



## Persistent growth in Islamic finance aided by offshore centers



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**The Islamic finance market in 2024 experienced robust growth driven by increasing global demand for Shariah compliant financial products. Offshore centers such as the Cayman Islands, Ireland, Jersey and Luxembourg, aided in this growth by offering efficient and effective structures for global Sukuk issuances and Shariah compliant investment structures.**

### Review of 2024

During the year, ESG remained a popular theme with sustainable Sukuk issuances dominating the Islamic capital markets, and many of those issuances used SPVs formed in popular offshore centers, such as the Cayman Islands and Luxembourg.

Both Warba Bank and Emirates Islamic issued green Sukuk for the first time in 2024. Warba Bank's US\$500 million issue in July was the first sustainable Sukuk to come out of Kuwait. Earlier in May, Emirates Islamic made a US\$750 million sustainable Sukuk issue, which attracted interest from a diverse group of global investors. Both were issued using Cayman Islands SPVs, Warba Sukuk and El Sukuk Company, respectively.

Others returned to the Sukuk market with additional issuances focused on the environment. Both Dubai Islamic Bank and Qatar international Islamic Bank issued benchmark sustainable Sukuk issuances (US\$1 billion and US\$750 million, respectively) using Cayman Islands SPVs. The Islamic Development Bank (IsDB) floated EUR500 million (US\$518.25 million) through its Luxembourg co-issuing vehicle, IsDB Trust Services No 2 SARL, to fund green economic growth and other strategic objectives.

Several other financial institutions made significant sustainable Sukuk issuances in the year that also had Additional Tier 1 (AT1) features. In May (after having already issued US\$1 billion in sustainable Sukuk in March), Al Rajhi Bank offered the first sustainable AT1 Sukuk denominated in US dollars (another US\$1 billion) through its Cayman Islands SPV, Al Rajhi Tier 1 Sukuk. Later in the year, Riyadh Bank raised US\$750 million in sustainable AT1 Sukuk, followed by Saudi Investment Bank's first international Sukuk issuance (being a US\$750 million sustainable AT1 issue), both using a Cayman Islands vehicle. Alinma also made its debut issuance in the international markets with a (non-sustainable) US\$1 billion AT1 issue through a Cayman Islands SPV.

Aside from ESG and AT1 transactions, there were several other Islamic note issuances by entities across various industry sectors, including the following:

- US\$500 million in Sukuk issuances by Bingham Holding, a Dubai-based developer, through an SPV formed in the DIFC;
- US\$500 million inaugural Sukuk issue by AerCap Holdings, a global aircraft leasing company, using a Cayman Islands SPV, AerCap Sukuk; and



- The first listed profit participating notes launched under the Cordoba Capital Markets Jersey (PCC) program by White Lion Foods (WLF), a Singapore-based agribusiness.

## Preview of 2025

Offshore centers will continue to be popular domiciles for Sukuk issuing vehicles throughout 2025 and issuances of sustainable Sukuk, as well as AT1 capital, will remain prominent. We witnessed two Sukuk issuances in as many years by Western-based aircraft lessors (the latest by AerCap Holdings as noted above) which will be sure to inspire similar issuances by others within the aviation industry in the years to come.

Further growth in the Islamic digital economy and fintech space is anticipated next year. Malaysia recently introduced a 'master plan' to transform its offshore center, the Labuan International Business and Financial Centre into a blockchain hub and leader in the digital economy. The aim is to attract more fintech innovators and digital players who are seeking a supportive regulatory framework that will allow them to grow while remaining aligned with Islamic principles.

IFN reported on the growth during 2024 in the private wealth market globally including in the Middle East. This is sure to continue in 2025 and high-net-worth individuals (HNWIs) and family offices will look to set up foundation companies, trust structures and funds to assist with the structuring of their assets as well as their succession planning. Offshore jurisdictions such as the Cayman Islands, the British Virgin Islands, Jersey, Luxembourg and Labuan are well-placed to provide Islamic compliant wealth management solutions and customized services to such HNWIs and family offices.

One area in which such offshore centers thrive is in the Shariah compliant investment funds space, which we expect will continue to expand in 2025. The offshore centers provide tax efficiency, regulatory effectiveness and easy access to global markets which

make them attractive domiciles for the formation of both open-ended and closed-ended Shariah investment structures.

The recent increase in demand from Shariah compliant financial institutions based in the GCC to utilize the offshore centers such as the Cayman Islands, Ireland and Jersey, to establish master Islamic investment platforms through which to invest their proprietary capital and/or pool capital with similar minded investors into global investments, will continue to grow throughout 2025.

These structures invest in a variety of alternative 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. Prominent fund managers from the US and elsewhere are now also seeking to set up similar structures in the offshore centers to attract capital into their funds by large Islamic investors.

The offshore centers can assist with the advancement of the Islamic finance industry by continuing to develop innovative financial products and structures such as those mentioned above, that satisfy the needs of Islamic investors and evolving their regulatory framework to accommodate the unique principles of Islamic finance.

## Conclusion

There is much optimism for continued growth in Islamic finance throughout 2025, and offshore centers are poised to meet the increased demand for Islamic compliant structures and products, offering specialized financial and advisory services tailored to the needs of Islamic finance.

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