

## Shari'ah Funds

### **Guernsey has a strong offering for Shari'ah funds and Islamic finance structures:**

Our service providers (administrators, custodians, lawyers, tax advisers and accountants) have **experience and expertise** of working with promoters and Shari'ah advisers to create bespoke funds which comply with the fundamental principles of Islamic finance.

We recognise that funds need to be established taking into account the branch of Islam/geographical location of investors. Our service providers also appreciate the importance of maintaining the Shari'ah-compliant status of the funds and therefore have put in place **systems and training** to ensure that Shari'ah funds can be properly serviced.

**Guernsey law.** Although Shari'ah law is not enforced in Guernsey, many aspects of it are able to sit alongside Guernsey law. Guernsey law is versatile and Guernsey lawyers are well-equipped to incorporate Islamic structuring and investment techniques into more conventional contractual arrangements.

Guernsey courts will recognise and give effect to the parties' intentions as reflected in the contracts and other documents drafted specifically to comply with Shari'ah principles. Guernsey also has a new Company law which introduced a number of changes to make Guernsey companies more attractive for investment funds, for example a more flexible distribution regime and simpler capital maintenance rules.

**Availability of structures** which are well-suited to Shari'ah funds, for example, companies and cell companies, limited partnerships and unit trusts. All these structures are capable of being established and operated within a modern legislative framework whilst maintaining flexibility in areas which need to be customised to comply with Shari'ah law.

**Protected Cell Company (PCC).** The PCC has gained wide recognition in its use for multi-class funds. This is because of its unique legal structure in having separate and distinct cells within the same legal entity. A PCC may be useful for structuring a Shari'ah fund with different sub-funds employing different techniques for investment.

The PCC is also adaptable and flexible by allowing arrangements to be made between cells even though all the cells are part of the same legal entity. The fact that Guernsey pioneered this vehicle and has such extensive experience and expertise in operating it is particularly reassuring.

**Robust yet pragmatic regulation** is conducted by the Guernsey Financial Services Commission (GFSC). This approach allows flexibility to get business done while at the same time providing reassurance for clients and their advisers who value doing business in a well regulated jurisdiction. Indeed, we are seeing a 'flight to quality' in these turbulent times and so Guernsey's hallmark of quality regulation is proving particularly attractive.

**Corporate Governance.** Guernsey has a reputation for strong corporate governance standards and has a pool of experienced and well-qualified non-executive directors.

**'Fast-track' fund regimes** - Qualifying Investor Funds (QIFs) and Registered funds. Guernsey has recently further streamlined its funds' approval process by adding to the authorised classification (including QIFs) with the 'lighter touch' Registered regime. This gives promoters greater choice on the level of Guernsey regulation required for their fund, with potential for savings in cost and time in getting their funds launched in Guernsey.

**Opportunities for listing** on the internationally recognised Channel Islands Stock Exchange (CISX). To date, the CISX has listed the securities of a Sukuk issuing vehicle established as a PCC. In addition, the exchange has approved a Sukuk issuing programme of a Shari'ah compliant PCC vehicle.

**A modern Guernsey Company Registry** complements the package that service providers offer in terms of speed and efficiency in company incorporation and online accessibility.

**Location.** Guernsey has earned a reputation for innovation and quality of service during its five decades as a funds jurisdiction. In addition, Guernsey companies have over the years played a part in a number of Shari'ah-compliant non-fund financing structures and will therefore be familiar to many promoters and advisers.