

GUIDELINES ON INVESTMENT BANKING BUSINESS

1. Definition

Labuan investment banking business as defined under the Labuan Financial Services and Securities Act 2010 (LFSSA) means the business of:

- a. Providing credit facilities;
- b. Providing consultancy and advisory services relating to corporate and investment matters or making investments on behalf of any person;
- c. Undertaking foreign exchange transactions, interest rate swaps, dealings in derivative instruments or derivative financial instruments or any other similar risk management activities;
- d. Labuan Islamic investment banking business;
- e. Labuan financial business; or
- f. Such other business as the Authority, with the approval of the Minister may specify,
in any currency other than Malaysian currency.

Labuan investment banks are not allowed to accept deposits.

2. Dealing in Malaysian Ringgit and with Malaysian Residents

Subject to the provisions under the LFSSA and the Exchange Control Act 1953 (ECM), licensed Labuan investment bank, may be allowed to deal in Malaysian Ringgit and with Malaysian residents.

3. Application

Application for licence to carry out investment banking business in Labuan can be made to:

Director-General
Labuan Financial Services Authority (Labuan FSA)
Level 17, Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 W.P. Labuan

Telephone : 087 - 591200
Fax : 087 - 413328 / 453442
E-Mail : communication@labuanfsa.gov.my

4. Eligibility

A Labuan investment bank can be set up as a branch or subsidiary and registered or incorporated under the Labuan Companies Act 1990. The application may be accepted from:

- a. An investment bank or group engaging in investment banking activities licensed by the regulatory authority in the country of origin;
- b. A licensed bank or an established financial institution or financial service provider supervised by a competent regulatory authority;
- c. Any licensed institutions under BAFIA with prior approval of Bank Negara Malaysia; and
- d. Corporations with the necessary expertise and experience in financial industry with at least 3 years good track records and regulated by an Authority in their home countries.

5. Approval requirements

- a. The applicant company to submit an undertaking letter from the head office/parent company to undertake any liability arising from the operations of its branch or subsidiary in Labuan;
- b. The applicant company to submit a business plan for the first 3 consecutive years of operations;

- c. The applicant company to also submit the audited annual accounts for the 3 years immediately preceding the application;
- d. The application, where applicable, must be supported by a letter of consent from the home regulatory authority;
- e. The controller or director or CEO of the applicant company must be fit and proper persons. Prior written approval of Labuan FSA must be obtained for the appointment. The appointment of the board of directors of a subsidiary also require prior approval of Labuan FSA; and
- f. Possess sound track record and/or the necessary experience and expertise in similar undertaking.

6. Capital structure

- a. The applicant company must have a paid up capital of RM10.0 million (unimpaired by losses) or its equivalent in foreign currency; or
- b. The branch must maintain a net working funds equivalent to RM10.0 million; and
- c. The company must inform Labuan FSA of any changes in the shareholding structure of capital and/or any erosion of paid up capital.

7. Fees

The applicant company must pay an annual licence fee of RM 100,000 on or before every 15th January of each year.

8. Operations

- a. **Physical presence:** the applicant company must maintain a sufficiently staffed operational office in Labuan. All dealings must be done through this office in Labuan;
- b. **Approved activities:** unless otherwise allowed, the applicant company could only transact business in foreign currency and not deal in ringgit except for the purpose of defraying administrative and statutory expenses;
- c. **Restriction of business:** with the exception provided under section 4 of the Exchange Control Act 1953, the applicant company is prohibited from dealing with residents. In dealing with the residents approved by Bank Negara Malaysia and arranging a syndicated financing scheme to the residents company, the investment bank must ensure that the syndication

as far as possible should involve the Labuan banking institutions in Labuan before involving other financial institution overseas;

- d. **Auditor:** the applicant company shall appoint an approved auditor; and
- e. **Information:** the applicant company must notify Labuan FSA of any amendments or alterations to any of its constituent documents; and indicate clearly its names and licence number on its letterhead, stationery and other documents.

9. Business ethics

- a. It must subscribe to safeguards and standards developed and issued by the relevant authority or organisation. For example on implementing effective management control system, capital adequacy and use of value at risks models, as well as having proper reporting, disclosure and accounting procedures. The investment banks should also subscribe to the prevailing rules and regulations in respective countries;
- b. It must conduct its business with due diligence and sound principles, maintain adequate and proper records and books of accounts; and
- c. It must obtain approval of Labuan FSA for any change of business plan.

10. Reporting Requirements

The applicant company is to submit to Labuan FSA within six months after the close of each financial year, two copies of its audited annual balance sheet and profit and loss account. The applicant company is also expected to provide statistics and information required from time to time by Labuan FSA in relation to prudential information, general business conduct and volume of business in Labuan.

Labuan Financial Services Authority
2 October 2009
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