

Legal Expert Izabella Szadkowska Reviews the Expanding Range of Solutions for UHNW Business Families in the UAE

Izabella Szadkowska is a Partner in Corporate Structuring at law firm Al Tamimi & Company, and joined our panel discussion at the Hubbis Wealth Solutions Forum in Dubai on September 20. She offered delegates her views on why UHNW families are increasingly exploring options to establish a family office in the Middle East, and ran through the four family office jurisdictions available, noting that she is a believer in the lighter touch regulations on offer in the ADGM and two free zones, but held out some hope that the heavier touch model now on offer in the DIFC might be adapted in the future.

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Izabella is a Partner in the Corporate Structuring team and specialises in corporate and commercial work, particularly in foreign investment regimes, cross-border corporate and regulatory structure design and implementation, capital restructuring and trust structures advice and assistance. Her areas of practice also include economic substance, ultimate/real beneficial ownership assessment and advice, business formation and corporate services under the laws of the Dubai International Financial Centre.

Her expertise extends to providing day-to-day legal advice on matters of corporate commercial nature to corporate clients, particularly family businesses, as well as M&A transactions assistance and equity capital markets.

Prior to joining Al Tamimi, Izabella trained at Linklaters LLP and practiced at Clifford Chance LLP and White & Case LLP. She combines private practice and in-house experience, having acted as Head of Group Legal Department for a major UAE conglomerate, Al Rostamani Group.

Izabella focused her comments in the discussion on the increasing

number of options for family offices in the region, noting that the Dubai International Financial Centre (DIFC) was the first one some years ago to introduce the single-family office offering to the UAE, with the Abu Dhabi Global Market (ADGM) following with its solutions for the family offices later on.

She added that there is also another family office structure on offer now through the Dubai Multi-Commodities Centre (DMCC), which was created in 2002 and today boasts more than 11000 registered companies. And she noted that a fourth family office option today is through the Dubai World Trade Centre (DWTC), also a free zone, with both single- and multi-family office solutions now available there.

She explained that the DIFC single family office would have two components for licensing, one being the registration that comes through the DIFC Register of Companies and the second the registration of that family office with the DFSA, the Dubai Financial Services Authority, in relation to anti-money laundering and for general compliance.

“The regulatory involvement by the DFSA in the DIFC family offices model is actually not something that we would find in the other free zones,” she reported. “The other free zones offer registration for family offices alike any other business registration, and I think that aspect has given quite a lot of advantage to the ADGM, DMCC and the DWTC offerings for family offices.”

“Of course, the protections are there for good reasons, but for family offices, these families are worried that the moment they start having their structures more sophisticated it will also mean much more scrutiny by the authorities, potential inspections, they might miss out on deadline for some kind of submissions, then get fined and this all creates some doubt and fear.”



She expanded on this comment, noting that many families wonder why they need to go through the DFSA's regulatory process in the DIFC, when they are not going to take any deposits from third parties, not going to arrange deals for any third parties, as it is all about the family wealth. She said these demands have tended to drive clients to those other three markets for their family offices.

"I think strangely enough coming from a lawyer, I would actually like to see more flexibility, maybe less supervision by the authorities when it comes to single family offices in particular," she said. "Of course, the protections are there for good

reasons, but for family offices, these families are worried that the moment they start having their structures more sophisticated it will also mean much more scrutiny by the authorities, potential inspections, they might miss out on deadline for some kind of submissions, then get fined and this all creates some doubt and fear."

Izabella added that the free zone authorities spend more time looking at how they can make their family office offering more attractive, how many applications actually come their way, and listen to what the business community is telling them and then amend accordingly.

"Meanwhile, the DIFC have been actually looking at their single-family offices regime for a while now, but without any changes," she said. "But from my viewpoint, I would like to see single family offices being treated differently to those entities that actually gather people who are not related to one another and who might have conflicting interests. I appreciate that family members often have their own individual interests that may not be aligned with other family members, but I generally believe that we need to really see a lighter compliance touch for family offices." ■

