

GUIDANCE NOTE ON SHARIAH-COMPLIANT SECURITIES TOKEN (RAMZ) OFFERING

1.0 Introduction

- 1.1 The Guidance Note on Shariah-Compliant Securities Token (RAMZ) Offering (Guidance Note) is issued in parallel to the Guidelines on Labuan Securities Token Offering. The Guidance Note aims to provide market guidance for the Securities Token Offering (STO) that can be structured under a variety of Shariah principles in Labuan International Business and Financial Centre (Labuan IBFC).
- 1.2 The Guidance Note applies to any person that intend to raise funds through digital means by issuing or offering Shariah-compliant securities token in Labuan IBFC.
- 1.3 This Guidance Note is to be read together with the Guidelines of Labuan Securities Token Offering and other requirements of the relevant law and guidelines including those listed under the **Appendix I**.

2.0 Background

- 2.1 Islamic finance is one of the fastest-growing segments of the global financial industry. As a result, the emergence of new asset classes in the world of financial technology, such as digital assets, is driving the industry away from traditional finance. It is now in the stage of global integration to be adopted as an international digital financial system.
- 2.2 Taking cognisant from the rapid technology innovation and market reform, Labuan IBFC embarks towards developing an Islamic Digital Asset Centre (IDAC) to facilitate and enable business diversification through the internalisation of digital spectrum in the entire Islamic financial ecosystem. Labuan IBFC offers a suitable environment for Shariah-compliant Securities Token Offering (Shariah-compliant STO) or RAMZ offering, because the centre has a robust regulatory environment and comprehensive infrastructure that supports and accord certainty, including integrity for Shariah-based structures.
- 2.3 The appeal of RAMZ is its potential to attract a more diverse investors as it is available to both conventional and Islamic investors. As the new asset class, RAMZ would provide a new avenue for fund raising and meeting investments goals for both issuers and investors, respectively.

3.0 What is a Shariah-Compliant Securities Token or “RAMZ”?

- 3.1 Shariah-compliant securities token, also referred to as RAMZ, is derived from an Arabic term which means a token. RAMZ is represented in digital format and recorded on a distributed digital ledger that is cryptographically-secured or otherwise and subject to the same regulatory regime applicable to securities offering under LIFSSA.
- 3.2 RAMZ is an asset-backed token where it has a characteristic of securities¹ as defined under Part I, Section 2 of Labuan Islamic Financial Services and Securities Act 2010 (LIFSSA), and comply with Shariah principles.
- 3.3 The modus operandi of RAMZ offering is similar to traditional securities offering except that the token is issued, listed and traded in a digital platform and the investor’s rights are represented in the form of the digital smart contract².

4.0 Requirements for Issuance of RAMZ

- 4.1 Issuance of RAMZ is subjected to similar requirements as specified under the Guidelines on Labuan Securities Token Offering.
- 4.2 In line with Section 13 of LIFSSA, RAMZ can be classified into public or private offerings. For private RAMZ offering under Section 13(5)(a), (b) and (d) of LIFSSA, it requires notification to Labuan FSA while public RAMZ offering requires prior approval of Labuan FSA.
- 4.3 For private RAMZ offering under Section 13(5)(a) of LIFSSA, the identified investors may include professional or sophisticated investors as defined under the Frequently-Asked Questions of the Guidelines on Labuan Securities Token Offering.

¹ A securities may include:

- (i) shares, funds, units, interests in a limited partnership or limited liability partnership or unit trust or foundation or protected cell company or corporation;
- (ii) notes of or issued by anybody (incorporated or unincorporated), government, local government or public authority; and
- (iii) certificates of interest or participation in, temporary or interim certificates for, receipts for or warrants to subscribe to or purchase any of the investments described in paragraphs (i) and (ii), which are issued expressly to be in compliance with Shariah principles, include sukuk (sukuk is defined under Part I Section 2 of LIFSSA).

² A smart contract is a simple program designed to ensure that the contractual terms and conditions are automatically implemented. Smart contracts also determine how the token can be purchased, traded and sold in a compliant fashion, and since they are blockchain based, the transactions are immutable, traceable, and fully transparent.

5.0 Eligibility of issuer

- 5.1 Any person³ can make an offer or invitation to subscribe for RAMZ in or from within Labuan IBFC.
- 5.2 Any offer or invitation to subscribe to RAMZ with sukuk features shall comply with the requirements specified under Part III, Chapter 2 of LIFSSA.
- 5.3 Issuer of public RAMZ in or from within Labuan shall have the following:
- (i) minimum capital of RM500,000 or equivalent in any foreign currency and must be maintained at all times.
 - (ii) the issuers, issuers' directors, Chief Executive Officer, controller and any person who is primarily responsible for their operations or financial management shall be fit and proper persons.
 - (iii) the issuers shall be able to manage risks associated with their business and operation including demonstrating the processes and contingency arrangement in the event the issuers are unable to carry out their operations.
 - (iv) the issuers shall have sufficient financial, human and other resources for their operation at all times.
 - (v) the issuers shall have the appropriate security arrangements which include maintaining a secured environment.
- 5.4 The issuer (including intermediaries⁴) involved in the RAMZ offering shall ensure that the offering and operations of the RAMZ comply with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 and any relevant guidelines issued relating to Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT).
- 5.5 Comply with any relevant circulars, guidelines, or other policy documents issued by Labuan FSA from time to time.

³ "Person" includes a corporation, partnership, a body of persons, corporate or unincorporated and a corporation sole.

⁴ Please refer to item 8 of Guidelines on Labuan Securities Token Offering.

