MatchPoint Research Working Paper No. 2026/P84

SPV and Fund Structuring in DIFC and ADGM: A Practitioner Framework for Vehicle Design in the UAE Financial Centres

How GCC fund managers and allocators should choose between full fund vehicles, SPV stacks and syndication structures in the Dubai International Financial Centre and Abu Dhabi Global Market

Chennakeshav (CK) Adya
Independent Researcher
July 2026

ABSTRACT

Background. The Dubai International Financial Centre (DIFC) and the Abu Dhabi Global Market (ADGM) have matured into credible common-law fund domiciles, each with its own courts, regulator and vehicle menu. GCC managers raising private equity, credit or venture funds now face a genuine design choice that a decade ago defaulted to Cayman. **Objective.** The paper asks how a manager should choose between the two centres, and between a full fund vehicle, an SPV stack and a syndication structure, given the investor base, the asset, the manager's regulatory ambition, and cost and timeline realities. **Approach.** Drawing on financial intermediation theory, the law and finance literature, work on fund domicile competition and agency-cost analysis, the paper develops five propositions and a formal decision framework, calibrated with base-case cost and timeline ranges drawn from transaction practice in the region. **Findings.** Structure choice is investor-driven before it is asset-driven. Staged structuring, moving from SPV syndication through a hosted platform to a standalone licence as assets grow, dominates immediate full structuring under fundraising uncertainty. Managers routinely over-structure early, buying regulatory capacity they cannot yet use, and under-structure late, running institutional capital through vehicles built for club deals. The DIFC versus ADGM choice turns on service dimensions and ecosystem fit rather than legal fundamentals. **Implications.** Managers gain a sequencing discipline that protects scarce early capital and preserves institutional credibility; allocators gain a diligence lens for reading a structure as evidence of manager judgement, alignment and economics.

Highlights

- Vehicle choice is a design problem set by investors, asset, ambition, cost and time
- Staged structuring preserves option value; most managers over-structure early
- DIFC and ADGM compete on service and ecosystem fit, not on legal fundamentals
- Every added layer must earn its keep in tax, regulatory or investor terms
- A decision matrix maps four manager archetypes to centre and vehicle choices

JEL Classification: G23, G24, K22, G28, F21

Keywords: fund structuring, special purpose vehicles, DIFC, ADGM, fund domicile, private equity, venture capital, GCC capital markets

This paper is an educational and structural analysis prepared for research purposes. It is not investment advice, an offer, or a solicitation. It contains no client information.

1. INTRODUCTION

A first-time GCC manager with a committed anchor investor, two deals in exclusivity and a target fund of USD 75 million faces a set of decisions that will shape the economics and credibility of the franchise for a decade. Where should the vehicle sit: in the Dubai International Financial Centre, in the Abu Dhabi Global Market, or offshore in Cayman or Luxembourg? Should the manager build a full fund with a licensed management company, rent regulatory cover from a hosted platform, or syndicate the two live deals through special purpose vehicles and defer the fund question entirely? Should international limited partners come into the main vehicle or through a feeder? Each choice carries cost, timeline and signalling consequences, and most of them are expensive to reverse.

This paper treats that set of decisions as a single design problem. The central claim is that the choice of centre and vehicle is not a legal formality to be delegated wholesale to counsel, nor a prestige decision to be settled by imitation of larger firms. It is an economic design problem whose inputs are the investor base, the asset, the manager's regulatory ambition, and cost and timeline realities. When those inputs are read carefully, the structure follows with surprising determinism. When they are ignored, two characteristic failures result: managers over-structure early, building fund and licensing infrastructure that their assets under management cannot carry, and under-structure late, continuing to run institutional capital through syndication vehicles designed for club deals among friends.

The setting matters because it is new. Both DIFC and ADGM are common-law financial free zones within the United Arab Emirates, each with its own courts and its own regulator, the Dubai Financial Services Authority (DFSA) in the DIFC and the Financial Services Regulatory Authority (FSRA) in ADGM. Both centres have built out fund regimes that include qualified or professional-investor categories alongside retail categories, lighter-touch regimes aimed at venture capital managers, and flexible SPV or special purpose company regimes. A regional manager can now assemble onshore, in a common-law environment, a structure that a decade ago would have required a Cayman vehicle and an offshore administrator. Whether the manager should do so, and how, is the question this paper addresses.

1.1 Research Questions

The paper is organised around three research questions.

