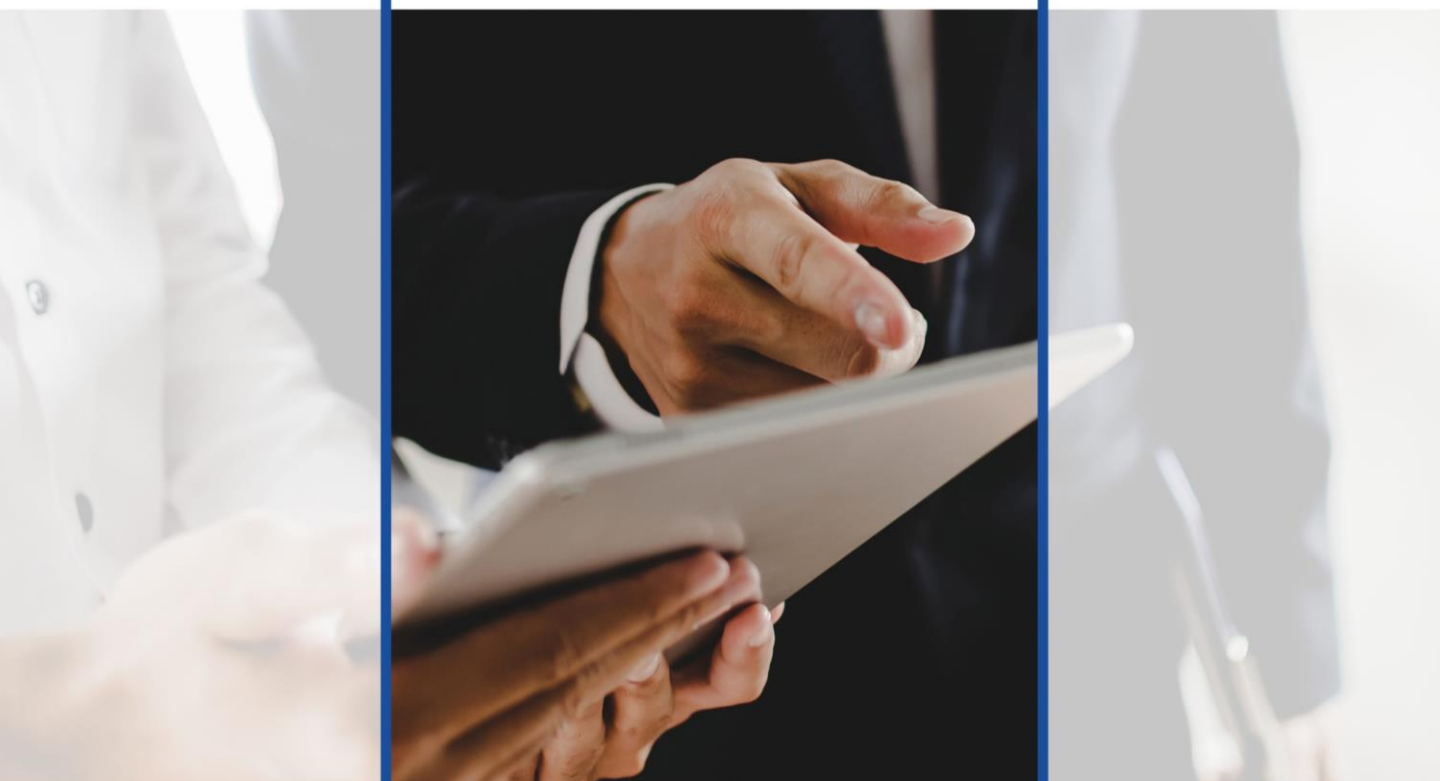



FOCUS ON

## **Orphan issuer vehicles in private credit transactions: A cross- jurisdictional overview**





The private credit landscape across the Middle East is maturing at pace, with sponsors, institutional investors, and arrangers increasingly demanding sophisticated structuring solutions to facilitate bespoke transactions.

Among the most critical components of this toolkit are orphan issuer vehicles - legally independent special purpose vehicles (SPVs) that serve as bankruptcy-remote platforms for private credit, structured finance, private placement and capital markets deals.

Walkers' expertise in the private credit space was recently recognised at the 2025 Global Banking and Markets Middle East Awards, where the firm advised on the Private Credit Deal of the Year. Central to this success is Walkers' deep understanding of orphan issuer structures commonly used in private credit transactions, particularly those involving the Cayman Islands, Dubai International Financial Centre ('DIFC'), and Abu Dhabi Global Market ('ADGM').

The firm is also at the forefront of the growing trend toward credit-linked notes ('CLNs'). Walkers offers clients on the ground market leading and seamless legal and fiduciary support from its Dubai office, managing client needs in the local time zones.

