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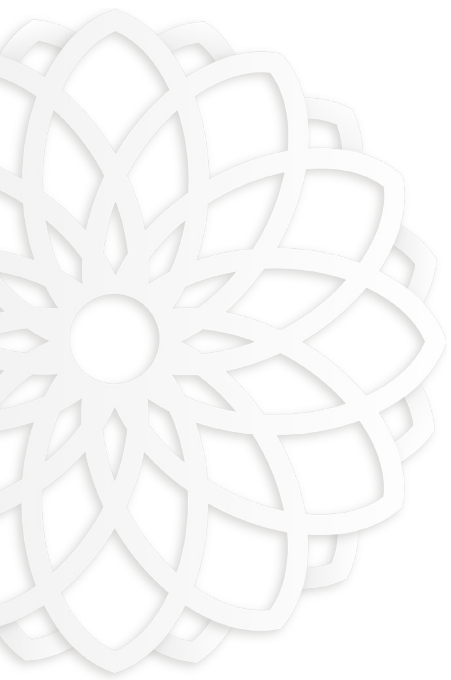
# Global Attitudes to Islamic Wealth Management



In partnership with:



**GATEWAY  
GLOBAL**



# Contents

<b>Foreword</b>	<b>4</b>
<b>Introduction</b>	<b>7</b>
<b>Executive Summary</b>	<b>8</b>
<b>Introduction to Islamic Wealth Succession and Fiduciary Planning</b>	<b>10</b>
<b>Survey Findings</b>	<b>18</b>
<b>Conclusion and Recommendations</b>	<b>36</b>



# Foreword:

## Understanding the Islamic Finance Sector

In meeting the demand for Islamic finance wealth management solutions, it is helpful to understand the trends and ambitions influencing investment decisions, investors' attitude to risk and choice of jurisdiction.

Here at Jersey Finance, we regularly partner with organisations to analyse the market in more detail and through research, build up an informative picture not only about the considerations driving investment decisions, but also the role that International Finance Centres (IFCs) can play in support of Shari'a compliant finance.

Jersey already has a longstanding presence in the Gulf region and proven expertise in Shari'a compliance, succession planning and asset protection, placing us in the top rank amongst jurisdictions supporting the needs of Muslim family offices, ultra high net worth and high net worth individuals (UHNWIs and HNWIs). I am delighted therefore that we have been able to partner with Gateway Global on this latest piece of research examining attitudes towards Islamic wealth management.

I should note here that our mission in this research is not to prescribe solutions and structures, but to highlight the key issues, the challenges and the mindsets that will help both the end-clients and the Islamic finance wealth management community position themselves for the future and achieve optimal outcomes.

We sincerely hope this will offer you, the readers, some thought-provoking and engaging insights.

Finally, I would like to take this opportunity to thank our partner Gateway Global, as well as all of those dedicated professionals, institutions and private clients who willingly offered their time and insights to this very timely White Paper.

**Faizal Bhana**

Director in the Middle East, Africa and India  
Jersey Finance





# Introduction

Islamic wealth management remains a sector of the financial services industry with significant unrealised potential. Whilst in the past two decades, international investment banks structured and launched increasingly sophisticated Shari'a compliant financial instruments for distribution by private and retail banks, in more recent years the innovation that was previously a driving factor in the growth of the market has slowed. As a result, even though demand for Islamic private wealth management services has not diminished, the Islamic finance market is restricted on the offer side for Islamic products and services.

However, there is now increasing evidence that the supply side is beginning to see a resurgence of Islamic finance activity. Not only are intermediaries – particularly fintech firms – beginning to address the product gap, but also regulators, IFCs and other market stakeholders have recognised the gap and are addressing relevant policy and infrastructure issues.

Furthermore, socially responsible investing (SRI) and the trend towards products offering environmental, social and governance (ESG) standards are among the drivers of increasing demand for Shari'a compliant wealth management solutions. This trend has made Shari'a compliant products and services more accessible to all classes of investors, while enhancing their attractiveness, especially for those looking for a social return on their investments. In particular, these attract the tech-savvy, ESG conscious 'NexGen' population.

The HNW and UHNW customer segment was a key driver in the phenomenal global growth of the Islamic finance market in the early 2000s. Their demand for wealth management services through new products and fiduciary services will once again become a key driver for success in the next phase of growth. What more can industry stakeholders do to stimulate the Islamic finance market?

What values are held by the Muslim private wealth market? What are their attitudes to succession, to risk, to industry sectors, to ethical investment, to philanthropy? Where should product providers focus their attention?

This research report has been prepared by Gateway on behalf of Jersey Finance Limited to understand from the perspective of Muslim family offices, HNWIs and UHNWIs their views on Shari'a compliant and ethical wealth management services, current and future demand for investment products, and attitudes towards choice of investment jurisdiction, ethical investment values, wealth managers, tax, succession planning and philanthropy.

We set out in this research report some background on the Islamic legal framework for wealth management, succession planning and inheritance, and philanthropy. This is to provide some context for the reader on wealth in Islam and how it affects Muslim families, and includes a description of the Islamic law of succession planning and inheritance, as well as methods currently used to effect succession planning.

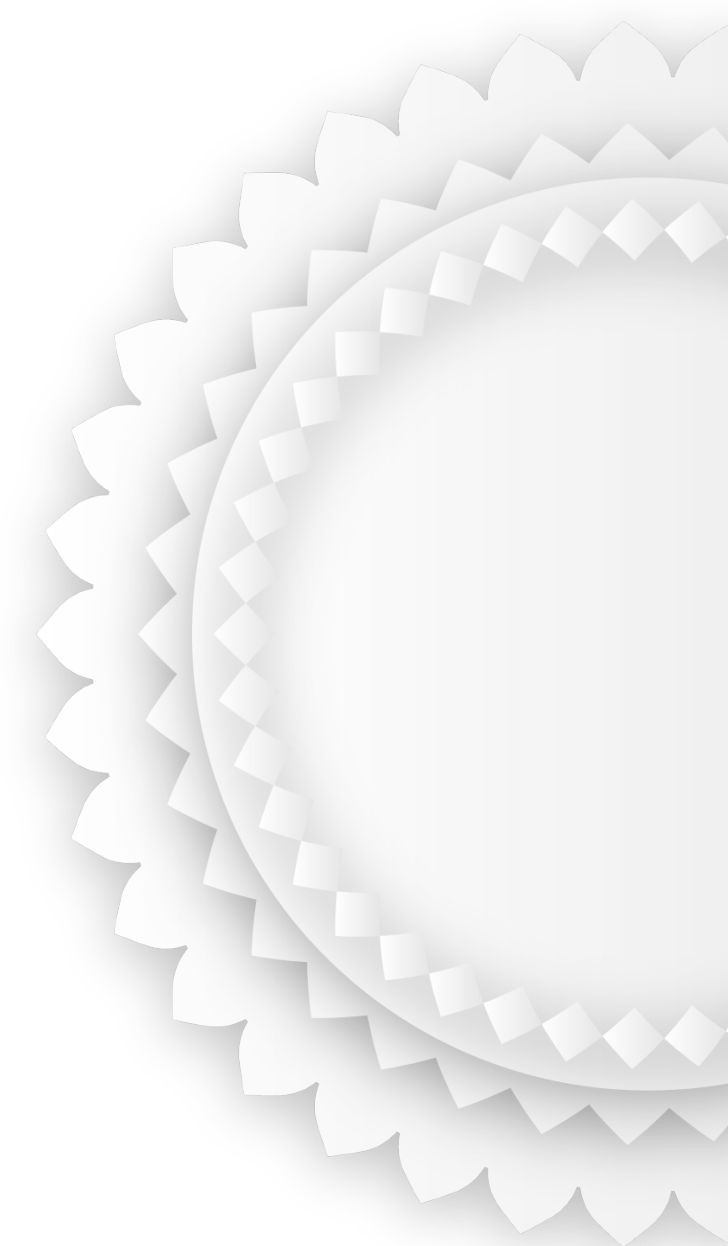
In order to understand attitudes to private wealth, fiduciary planning and succession by Muslim families, we interviewed a wide cross section of HNWIs, family offices and institutions who manage wealth for HNW Muslim customers across the key markets of the UK (London), Asia (Kuala Lumpur), the GCC and Africa (South Africa).

The data from these interviews is set out in this report. The research undertaken and the views expressed are solely those of Gateway.



# Executive Summary

- This report describes the Islamic legal framework for wealth management, succession planning, inheritance and philanthropy. The report compiles attitudes to private wealth, fiduciary planning and succession by Muslim families, taking into account the views of over 2,000 respondents across the key markets of the UK (London), Asia (Kuala Lumpur), the GCC and Africa (South Africa).
- Islamic law is flexible in how wealth is transferred during one's lifetime. However, upon death, Islamic inheritance rules are prescribed in great detail with some scope for wealth transfers or legacies to non-family members. This allows for the reinforcement of societal structures prioritising human welfare.
- Some legal frameworks and jurisdictions are highly compatible with Islamic laws of wealth succession, and hence why Muslim families tend to set up investment holding vehicles in jurisdictions like Jersey. Trusts are well recognised by Shari'a scholars and often used for succession planning purposes, with particular attention paid to legal, tax and Shari'a considerations.
- Gateway conducted a global survey of 2,048 respondents, asking 190 questions in order to determine the views of Muslim HNWIs, family offices and wealth managers on Shari'a compliant asset classes, sectors, jurisdictions, ethical alignment, performance, tax, succession planning and philanthropy.
- Respondents were domiciled in 17 different jurisdictions globally.
- Real Estate and Infrastructure is the dominant asset class, with respondents rating it the most important for their portfolios both today and in 18 months' time.
- Venture Capital and Equities also rate highly, as does Cash & Equivalents although this latter category is considered of marginal increasing importance in the future.
- Fixed Income is a breakout asset class, being of greater importance in the future but of lesser importance today.
- The least important asset class today and in the future is Insurance Linked Products, with Precious Metals, Hedge Funds and Art & Collectibles similarly lagging.
- Whilst other laggards include Structured Products, Commodities and Crypto & Digital Assets, there was a greater variance in survey responses for these latter three asset classes, particularly for Crypto & Digital Assets, with a majority of respondents giving it the same or high importance in the future.
- As a jurisdiction for investment (as opposed to domicile of investment vehicle), the UK ranks as the only staple jurisdiction for investors due to superior property rights and legal frameworks. Notable breakout investment jurisdictions for the future include the Association of Southeast Asian Nations (ASEAN) and the Middle East.
- In the coming 18 months, there was a clear preference for IFCs such as Jersey over onshore locations.
- 62% of all respondents would always choose a Shari'a compliant investment even if the performance was inferior to an equivalent conventional investment. In contrast, 48% would choose an ethical only product under similar circumstances, suggesting a strong preference for Islamic products over generally ethical products.
- Half of all respondents rely on their own knowledge of Shari'a rather than use an internal or external Shari'a advisory board, versus 46% relying on their own knowledge of ethical products.
- Whilst Shari'a compliance has historically been of preference in investment decisions, other frameworks such as ESG (Environmental, Social, Governance) will be of greater importance in the next 18 months. More than half of respondents consequently stated the importance of jurisdictions developing their own codified approach to ethical finance.
- 75% of respondents were satisfied with the management of their wealth, with the most highly rated credentials for wealth managers being overall reputation, track record and understanding of global markets.
- 71% of respondents were satisfied with the quality of tax advice they received, with the most highly rated credentials in a tax manager being overall reputation, track record and understanding of global tax laws. Legal and company structures were the most important tax strategies.
- 96% of respondents stated they were either actively taking steps towards succession planning or plan to prepare for it soon. This represents a huge opportunity for advisors and jurisdictions to tap into the wealth transfer process over the coming years.
- 57% will seek tax advice and 63% will seek Shari'a advice on succession planning.
- Families undertaking succession planning seek a jurisdiction like Jersey that is compatible with easy access to high quality advice, affords judicial recognition to Shari'a investment structures, and provides a secure and legally reliable jurisdiction that helps them to preserve wealth, protect heirs and respects the wishes of the testator.
- 76% of respondents have explored trusts as an important structure in succession planning, with Jersey being the most favoured trust jurisdiction ahead of the UK, DIFC (UAE), British Virgin Islands and Malaysia.
- 30% of respondents have explored foundations in their succession planning strategy, with DIFC being the most favoured foundation jurisdiction ahead of Jersey, the UK and the Cayman Islands.
- 96% of respondents believed philanthropy to be important during their lifetimes, with 79% already having made significant contributions and continuing to do so.
- The majority of respondents estimated that 10-50% of their total net worth would be allocated to philanthropic activities. 83% stated that giving in line with their faith was an important consideration.





