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# THE UAE AND ITS WEALTH MANAGEMENT MARKETS: MAKING GOOD PROGRESS



## INTRODUCTION

The powers that be, the regulators and the private sector participants overseeing and operating in the UAE's wealth management markets clearly all want the region to provide a world-class wealth management offering for HNW and UHNW international clients, and at the same time wants to attract more of them and their families to reside in the Emirates. The infrastructure and facilities are there and improving all the time. Nevertheless, although progress has been made in the wealth industry in recent years, there are realistically still many advances needed before the region can emulate other leading offshore and midshore centres, for example those most directly comparable in Asia, namely Singapore or Hong Kong. Accordingly, there are many key developments and much greater diversification needed in the private sector participants to more fully set the wealth solutions industry on the road to realise its full potential. The banking and financial sector, for example, needs to become fit for the modern world; right now, it is rather limited and outmoded. More global brand-name asset management and life insurance players need to be represented and active. And there is no doubt that the quality of advice on investments, wealth structuring, and estate planning & solutions must improve; hence there is a growing emphasis on higher professional standards and skills, and on the expansion of the products and solutions the wealth industry can offer in order to keep their private clients engaged and to draw more international HNW and UHNW clients to the region. Is the UAE on the right track to achieving some or all of those goals? Yes, according to the short pre-event Survey Hubbis has conducted in anticipation of the Hubbis Middle East Wealth Solutions Forum due to take place in Dubai on September 20. We have summarised the views and findings from our short Survey in this report, which we hope will help set the scene for what will no doubt be a lively, informative and thought-provoking event.

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### Setting the Scene: Great progress to date but considerably more progress required

In order for wealth management to thrive in the Middle East and to attract more international clients to its shores, there is no doubt that the quality of advice on investments, wealth structuring, and estate planning must continue to improve. And this is happening - there is a growing emphasis on both the professionalisation and related expansion of the products and solutions the industry can offer in order to keep their private clients engaged.

For example, there is ongoing liberalisation of the financial markets and the availability now of Common Law structures through the Dubai International Financial Centre (DIFC). There are other advances taking place in the regulatory infrastructure, with the liberalisation efforts aimed at helping diversify and enhance the range of products and solutions available. For example, one respondent to our Survey cited the likelihood that an equivalent to Singapore's VCC (Variable Capital Corporation) will be introduced before long.

And at the same time, there is gradually a broader representation of leading brand international wealth management players, and a significantly improved bank sector offering in the region, both for domestic onshore clients, and also for international clients using the UAE as an offshore wealth jurisdiction; indeed, access to leverage is very important for most very wealthy private clients considering any jurisdiction.

Many of the replies we received were very positive about the handling of the pandemic, noting that the government's overall approach had helped to highlight the region as a strong alternative to existing wealth and offshore residence centres, some of which, such as Hong Kong, are still mired in pandemic restrictions, even today. Key advantages include political stability, neutrality, world class infrastructure and a positive regulatory framework, all of which are conducive.

"The UAE market in general and the wealth management market are currently buzzing with activity," said one specialist in a reply. "Ease of residency and doing business coupled with world class education and housing enables individuals to secure a lifestyle that makes the UAE an attractive place to reside. That is clearly a major magnet for wealthy individuals and their families to move to the region, and it is a natural step then to bring more of their assets and perhaps for the wealthiest amongst them, to then establish family offices."

Some respondents remarked on the ongoing thrust towards digitalisation and the adoption of new or better WealthTech solutions. Others noted the importance of this for seamless connectivity with other jurisdictions that the private clients also work with.

Plenty of the replies were positive but carefully measured. One respondent indicated that amongst the key indicators that the UAE is now offering a better proposition for regional and global HNWIs and UHNWIs, the number of Swiss private banks, EAMs and new fund establishment inquiries had been steadily increasing.



85%

**85% of respondents** are either very or quite encouraged by developments taking place in the region's wealth management industry

**But less than 10%** believe the UAE can already compete effectively with other more established wealth management markets.