### **The rise of private credit and structured solutions in the Middle East**

Private credit has become one of the most dynamic asset classes in the Middle East, with regional sovereign wealth funds, pension funds, insurance companies, and family offices increasingly allocating capital to non-bank lending platforms and structured risk transfer products. This growth has been driven by a search for yield, portfolio diversification, and the need for alternative capital sources beyond conventional bank lending.

Outside of traditional direct lending, the region is seeing significant growth in synthetic and structured risk transfer, including the use of CLNs.

CLNs are structured instruments allowing originators (typically banks or lending platforms) to transfer credit risk from a defined portfolio to investors, often institutional. A properly structured orphan issuer serves as a neutral vehicle that issues the notes, holds the underlying risk transfer documentation, and ensures the transaction remains bankruptcy-remote and off-balance sheet.

## Key features and benefits of orphan issuer vehicles

An orphan issuer is designed to be legally independent from the sponsor, with its shares typically held under a charitable or purpose trust, by an independent share trustee. This creates several material benefits:

- Bankruptcy remoteness - protecting investors from sponsor credit risk.
- Off-balance sheet treatment - critical for regulatory capital or accounting purposes.
- Tax neutrality - particularly when structured through the Cayman Islands.
- Adaptability for shariah-compliant structuring - including Sukuk or hybrid issuances where applicable.

Walkers' integrated legal and fiduciary platform allows clients to deploy orphan issuer vehicles tailored to the specific needs of their private credit transactions, ensuring that legal, regulatory, tax, and investor requirements are satisfied across multiple jurisdictions.

## Jurisdictional considerations: Cayman, DIFC, and ADGM

Walkers' Middle East office supports the establishment of orphan issuers across the three key jurisdictions most relevant for Middle Eastern deals:

### Cayman Islands

- The global market leader for structured finance vehicles, known for its tax neutrality, creditor-friendly regime, and international acceptance among rating agencies and institutional investors.
- Frequently used for large cross-border transactions, including CLNs, asset-backed securities, and synthetic risk transfer.

- Cayman segregated portfolio companies are widely used to house multiple segregated portfolios within a single legal entity, offering structural efficiencies for multi-series note issuances and a segregation of assets and liabilities / ring fencing of investor exposure to the designated portfolio only.
- Walkers' Middle East office provides Cayman legal advice as well as corporate services provider ('CSP'), governance, and fiduciary services for Cayman, ADGM and DIFC entities.

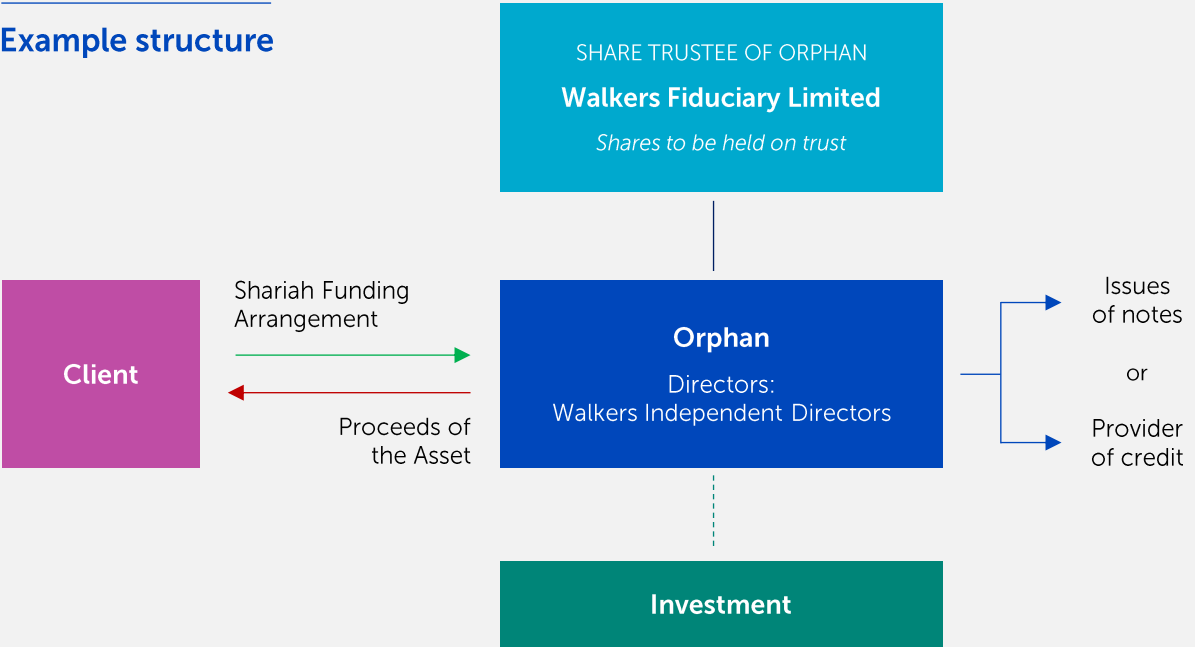
### DIFC

- UAE Financial Freezone jurisdiction with an English common law framework.
- Offers a streamlined SPV regime, particularly attractive for transactions with a strong regional nexus or local regulatory alignment.
- Familiarity among Middle East regulators, banks, and institutional investors makes DIFC SPVs a preferred choice for certain private credit and structured deals.
- Walkers' Middle East office delivers CSP, governance, and fiduciary services for DIFC entities.