# Introduction to Islamic Wealth Succession and Fiduciary Planning

## The Islamic Wealth Succession Framework – Principles

Many Muslim families seek to earn their living, manage their wealth and pass it on to their successors in a manner they believe is wholesome and lawful according to God. In Shari’a, or Islamic law, matters of wealth and succession are civil acts governed by the jurisprudential field of *mu’amalat*, literally “transactions” or “dealings”. The framework for *mu’amalat* is based on revelation from God, in the form of the Qur’an, and the practices of the Prophet Muhammad (peace be upon him), as set out in the recorded traditions of the Prophet, the *hadith*.

Throughout the Qur’an and *hadith* there are many references to permissible and impermissible attitudes to wealth, its accumulation and preservation, the charitable donation of wealth, such as through the obligatory wealth tax (*zakah*) and optional charity (*sadaqah*), and the distribution of wealth, such as through endowments (*awqaf*) or inheritance (*faraidh*).

The framework established by Qur’an and *hadith* was further codified by scholars and jurists in the period immediately following the death of the Prophet. This codification (into *fiqh al mu’amalat* or the jurisprudence of transactions) was guided by the following principles:

- preservation of the family unit (and, by extension, the cohesiveness of society);
- equitable distribution of wealth;
- maintenance of a social welfare system; and
- retention of a reasonable element of individual choice.

This jurisprudence gives Muslims a degree of flexibility to accumulate and dispose of their wealth as they please during their life, whilst mindful of the ethical principles. Indeed, attainment of wealth is viewed as an integral part of worship (*ibadah*), providing that the earnings are permissible. The more wealth created by an individual, the more the community benefits providing there is a balance between wealth creation and distribution.

There are several types of wealth transfer in Islam:

- *Faraidh* – inheritance, which we deal with in detail in this report;
- *Wasiyya* – bequest of property granted to another person providing this does not contravene inheritance rights;
- *Waqf* – endowment, an asset or property usually donated under a form of trust often for a charitable or community purpose such as education or healthcare;
- *Hiba* – gift voluntarily transferred to another person for no exchange value;
- *Luqata* – lost property, found and taken in for custody or safe-keeping. If unclaimed after three weeks, the finder may keep it;
- *Umra’ ruqa* – life time donation of immovable property, a property granted to another during the donor’s lifetime, and legally transferred to the grantee on the death of the donor;
- *Zakah* – the obligatory wealth tax on all Muslims.

Unlike the flexibility afforded to Muslims during their lifetime to transfer wealth as they wish within certain broad parameters, upon death, Muslims believe God has prescribed the inheritors and their shares in significant detail, in order to avoid dispute and to encourage preservation of the family unit. As is the case for Islamic finance generally, when structuring wealth transfer vehicles using Shari’a compliant transaction structures, some parties may at times attempt to circumvent general prohibitions or certain rules by employing legal ruses. These may on the surface appear to be Shari’a compliant but their net effect is to circumvent, and therefore in many such cases scholars tend to take a dim view of this approach.

In contrast to the historical rule of primogeniture (the right of succession belonging to a firstborn child), Islamic inheritance rules specifically provide for the equitable distribution of wealth to all those family members for whom one would naturally wish to provide after death, and there are fixed shares for close family.

Typically, the male successor will receive a larger share of inheritance where there are both males and females (who are of the same class of relation) and where the male successor is required to support other members of the family financially.

When there is no requirement of financial support then the male and female relatives of the same degree will inherit equally. In contrast, there is no such obligation on women to spend of their means beyond the general injunction to give in charity, and whatever they do spend on maintaining others is understood to be rewarded as altruistic giving.

A Muslim may also consider leaving a legacy from one’s wealth to other needy relatives and acquaintances as well as to charity. Such legacies are limited to one-third of the deceased person’s total wealth (being the *wasiyya* of a person). These gifts allow for the personal choice of the testator to factor within the distribution of the estate. The *wasiyya* is as an optional maximum allowance and there is guidance to ensure that one provides sufficiently for one’s dependants before benefitting others, such as charities and relatives or friends, or limiting the extent to which one does so.

Wealth transfers such as this, which are beyond the simple inheritance rules, allow wealth to circulate within society rather than being concentrated within the hands of a few, encourage a basic level of financial welfare for all, and facilitate a “connectedness” between people of differing social standings. This emphasis on reinforcing societal structures prioritising human welfare contrasts with more modern concepts of individual self-sufficiency and absolute individual economic freedom.

## Often, wealth is referred to as a test or a trial in Islam. For example:

“Those who spend their substance in the cause of Allah, and follow not their gifts with reminders of their generosity or with injury, for them their reward is with their Lord; on them shall be no fear, nor shall they grieve.”

*Qur’an 2:262*

“Fair in the eyes of men is the lover of things they covet: spouses and sons, heaped up hoards of gold and silver; horses branded (for blood and excellence); and wealth of cattle and well-tilled land. Such are the possessions of this world’s life; but with Allah is the best of the goals (to return to).”

*Qur’an 3:14*

## There are specific warnings concerning spending wealth and its diversions, such as:

“Woe to every (kind of) scandal-monger and backbiter/ Who piles up wealth and lays it by/ Thinking that his wealth would make him last forever/ By no means!”

*Qur’an 104:1-4*

“...Allah has hated for you to waste the wealth by extravagance with lack of wisdom and thinking.”

*Sahih Al Bukhari Vol.3, Hadith no. 59*



## The Islamic Wealth Succession Framework – Rules

Lifetime spending and giving is encouraged to promote the circulation of wealth and as a means of trade. When giving to members of a single class of relative, for example one's children, it is recommended that gifts to all the children should be of equal value. However if the giving is to fulfil a need, then the amount given may be in accordance with the particular need. The Islamic laws of inheritance and gifting avoid the requirement for painfully precise calculations (for example, taking into account inflationary effects or future projected prices) to ensure that each child is given an equal share; however, the foundational Islamic principle is that 'deeds are based on intentions' and will be judged accordingly.

In general, a greater share of inheritance is due to those who are closer relatives and to those likely to have greater financial responsibilities. Each beneficiary's share can be precisely calculated depending upon the combination of relatives who survive the deceased.

As a starting point, the only relatives to take prescribed shares from a person are their parents, spouse and children. Progressively more distant relatives (such as

grandparents, siblings and uncles) are due a share if there is no closer class of relative.

The Shari'a requires the wealth of the deceased to be divided among immediate family by gender in accordance with fixed ratios. These ratios are specified in the Qur'an (4:11) as follows:

- To a male twice the portion of the female;
- If only daughters (two or more), then two-thirds of the total inheritance;
- If one daughter, then half a share;
- For parents, a sixth share to each if the deceased left children;
- If the parents are the only heirs, the mother has a third;
- If the deceased left siblings, the mother has a sixth.

Whilst the spouse's share under Islamic law is smaller than under common Western norms (where they typically inherit the majority share), in Shari'a there is a responsibility upon the spouse's closest male relative (likely to be a son they share with the deceased) to ensure that their reasonable needs (of home and financial security) are met. A specific portion for wives is mentioned in the Qur'an (2:240), being the minimum of suitable shelter plus one year's maintenance for her and her dependants.

In addition, the deceased's siblings only inherit if neither the deceased's father nor a son survives them. If the deceased leaves no son, then any daughters receive a larger share than they would have if there was a brother. Accordingly, any share that passes to the deceased's more distant relatives will not be the majority of the total estate.

The shares due to each beneficiary are calculated as a fixed portion of each asset of the estate, rather than allocating one asset to one heir and another asset to another heir (without due consideration for the market value of each).

Practically speaking, any given asset may be assigned to a single beneficiary but always ensuring an equitable treatment from a value perspective.

There are further detailed differences in distributions to heirs depending on whether the deceased is male or female. The above rules apply for the distribution of male-owned assets. Inheritance of assets possessed by females can be found in the Qur'an (4:12) as follows:

- If there are no children, then the spouse (male) receives one half;
- If there are children, then the spouse (male) receives one quarter and the remaining three quarters is divided amongst the surviving children in accordance with one portion to male children and one half portion to female children.

Heirs may be disqualified from a share of entitlement for reasons including, for example, difference in religion or if the deceased was killed by a person otherwise entitled to inherit. There is general agreement on the succession rules across the various schools of Islamic jurisprudence within the majority Sunni sect, with differences of opinion existing only in a few rare cases. However, the differences between Sunni and Shi'a schools of jurisprudence are slightly more significant, such differences being found in both the proportion of allocation to beneficiaries and the types of beneficiaries. Since even within the Shi'a sect there are differences in these details across the schools of Shi'a jurisprudence, for simplicity, we have focused here on the majority orthodox view. For those Muslims who follow other schools, we advise our clients to consult a scholar qualified in the detail of inheritance rules within that school.



## The English Legal Framework – Rules for Wealth Succession and Management

We set out below the relevant legal framework for wealth succession under the laws of England for two reasons:

- In Islamic finance transactions generally, English law has proved to be highly compatible with Shari’a principles and is often a preferred choice of law for contracts and financing structures.
- In matters of inheritance, English law may be a reasonable benchmark for inheritance practices in many OECD countries and international financial centres (IFCs) like Jersey. To a large extent, inheritance and succession planning will be driven by local law considerations, particularly the tax code, and English law nicely illustrates the importance of structuring in a high tax jurisdiction.

As an example of the above, where a trust or other succession vehicle is drawn up in a jurisdiction like Jersey, Jersey law is considered a similarly highly developed legal system with some similarities to English law. Whilst high net worth families will often set up holding companies in Jersey, they may also take advantage of English law as the governing law for contracts related to certain investment vehicles in other parts of the world. (This does not change the requirement for local law to govern property and assets in the jurisdiction where they are situated).

However, as we note later in this report, Muslim high net worth families are mindful of the need for careful tax and succession planning structuring in Jersey and other IFCs. In Jersey, for example, probate itself is quite different procedurally from the United Kingdom, and there are no death duties, estate duty, inheritance tax or capital gains tax payable. Family offices must therefore take specific legal and tax advice in each jurisdiction before establishing holding companies, trusts or other wealth management vehicles.

