

Guernsey, Dubai and Sharia-compliant fund administration.

Innovative, forward-thinking, effective legislation, maturity of fund management and administration, a new companies law, a stock exchange, a new tax strategy, the Guernsey PCC and ICC, a specialist training agency and an enviable reputation as a top quality finance centre – **Kevin Gilligan**, Director of Louvre Fund Management Limited, highlights the benefits of Guernsey and explains the synergies of expansion into Dubai and Sharia-compliant funds.

Guernsey – a successful and stable infrastructure

Reasons for the success of Guernsey's fund industry are straightforward and firmly grounded in close interaction, dialogue and co-operation between the Guernsey Financial Services Commission (GFSC), the legislature and the fund industry itself. Figures show that the total value of funds under management and administration in the Island stood at £201.4bn at the end of September 2008.

Benefiting from forward-thinking legislation

The PCC, the ICC, the fast-track registered fund regime for closed-ended funds, have all paved the way for this success as they have provided the mechanisms for, and kept pace with, or even exceeded, the requirements of fund promoters, thus bettering the island's ability to attract investors.

Furthermore, a new company law entered the statutes that has modernised the existing legislation, serving to reassure promoters and investors alike.

Regulatory support

Wrapped around this infrastructure – and making all this possible – is the support the fund industry receives from its regulator (the GFSC) and the constructive manner with which the authorities have managed to relax the rules and regulations, while crucially maintaining their robustness and efficacy.

Sharia-compliant funds and Guernsey

Taken together, this provides an excellent and very stable platform from which a promoter can launch a highly specialised fund, as well as a first class environment into which a promoter can confidently place such a fund for management and administration.

Without doubt Sharia-compliant funds are structures requiring the legal, management and administration skills of professionals who know and understand the limitations and requirements of Islamic investment and Islamic investors. For example, the legal work to establish the fund is crucial to ensure the underlying structure complies with Islamic-based restrictions and laws.

Professional and knowledgeable administration

Once established there are strict administrative duties, which include working closely with the duly appointed Sharia supervisory board (to oversee the suitability of investments and contracts) as well as maintaining an investment transparency in the reporting to investors.

Guernsey and Dubai

Dubai is strategically placed to act as a conduit for the two-way flow of investment between East and West and, in particular, the flow of monies from the booming economies of the Middle East and investment (or even re-investment) into the region.

Funds are crucial to this investment flow and the Dubai authorities (Dubai Financial Services Authority – DFSA) have not only focused on the establishment of local funds to facilitate this but, importantly, have also facilitated the entry of foreign-based investment funds, managers and administrators into the region.

This, together with a top quality regulatory environment and a modern technological infra-structure, has created the confidence for companies such as Louvre Fund Management Limited to establish their own bridgeheads in Dubai to serve the needs of their clients. Louvre Fund Advisors (Middle East) Limited is regulated by the DFSA and has been established to enhance the suite of fund administration services already provided from Guernsey.

Synergies

The synergies are clear – on one side, fund promoters outside Dubai are keen to create investment funds to invest into Dubai and the surrounding region. A tax-efficient jurisdiction such as Guernsey is an obvious place to locate the management and administration of these funds, and the funds need to be Sharia-compliant to attract Middle East investors as well.

On the other hand, fund promoters within Dubai will be looking for locations and legislation outside Dubai to structure attractive funds, which may well be marketed to local investors from within Dubai, but will also want to be able to reassure other, outside investors as well.

As a result of its experience in Guernsey and Dubai, Louvre Fund Management Limited is currently establishing a Sharia-compliant, Guernsey Protected Cell Company for a Dubai-based client. The marketing, promotion, management and administration of such a structure will be provided by a combination of Louvre's Guernsey and Dubai based licensed firms.

It is clear that in recent years the hard work has been done to enable the establishment of Sharia-compliant investment structures, and, going forward, the creation of these structures should become easier. Given the potential size of the market, the thriving economies and infrastructures of Dubai and the Middle-East, coupled with the expertise, experience and support available in Guernsey and Dubai, the immediate success of both fund industries seems assured.

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