

The UAE is home to many ultra-wealthy families and family-owned businesses.

It has increasingly become an attractive destination for the privately wealthy – for instance, Dubai is home to 120 of the world’s wealthiest families and individuals with a combined net worth exceeding US\$1 trillion (AED3.67 trillion), in addition to being home to 72,500 high net worth individuals¹ (HNWIs). In September 2022, the UAE launched a programme that aims to double family-owned businesses’ contribution to the nation’s gross domestic product to US\$320 billion by 2032 and help them become more innovative and adopt new technologies.

In no small part due to its two financial free zones, the Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM), the UAE has built a regulatory framework and infrastructure to help support the growth and needs of HNWIs, as well as family offices and should be viewed worldwide as a stable option for family office planning.

This article provides an overview of the UAE legal landscape for family offices and highlights recent market changes that will, in our view, continue to enhance the attractiveness of the UAE as a destination for family offices when compared to some of the more traditional offshore centres.

Key Considerations		DIFC	ADGM
Jurisdiction	Rule of law	✓	✓
	Adequate level of regulation	✓	✓
	Business friendly legal environment	✓	✓
	Political stability	✓	✓
	Global connectivity	✓	✓
	Common law court system and alternative dispute resolution system	✓	✓
	Access to know-how and skilled employees	✓	✓
Governance	Flexibility in agreeing on the corporate governance regime	✓	✓
	Robust system	✓	✓
	Set of statutory rules		
Capital	No restrictions on repatriation of profits	✓	✓
	No restrictions on dividends distribution	✓	✓
Operating costs	Low operating costs	✗	✗
Freedom of contract	Freedom to opt for a governing law outside of the selected jurisdiction	✓	✓
	Freedom to agree on contractual terms	✓	✓
Reporting	Timeline and effective registration process	✓	✓
	Information publicly available	✓	✗
	No annual filings	✗	✗
	No annual reporting requirements	✗	✗
	Audit required	✗	✗

¹ <https://www.albawaba.com/business/dubais-120-richest-families-and-individuals-1-trillion-wealth-1563792>

Part 1 – Regulatory Framework

The DIFC and the ADGM are financial free trade zones and have been in existence since 2004 and 2015, respectively. Both are jurisdictions in which full foreign (non-UAE) ownership of businesses is allowed. Both have a legal system based on common law principles and their own court systems.

DIFC

Existing Legislation

The DIFC was the first in the region to put in place a legal framework with a bespoke regime for family offices, the Single Family Office (SFO) Regulations (SFO Regulations). The SFO Regulations specifically addressed the needs of family-run institutions and strengthened the DIFC's position as a regional platform for wealthy families to manage their private wealth, succession and tax planning.

In January 2023, the SFO Regulations were repealed and replaced by the DIFC Family Arrangements Regulations (Family Arrangements Regulations).

The Family Arrangements Regulations introduce a broader and more structured framework for family businesses, family entities and family offices operating within the DIFC, aligning with the evolving needs of modern family enterprises.

Principal Changes

In line with the recommendations made by the DIFC Wealth Management Review, the Family Arrangements Regulations introduced a number of changes to the rules.

Scope of Application

The SFO Regulations defined a "Single Family" as a group of individuals connected by direct lineage to a shared ancestor, including their spouses, widows and widowers, whether remarried or not. The Family Arrangements Regulations expanded this definition to include two or more "family members."

In this respect, "family members" are individuals linked by descent from a common ancestor within three generations, including their spouses, stepchildren, adopted children and children born outside of marriage. This broader definition applies at the time of registering a family business, establishing or continuing a family entity or structure or setting up a family office. Beyond the three-generation limit, all future descendants and their spouses continue to qualify as "family members" under these regulations.

The key difference between the SFO Regulations and the Family Arrangements Regulations lies in the scope and inclusivity of their definitions. The SFO Regulations focus on a narrower concept of a single family, limited to individuals directly descended from a common ancestor and their spouses. In contrast, the Family Arrangements Regulations broaden the definition to include multiple family members, encompassing stepchildren, adopted children and children born outside of marriage, along with their descendants and spouses.

Additionally, the Family Arrangements Regulations introduce a generational element, which provides that the common ancestor should be within three generations at the time of registration for family businesses, entities, structures or offices. Beyond this point, all future descendants and their spouses are recognised as part of the family under the regulations. This broader approach allows for greater inclusivity and applicability in family-related arrangements.

Accordingly, the Family Arrangements Regulations extend their scope beyond single-family offices to accommodate various family structures and entities, including family businesses, trusts and foundations.

Family offices now have the flexibility to serve multiple families, provided they secure approval from the DIFC Registrar and meet specific regulatory conditions. This marks a departure from the strictly single-family focus of the previous regulations.