6.0 Shariah Aspects for RAMZ Offering

- 6.1 An issuer of RAMZ shall appoint Shariah adviser(s) pursuant to Shariah Pronouncement on Labuan Islamic Digital-Based Solution by the Shariah Supervisory Council of Labuan FSA.
- 6.2 The issuance of RAMZ shall be approved and endorsed by a Shariah adviser(s) to ensure compliance with Shariah principles on its documentation (including smart contract), structuring, investment as well as other administrative and operational matters.
- 6.3 An issuer must ensure that all information submitted or contained in its prospectus/whitepaper is true and accurate and shall not contain any information or statement that is false or misleading or from which there is a material omission.
- 6.4 RAMZ as an asset-backed securities token has the following features:
- (i) It must be in existence at the time of offering and subscribing;
 - (ii) It is valuable, identifiable and permissible in accordance to Shariah point of view;
 - (iii) The transaction must be on spot basis and absolute;
 - (iv) If the underlying asset comprises ribawi items namely gold and silver, it shall abide by the trading of ribawi items' requirements; and
 - (v) Any other assets approved by the Shariah adviser as underlying assets for the RAMZ issuance.
- 6.5 If any of the underlying assets ceases to be Shariah compliant during the duration of investment, they shall be substituted with other Shariah compliant assets as agreed upon by both parties. The issuer of RAMZ shall observe Shariah Resolution of the Shariah Supervisory Council of Labuan FSA on the timeline for the disposal of Shariah non-compliant asset to ensure compliance with Shariah at all times.
- 6.6 The maturity of RAMZ can be of varying tenor.
- 6.7 An issuer must ensure that the proceeds from a RAMZ issuance are utilised for Shariah compliant purposes only.
- 6.8 The digital exchange that is used as a platform to offer RAMZ must ensure its facilities and features to trade the RAMZ is done in a Shariah compliant manner.

7.0 RAMZ Issuance with Environmental, Social and Governance (ESG) Elements

- 7.1 RAMZ backed by Shariah-compliant asset can be structured with ESG Sukuk as the underlying asset where the proceeds are used to fund a specific environmentally-sustainable infrastructure project, such as the construction of renewable energy generation facilities, etc.
- 7.2 The issuance of RAMZ with ESG elements can be aligned with any recognised international standards for ESG framework as per **Appendix II**.

8.0 Conducive Ecosystem for Issuance of RAMZ

8.1 Well-developed Islamic Finance Infrastructure

- (i) The Centre has an integrated and internationally recognised legal, regulatory and Shariah framework that confer certainty and uphold the integrity of Islamic financial transactions.
- (ii) The broad and liquid Islamic capital market offers a wide range of Islamic financial instruments as well as diversified and skilled financial service providers.
- (iii) There is a significant pool of talent in structuring new innovative Islamic financial instruments. The Listing of Shariah Adviser in Labuan IBFC is available on Labuan FSA's website for any person who are seeking Shariah advisory services for their Islamic businesses.
- (iv) A wide investor base is available from Islamic and conventional financial institutions, pension funds and fund management companies, including the untapped retail investors amongst the global Muslim community.
- (v) Issuers have an opportunity for listing on any of the international exchanges including Labuan approved exchanges. The list of Labuan approved exchanges is available on Labuan FSA's website.

8.2 Supportive Islamic Finance Ecosystem

- (i) Income Tax Exemption for Islamic financial activities in Labuan IBFC from the Year Assessment 2024 to the Year Assessment 2028⁵.
- (ii) Tax neutrality treatment is given on Islamic financial structures (at par with conventional financial structures).

⁵ P.U. (A) 127 Labuan Business Activity Tax (Exemption) Order 2024

- (iii) Stamp duty exemption is accorded on securities documentations.
- (iv) The Centre has a liberal foreign exchange administration policy.
- (v) There is mutual recognition of Shariah opinions issued in other jurisdictions.
- (vi) The Centre allows flexibility in applying the preferred governing law in the offering documents.

8.3 Strategic Location

- (i) Labuan IBFC provides a gateway to Asia Pacific and its promising growth prospects and economic opportunities, making it strategically positioned for attracting investors for digital assets issuance.
- (ii) Issuers can benefit from broad access to global markets and the application of financial technologies will enhance among others, the efficiency, transparency, and legitimacy of its product offerings.

Labuan Financial Services Authority

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List of Relevant Guidelines and Circulars

The following are the list of Guidelines/Directives/Circulars that are to be read together with the Guidance Note:

1. Guidelines of Labuan Securities Token Offering.
2. Shariah Pronouncement on Labuan Islamic Digital-Based Solution by the Shariah Supervisory Council of Labuan FSA.
3. Guidelines on Travel Rule for Labuan Digital Financial Services.
4. Guidelines on Digital Governance Framework.
5. Notification Requirement for the Issuance of Debentures and Sukuk in Labuan International Business and Financial Centre.
6. Guidelines on the Establishment of Labuan Mutual Funds including Islamic Mutual Funds.
7. Clarification Note for Guidelines on the Establishment of Labuan Mutual Funds including Islamic Mutual Funds.
8. Guidelines on the Establishment of Labuan Fund Managers.
9. Shariah Resolution of the Shariah Supervisory Council of Labuan FSA on the Timeline for the Disposal of Shariah Non-Compliant Asset.
10. Directive on Accounts and Record-Keeping Requirement for Labuan Entities.
11. Guiding Principles on Business Continuity Management.

Note: The above lists are not exhaustive and may be amended from time to time.

Recognised international standards for ESG framework

1. International Capital Market Association (ICMA)'s Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines;
2. Climate Bonds Initiative (CBI) Climate Bonds eligibility taxonomy and Climate Bonds Standards;
3. ASEAN Capital Markets Forum (ACMF) ASEAN Green, Social and Sustainability Bond Standards;
4. People's Bank of China Green Bond Endorsed Project Catalogue; and
5. Other aligned frameworks.

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