Under English law, a valid will must be made in writing by a person over 18 years old acting voluntarily who is of sound mind, and the document must be signed before two witnesses who each countersign in the presence of the person making the will. Without a valid will, a

deceased person is said to have died intestate. In England, the intestacy rules provide for the surviving spouse to receive the first £270,000 of the deceased’s personal belongings (excluding money), with the remainder to be shared equally between the spouse and the deceased’s children. Parents do not have an automatic share (unless there is no spouse and no children) and the distribution is generally not in accordance with the Islamic prescribed shares. A valid will, however, can overcome the problem by providing for the distribution to be made in accordance with Islamic rules as English law allows for complete testamentary freedom (subject to certain inheritance claims being made by disgruntled family post-death).

In addition, the regime of Inheritance Tax (IHT) in England may have significant impact on the size of the estate available for distribution to the heirs. Thus, mitigation of IHT (charged at 40% on the estate value greater than £325,000 per individual) is often an important part of succession planning. This threshold, the nil rate band, rises to £500,000 per individual if the individual owns a home but specific eligibility conditions must be met (with estates over £2m largely unlikely to be eligible for the additional allowance).

There exist IHT exemptions, the main ones being the spousal exemption (100% relief), business property relief (50-100% relief) and agricultural property relief (also 50-100% relief), and these are often utilised in order to mitigate IHT.

Lifetime gifting may be used to reduce the size of one’s estate at death, with the main allowances relating to IHT being the annual exemption for capital gifts (£3,000), regular gifts out of surplus income and other allowances of more minor amounts. Lifetime gifts over and above these allowances may either be immediately chargeable transfers (CLT) or potentially exempt transfers (PETs) as far as IHT is concerned. Both CLTs and PETs are considered at the time of death to determine whether they attract any IHT, with the 14 years prior to the date of death being the relevant period requiring consideration. Of course, lifetime gifting strategies also need to take into account the effect of other taxes such as capital gains tax and income tax.

In stark contrast to English IHT, in Jersey (as mentioned above) there is no IHT, death duties or other capital taxes,

although there is a stamp duty which is considerably lower than English IHT. For example, Jersey stamp duties on movable assets (such as shares) are 0.5% for the first £100,000 and 0.75% thereafter. As a result, family offices with connections to the UK often use Jersey as a nearby IFC for the purpose of establishing investment holding vehicles.

We strongly advise clients to take detailed legal and tax advice in respect of estate planning since the rules differ significantly from jurisdiction to jurisdiction.

## The English Legal Framework – Structures and Mechanisms

There are several structures within the English legal framework which are useful in allowing the accommodation of the Islamic laws of wealth succession and management so as to ensure both tax-efficiency and also provide legally enforceable financial security for vulnerable dependants.

The most effective of these structures is the Discretionary Trust (DT) and the Flexible Life Interest Trust (FLIT); as expected, however, these have advantages and disadvantages that must be weighed up for each specific situation.

### Spending on the poor and needy is highly encouraged in Islam. For example:

“So give what is due to kindred, the needy and the wayfarer. That is best for those who seek the countenance of Allah, and it is they who will prosper.”

*Qur’an 30:38*

“And in their wealth there is a due share for the beggar and the deprived.”

*Adh-Dhariyat V.51:19*

### Muslims are encouraged to provide for family prior to death:

“The Holy Prophet (pbuh) said: Verily it is better for you to leave your offspring wealthy than to leave them poor asking others for help.”

*Sahih Bukhari, related by Amir bin Saad Abi Waqqas*

“It is prescribed for you, when death approaches any of you, if he leaves wealth, that he makes a bequest to parents and next of kin, according to reasonable manners. This is a duty upon the pious.”

*Qur’an 2:180*





## Trusts

Trusts are widely used throughout the world for succession planning purposes, and indeed many (including English trust law) have their origins in classical Islamic law. In the US, too, trusts can help to shelter wealth from estate taxes, and as with English trusts, require the nomination of trustees. Whilst specific legal terms may differ, as in England a US “donor” sets up the trust, names beneficiaries and trustees, and transfers wealth or property to the trust.

Trusts are well recognised in Islam. One of the earliest examples of trusts imported to England from the Islamic world was the statutes of endowment of Merton College, one of the oldest colleges of the University of Oxford, established in 1264. The statutes appear to be a translation of a *waqf* (endowment) then in use in the institutions of learning in Baghdad, Jerusalem and Cordoba.

The establishment of a *waqf* is considered a highly recommended and commendable act to be undertaken by any person, however rich or poor. It need not be for exclusively charitable purposes but is often for a social beneficial cause. Although there is currently no specific English tax and legal framework covering *awqaf* (pl. of *waqf*) per se, they can effectively be established using the existing trust framework, both during lifetime and at death, and the input of professional specialists is recommended.

## Foundations

Another structure deployed in succession planning is a foundation. Whilst not a precise legal structure in common law systems like England, it is often deployed in civil or pluralistic systems like Jersey. The corporate nature of a foundation may appeal to family heads for the purposes of succession planning. Foundation councils mimic boards of directors of a company and family members may be appointed council members. Of course, careful tax and legal planning is required to ensure that any governance, council make up and decision making does not fall foul of local laws, especially taxation. Foundations are increasingly popular in the Middle East, where IFCs have their own foundations laws, based on those of Jersey, and are predominantly used to own local real estate.

## TRUST AND WAQF – A SHARED HERITAGE?

In recent history the trust was sometimes seen in some developing countries as a foreign innovation, perhaps even colonial in nature, and thus viewed with suspicion and liable to abusive practice. Indeed the trust has not always been used for altruistic purposes in the West. But in essence, the trust is essentially an Islamic concept. A little legal history clarifies:

During the time of the Third Crusade (approximately 1189-1192) the eldest sons of many landed families in Western Europe were persuaded to wage holy war in the Levant, primarily with the objective of retaking Al Quds (Jerusalem) for Christendom. In those days, the English did not have trust – you either owned property outright or you did not (much like the situation in civil law countries today). Eldest sons going to war therefore faced a dilemma. It was probable that many of them would perish either in battle or on the journey itself. To secure their lands from local usurpers, the crusaders had no practical alternative other than to convey ownership to a confidant, either a close friend or more frequently a younger brother who was not subject to military service.

The crusaders were away from their homelands for many years. Richard the Lionheart, for example, was away for seven years, and hence the old common law rule: after seven years of absence, one would be presumed dead. During these absences, the friends and younger brothers of crusaders became accustomed to their new circumstances, enjoying their new lands and status. But eventually many crusading knights returned home, with some already presumed dead. Not surprisingly, many friends and brothers reneged on promises and refused to convey the land back.

Unfortunately for these returning crusaders, the law was the law. They had lawfully transferred their lands and now had no legal right to ask for it back. Eventually they petitioned the King’s Chancellor, the senior justiciar and forerunner to the modern-day Prime Minister. The Chancellor sympathised with the predicament of the returning knights but could not deprive a person of ownership within the law of the realm, especially when he acted in good faith and on the assumption the knight who had gone to war was now dead.

The crusaders noted that the Muslims they had been fighting in the Holy Land used a concept called *waqf* which allowed for property to be owned and enjoyed by many, especially for socially beneficial purposes like education. And so the concept of trust was born in Western Europe, a revolutionary idea taken from the Muslims. The Chancellor conceded he could not give the knights legal ownership, but he recognised they were the beneficiaries and should be entitled to enjoy the fruits of the property. Thus, following the example of the Arabs, the Chancellor declared different interests arose over the same land.

The development of the trust as we know it today took many hundreds of years of creative judicial intervention afterwards, but in essence the trust is rooted in the *awqaf* of the Arab world. Researchers are beginning to note that many Muslim ideas, including legal techniques, came into England during this era and it is believed that Sicily (which had been under Muslim control for hundreds of years) was a conduit of learning as it was a significant stopping-off point during the Third Crusade.





# Survey Findings

## Methodology

Gateway conducted a global survey to gather the views of HNWIs, family offices and wealth managers to ascertain their views and the views of their clients toward Islamic wealth management.

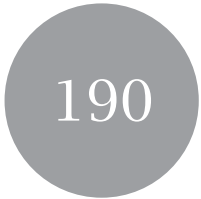
- The survey was conducted online between June and July 2021
- Responses received represent the wealth management practices of 2,048 individuals globally

A total of 190 questions were asked in the survey covering the respondents' views on the following topics in relation to their Shari'a compliant investments:

- Asset Classes
- Sectors
- Jurisdictions
- Ethical Alignment
- Performance
- Tax
- Succession Planning
- Philanthropy



Survey Sample Size

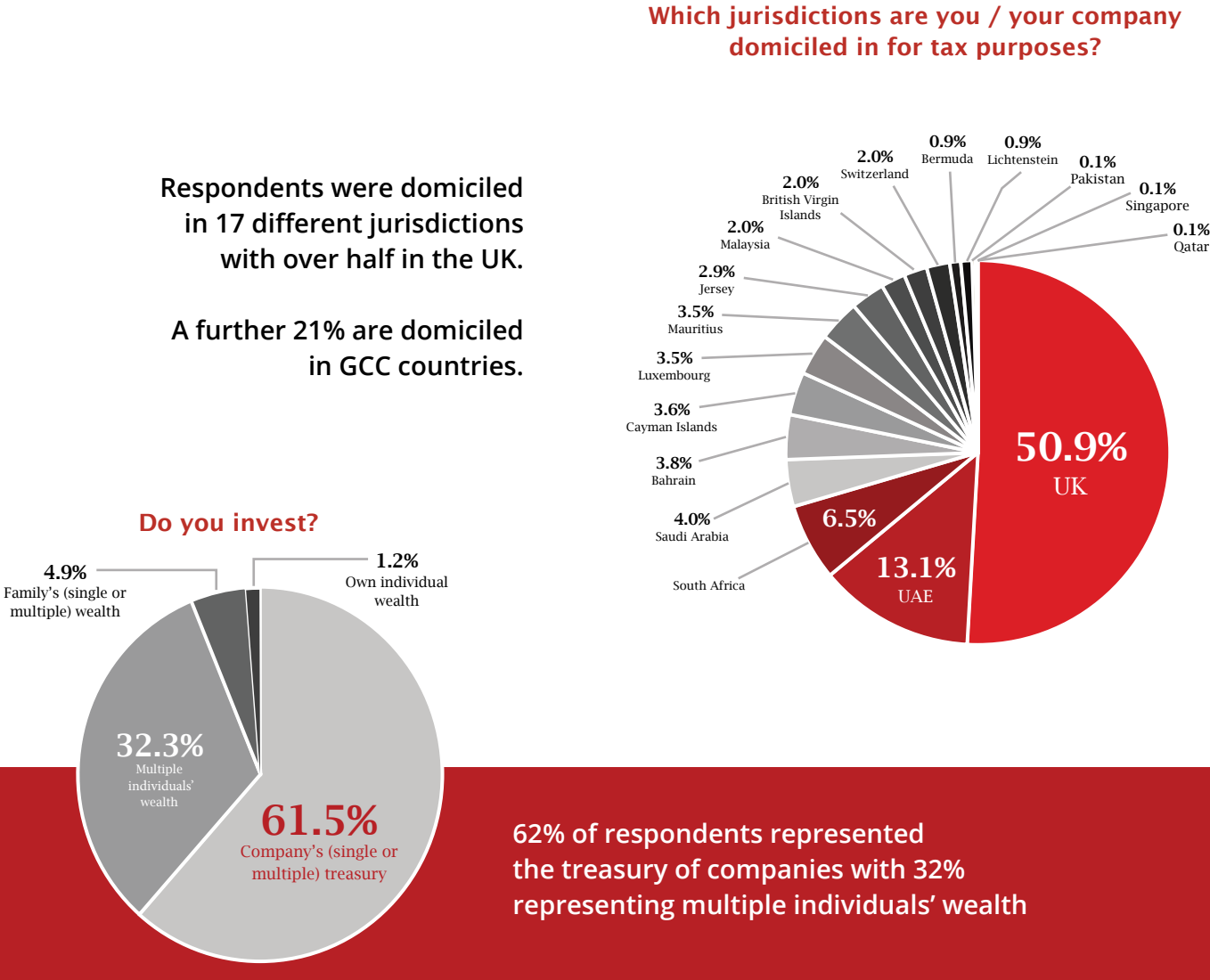


Survey Questions



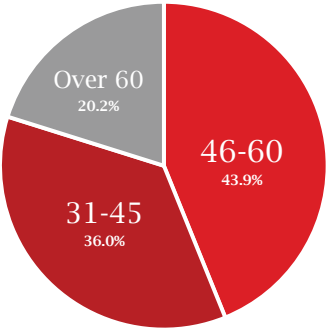
Survey Topics

# Profile of Respondents



Please indicate your age (or where responding on behalf of a group of persons, the average age of such persons)

The majority (80%) of responses represent individuals aged 31-60 with 20% representing the views of over 60s





# Asset Classes

Respondents were asked to signify the importance of a range of asset classes to their investment decision to date and how important these asset classes would be to their future investment decisions within the next 18 months.

