



Asia's Premier International Financial Hub

A GUIDE TO LABUAN PROTECTED CELL COMPANIES

www.labuanibfc.com

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About Labuan IBFC

Labuan IBFC is the preferred international business and financial centre in Asia. We offer global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards of compliance in tax transparency. We also provide fiscal neutrality and certainty in a currency-neutral operating environment. Labuan IBFC, located in the centre of Asia, boasts a cost-efficient environment making it an ideal location for substance creation for both global businesses looking at penetrating Asia and Asian entities aiming to go global.

“ We offer a wide range of business structures and investment solutions for cross-border investments and international businesses including fintech or digital solutions. We also provide services and solutions in segments such as risk management, commodity trading, reinsurance, wealth management, international business companies and Islamic financial services.”

Operating with clear and comprehensive legal provisions, guidelines and practice notes, enforced by a centralised regulator, Labuan IBFC is an ideal jurisdiction for both corporates and high-net-worth individuals with international exposure looking for an efficient wholesale intermediation centre.

Labuan IBFC is among the few jurisdictions that offer protected cell companies (PCC) globally. It is the only Asian jurisdiction with a comprehensive legal framework to cater for the PCC structure, and is now the second largest captive hub in Southeast Asia.

Key Benefits to setting up in Labuan IBFC

- 01** Regulated and supervised under a robust and internationally recognised legal framework.
- 02** A tax-neutral jurisdiction that is cost-efficient for substance creation; provides legal neutrality in dispute settlement; is currency-neutral therefore businesses are able to deal in any currency.
- 03** Various corporate structure options are available to suit different purposes e.g multi-currency investments, different risk profiles, etc.
- 04** A Labuan entity is deemed as a non-resident under Malaysian foreign exchange administration rules and therefore is subject to a more liberal exchange control environment.
- 05** Tax certainty and may access Malaysia's double taxation agreement with over 70 countries.
- 06** No withholding tax on income distributions.
- 07** No stamp duty on all instruments which are executed by a Labuan entity with Labuan business activities.

Understanding Labuan PCCs

The PCC was borne as an alternative risk management tool, designed primarily to cater to the needs of self-insuring organisations, especially in the captive insurance industry. Aside from the captive insurance industry, PCCs are also a popular structure in the fund management industry, as part of a larger diverse asset allocation investment strategy.

The core concept underpinning the PCC structure is that it acts as a single and separate entity which in turn has the ability to create multiple cells and provides these segregated cells the ability to take on differentiated assets and liabilities per cell, while allowing each cell to operate independently and providing segregation of these assets and liabilities.