Asset Requirement

Under the SFO Regulations, the asset requirement to qualify for registration as an SFO was to have investable/liquid assets in excess of US\$10 million. The Family Arrangements Regulations increased the net asset requirement from US\$10 million to US\$50 million.

Added Privacy

The establishment of a Private Register now allows family entities and offices to keep sensitive shareholder and officer information confidential, enhancing privacy for family operations.

Accredited Advisers

The regulations also emphasise the role of accredited advisers, who can assist families and family offices, while ensuring compliance with the DIFC's Anti-Money Laundering (AML) requirements. Family businesses and entities can benefit from streamlined certification and rating processes designed to facilitate wealth preservation, succession planning and operational support.

Designated Non-financial Business or Profession (DNFBP) Requirement

The Family Arrangements Regulations also eliminate the requirement for a family office to register as a DNFBP with the Dubai Financial Services Authority ("DFSA"), the DIFC's independent financial regulator. SFOs that were registered under the SFO Regulations as a DNFBP will only be able to de-register in a manner prescribed by the DFSA. However, multi-family offices will require authorisation and licensing by the DFSA if they provide financial services to multiple families by way of business.

By introducing these reforms, the DIFC aims to bolster its position as a leading hub for family wealth management, offering enhanced privacy, regulatory clarity and operational flexibility. SFOs will automatically be subject to a change in its status to become a family office under the Family Arrangements Regulations. The grace period granted to SFOs to comply with the requirements of the Regulations expired on 31 January 2024.

Prescribed Companies

To further enhance its attractiveness as a hub for the structuring of establishments and transactions carried by businesses, the DIFC introduced the Prescribed Companies (PC) Regulations (the “PC Regulations”), which provide cost-effective options for companies seeking to utilise DIFC structures under its internationally recognised regulatory framework.

Certain family offices would now be eligible as “Qualified Applicants” pursuant to the PC Regulations. This allows family offices to incorporate wholly-owned subsidiaries as PCs, enabling them to efficiently manage their group structures while benefiting from lower incorporation and licensing costs. Family offices operating as PCs continue to enjoy reduced compliance obligations, such as not being required to prepare or file audited accounts with the DIFC Registrar of Companies.

Foundations

The foundations regime was introduced in the DIFC in 2018 offering private client’s flexible vehicles for asset structuring and succession planning. A foundation is an independent legal entity that is established by one or more founders but does not have any shareholders, members or partners. This effectively means that a foundation owns itself and therefore owns its assets, which include charitable and non-charitable assets.

Foundations are effective vehicles used by family businesses to hold various assets into a single entity that is operated by a qualified foundation council in accordance with the charter and by-laws of the foundation. A guardian appointed by the founder oversees the function of the foundation council. Family members are named as beneficiaries of the foundation. DIFC foundations are also permitted to own property in certain areas of mainland Dubai.

The DIFC Foundations Law, has undergone several updates to enhance its appeal for wealth and succession planning. Key amendments include clarifying the governance framework, simplifying registration processes and expanding the scope for philanthropic purposes. These changes align the law with global best practices, ensuring its suitability for family businesses, legacy planning and asset protection within the DIFC.

ADGM

Unlike the DIFC, the ADGM does not have a separate set of regulations for family offices. The ADGM has opted for a system that is similar to the one applied in the UK, through the introduction of a wide range of vehicles and structures that can be used to structure family offices based on each family’s specific needs (e.g. foundations, special purpose vehicles and holding companies, etc.).

Restricted Scope Companies (RSC)

A useful vehicle used for structuring family offices in the ADGM is the **RSC**. The ADGM Companies Regulations 2020 set out the criteria for private companies to be eligible for registration as RSCs, and companies directly or indirectly owned by a group of persons who are members of the same family are eligible for registration as RSCs.

The main advantage of RSCs is that they offer a greater degree of confidentiality since the only details available on the public register are the RSC’s constitution date and its registered office.

In addition, RSCs benefit from several exemptions from obligations otherwise applicable to private companies, including:

- **Right of inspection** – Registers of directors and registers of members of RSCs are not open for inspection and members do not have a right to inspect records of resolutions and meetings by members
- **Members’ approval** – Members’ approval is not required for all related transactions with directors (e.g. loans to directors, the entering into long-term services contracts, etc)
- **Reporting** – RSCs are not required to file their accounts with the registrar
- **Auditing** – The obligation to audit accounts does not apply to RSCs
- **Annual filings** – RSCs are only required to file an annual return yearly

Foundations

Similar to the DIFC, the ADGM foundations regime provides family businesses an alternative structure for wealth management, preservation and succession planning. An ADGM foundation is restricted from engaging in any commercial activities unless the activities are ancillary to meet its objectives.