The results can be classified into four key quadrants:

- **Staples:** those with high importance to date and continued high importance in future
- **Breakout:** those with low importance to date but increasing in importance in future
- **Abating:** those with high importance to date but decreasing in importance in future
- **Laggards:** those with low importance to date and continued low importance in future

Amongst Staples, Real Estate and Infrastructure as an asset class ranks the highest due to its stable return profile and asset backed nature providing security to investors.

Other staples include Venture Capital, favoured for its ability to deliver outsized returns coupled with tax relief on losses in certain jurisdictions, Equities, seen as a core asset class for long term minded investors and Cash & Equivalents, largely demonstrating the global nature of the investors surveyed whose investment and business interests span multiple geographies and therefore currencies.

“Amongst Staples, Real Estate and Infrastructure as an asset class ranks the highest due to its stable return profile and asset backed nature providing security to investors.”

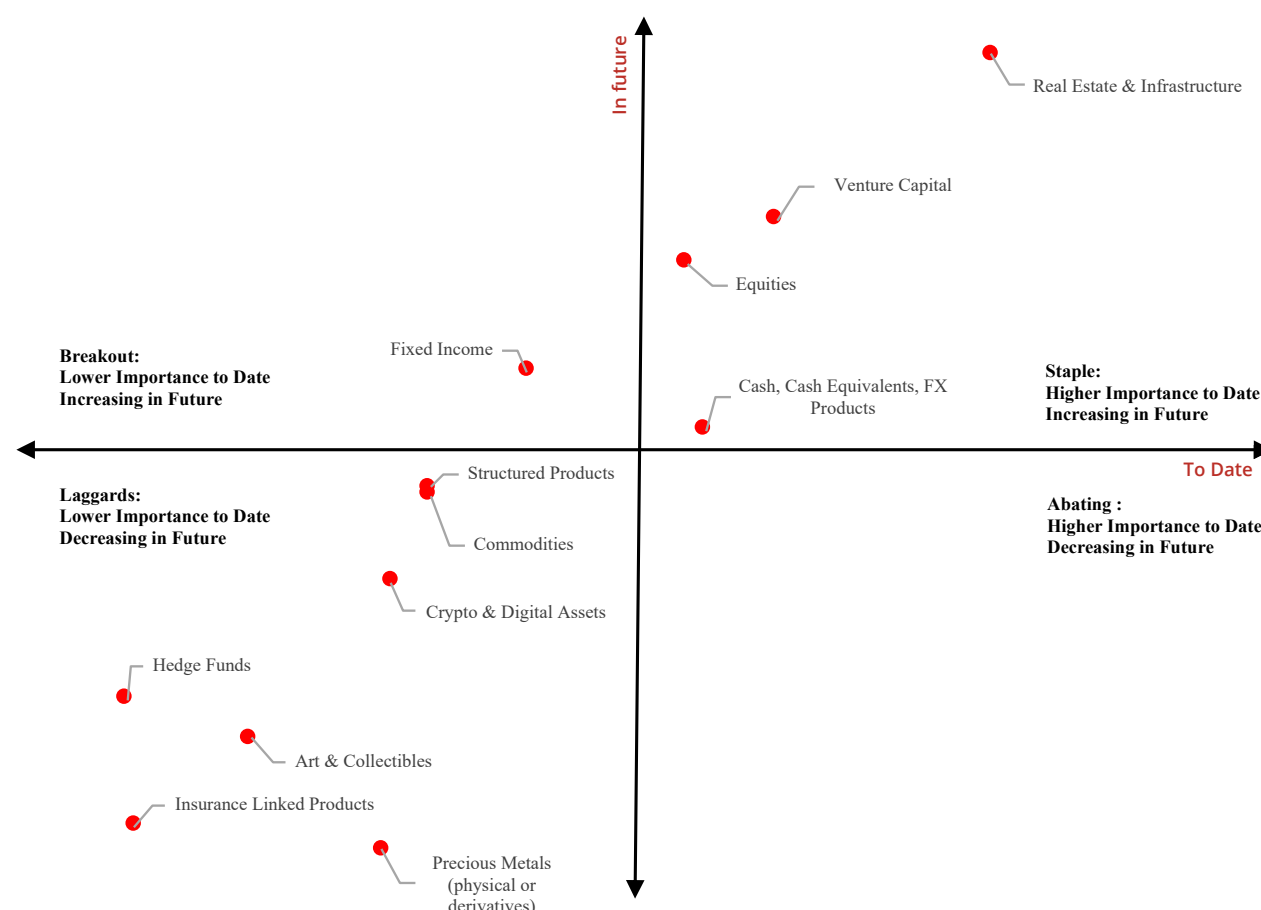
Only Fixed Income is considered a breakout category, perhaps not surprisingly due to the recent low yield environment faced by investors.

No asset class that has been important to date was considered of low importance in future.

The Laggards are mostly comprised of volatile, technically complex and specialised asset classes. Of these Structured Products, Commodities and Crypto & Digital Assets show some future importance in investors' strategies, however this was not universal amongst the respondents, hence they remain as laggards, falling short of being considered breakouts.

Hedge Funds, Art & Collectibles, Insurance Linked Products and Precious Metals are expected to remain low priorities for investors.

Asset classes: importance to your investment thesis

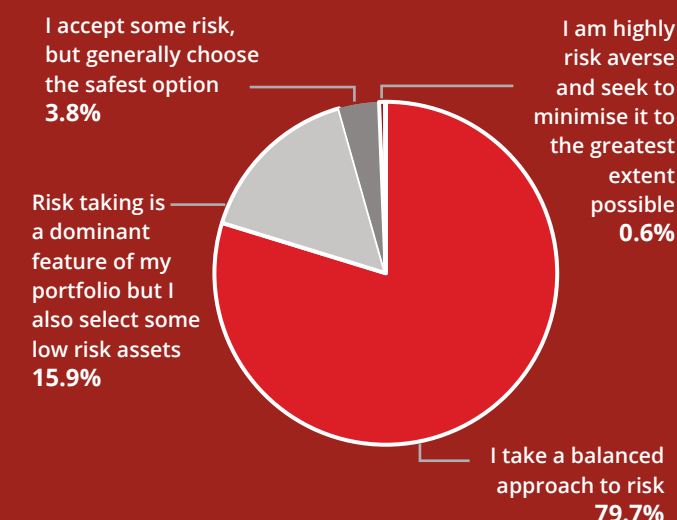


## Islamic Investors Largely Remain Traditionalists

All asset classes that are of high importance to date will continue to be of high importance in future. It is not surprising that Islamic investors continue to focus on hard assets like Real Estate, an asset class that is tangible and relatively straightforward to structure as Shari'a compliant.

In contrast, asset classes that are less immediately physical and accessible, or that may require highly sophisticated Islamic structuring techniques, such as Hedge Funds and Structured Products, remain niche. Institutional family wealth is more likely to consider these latter two asset classes than single high net worth individuals. Insurance Linked Products also remain a Laggard since they may carry the perception that such a product may not align with Islamic principles of financial certainty (despite scholarly analysis showing insurance is not in and of itself impermissible).

Which of the following statements best characterises your attitude to investment risk? (Where more than one applies, indicate the one that best applies to you):

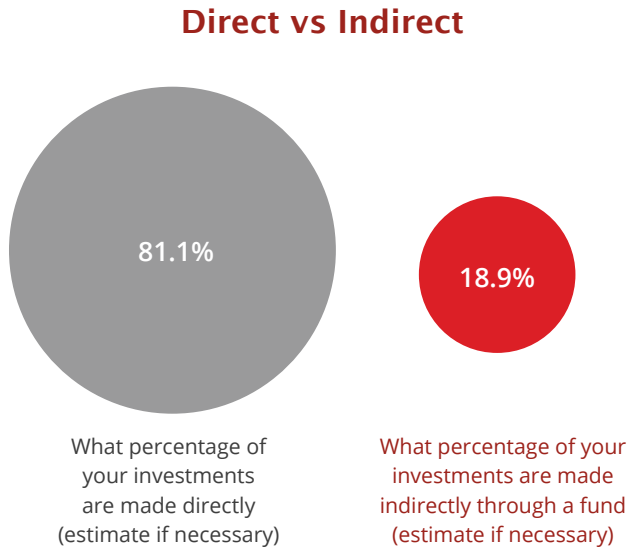


Almost 80% of investors described their risk appetite as balanced which is reflected in the ranking of asset classes



It is interesting to note the importance of Venture Capital as a Staple (despite a relatively short history in Islamic markets like the GCC), a testament to the growth of the global Islamic economy and a rapidly growing interest in the halal digital economy and Islamic fintech sector.

We note also that despite on average being considered of lower importance in the future, Crypto & Digital Assets demonstrate a polarisation of opinion: a significant minority (21%) believe this asset class to be of high importance in the future with a majority 66% giving it the same or high importance in future. Its position on the graph as a Laggard is somewhat skewed by the 34% of the sample who deem it to be of lower future importance and who are more likely to be traditional investors.



81% of investors also preferred to make their investments directly which has some bearing on the assets classes preferred as the more accessible and transparent assets gained preference



# Jurisdictions

“When asked about preferences between onshore locations and IFCs, respondents showed little difference in preference to date. However, in the coming 18 months, there was a clear preference for IFCs over onshore locations”

Respondents were asked to identify in which jurisdictions their investment activities have taken place to date and how important these jurisdictions would be to their future investments within the next 18 months. Note that this analysis reflects the jurisdiction of the investment and does not reflect the jurisdictions where the investment vehicles are domiciled.

