

Jersey for Islamic Finance



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Jersey is proud to provide global investors with advice and support for their Shari'a-compliant investments and structures. Shari'a-compliant products and structures are regulated and administered on the same basis as conventional products and structures, providing for true parity under the law.

Investors can take advantage of Jersey's flexible legal system, robust regulatory regime and tax neutral environment to realise their global investment ambitions, including for Shari'a-compliant investments.

Jersey structures and services are routinely used for:

1. Shari'a-compliant asset administration and fund domiciliation,
2. Capital market products, such as Sukuk issuances; and
3. Shari'a-compliant private wealth management and administration.



Shari'a-compliant asset management and structured products domiciliation

Jersey's funds sector is a leader in Shari'a-compliant asset management. The jurisdiction is a preferred domicile for developed asset classes, such as real estate, private equity, commodity, and equity, for Shari'a-compliant fund mandates.

Funds in Jersey are regulated depending on the type of investors they have and whether they are closed or open-ended funds. Sophisticated or institutional investors are subject to a lighter touch regulatory framework, provided that the offer document clearly outlines the risks involved in the fund.

Establishing Shari'a-compliant fund-like structures

Establishing a Shari'a-compliant fund-like structure in Jersey is a very flexible process and can be done using any of the legal structures available for the establishment of investment funds, including a limited company, protected/incorporated cell company, unit trust, or limited partnership. All funds in Jersey, including Shari'a-compliant funds, are taxed at 0% for Jersey tax purposes.

Shari'a Supervisory Board (SSB)

The necessity to appoint a Shari'a Supervisory Board (SSB) to provide guidance regarding Shari'a considerations and compliance is a process which Jersey is highly experienced in. Several Shari'a-compliant funds have been established in Jersey, from set up and administration to audit. Jersey's local professionals are experienced in the specific requirements of the SSB, including the preparations leading up to issue of the fatwa and the requirement for ongoing advice on the monitoring of the Shari'a-compliance of the structure. In Jersey, there are legal, administrative, and accounting experts who understand and embrace the role of the SSB and can tailor the structuring of a fund in line with complex requirements.

Capital market products

Jersey's finance industry has an established reputation for corporate structuring, and especially special purpose vehicles (SPVs) used for a variety of purposes, including the acquisition of real estate assets in the UK, Europe and the USA. Shari'a scholars have deemed the use of independent SPVs acceptable, enabling Jersey entities to be used successfully to facilitate Sukuk structures.

Jersey-based SPVs have been used in connection with a wide variety of Shari'a-compliant capital markets transactions. These have included structures established for the purpose of making off-balance sheet investments and securitising assets.

A variety of legal vehicles are available including:

- A Jersey incorporated company typically used for Sukuk issuance
- A limited partnership issuing partnership interests
- A trust, such as the well-known Jersey property unit trust
- Real estate structures using companies, limited partnerships or JPUTs

Corporate SPVs

Incorporating a Jersey company, often used in Shari'a compliant transactions, can be undertaken by Jersey service providers.

Jersey Private Fund (JPF)

Launched in 2017, the JPF structure is tailored for use by sophisticated investors and offers high levels of flexibility, fast-track authorisation and streamlined ongoing regulatory requirements. It is frequently used for real estate and other asset class structures, enabling small pools of assets to be acquired by up to 50 investors. The JPF like other Jersey based structures, both incorporated and unincorporated, can be utilised by Shari'a-compliant investors for investments in all types of assets globally.

Regulatory provisions

Regulation/supervision of Sukuk issues and other Shari'a-compliant products is provided by the Jersey Financial Services Commission (JFSC). The JFSC is familiar with Shari'a-compliant products and they are processed in the same manner as other securities, as Jersey's laws are broad enough to permit the issue of all types of Shari'a-compliant instruments.

Private trust companies

A private trust company (PTC) acts as trustee of the family trust (or trusts) and the directors of the PTC could include members of the family and/or their close advisors, together with professional trustees. The PTC will often be advised by a family council or similar body. PTCs are increasingly being used by high net worth private clients, who prefer to establish their own PTC to act as the trustee of their family trusts, rather than transferring assets to a professional trustee company.

Shari'a-compliant private wealth management Jersey trusts and foundations

Jersey has a long-established history in structuring trusts for global investors due to its tax neutrality, straightforward and flexible legal system, high level of investor protection and appropriate client privacy.

Due to Jersey's leading reputation for trust expertise, Jersey trusts appeal for wealth and succession planning to multiple family groups and charitable/philanthropic institutions from the GCC region.

The Jersey Foundation offers high net worth individuals an attractive alternative to trusts for holding wealth with a structure designed to meet their needs, while allowing a greater degree of control than is possible with trusts.

Jersey foundations are often used for charitable and philanthropic purposes because they can be tailored to suit individual requirements.

In addition, foundations and trusts which comply with the statutory charity test in Jersey's Charities Law can seek to be registered as a Jersey Charity and can elect whether to be registered on either the general or the restricted section of the Charities Register. This is an important factor for families looking at setting up Awqaf or Shari'a-compliant endowments.

The benefits of setting up a Jersey trust or foundation include:

- Shari'a-compliant – while a trust may be extremely flexible, it is possible to restrict the trust to ensure that it complies with Shari'a considerations.
- Protection of assets – assets are 'ring fenced' helping to protect them from creditors or seizure by politically unstable regimes. Jersey's trust law protects and strengthens the position of Jersey law trusts from attack from other jurisdictions.
- Family business – holding the family business through a trust or foundation may allow for the whole family to continue to benefit by preventing fragmentation of the business upon the death of the settlor or founder.
- The Island offers fiscal neutrality for trusts established for non-Jersey resident beneficiaries and a trust can be of assistance in legitimate tax planning, particularly for those with international wealth.
- Succession planning – the Jersey trust is a key tool for family offices and can be used to address generational change concerns facing multiple family groups.

Ground-Breaking Shari'a-compliant research

Our landmark study into Global Attitudes Towards Islamic Wealth Management has provided unique insights into the evolving needs of Muslim high net worth individuals and how financial advisers in international jurisdictions can best meet those needs.

The research paper, published by Jersey Finance and compiled by Gateway Global, reveals current and future demand for investment products as well as attitudes towards the choice of investment jurisdiction, ethical investment values, wealth managers, tax, succession planning, and philanthropy.

Perhaps one of the most striking findings is that 62% of all respondents would always choose a Shari'a-compliant investment - even if the performance was inferior to an equivalent conventional investment, with Jersey cited as the most favoured trust jurisdiction for succession planning.

Access the full report at: jerseyfinance.je/our-work/global-attitudes-to-islamic-wealth-management

"We are committed to ensuring that all financial services offered by Jersey firms comply with the highest international regulatory standards and Shari'a-compliant products are no exception. We deliver balanced, progressive, risk-based financial regulation, built on insight, integrity and expertise."

- Jill Britton, Director General of the Jersey Financial Services Commission.





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