

## THE UAE FOUNDATION BOOM – HERE TO LAST!



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Earlier this week, the DIFC became the first Financial center in the Middle East with 100 active registered foundations. Some perspective is required to appreciate this remarkable milestone, and by association, the rapid rise of the UAE as a wealth management and legacy planning jurisdiction.

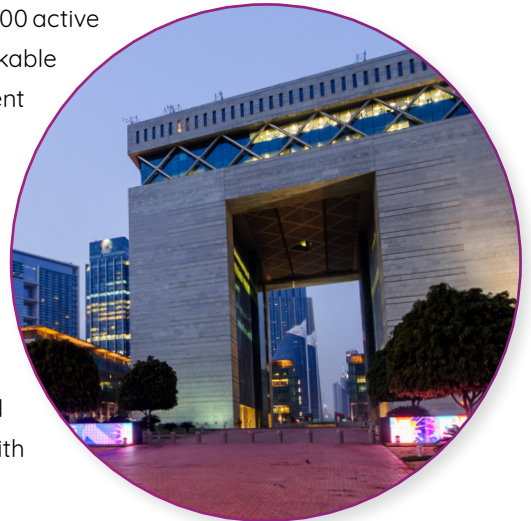
It is not uncommon these days for well-established common law centers to feature both trusts and foundations. The US, Jersey and Guernsey are amongst the leading centers with strong ties to the Middle East having extend their structuring and legacy planning offering with the adaption of the civil law-based foundation.

The rationale is simple: foundations offer unique benefits that companies and trusts do not provide, while sharing similarities of functions and mechanisms with both tools.

Of particular interest are foundations' broad scope of permitted objects, their increased acceptance in a world where 'offshore trusts' are often – and wrongly – vilified and the ability for entrepreneurial families to consolidate and keep control over income- generating assets and investments, while protecting them from potential threats – i.e. creditors attacks, probate.

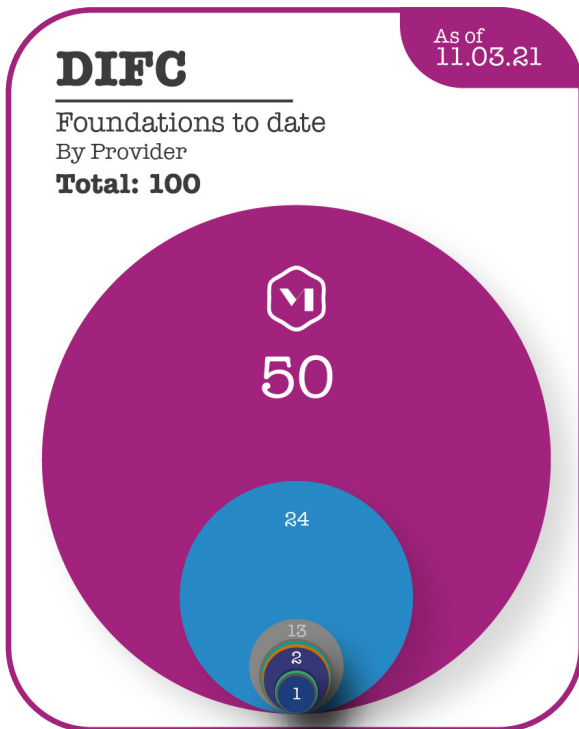
The foundations' penetration in established common law jurisdictions has been slow. Jersey's regime went live in 2009. It registered 24 new foundations in 2020 for an active total of 224 as of 31/12/2020. Guernsey's regime went live two years later. It counted 114 active foundations as of 31/12/2020, 14 of which established in 2020.

Fast forward to the Gulf region and the story is radically different.



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**80% of DIFC's first 100 foundations were registered since 01/01/2020**



Source: DIFC Registrars

The DIFC formally launched its foundation regime in 2018. It witnessed an extreme rise in interest in 2020: 80% of DIFC's first 100 foundations were registered since 01/01/2020. The ADGM and RAK ICC are not far behind. The ADGM launched its foundations' offering in 2017 and is scheduled to reach the 100 milestone in a couple of weeks. RAK ICC's 32 foundations last year is more than any regional center in its inaugural year - more than Jersey in 2020.

The UAE is set to jump Jersey's total imminently, and the Channel Islands' aggregate total in Q2 2021. What the Channel Islands have achieved in 20 combined years,

the UAE will do in 8. Of UAE's 220 foundations to date, 60% were registered in 2020.

How to explain such explosive growth rate and the substantial momentum for domestic foundations? The recipe is dynamite: a robust, sophisticated, highly credible, yet flexible and affordable tool, meeting domestic and regional needs. Foundations are simple to understand and operate, and compatible with all asset classes - including UAE Real estate.

They are also equally effective for Muslims and non-Muslims; within designated parameters, they can be considered by Muslim families whether or not they wish to respect Islamic law principles on inheritance.

**UAE's total Foundations' number is scheduled to at least double this year**

So what is next? UAE's total Foundations' number is scheduled to at least double this year to an estimated 450+ by year end. And current times are doing nothing to curb the momentum.

The COVID-19 Pandemic has had a dramatic effect on regional businesses. Many entrepreneurs are being forced to take drastic risk-mitigating measures in an attempt to weather the storm, hoping for better days.

More than 80% of Single-family offices registered in the UAE are held directly by patriarchs and/or family members, thereby exposing the shares and underlying assets to risk

UAE foundations are the game changer the region has been waiting for.

**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.