

# UAE PRIVATE WEALTH SERIES (II)

## SFO IN THE UAE: WHICH OPTIONS?

### 1. What is a Single Family Office (SFO)?

A SFO is a private entity aimed at managing the investments and affairs of **one single family**. The assets under management are the **family's own wealth**, often accumulated over several generations. A SFO is restricted to provide services to members of one single family. In addition to **investment management**, SFOs typically also provide the following services:

- › Succession planning
- › Estate planning
- › Tax planning
- › Accounting and payroll activities
- › Legal affairs managements
- › Trust services<sup>1</sup>

**Other services** handled by the traditional SFO may include family management services such as family governance, family assemblies, financial and investment education of family members, concierge services, coordination of charitable and philanthropic activities.

### 2. Why a SFO?

- Properly implemented governance and management structures (including legacy planning) of a family office provide for **high transparency** when it comes to dealing with the complexities of a family's wealth, which **minimizes the potential of future conflicts** and **maximises investment opportunities**.
- Expert advice from individuals paid by an entity owned by the family ensures **impartial investment advice, privacy, confidentiality** as well as **alignment of interest** between advisers and family.
- Centralisation and professionalisation of the asset management allows for:
  - › Formalising investment procedures;
  - › Promotion of family involvement; and
  - › Maximise investment returns, for all family members
- **Consolidation** of performance management and reporting helps advisers and families to take effective decisions.
- **Separation or distinction** of the family's **operational assets** and the family's **wealth** or surplus holdings.
- Wide range of other functions and **tailored services** can be adapted for **cash-rich / time-poor families** (e.g. philanthropy role, concierge services, communication and education to meet the family's mission and goals).
- May be set up as a top **holding structure** or in combination **with a trust/foundation**, where it operates as the **trustee** of a family trust.

### 3. Key Considerations

When setting up a SFO, the following factors should be taken into consideration:

#### Capital vs Costs

Some jurisdictions, but not all, require a **minimum capital under management** of a SFO. This requirement is closely connected to the assumption that a SFO can become cost intensive depending on the set up and amount of in-house advisers. While there is no rule of thumb, the family assets need to be sufficient to justify a standalone management and legacy planning structure.

1. May include management of real estate/aircrafts/yachts, trust administration and managing/incorporating corporate structures.

### Ecosystem

SFOs function best when operating from centres where they can avail **sophisticated markets, legal, regulatory and tax structures**. Access to know-how and recruitment of **skilled employees** is also key. The absence of (some of) such features in frontier and (some) emerging markets has undermined the development of family offices in such (often high-growth) jurisdictions.

### Make-or-buy

When it comes to the services, careful considerations should be taken with regards to **outsourcing services vs keeping them "in the family"**. While relying on outsourced advice may help decreasing costs – especially with regards to high-value professional skills – keeping certain services within the SFO increases confidentiality, ensures independency of advisers and tailors the knowledge and skills to the family needs, assuring the alignment of goals and avoiding conflict of interest.

### Governance and management strategy

While the needs of the family and the objectives of the SFO may change over time implementing a **thought-through yet flexible governance and management strategy** is key for the successful operation of the SFO and helps avoiding conflicts – especially with regards to next generations.

For an overview of SFO regimes available in the UAE, please refer to the comparison chart.

### Who we are

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 advising successful individuals and international families on a broad range of legacy planning and wealth structuring issues, including structuring of operational and non-operational assets. We are regularly assisting clients on all aspects of a SFO – e.g. defining the family's vision; identifying, fine-tuning and implementing governance aspects and management strategies; selecting, incorporating and providing ongoing support to the appropriate structure.

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

### Who will assist you



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## UAE PRIVATE WEALTH SERIES (II) SFO IN THE UAE: WHICH OPTIONS?