The results can be classified into four key quadrants:

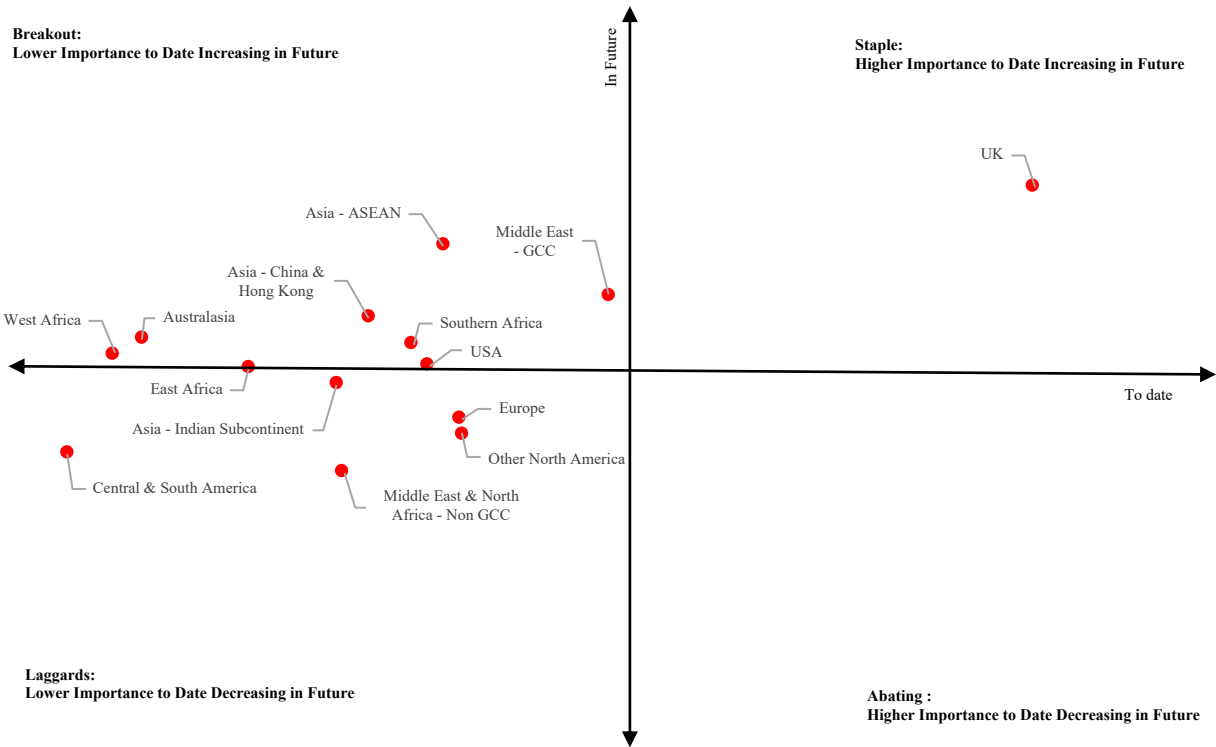
- Staples: those with high activity to date and continued high activity in future
- Breakout: those with low activity to date but increasing activity in future

- Abating: those with high activity to date but decreasing activity in future
- Laggards: those with low activity to date and continued low activity in future

The UK ranks as the only staple jurisdiction for investors, normally seen as secure due to superior property rights and legal frameworks.

Amongst breakout, Asia - ASEAN and Middle East - GCC are seen as the most important in future likely due to their Islamic finance pedigree. Growth is also expected in West Africa, Australasia, Asia – China & Hong Kong and Southern African markets.

Which regions have your investment activities been in?

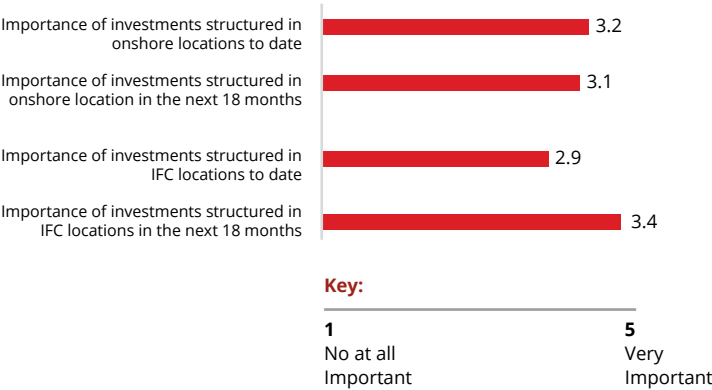




Amongst Laggards, East Africa and the USA show the most potential of those able to breakout in future. Other laggard jurisdictions with remaining low activity are Middle East & North Africa - Non GCC, Europe, Asia – Indian Subcontinent, Central & South America and Other North American markets.

Additionally, when asked about preferences between onshore locations and IFCs, respondents showed little difference in preference to date. However, in the coming 18 months, there was a clear preference for IFCs over onshore locations.

Importance of Onshore vs IFC Locations



Wealth Planning in the Khaleej: Attitudes Vary Across Generations

Gateway was approached by a leading Swiss private bank seeking to expand in the Arab Gulf. The bank had been active in the Gulf for many years but had not made the impact it had hoped for. A market penetration strategy was devised remotely from their offices in Geneva and Zurich. In our experience, overnight “fly-in” visits (otherwise known as suitcase banking) do not help build confidence with HNW clients. The sales team needed to understand both the local environment and the specifics of home state products they were selling. They needed technical resources at a local level.

This was illustrated when we visited one HNW family client on behalf of the bank. Our primary interactions were with the patriarch of the family in his late seventies or early eighties, and one of his sons, a savvy businessman in his late forties. Early on in a forthright discussion on succession planning, it became clear that the son was hoping for an easy-to-effect lifetime asset transfers to himself, particularly in respect of his father’s business interests. The older man, however, was much more hesitant. Maybe he did not see the urgency of

arranging his affairs or had in mind the needs of other family members? He steered the conversation towards “Islamic solutions” and particularly wanted to know about the Maliki position on cash waqf and whether the bank could structure a product for him based on this concept. With its sales team sitting thousands of miles away, the bank had been unaware of this internal family debate.

Different generations within a family sometimes have conflicting motivations, interests, and ideas on how to resolve problems. Religious injunctions are never very far from Muslim thinking, but how one interprets those requirements in the modern era can often vary quite enormously even within families. In our experience, there is rarely a one size fits all solution and each client needs to be treated with respect and sensitivity. Without specialists on the ground, providing complex fiduciary services can be very challenging, as the Swiss private bank discovered.

Capital Flight in the Arab World

For much of the 1950s and ‘60s, Beirut was widely regarded as the preeminent banking centre of the Arab world. There were many reasons for this: a relatively free economy, a stable and convertible currency, bank secrecy laws and attractive interest rates. This in turn attracted foreign investment and a new sophisticated professional class, many of whom were trained in the French banking tradition.

From 1975 and for the next 15 years, civil war had a devastating effect on the country and its financial sector. There was an enormous exodus of capital from the country, both expat Arab and other foreign capital. Arab wealth fled in two directions: some north into Europe, especially into Swiss private banks, which continue to be active in the Arab world today, and some south into the emerging economies of the Arab Gulf region.

Of all the countries in the Gulf, Bahrain was the first to spot the opportunity and quickly put in place a legislative and operational framework that would further facilitate confidence and growth. Nowadays many GCC countries have competitive financial sectors – Dubai International Financial Centre, Qatar Financial Centre, Abu Dhabi Global Markets, etc – but Bahrain was the first to supplant Beirut as the natural home for Arab wealth and it continues to be a prominent destination today.

In recent years, Arab capital has sought further diversification by establishing investment vehicles in other international financial centres such as Jersey, especially where assets held are geographically diversified or relatively more sophisticated in nature, such as private equity funds.



Bahrain World Trade Center - Manama, Bahrain

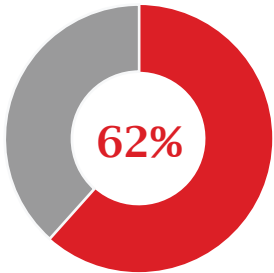


# Shari’a and Ethical Alignment

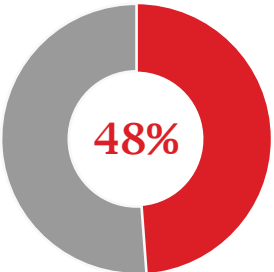
Respondents were asked about their attitudes to Shari’a compliance specifically and alongside other recognised ethical frameworks. Many investors see Shari’a compliance as a framework for investing but not always exclusively. Investments that are not certified Shari’a compliant are often seen as acceptable to investors as long as they do not actively contravene Shari’a principles.

More respondents (62%) would choose a Shari’a compliant product irrespective of its performance compared to the conventional alternative, than would choose an ethical only product (48%) under similar circumstances. This shows that there remains a preference towards Shari’a compliance over generally ethical products.

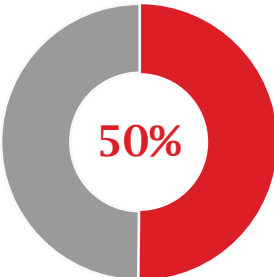
Additionally, 50% of respondents rely on their own knowledge of Shari’a compliance, rather than using an internal or external advisory board compared to 46% of respondents relying on their own knowledge of ethical products. Shari’a compliant products have been better understood to date and preferred, however ethical products are close behind in terms of understanding and preference. Both still present opportunities for professional advice and for improved consumer education.



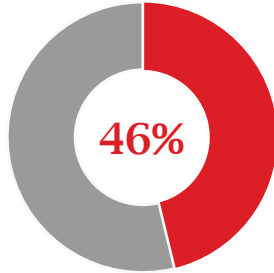
■ Always chose Shari’a compliant even with inferior performance



■ Always choose ethical product even with inferior performance



■ Rely on their own knowledge of Shari’a compliance

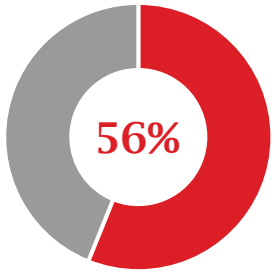


■ Rely on their own knowledge of ethical frameworks

“While Shari’a compliant products have historically been a clear preference in investment decisions, other frameworks are seen as being of greater importance in the next 18 months, with Shari’a compliant products’ importance declining somewhat”

In fact, while Shari’a compliant products have historically been a clear preference in investment decisions, other frameworks are seen as being of greater importance in the next 18 months, with Shari’a compliant products’ importance declining somewhat.

Consequently, 56% of respondents stated the importance of jurisdictions developing their own codified approach to ethical finance, as a way to support the expansion of their product exposure beyond Shari’a compliance alone.



■ State it is important for jurisdictions to have their own codified approach to ethical finance e.g. ESG / UN SDGs

## Importance of Ethical Frameworks in Investing





# Portfolio Performance

“Respondents identified the higher rated factors that are important when seeking a professional wealth manager, to be track record and understanding of global markets and asset classes.”

