



DIFC VARIABLE CAPITAL COMPANIES (VCCs) – PRACTICAL USE IN FAMILY STRUCTURING

SPRING 2026



Over recent years, the DIFC has continued to expand its structuring toolkit, offering a range of vehicles designed to address governance, investment pooling and succession planning needs. Alongside Foundations, Prescribed Companies and traditional corporate entities, one of the more recent additions is the DIFC Variable Capital Company (VCC).

In particular, the rise of flexible pooling mechanisms that do not require external regulatory supervision (where structured appropriately) has increased interest in the VCC as a **private family investment platform**.

DIFC VCCs are flexible investment vehicles that can effectively complement Foundation- and/or Trust- based succession planning. While a VCC is primarily an investment and capital management structure, combining it with a Foundation or another legacy planning tool or solution allows families to **separate governance from capital flexibility**.

In such a structure:

- **the Foundation or Trust embeds succession, control and governance mechanics; while**
- **the VCC provides operational flexibility, capital variability and asset segregation.**

This separation can be particularly valuable for multi-generational families seeking both continuity of control and investment agility.

SCENARIO 1: ASSET SEGMENTATION WITHIN A SINGLE FAMILY INVESTMENT PLATFORM

BACKGROUND:

A family office manages diversified investments across asset classes (listed securities, private equity, real estate funds, venture investments).

OBJECTIVE:

Ensure risk segregation between asset classes without creating multiple standalone companies, while ensuring long-term governance continuity.

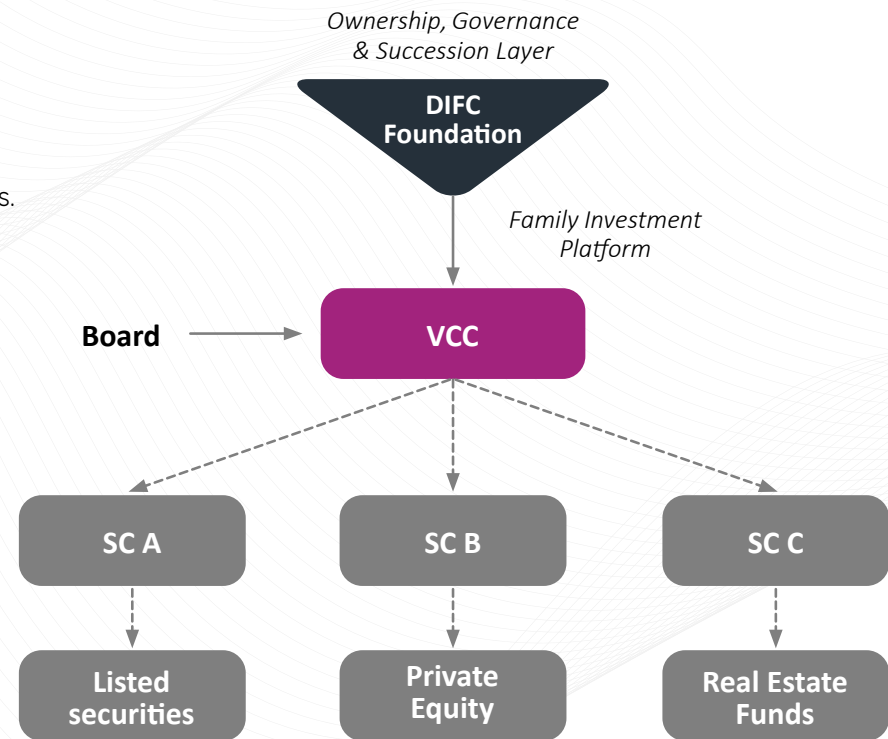
SOLUTION:

- Establish a DIFC Foundation to hold 100% of the shares in a DIFC VCC.
- The VCC creates multiple **Segregated Cells**, each holding a different asset class.

- Family investments only – no third-party investors
- Segregated Cells divide asset classes within one legal entity
- Cells ring-fence assets and liabilities between strategies
- Single legal entity – Cells are not separate companies
- VCC Board oversees all Cells under the VCC’s AOA
- Separate accounting and reporting maintained for each Cell
- Economic ownership and beneficiary allocation determined at Foundation level

WHAT IS ACHIEVED

- The **Foundation** holds legal ownership of the VCC, embeds governance and succession rules, and prevents fragmentation at generational transition.
- Capital can be reallocated between Cells without dissolving entities.
- The family maintains one regulated platform instead of multiple SPVs.
- Succession/continuity occurs at Foundation level, without disturbing investment operations.
- **Each Cell may distribute dividends based on its NAV**, rather than being limited to accounting profits as in traditional company structures.



BEST SUITED FOR:

Families managing diversified portfolios internally without third-party investors.

SCENARIO 2: STRATEGY SEPARATION AND EXTERNAL CO-INVESTMENT

BACKGROUND:

A family operates a core family-only investment portfolio.

OBJECTIVE:

Facilitate the launch of a venture capital or infrastructure strategy that may include third-party co-investors. Legal separation and liability ring-fencing are essential.

