



**REPORTING GUIDELINES FOR THE SUBMISSION OF
QUARTERLY EXTERNAL FINANCIAL ASSETS AND
LIABILITIES OF LABUAN OFFSHORE ENTITIES
(EAL SURVEY)**

November 2004

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PART I

GENERAL

**REPORTING GUIDELINES FOR SURVEY ON EXTERNAL FINANCIAL ASSETS
AND LIABILITIES OF OFFSHORE ENTITIES IN LABUAN
(EAL SURVEY)**

PART I: GENERAL

I. INTRODUCTION

- 1.1 The purpose of this Guidelines is to provide guidance to the reporting entities (REs), on the completion and submission of the EAL survey forms.
- 1.2 The main objective of the survey is to compile data on the cross-border transaction flows and exposures on the external financial assets and liabilities of Labuan offshore entities with the rest of the world (excluding Malaysia). Data from the survey will be used in the compilation of Malaysia's External Debt, Portfolio Investment and International Investment Position.
- 1.3 These guidelines are applicable to the REs that have been selected by Labuan Offshore Financial Services Authority (LOFSA) to participate in the EAL Survey.

II. TYPE OF EAL SURVEY FORMS

- 1.4 The EAL Survey is with effect from **fourth quarter 2004** and for subsequent quarters. The survey forms to be completed are as follows:
- (a) Table I : Financial Assets with Non-Residents
- (i) Profile of each financial asset with non-resident where the financial asset data item is to be categorised by direct investment, portfolio investment, financial derivatives and others.
- (ii) Transaction flows, valuation and other changes during the quarter relating to each financial asset profile, as well as the opening and closing position.

(b) Table II : Financial Liabilities with Non-Residents

- (i) Profile of each financial liability with non-resident where the financial liability data item is to be categorised by direct investment, portfolio investment, financial derivatives and others.
- (ii) Transaction flows, valuation and other changes during the quarter relating to each financial liability profile, as well as the opening and closing position.

III. LEGAL REQUIREMENT

- 1.5 The information requested is pursuant to the Labuan Offshore Financial Services Authority Act 1996 and will be governed by the secrecy provision as provided for in that Act and any other law relating to offshore financial services in Labuan

IV. RESPONSIBILITIES OF THE REPORTING ENTITIES

- 1.6 Reporting entities (REs) shall provide the information required in the survey forms in accordance with the reporting guidelines.
- 1.7 The EAL survey forms submission is mandatory and must be submitted via **diskette with hardcopy** to LOFSA.
- 1.8 **Please take note that REs are not allowed to change the format of the templates.** However REs may insert additional rows in the reporting templates using the specified function keys indicated in the worksheet, if the existing rows are not sufficient to cater for the number of records to be reported. Before submitting the templates to LOFSA, please retain a copy of the completed survey forms for record purposes.

V. ENQUIRIES AND CORRESPONDENCE

1.9 The completed survey forms should be submitted within **21 days** after reference period to the following address:

**Director General
Labuan Offshore Financial Services Authority
Level 17, Main Office Tower
Financial Park Labuan
Jalan Merdeka
87000 Federal Territory Labuan**

1.10 Queries on the survey (if any) could be directed to any of the following officers:

Name	Telephone No.	E-mail address
1. Mohd Rizlan Mokhtar	(+6087) 591 335	rizlan@lofsa.gov.my
2. Abdul Salam Chandran Abdullah	(+6087) 591 208	salam@lofsa.gov.my
3. Mohd Sharfri Moss	(+6087) 591 314	msharfri@lofsa.gov.my
4. Irencce Lim	(+6087) 591 211	irence@lofsa.gov.my

VI. ENTITIES TO BE COVERED

1.11 **End-investors** – The following Labuan offshore entities that have their own EAL exposure with the rest of the world (excluding Malaysia):-

- i. offshore bank and offshore investment bank licensed under the Offshore Banking Act 1990;
- ii. offshore insurance and insurance-related company licensed under the Offshore Insurance Act 1990;
- iii. trust company registered under the Labuan Trust Companies Act 1990;

- iv. fund manager registered under the Labuan Offshore Securities Industry Act 1998; and
- v. any other offshore financial institution that may be specified in writing by LOFSA from time to time.

1.12 **Custodians** – offshore entities incorporated in Labuan that manage the following:

- (a) **the safekeeping of securities issued by non-residents on behalf of residents** of Labuan, or **on their own account**;
- (b) **the safekeeping of securities issued in Labuan and Malaysia (onshore) on behalf of non-residents.**

Note:

“A custodian may also be an end-investor”.