	ADGM	DIFC	DMCC
Applicable Regulations	ADGM Companies Regulations of 2015 regarding Restricted Scope Companies - applies in conjunction with ADGM Controlled Activities Rules 2015 & Conditions of License 2015	<ul style="list-style-type: none"> <li>Single Family Office regulations 2011 (SFO Regulations)</li> <li>DIFC Civil and Commercial Law 2004</li> <li>DIFC Companies Law 2009</li> <li>DIFC Trust Law 2005</li> <li>DIFC Wills and Probate Registry Rules 2015</li> </ul>	DMCC Company regulations 2003 (DMCC Regulations) applies in conjunction with DMCC SFO licence requirement
Legal System	Common law (England and Wales), ADGM courts	Common law, DIFC courts	Civil law, local courts
Regulated framework	Regulated, exemption regime	Regulated, exemption regime	Supervised
Ownership	ADGM SFO is directly or indirectly wholly-owned by: (i) one person, or (ii) a group of persons	In practice, DIFC SFO must be owned by an individual family member(s) <sup>2</sup>	DMCC SFO may be owned either by individual family member(s), a body corporate or a registered trust (in each case wholly owned by / with UBOs from the same family / trustees (1st grade family members)
Minimum share capital/ investible funds	<ul style="list-style-type: none"> <li>No minimum share capital requirement</li> <li>No minimum investible funds requirement</li> </ul>	<ul style="list-style-type: none"> <li>Minimum USD 50,000</li> <li>Minimum investable / liquid assets of USD 10 million</li> </ul>	<ul style="list-style-type: none"> <li>Minimum AED 50,000 per SFO or AED 10,000 per shareholder</li> <li>Minimum of USD 1 Million investible/liquid asset which must be on account for 1 year+ pre establishment</li> </ul>
Activity/ Scope of Services	Provision of services to family member(s), family business, family entity or family trust or foundations  Services may include: <ul style="list-style-type: none"> <li>Wealth management;</li> <li>Asset management;</li> <li>Concierge work;</li> <li>Day to day accounting and management of legal affairs, corporate governance issues and all the administrative office affairs</li> </ul>	Provision of services to services to one or family member(s), family fiduciary structure, family entity, or family business  Services may include: <ul style="list-style-type: none"> <li>Wealth management;</li> <li>Asset management;</li> <li>Concierge work;</li> <li>Day to day accounting and management of legal affairs, corporate governance issues and all the administrative office affairs</li> </ul>	Provision of services to family member(s), family business, family entity or family trust or foundations  Services may include: <ul style="list-style-type: none"> <li>Wealth management;</li> <li>Asset management;</li> <li>Concierge work;</li> <li>Day to day accounting and management of legal affairs, corporate governance issues and all the administrative office affairs</li> </ul>
Definition of "Family Members"	"The members of a person's family are that person's parents, spouse and children (including step-children) and their descendants" <sup>3</sup>	"One individual or group of individuals all of whom are the blood-line descendants of a common ancestor or their spouses and includes family's own members, entities, businesses, trusts or foundations provided 100% of the ultimate beneficial ownership of the DIFC entity vests with the members of a single family" <sup>4</sup>	"A family constitutes a Single Family when it has one or more individuals all of whom are bloodline descendants of a common ancestor or their spouses; widows and widowers, whether or not remarried, are also included in the family. Individuals adopted as minors, step children, children of adopted children are also included in the single family" <sup>5</sup>

2. Following the indications of the DIFC we expect a change in the law in the near future, which shall allow for indirect ownership of SFOs through a body corporate.