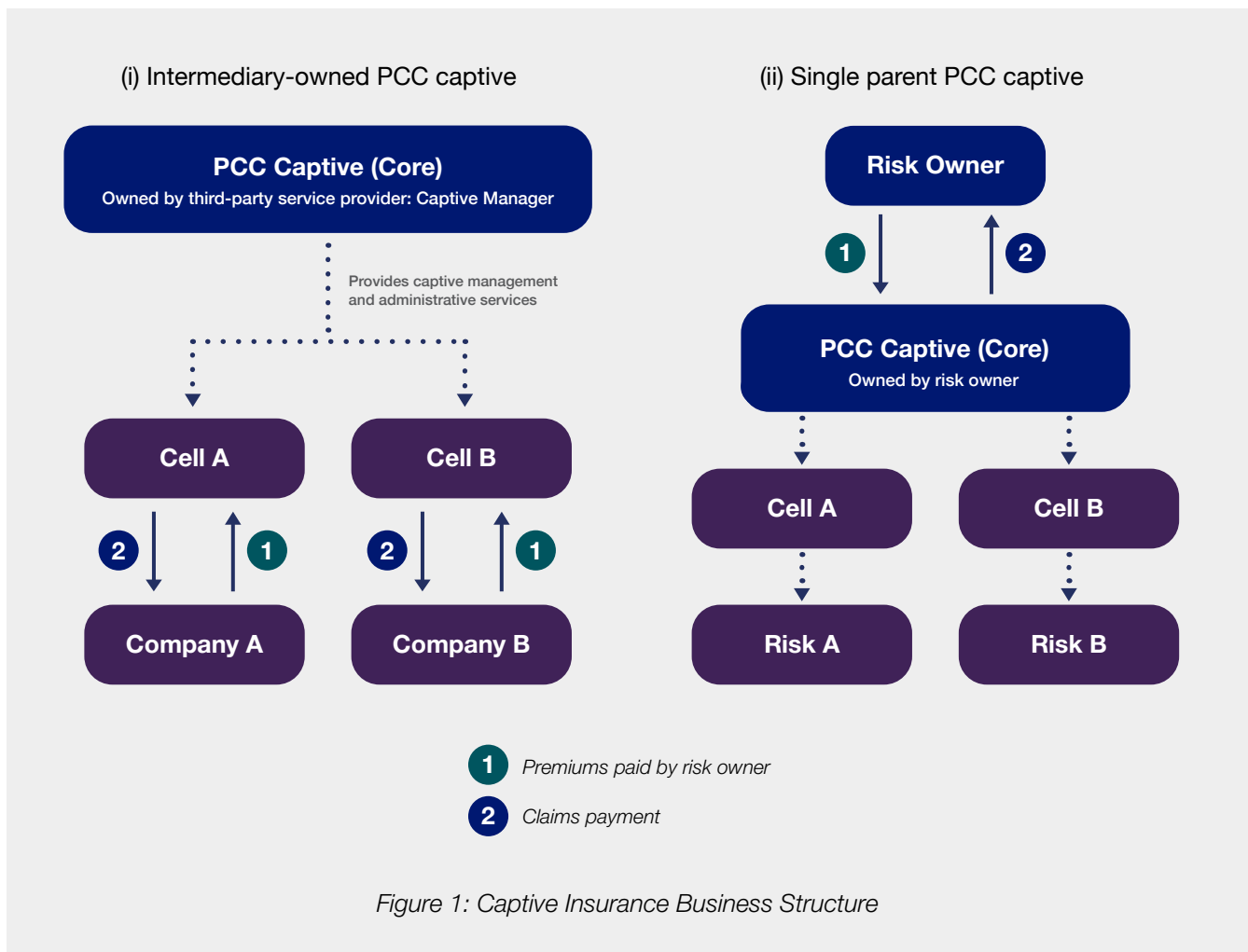
One unique feature of the PCC is that it is a single entity with only one board of directors, regardless of the number of cells it creates. However, the ownership of the cells and the underlying assets, on the other hand, can be held by different individuals or owners. Therefore, each cell has its own distinctive name, assets, capital and liabilities. Each respective cell is ring-fenced, thus protected from the debts and liabilities of the other cells. This means that the creditors of one cell are unable to seek recourse from assets belonging to other cells. There is also no limitation to the number of cells that can be formed.

The Labuan PCC was introduced in Labuan IBFC in 2010 in line with the enactment of the amended legislation, Labuan Companies (Amendment) Act 2022. Fundamentally, Labuan Companies (Amendment) Act 2022 deals with the establishment, structure and operations of a Labuan PCC while its business activities are governed under the Labuan Financial Services and Securities (Amendment) Act 2022 and Labuan Islamic Financial Services and Securities (Amendment) Act 2022 – for Shariah-compliant PCCs.

Labuan IBFC is the only jurisdiction in the region, if not the world, to provide Shariah-compliant PCCs, providing an option for organisations that either prefer or are mandated to be Shariah-compliant in their activities. For instance, companies that are interested to set up a takaful captive or plan to invest in Islamic mutual funds can consider structuring this option, especially entities historically based in the Middle East, with plans to penetrate into the growing reinsurance or investment fund markets in Asia.

“In a nutshell, a Labuan PCC is essentially a limited liability company that has the ability to form cells. It can be incorporated as a Labuan company or converted from an existing Labuan company. A Labuan PCC is allowed to undertake captive insurance or mutual funds activities (including captive takaful and Islamic mutual funds).”

How Labuan PCCs can be best utilised



A cell captive established under a Labuan PCC structure allows different captive owners to set up their respective captives while preserving the independence of each cell.

Cells created do not have legal personalities and can be established by different companies that are not related to one another. The establishment of working funds for cells may be achieved through the issuance of cell shares by the Labuan PCC. The cell may leverage on the working capital of the PCC as a whole to meet the minimum regulatory capital requirement. The individual cell or account is then legally protected from the liabilities of other cells within the captive.

A Labuan PCC can be owned by a single company for the purpose of segregating its own and other affiliated risks. On the other hand, a Labuan PCC can also be established by an insurance service provider such as an underwriting manager and this allows each cell to be owned by different companies which may be related or non-related to one another. However, each cell can only underwrite the risks of its owner and/or affiliates of the same group.