VII. DEFINITION OF RESIDENT (FOR THE PURPOSE OF THIS SURVEY ONLY)

1.13 A **resident of Labuan** is any person including corporation, partnership, a body of persons and a corporation sole who is incorporated, registered, licensed, consented or operated under any law relating to offshore financial services in Labuan irrespective whether they have physical presence in Labuan or not.. Branches and subsidiaries of non-resident person domiciled in Labuan under any law relating to offshore financial services in Labuan are also considered as as residents of Labuan.

1.14 A **non-resident** is any person including corporation, partnership, a body of persons and a corporation sole who is incorporated, registered, licensed, consented or operated under any law of any country other than Labuan and Malaysia (onshore). Branches and subsidiaries of Labuan enterprises domiciled in other countries are considered as non-residents.

VII. DEFINITION OF RESIDENT SECTOR

- 1.15 **Banks** refers to offshore banks that are licensed to carrying on offshore banking business and offshore investment banking business in Labuan under the Offshore Banking Act 1990.
- 1.16 **Non-bank Financial Corporations** comprises of the following:
- (a) **Offshore insurance and insurance-related companies** licensed under the Offshore Insurance Act 1990.
 - (b) **Mutual funds** registered and consented under the Labuan Offshore Securities Industry Act 1998.
 - (c) **Trust company** registered under the Labuan Trust Companies Act 1990.
 - (d) **Fund manager** licensed under the Labuan Offshore Securities Industry Act 1998.
 - (e) **Other financial intermediaries** or financial auxiliaries as may be specified in writing by LOFSA from time to time.

PART II
NOTES ON COMPLETION OF THE EAL SURVEY
FORMS

PART II : NOTES ON COMPLETION OF THE EAL SURVEY

I. GENERAL

- 2.1 Reporting Entities (REs) are required to prepare and submit all external financial assets and liabilities reports on a quarterly basis in accordance with the instructions contained in these Guidelines and adhering to the stipulated deadlines. REs are responsible for ensuring that all reports reflect true presentation of the flows and outstanding positions of their external financial assets and liabilities exposures.
- 2.2 All amounts shall be reported in thousands, of the USD equivalent of the foreign currency, unless otherwise specified.
- 2.3 All positions and transactions shall be reported for each EAL profile. Please note that each profile refers to each record by country and currency.
- 2.4 All positions shall be reported based on market value. RE to report book value **only when** market value cannot be determined.

II. NOTES ON COMPLETION OF TABLE I AND TABLE II

(i) Table I and Table II : Financial Assets and Liabilities with Non-Residents

- 2.5 Table I and Table II are to be completed by REs who have financial assets and/or liabilities with non-residents. REs are required to provide details on the transaction flows and position of their financial assets and/or liabilities with the non-resident counter-parties under the following four broad categories:
- (a) Direct Investment;
 - (b) Portfolio Investment;
 - (c) Financial Derivatives; and
 - (d) Others.

2.6 In order to classify the data items into the above four broad categories, REs are required to determine the relationship with the non-resident counter-party as follows:

- (a) If a resident in one economy, acquires a lasting interest, i.e. **10% or more** of the ordinary shares, voting power or the equivalent, from a non-resident entity abroad **or vice versa**, any asset/liability exposure with the non-resident entity is to be categorised under “**Direct Investment**” and the relationship with the non-resident is deemed as “**related**”.
- (b) Otherwise, the relationship with the non-resident is deemed as “**non-related**” and the asset/liability exposure with this non-resident is to be categorised under **Portfolio Investment**, or **Others**.

Important Note:

For Banks, due to the nature of its business activities, transactions between the related companies should not be treated as dealing with related counter-parties, it should be reported under Other Investment.

2.7 The details to be provided are as follows:

(1) **Explanation on the Four Categories**

(a) **Direct Investment**

- **Claims on affiliated enterprises**

Refers to external financial assets with associate, sister company, subsidiary and branch outside Malaysia.

- **Claims on direct investor**

Refers to external financial assets with parent company, head office and direct investor outside Malaysia.

- **Liabilities to affiliated enterprises**

Refers to external financial liabilities to associate, sister company, subsidiary and branch outside Malaysia.

- **Liabilities to direct investor**

Refers to external financial liabilities to parent company, head office and direct investor outside Malaysia.

