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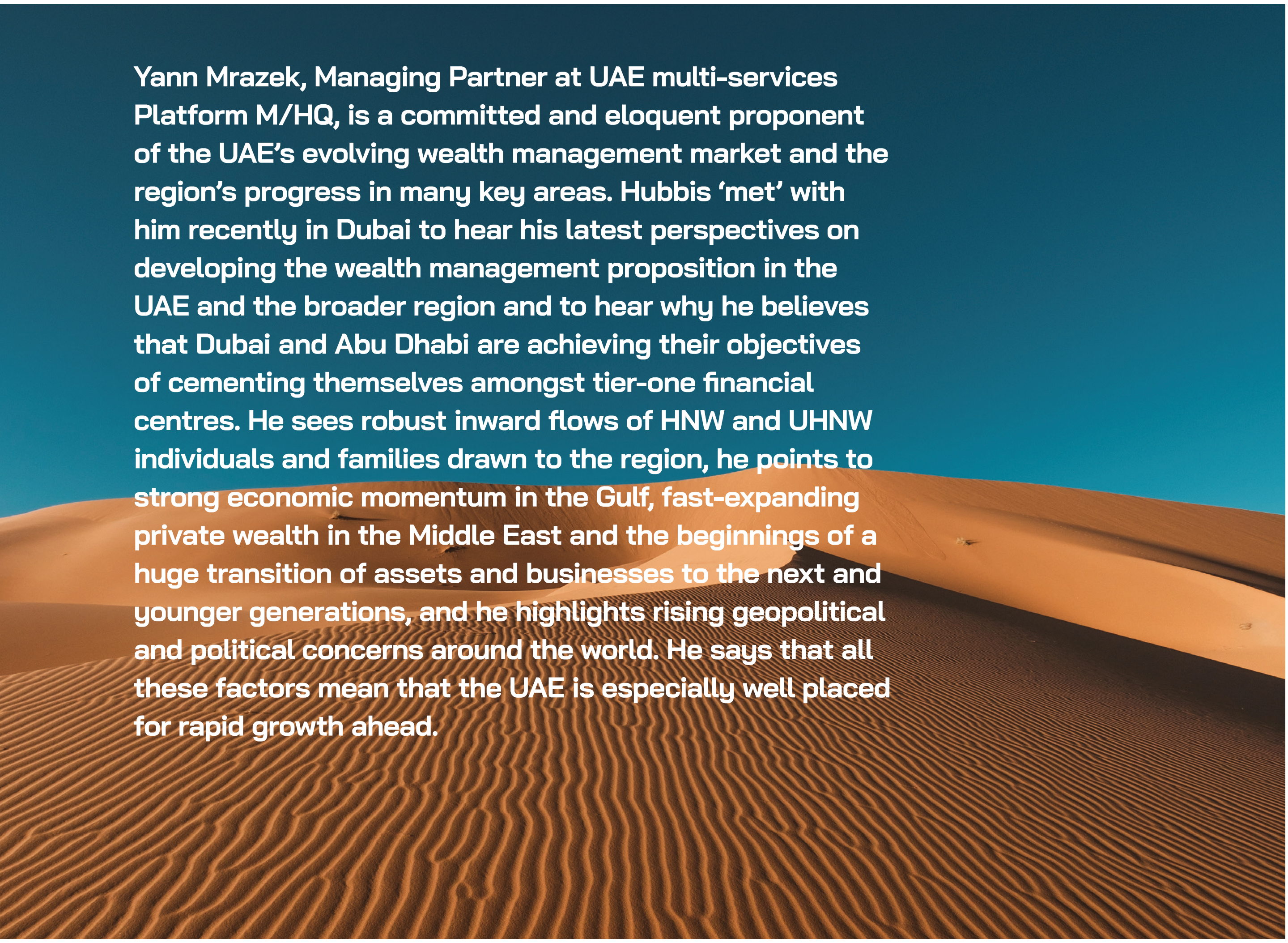
Shaping the Future of Wealth Management in the UAE: Insights from Yann Mrazek at M/HQ