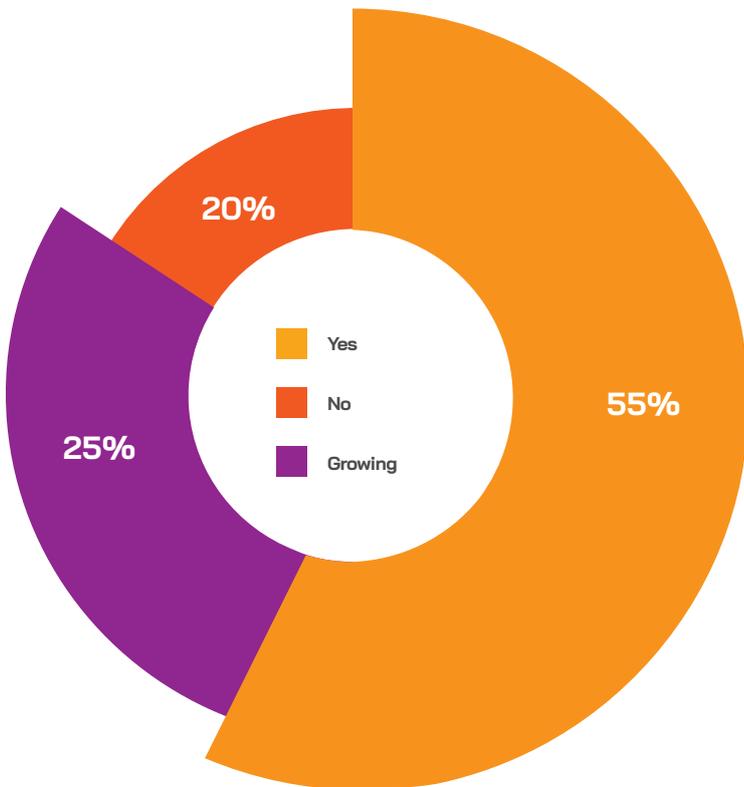
Do you think the UAE today provides a truly robust, professional and comprehensive asset management/ investment offering for regional and international HNW and UHNW clients?



Do you see synergies between the UAE and Singapore in terms of wealth centres for private clients?

80%

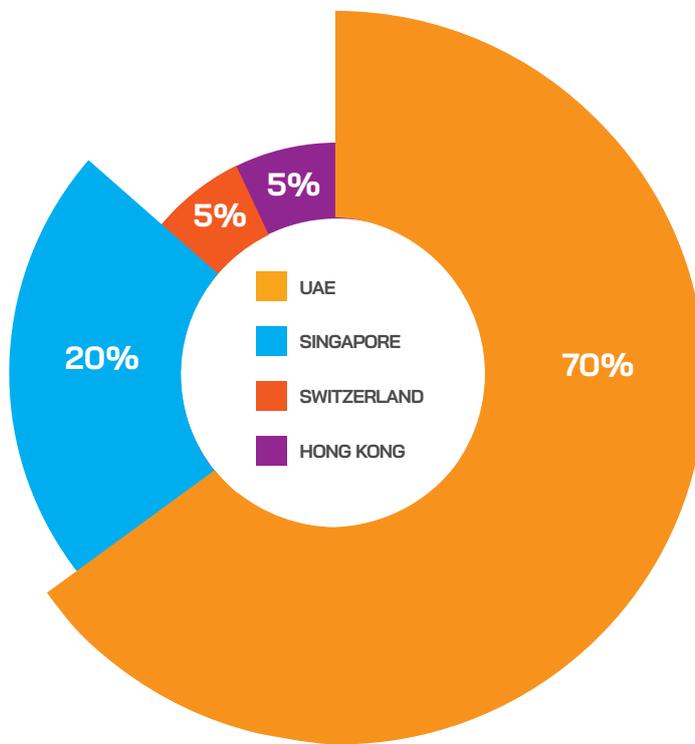
**80% of those** surveyed indicated that there are positive and growing synergies between the wealth and advisory markets of the UAE and Singapore.



70%

**70% of respondents** think that the UAE is the best jurisdiction for Indian clients.

Which wealth management jurisdiction is best for HNW and UHNW clients of Indian origin?



**As the wealth market evolves in the region, there is a growing emphasis on estate and legacy solutions for both onshore and offshore clients**

Estate, succession and legacy planning and solutions are of increasing importance to all clients in the region as the founder generations age, as the younger generations return from overseas armed with their Western educations and perspectives, and as the region embraces the trends taking place around the world amongst HNW and UHNW clients.

Moreover, Dubai and Abu Dhabi are attracting more international HNW and UHNW clients and families to their shores for asset management, wealth structuring and potentially residence, and will want to increasingly seek advice locally rather than searching elsewhere.