The items under the “Direct Investment” are to be further classified into the following data items;

- (i) Equity Capital;
- (ii) Retained Earnings;
- (iii) Bonds and Notes (Includes Non-participating RPS);
- (iv) Money Market Instruments;
- (v) Loans;
- (vi) Trade Credits;
- (vii) Deposits; and
- (viii) Others

(b) **Portfolio Investment**

Refers to the holdings of the securities issued by non-residents (assets) or the securities issued by the residents and held by non-residents (liabilities), in which the residents has **no direct relationship** with the non-resident issuer/holder of the securities.

- **End-investors**

To report equity, short- and long-term debt securities issued by unrelated non-residents:

- (i) held on their own account (i.e. not entrusted to resident custodians); or
- (ii) entrusted to a non-resident custodian.

- **Custodian – Portfolio of resident clients**

To report their **own holdings (under End-Investors)**, of equity, short- and long term debt securities issued by unrelated non-residents **and also** in respect of securities issued by non-residents on behalf of resident clients.

- **Custodian – Portfolio of non-residents clients**

To report holdings of resident securities (issued in Labuan and onshore) on behalf of non-resident clients.

The securities are to be categorised as follows:

- (i) Equity securities; and
- (ii) Debt Securities
 - Bonds and Notes (Includes Non-participating RPS); and
 - Money Market Instruments.

(c) **Financial Derivatives**

Refers to financial instruments that are linked to either specific financial instruments or indicators or to particular commodities and through which specific financial risks (eg. Interest rate risk, foreign exchange risk, credit risk, etc) can, in their right, be traded in financial markets. This may involve the following:

- Future delivery, receipts or exchange of financial items such as cash or another derivatives instrument, or
- Future exchange of real assets for financial items where the contract may be tradable and have market value.

The financial derivative items are to be categorised as follows:

- (i) Swaps;
- (ii) Forwards;
- (iii) Futures;
- (iv) Options; and
- (v) Others.

(d) **Others**

Refers to external assets/liabilities exposure with **non-related** counter-parties that are not classified under the Portfolio

Investment and Financial Derivatives. The data items are to be categorised as follows:

- (i) Loans;
- (ii) Trade Credits;
- (iii) Currency;
- (iv) Deposits;
- (v) Real Estate; and
- (vi) Others.

(2) **Type of Data Items**

Refers to the type of data items that fall under each of the four broad categories namely, Direct Investment, Portfolio Investment, Financial Derivatives and Others. Details of the type of data items for each category are indicated on the forms. To provide breakdown by country and currency.

(3) **Country**

Refers to the country in which the non-resident resides. The country is to be selected from the 2-digit ISO country codes as per **Appendix II**.

(4) **Currency**

Refers to the currency in which the asset and liability item is denominated. The currency is to be selected from the 3-digit ISO currency codes as per **Appendix II**.

(5) **Opening Position**

Refers to the outstanding balance of the assets and liabilities items at the beginning of the reporting quarter and to be reported in relevant foreign currency.

(6) **Transaction Debit and Credit**

Refers to the flow transactions contributing to the increase or decrease of the assets or liabilities items. To be reported in foreign currency and USD equivalent amount.

- **Debit**

Refers to the flow of funds which contribute to an increase in asset or a decrease in liability position;

- **Credit**

Refers to the flow of funds which contribute to a decrease in assets or increase in liability position .

(7) **Revaluations and Other Changes**

Refers to the following:

(a) **Price Changes**

The impact on the outstanding external assets or liabilities due to changes in the price (which are not a result of changes in exchanges rates), and include realised and unrealised gains and/or losses during the reporting quarter arising from interest rate movements and share price movements (for listed enterprises), or the impact of retained earnings or other revaluations (for unlisted enterprises). To be reported in foreign currency and USD equivalent amount.

(b) **Other Changes**

The changes to the outstanding financial assets or liabilities other than those classified above, and may include reclassification (such as from portfolio investment to direct investment when the 10% equity threshold is reached) and change in currency of denomination. To be reported in foreign currency and USD equivalent amount.

(8) **Closing Position**

Refers to the outstanding balance of the financial assets or liabilities with the non-residents as at end of the reporting quarter and to be reported in relevant foreign currency.

The closing position shall be computed as follows:

Closing Position of Asset item

= 'Opening Position' + 'Debit' – 'Credit' ± 'Price changes'
± 'Others Changes; and

Closing Position of Liability item

= 'Opening Position' + 'Credit' – 'Debit' ± 'Price changes'
± 'Others Changes'.