PRESS CITATIONS

Labuan IBFC can become platform to expand digital islamic finance – Tengku Zafrul

PRESS CITATIONS | 15 DECEMBER 2021

Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz (right) with Bank Negara Malaysia (BNM) governor Nor Shamsiah Mohd Yunus showing the commemorative coin at Labuan FSA'S 25th Anniversary Commemorative Coin Launch, today.

KUALA LUMPUR, Dec 15 – The Labuan International Business and Financial Centre (Labuan IBFC) can become a platform to expand Malaysia's capabilities in digital Islamic finance and the government is prepared to collaborate with relevant stakeholders to realise the goal, said Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz.

He said the government is ready to broaden the digital Islamic finance as an alternative to conventional financial technology (fintech) especially as the economy begins to recover and gain momentum in 2022.

"Taking advantage of Malaysia's striving dual financial system, my aspiration is for Labuan IBFC to provide not only conventional offerings, but also a full suite of Shariah-compliant products and structures to meet the demands and preferences of global investors," he said in his opening remarks at the commemorative coin launching in conjunction with the 25th anniversary of Labuan Financial Services Authority (Labuan FSA), an integrated regulator of the Labuan IBFC under the Ministry of Finance (MoF).

To commemorate Labuan FSA's silver jubilee, Tengku Zafrul unveiled a diamond-cut 3D surface coin that depicts t...

island of Labuan surrounded by the blue waters (blue sapphire stone symbolising Labuan FSA and Labuan IBFC as a precious piece on the Labuan island) of the South China Sea.

The commemorative coin will be issued in limited quantity from February 2022.

Tengku Zafrul also emphasised that Labuan's next chapter must be conceived on sustainability, relevance, and market certainty, and it must be enabled by digital technology, fuelled by innovation.

"I am excited to see Labuan IBFC embarking on a new growth path, driven by digitalisation. Labuan IBFC has made its debut as a digital-friendly jurisdiction in 2017 with the trading of digital assets through an online platform.

"Since then, the number of digital financial services providers has grown to 85, ranging from digital banking and insurtech, to digital intermediaries such as robo-advisory, digital asset exchanges, token issuers, and e-payment systems," he said.

He noted that Labuan IBFC is now the federal state's largest white-collar employer, accounting for 85 per cent of total employment, employing over 6,000 people from the local community, neighbouring states, and the rest of Malaysia.

More importantly, Labuan IBFC's labour force has also contributed more than 60 per cent of its gross domestic product (GDP) in 2020.

In 2019 and 2020, Labuan IBFC's economic contribution to the nation was close to RM5 billion, making it the largest contributor to Labuan's total GDP, and also the main engine of growth for the island's development.

"I am pleased to see that Asia-Pacific and the Far East account for 70 per cent of the businesses at Labuan IBFC.

"Testament to the efforts are the companies and licensees from 125 countries that have made Labuan their home," he said.

On top of that, Tengku Zafrul also encouraged Labuan FSA to continue facilitating financial innovations and attracting more fintech companies to serve the Asian market, with the goal of eventually becoming Asia's leading digital financial hub.

He applauds Labuan FSA's achievement that has adhered to high international standards.

Labuan FSA has implemented all necessary controls and safeguards to ensure that only legitimate businesses could be established and that only legal transactions take place, he said.

"The government applauds Labuan's approach which is both pragmatic and market-focused, striking a good balance between risk-based supervisory surveillance and a modern legal framework with a tax-efficient regime.

"These are its strengths and unique advantages in meeting the needs of international sophisticated investors, as recognised by organisations such as the International Monetary Fund and the Organisation for Economic Co-operation and Development (OECD)," he added.

As part of the commitment to OECD compliance, minimum substance requirements are imposed on entities operating from Labuan IBFC which are expected to generate more socio-economic benefits for Labuan.

Recently, "Other Trading Entities" (OTEs) has also been incorporated into the substance requirements and the IBFC's fiscal regime by the MoF, which sees that the initiative would help the market as OTEs are a large part of Labuan entities.

As an ongoing measure to strengthen market regulation, Labuan's legal and regulatory framework has also been enhanced in line with the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds from Illegal Activities Act 2001, and International Financial Action Task Force standards.

Over the last 25 years, he said Labuan has demonstrated its ability to adjust and adapt in a rapidly changing international and regional environment which has been transformed into a thriving financial centre with thousands of active companies and hundreds of financial institutions.

Since Labuan FSA's set up in 1996 as a single regulator, the number of licensed financial institutions has increased by more than ten times from 80 entities to 850 international and regional financial players in the IBFC today.

Labuan is now home to more than 5,200 active companies from 125 countries.

Bernama