

**LABUAN INTERNATIONAL
FINANCIAL EXCHANGE**

**THE LEADING MID-SHORE
BUSINESS AND FINANCIAL
CENTRE IN ASIA PACIFIC**



LABUAN INTERNATIONAL FINANCIAL EXCHANGE INC.

Incorporated in July 1999 as a company limited by shares with an authorised capital of USD10 million and a current paid up capital of USD5.5 million.

A wholly owned subsidiary of the **Bursa Malaysia Berhad** (formerly known as Kuala Lumpur Stock Exchange Berhad), LFX is governed by the Labuan Companies Act (LCA) 1990 and its Memorandum & Articles of Association.



THE EXCHANGE

The Exchange was launched by the Malaysian Minister of Finance on 23 November 2000 as an offshore financial exchange to complement the various financial services and activities offered and available in Labuan, the international offshore financial centre of Malaysia.

LFX is governed by its Rules and Regulations and the Labuan Financial Services Securities Act 2010 (LFSSA).

The operations of LFX is managed by the Exchange Committee comprising nominees of the Shareholders and market participants whose appointments are subject to the consent of the Ministry of Finance (MoF) and Labuan Financial Services Authority (LFSA).

The Exchange Committee is supported by three specific committees i.e. the Licensing, Listing and Disciplinary Committees.

REGULATORY STRUCTURE

MINISTRY OF FINANCE MALAYSIA

LABUAN FINANCIAL SERVICES AUTHORITY (LFSA)

The Labuan Financial Services Authority (LFSA) as established under the Labuan Financial Services Authority Act 2010 is the custodian for all the Acts mentioned.

- The objectives of its establishment are to promote and develop Labuan as a centre for offshore financial services; and
- To develop national objectives, policies and priorities for the orderly development and administration of offshore financial services in Labuan.

Labuan International Financial Exchange Inc., the company that operates LFX, the Exchange, is governed by the **Labuan Companies Act (LCA) 1990** and its **Memorandum & Articles of Association (M&A)**.

LCA
1990

M&A

**LABUAN INTERNATIONAL
FINANCIAL EXCHANGE INC.**

LFX is a self-regulatory organisation, which operates, manages, monitors and supervises its own market participants by way of its licences and its Rules and Regulations.