The delivery of advice and estate structuring solutions to these onshore clients and their families will clearly have a major positive knock-on effect to the delivery of similar types of estate & legacy planning to these international wealth clients coming into the region. Accordingly, there is a concomitant expansion and

diversification of the wealth management industry and associated products and services, all of which is also helping attract more family offices to establish themselves in the UAE, many of whose principals increasingly come from outside the region.

But only if the correct approaches, the right communication and the right type of advice and solutions are available will onshore and offshore clients take up more advice and more solutions in the region, rather than quickly heading off to overseas jurisdictions for their wealth structuring and estate planning and solutions.

*The Hubbis Pre-Event Survey*

### HAS THE UAE BECOME MUCH MORE APPEALING TO INTERNATIONAL HNW AND UHNW CLIENTS AND FAMILIES? AND IF SO, WHY?

**The great majority of replies said 'yes'. We have selected some of those replies and their reasoning, as below:**

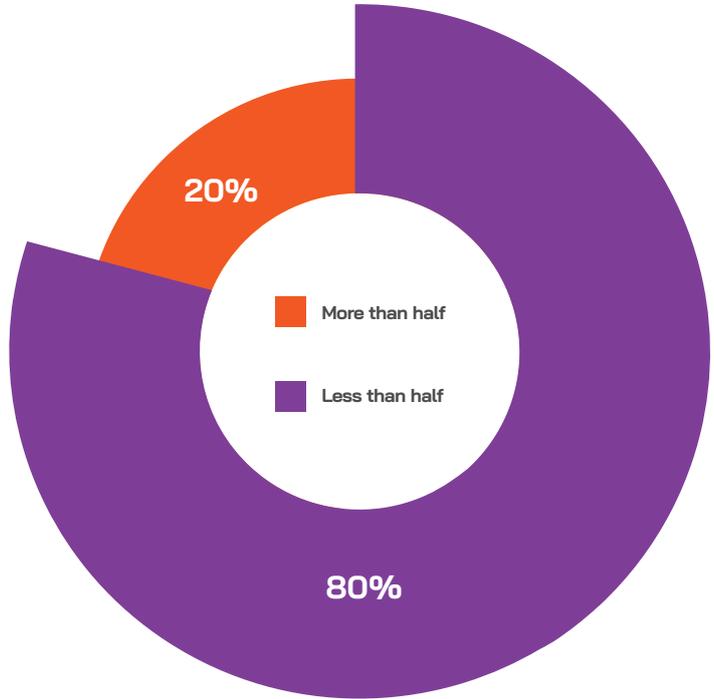
- » Security, connectivity, stable governments, great lifestyles, strong infrastructure.
- » The UAE has become a preferred destination for HNW and UHNW clients, and as the number of family offices opening in the DIFC and ADGM has kept rising, all the major banks have set up their representative offices here in order to cater to the demand for advice, services and products from these clients.
- » There is a favourable tax regime relatively to other jurisdictions, and there are incentives for wealthy individuals and family offices to move here, or to establish entities here. Coupled with excellent infrastructure, a good lifestyle and a time zone that is ideal for both east and west connectivity.
- » Wealthy individuals and families based in Greater China are attracted by the independence of the location and negligible taxation. Similarly, individuals and families from other regions are attracted by the UAE's relative stability, independence, attractive tax regime, security and forward-thinking government.
- » Recent media reports have highlighted the potential for some 4000 UHNW individuals around the world – representing vast private wealth – to consider shifting some assets at least and potentially themselves and/or their families to Dubai; it is happening and anyone who thinks this is so the UAE can simply complement other leading wealth market jurisdictions is really mistaken. The truly competitive environment will show through more visibly in the years ahead. That is partly why Singapore, for example, as well as Hong Kong, are adapting their incentives and regulations.
- » With the tangible economic partnership by the global HNW and UHNW community committing to the UAE rooting long-term business and presence, the overall eco system will further expand with an accelerated multiplication effect, enticing more business and capital.
- » The UAE has not left a stone unturned in terms of its positioning to compete with the likes of Singapore and Switzerland to offer wealth management solutions; the rise of the Foundation here is a major advance, as it is both cost effective and easy to manage as compared to trust structures.
- » There are favourable fiscal and physical benefits to the UAE as a hub and home for wealthy families. Firstly, the UAE welcomes wealthy families and has created an infrastructure that makes doing business relatively easy. The low tax environment, the 100% foreign ownership now available, sensible regulations and a good compliance infrastructure all mean the UAE is increasingly recognised as a dynamic business and wealth management jurisdiction.
- » With the UAE being nestled in a historically wealthy region with easy access to Asia and Europe, there are great appeals in terms of lifestyle and connectivity. Real estate remains buoyant, there are wonderful facilities, more and more world-class schools and above all there is a feeling of security.
- » There is a lot of interest amongst wealthy families from central Asia and Russia.
- » The UAE's immigration policies and procedures are considerably easier today and 100% foreign ownership is a great magnet.