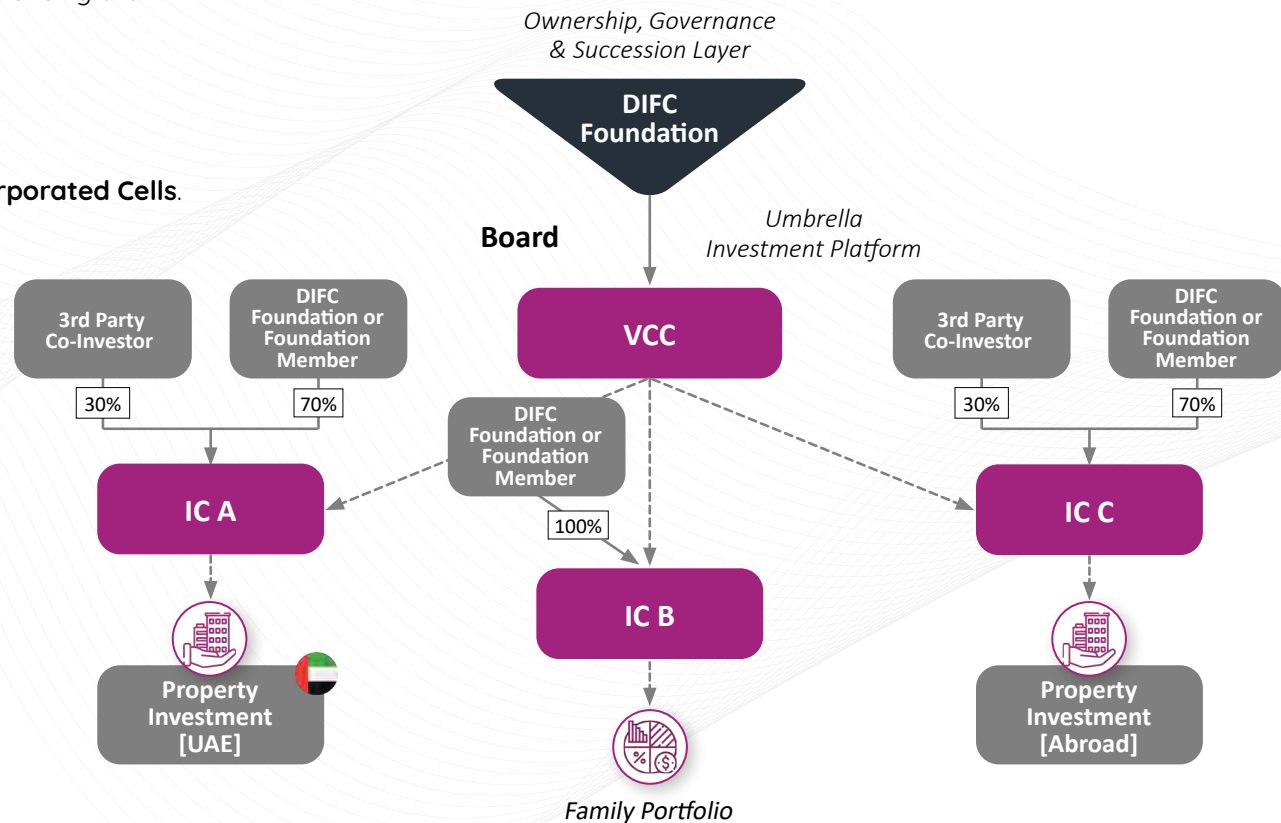
SOLUTION:

- Establish a DIFC Foundation as ultimate holding vehicle.
- The Foundation owns a DIFC VCC structured with multiple **Incorporated Cells**.
- Each Incorporated Cell operates as a separate legal entity.

- Family and third-party capital may participate at the Incorporated Cell level
- VCC Board oversees the umbrella platform
- Each Incorporated Cell may have its own board of directors
- Each Incorporated Cell is a separate legal entity independent from VCC
- Each Incorporated Cell has its own AOA
- Full legal liability segregation between strategies
- External investors participate only in specific strategies

WHAT IS ACHIEVED

- The **Foundation** centralises ownership, maintains governance continuity, and ensures succession stability at ownership level.
- Family-only investments remain insulated from co-investor exposure.
- Regulatory and contractual clarity is enhanced.
- **Each Cell may distribute dividends based on its NAV**, rather than being limited to accounting profits as in traditional company structures.



BEST SUITED FOR:

Families introducing third-party capital or operating distinct investment strategies with different risk profiles.

SCENARIO 3: GENERATIONAL STRATEGY SEGMENTATION WITH CAPITAL FLEXIBILITY

BACKGROUND:

A founder wishes to retain control of the core operating business while gradually introducing the next generation into managing family investment capital. The aim is to preserve legacy wealth under a conservative mandate, allow the next generation to pursue a higher-growth strategy, and avoid ownership fragmentation or unnecessary proliferation of investment entities.

OBJECTIVE:

To enable phased generational participation in investment capital through flexible, ring-fenced capital allocation, while preserving operating business control and governance continuity.

