# Demand increases for Islamic investment platforms in offshore financial centers

**OFFSHORE CENTERS**

*By Manuela Belmontes*

**There is increased demand from Shariah compliant asset management firms, financial institutions and family offices based in the GCC to establish master Islamic investment platforms to invest their proprietary capital and/or pool capital with similar minded investors into global investments. These master platforms are used to 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 credit, tech, real estate and venture capital sectors.**

Offshore financial centers, predominantly the Cayman Islands and Jersey, continue to feature in these structures. Vehicles formed in such centers provide the flexibility needed to comply with Islamic investment principles and criteria while facilitating quick and effective execution of investment mandates.

Prominent US fund managers are now also seeking the formation of similar structures in offshore centers to attract capital into their funds from large Islamic investors. GCC institutional investors, particularly from Saudi Arabia and Kuwait, are showing a keen interest in the US private credit market and are growing their interests in alternative asset strategies like leasing and mezzanine debt.

Several offshore centers are well-placed to meet the demands of such Islamic investors and global fund managers due to their political stability, tried and tested English law based legal system, robust yet flexible regulatory framework and overall ease of doing business. One significant selling point of the popular offshore centers such as the Cayman Islands is the breadth of available experienced and specialised service providers who can deliver a wide range of unique tailored service solutions, covering legal, fiduciary, fund administration, accounting and banking services, on a variety of complex finance transactions.

Structural arrangements on these investment platforms are usually dictated by the requirements of the Islamic investor(s) and thus they can differ one from the other – with some involving regulated funds, dedicated feeder entities, segregated portfolio companies, 'orphan' vehicles and/or subsidiary asset holding entities, etc.

Recently, Warba Bank established a Shariah compliant structure to allocate capital to its newly established Shariah compliant fund, Warba Islamic Income Fund. The fund was set up in the Cayman Islands and its strategy is to generate sustainable returns by investing in senior secured direct financing arrangements in mid-sized US companies, particularly those based by global financial sponsors. With the launch of this fund, Warba Bank turns to a reliable offshore center to expand its global investment product offering and assist its investors to achieve asset diversification.

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# Capacity building initiative and development of microfinance

**AFGHANISTAN**

*By Manezha Sukhanyar*

**As discussed in previous updates, the Central Bank of Afghanistan mandated all banks to transition fully to the Islamic banking system. However, progress in addressing the associated challenges, particularly in capacity building, has been limited until recently.**

In January 2025, the Afghanistan Banking Association took proactive measures to tackle these challenges via strategic partnership with training centers and AAOIFI. This collaboration has facilitated the enrollment of approximately 40 bank employees in AAOIFI's Islamic banking certification program, aiming to boost expertise and compliance within the sector.

In addition to capacity-building efforts, the microfinance sector has received attention, with steps taken to enhance its development. Microfinance plays an important role in Afghanistan's economy, providing crucial support to small businesses and farmers across the nation.

Recognizing its significance, the central bank organized a national conference focused on microfinance to promote and expand this sector further. The conference also highlighted international support for microfinance projects in Afghanistan, with the World Bank planning a dedicated program and the UN High Commissioner for Refugees committing to expanding its project initiatives in the country.

Given the central bank's directive for all financial institutions to transition to Islamic finance, the microfinance sector is also undergoing this transformation. Strengthening and expanding microfinance not only fosters economic growth but also creates greater opportunities for the broader implementation of Islamic finance principles in the country.

With ongoing support from international organizations and concerted efforts by local authorities, Afghanistan is ready to achieve significant milestones in Islamic financial inclusivity and economic development through these initiatives in year 2025.

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