- » The UAE now tops the millionaire migration table. The region stayed relatively open during covid period, a major plus point that drew many wealthy to the region, many of whom then stayed or returned, there is a favorable tax regime, great connectivity, and great advances in financial expertise and the associated breadth of advisory and professional services.
- » Locally in the region, there are many positives to encourage the onshore wealth market and that will have major positive impact on the offshore wealth market as well. There are estimates of the equivalent of USD1 trillion in assets to be transferred to the next generations in the Middle East during the next decade.
- » The UAE government has a strong commitment to support private and family businesses, which continue to play a prominent role in accelerating the growth the region's economy. It surely has become one of the sought-after hubs with much simpler rules and processes now for setting up a business, and the advanced infrastructure coupled with efficient systems and processes make it an easy option for wealthy business people and families to move to the UAE.
- » The UAE Government's exemplary handling of the Covid 19 pandemic was recognized the world over. The UAE was one of the first countries to re-open after lockdown for business and tourism. Various visa regimes have been introduced in the last couple of years such as Golden Visas and Remote Working Visas and indeed the new Green Visa, and these measures have contributed to the UAE being an increasingly attractive country to live and work in, as well as a wealth centre that is rising in prominence compared to more established jurisdictions in Asia and Europe.
- » There are many structuring options today in the UAE and the increasing range of choice is spurring greater competition.
- » I would highlight how the range of options have expanded, for example anyone wanting to establish a single-family office (SFO) could think seriously about realistic and robust alternatives in the Dubai International Financial Centre (DIFC), or the Abu Dhabi Global Market (ADGM). The DIFC has got its own codified laws, while the ADGM is now in strict compliance with English law. There are also lighter-touch options available for those who want a slightly more informal but well-incorporated environment in which to manage and make investments for families. For example, the Dubai Multi Commodities Centre (DMCC) was established as a free zone in 2002 by the Government of Dubai to provide the physical, market and financial infrastructure required to establish a hub for global commodities trade. DMCC today has a SFO offering that aims to be highly competitive.
- » And another new entrant is the Dubai World Trade Centre Free Zone, which now offers not only a single-family office option, but also that of the first in the region a multifamily office option as well. In fact, this expert reported, the first multifamily office was granted to what she described as an incredibly well-reputed set of professionals who she said had stepped outside of the comforts of the Swiss private banking world, and received their license within 30 days.
- » All these developments are reflective of the actual wealth management market, and the increasing global wealth in terms of private family-owned wealth. There is rising competition locally to provide the best options. And the speed of progress is helped, they said, by the openness of the government to work and other visas for experts from around the world.
- » "In short, we've got a fantastic talent pool, we have regulations, we have options, and all of this builds a very, very credible picture for family offices from across the world," they reported. "And all this comes with increasing trade and other flows that are helping the economies. As we have demonstrated, without a doubt the UAE business environment is unfettered and unhindered. It is becoming a very vibrant marketplace."
- » There are some fascinating developments that will facilitate a more active wealth structuring and estate planning market in the region. For example, there is ongoing liberalisation of the financial markets and the availability of Common Law structures through the Dubai International Financial Centre.

80%

**80% of respondents** reported that less than half of their clients have professionally organised wealth and legacy planning and structuring in place.

