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BNY Family Office Expert Shadi Alnasr Reviews the Expanding Range of Solutions for UHNW Business Families in the UAE

Shadi Alnasr is Principal of the Global Family Office for the Bank of New York Mellon. He sat as an expert on our final panel discussion of the Hubbis Wealth Solutions Forum in Dubai on September 20. He offered delegates his insights as to why UHNW families are increasingly exploring options to establish a family office in the Middle East, and what opportunities lie ahead.

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Alnasr opened his commentary by noting that the jurisdiction review and jurisdiction selection are the most vital and fundamental due diligence exercises and choices a family should conduct before setting their family office in motion. "More and more families are no longer simply selecting traditional jurisdictions that used to be the most sought after," he reported. "They're more methodological in the way they select their jurisdiction. They usually evaluate and vet each option against a predefined set of criteria."

He explained that he usually sees five to eight key factors in play. To illustrate just a few, he said the families look closely at access to qualified staff and professionals, in other words the talent pool and the costs. "If I was a family office manager, I would ask myself, if we will be able to hire the right talent the cost, whether we might use an outsourced model rather than hiring more staff directly, and other issues around talent," he reported.

Another key consideration is to evaluate the financial infrastructure and the ecosystem in general. "Does the jurisdiction give me connectivity to international banks, fiduciaries, lawyers, barristers, counsels and so on?" he pondered. "And then what is the legal framework, are there well-established vehicles, structures and peraps foundation laws? And what about data and privacy, does the jurisdiction in general adhere to international and local rule of laws? And finally, does the jurisdiction off the right political stability, tax regimes, social environment and other key attractions?"

He stated that the UAE scores increasingly well in all of these areas today, and as it occupies a spot as one of the top 10 in all of the criteria, according to BNY, the UAE qualifies as what they call a 'super jurisdiction'. "Globally, there are five super jurisdictions, and UAE is one of them," he explained. "It is home to over 30 billionaires, and numerous multi-millionaires. And for us at BNY as the largest custodian worldwide, it is an incredibly important jurisdiction."

research has indicated that some 80% of the next generations are willing to forego part of the profits in order to have their investments allocated in ESG themes."

He added that families are increasingly paying back to society in traditional ways, for example, donating to charitable activities, but the younger generations want to take it to the next level.

"We see that some 50% of the regional family offices now engage in one way or another in philanthropy, but thus far only 15% have a documented strategy," he reported. "What this means is there is a rising effort to develop a real philanthropic plan so the family office does not only donate money, but advocates for causes, and even groups up with other family offices to really create more sustainable impact."

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Alnasr also noted that there is a totally shifting horizon and paradigm shift in the way family offices are structured in the region. "It is not only about investing and investments for these very wealthy families," he said, "but incorporating their philanthropic activities in their overall wealth management process. They want a CIO that is familiar with virtual assets, as well to help future focus their capabilities. They increasingly want to allocate a sizable portion of their investments towards ESG-rated assets, as they strive to incorporate more of the social and philanthropic elements in their activities. And interestingly,

He closed his observations by noting that he would also like to see more wealthy and uber-rich families transitioning toward the institutional model by inviting members outside the family to participate in their family office operations. "They should be encouraged to adopt the concept of separation of management from ownership, a very sensitive topic here in the region, but one that we believe will reap benefits in the future. Families should structure their offices keeping the next generation front of mind, and operate as efficiently and constructively as possible, in order to achieve their family and societal objectives." ■