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Reaping rewards of bold move

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WITHIN A FEW SHORT years, the move by the Bank of Commerce to become an active participant in the Labuan IOFC has been proven a correct one. That move four years ago, made at a time when Labuan was taking its first tentative steps as a fledgling IOFC, has given Bank of Commerce (L) Ltd a strong foothold in what is now increasingly being hailed as one of the fastest growing and most dynamic offshore financial centres in the world.

Bank of Commerce (L) was incorporated as an offshore bank in Labuan on April 1, 1993. It now has a paid-up capital of US\$ 15 million and an authorised capital of US\$ 50 million. Since then, it has firmly established itself as one of the leading players in the burgeoning financial services and banking sector. Its dynamism has been a major contributor to the growth of Labuan as an offshore financial centre. It has sound financial, managerial and operational backing being a wholly-owned subsidiary of Bank of Commerce (M) Berhad and a member of the Commerce Group of Companies which is one of Malaysia's leading financial services group.

As exotic as any South Pacific isle, Labuan lies off the north-west coast of Borneo. It is strategically located in the midst of major shipping lanes and air routes in the South China Sea and is roughly the same distance to Kuala Lumpur, Hong Kong, Singapore, Bangkok, Jakarta and Manila.

Administered as a Federal Territory directly by the Prime Minister's Department, Labuan is also a free port without any sales tax, surtax, excise duty, import and export duties, except on petroleum and petroleum products. Datuk Seri Dr Mahathir Mohamad was a key proponent behind the move to turn Labuan into an IOFC in mid 1990.

Now barely seven years later Labuan is home to some 62 licensed offshore banks, including Bank of Commerce (L). More than 20 insurance companies and up to 20 trust companies are also there - and thanks to the government's encouragement - the island is fast becoming the main Islamic-based offshore banking centre in the world.

Among the factors that are often cited as powering Labuan's rapid growth into a world-class offshore centre is the extensive tax breaks offered to companies and the implementation of clear and transparent laws. The large number of double taxation agreements between Malaysia and other countries and Labuan's world-class communication and other infrastructure are also a big plus for the island.

In the case of Bank of Commerce (L), a Tier-One bank, it was imperative that it establish a strong presence in Labuan IOFC to provide offshore banking services to meet the current and future needs of its numerous corporate clients. This became especially important since Labuan IOFC provided the most cost-effective avenue to source non-ringgit funding to finance investments in Malaysia, thanks to the extensive tax breaks accorded to offshore companies.

Today Bank of Commerce (L) offers a wide range of offshore banking services to its many clients, most of whom are companies from Malaysia and neighbouring countries. Thanks to the worldwide reputation and contacts of its parent, Bank of Commerce (L) is well able to advise and tailor financial packages to meet every client's specific need.

Included in the bank's scope of activities is the acceptance of short-

and long-term deposits in major foreign currencies from both Malaysian residents and non-residents. A range of credit facilities in major foreign currencies is also available to local and foreign companies, including syndicated loans and project financing.

For trade-related matters, Bank of Commerce (L) offers a full range of trade financing services. These include establishing, advising, confirming and negotiating letters of credit, discounting and acceptance of bills, letters of credit refinancing, bankers acceptance and trust receipt financing, as well as guarantees and bonds. The bank also undertakes foreign exchange transactions in major currencies, including such things as spot purchases and sales, forward purchases and sales, and currency swaps.

In consideration of the varied requirements of its customers, Bank of Commerce (L) also provides a host of other services. Among them are advisory services on foreign exchange and money market investments, portfolio fund management, collections, safe custody services, money transfers, and correspondent banking.

Being in the right place at the right time is usually not a coincidence, and Bank of Commerce (L) knows there is still a lot of hard work ahead as it strives to continuously expand its service range and stand out against other offshore banks in the increasingly important IOFC of Labuan.

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