### ADGM

- UAE Financial Freezone jurisdiction with an English common law system, offering robust structuring options for cross-border private credit, securitisation, and asset management transactions.
- Flexible SPV licensing and increasingly prominent role in regional structured finance markets.
- Walkers' Middle East office provides CSP, and governance support for ADGM vehicles.

### Example structure



### Key jurisdictional differences: At a glance

Aspect	Cayman Islands	DIFC	ADGM
Legal system	Offshore, English common law.	Onshore UAE, English common law.	Onshore UAE, English common law.
Tax treatment	Tax-neutral.	Subject to UAE corporate tax regime.	Subject to UAE corporate tax regime.
Popular SPV types	Exempted company and SPC, each company limited by shares.	Private company limited by shares.	Private company limited by shares.
Common use cases	Global structured finance, CLNs, multi-series issuances.	Regional/cross-border securitisation deals, local investor base.	Regional/cross-border securitisation deals, local investor base.
Walkers support	Legal, CSP, governance, share trustee, independent directors.	CSP, administrative, share trustee, independent directors.	CSP, administrative, share trustee, independent directors, authorised signatory.

Key jurisdictional differences: At a glance

Aspect	Cayman Islands	DIFC	ADGM
Licensing for lending	Not required for offshore lending; not regulated by Cayman Monetary Authority.	License required unless exemption applies.	License required unless exemption applies.
Security holding	Permitted SPVs can hold security directly or via trustee structures.	Permitted without material restrictions.	Permitted without material restrictions.
Enforcement regime	Creditor-friendly; courts uphold contractual rights and bankruptcy-remote structures. Lender-friendly, self-help remedies available. Well tested.	Lender-friendly, self-help remedies available. Reasonably well tested.	Lender-friendly, self-help remedies available. Reasonably well tested.
Insolvency regime	Flexible and creditor-oriented; voluntary liquidation and court-supervised winding-up available. Well tested.	Well-developed, based on English law. Reasonably well tested.	Well-developed, based on English Law. Reasonably well tested.

Integrated legal and fiduciary support

A distinguishing feature of Walkers’ offering is its ability to deliver a fully integrated solution across legal and fiduciary functions, ensuring alignment across structuring, governance, and execution:

- Cayman legal advice, coordinated from Dubai, for time zone support.
- DIFC and ADGM CSP services, including registered office, company secretarial, compliance, and administrative support.
- Share trustee services, critical for maintaining the orphan structure.
- Independent director appointments, ensuring robust governance and investor confidence.

This cohesive platform allows Walkers to act as a one-stop shop for private credit clients, supporting transactions efficiently and effectively across all relevant structuring centres.\*

*\*Please note that Walkers (Middle East) LLP does not provide DIFC or ADGM legal advice. This article is intended for general information only and should not be treated or construed as legal advice.*

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"The Walkers team in Dubai is incredibly responsive and provides top-quality legal advice from both a legal and practical perspective. They are by far the best offshore practice in the UAE."

- Legal 500

“

They understand their client base and the sensitivities of the region while also having a depth of knowledge on the relevant offshore structures and regulations."

- Chambers & Partners

## Accolades

### Private Credit Deal of the Year and Sukuk Deal of the Year

- Global Banking & Markets, Middle East Awards 2025

### Bond Deal of the Year, Debut FI Bond Deal of the Year and Islamic Capital Markets Deal of the Year

- Global Banking & Markets, Saudi Arabia Awards 2025

### Offshore Finance Law Firm of the Year 2024

- Islamic Financial News Awards 2025

### Acquisition Finance Deal of the Year

- Bonds, Loans & Sukuk Middle East Awards 2024

### Global Corporate Sukuk Deal of the Year, Ground-breaking Deal of the Year, Mid-Cap Debt Deal of the Year and Aircraft Finance Deal of the Year

- Bonds, Loans & Sukuk Middle East Awards 2023

### Sukuk Deal of the Year

- Islamic Financial News Awards 2024

## Key contacts

To explore how Walkers can support your next private credit or structured finance transaction with tailored orphan issuer solutions across Cayman, DIFC, and ADGM, please get in touch with our Dubai team.



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