RQ1. What determines the optimal choice between a full fund vehicle, an SPV or syndication stack, and a platform-hosted structure for a GCC manager raising private capital, and how does that choice evolve as the manager's assets and investor base develop?

RQ2. On what dimensions do DIFC and ADGM actually differ for fund and SPV structuring purposes, and which manager and investor characteristics make one centre the better fit?

RQ3. How should allocators, particularly family offices and institutional investors diligencing GCC vehicles, read a manager's structural choices as evidence about the manager's judgement, economics and alignment?

1.2 Contributions

The paper makes four contributions. First, it provides a unified decision framework that maps investor base, asset type, regulatory ambition and resource constraints to a recommended structure, formalised in Section 4 and applied in Section 6. Second, it translates the academic literature on intermediation, legal origins, domicile competition and agency costs into propositions that are testable against practice in the UAE centres, developed in Section 2 and revisited throughout. Third, it offers a vehicle-by-vehicle analysis of the practical toolkit, SPVs, qualified-investor funds, hosted platforms, feeders and carry vehicles, at a level of specificity a practitioner can plan and budget against. Fourth, it gives allocators a structured diligence lens, treating structure as a signal rather than a compliance artefact.

Two disciplines govern the analysis. Every number in the paper is a base-case planning range, drawn from the author's transaction experience in the region and from market convention, and recorded in the calibration register in Section 4 and Appendix A. And regimes are described at the level at which they are stable: both centres operate common-law frameworks with independent courts, both distinguish public or retail funds from qualified or exempt categories, and both operate SPV regimes. Fee schedules, capital requirements and processing standards sit below that level of stability and are therefore expressed throughout as planning ranges rather than point figures.

1.3 Roadmap

The paper proceeds as follows. Section 2 reviews four strands of literature and derives five propositions. Section 3 describes the institutional context of the two centres qualitatively. Section 4 defines the decision framework and records its base-case calibrations. Section 5 analyses the structuring toolkit vehicle by vehicle, with two structure diagrams. Section 6 applies the framework to four manager archetypes and catalogues failure modes. Section 7 tests the sensitivity of the recommendations and states what would falsify them. Section 8 draws implications for managers and allocators and compares the UAE centres with Cayman, Luxembourg and Singapore. Section 9 states limitations, and Section 10 concludes.

2. LITERATURE REVIEW AND PROPOSITIONS

Four strands of literature bear directly on the structuring decision: the theory of financial intermediation and fund structure; the law and finance literature on investor protection and legal origins; the literature on fund domicile competition; and the analysis of agency costs in intermediated structures. Each strand is reviewed briefly and translated into an implication for the UAE centres, and the section closes with five propositions that the remainder of the paper develops.

2.1 Financial Intermediation and the Economics of Fund Structure

The classical theory of intermediation explains why pooled, delegated vehicles exist at all. Diamond (1984) shows that delegated monitoring economises on duplicated screening costs when many investors face the same information problem, and Leland and Pyle (1977) show that an intermediary's own stake in the venture serves as a credible signal under asymmetric information. Applied to private markets, these results explain the canonical limited partnership: investors delegate selection and monitoring to a general partner, and the general partner's commitment and carried interest align incentives that covenants alone cannot.

Sahlman (1990) documents how the venture capital partnership operationalises this logic: finite life, staged capital calls, management fees calibrated to effort, and carried interest calibrated to outcomes. Gompers and Lerner (1996, 1999) show that the covenant package varies systematically with the supply and demand for fund capital, and Metrick and Yasuda (2010) demonstrate that fee and carry economics differ predictably between buyout and venture funds because the scalability of the underlying activity differs. Axelson, Stromberg and Weisbach (2009) extend the logic to capital structure, arguing that the combination of ex-ante pooled commitments and ex-post deal-level financing is an optimal response to agency problems in acquisition finance.

The implication for the UAE centres is direct. A fund vehicle is justified when the manager is selling delegated discretion over a portfolio; an SPV or syndication structure is justified when the manager is selling access to an identified asset with investor-by-investor consent. The two products carry different information problems, different governance needs and therefore different optimal structures. A centre that offers both a credible fund regime and a cheap, fast SPV regime allows a manager to match the vehicle to the product rather than forcing every capital raise through fund infrastructure. Both DIFC and ADGM now offer that menu, which is precisely why the design question has become live.