Respondents were asked their satisfaction with the management of their overall wealth, with specific questions focused on the importance of Shari’a aspects of wealth management over the last five years across three factors:

- Account management expertise
- Objective decision making
- Client service

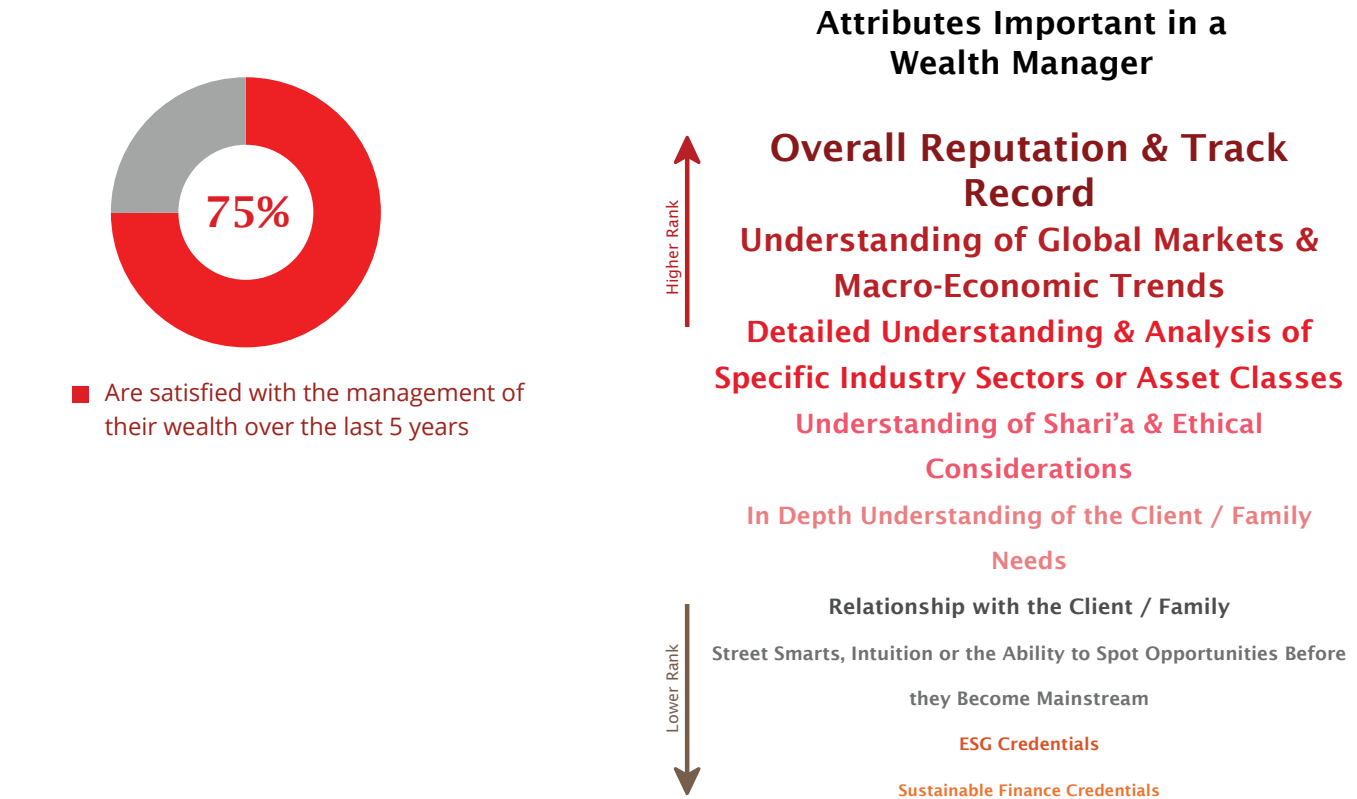
75% of respondents were satisfied with the management of their wealth.

When further interrogated about the factors that are important when seeking a professional wealth manager, six of the nine factors tested score highly (9 / 10) for importance.

The remainder while lower were all scored above 7.5 / 10.

Higher rated credentials related to track record and understanding of global markets and asset classes.

Lower ranked metrics related to ESG and sustainability credentials largely due to these being newer attributes in a wealth manager’s profile and harder to define in relation to performance outcomes.



# Tax

“When choosing professional managers, clients sought above all else the tax adviser’s overall reputation and track record, as well as a detailed technical understanding of global tax laws and specific jurisdictions.”

Respondents were generally satisfied with the quality of tax advice received over the past 5 years.

They were also asked to rank the most important metrics in seeking professional tax advice.

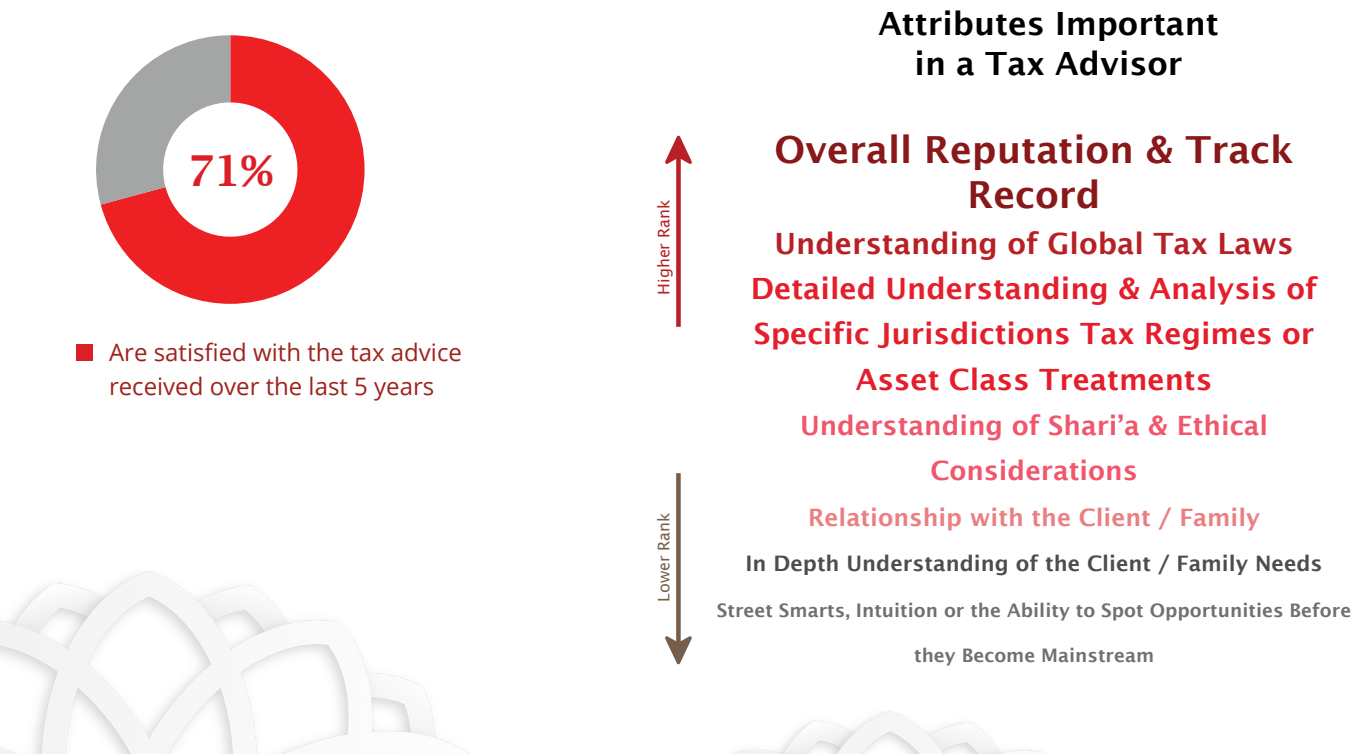
As was similarly the case for choosing professional wealth managers, clients sought above all else the tax adviser’s overall reputation and track record, as well as a detailed technical understanding of global tax laws and specific jurisdictions.

Lower ranked metrics related to Shari’a and ethical considerations were perhaps largely due to these being newer attributes in a tax adviser’s profile.

The personal relationship and in depth understanding of the client’s or family’s needs were of lesser importance in selecting a tax adviser.

When asked to rank tax strategies, legal and company structures were given most importance, with choice of asset classes (as tax mitigation strategies) and choice of jurisdiction close behind.

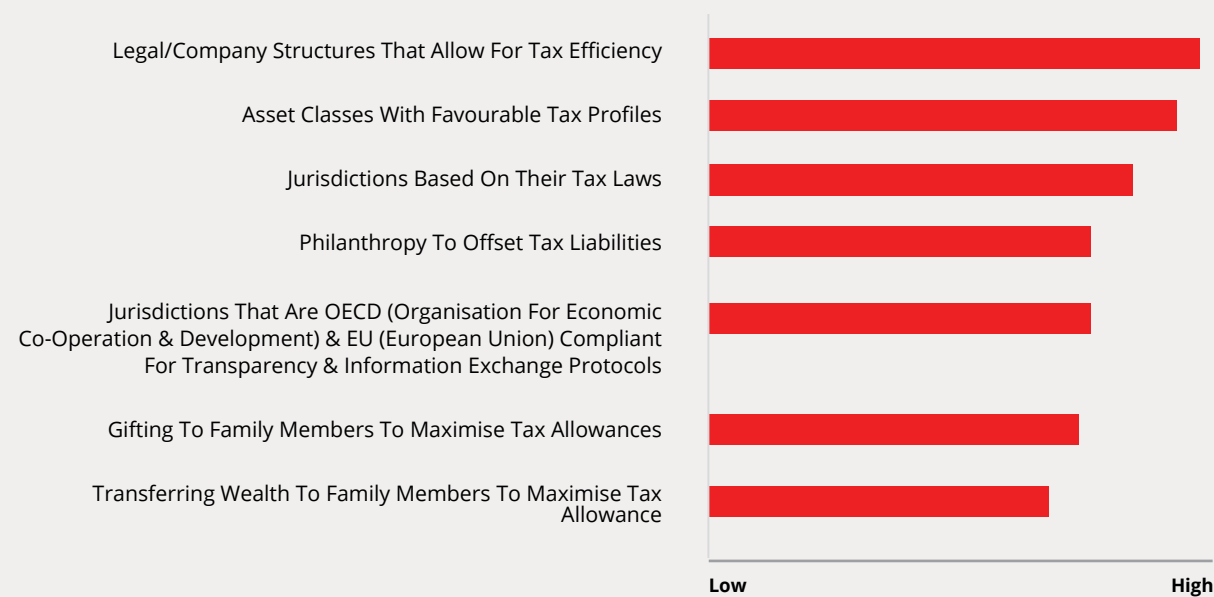
Interestingly, despite the dominance of UK domiciled investment and holding vehicles amongst survey respondents, gifting and transferring wealth to family members to maximise tax allowances ranked lowest. This may be because of the relatively low thresholds for such transfers set by the UK government.







Importance of Tax Strategy Factors



Succession Planning

“An overwhelming 96% of respondents stated that it was important for their wealth to be transferred to their heirs.”

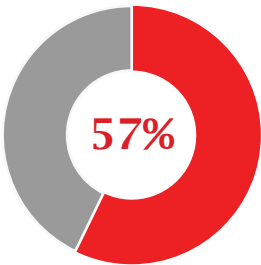
Respondents were asked a range of questions regarding their plans and activities around succession. These covered:

- Objectives of succession planning
- Use of trusts in succession
- Use of waqf in succession
- Use of foundations in succession
- Preferred jurisdictions by structure
- Concerns regarding succession

57% of respondents stated they will seek tax advice and 63% of respondents started they would seek Shari’a compliance advice as they plan for succession.

