

NO. 19

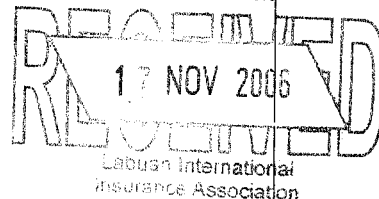
**EXPOSURE DRAFTS OF CIRCULARS ON FINANCIAL REPORTING STANDARDS
FOR OFFSHORE ENTITIES – 16 NOVEMBER 2006
CIRCULAR TO LABUAN OFFSHORE APPROVED AUDITOR ON FINANCIAL
REPORTING STANDARDS FOR LABUAN OFFSHORE ENTITIES – 8 NOVEMBER
2007**

LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY

Our Reference :

16 November 2006

Secretariat



Chairman of Association of Offshore Banks (AOB)
Chairman of Labuan International Insurance Association (LIIA)
Chairman of Association of Labuan Trust Companies (ALTQ)
All Approved Auditors
All Investment Banks
All Fund Managers

Dear Sir / Madam,

Exposure Drafts of Circular on Financial Reporting Standards for Offshore Entities

The above matter refers.

We are pleased to attach the exposure draft of the abovementioned Circular for your members' review and comments.

We appreciate it if you could collate the responses and revert to LOFSA by 30 November 2006.

Should you need further clarification on the matter, please do not hesitate to contact En. Mohamad Akbal Mohd Yunos or Puan Norleza Abdul Rahman at 087-591336 or 087-591338 respectively.

With kindest regards.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Sabaruddin Ismail".

Sabaruddin Ismail
Director
Corporate Services Department

160/48/0-nar

Exposure Draft- FRS

Circular No: 86/2006/ALL

November 2006

The Chairman
Association of Offshore Banks
Labuan International Insurance Association
Association of Labuan Trust Companies
Labuan Offshore Investment Banks
Labuan Offshore Fund Managers
Labuan Offshore Approved Auditors

Dear Sir,

Financial Reporting Standards for Labuan Institutions

We refer to the above matter.

As you are aware, the International Accounting Standards Board (IASB) has issued International Reporting Standards (IFRS) to replace the accounting standards issued previously. 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.

In this regards, we are pleased to inform that LOFSA required offshore licensed institution to adopt the FRS issued by MASB or any similar standards issued by other jurisdictions chosen by the institution where the institution itself **is required** to prepare or lodge any financial statements to LOFSA under:-

- Offshore Banking Act 1990;
- Offshore Insurance Act 1990;
- Labuan Offshore Securities Industry Act 1998; or
- Labuan Trust Companies Act 1990.

Exposure Draft- FRS

Therefore, the above is applicable to the following institutions:-

- Offshore Banks and Offshore Investment Banks;
- Offshore Insurance and Insurance Related Companies;
- Labuan International Financial Exchange (LFX);
- Offshore Fund Managers;
- Offshore Private and Public Funds (Company, Unit Trust or Partnership); and
- Labuan Trust Companies.

Correspondingly, other non-licensed institution is required to adopt the PERS issued by MASB or any similar standards issued by other jurisdictions chosen by the institution where the institution itself **is not required** to prepare or lodge any financial statements to LOFSA under:-

- Offshore Banking Act 1990;
- Offshore Insurance Act 1990;
- Labuan Offshore Securities Industry Act 1998; or
- Labuan Trust Companies Act 1990.

The above requirement is issued under section 4 (5) of the Labuan Offshore Financial Services Authority Act, 1990 and shall take effect on the accounts prepared for annual period on or after 1 January 2007.

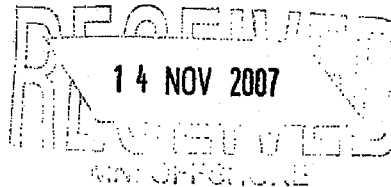
Please be guided accordingly.

**LEMBAGA PERKHIDMATAN KEWANGAN LUAR PESISIR LABUAN
(LABUAN OFFSHORE FINANCIAL SERVICES AUTHORITY)**

Circular No: 86/2006/Auditor

8 November 2007

All Labuan Offshore Approved Auditor



Dear Sir/Mdm,

Financial Reporting Standards for Labuan Offshore Entities

We refer to the above matter.

2. 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 does not applicable to the companies incorporated / registered under the Offshore Companies Act 1990. In this regard, the Labuan offshore entities are allowed to adopt any accepted international accounting standards including the FRS issued by MASB.

3. Arising from the implementation of FRS by MASB, LOFSA received a few inquiries in regard to the application of FRS 121 Para 18 and 38A of which requires the reporting currency for financial statements presented in Malaysia to be in Ringgit Malaysia. In this regard, the Labuan offshore entities 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:

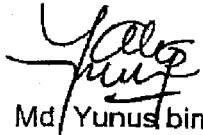
The financial statements comply with applicable Financial Reporting Standards, except for FRS 121 The Effect of Changes in Foreign Exchange Rates which requires the presentation currency for the financial statements presented in Malaysia to be in Ringgit Malaysia. This requirement was for the purpose of harmonisation with local law. As the 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].

**Circular on Financial Reporting Standards for Offshore Entities -
86/2006/Auditor**

Should you need clarification, please do not hesitate to contact Puan Norleza Abdul Rahman at 087-591338.

Please be guided accordingly.

Yours sincerely,



Md Yunus bin Atip
Director
Regulation Department
240/84/0-NAR

CC:

Association of Offshore Banks

Labuan International Insurance Association

Association of Labuan Trust Companies

All Offshore Investment Banks

Labuan International Financial Exchange