LFSSA
2010

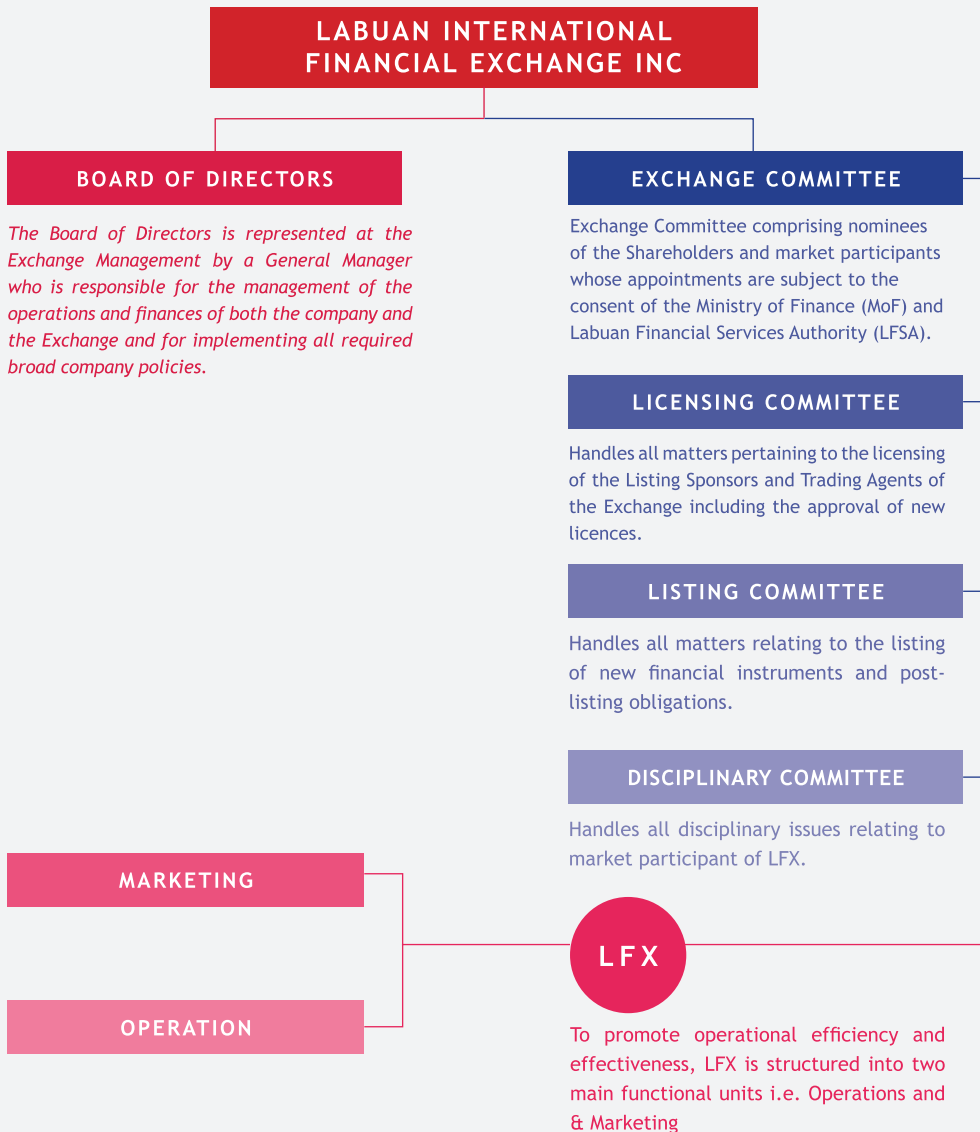
RULES

The Exchange is governed by the **Labuan Financial Services Securities Act (LFSSA) 2010** and its **Rules and Regulations**.

LFX

LFX adopts a **Disclosure Based Regime** in respect of its operations.

ORGANISATIONS STRUCTURE





MARKET PARTICIPANTS

LISTING SPONSORS

- Responsible for the financial instruments listed on the LFX.
- Either an entity or individual licensed by the Exchange to carry out the relevant functions and responsibilities.
- Listing Sponsors can be institutions such as Investment Houses, Investment / Merchant Banks, Fund Managers, Trust Companies, Accounting Firms or Investment / Corporate Lawyers.
- Listing sponsors can be local or international entities.

The roles and responsibilities of a Listings Sponsor include:

- Packaging of financial instruments for listing subject to LFX's listing criteria.
- Underwriting and placement of the financial instruments listed.
- Undertaking the tasks of an Issuing House.
- Post-listing obligations.

TRADING AGENTS

- Responsible for all trades executed on the Exchange.
- Either an entity or individual licensed by the Exchange to carry out its functions and responsibilities for trading on LFX.
- Trading Agents are persons or entities that are well versed and experienced in the business of trading of securities/financial instruments.
- Proprietary trading by Trading Agents is permissible.
- A licensed Trading Agent can also be licensed listing sponsor with LFX and vice versa.
- The roles and responsibilities of a Trading Agent are:
 - To conduct trades on behalf of investors.
 - To ensure their client's transactions are within their prescribed trading limits.
 - To ensure all trades done are settled accordingly, and
 - To provide investment advice for new and current clients.

Trading is done through the @ LFX, which lists all financial instruments available for trading:

- Trading Agents will post their bid and offer to buy/sell on the Indication of Interest (IOI) Bulletin Board on the @ LFX.
- Trades are done through direct negotiations between interested Trading Agents via telephone, e-mail or any other means of communication.
- Each counter party to the trade will then submit its trade to LFX for validation.





MARKET PARTICIPANTS

ISSUERS

- The Issuer of the financial instrument is the owner of the instrument listed on LFX.
- Being an offshore exchange, issuers can either be international or local corporations.
- However, all listing of financial instruments can only be done through LFX's licensed Listing Sponsors.
- The Issuer will communicate and consult with a licensed listing sponsor of its choice in getting its financial instrument listed on LFX.
- Although LFX is flexible in the type of instruments that can be offered for listing, various qualitative and quantitative criteria will need to be met before the Listing Committee grants approval for listing.
- Issuers and their Listing Sponsors must strictly adhere to their post listing obligations with respect to all corporate disclosures as prescribed by the Exchange's Rules and Regulations.

