

**Malaysia**

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**Pushing for Labuan mutual funds**

**U**nder the Labuan Financial Services and Securities Act 2010 and Labuan Islamic Financial Services and Securities Act 2010, the Labuan Financial Services Authority (LFSA) has recently issued its revised



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Guidelines on the Establishment of Labuan Mutual Funds, including Islamic Mutual Funds, which came into effect on January 1 2014 (the Guidelines).

The issuance of the revised Guidelines emphasises the continued commitment by the LFSA to encourage the establishment of Labuan-based mutual funds.

The revised Guidelines seek to clarify and expand on the previous guidelines as to the application procedures,

operational and regulatory requirements of conventional and Islamic Labuan mutual funds (for instance, contents of information memorandum and the approval procedure). By having this more comprehensive framework in place, Labuan is positioned to offer itself as a viable option for international investors that are keen to take advantage of such benefits including:

- tax: (i) A Labuan mutual fund carrying out trading activity has the option of either paying a flat tax rate of RM20,000 (\$6,000) or 3% of audited net profit, whilst a non-trading Labuan mutual fund is exempt from tax; (ii) there is no withholding tax for any income distribution to the investors of the Labuan mutual fund; and
- flexible structure: an applicant considering setting up a mutual fund in Labuan has the option of using several

different vehicles such as a Labuan company, a corporation under the laws of any recognised country or jurisdiction who is a member of the International Organisation of Securities Commission, a partnership, a protected cell company, a foundation or a unit trust.

Although the number of mutual funds in Labuan according to the Labuan IBFC (International Business and Financial Centre) is at a modest level, it is expected that as the process becomes more familiar, interest in opting for a Labuan-based mutual fund will rise.

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