

FREQUENTLY ASKED QUESTIONS
GUIDELINES ON THE ESTABLISHMENT OF ISLAMIC DIGITAL BANK UNDER
SANDBOX REGULATORY REQUIREMENTS

A. GENERAL

- 1. Can the application for i-BOX be submitted to Labuan FSA at any point of time?**

The application must be submitted within six (6) months from the date of the issuance of the Guidelines.

- 2. How many Labuan Islamic digital banks would be allowed to participate in i-BOX?**

There is no limit to the number of i-BOX participants.

- 3. Who would Labuan FSA consider as underserved and/or unserved market segment? How does Labuan FSA expects Labuan Islamic digital banks to benefit these market segments?**

Generally, the unserved and/or underserved segments are a group of individuals and businesses whose needs for financial products and services are not adequately served or met. Labuan Islamic digital banks under i-BOX are expected to identify these target segments and leverage on technology, alternative data and in-depth understanding of customer behaviour to meet their needs. Shariah-compliant financial products designed and offered towards these segments should also foster responsible usage as well as improve the overall financial well-being of the consumer.

- 4. Do Labuan Islamic digital banks under i-BOX need to have an Internal Shariah Advisory Board (ISAB)?**

Yes, Labuan Islamic digital banks under i-BOX are required to appoint an ISAB in accordance with the Guidelines on Shariah Governance for Labuan Islamic Financial Institutions and the Directive on Islamic Financial Business in Labuan IBFC.

Additionally, Labuan Islamic digital banks may refer to the Labuan FSA's Listing of Shariah Advisers on Labuan FSA website for potential candidates for their ISAB.

B. PHASE 1 – EVALUATION PERIOD

5. What happens after applicants meet the eligibility criteria?

Applicants will be assessed on their state of readiness to begin operation. A meeting will be scheduled with Labuan FSA to determine the KPIs and scope of activities before being granted a provisional licence to operate.

Some illustrations are provided in the **Appendix**, for better clarity and understanding of the possible scenarios.

6. If the applicant has an audited balance sheet for each of the three financial years, can they still participate in i-BOX?

Yes, they can participate in i-BOX.

C. PHASE 2 – PROVISIONAL PERIOD

7. What are the reporting requirements during the provisional period?

Labuan Islamic digital banks will have to submit:

- a) half-yearly progress reports;
- b) final report at the end of the provisional period, detailing business activity, key performance indicators, incidents, and resolutions;
- c) statistical reporting under Statistical Management System; and
- d) other reporting as may be required by Labuan FSA.

8. Can Labuan Islamic digital bank under i-BOX change their shareholders during the provisional licence period?

Labuan Islamic digital banks are not allowed to change their shareholders during the provisional licence period.

D. PHASE 3 - GRADUATION PERIOD

9. When should the business transition plan out of i-BOX in paragraph 11.1(i)(b) of the Guidelines be submitted to Labuan FSA?

It should be submitted together with the graduation application upon receiving notification of graduation status by Labuan FSA, following the submission of the fifth progress report.

10.What happens if the Labuan Islamic digital bank is deemed ineligible to graduate after the provisional period?

The Labuan Islamic digital bank may appeal for an extension of up to twenty-four (24) months with justification. If no appeal is made or if the appeal is rejected, the provisional licence will be revoked.

11.What happens when a licence is revoked?

The Labuan Islamic digital bank is required to initiate the exit plan in an orderly manner without causing disruption to its customers and the financial system.

E. INCENTIVES UNDER i-BOX

12.What is the tax treatment for Labuan Islamic digital bank that is given extension to remain in i-BOX when the Labuan Business Activity Tax (Exemption) Order 2024 [P.U. (A) 127 has expired?

The Labuan Islamic digital bank is subject to income tax rate as specified in Labuan Business Activity Tax Act 1990.

13.What happens to the employment passes issued for expatriates when the provisional licence is revoked?

Labuan FSA will notify the Labuan Immigration Department for revocation of the work permit.

14.Is there any maximum number of employment pass can be given per Labuan Islamic digital bank under i-BOX?

No.

15.How to apply for the co-located office?

The application for establishment of a co-located office can be submitted to Labuan FSA concurrently with the application under i-BOX or after the licence has been granted, subject to meeting the requirements as specified in the Guidelines on the Establishment of Labuan Islamic Digital Bank under Sandbox Regulatory Requirements and the Guidelines on Co-location of Labuan Bank.

APPENDIX

Illustration of scenario