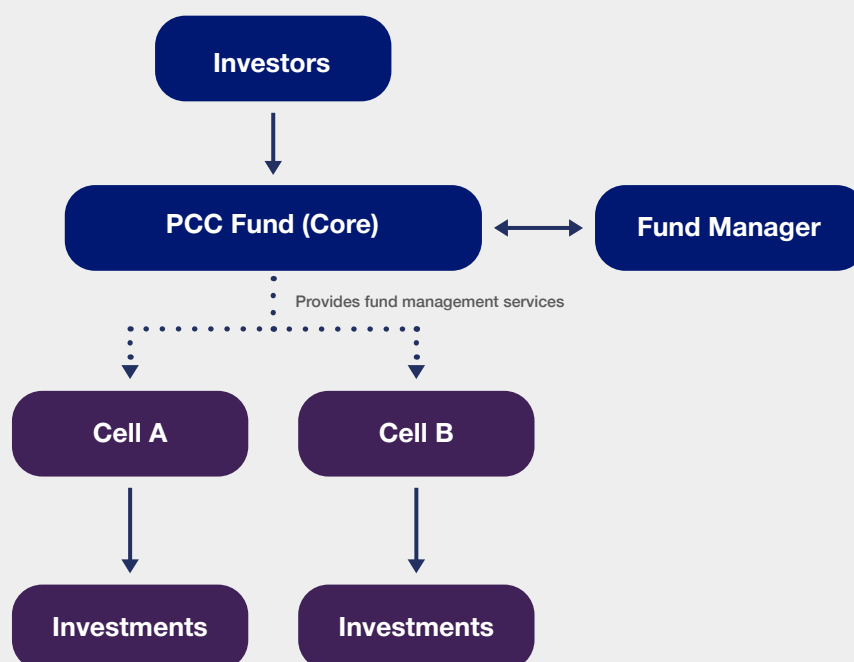


Figure 2: Mutual Fund Business Structure

The Labuan PCC may be used by a fund manager as an umbrella fund structure. It is possible in turn for the fund managers to create a cell or multiple cells to cater to their multiple business strategies and in addition, offering reputable collective investment fund products to their potential customers.

Funds in various currencies can also be stored in different cells or segregated based on investment objectives to enable more effective risk control and fund management.

There are significant cost efficiencies to using a Labuan PCC as it does not require forming multiple legal set-ups for funds under a common fund manager.

Annual and Conversion Fee

A Labuan PCC is required to pay the following annual fees to Labuan FSA on or before 15 January of each year.

Type of Fees	Amount
Insurance and Takaful	
On the general assets of the Labuan PCC (core)	USD 9,500
On each cell	USD 3,000
Mutual Funds and Islamic Mutual Funds	
On the general assets of the Labuan PCC (core)	USD 1,500
On each cell	USD 600

*Any Labuan company that wishes to convert into a Labuan PCC is required to pay a conversion fee of USD 100.

Awards and Recognitions

2023



'Highly Commended International Domicile' at the European Captive Review Awards 2023

2022



'Highly Commended International Domicile' at the European Captive Review Awards 2022

2021



'Best Asian Domicile' at the APAC Captive Review Awards 2021

2021



'Top International Captive Domicile' at the European Captive Review Awards 2021

2020



'Highly Commended International Domicile' at the European Captive Review Awards 2020

2019



'Captive Insurance Jurisdiction of the Year' at the 2nd Annual China Offshore Awards 2019

2019



'Best Asian Domicile' at the Asia Captive Review Awards 2019

2018



'Captive Insurance Jurisdiction of the Year' at the 1st Annual China Offshore Awards 2018



'Best Asian Domicile' at the Asia Captive Review Awards 2018

Summary of Labuan IBFC Strategic Roadmap 2022-2026



Strategic Thrusts



Spurring Market Innovations & Vibrancy

- Transforming into a Digital Financial Hub
- Intensifying Labuan's insurance market growth
- Promoting international Islamic finance
- Revitalising niche and prospective segments



Promoting Market Facilitation & Visibility

- Upscaling Labuan IBFC's ecosystem and infrastructure
- Enhancing Labuan IBFC's visibility and branding



Strengthening Labuan IBFC's Complementary Roles to Malaysia

- Complementary capacity to Malaysia's economy



Effecting Relevant & Proportionate Regulations

- Continued prudential regulatory and legal upscaling in accordance with international standards
- Developing risk-sensitive, fit-for-purpose regulations to cater for emerging concerns
- Securing good ratings for incoming international assessments on Labuan IBFC
- Fiscal planning to meet Organisation for Economic Co-operation and Development's (OECD) new requirements and BEPS 2.0



Effecting Pre-Emptive Supervision & Enforcement

- Intensifying and modernising supervisory approach and cross-border engagements

For more information, log on to **www.labuanibfc.com**

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Labuan IBFC Incorporated Sdn Bhd, the official promotion and marketing agency for Labuan International Business and Financial Centre, Malaysia.

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