



CIRCULAR ON FINANCIAL REPORTING STANDARDS FOR LABUAN FINANCIAL INSTITUTIONS

- 1.0 As you are aware, the International Accounting Standards Board (IASB) has issued International Reporting Standards (IFRS) to replace the existing accounting standards. The new reporting regime serves to achieve convergence of all accounting standards globally. Similarly, in Malaysia, the Malaysian Accounting Standard Board (MASB) has issued Financial Reporting Standards (FRS) and Private Entity Reporting Standards (PERS) to the companies incorporated under the Companies Act 1965. However, the above requirement is not applicable to the companies incorporated / registered under the Labuan Companies Act 1990 (formerly known as "Offshore Companies Act 1990"). In this regard, the Labuan financial institutions are allowed to adopt any accepted international accounting standards including the FRS issued by MASB.
- 2.0 Arising from the implementation of FRS by MASB, Labuan FSA received a few enquires with regard to the application of FRS 121: *The Effects of Changes in Foreign Exchange Rates* (paragraph 18 and 38A) which require the reporting currency for financial statements presented in Malaysia to be in Ringgit Malaysia. In this regard, the Labuan financial institutions that opt to adopt the FRS issued by MASB and wish to use presentation currency other than Ringgit Malaysia, the following paragraph could be included as notes to the financial statements and therefore enable the issuance of unqualified audit opinion:

The financial statements comply with applicable Financial Reporting Standards, except for FRS 121 The Effect of Changes in Foreign Exchange Rates which requires the presentation currency for the financial statements presented in Malaysia to be in Ringgit Malaysia. This requirement was for the purpose of harmonisation with local law. As the Labuan Companies Act 1990 (formerly known as Offshore Companies Act 1990) does not require or specify any particular currency for the preparation of financial statements, the requirement for the presentation currency to be in Ringgit

Malaysia would not serve any regulatory purpose. In this respect, the presentation currency of this financial statement is in [state the currency chosen e.g. United States Dollar].

For any clarification on the circular, you may contact Puan Erni Marlina Madzlan at 087-591203 ([email:erni@labuanfsa.gov.my](mailto:erni@labuanfsa.gov.my)) or Puan Dayang Suriani Datu Mudin at 03-27803395 ([email:suriani@labuanfsa.gov.my](mailto:suriani@labuanfsa.gov.my)).

Labuan Financial Services Authority

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CC:

Association of Labuan Banks
Labuan Investment Banks Group
Labuan International Insurance Association
Association of Labuan Trust Companies
Labuan International Financial Exchange