



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

Dear Sir/Madam,

DIRECTIVE ON FINANCIAL REPORTING STANDARDS FOR LABUAN FINANCIAL INSTITUTIONS

1.0 Preamble

- 1.1 The Directive on Financial Reporting Standards for Labuan Financial Institutions (hereinafter referred to as “the Directive”) is issued under Section 4B of the Labuan Financial Services Authority Act 1996 (LFSAA).
- 1.2 Labuan FSA observed that there had been many diverging practices amongst the institutions vis-à-vis the requirements of Labuan FSA’s circular dated 8 November 2007 (*Circular No: 86/2006/Auditor*)¹. This pertained to the institutions’ adoption of Private Entity Reporting Standards (PERS) issued by the Malaysian Accounting Standards Board (MASB) in 2006 which were excluded from the scope of internationally accepted accounting standards. In addition, there have also been queries on what constitute accounting standards that are deemed to be internationally accepted by Labuan FSA.
- 1.3 Taking cognisance of the abovementioned matters, the Directive is intended to clarify on the accounting standards to be adopted by Labuan financial institutions so as to promote harmonised accounting practices in producing financial statements which are internationally comparable.

2.0 Non-Compliance

- 2.1 Any Labuan financial institution who fails to comply with the Directive shall be guilty of an offence and be liable, on conviction, to the penalty as provided under Section 4B(2)(b) of the LFSAA.

¹ Updated by Labuan FSA on 18 March 2014

3.0 Applicability

3.1 For the purpose of the Directive, the internationally acceptable accounting standards are outlined below based on the type of institutions:

Labuan Financial Institutions		Accounting Standards Permitted
(i)	Labuan banks and investment banks (including Islamic banks and Islamic investment banks)	<ul style="list-style-type: none">• Malaysian Financial Reporting Standards (MFRS);• International Financial Reporting Standards (IFRS);• UK Generally Accepted Accounting Practices (UK GAAP); or• US Generally Accepted Accounting Practices (US GAAP).
(ii)	(Re)Insurers and (Re)Takaful Operators	
(iii)	Fund Managers	
(iv)	Public Funds (including Islamic Public Funds)	
(v)	Other Labuan Financial Institutions	<ul style="list-style-type: none">• MFRS, IFRS, UK GAAP or US GAAP or other <i>identical</i> accounting standards; or• Malaysian Private Entities Reporting Standard² (MPERS), IFRS for Small and Medium Entities or other <i>identical</i> accounting standards for small entities.

4.0 Effective Date

4.1 For Labuan financial institutions that are required to change their accounting standards to be in line with the requirements of the Directive, Labuan FSA expects for the Directive **to be fully complied with from financial year beginning 1 January 2016.**

4.2 Notwithstanding the above, please take note that other requirements as stated in the earlier circular issued in 2007 would remain effective and applicable unless amended or revoked.

For any clarification on the Directive, 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)).

**DIRECTOR GENERAL
LABUAN FINANCIAL SERVICES AUTHORITY**

Circular No:
159/2014/ALL

² Issued by MASB on 14 February 2014