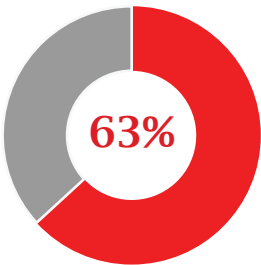
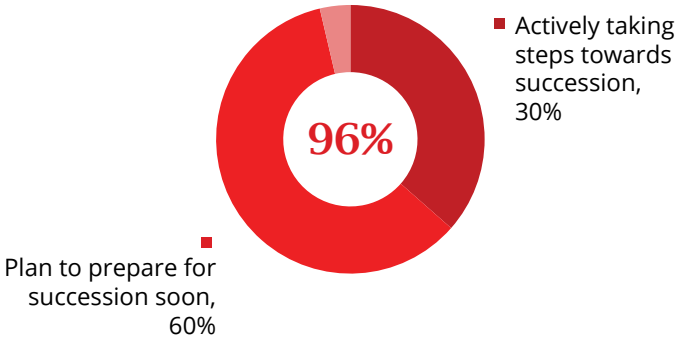
Only 32% of respondents had explored the use of a waqf in their succession planning strategy. Of those that did, 99% reported a positive experience of using a waqf.

An overwhelming 96% of respondents stated that it was important for their wealth to be transferred to their heirs. 36% had already taken steps to achieve the transfer of wealth, with 60% expecting to action their plans in the near future, when relevant to them. This represents a huge opportunity for advisors and jurisdictions to tap into the wealth transfer process over the coming years.



Will take tax advice on succession planning

Stated importance for wealth to be transferred to heirs



Will take Shari’a advice on succession planning



Succession planning is clearly of immense importance to Islamic investors. The 60% who have not yet, but plan to, prepare for succession will be actively considering their choice of jurisdictions, advisers, investment vehicles and financial products.

Despite the comfort and familiarity with Shari’a compliance (see Shari’a and Ethical Alignment analysis), we note that more families will seek Shari’a compliance advice in respect of succession planning than would seek tax advice. This may be due to one or both of the following reasons: the jurisdiction they select has minimal or no tax impact on them, or that structuring the Shari’a element of succession is more complex and more necessary to align with their personal values.

## Do you trust me?

The use of a trust as a legal device is an integral part of inheritance planning in those countries (predominantly English-speaking countries) that ascribe to the *common law* – which includes the UK (but not Scotland) and the Bailiwick of Jersey. A trust may be both simple and potentially complex at the same time. In essence it is an arrangement where one person (the “settlor”) declares some of his property to be legally owned by one class of people (called “trustees”) and beneficially owned by another class of people (called “beneficiaries”). This is known as the “split ownership” principle. In theory the settlor can also choose to be a trustee or a beneficiary or both or neither. The consequences of split ownership are that trustees have all the rights and obligations associated with legal ownership, but are restricted by the terms of the trust (usually set down in a trust deed) to ensure that the beneficiaries have all the rights and obligations associated with the enjoyment of the property.

For example, one of the obligations associated with legal ownership may be to pay tax, and therefore in a high tax jurisdiction giving away legal ownership (whilst retaining enjoyment) may be beneficial. Another aspect of trust is that it creates the “right of survivorship” as between trustees – that is, when one dies, the other trustees take ownership automatically (because the property is jointly owned) and it doesn’t form part of the deceased’s estate. However, sometimes jointly owned property needs to be

It is quite likely, therefore, that families undertaking succession planning will be seeking a jurisdiction that is compatible with easy access to high quality advice and affords judicial recognition to Shari’a investment structures.

Jersey is an example of such a jurisdiction. Not only does it have a large pool of professional advisers including legal, tax, accounting and Shari’a, but Jersey Courts have often made clear that they will not enforce foreign judgements that seek to challenge the veracity of their wealth protection and succession structures. This provides comfort to families seeking a safe, secure and legally reliable jurisdiction that helps them to preserve wealth, protects heirs and beneficiaries and respects the wishes of the testator.

severed so both parties can rely on their own inheritance tax allowances.

One of the most interesting aspects about trust is that it is not “law” in the traditional sense. Rather, it is what lawyers call “equity” – a method of bringing about fairness which was administered as a separate form of justice by the courts alongside the enacted laws of the country. In fact, judges may have devised equity as a way of circumventing the occasional hardships brought about by rigid literal uncompassionate law-making. In essence, therefore, the trust can be a nebulous concept – it lacks precise definition and characterisation and, on occasion, precise effect. So much depends on what the court will deem “equitable” - reasonable and fair in the circumstances.

Attempts to introduce trust into non-common law countries (including France, Italy and parts of the Arab Gulf) have met with mixed results. The reason is that essentially trust is not law – and therefore proves difficult to enact by parliaments. Ultimately, it is an arrangement underpinned by its very name, “trust”. Do I trust the courts to behave in a certain way? This is one of the big advantages that countries like Jersey have. They have a long tradition of administering trust in a way that makes people feel confident. Jersey, for example, has had a trust law since 1984. And you cannot legislate for confidence – either you have that or you do not!

76% of respondents have explored trusts as an important structure in their succession planning. The top 5 favoured trust jurisdictions were Jersey, the UK, Dubai International Financial Centre (UAE), British Virgin Islands (BVI) and Malaysia.

Conversely only 30% of respondents had explored the use of a foundation in their succession planning strategy. Favoured jurisdictions for foundations were DIFC, Jersey, the UK and the Cayman Islands.

In Jersey in particular, foundations are useful for families who do not want to transfer control of their assets to a trustee. Instead, a Jersey foundation is managed by a Council that must include a regulated individual or service provider, known as a Qualified Member, to oversee decisions of the Council. Alternatively, this supervisory role can be performed by a Guardian who can be the founder. In addition, a Jersey foundation can have subsidiary companies to execute specific tasks such as philanthropy. Whilst philanthropy is a common use of a foundation, for families it is often used for asset-holding purposes, allowing the ownership of “wasting assets” which may not be appropriate for a trust since they may depreciate over time rather than enhance over time for the benefit of the beneficiaries.

Concerns regarding succession centred on ensuring a smooth transition of inheritance and maintaining a united family, retaining wealth within the family, growing the wealth for future generations and safeguarding against investments being misused or lost.

76%

Of respondents have explored trusts



Jersey is the favoured jurisdiction for trusts

30%

Of respondents have explored foundations



DIFC (UAE) is the favoured jurisdiction for foundations

## Shari’a Arbitrage

Muslim families undertaking wealth management and succession planning tend to consider the inheritance rules prescribed by Shari’a. To some extent all countries have a degree of enforced distribution, especially if a person dies intestate. The critical issues are always: to what extent can a person freely dispose of his or her property (either during one’s lifetime or by will) and how are the enforced rules applied in practice. In Muslim countries there is, generally speaking, less opportunity for the testator to freely dispose of his/her property and the apportionment of the estate is usually in favour of male over female relatives where the males have a responsibility to provide (see The Islamic Wealth Framework - Rules section of the report).

There may be less opportunity to judicially challenge these prescriptions (which are considered divinely ordained and therefore immutable) unlike in some Western countries where enforcement may be challenged on the basis of dependency and expectation. There are also some slight differences between the madhabs (schools of Islamic jurisprudence) when it comes to interpreting the enforced rules. This has given rise to curious anomalies on occasion. For example, in recent years there have been examples of Sunnis who declared allegiance to Shi’ism in order for those testators without sons to permit daughters to inherit (whereas the Sunni madhab favoured the testator’s brothers over the daughters).

Though this rule is not applicable in every case in every locality, it does illustrate the importance of knowing what rules are applicable to you and your loved ones upon death.

## Concerns Regarding Succession

### Smooth Transition of Inheritance and Maintaining a United Family Retaining Wealth within the Family Growing Wealth for Future Generations

Safeguarding against Investments being Misused or Lost



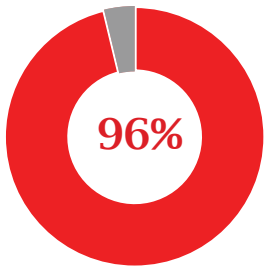
# Philanthropy

Respondent were asked about the importance of philanthropy during their lifetime. 96% stated it was important to give philanthropically during their lifetime with 79% having already made significant contributions and continuing to do so.

Respondents were mixed on how much of their total net worth they would be willing to allocate to philanthropic activities with the majority (67% of respondents) estimating the figure to be between 10-50%.

Additionally, 83% of respondents stated that giving in line with their faith was an important aspect to consider.

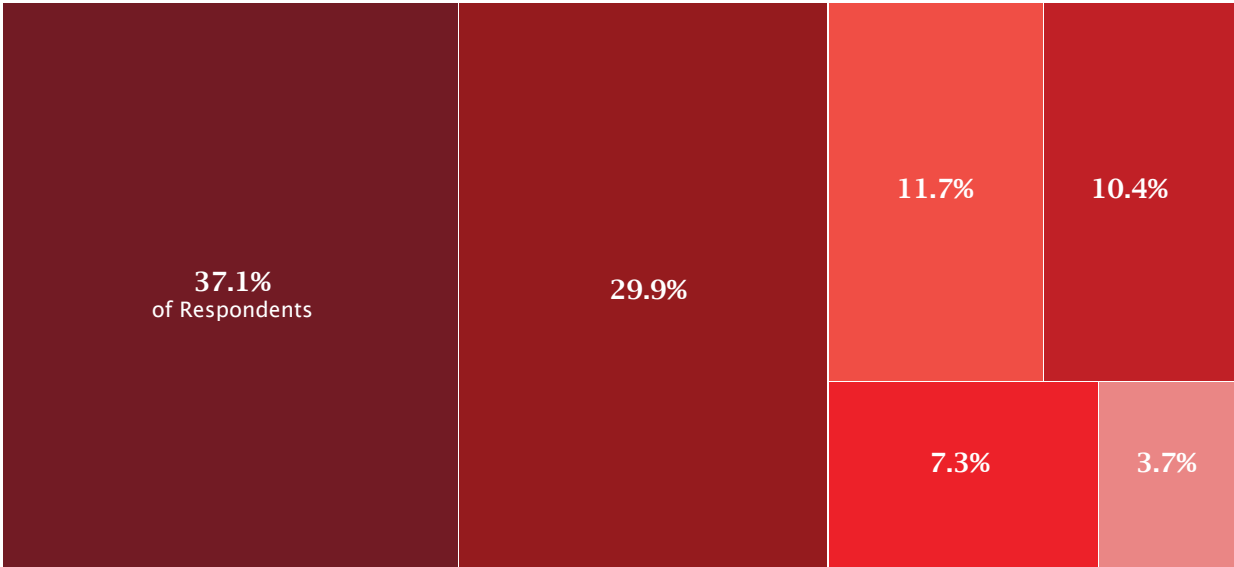
Of the major aspects of philanthropy, respondents cited giving to recognised charities and foundations to be of most importance followed by giving locally to their family's area of origin and giving in line with recognised causes such as UN SDGs.



■ Importance of philanthropy during lifetime

**Important Aspects of Philanthropy**  
**Giving to Recognised Charities & Foundations**  
Donating Locally to Family’s Area of Origin  
Aligning to Recognised Causes (e.g. UN SDGs)

## Intended Amount of Wealth to Allocate to Philanthropy



■ All   ■ 50%+   ■ 25-50%   ■ 10-25%   ■ 0-10%   ■ None

Amount of Wealth Allocated to Philanthropy





# Conclusions

This survey represents the views of Muslim HNWI, family offices and institutions managing Islamic private wealth across the world, representing 2,048 individuals. To our knowledge, no other survey with a similar remit and scope has previously been conducted on this scale.

