

## Using Jersey Sharia-compliant and conventional structuring models

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Jersey is a leading international finance centre at the forefront of global finance. It has long been a jurisdiction of choice for ultra-high-net-worth individuals and family offices from all over the world, but in particular, the Middle East.

Its sophisticated regulatory environment, availability of high-quality service providers and flexible legislation relating to trusts, companies, partnerships and foundations are key factors behind the continuing trend for bespoke private wealth planning and investment structuring solutions. All of these are capable of being fully or partially compliant with Sharia law.

In some cases, it is desirable for families to establish their own private investment structures to hold their investments. With wealth increasing exponentially among some of the world's richest families, this is an area which is growing. The categorisation of such structures depends on the nature of the participants and the underlying assets. Often a structure will require regulatory consent as a Jersey Private Fund (JPF).

### **Jersey Private Funds: tailored for ultra-high-net-worth families**

The Jersey Private Fund regime provides a number of benefits to family offices. JPFs are private investment funds requiring at least two (and a maximum of 50) investors pooling their capital to acquire a number of assets. They provide the ability to organise assets into segregated pools, define the rights and interests of participants, engage professional service providers to manage and administer the structure, set investment parameters and provide a framework for rewarding performance. The regime allows for diverse forms of investment vehicles, including companies and cell companies, unit trusts and limited partnerships. The streamlined authorisation process for JPFs, which can be completed within 48 hours, minimises administrative hurdles, facilitating the establishment of investment vehicles without unnecessary delays.

JPFs are particularly attractive for their ability to be customised to the specific needs of private wealth structures. They could be used by families pooling assets with a select group of third parties or a family office constructing a diversified investment portfolio while providing incentive opportunities for key investment employees. Additionally, a specific exemption based on a "family connection" among participants offers flexibility in the event of closely held structures, further enhancing Jersey's attractiveness as a domicile. The regime does not prescribe any asset class and borrowing restrictions or concentration limits. Accordingly, it accommodates various types of investments, including private equity, real estate, securities (including sukuk) and other liquid assets, making it highly relevant for Middle Eastern investors with a varied portfolio of assets.

## **Robust regulatory framework**

Jersey prides itself on its robust regulatory framework and, in particular, its effectiveness in preventing money laundering, terrorism financing and proliferation financing. This was very recently assessed against Financial Action Task Force standards by MONEYVAL as among the highest worldwide. The importance of the reputational value resulting from such evaluations cannot be underestimated. For example, Middle Eastern family offices are increasingly establishing structures in Jersey to acquire assets directly. A structure such as a JPF benefits from a more streamlined due diligence process because it is supported in Jersey by service providers which are obliged to comply with conduct of business and prudential regulatory laws as well as codes of conduct, including adherence with the legislation preventing financial crime.

## **Embracing governance standards and Islamic finance principles**

There is a growing trend among family offices to opt for more formalised investment structures, such as JPFs. These structures are subject to stricter governance standards, formal processes for investment selection, and monitoring. They are also subject to regular reporting to investors, aligning well with the Islamic finance principles which emphasise transparency, risk sharing, and the avoidance of excessive uncertainty and speculation.

Jersey's regulatory framework and its commitment to high governance standards resonate with Middle Eastern investors who require their investments to comply with both Sharia law and international best practices. The island's track record and experience in facilitating Islamic finance transactions, through vehicles like Sukuk issuers and Islamic funds (including JPFs), further demonstrates its capability to serve the sophisticated needs of ultra-high-net-work individuals and family offices from the region.

Furthermore, the growing emphasis on environmental, social and governance (ESG) considerations, disclosure of which are now formally integrated into Jersey's regulatory framework, resonates with the principles of Islamic finance, including the stewardship of assets and doing no harm. This

presents an opportunity for Jersey to offer robust solutions for sustainable investment propositions that are able to comply with both Sharia principles and conventional ESG criteria. The flexibility of Jersey's regime, which does not mandate a specific taxonomy for sustainability criteria, allows for the establishment of parallel structures that can meet the specific needs of Islamic investors, including any necessary Sharia overlay.

## Conclusion

Jersey offers a compelling proposition for ultra-high-net-worth individuals and family offices from the Middle East. The Jersey Private Fund regime, in particular, stands out for its versatility, regulatory efficiency, and ability to align with Islamic finance principles, where required. With its robust but proportionate regulatory regime, adherence to the highest international standards, broad range of structures and commitment to governance and best practices, Jersey is well-positioned to meet the complex investment needs of these sophisticated investor groups.

## How Ogier can help

Ogier has a wealth of experience in working with different types of family office, local and international families and providers of family office services in order to meet the diverse needs of ultra-high-net-worth individuals and their families and to understand the challenges facing them. To learn more about how Ogier can help you, feel free to contact Emily.

### About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

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