2.2 Law and Finance: Investor Protection and Legal Origins

The law and finance literature initiated by La Porta, Lopez-de-Silanes, Shleifer and Vishny (1998) establishes that legal origin and the quality of investor protection correlate strongly with the depth of external finance. Common-law systems tend to offer stronger minority-investor protection, and La Porta, Lopez-de-Silanes, Shleifer and Vishny (2000) argue that investor protection shapes both corporate governance and the willingness of outsiders to fund insiders. Djankov, La Porta, Lopez-de-Silanes and Shleifer (2008) sharpen the mechanism to the regulation of self-dealing, the specific hazard that most concerns a passive investor in a manager-controlled vehicle.

Lerner and Schoar (2005) bring the argument to private transactions in developing markets: where legal enforcement is weak, parties substitute control-based instruments, majority stakes and board control, for the contract-based instruments, preferred securities and covenants, that dominate in strong-enforcement environments. Kaplan and Stromberg (2003) show what the contract-based end state looks like when enforcement is credible: finely contingent allocations of cash-flow and control rights. Gilson (2003) adds the institutional-engineering perspective: venture markets can be deliberately built, but only when the legal and contracting infrastructure allows the standard instruments to work.

The DIFC and ADGM are, in effect, applied experiments in this literature. Both centres transplanted common-law frameworks, with independent courts and English-language proceedings, into a civil-law region precisely to import the contracting environment that the literature associates with external finance. For a manager, the implication is that vehicles domiciled in the centres can carry the full standard toolkit, preferred instruments, drag and tag provisions, staged closings and carry waterfalls, with reasonable confidence of enforcement. For an allocator, the implication is subtler: the legal transplant is necessary but not sufficient. Enforcement quality reveals itself over decades, and in the interim, operational credibility, audit, administration and governance practice, carries much of the assurance burden.

2.3 Fund Domicile Competition: Offshore and Onshore

A third strand examines how fund domiciles compete. Jurisdictions attract vehicle formation through a bundle of attributes: legal familiarity to investors, speed and cost of formation, regulatory proportionality, tax neutrality, treaty access, service-provider depth and reputational standing. Cumming and Johan (2006) show that the sophistication of the legal environment and of the parties shapes the covenants and structures used in institutional investment, and their broader body of work on venture capital and private equity contracting (Cumming and Johan, 2013) documents how regulation and jurisdiction interact with fund structure across countries. Black and Gilson (1998) emphasise that the institutional ecosystem around a market, not merely its statutes, determines what financing structures thrive.

Historically the competition sorted into offshore domiciles, led by Cayman, competing on speed, neutrality and familiarity, and onshore domiciles, led by Luxembourg and later Singapore, competing on treaty access, regulatory substance and distribution rights. The entrant strategy of the UAE centres is distinctive: they compete not primarily for the global manager choosing among established domiciles, but for the regional manager and regional capital for whom proximity, time zone, ecosystem and the ability to co-locate management company and vehicle are decisive. Domicile choice is sticky, network effects favour incumbents, and switching costs are high, so the realistic contest is for new formation by regional managers rather than migration of existing structures.

The implication is that DIFC versus ADGM is rarely settled by legal fundamentals, which are deliberately similar, but by service dimensions: cost and speed at the vehicle level, regulator engagement style, anchor-investor preferences, ecosystem fit for the strategy, and where the manager's team physically sits. That is an empirical, manager-specific comparison, not a ranking.

2.4 Agency Costs in Intermediated Structures

Jensen and Meckling (1976) supply the general result: separating ownership from control creates agency costs, and the structure of claims determines their size. Every layer in a fund structure, the management company, the general partner entity, the fund, the feeder, the deal SPV, the carry vehicle, is a locus of potential agency cost as well as a solution to one. Kaplan and Schoar (2005) document persistent performance differences across managers, which raises the stakes of manager selection and makes credible signalling valuable. Phalippou and Gottschalg (2009) show how fee structures and reporting conventions can flatter reported performance, a warning that structural opacity has measurable costs for investors. Chung, Sensoy, Stern and Weisbach (2012) show that the prospect of future fundraising disciplines current behaviour, implying that structures which make track-record attribution clean are valuable to honest managers.

The implication for structuring in the UAE centres is a discipline rule: each layer must earn its keep. A feeder earns its keep when it segments investors with genuinely different tax, regulatory or documentation needs. A deal SPV earns its keep when it ring-fences liability or enables deal-by-deal syndication. A layer that exists because a template contained it, or because complexity signals sophistication, generates administration cost, audit cost and opacity without compensating benefit, and sophisticated allocators read unexplained complexity as a negative signal.