Yann Mrazek, Managing Partner at UAE multi-services Platform M/HQ, is a committed and eloquent proponent of the UAE's evolving wealth management market and the region's progress in many key areas. Hubbis 'met' with him recently in Dubai to hear his latest perspectives on developing the wealth management proposition in the UAE and the broader region and to hear why he believes that Dubai and Abu Dhabi are achieving their objectives of cementing themselves amongst tier-one financial centres. He sees robust inward flows of HNW and UHNW individuals and families drawn to the region, he points to strong economic momentum in the Gulf, fast-expanding private wealth in the Middle East and the beginnings of a huge transition of assets and businesses to the next and younger generations, and he highlights rising geopolitical and political concerns around the world. He says that all these factors mean that the UAE is especially well placed for rapid growth ahead.

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YANN MRAZEK
M/HQ

Yann opens the conversation by pointing to some of the UAE's key attractions, such as an expanding banking, financial markets and wealth market infrastructure and ecosystem, the expanding professional and fiduciary services community, and sensible regulations and pragmatism. He points to the expanding array of global-quality lifestyle, educational, healthcare and logistics appeals, the perceived security and political stability, as well as the advantageous time zone and connectivity east to the markets of India and Asia, and west and north to Europe and the US.

Family offices and their needs

He zooms in on the needs and expectations of international single- and multi-family offices, explaining that, in his view, there are three key requirements.

"They want to set up in super-jurisdictions, they want regulation through one set of eyes and rules, they expect privacy, and they want to have control," he reports. "There are not that many jurisdictions that offer all those features in a tax-efficient environment, and the UAE is one of them, which is why so many families are being drawn to the jurisdiction."

Aligning with global standards

He expands on this line of reasoning, stating that regulations are now aligning themselves appropriately with other leading super-jurisdictions, such as Singapore and Hong Kong, or even London, all common law markets.

But access is considerably cheaper than in those jurisdictions, and some of them keep raising the bar – Singapore, for example, has in recent years regularly raised their entry-level requirements for international families and funds to set up shop there.

Here to stay…

"Today, this confluence of appeals and the overall quality of the proposition in the UAE is so compelling that people not only come here, but they stay here," Yann says. "And more and more of them are organising their financial affairs and managing their wealth from here, which 10 to 15 years ago was quite rare. We see more single- and multi-family offices, either to complement their other offices elsewhere or as standalone entities. These are exciting times for us all here."

M/HQ commitment and experience

To underline their experience and deep market knowledge, Yann explains that M/HQ has, since its inception in 2009, positioned itself as a leader in the family holding and family office space and is licensed in both the DIFC and the ADGM.

"M/HQ offers a multi-service platform catering first and foremost to successful individuals and international families," he reports. "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 private client specialist team and a regulatory & compliance services practice, all through one single platform, so whatever the complexity of the situation faced by our clients, we aim to provide them with simple, practical yet innovative solutions."

Flexibility allowed

He notes that as single-family offices are low-regulated entities that do not provide services to external parties, licenses are available in the ADGM for those with assets under administration (AUA) of USD10 million and above, rising to USD50 million and above

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in the DIFC, with that higher figure considerably lower than in the more established centres.

"Add to that the fact that family can opt for key data such as SFOs' controllers, ownership structure not to appear in the public domain, and that privacy element often seals the deal," Yann comments. "It is a pretty convincing package, all in all."

He also elaborates on the tax efficiency of the UAE, noting that principal investors and individuals are not taxed on their financial investment gains or income in either the ADGM or DIFC. Foundations can add another layer of tax exclusion and are considered excellent vehicles for estate and legacy planning and to hold different types of physical and financial investments.

Expanding the custody offering

He also observes that the next phase for the region will be to improve the quality of existing domestic custody solutions and increase the range of players in the field, whereas much of the custody, especially for offshore assets, is presently conducted outside the region. "This will further diversify and improve the range of solutions in this region," he states.