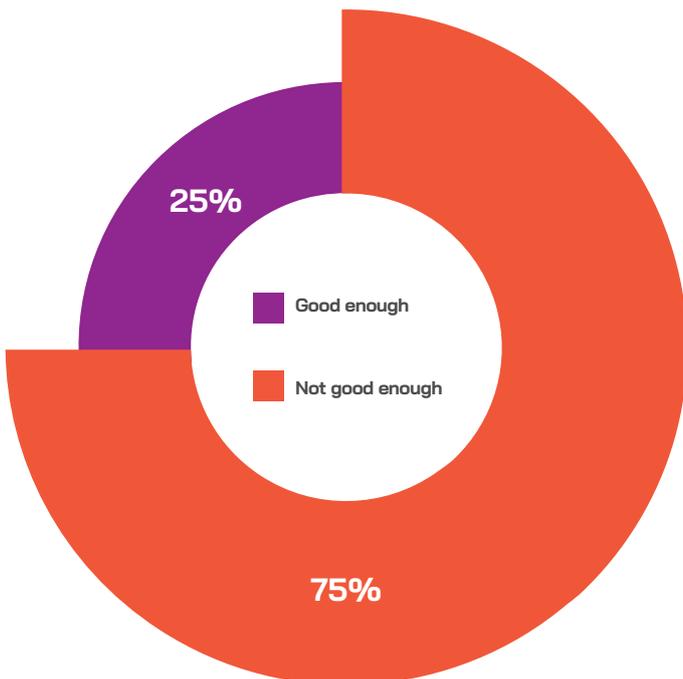
Approximately what percentage of your private clients today have professionally organised wealth, estate & legacy planning/structuring in place?



For those clients with wealth & legacy solutions in place, how would you describe the quality and practicality of their structures and planning?

75%

**75% of replies** stated that the wealth and legacy planning and structures amongst private clients in the region need to be improved.



23%

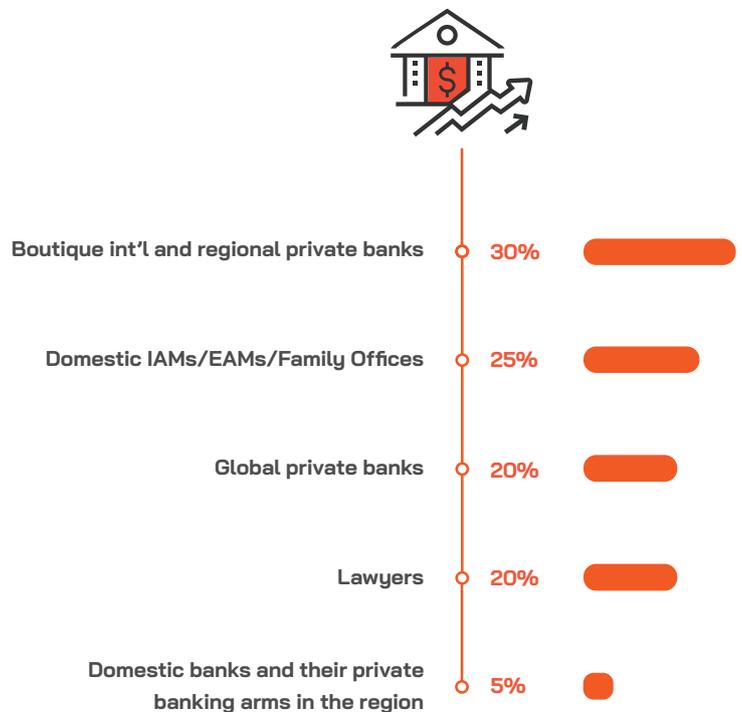
23% of replies indicated that the estate & legacy advice & solutions on offer today are already world class.

69% said these capabilities are 'quite good' already and rapid progress is being made.

Do you think the region's wealth management industry and the associated professional services firms can today offer truly world class estate & legacy structuring & solutions for regional and also increasingly for international HNW and UHNW clients?



In your view which banks, firms or advisors are Middle Eastern private clients working with to achieve their wealth and legacy structuring?



65%

**65% of replies** indicated that clients are still reluctant to pay proper fees for wealth & legacy planning, although 35% have seen the value and 35% appear more receptive than before.

