



OPINION

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FOUNDATIONS: WHO IS USING THEM?

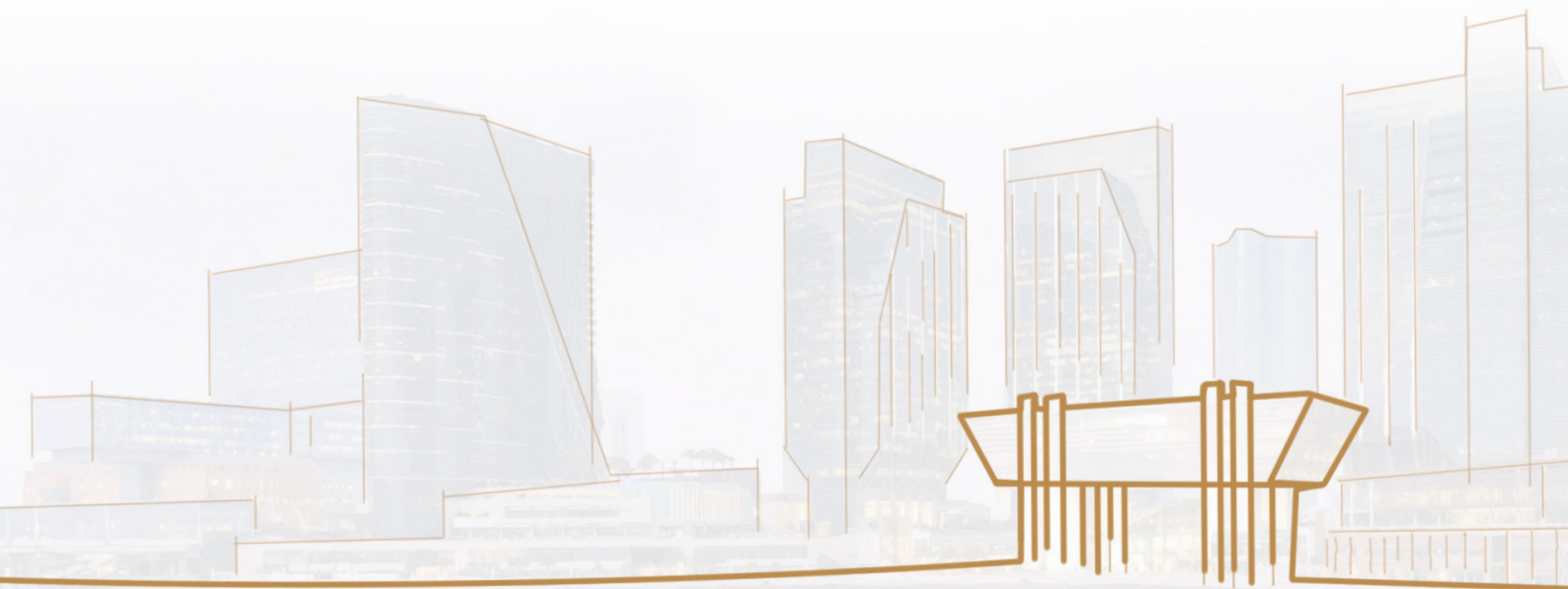


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Last week, the ADGM became the second Financial center in the Middle East with 100 active registered foundations. The DIFC passed that threshold earlier this year [see: [OPED - The UAE Foundation Boom Here to Last - 11.03.21](#)].

Since their introduction locally, the adoption rate of UAE Foundations has been unprecedentedly rapid, and accelerating still. Three quarters of UAE's total 288 foundations to date were registered since 01.01.2020. This number jumps to 84% for the DIFC, which is on pace to register 100+ foundations this year alone [48 new registrations between 01.01.2021 and 30.05.2021]

The recipe is **dynamite**: a robust, sophisticated, highly credible, yet flexible and affordable tool, meeting previously unaddressed domestic and regional needs.





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None of ADGM, DIFC or RAK ICC has made its granular statistics on foundations' users public to date. But is it fair to assume that these will be consistent with M/HQ's practice. Last week, M/HQ reached 100 Foundations under administration across ADGM and DIFC, a 43.5% market share. So what can one learn from this first sample across these two centres?

Representing the diversity of people living in the UAE, 'users' [defined as 'founder/s and/or beneficiary/ies'] from **33 nationalities** have so far made use of domestic foundations. Unsurprisingly, **Emiratis [24%] represent the largest portions**, followed by Indian Nationals [14%]. One third of total users to date are GCC nationals.

Also considering that **85% of founders are UAE residents**, it is clear that foundations play an active role in ADGM and DIFC's strategies as regional family business' hubs.

Foundations are equally effective for Muslims and non-Muslims and within designated parameters, they can be considered by Muslim families whether or not they wish to follow Islamic law principles on inheritance. This is reflected in the use of the tool so far: **half of users are Muslims**. Interestingly, only a small minority [6%] of these families declare wishing to strictly follow Shariah as far as succession.

The large majority [80%] of founders are male – usually the family's Patriarch. 8% of users so far have taken advantage of the ability to appoint a corporate founder.

Foundations are simple to understand and operate. Unsurprisingly, the level of control by end-users themselves is high as a result: 60% of users operate foundations alone, being appointed council together with one or several direct family members. About a quarter of foundations so far rely on one professional council member [*like M/HQ*]; 15% have appointed two

professionals to handle the foundation's day to day administration.

Foundations are compatible with all asset classes. The **bulk of assets consolidated under foundations to date consists of Real Estate [70%], investment portfolios [65%] and shares in operating companies [58%]**.

But foundations are not limited to mainstream assets: art, crypto currencies, yachts, cars, jets, jewelry/watches are amongst the more exotic assets settled onto foundations so far. Two third of foundations registered to date hold assets from more than one asset class.

About 60% of foundations to date have one single beneficiary. A quarter of foundations have pre-defined, multiple classes of beneficiaries designated as part of the By-laws.

Most foundations have multiple declared objectives. In order of popularity: inter-generational legacy planning [84%], consolidation [78%], wealth preservation / asset protection [62%] and business continuity [54%].

Philanthropy is declared as a purpose in just under 10% of foundation so far; 3% of foundations to date are strictly philanthropic.

While small-sample-based, the data collected thus far is very instructive and illustrative of the broad variety of uses and users of UAE foundations.

Most UAE registered family businesses are held directly by patriarchs and/or family members, thereby exposing the shares and underlying assets to risk.

For families serious about wealth preservation and inter-generational legacy planning,

**the future is now,
and *foundations* are the answer.**

ABOUT M/HQ

We are a multi-services platform catering to a broad spectrum of clients – from individual entrepreneurs and local SMEs to wealthy international families, to established blue-chip companies and multinationals. Our one-stop-shop offering is unique in the Middle East: a holistic and cross-disciplinary combination of a market-leading corporate services firm, a law firm's specialist expertise and a regulatory & compliance services practice, all through one single platform.

We have broad experience in facilitating entry-to-market for businesses across all major fields of activities. We have a one-of-a-kind practical expertise understanding and handling complex corporate structures.

Headquartered in the UAE, we are an entrepreneurial firm for entrepreneurial clients.