

## UPDATE &gt;&gt;

## Islamic Finance

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## Changes in the Labuan International Business and Financial Centre (Labuan IBFC) legislation

**L**abuan, Malaysia has been developed as an integrated IBFC, with a niche in Islamic market. It offers a wide spectrum of financial products and services to customers worldwide, particularly in the Asia Pacific.

Although Labuan is part of Malaysia, the operations of business in Labuan IBFC are governed by a separate set of legislation, which are independent of the laws governing financial activities in the domestic market.

The restructuring of Labuan IBFC laws which took place at the early year of 2010 is amongst the great steps undertaken by the Government of Malaysia in representing and rebranding Labuan as a premier international business and aggressive financial hub in the Asia Pacific. With the growth of potential consumers and with the recent 'white-listing' of the centre by the Organization for Economic Cooperation and Development (OECD), it is believed that the restructuring would offer a great benefit for the consumer in structuring their investment via Labuan IBFC and attract more foreign investments into Malaysia in particular through Labuan.

Changes in the way the jurisdiction operates began in January 2008 when it re-named and re-positioned itself as Labuan IBFC in keeping with its goal to be the premier IBFC in the Asia Pacific region. In line with this objective, Labuan identified five key areas of focus, namely, holding companies, Islamic finance, insurance including captive insurance, private wealth management and fund management. A dedicated unit to market and promote Labuan was set up, followed since then by the legislative changes.

The amendments made to the four existing laws namely the Labuan Companies Act 1990; Labuan Business Activity Tax Act 1990; Labuan Financial Services Authority Act 1996 and Labuan Trusts Act 1996, changed radically the existing laws which basically made to cater the insurgence needs of the uprising demands from the investors worldwide. Meanwhile the enactment of the four new acts namely Labuan Islamic Financial Services and Securities Act 2010; Labuan Financial Services and Securities Act 2010; Labuan Foundations Act 2010; Labuan Limited Partnerships and Limited Liability Partnerships Act 2010 had broaden the prospective for the investors in getting a wider choice of financial products in maximising their investment opportunities. It allows the creation of Labuan foundations, limited liability partnerships, protected cell companies (insurance and mutual funds), shipping operations, Labuan special trusts and financial planning activities.

With the enactment and restructuring of the body in Labuan IBFC, it is believed that the centre is expected to be more competitive in the financial arena especially in Asia Pacific. The new regulatory framework is expectant to give more robust market in the industry and provide a more transparent and accountable framework especially for the Labuan FSA to regulate and monitor the financial institutions and licensed entities operating from the jurisdiction.



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