2.5 Propositions

The four strands jointly support five propositions.

Proposition 1 (Investor primacy). The optimal vehicle and centre are determined first by the investor base, its sophistication, geography, tax position and documentation expectations, and only second by the asset. Two managers with identical assets but different investor bases should often choose different structures.

Proposition 2 (Operational credibility). The common-law framework of the centres is necessary but not sufficient for allocator acceptance. At the margin, audit quality, administrator quality and governance practice move allocator decisions more than incremental legal differences between DIFC and ADGM.

Proposition 3 (Staged structuring as a real option). Under fundraising uncertainty, a staged path, syndicating deals through SPVs, then renting regulatory infrastructure from a hosted platform, then acquiring a standalone licence as assets grow, dominates immediate full structuring, because it converts fixed regulatory cost into an option exercised only on evidence of demand.

Proposition 4 (Layer discipline). Each structural layer must be justified by an identifiable benefit in liability segregation, investor segmentation, tax or treaty positioning, or regulatory permission. Layers without such justification create net agency and administration cost and are read by sophisticated allocators as negative signals.

Proposition 5 (Service-margin competition). Because the legal fundamentals of DIFC and ADGM are deliberately similar, the choice between them is decided on service margins, cost, speed, regulator engagement, ecosystem fit and anchor-investor preference, and is therefore segment-specific: neither centre dominates for all managers.

These propositions are developed through the toolkit analysis in Section 5, applied in Section 6, stress-tested in Section 7 and discussed in Section 8.

3. INSTITUTIONAL AND MARKET CONTEXT

3.1 Two Common-Law Centres in a Civil-Law Federation

The United Arab Emirates operates a civil-law legal system at the federal level. Within it, two financial free zones have been carved out with their own legal systems: the Dubai International Financial Centre, established in the mid-2000s, and the Abu Dhabi Global Market, established roughly a decade later. Each centre operates a common-law framework, each maintains its own courts with English-language proceedings and judges drawn substantially from senior common-law judiciaries, and each has its own financial regulator: the Dubai Financial Services Authority in the DIFC and the Financial Services Regulatory Authority in ADGM. ADGM notably anchored its framework by applying English common law directly, while the DIFC built a body of centre-specific law drafted on common-law principles. For structuring purposes the practical consequence of both approaches is similar: contracts, security interests, trusts and partnership arrangements of the kind used in international fund practice can be created and enforced within either centre without reliance on the federal civil-law courts.

This architecture matters for the reasons Section 2.2 set out. The standard instruments of private capital, limited partnerships or their corporate analogues, preferred share classes, subscription and shareholder agreements, carry waterfalls, are creatures of common-law contracting practice. Housing them in a jurisdiction whose courts natively speak that language reduces enforcement uncertainty, and reduces the discount that international allocators apply to unfamiliar legal environments.

3.2 Regulators and the Shape of the Fund Regimes

Both regulators operate risk-proportionate fund regimes whose architecture is conceptually similar even where terminology differs. At one end sit public or retail fund categories with full prospectus, governance and ongoing disclosure obligations; these are largely irrelevant to the managers this paper addresses. In the middle sit fund categories aimed at professional or exempt investors with lighter documentation and faster establishment. At the other end sit qualified-investor categories, restricted to sophisticated investors above meaningful minimum commitments, with the lightest regulatory overlay and the fastest establishment, typically on a notification or expedited basis. Both centres have also developed lighter-touch manager regimes aimed at venture capital managers, recognising that a first-time venture firm cannot carry the compliance infrastructure of an institutional asset manager. The precise names, thresholds and processing standards of these categories differ between the centres and evolve over time; the architecture, a retail tier, a professional tier and a qualified tier with proportionately lighter treatment, is stable and is what the structuring decision turns on.

Alongside the fund regimes, both centres operate special purpose vehicle regimes: passive holding companies that can be established quickly and cheaply, are exempt from many of the substance and staffing expectations applied to operating companies, and can be stacked into holding structures. Cell-type structures, in which a single legal entity contains segregated compartments whose assets and liabilities are ring-fenced from one another, are also available conceptually in the centres and are used for umbrella and multi-deal arrangements. The combination of a credible fund regime and an efficient SPV regime in the same jurisdiction is the structural fact on which this paper's design framework rests.

