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*Druces LLP is a City of London law firm with both national and international coverage. We spoke to Christopher Axford, Partner at Druces LLP, who gave us his unique insight into the exciting world of Islamic finance.*

Islamic finance has developed from a specialist or niche part of the global banking system to one of the fastest growing areas in global finance. As Islamic finance has grown, so too has the United Kingdom's position as a global hub for Islamic finance.

Recent data by Al Rayan Bank showed that at the end of 2014, the UK was the world's ninth largest Islamic finance market, the leading Western country and Europe's premier centre for Islamic finance with \$19bn of reported Sharia'ah compliant assets. Twenty international banks operating in the UK are working in Islamic finance, six of which are fully Sharia'ah compliant.

The Islamic financial sector in Europe has the potential to grow significantly in the medium term as trade and financial links, as well as general collaboration between the EU and the Organisation of Islamic Cooperation countries continues to grow.

Over the past few years, there has been increasing evidence of support for Islamic finance from European governments as they become increasingly keen to be seen throwing their weight behind ethical funding, as well as looking at access to alternative global funds. Interestingly, a number of commentators also point to a growing interest in the halal food business across Europe as a contributing factor in the burgeoning interest in Islamic finance.

#### **Islamic finance and the legal landscape**

Until relatively recently, legal advice on Islamic finance issues was a specialism undertaken by a small number of law firms, usually with interests in the Middle East and a number of Islamic clients with corresponding needs.

Today, as Islamic finance becomes a genuine option to replace "traditional finance" on transactions, more and more non-Muslims have become interested in opportunities provided by the use of Islamic finance. As financial institutions and banks look to emerging

markets (in Asia and Africa in particular), combined with the continued power of oil-rich countries in the Middle East, the need for specialist lawyers that understand Islamic finance is abundantly clear.

In its most recent edition, The Legal 500 lists 22 law firms with offices in the UK that are recommended for Islamic legal services. As Islamic finance has grown as a segment in the UK, so too has the demand for Islamic finance legal services and the number of law firms that see Islamic finance legal resource as a wise investment.

However, it is not good enough for advisors to take a passing interest in Islamic finance. Clients are rightly demanding deeper Islamic finance expertise across the spread of their advisers, legal or otherwise. Clients are placing significant value on their lawyers developing close relationships with Sharia'ah scholars and experts, as well as a broader range of Islamic financial institutions, all over the world.

These clients want Islamic finance advice that is as well informed as it can possibly be, and suitably tailored to address their varied needs, whether they are using Sharia'ah principles for religious reasons or not. Moreover, they want to deliver a Sharia'ah compliant solution that stands the rigorous legal tests that high value finance transactions demand.

#### **Druces LLP and Islamic finance**

Law firm Druces LLP's Islamic Finance team was formed in 2011 under partner Christopher Axford's leadership, to bring together the firm's banking and property finance teams and combine the team's existing knowledge of Islamic finance structuring.

Druces acts for a number of well-known Islamic finance providers and has acted on a large number of transactions as well as taking on a growing deal book for a number of Middle Eastern investors and funds interested in applying Sharia'ah compliant structures.

The team's growing reputation is recognised in leading legal directory, The Legal 500, as a leading firm in Islamic finance.

#### **Conclusion**

The Islamic finance industry is very likely to expand further, globally, and as it does the number of opportunities afforded to advisers on Islamic finance will grow accordingly. In the last five or so years, Islamic finance has become more competitive and robust and there's every reason to expect the industry to continue to develop as an increasingly important part of the global financial system.

At Druces we are particularly excited by that significant further potential that Islamic finance has and are looking forward to working with our broad range of clients in this burgeoning sector, continuing to advise a number of clients across the full range of Sharia'ah compliance and structures.