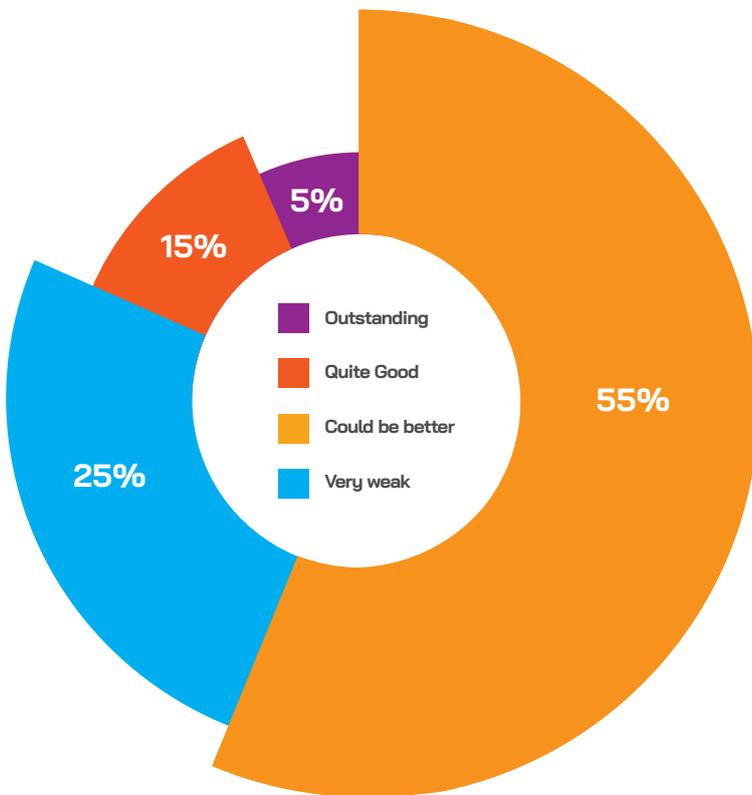
Are private clients working through the UAE willing to pay the necessary fees to build really thorough wealth and legacy planning?



In your view, how effective and professional is the trust industry in the UAE today?

80%

**80% of respondents** indicated that the trust industry in the region needs more players and more professionalism, opening the door to high quality exponents established already in other international markets.



*The Hubbis Pre-Event Survey*

### **WHAT ELSE DOES THE UAE NEED TO DO TO COMPETE MORE EFFECTIVELY WITH, FOR EXAMPLE SINGAPORE OR SWITZERLAND, GENERALLY AS A WEALTH MANAGEMENT/STRUCTURING CENTRE, AS WELL AS FOR FAMILY OFFICES?**

**The general tone of the replies we obtained indicated that there are many positive steps being taken by the government and regulators, and there is a growing wave of expansion and diversification from the private sector at home and from overseas. We have selected some of these views below:**

- » While there are many advances, all of which are generally rather positive, the broader world of financial services (specifically banking) is a decade or two behind more advanced international centres. The government and regulators need to encourage innovation, they need a single regulatory body, and they need to attract more good quality, global name international insurance and investment product providers, many of whom have actually been leaving for some years, as clients look elsewhere for such offerings and solutions in deeper pools.
- » On the question of whether UAE compete effectively with Singapore or perhaps Switzerland as a go-to centre for single-family offices and UHNW clients, I believe the UAE can compete. The cost of operating in UAE is lower, it is easy to obtain work permits and bring in resources and employ them in UAE and it has same access that Singapore or Switzerland provides, and it has some advantage in the time zone as well. Additionally, more and more UHNWIs and families are looking to have second homes in the UAE and thus creating a family office locally is logical and appealing.
- » The region needs to boost its efforts to reduce the opportunity for criminal elements to live, work or in any way operate out of the UAE. The recent cooperation with overseas authorities, for example, including several high-profile arrests and asset seizures, heralds a more open and proactive approach in tackling the criminal elements that have sought refuge in Dubai. Every developed country faces similar challenges, and the UAE is well-placed to set high standards given existing surveillance capabilities.
- » Slowly but steadily, the UAE is taking the right steps, steadily moving towards being a highly sought-after financial hub, and if the right steps are taken may one day exceed the likes of Singapore and Hong Kong in Asia, which are most directly comparable. Right now, the UAE is enjoying strong growth through its two free zone financial hubs - the DIFC and the ADGM. They are both young and need to do a lot more to be truly competitive, but only very recently, for example, the DIFC launched a Global Family Business and Private Wealth Centre focusing on educating families facing challenges in governance, succession planning, ownership and wealth; this is one of the first such examples in the world and is very promising. Both the centres also have a fully operational Foundation regime which rightly provides succession planning access to clients and also focuses on 'Shariah' law. The DIFC hub for family offices, opening in September, will be another positive step forward.
- » There is today a more compelling argument to construct or adapt a combination of onshore, mid-shore and also offshore structures, but for banks and independent wealth management firms to construct and deliver the right advice with a genuine multi-jurisdictional perspective requires great expertise, as well as the ability to leverage relationships across the world of professional services, from trustees to lawyers, tax advisors, accountants, life insurance experts, investment migration experts, offshore IFCs and many more. In short, the region needs more such professionals, and needs to be able to easily hire them in and obtain visas for them to work and move their families. We would like to see more progress in these areas, and a more robust and diverse talent pool.