As a foundation has an independent legal personality and is self-owned, it will continue to exist after the death of its founder and therefore is a useful tool for avoiding family conflicts in relation to succession and inheritance. While it is not mandatory to appoint a guardian during the founder’s lifetime, the requirement to do so upon their death ensures continued oversight and adherence to the foundation’s objectives.

The ADGM foundation regime emphasises governance, confidentiality and operational flexibility, catering to the needs of high-net-worth individuals and private clients. The foundation’s framework supports asset protection through ring-fencing, enabling families to safeguard wealth from external risks and creditors. Additionally, ADGM’s emphasis on transparency, coupled with confidentiality provisions, fosters trust while maintaining the privacy of family affairs.

With its tax-efficient and cost-effective structure, the ADGM foundation serves as a compelling alternative for private clients seeking to create bespoke solutions for estate planning and wealth management. Its alignment with international standards further enhances its appeal as a preferred jurisdiction for family businesses and affluent individuals seeking to consolidate and protect their wealth across generations.

Comparative Analysis Between the Two Jurisdictions

The main difference between the two regimes is that in the ADGM, there is no minimum asset-based entry requirement, while in the DIFC, family offices must meet a minimum net asset requirement of US\$50 million under the Family Arrangements Regulations 2023. This replaces the earlier requirement under the SFO Regulations, which set a lower liquid asset threshold of US\$10 million. Additionally, family offices in the DIFC are no longer required to register as DNFBPs under the revised framework, addressing a concern that was previously perceived as a deterrent for some families under the old regulations.

A more detailed comparative analysis between the two jurisdictions is attached in Annex A.

Part 2 – Responses to Challenges

Impact of New Corporate Tax Law

The introduction of a corporate tax in the UAE, effective from June 2023, continues to pose challenges for businesses, particularly family-owned enterprises that have relied on the UAE's previous tax-free environment. Although businesses operating in the DIFC or the ADGM benefit from a tax holiday, they may still be subject to corporate tax on income derived from the mainland or activities not qualifying for tax exemptions.

While the corporate tax rate is relatively low compared to global standards, businesses must adapt to new compliance and reporting requirements, including determining taxable income, handling deductions and navigating the complexities of international taxation.

Family businesses may face difficulties in restructuring their financials to accommodate these new tax obligations, particularly in relation to intra-group transactions and the allocation of expenses. Moreover, businesses with international operations need to ensure compliance with global tax rules, which may include transfer pricing regulations and international reporting requirements. This change will lead to increased administrative costs and a need for specialised legal, as well as financial expertise to maintain compliance with the new corporate tax regime.

Data Protection and Privacy Regulations

With the enforcement of the UAE's new Data Protection Law, businesses now face a heightened focus on data privacy and security. The law imposes stricter obligations on how personal data is collected, stored, processed and shared. Family businesses that have traditionally operated without rigorous data protection frameworks may find themselves at a disadvantage when trying to comply with the new rules, especially if they handle sensitive customer or employee data. The need to appoint a data protection officer (DPO), conduct data impact assessments and ensure that data is processed transparently and securely presents new challenges. Additionally, failure to comply with these regulations could result in significant fines and reputational damage, making it essential for businesses to adopt new data governance practices and ensure that their systems are aligned with the legal requirements.

AML and Know-Your-Customer (KYC) Compliance

With the UAE's AML and KYC regulations becoming increasingly stringent, businesses are facing greater compliance burdens, particularly in sectors like banking, finance and real estate.

Family businesses that operate in these industries may struggle to implement the necessary internal controls and monitoring systems to comply with these regulations. The UAE's push for greater transparency in financial transactions, such as requiring the disclosure of ultimate beneficial owners (UBOs), adds another layer of complexity. Businesses must ensure that they have the correct systems in place to perform thorough due diligence, monitor suspicious transactions and report them to the authorities. For family-run businesses with international dealings, managing AML and KYC compliance across multiple jurisdictions can become a costly and administratively burdensome task.

Part 3 – DIFC and ADGM Well-positioned Versus Other Global Offshore Centres

The DIFC and ADGM are well-positioned to continue to serve as central platforms for family offices worldwide, offering a robust alternative to traditional offshore centres such as the Cayman Islands, British Virgin Islands and the Channel Islands. While these traditional jurisdictions have historically been favoured in family office structures, growing global scrutiny on tax havens and ownership transparency has led HNWLs to explore jurisdictions with stronger reputational and regulatory frameworks. The UAE financial free zones provide an attractive balance between disclosure and privacy, while remaining user-friendly and strategically located at the crossroads of global and regional markets.