TRADING AGENTS

- Investors wishing to invest or trade should consult LFX's licensed Trading Agents of its choice on any investment or trading advice pertaining to financial instruments listed on LFX.
- Only licensed Trading Agents are authorised to perform trading activities on LFX.



BUSINESS PROCESS



LABUAN INTERNATIONAL FINANCIAL EXCHANGE

- Established to complement the various financial services offered by the Labuan International Business Financial Center (LIBFC) of Malaysia.
- Operates a full-fledged offshore financial exchange with listing of securities and financial instruments being its emphasis.

OPERATIONS

- Primarily web-based, with all functions of the Exchange, from the application for a Listing Sponsor/Trading Agent licence to trade confirmation on LFX are done on the @ LFX System via the Internet (<http://www.bursamalaysia.com/market/lfx/>)
- Parties intending to list their financial instruments with the Exchange must do so through a licensed Listing Sponsor who will act as listing adviser, sponsor and underwriter.

LICENSING APPLICATIONS

- The application to become a licensed Listing Sponsor or Trading Agent of LFX can be initiated through the LFX website.
- Applicants are also required to submit all original copies of the necessary documents to LFX for verification, processing and record purposes.
- Documents required include:
 - certified copy of the applicant's constitution (corporation) or curriculum vitae (individual)
 - details of the applicant's experience in the business of investment and trading of financial instruments
 - audited financial statements
 - business plan
- The Licensing Committee of LFX is the approving authority for all licensing applications subject to LFX's licensing criteria as per its Rules and Regulations.

LISTING APPLICATIONS

- The Issuer of financial instruments is the owner of the instrument listed on LFX.
- Listing applications by issuers must be made through licensed Listing Sponsors.
- The issuer will communicate and deal with its appointed Listing Sponsor in getting its instruments listed on LFX.
- The process for a listing application can be initiated via the @ LFX System, which is accessible through the LFX's website. However, all original copies of the documents must be sent to the LFX office.
- The Listing Committee is the approving authority for all listing applications subject to LFX's listing criteria as per its Rules and Regulations.
- As LFX is flexible in the type of financial instruments that can be listed, various quantitative and qualitative criteria will need to be met before the Listing Committee approves an application. The criteria are contained in the Listing Criteria and Requirement leaflet.
- ...

BUSINESS PROCESS

LISTING APPLICATIONS

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- Financial instruments to be listed on LFX may include but are not limited to equities, investment funds, debt instruments and insurance related instruments.
- These instruments can be based on conventional or Islamic (Syariah) principles.
- Financial instruments regardless of its nature may be multi-currency denominated.
- For instruments based on Islamic principles, the Issuer will have to obtain the necessary endorsement that it complies with Syariah principles from the appropriate Syariah Council of its country of origin or from an internationally accepted Syariah Council.

TRADING

- Investors will communicate and deal with licensed Trading Agents on any advice and action required pertaining to investment and trading decisions.
- Only Trading Agents are authorised to perform trading activities on the Exchange and this is to be done via the Exchange's Indication of Interest Electronic Bulletin Board on the @ LFX.
- The Electronic Bulletin Board lists all instruments available for trading and the Trading Agents will post their indication of interest to buy/sell on the Board.
- The final purchase/selling price is determined through direct negotiations between interested Trading Agents.
- Both parties will then submit their transactions to LFX for clearing and settlement.





LISTING CRITERIA & REQUIREMENTS



LISTING OBJECTIVE

To establish a balance between providing issuers with access to the capital market at the earliest possible opportunity, while providing investors with adequate protection and with sufficient and timely information to enable them to make informed decisions as to the value and merits of the instruments. The following criteria are only guidelines and non-compliance may not in itself disqualify a particular financial instrument for listing.



QUANTITATIVE CRITERIA

Initial Public Offering/Funds/Debt Issuance

The respective issuance for listing should not be less than USD2 million for equity, USD50 million for closed-end investment funds and USD100 million for debt securities.



SHAREHOLDING SPREAD

Minimum number of shareholders (including employees) should not be less than 250 for equity, 50 for funds and 25 for debt securities. However, a spread with less than that required above may be considered with justification.



BUSINESS OPERATIONS

Minimum period of business operations for an equity IPO should not be less than two (2) years. However, operations with less than two years may be considered with justification.



HISTORICAL PROFIT PERFORMANCE

Provide at least the most recent audited accounts (for a company in operation for more than a year) or an audited statement of net assets (for a company in operation for less than a year).



