LIFSSA, respectively;
- (xii) Labuan exchanges established under Part IX of the LFSSA;
- (xiii) Labuan payment system established under Part XI of the LFSSA and Part XII of the LIFSSA;
- (xiv) Labuan management companies as defined under Part VIII of the LFSSA;
- (xv) Labuan self-regulatory organisations and Islamic self-regulatory organisations as defined under Part X of LFSSA and Part XI of LIFSSA, respectively;
- (xvi) Labuan companies as defined under Labuan Companies Act 1990 other than those covered under (xiv), (xv) and those specified in the Guidelines on Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Labuan Key Reporting Institutions;
- (xvii) Labuan partnerships and Islamic partnerships as defined under Part III and IV of Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 and Part X of LIFSSA, respectively;
- (xviii) Labuan foundations and Islamic foundations as defined under Part III of Labuan Foundations Act 2010 and Part IX of LIFSSA, respectively; and
- (xix) Labuan trusts and Islamic trusts as defined under Part II of Labuan Trusts Act 1996 and Part VIII of LIFSSA, respectively.

B. REGULATORY REQUIREMENTS

2. In which area that Labuan RIs can leverage on the red flag indicators to improve their internal processes?

The red flag indicators can be used by the Labuan RIs to conduct customer due diligence and monitor customer transactions. When the information and transaction matches the Labuan RI's list of red flag indicators, as required under paragraph 17.6 of the Guidelines on Anti-Money Laundering, Countering Financing of Terrorism, Countering Proliferation Financing and Targeted Financial Sanctions for Labuan Key Reporting Institutions and paragraph B.4 of the Guidance Note on Anti-Money Laundering and Counter Financing of Terrorism for Labuan Specified Entities, the Labuan RIs must consider submitting a suspicious transaction report. In this regard, these indicators should be integrated into daily operational practices to effectively detect and report suspicious transactions.

Labuan RIs are advised to remain informed about updates and revisions to the red flag indicators as outlined in the Guidance Note issued by Labuan FSA, as well as by other corresponding competent authorities, supervisory bodies, and international organisations. In addition, Labuan RIs should actively seek to integrate more pertinent sources and contextual data into their monitoring and detection systems to enhance their capability to identify new and emerging money laundering and terrorist financing risks associated with digital financial services.