The introduction of the DIFC Family Wealth Centre further enhances its appeal to family offices, offering bespoke services tailored to intergenerational wealth planning and asset management. With a focus on ESG (Environmental, Social and Governance) principles and a comprehensive legal framework, the DIFC continues to attract both local and international players.

Similarly, the ADGM has emerged as a leading global financial centre, with significant advancements in fintech, sustainable finance and arbitration. Assets under management in the ADGM have seen exponential growth, reflecting the jurisdiction's appeal to institutional investors and family offices alike.

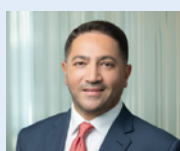
Both the DIFC and ADGM offer world-class legal and regulatory frameworks, including the adoption of English common law, modern courts, and advanced dispute resolution mechanisms. Their proactive regulatory approaches, combined with cutting-edge infrastructure and strategic geographic positioning, make them ideal jurisdictions for family offices seeking stability, innovation, and connectivity in an increasingly transparent and regulated global environment.

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Annex A: DIFC and ADGM – Main Features

	DIFC	ADGM
Applicable Law	<ul style="list-style-type: none"> 2020 DIFC Family Arrangement Regulations. 	<ul style="list-style-type: none"> 2015 ADGM companies regulations. 2015 ADGM controlled activities rules and conditions of licence.
Investment Size	<ul style="list-style-type: none"> US\$50 million minimum net asset requirement. 	<ul style="list-style-type: none"> No minimum share capital. No minimum liquid or net assets required.
Legal Structure	<ul style="list-style-type: none"> Family Office – A legal entity providing wealth and asset management services exclusively for members of the same family, structured as a private company limited by shares or limited partnership within the DIFC. 	<ul style="list-style-type: none"> Varies depending on the needs of the family office. RSCs and foundations are the most common structures.
Eligibility	<ul style="list-style-type: none"> Bloodline descendants of a common ancestor (up to three generations) and their spouses. Other family-connected individuals may qualify under specific governance frameworks. 	<ul style="list-style-type: none"> Family members.
Premises	<ul style="list-style-type: none"> Physical presence within the DIFC is required, ensuring alignment with DIFC regulations. 	<ul style="list-style-type: none"> Office or registered agent in the ADGM.
Management	<ul style="list-style-type: none"> Appointed authorised representative (UAE resident required). 	<ul style="list-style-type: none"> Depends upon the legal structure. For private companies: minimum one director.
Reporting	<ul style="list-style-type: none"> Submission of an annual return detailing compliance with regulations. Maintenance of accurate accounting records in accordance with DIFC requirements. Filing of audited financial statements. 	<ul style="list-style-type: none"> Depends upon the legal structure. RSCs – Annual return to be filed on a yearly basis but no requirement to file accounts or audit accounts.
Public Register	<ul style="list-style-type: none"> Certain information, such as the name of the family office and current/former directors, is available on the DIFC public register, ensuring transparency. 	<ul style="list-style-type: none"> Depends on the legal structure. RSCs – Record of directors and shareholders not publicly accessible.
Taxation	<ul style="list-style-type: none"> Nil 	<ul style="list-style-type: none"> Nil

	DIFC	ADGM
Cost	<ul style="list-style-type: none"> • Registration and licensing of a Private Company – approximately US\$20,000. • Annual data protection registration fee – US\$750. 	<ul style="list-style-type: none"> • Operational single family office registration fees – US\$10,000. • Data protection registration – US\$300.
Strengths	<ul style="list-style-type: none"> • Bespoke family arrangement regulations designed for high-net-worth families. • Dedicated support from the DIFC management team and access to leading professional service providers. • Proximity to global and regional financial markets, with a base in one of the world's leading financial hubs. • Advanced legal and regulatory environment, including access to the DIFC Courts and DIFC-LCIA arbitration for dispute resolution. • Comprehensive privacy and governance frameworks tailored to family needs. 	<ul style="list-style-type: none"> • Sophisticated alternative dispute resolution system (ADGM Arbitration Centre) (since October 2018). • No minimum asset level criteria. • No minimum share capital. • Flexibility in terms of structure to be adopted. • Financial hub. • Home to world's leading asset management and advisory firms. • Access to a wide range of professional service providers.
Weaknesses	<ul style="list-style-type: none"> • Regulations limit services to members of a single family, restricting broader investment or asset management mandates. • Information, such as the family office's name and directors, is publicly available in the DIFC public register, which may deter those seeking complete confidentiality. • The minimum asset threshold makes the structure suitable only for ultra-high-net-worth families. • Initial and ongoing costs for registration, licensing, and compliance are relatively high compared to some alternative jurisdictions. 	<ul style="list-style-type: none"> • Recent jurisdiction (has been in existence since 2015). • No bespoke law.