



## UAE Fund Structures 2025: Market Overview

27 November 2025

## Executive Summary

The UAE has cemented its position as a premier global fund domiciliation hub in 2025. The Dubai International Financial Centre (DIFC) now hosts 440 wealth and asset management firms, including 85 hedge funds, whilst the Abu Dhabi Global Market (ADGM) houses 134 asset and fund managers overseeing 166 funds, with AUM surging 245% in 2024. Key regulatory developments, including value added tax (VAT) exemptions for fund management and mandatory environmental, social and governance (ESG) reporting, continue to enhance the UAE's competitive positioning.

## Key Market Statistics (2025)

**DIFC Performance:** The DIFC now houses 440 wealth and asset management firms, reflecting 19% year-on-year growth. Among these are 85 hedge funds, with 69 achieving billion-dollar status. More than 10,000 funds are currently managed or marketed from the DIFC, supported by \$700 billion in assets under management.

**ADGM Performance:** The ADGM hosts 134 asset and fund managers overseeing 166 funds. The ADGM recorded remarkable 245% AUM growth in 2024, followed by 33% year-on-year growth in the first quarter of 2025, establishing it as one of the fastest-growing financial centres in the region.

## Major Regulatory Developments

### VAT Framework Enhancement

Effective November 15, 2024, fund management services are now exempt from VAT. This exemption covers services provided by fund managers independently for consideration to funds licensed by a competent authority in the UAE, creating significant cost efficiencies for fund operations.

## **Jurisdiction Comparison: DIFC vs ADGM**

The DIFC offers an established ecosystem with extensive service provider networks and is home to 27 of the world's 29 global systemically important banks. The DIFC benefits from a comprehensive court system with over 20 years of jurisprudence and enjoys the advantages of central Dubai's business infrastructure.

The ADGM distinguishes itself through direct application of English common law and greater structural flexibility, particularly for limited partnerships. The ADGM offers streamlined compliance processes for certain structures and benefits from closer proximity to sovereign wealth funds, making it attractive for institutional capital strategies.

## **Corporate Tax Considerations**

The UAE's 9% corporate tax rate applies to profits exceeding AED 375,000. However, qualifying investment funds maintain explicit corporate tax exemptions, while qualifying free zone persons can benefit from a 0% rate on qualifying income. Investment funds structured according to UAE regulations retain their advantageous tax treatment, reinforcing the UAE's appeal as an asset management destination.

## **Fund Structure Opportunities**

Sustainable finance continues to experience growing demand for ESG-compliant structures. Prominent sustainable asset managers including TPG, Patrizia, BlackRock, and General Atlantic established an ADGM presence in 2024, reflecting the jurisdiction's appeal for responsible investment strategies.

Digital asset funds benefit from frameworks offered by both the DIFC and the ADGM, though the ADGM takes a more comprehensive approach to tokenisation services and decentralised finance (DeFi) protocols, providing clearer regulatory pathways from sandbox to full authorisation.

Private credit structures can leverage established frameworks that accommodate small and medium enterprise (SME) financing through both conventional and Sharia-compliant

structures, as well as cross-border lending platforms and regulatory capital optimisation strategies.

## **Key Recommendations**

For Fund Managers, jurisdiction selection should be based on investor base, fund strategy, and operational requirements rather than cost considerations alone. Managers should review fund management service structures to leverage the November 2024 VAT exemptions while developing robust ESG frameworks ahead of the May 2025 mandatory reporting requirements. Early engagement with tax advisors on corporate tax optimisation and substance requirements remains critical.

For Investors, due diligence processes should expand to include UAE-specific regulatory compliance considerations. ESG assessments of fund managers' climate reporting capabilities has become essential, as has operational risk evaluation of local infrastructure and service provider relationships.

## **Outlook for 2026**

The UAE's fund management landscape presents compelling opportunities driven by continued regulatory sophistication and harmonisation, strategic geographic positioning between East and West markets, and tax efficiency with specific fund exemptions. Growing regional wealth concentration and family office sophistication further enhance the market's appeal.

The trajectory is clear: early movers establishing strong local presence and relationships will be best positioned to capitalise on the UAE's evolving role as a permanent fixture in global fund management.



## About us

### 7 key practices

- Corporate/M&A
- UAE Financial and Free Zones structuring and advisory services
- Private Capital and Private Wealth
- Banking and Finance
- Capital Markets
- Real Estate & Projects
- Energy and Natural Resources

### Best-in-class legal advice



We are an independent boutique international law firm headquartered in the UAE. We work with clients doing business across the Middle East, the CIS and Asia, drawing on our thirty years of experience advising on many of these regions most innovative corporate, finance, and capital markets transactions.

We deliver best-in-class legal services, individually tailored to your commercial requirements, through partner-led advice backed by a core team of experienced lawyers and other professionals.

We are great at what we do and we work closely with you to ensure that you have access to everything that you need, when and where you need it, and with an individually-agreed pricing model that works for both of us.

We predominantly provide English, Russian, ADGM and DIFC legal and strategic advice across the Middle East, CIS, Asia and Africa. We will provide advice relating to other UAE freezones. We focus on structuring, regulatory and complex transactional advice, and frequently work with our clients on their most sensitive and complicated transactions.

We have an affiliation with Stonebridge Legal, which is the successor firm to Freshfields Bruckhaus Deringer in Moscow, with whom we are able to field joint teams where appropriate. This arrangement positions us to leverage the experience and expertise in that office and does not require any additional engagement with Stonebridge Legal or any other entity.

## Our Team

Our core team has decades of experience in leading international law and consultancy firms.

We have lawyers admitted to practice law in England, the state of New York (USA), and UAE special economic zones - DIFC (Dubai International Financial Centre) and ADGM (Abu Dhabi Global Market) – the British Virgin Islands and Ireland.

## Contacts



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