



INSURANCE AND REINSURANCE SERIES # 3

CURRENCY AND LAYOUT ESTABLISHMENT

Currency and Layout Establishment

Armed with some basics on key compliance and legal framework factors to establishing an insurance and reinsurance business in Labuan, it's important to be remember that Labuan is a well-regulated and cost-efficient jurisdiction to facilitate cross-border transactions. With transactions, and investments, come the currency of choice for operations.

Currency & Investments

In the Labuan International and Business Financial Centre (Labuan IBFC), an insurance and insurance related company can choose the principal currency with which it will operate and maintain in its accounting records. The freedom to follow any recognised accounting standard or those agreed by the Labuan FSA, is also a key perk the island offers.

The auditing of all accounts must be done by an auditor listed by the Labuan FSA. However, companies have the freedom to invest funds in any manner considered appropriate by the management. Foreign currencies dominate Labuan hence to ease doing business, the Central Bank granted complete exemption from exchange control restrictions.

While your company is not subjected to Malaysian Income Tax, you are required to pay the Business Activity Tax of 3% which is derived from the profits disclosed in your company's audited accounts for the year. Alternatively, you have the option of paying a flat amount of RM20,000. Options on the basis of your tax payment can be exercised every year.

Establishment Layout

To establish a licensed insurance and reinsurance company in Labuan, the Labuan Company Act 1990 (LCA) makes it mandatory to appoint a Trust

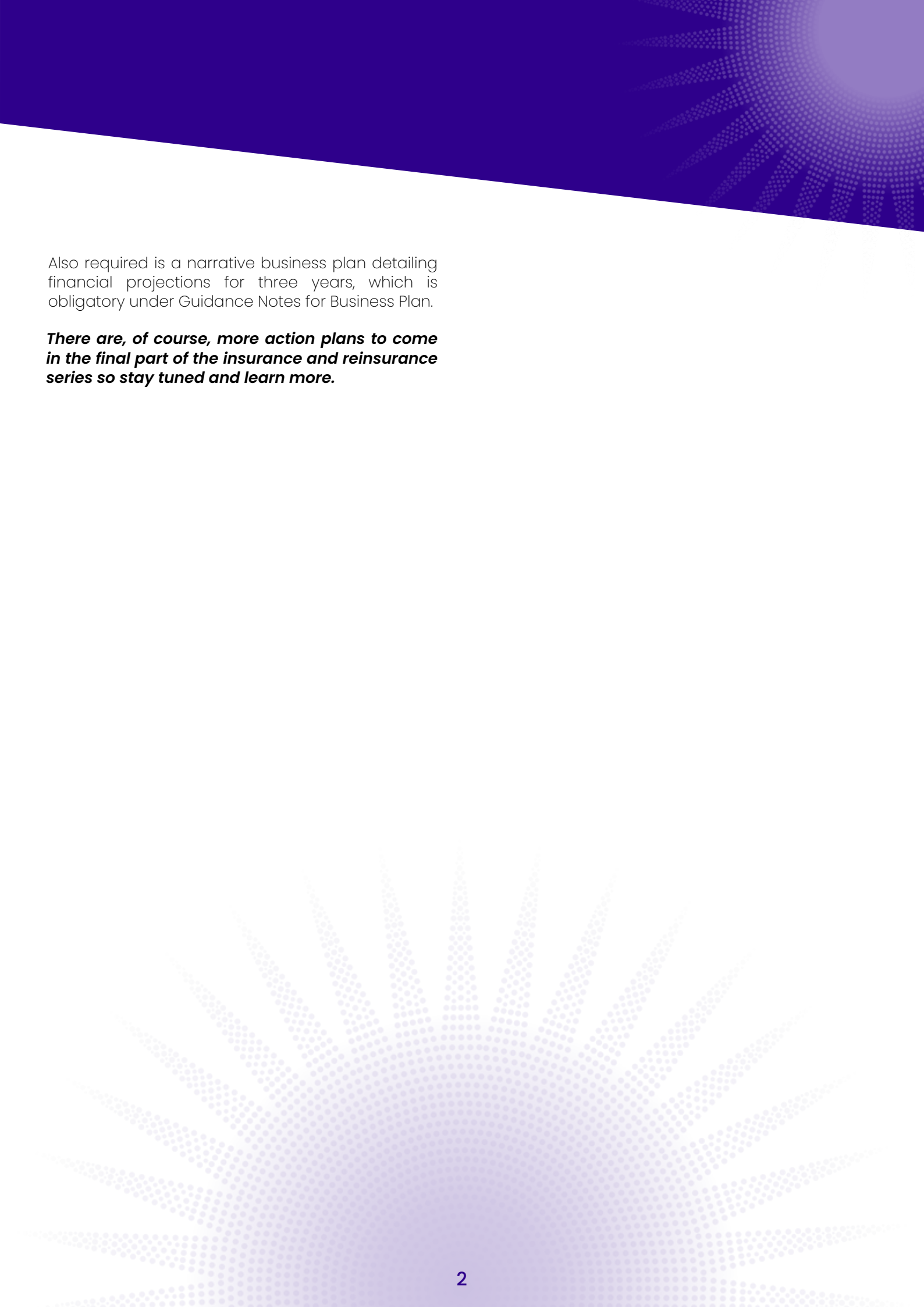
Company to handle all registration and secretarial matters. On the other hand, to comply with the Labuan Financial Services & Securities Act, establishing an office or appointing an Underwriting Manager, is required.

As a licensed underwriting manager, Brighton Management Limited is the go-to company to act as your manager if you choose not to set up an office in Labuan. Appointing an auditor is, of course, compulsory but it must be one registered with the Labuan FSA.

Action Plans

One of the first things your need to take care of is reservation of company name and operating license application. According to the Labuan Companies Act, 1990, the former must be carried out by a Labuan FSA authorised trust company, appointed by you. Where the latter is concerned, there are crucial documents that require submission such as:

- ➔ Form LIB - The licence application to carry out an insurance and insurance related business in Labuan
- ➔ A comprehensive resume of the principal officer together with:
 - A certified true copy of your Malaysia NRIC or passport (for non-Malaysians)
 - Certified true copies of relevant academic and professional certificates
 - Two referral letters from institutions and/or professional bodies, and...
 - A statutory declaration by the Director/ Principal Officer on fit and proper person



Also required is a narrative business plan detailing financial projections for three years, which is obligatory under Guidance Notes for Business Plan.

There are, of course, more action plans to come in the final part of the insurance and reinsurance series so stay tuned and learn more.