He reports that M/HQ has been leading the way in terms of new approvals for MFOs, handling 21 successful applications in principle in 2023, in both DIFC and ADGM, and presently overseeing 18 more live applications. The firm services a pool of just under 100 ADGM/DIFC regulated client firms for key positions i.e., Compliance officer, Finance officer and/or non-executive director. "Both centres are excellent options," he says, "like choosing between an S-Class Mercedes and a BMW 7 series; both are hard to beat, both are very similar, and the real differences are minor, and the choice is then down to personal preference and commercial positioning."

The choice is yours...

He says that if comparing the two markets, there are far more similarities than differences, with comparable licenses, categorisation, capital adequacy, and so forth.

"Then there are minor tweaks in terms of approval times, fees charged and in some other areas, but in the overall context of the mission at hand, these are insignificant really," Yann comments.

He observes that there is a larger potential HNW and UHNW client base present in Dubai, which often favours the DIFC for MFOs, and there is a deeper talent pool available in Dubai, as well. On the other hand, the ADGM has certain appeals for more global-scale funds. "If there is a distinction to be had, it is perhaps that we have seen slightly more funds going to the ADGM, while more wealth management operators head to the DIFC," he says.

Greater choice opening up

Yann also comments on the rise of Ras Al-Khaimah, which he says is rather more like the UAE's version of Labuan in Asia, compared with Singapore and Hong Kong.

"You have the ADGM and DIFC, and then Ras Al-Khaimah, which is not a pure financial centre, but is more of a structuring centre," he says. "Ras Al-Khaimah is a valid alternative to DIFC and ADGM in many ways; it is regulated and easier and faster to access, and probably offers the most privacy, if that is the key objective, as the registrar is not public. As a CSP operating in DIFC & ADGM and a long-time RAK ICC Registered agent, we are agnostic as to which jurisdiction clients select, as long as they are doing so with a clear understanding of the differences."

Funding the Foundations

Yann closes the discussion by pointing to his firm's recent White Paper on financing UAE Foundations. In past interviews, Yann has highlighted how the

« "Foundations have many advantages for estate and legacy planning for wealthy families in the region and those UHHNW families setting up offices and/or taking up residence here." »

foundation is a very important element as part of the expanding wealth, legacy and succession planning activity in the UAE. He explained the Foundation is so popular as it is a registered vehicle, remarkably close in spirit to a trust, but technically looking more like a company.

"Foundations have many advantages for estate and legacy planning for wealthy families in the region and those UHHNW families setting up offices and/or taking up residence here," he says. "Moreover, they have also proved efficient for both Muslims and non-Muslims."

A huge opportunity

To arrive at its conclusions, M/HQ surveyed 60 banks and financial institutions to assess their appetite and capacity to finance assets underlying those foundations.

"We estimate that 85% of those assets are located in this region," Yann reports. "But there is a disconnect between those assets and the funding available, and we know that some major banks, within and external to the region, are looking at this as an opportunity. We hope we add to the discussion and help highlight the opportunity that is very evidently there. Perhaps we will even help open some floodgates, as this could be huge."

Explosive growth

He explains that there are some 1000 foundations in the UAE today, of which 333 registered last year alone. "We anticipate another 450 to 500 arriving this year as well, and they all hold assets that could be financed in the region, and yet there are hardly any providers," Yann says. "But that can, and we think, will change, perhaps dramatically."

The White Paper highlights how the Foundation is a valuable, modern, world-class wealth structuring tool providing flexibility, control and security. The report states that many UHNWIs, family businesses, and entrepreneurs are adopting UAE Foundations to consolidate and hold substantial wealth for predominantly legacy planning and asset protection reasons.

A win-win scenario

"But, despite their impressive increase in popularity, lending to Foundations is hardly taking place at all, which is a real missed opportunity," Yann reiterates. "Banks can benefit from significant revenue potential from interest margin, arrangement fees and management fees for AUM. Meanwhile, the principals of these Foundations can benefit from easy access to financing to leverage the considerable wealth consolidated under those vehicles. It is a win-win." ■

CLICK HERE to access the **M/HQ White Paper.**