ASSET BACKING

Company's NTA or Enterprise Value per share upon listing should not be less than its par value.





LISTING CRITERIA & REQUIREMENTS



QUALITATIVE CRITERIA

BUSINESS DYNAMICS

- The company is managed by an experienced management team that has the relevant qualifications and experiences in a similar field in which the company is involved.
- High technology companies, which provide a significant portion of its revenue towards R&D reflects its commitment to further develop the growth of the company.

INDUSTRY DYNAMICS

- The Company has high barriers to entry and exit.
- The Company has encouraging past and future growth trends/prospects.

CONFLICT OF INTERESTS

- Disclosure of the nature, character and extent of conflict of interests between the company and directors or promoters of substantial shareholders to the public.

ASSESSMENT OF VULNERABILITY AND RISKS

- Disclosure of all material business and financial risks and measures taken to mitigate/minimise such risks.

INDEPENDENCE OF BUSINESS

- The Company is fully operational, is independent and autonomous
i.e. not investing in another listed company.



LISTING FEES

LISTING	FEES	
	INITIAL FEES	ANNUAL FEES
EQUITY SECURITIES	(up to USD 100,000,000) USD 5,000 (over USD 100,000,000) USD 10,000	USD 5,000
DEBT SECURITIES	USD 2,500	USD 1,000
FUNDS	USD 2,000	USD 2,000
OTHERS (subject to confirmation by the Exchange)	USD 5,000	USD 5,000

Secondary Listing

One half of the relevant fees described above.

Listing Application fee

(for both primary and secondary listing) -
USD 1,000 non refundable.



ADVANTAGES

LFX THE EXCHANGE

- Designed as a one-stop financial exchange from the submission of application to the approval, listing, trading, clearing and settlement of the products listed.
- Liberal rules to cater for the listing of a multitude of multi-currency financial instruments. The Exchange Committee has been accorded full discretionary powers in respect of the operations of LFX.
- Based in a duty free port will mean that no exit levies and stamp duties are charged.
- Acts as a practical alternative to other domestic exchanges in the Asia-Pacific region.
- Offers companies in other jurisdictions without a financial or stock exchange the avenue to raise capital to fund their operations.
- Allows international investors unrestricted trading of multi-currency instruments.
- Listing on LFX can contribute to enhanced liquidity of the instruments.

LFX OPERATIONS

- Dealings with statutory regulators are minimal. Labuan Financial Services Authority (Labuan FSA) is the sole regulator and authority that encompasses the main functions of the onshore regulators.
- Caters for the listing of Syariah products (Islamic financial instruments) subject to certification being obtained from the appropriate authorities.
- Transactions conducted on the LFX are not subjected to any capital control measures.
- No restriction on foreign ownership of financial instruments listed on LFX.
- Potential Listing Sponsors who do not meet the criteria stated to participate on LFX may form alliances among them in order to be eligible.

LFX SYSTEMS

- Promotes extensive usage of multimedia and Internet facilities that enhance accessibility.
- Being a web-based Exchange, participants in LFX will not need to incur additional costs as access can be made via a web-browser.

LFX IN THE BURSA MALAYSIA GROUP BERHAD

- Being a wholly owned subsidiary of Bursa Malaysia (formerly known as Kuala Lumpur Stock Exchange Bhd), LFX benefits from:
 - The expertise and experience of the Bursa Malaysia group;
 - The effective business networking and marketing developed by the Bursa Malaysia group over the years;
 - The reliable and proven infrastructure developed by the Bursa Malaysia group.
 - Bursa Malaysia Berhad being a full member of World Federation Exchange (WFE) and an affiliate member of International Organization of Securities Commissions (IOSCO)

LFX BENEFITS AGAINST OTHER JURISDICTIONS

- Timeliness of approval as it will take only two days to get the listing application approved subject to all required documentation received being accurate and complete.
- Competitive and comparable licensing and listing fees against exchanges in other offshore jurisdictions.
- Strategically located within the Asia-Pacific region and sharing virtually the same time-zone with the other major regional financial centres.
- Offers seamless operations as LFX is web-based and is accessible globally.

PRODUCT

- LISTING · TRADING · FUND · INVESTMENT
- EQUITIES · FIXED INCOME SECURITIES



CONTACT US

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