

Growth in master Islamic investment platforms facilitated by offshore centres



OFFSHORE CENTRES

By Manuela Belmontes

A developing trend in the Middle East is the use of offshore centres for the structuring of master Islamic investment platforms. Such platforms are being established by Shariah compliant financial institutions and investors to facilitate their quick deployment of capital. Investments are being made through such structures into various asset classes globally, 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.

These structures are often formed for a single investor but they sometimes involve the establishment of a Shariah compliant regulated fund for the purposes of pooling the available capital of an Islamic financial institution (that is the sponsor of the platform) together with that of its customers. Offshore centers such as the Cayman Islands, Ireland, Jersey and Luxembourg are popular choices for the domicile of such platforms and funds.

Saudi-based investment firm Aljazira Capital recently set up a master Islamic investment platform domiciled in the Cayman Islands, which is internationally recognized for its flexible corporate regime, sophisticated business environment and tax efficiency. The structure is complex, involving two principal Cayman Islands segregated portfolio companies (SPCs).

One SPC is registered as a mutual fund with the Cayman Islands Monetary Authority which receives investor funds and the other is set up as an orphan company, ie 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 as well as holds the underlying investments. The platform is used to facilitate investment



by Aljazira Capital and certain of its strategic clients into multiple funds and investment vehicles.

Jersey vehicles are also used for the deployment of Islamic capital through similar funding structures, principally for inward investment into UK real estate. The Jersey tax authorities have published a Statement of Practice that expressly declares profits arising from commodity Murabahah contracts used in Shariah compliant funding structures that meet certain criteria as free from Jersey tax.

The Dubai International Financial Centre and Abu Dhabi Global Market are becoming attractive domiciles for the establishment of such Islamic funding

structures due to their proximity to the underlying sponsors and (like the leading offshore centers) their implementation of an English common law-based regime, tax efficiencies and availability of independent courts. ⁽⁹⁾

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