

Why Dubai has become the Middle East, Africa and South Asia's number one destination for hedge funds

Interview with Salmaan Jaffery
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1. Tell us why Dubai, and specifically DIFC has been attracting so much attention from hedge funds and the wider alternatives sector recently?

In the past 18 months, DIFC has continued to attract unprecedented numbers of hedge funds to its community, boosting Dubai's reputation as the region's top industry destination, and an emerging global market for alternative investments.

Dubai possesses the highest concentration of wealth of any Middle Eastern city with over 72,000 UHNWIs, valued at USD 517bn. Second, Dubai is considered a favourable neutral territory and offers more access to a broader investor base including USD 4.7trn of regional sovereign capital, USD 3.5trn of family wealth as well as the UNHWI pools cited earlier. Thirdly, thanks to Dubai and the UAE's increasingly high standards of regulation, transparency, as well as its world-class legal framework, the city continues to attract a lion's share of foreign direct investment. Finally, Dubai provides the best platform for talent acquisition given our safety, lifestyle, housing as well as a wide range of the region's top schools.

2. What kind of firms from the sector are in your ecosystem?

DIFC is home to more than 370 wealth and asset management firms, which includes more than 50 hedge funds. In April 2024, With Intelligence issued research highlighting that Dubai continues to outperform the market with over 37 billion-dollar hedge funds establishing in the Centre. Collectively, they manage USD 510bn in assets. By May, this increased to 40 funds, managing more than USD 720bn. DIFC has more than six times the number of billion-dollar hedge funds operating elsewhere in the UAE.

More broadly, it is worth noting that assets under management within DIFC have jumped to more than USD 700bn and over 10,000 funds are now managed in, or marketed from the Centre.

Among the recent influx of wealth firms are AllianceBernstein, Balyasny Asset Management, Baring Asset Management, Blue Owl Capital, Capital Asset Management, Carrhae Capital, Exodus Point, Lone Star Europe Acquisitions, Patient Square Capital and State Street Global Advisors.

3. How easy is the set-up and what are the considerations for getting regulatory approvals efficiently?

Hedge fund approvals are quick by comparison to other major centres around the world. The DFSA's regulatory approach is generally risk-based, and outcomes focused. They supervise firms in a data-led and proportionate way.

Last year, the DFSA, DIFC's truly independent regulator, recorded its highest number of authorisations in a single year, licensing 117 new firms, including many hedge funds. Consequently, DIFC is now home to over 790 regulated firms within our ecosystem of 5,500+ financial services related companies.

4. Are firms purely moving to Dubai to access capital or what are the other reasons?

As stated earlier, there are many reasons why firms might wish to move to Dubai other than access to capital. In addition to providing access to the vast pools of wealth, which includes being part of the MEASA's largest financial

ecosystem, Dubai is recognised as a commercial, financial, and logistical bridge between east and west. This strategic location allows portfolio managers to trade Asian, European and North American markets from a convenient location.

Firms are also able to attract top global talent to Dubai to the Emirates attractive lifestyle options as well as benefits such as zero federal personal income or capital gains tax. In addition, Dubai provides one of the highest standards of living with one of the lowest crime rates in the world.

5. What about talent? How readily available is specialist financial services talent?

DIFC remains a magnet for attracting talent and continues its status as host to the region's largest and most experienced pool of financial services professionals. In 2023, the total workforce grew to 41,597, a 15 per cent year-on-year increase, creating 5,514 new jobs. In fact the population of the DIFC has nearly tripled in just over 3 years.

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