



MAPLES
GROUP

US FUND MANAGERS ADOPT ISLAMIC STRUCTURES FOR MIDDLE EAST CAPITAL

Fred Tabbal | Regional Head of Fund Services – Middle East
Norbert Neijzen | Regional Head of Fiduciary – Middle East
Gurminder Sanghera | Of Counsel

US Fund Managers Adopt Islamic Structures for Middle East Capital

Gulf Cooperation Council ("GCC")-based investors garner headlines as major sources of capital for US-based fund managers and making major investments across a variety of sectors, such as credit, real estate, and venture capital. As fund managers look to optimise returns on these inflows, there has been a consequent increase in the use of Cayman Islands-based vehicles structured to comply with Islamic investment principles and criteria.

Such sharia-compliant financing arrangements provide investors from the region with the ability to deploy capital overseas with optimal efficiency, while adhering to Islamic investment guidelines, further beckoning capital from within the GCC.

What is Behind US Fund Managers' Demand for Sharia-compliant Structures?

GCC investors, particularly Saudi and Kuwaiti financial institutions, have been flocking to asset classes such as US private credit, which offers strong returns in the present macroeconomic environment, as well as showing a growing interest in alternative asset strategies like leasing and mezzanine debt.

While much of this capital is directed towards the US, the Islamic investment footprint is also making a greater impression on a worldwide level. According to data from financial publication *The Banker*, the global total of sharia-compliant assets (excluding Iran) grew 12.8% to US\$1.6 trillion in 2022, with 57% of that amount held by financial institutions solely operating under Islamic investment principles. Forecasts from S&P

Global show double-digit growth to continue in the sector through 2025.

The Kingdom of Saudi Arabia, by far the largest economy in the GCC and in the Arab world, has become a cornerstone of the Islamic finance market. According to [remarks](#) by the governor of the Saudi Central Bank (Sama) last year, Saudi Islamic finance assets across sectors exceed US\$826.7 billion, accounting for 33% of global Islamic bank assets.

Key Uses for Sharia-compliant Vehicles

With few service providers capable of delivering a unique turnkey solution both to establishing and servicing complex Sharia-compliant structures, transactions and structures for larger banks tend to be bespoke, often formed for a single investor. The structural arrangements typically are dictated by investor requirements and range, from Sharia-compliant funds and dedicated feeder structures to multiple Cayman Special Purpose Vehicle arrangements, each designed to channel Sharia-

compliant investors into funds otherwise set up for US and other global investors.

By way of example, the Maples Group's teams in Dubai recently acted for a large Saudi-based financial institution in a legal, fiduciary and fund administration capacity on a multi-asset sharia-compliant investment platform. Central to this structure are three Cayman Islands-segregated portfolio companies ("SPCs"), one of which is registered with the Cayman Islands Monetary Authority ("CIMA") as a mutual fund to pool funds from investors. The other SPCs were established as orphan companies (i.e. with their shares held on charitable trust by the Maples Group acting as trustee over such shares). The SPCs are able to engage in a variety of Sharia-compliant funding arrangements, which provides the flexibility for capital to be deployed towards multiple opportunities.

For investment managers, the ability to integrate Islamic structures into their established international operations offers multi-faceted benefits. Cayman Islands-domiciled vehicles are familiar to investors worldwide and have gained traction across the GCC region. [The Abu Dhabi Global Market \("ADGM"\) and the Dubai International Financial Centre \("DIFC"\)](#) economic free zones in their respective emirates, have developed their own flexible, efficient and sophisticated business environment and fund regimes. The legal system, as with the Cayman Islands, is based on English common law with a highly respected independent court system.

How the Maples Group can Assist with Sharia-compliant Structures

The Maples Group's longstanding presence in the Middle East, with offices in both the DIFC and ADGM and a large team of highly qualified professionals, supports a significant portfolio of clients engaged in sharia-compliant investments, with elite legal, fund and fiduciary services under one roof. Leveraging our global expertise in alternative funds and cross-border investment, with specialist knowledge of Islamic finance and specific regional expertise, the Maples Group provides an unmatched quality, expertise and depth of service.

maples.com

About the Authors

Fred Tabbal

Fred has overall responsibility for the Maples Group's fund services business in the Middle East, where he has led regional expansion and drove significant growth on behalf of the Group. He has more than 30 years of experience in financial services operations, fund administration and reporting for a wide array of investment funds. His expertise spans various jurisdictions including the Cayman Islands, Dubai International Financial Centre and Abu Dhabi Global Market. Fred holds a bachelor's degree from Rutgers, the State University of New Jersey and a master's from Farleigh Dickinson University in the United States.

Nobert Neijzen

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.

Gurminder Sanghera

Gurminder is Of Counsel in Maples and Calder's finance team in the firm's Dubai office. Gurminder has extensive experience in international capital markets and structured finance transactions (including aircraft finance, Islamic finance and banking) and regularly advises on all aspects of conventional and Islamic financing and asset finance transactions. He also has broad Cayman Islands corporate and investment funds experience. Before he joined the Maples Group in 2014, Gurminder worked in the global finance team in the London office of a major US law firm. Gurminder holds an LLB degree from King's College, University of London.