Whilst some of the findings are in line with the expectations of expert industry observers, others are instructive about the possible future direction of the Islamic finance sector and perhaps even surprising. We highlight the following as being of particular note:

## Asset Classes

- As is well-known, Islamic investors continue to focus on hard assets like Real Estate, an asset class that is tangible and relatively straightforward to structure as Shari'a compliant.
- More recently, Venture Capital has become a staple asset class, a testament to the growth of the global Islamic economy and a rapidly growing interest in the halal digital economy and Islamic fintech sector. Whilst traditionally Islamic investors have favoured investment in mature, stable industries, there is now an increasing focus on earlier stage, higher risk investment in technology related industries.
- Crypto & Digital Assets demonstrate a polarisation of opinion: a significant minority believe that this asset class will be highly important in the future. Like Venture Capital before it, Islamic investors are beginning to take an active interest in this asset class, as evidenced by the ongoing debate in the industry on the Shari'a compliance of cryptocurrency, and the establishment of numerous start-ups attempting to capitalise on this trend.
- The prevailing macroeconomic environment has meant that Fixed Income is currently somewhat out of favour with Islamic investors but may break out and re-establish itself as a core asset class in the future.

## Jurisdictions

- The UK continues to rank as the only staple jurisdiction for investors, normally seen as secure due to superior property rights and legal frameworks, as well as an inherent compatibility with Islamic law, including that related to financial transactions and wealth succession. For the same reasons, Muslim HNW families and family offices favour Jersey as a leading jurisdiction for similar products and activities, especially investment trusts.
- Respondents showed little difference in preference between onshore locations and IFCs. However, in the coming 18 months, there was a clear preference for IFCs over onshore locations. This creates significant opportunities for legal, tax and Shari'a advisors, especially in those jurisdictions where there is strong compatibility of local law with Shari'a, and where government policy is geared towards encouraging the establishment of Shari'a compliant investment vehicles, such as in the DIFC (UAE) and Jersey.

## Shari'a Compliance and ESGs

- Many investors see Shari'a compliance as a framework for their investing decisions, but not always exclusively. Remarkably, 62% would choose a Shari'a compliant product irrespective of its performance compared to the conventional alternative. This contrasts with studies conducted in the past (particularly in the early 2000s when the Islamic finance sector experienced exponential growth), in which approximately the same proportion of Muslim investors polled would choose Shari'a compliance only if the performance and quality was equivalent or better than conventional. Given the known gap between high Islamic product demand and limited supply, the survey suggests an overriding need for product providers to revive Islamic product development teams. At the global investment banks, for example, such teams were very active in the years 2000-2010, but either disbanded or integrated into conventional structuring teams thereafter.

- While Shari'a compliant products have historically been a clear preference in investment decisions, other frameworks (such as ESG) are seen as being of greater importance in the next 18 months. Half of all respondents rely on their own knowledge of Shari'a rather than using external advisors, whilst just under half relied on their own knowledge of other ethical frameworks. There exists, therefore, ample opportunity for Shari'a and ethical investment advisors to work with Muslim family offices, HNWI and Islamic private wealth managers, and jurisdictions (especially IFCs) that attract such advisory firms are likely to attract more Islamic wealth.
- It will become increasingly important for jurisdictions to develop their own codified approach to ethical finance, as a way to support the expansion of their product exposure beyond Shari'a compliance alone.

## Reputation

- Overall reputation and track record, understanding of global markets and macroeconomic trends, and detailed understanding and analysis of specific industry sectors or asset classes are seen as the most important factors when seeking professional wealth managers.
- When choosing professional managers, clients sought above all else the tax adviser's overall reputation and track record, as well as a detailed technical understanding of global tax laws and specific jurisdictions.

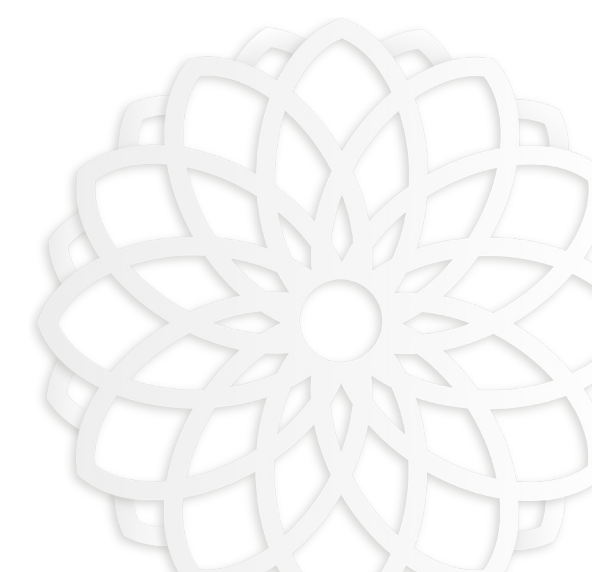
## Succession Planning and Philanthropy

- An overwhelming 96% of respondents are either actively planning succession or plan to prepare for it soon, representing a huge opportunity for advisors and jurisdictions (especially IFCs) to work with Islamic private wealth managers and Muslim families. In fact, 57% of respondents stated they will seek tax advice and 63% of respondents stated

they would seek Shari'a compliance advice as they plan for succession. Jurisdictions such as Jersey with established professional advisory services already in place are likely to be more attractive to investors.

- Although Muslim families consider wealth transfer to their heirs to be of high importance, philanthropy was a significant consideration alongside succession planning: 83% of respondents stated that giving in line with their faith was an important aspect to consider and, indeed, most respondents would allocate 10-50% of their total net worth to charity.

It is apparent through this research that the Islamic finance investor base is becoming ever more sophisticated, demanding greater professionalism from its providers, whilst continuing to adhere to underlying Shari'a precepts and taking an active interest in ESGs and ethics. HNWI do appear to understand the importance of succession planning and they are inherently philanthropic. The challenge is now for institutions, policy makers, product developers and jurisdictions themselves to 'step up' and match these requirements.





# About Jersey Finance

Jersey Finance, a not-for-profit organisation, represents and promotes Jersey's 60-year-old International Finance Centre (IFC) of excellence. With offices in Jersey, Dubai, New York and Hong Kong, representation in London, Johannesburg, Shanghai, and a virtual office in Mumbai, we work with key global partners to create a reputable, ethical and secure environment for investors.

Jersey has been working closely with countries in the Gulf region for many years and, in 2018, was the first IFC to set up an office in the DIFC. Along with our Member firms and partners in the region, we've built strategic relationships that ensure we remain the IFC of choice for

Gulf and Levant-based investors in key disciplines such as private wealth, family office, Islamic finance, funds and banking, with sensitivity to local dynamics, economies and cultures.

If you would like to learn more about Jersey, please contact Faizal Bhana, our Director – Middle East, Africa and India.


## **Faizal Bhana**

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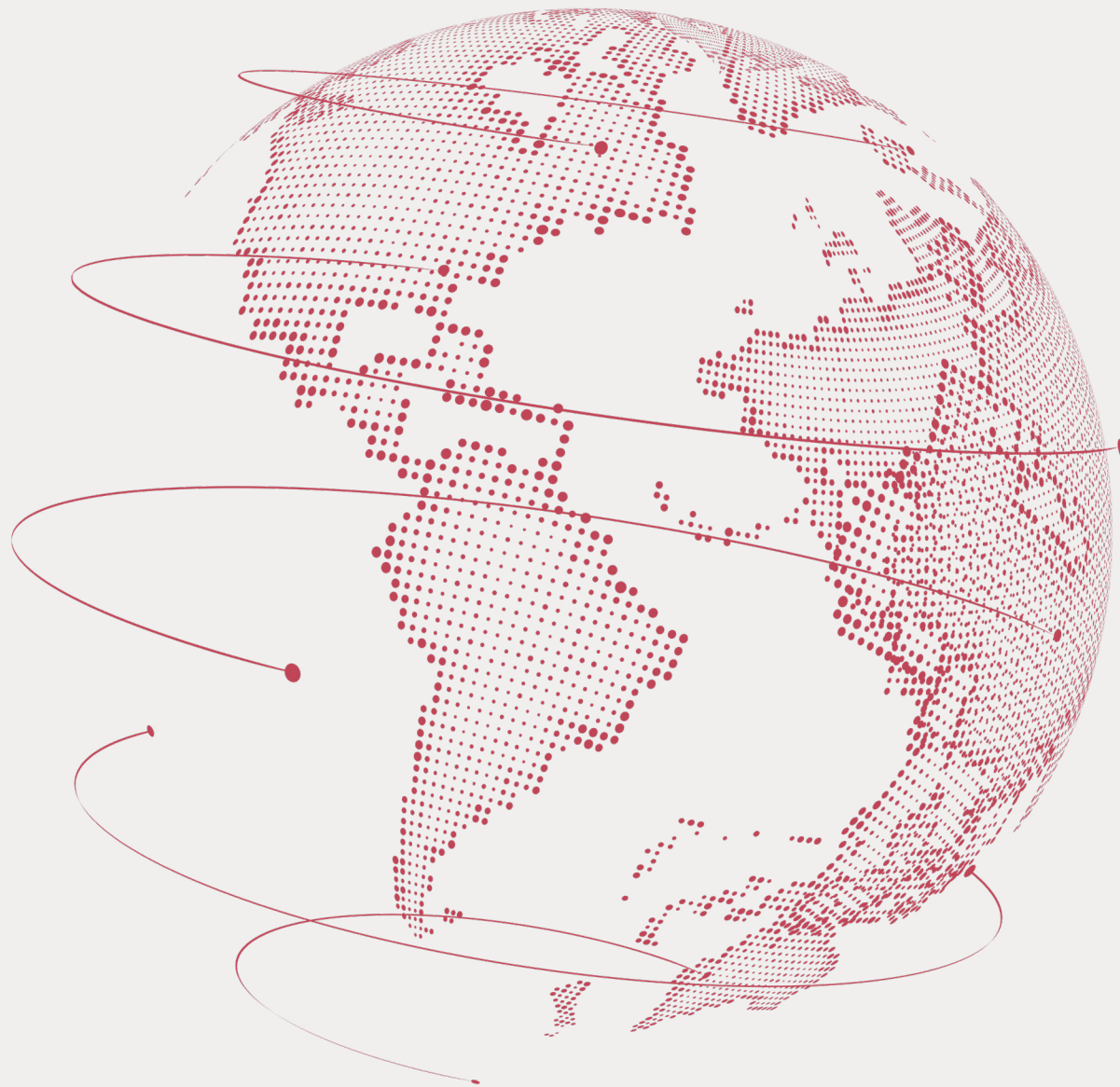
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# About Gateway Global


Gateway are a team of international Islamic economy professionals – lawyers, financiers, regulators, accountants and Shari’a experts in a multi-jurisdictional and multi-disciplinary practice. Gateway operates globally and has a presence in London, New York, Europe, the GCC, Malaysia and Turkey with plans to continue its organic growth to other global financial centres.

Gateway is led by a team of international professionals with outstanding academic credentials and extensive industry experience.

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Gateway trustees have worked with and for many of the most prominent banking and legal institutions in the world, including central banks, global law firms, international banks and financial institutions.

The team includes recognised experts in the areas of product structuring and development, the regulation of Islamic banking products and services, Shari’a auditing and accounting standards, corporate and Shari’a governance, commercial and corporate banking and Islamic financial markets.

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Jersey Finance Ltd and Gateway Global have been advised by iWill Solicitors in relation to Islamic succession planning and tax under English law. For further information, please contact Farah Khan on +44 (0) 121 603 0077 or [farah@iwill solicitors.com](mailto:farah@iwill solicitors.com) or visit [www.iwill solicitors.com](http://www.iwill solicitors.com)



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