

Cayman and Jersey structuring for UK real estate transactions



OFFSHORE CENTERS

By Manuela Belmontes

Master Islamic investment platforms remain in high demand for Middle East-based Shariah compliant financial institutions that are seeking quick deployment of proprietary capital or to pool capital with similar minded investors through a regulated fund into global investments. These structures are set up using offshore centers such as the Cayman Islands and Jersey and invest in a variety of asset classes, including UK and US real estate and funds managed by US- and EU-based asset managers focused principally on the tech, healthcare and/or real estate sectors.

In a previous report, we highlighted one such master Islamic investment platform established by Saudi Arabian investment firm Aljazira Capital (AJC). AJC's structure involves two principal Cayman Islands segregated portfolio companies (SPCs). One SPC is registered as a mutual fund with the Cayman Islands Monetary Authority and receives investor funds; the other SPC is set up as an orphan company (which means its shares are owned through a charitable or purpose trust by an independent trust company (in this case, MaplesFS)). This second SPC enters into Islamic compliant funding arrangements (such as Wakalah, commodity Murabahah and/or Musawwamah arrangements) with the fund entity and acquires and holds the underlying investments.

In a recent transaction, AJC's master Islamic investment platform was used for the successful acquisition of 'The Connection' business campus located in Newbury, England, from Vodafone. This was AJC's first real estate transaction in the UK. As part of the sale-leaseback transaction, Vodafone entered into long-term leases on four of the seven buildings, with AJC working with Oval Real Estate and IQON Capital to upgrade the site into a world-class business, science and innovation center.

In order to acquire the UK-based real estate in a regulatory compliant and tax-efficient manner, AJC created a Jersey structure through which its Cayman investment platform invested. The transaction involved the formation



of Jersey-domiciled partnerships and investment holding companies through which the leased and unleased properties would be held. Cayman Islands- and Jersey-domiciled administrators and trust companies assisted with the provision of key administration and fiduciary services to the structure.

The transaction highlighted the ease with which these two jurisdictions, the Cayman Islands and Jersey, joined together to facilitate the complex structuring required for the acquisition, once again demonstrating the attractiveness of both financial centers. Both offshore centers are internationally

recognized for their flexible corporate regimes and sophisticated legal and business services offerings which were widely utilized in AJC's transaction. ☺

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