- » The UAE government is already making a significant and successful effort to compete with other jurisdictions. The greater availability of residence permits being one area where it is now much easier for those attracted to the UAE to more quickly go through the compliance checks and establish a physical and financial base in the region.
- » The legal system must be improved. There needs to be a more robust international arbitration facility.
- » The UAE is a younger jurisdiction but is playing rapid catch up. We think that if the UAE continues at this pace and retains all the integrity, security and physical attractiveness then it is likely to surpass these regions in the next decade.
- » As to how the region's wealth advisory community delivers advice and structures across multiple jurisdictions, ours is a long established multi-jurisdictional business working within a community of professional advisors in the regional wealth advisory space. It is increasingly important for any provider to be able to offer multi-jurisdictional advisory services and when necessary, work together to deliver optimum solutions for our clients. This is all gradually improving in terms of the capabilities of the wealth and advisory industry in this region.
- » The UAE is a different proposition compared to Switzerland or Singapore, which are clearly well established and more tightly regulated. The improvement of the financial/banking environment is a must. We need to see a better reputation for privacy and reliability. Administrative hurdles need to be overcome; for example, opening a corporate bank account takes a long, long time. More marketing effort is required around investment protection laws, the tax system, the lifestyle and environment, and so forth.
- » There is significant scope for improving the trust and trustee segment and fiduciary services in general. The world's increasing complexities around taxation, compliance, and reporting obligations drive demand for genuinely expert trustees and world class advice in the region. This is especially true now that more HNW and UHNW clients are coming to the region from overseas; they expect a robust trust and fiduciary sector.
- » The UAE is not playing for second place in the wealth management centre stakes. Instead, it is pushing on many fronts to attract not just UHNW and HNW individuals, but also financial institutions and digital asset industry participants. Naturally when it comes to international clients, there is considerable competition with those other centres, and of course, the UAE wants to keep more of its home-grown and regional clients at home and/or moving more assets back to the region for wealth management and structuring. However, given the time zone, it is to some extent complementary to those other markets. The non-resident Indian market is an interesting one, as both Singapore and the UAE are clearly keen on attracting more or retaining more of those clients.
- » Clearly the UAE is still behind Singapore in many regards, with Singapore winning more of the truly wealthy global type UHNW clients and families. However, time will tell. If the UAE can keep improving and expanding its proposition and its credibility, then there will clearly be a much more competitive environment. Singapore is clearly a more important and established booking centre, for global asset management clients, but again the UAE is making progress in this area. Nevertheless, without a really robust, deep and dynamic banking environment, HNW and UHNW clients will be cautious, as leverage is a really important element of the overall proposition of any powerful wealth centre.

**To achieve robust and effective structuring and solutions, it is increasingly important to work inclusively with the next generations**

The second and third generations are increasingly involved in estate and succession planning. As the first-generation clients age, it is more important than ever to get the second and third generation increasingly involved in family estate and succession matters early. Identifying each family member’s strengths, interests, concerns and needs is the key to effectiveness and sustainability of their long-term planning. This is just as true for the regional clients as for the swelling numbers of international private clients coming to the UAE for either wealth management or residence, of family offices, or a combination of those.

The wealth industry is accordingly focusing more attention on the needs and expectations of these next generations, partly because they are the next wave of private clients, and how the private banks and independent wealth management providers can tailor their offerings and the approach to retain and/or attract those clients, and how they can maximise the opportunities ahead, for those clients and for their own businesses.

The wealth industry in the Middle East needs to understand and address the key differences between the generations to develop value, trust, and a pull-together attitude, and then design products and solutions to suit the different generations.

Hence, it is vitally important for the private banks and other advisory firms in the region to understand how to deal with the clients in

relation to the extremely sensitive and highly personal matters of estate, legacy and succession planning, while at the same time nurturing inclusiveness amongst the next generations that will, they hope, become their clients in the years and decades ahead.

