NEW APPROACHES, TRADITIONAL VALUES: CAYMAN ISLANDS STRUCTURES AND SHARIA-COMPLIANT INVESTMENTS

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New Approaches, Traditional Values: Cayman Islands Structures and Sharia-Compliant Investments

Investors in the Middle East and North Africa ("MENA") regions have been turning towards Sharia-compliant Cayman Islands structures as a strategy to remain compliant with investors' mandates and optimise returns and fund flows.

It is hardly a secret at this point that the investment environment of late has sent global fund managers looking across jurisdictions in search of capital and investors looking to broaden their portfolios. The MENA region, notably the economies of the Gulf Cooperation Council ("GCC") region, offers great opportunity for fund managers. A vibrant entrepreneurial sector, supportive policies in financial hubs such as the ADGM and DIFC, and the presence of marquee institutional investors, including some of the world's largest sovereign wealth funds, make the region attractive to international fund managers.
As is the case the world over, however, investors in the region usually come to the table with their own set of requirements. One prerequisite often heard during conversations between the buy-side and sell-side in this region is for funds that are structured in a Sharia-compliant manner.

The numbers illustrate the demand. The Islamic finance industry experienced double-digit growth in 2025, with total assets growing by 10.2% over 2024, according to a May 2026 report from S&P Global. Offshore structures, including Cayman Islands–domiciled vehicles, contributed to that total by giving investors flexibility to pursue their goals while adhering to Islamic investment principles.

Professional services firms such as fund administrators, fiduciary services experts and experienced legal counsel can help pave the way for fund managers to access such capital across borders and regions. One way to do so is to develop, advise on and administer structures that assist in helping fund managers remain compliant and in adherence to mandates. The team from the Maples Group sat down with international law firm Morgan Lewis to discuss trends in the MENA alternative asset management sector, including domiciling, structuring and fund flows, as well as what to expect for the rest of the year and beyond in this market characterized by investment innovation from fund managers and institutional investors alike.

Can Sharia-compliant Cayman structures be a way for non-MENA managers to access capital in the MENA region?

In the past five or so years, the Islamic asset management industry has witnessed exponential growth in the deployment of Sharia-compliant capital into a wide array of alternative asset classes. Such growth was driven by the willingness of global asset managers to engage with the industry to understand better the dynamics on which Islamic funds and investment vehicles are structured and approved.

How have investor requirements for Sharia-compliant funds changed as major MENA investors have grown in influence and become more sophisticated, in terms of customisation and accommodating needs?

This situation created a win-win formula. Global managers would have access to Islamic capital (believed to exceed US$3.5 trillion) while Islamic institutional and high-net-worth investors could diversify their exposure to asset classes and global markets. However, the successful execution of this formula required a high level of sensitivity, as well as an understanding of the respective compliance, operational and deal-execution considerations. Managers who wish to adhere to Sharia sector prohibitions are restricted in the context of leverage and other financial ratios. Islamic investors are therefore selecting managers based on their track records and expecting them to continue using strategies they have successfully deployed in the past while also meeting Sharia-compliance requirements. All the while, managers are aspiring to access new pools of capital while keeping any changes to their investment strategies to a minimum. These are the types of considerations that we at Morgan Lewis and the Maples Group find ourselves having to address. This also extends to interactions with other stakeholders such as Sharia advisors, commodity brokers and – of course – administrators and trustees such as those at the Maples Group.

What credit strategies are attractive to MENA investors? What is the outlook for the rest of 2026?