3.3 The Evolution into Fund Domiciles

Neither centre began as a fund domicile. Both began as platforms for banking, insurance and capital-markets activity, and their fund regimes matured later, through successive rounds of regime simplification, the arrival of fund administrators, auditors and specialist counsel, and the accumulation of precedent vehicles. Three developments accelerated the maturation. First, regional capital, sovereign, institutional and family office, increasingly preferred vehicles it could diligence in its own time zone under a familiar common-law wrapper. Second, the UAE introduced a federal corporate tax regime in the 2020s, which, combined with international substance expectations, made the historic pattern of a Cayman vehicle managed informally from the Gulf harder to sustain; locating the vehicle where the management activity actually occurs became the cleaner answer. Third, the centres invested in manager-friendly infrastructure: venture-capital manager regimes, hosted platform ecosystems and expedited qualified-investor fund treatment. The result is that a GCC manager in 2026 can regard the centres as default candidates rather than exotic alternatives, which is the premise of the design problem this paper formalises.

Table 1. DIFC and ADGM as fund and SPV domiciles, a qualitative comparison

Dimension	DIFC	ADGM
Legal framework	Common-law framework, centre-specific statutes on common-law principles	Common-law framework, direct application of English common law
Courts	Own courts, English-language, senior common-law judiciary	Own courts, English-language, senior common-law judiciary
Regulator	DFSA, established supervisory track record	FSRA, younger, widely seen as engagement-oriented
Fund regime shape	Retail, professional and qualified-investor categories; VC manager route	Retail, professional and qualified-investor categories; VC manager route
SPV regime	Established, widely used in holding structures	Established, has competed actively on cost and process
Ecosystem fit	Deepest pool of banks, law firms, administrators; Dubai deal flow	Strong sovereign and institutional anchor presence; Abu Dhabi capital

Source: author's analysis.

4. DATA AND METHODOLOGY

4.1 The Structuring Decision Framework

The paper's method is a formal design framework rather than an econometric exercise. Define a manager's structuring problem as the choice of a structure S from the feasible set {SPV stack, hosted platform fund, standalone licensed fund}, jointly with a centre C from {DIFC, ADGM}, to maximise the net present value of the franchise subject to four input vectors:

- **I, the investor base**: number of investors, sophistication, geography, tax positions, ticket sizes, documentation expectations and any hard requirements (for example, an institutional LP that will not invest without a regulated manager and an independent administrator).
- **A, the asset and strategy**: single asset versus blind pool, expected number of positions, holding period, income versus capital gain profile, leverage needs and jurisdictions of the underlying assets.
- **R, the manager's regulatory ambition**: whether the manager intends to run a multi-fund franchise under its own licence, a limited programme under hosted cover, or a deal-by-deal practice without discretionary management.

- **K, the resource constraints**: capital available for structuring and running costs, acceptable time to first close, and the team's capacity to carry compliance obligations.

The framework proceeds in three steps. Step one derives the product from I and A: delegated blind-pool discretion implies a fund; asset-specific consent implies an SPV or syndication structure; a hybrid programme implies a platform or umbrella arrangement. Step two derives the regulatory wrapper from R and K: a standalone licence is justified only when expected assets under management can amortise its fixed cost, otherwise hosted or SPV routes dominate. Step three selects the centre from the service margins in Proposition 5, given I (where the anchor investors are and what they prefer) and K (relative cost and speed at the time of formation). The framework is deliberately lexicographic: investor constraints bind first, resource constraints second, preferences last.

4.2 Base-Case Calibrations

The framework is calibrated with base-case cost and timeline ranges drawn from the author's transaction experience in the region and from market convention among counsel, administrators and platforms. Sponsors should budget against these ranges before obtaining quotations; individual outcomes vary with provider, complexity and negotiation. Table 2 records the core calibrations; Appendix A repeats them with planning notes.