3. Art. 3 (4) of the ADGM Companies Regulations of 2015.

4. Art. 2.3.1. of the SFO Regulations.

5. DMCC Licensing requirements.



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	ADGM	DIFC	DMCC
Restrictions	<ul style="list-style-type: none"> <li>Can only operate as a restricted scope company under Article (4) of ADGM Companies Regulations of 2015</li> <li>Cannot offer its securities/shares for sale to the general public</li> <li>Not allowed to offer any of the Services to any third party; may only manage assets of a <b>single family</b></li> </ul>	<ul style="list-style-type: none"> <li>DIFC may, on case to case basis, while considering the application for grant of licence, impose restrictions and conditions</li> <li>Not allowed to offer any of the Services to <b>any third party</b>; may only manage assets of <b>a single family</b></li> </ul>	<ul style="list-style-type: none"> <li>Not allowed to offer any of the Services to <b>any third party</b>; may only manage assets of <b>a single family</b></li> <li>Not permitted to act as trustee but might act solely as protector or as conduit with offshore regulated trustees operating the trusts or foundations</li> <li><b>May supervise</b> and <b>coordinate</b> activities amongst foreign fiduciary service providers</li> <li><b>Professional advice</b> must be given by accredited qualified regulated professionals only</li> <li>May <b>not sell shares</b> of the company to any party except family members</li> </ul>
Board of Directors/ Authorised Representative	<ul style="list-style-type: none"> <li>Minimum <b>1 Director</b></li> <li>Must have <b>office or Registered Agent</b> in ADGM</li> <li><b>Non-family</b> members may act as board of directors</li> </ul>	<ul style="list-style-type: none"> <li>Each SFO must designate an <b>Authorised Representative</b> who must be <b>ordinarily resident in the UAE</b>, to act as the point of contact between SFO and DIFC Registrar</li> <li>The composition of the board will depend upon the structure of the company and varies from none to minimum two directors</li> <li><b>Non-family</b> members may act as board of directors</li> </ul>	<ul style="list-style-type: none"> <li>Board of directors restricted to family members and '<b>consultant</b>' to the SFO</li> <li><b>At least one family member</b> must be appointed as a board member or legal representative</li> </ul>
Compliance and Reporting	A restricted Scope company is limited to <b>filing of accounts and reporting</b> to the Registrar <sup>6</sup>	A SFO needs to comply with the following: <ul style="list-style-type: none"> <li><b>Annual return</b> to be filed by the Authorised Representative by end of March every year in which the SFO is established</li> <li>Confirming that there have been <b>no material changes</b> in the operation of the SFO since its establishment or since the last SFO annual return</li> </ul>	SFO needs to assure DMCC management that: <ul style="list-style-type: none"> <li>It continues to provide services <b>solely to a single family</b>;</li> <li>There has been <b>no material change</b> in the legal and beneficial ownership of the SFO;</li> <li>There has been no change in <b>the total number of family members</b> to be served by the SFO;</li> <li>The <b>services</b> provided by the SFO <b>have not changed</b>; and</li> <li>Any changes to the above must be reported to DMCC</li> </ul>
Succession	<ul style="list-style-type: none"> <li>UAE Personal Affairs Law</li> </ul>	<ul style="list-style-type: none"> <li>UAE Personal Affairs Law</li> <li>Access to DIFC WPR</li> </ul>	<ul style="list-style-type: none"> <li>UAE Personal Affairs Law</li> <li>Access to DIFC WPR</li> </ul>
Publicly available Information	<b>None</b>	Name of: <ul style="list-style-type: none"> <li>SFO</li> <li>Current and former shareholders</li> <li>Directors</li> <li>Company secretary<sup>7</sup></li> </ul>	Name of: <ul style="list-style-type: none"> <li>SFO</li> <li>Current and former shareholders</li> <li>Directors</li> <li>Company secretary</li> </ul>
Taxation	<ul style="list-style-type: none"> <li>No corporate or personal tax</li> <li>No capital gain tax</li> <li>No withholding tax</li> <li>No tax returns</li> </ul>	<ul style="list-style-type: none"> <li>No corporate or personal tax</li> <li>No capital gain tax</li> <li>No withholding tax</li> <li>No tax returns</li> </ul>	<ul style="list-style-type: none"> <li>No corporate or personal tax</li> <li>No capital gain tax</li> <li>No withholding tax</li> <li>No tax returns</li> </ul>
Time Frame	Upon receipt of complete information – approval in 3 -5 days	1-2 months upon receipt of full documentation	2 months

6. Does not include M/HQ service fees and out pocket/miscellaneous expenses.

7. Art. 2.3.1. of the SFO Regulations.