While the early "generation" of Islamic asset management products involved investments into listed equities and fixed income, we have noticed greater focus on utilising structures that deploy Sharia-compliant equivalents of profit-participating financing structures into leveraged buyout and real estate strategies. In a low-interest rate environment, such products had definite appeal. As interest rates increased, so did demand for credit funds and equivalent products. This demand extended to Islamic investments. At the same time, interest-based returns often meant that Islamic structures, applied in the context of private equity and real estate strategies, are only acceptable to a small subset of Islamic institutional investors. With this in mind, we have worked with Sharia advisors and other stakeholders to develop products that allow direct participation for Islamic investors in funding the underlying credit strategies or, alternatively, engage in Sharia-compliant financings in which the return is linked to the underlying strategies' performance. However, there is no one-size-fits-all here. What may be acceptable to one Islamic institutional investor may not be for another. By the same token, managers vary in terms of their appetite to invest in - and more importantly, administer on an ongoing basis - such structures. And for the avoidance of doubt, this logic extends to funds and other investment vehicles that hold securitisations or privately placed debt instruments or corporate bonds. Throughout the remainder of 2026, we expect to see a healthy mix of credit funds, and a higher pace of deployment into leveraged buyout and real estate strategies, as interest rates continue to hover within a zone that is viewed as being attractive to both types of strategies.

What types of Sharia-compliant structures are we seeing in the market; e.g. single-investor proprietary structures vs multi-investor / co-investor structures?

An important consideration for Islamic investors and conventional fund managers alike, relates to "ownership" of the investment structures, as we described a bit above. A growing number of Islamic investors are developing and launching offshore investment structures (primarily Cayman-domiciled vehicles) and assuming overall responsibility for them. This ensures a single-entry route for global fund managers and since the master structures would have been approved by their Sharia advisors, faster deployment of capital. Other Islamic investors look to global managers to launch and be responsible for these master structures. In these cases, deployment may be slower. Fund managers in these instances need to become more acquainted on:

- The various investment vehicles;
- Stakeholders, including Sharia advisors, administrators and trustees and commodity brokers, in addition to international and offshore counsel; and
- Necessary documentation, including the various *murabaha* (cost-plus) financing and *wakala* (agency contract) investment arrangements.

Are we seeing any new avenues or strategies within the Sharia-compliant segment?

The demands of the Islamic investor are comparable to those of non-Islamic investors. Whenever we see new strategies launched, Islamic investors tend to follow suit. For example, we have recently advised funds involved in securitisation strategies and even staking arrangements in the digital currency universe. Increasingly, however, private placements with exposure to companies involved in AI and data centres, and private *sukuk* (Islamic asset-backed securities) offerings are gathering pace as new opportunities present themselves in the regional (particularly in Saudi Arabia and the UAE) and international markets.

How do you see the relationship between global capital and Sharia-compliant funds developing going forward?

The global investor community has been driving rapid integration and recognition of Sharia-compliant funds as part of the global capital environment as a whole. This trend is largely on the back of the ethical and stable nature of these investments, which attracts global institutional investors, specifically sovereign wealth funds. Furthermore, Sharia-compliant funds and structures typically deploy lower leverage, which creates stability and a more conservative investment profile that attracts long-term capital, as we are seeing in the GCC region. For legal and regulatory disclosures please visit: maples.com/legal-notices.

About the Authors

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Fred, based in Dubai, has overall responsibility for the Maples Group's fund services business in the Middle East. He has more than 30 years of experience in financial services operations and fund administration and reporting, with expertise and knowledge of best practice and various jurisdictions, including the Cayman Islands, Dubai International Centre and the Abu Dhabi Global Market. Fred holds a bachelor of science in accounting from Rutgers, the State University of New Jersey and a master of science – finance from Farleigh Dickinson University. Fred speaks English and Arabic.

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Based in Dubai, Norbert oversees the Maples Group's fiduciary business in the Middle East. He has experience with a wide array of financial products, holding and financing vehicles and works with international clients in the corporate, private equity, banking and aviation segments. Prior to joining Maples, Norbert held senior positions at a large global trust company. A native of the Netherlands, Norbert holds a master of laws degree from the University of Amsterdam.

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Ayman co-leads Morgan Lewis's Middle East practice, advising asset managers, institutional investors, and financial institutions on private fund formation, bespoke investment platforms, debt capital market transactions, and cross-border matters. He has particular experience with cross-border and Sharia-compliant transactions and frequently works with sovereign wealth funds and governmental entities on legal, regulatory, and governance matters related to their global investments. Ayman is admitted to practice in New York and is registered as a foreign legal consultant with the California Bar and as a foreign lawyer with the Law Society of England & Wales.