Table 2. Base-case cost and timeline planning ranges

Item	Planning cost range	Planning timeline
Single SPV, formation and first-year running	USD 10,000 to 25,000	2 to 6 weeks
SPV annual running cost thereafter	USD 6,000 to 15,000	Ongoing
Qualified-investor fund, establishment (legal, regulatory, launch)	USD 150,000 to 400,000	3 to 6 months from platform or licensed base
Standalone fund manager licence, application to authorisation	USD 250,000 to 600,000 first-year all-in	6 to 12 months
Hosted platform fee, per fund per year	USD 60,000 to 150,000	6 to 12 weeks to launch
Fund annual running cost (audit, administration, governance)	USD 150,000 to 350,000	Ongoing
Feeder vehicle, establishment	USD 25,000 to 60,000	4 to 8 weeks
Carry or co-investment vehicle	USD 10,000 to 25,000	2 to 6 weeks

Source: author's analysis.

Three derived planning quantities follow from Table 2 and are used in Sections 5 to 7. First, a **viability floor for a standalone licence**: with first-year licensing and establishment costs planned at USD 400,000 to 1,000,000 combined and annual running costs of USD 300,000 to 700,000 across manager and fund, a manager charging a conventional management fee needs assets under management of roughly USD 30 to 50 million before the structure carries itself. Second, a **syndication economics envelope**: a single-deal SPV raising USD 5 to 30 million from tickets of USD 250,000 to 1,000,000 carries structuring costs of well under one percent of capital raised, which is why syndication dominates for deal-by-deal practices. Third, a **platform crossover**: hosted platform fees of USD 60,000 to 150,000 per year compare with standalone running costs several times larger, so the platform dominates until fund size and fund count amortise the fixed base, in practice around the second fund or USD 75 to 100 million of aggregate assets.

4.3 What the Framework Does and Does Not Do

The framework does three things. It forces the structuring conversation to start with investors rather than templates. It converts the licensing decision into an explicit fixed-cost amortisation problem with an option value attached to deferral. And it makes the DIFC versus ADGM choice a scored comparison on stated criteria rather than a default.

It does not do three things. It does not price regime-specific parameters, which sit with counsel and the regulator at the moment of execution; the framework works in planning ranges and hands a scoped brief to counsel rather than a blank page. It does not model the underlying investment economics, which dominate structuring economics in franchise value. And it does not capture idiosyncratic factors, an anchor investor's bespoke requirement, a founder's residence constraint, an existing group structure, that legitimately override the general logic; the framework flags them as overrides rather than pretending they do not exist.

5. THE STRUCTURING TOOLKIT

This section analyses the toolkit vehicle by vehicle, developing Propositions 1 to 4. The organising question for each vehicle is the one Proposition 4 poses: what does this layer earn?

5.1 The SPV and the Syndication Stack

The special purpose vehicle is the workhorse of GCC private capital. In both centres, an SPV is a passive holding company: quick to form, cheap to run on the Table 2 planning ranges, exempt from most substance and staffing expectations applied to operating businesses, and capable of issuing multiple share classes and housing shareholder agreements of full common-law sophistication.

The canonical use is single-deal syndication. A deal lead identifies an asset, negotiates terms, and forms an SPV in the chosen centre. Investors subscribe directly for shares or convertible instruments in the SPV, each making an investor-by-investor decision on a disclosed asset. The SPV holds the position; a shareholders' agreement governs transfers, drag and tag rights, information rights and exit; and the lead's economics are carried as a promote share class or a separate carry entity. The critical regulatory boundary is that the lead is arranging participation in an identified asset with investor consent, not exercising blind-pool discretion; where a lead's activity starts to look like discretionary management of pooled capital, it crosses into licensed territory, and the structure must change before the practice does.

Figure 1 shows the standard stack. Its virtues follow from Section 2.1: no delegation of discretion means no fund-level governance apparatus is needed, and the information problem is solved by disclosure of the specific asset rather than by covenants over a blind pool. Its costs are equally structural: every deal is a separate capital raise, there is no committed capital, and the lead's track record accrues as a series of deal outcomes rather than a fund return, which complicates later institutional fundraising unless records are kept to fund-grade standards from the start.