**The growing prominence of life insurance solutions in robust estate structuring**

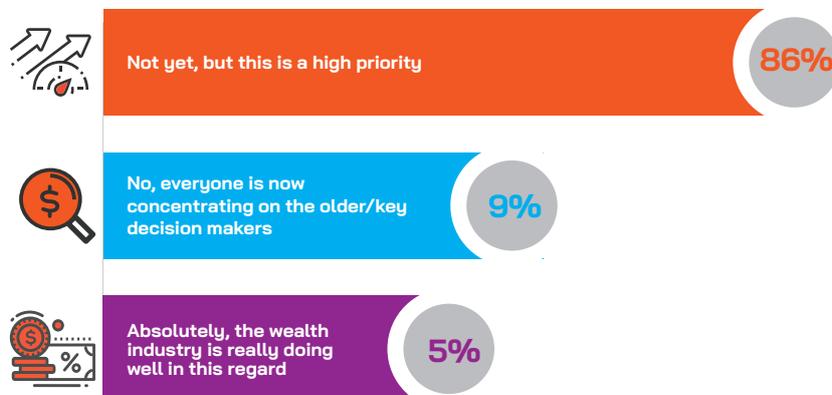
It is never easy for private banks and wealth managers to start and then pursue conversations with private clients that successfully focus on optimising estate and financial planning through the involvement of life insurance solutions. But such life insurance solutions clearly have a key role in helping HNW and UHNW clients protect their wealth, and also in providing the family with liquidity in the event of a death, as well as helping facilitate more efficient estate and even succession planning.

Whether UL, VUL, Whole of Life, PPLI, or other products, the

wealth management community should be promoting and aiming to help sell these solutions as an integral element of smart wealth and estate structuring. This is especially pertinent since the pandemic hit, which has, of course, focused the world on issues of mortality but has also impeded the vital face-to-face communication so often vital to the sale of larger policies, as well as impeding the health checks that have historically been needed in order to write such policies.

And with the more and more regulations now becoming so widespread, the focus for the wealth management and professional advisory community is moving increasingly towards legitimate, transparent and fully compliant tax solutions, avoiding conflicts of laws between civil law and common law jurisdictions, and protecting clients against the progressive invasion of personal privacy. Life insurance can play an important role in achieving those goals. ■

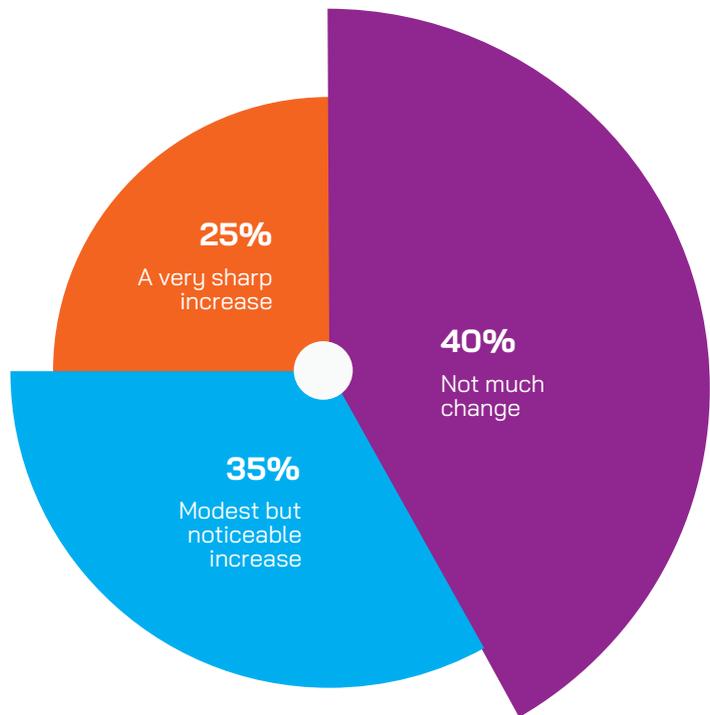
**Is there enough effort being made in the wealth industry in the region to engage the second and third generations to help promote and achieve effective estate and legacy planning and solutions?**



60%

60% of private clients are either taking up or considering life insurance solutions as part of their estate & legacy planning.

What sort of activity or interest in HNW/UHNW life insurance solutions as part of estate & legacy planning are you seeing?



### The Final Word: The Momentum is Building

Make no mistake about it, the UAE's wealth management proposition is expanding, diversifying and professionalising. There is a collective will and the regulators and authorities have, especially since the start of the pandemic, accelerated their efforts and appear increasingly driven to help develop the wealth management industry, as a core lynchpin of the economic growth of the Emirates. There can be little doubt that they are eyeing the success of Singapore's financial sector and wealth industry, and all the many advantages it can bring to the economy at large. The UAE has a valuable and increasingly appealing proposition already. There can be little doubt that the years ahead will see this momentum build further. We look forward to seeing these developments unfold.

