



The growing appeal of UAE domiciled funds

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The United Arab Emirates (UAE) has recently emerged as a bustling hub for financial activity, particularly with the significant rise in UAE domiciled funds.

Since April 2024, the UAE's regulatory reforms have sparked a financial boom, resulting in the launch of 36 Dubai International Finance Centre (DIFC) public funds and attracting global giants like BlackRock and Goldman Sachs.

These reforms restrict foreign fund public promotion and offer two main paths for market access: establishing a securities and commodities authority (SCA) licenced onshore UAE public fund - or creating a Dubai financial services authority (DFSA) or financial services regulatory authority (FSRA) licenced DIFC / Abu Dhabi Global Market (ADGM) public fund for passporting.

Both methods ensure compliance and investor reach, with the SCA aiming to further expand the market through initiatives like a gulf cooperation council (GCC) funds passport. Despite tighter control over unlicenced activities, the industry is poised for growth, maintaining diverse investment avenues for retail investors. This shift marks a new investment management era in the UAE, making it a more attractive and transparent market.

UAE domiciled funds Q&A

Daniel Pacic, Managing Director of Ogier Global in Dubai, delves into the nuances of the shift for investment managers in the UAE, exploring the reasons behind the increased interest in UAE domiciled funds, the strategic approaches adopted by asset managers, and the implications for both investors and the broader financial ecosystem.

Around 36 DIFC public funds have launched in 2024 since the new regulations came into effect in April. Do you think more big players like BlackRock will follow suit?

Yes, there is money to be made. In the past couple of years, the likes of Goldman Sachs, Lombard

Odier and Rothschild have all expanded their presence in the UAE. Franklin Templeton, a US\$1.5 trillion investment manager, recently announced the setup of seven feeder funds in the Dubai International Finance Centre (DIFC), specifically because they feel that the UAE's changing regulatory landscape offers them a compelling opportunity to better service their clients. UAE retail investors want to access the wide range of asset classes, sectors and geographies offered by the big players.

Of the feeder and directly managed funds launched, asset managers have taken two routes - partnering with a local or upgrading their licence and launching their own funds. Which will be most effective and cost-efficient?

There are benefits and advantages to both models. Working with a local partner gives you access to an existing distribution model. There is also an option to passport into one of the UAE's two financial free zones, the DIFC and Abu Dhabi Global Market (ADGM). Firms who want greater control and autonomy prefer to passport in. A few third-party fund managers in the DIFC and ADGM have established fund platforms to facilitate access to the UAE market by foreign asset managers.

Will the drastic fall in funds offered to onshore retail investors due to the regulation impact their choice?

Savvy retail investors will find outlets for their capital, including investing in funds domiciled abroad if needs be. However, a smaller number of regulated and legitimate local funds might lead to greater investor comfort where UAE funds are concerned and a greater demand for multi asset income, global and regional fixed income, technology as well as Shariah-compliant strategies.

How will this regulation affect boutique funds that were distributing to retail investors and may not be able to cover the costs of upgrading their licences to partnering?

Those who are robust and are able to raise the necessary capital will survive this process. Some may be able to survive in the short term by partnering with licenced fund managers in ADGM and DIFC but may ultimately be unable to remain competitive.

With more coming into the market, how will these funds look to differentiate themselves?

The differentiating factors and USPs will remain largely similar to those across the board in other funds jurisdictions: track record, expertise across asset classes, risk appetite, management fees, minimum investment, sophistication of process, bench strength of team and pedigree, advisory board, transparency, regulatory insights.

What is the demand like for these funds from retail investors? Will they manage to raise sizeable AUMs?

The expectation is always that they will. 4,500 new millionaires moved to the UAE in 2023, leading to a surge in demand for quality financial advice and investment management. At the end of August, the Securities and Commodities Authority (SCA) reported an increase in Assets Under Management (AUM) by companies licenced to manage portfolios and investment funds, amounting to almost US\$10 billion.

Retail wealth managers in particular focus on wealthy and high-net-worth (HNW) expats, which are a growing market with more disposable income for investment. The introduction of 'golden' or permanent residency visas for the most affluent UAE residents was a key reform which has enabled HNWs to settle down for the long term. Wealth management talent is also flocking to the UAE from other jurisdictions such as Singapore, London and Hong Kong.

Any other thoughts on this regulation and the trend we are seeing of global asset managers launching these UAE-domiciled funds?

Ultimately, strong regulation of the local funds space is essential to protect investors, maintain the integrity of the jurisdiction, and ensure that investing can thrive. More legitimate funds and fewer 'fly-by-night' funds lead to greater investor comfort, enthusiasm for the local market and appetite for local financial products.

Conclusion

In conclusion, the UAE's evolving regulatory landscape is significantly shaping the future of investment management within the region. The introduction of new regulations has not only attracted major global players but also fostered a more transparent, secure, and dynamic financial environment. As the UAE continues to grow as a prominent financial hub, the insights shared by Daniel Pacic, Managing Director of Ogier Global in Dubai, highlight the strategic shifts and opportunities emerging for both investors and asset managers.

For more in-depth analysis and to explore further insights into the UAE's financial boom and its impact on domiciled funds and the broader investment management ecosystem, please reach out to Daniel Pacic. His expertise and perspective offer valuable guidance for navigating these changes and capitalising on the opportunities they present.

This article was also published in [Citywire Middle East](#).

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