SOLUTION:

- The core operating company is held under a DIFC Foundation.
- The Foundation separately owns a DIFC VCC as the family investment platform.
- The VCC is structured with **Segregated Cells** aligned to generational mandates.

WHAT IS ACHIEVED

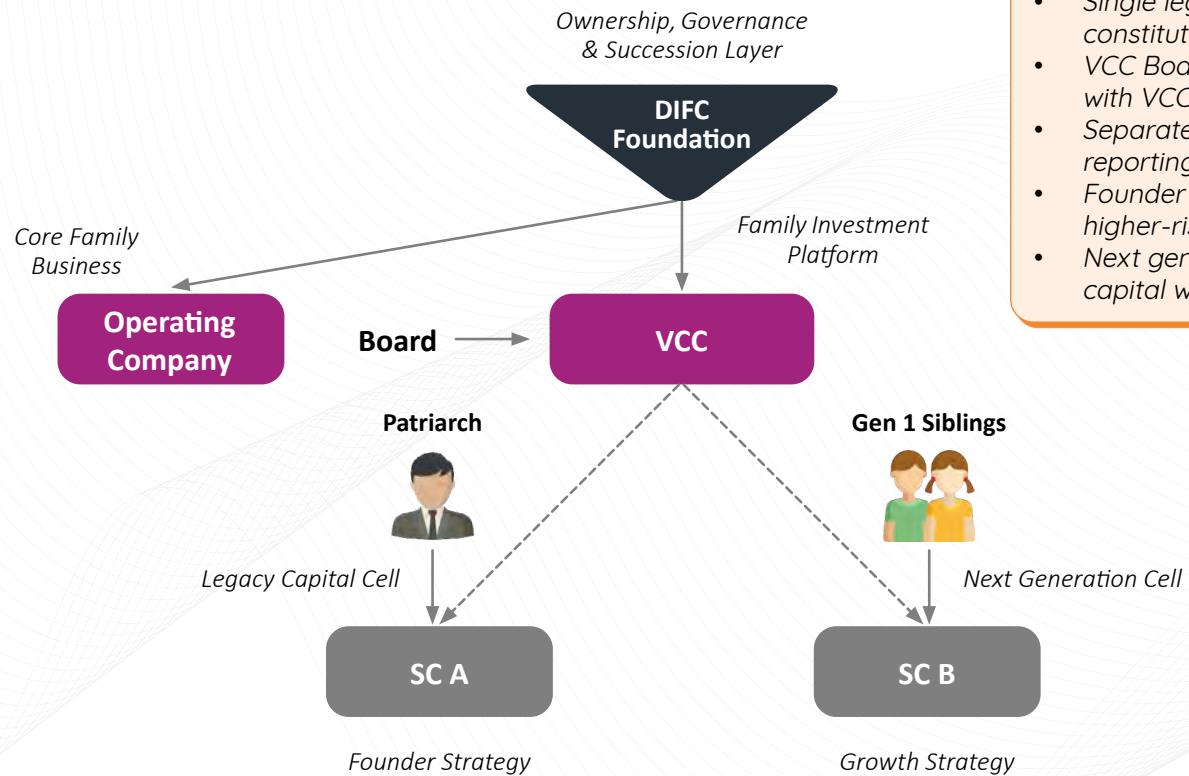
- The **Foundation** centralises ownership, preserves governance control of the operating business, and ensures succession continuity at ownership level.
- The VCC's variable capital structure:
 - Permits issuance and redemption of shares at Cell level without traditional capital reduction procedures
 - Allows gradual subscription of next-generation capital over time
 - Enables performance-based increases or reductions in allocated capital
 - Facilitates capital rebalancing between Cells without dissolving entities or restructuring share capital
- Generational autonomy is introduced incrementally, without fragmenting ownership of the operating company.
- Multiple strategies operate within one regulated investment platform, avoiding proliferation of SPVs.
- **Each Cell may distribute dividends based on its NAV**, rather than being limited to accounting profits as in traditional company structures.

SCENARIO 3: GENERATIONAL STRATEGY SEGMENTATION WITH CAPITAL FLEXIBILITY (cont'd)

STRUCTURE:

- **Cell A – Legacy Capital Cell**
 - Founder capital
 - Conservative, capital-preservation mandate
 - Long-term stability focus

- **Cell B – Next Generation Growth Cell**
 - Allocated capital for next-generation management
 - Higher-risk / growth-oriented mandate
 - Performance-based capital allocation



- Family investment capital segmented by generational strategy
- Segregated Cells within VCC allocate distinct capital pools
- Single legal entity – Segregated Cells do not constitute separate companies
- VCC Board oversees all Cells in accordance with VCC's AOA
- Separate accounting and performance reporting maintained for each Cell
- Founder capital remains insulated from higher-risk strategies
- Next generation can manage allocated capital within a controlled structure

BEST SUITED FOR:

Families seeking to introduce generational investment responsibility through controlled, performance-linked capital allocation, while preserving legacy capital integrity and governance stability.



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