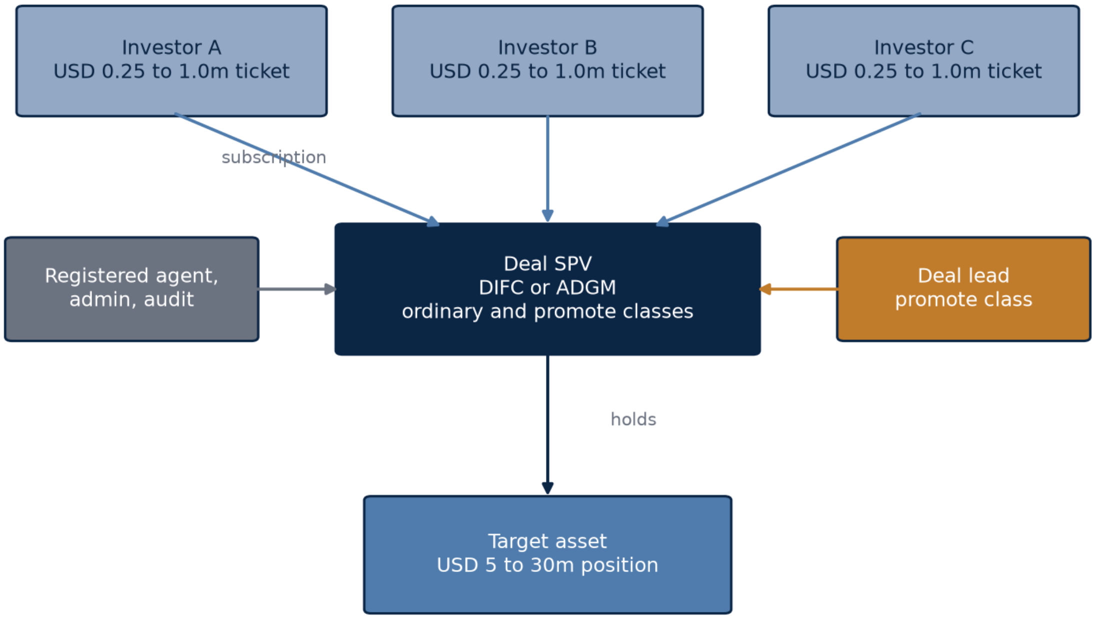

Figure 1. A single-deal SPV syndication stack in a UAE financial centre

Source: author's analysis.

Stacked and cell-based variants extend the pattern. A holding SPV above several asset SPVs concentrates governance while segregating liabilities. Cell-type structures allow one umbrella entity to house segregated compartments per deal, reducing per-deal formation cost at the price of a structure some investors find unfamiliar; the ring-fencing between compartments is a creature of the centre's own law, and investors from jurisdictions without cell-company concepts sometimes discount it. Under Proposition 4, the cell structure earns its keep for a high-volume syndicator and rarely for a first-time lead with one or two deals.

5.2 Fund Vehicles: The Qualified-Investor Route

When the product is delegated discretion over a blind pool, a fund is the honest wrapper. For the managers this paper addresses, the relevant categories are the qualified or exempt-investor regimes in each centre: restricted to sophisticated investors above meaningful minimum commitments, with light regulatory overlay and, in both centres, an establishment process designed to be fast, in some configurations on a notification basis. Retail categories, with their prospectus and distribution obligations, are a different business and outside this paper's scope.

The fund layer buys four things. First, committed capital: investors sign subscription agreements against a partnership or fund constitution, and the manager can execute without deal-by-deal consent. Second, a governance apparatus, administrator, auditor, in some configurations an oversight function, that substitutes for the disclosure-based assurance of the SPV route, in line with Proposition 2. Third, a track record in the institutional grammar: a fund return, net of fees, attributable and benchmarkable. Fourth, access to investors whose own mandates require a regulated fund with independent administration.

The governance expectations attached to the fund layer deserve explicit planning, because they are where Proposition 2 becomes a budget line. Both centres expect a qualified-investor fund to carry an independent administrator maintaining the register and striking valuations, an annual audit by a recognised firm, and a governance arrangement, whether an oversight committee, independent directors or the platform's own governance function, proportionate to the fund's size and strategy. Allocators diligence these appointments before they diligence the portfolio: a recognised administrator and auditor are the cheapest institutional credibility a manager can buy, and a manager who economises here to fund an extra structural layer has made precisely the trade that Proposition 4 warns against. Substance expectations run in parallel: the management activity, investment committee and records should genuinely sit in the centre where the manager entity is established, both because the regulator expects it and because the tax positioning of Section 5.5 depends on it.

Its costs are the establishment and running ranges in Table 2 and, more importantly, the regulatory wrapper it requires: a fund must be managed by an entity with the relevant permission, which forces the licensing decision of Section 5.3. The design corollary of Proposition 1 is worth stating plainly: a manager whose realistic investor base is a dozen regional families writing USD 1 to 3 million tickets against disclosed deals does not need a fund and will find the fund's costs punishing; a manager courting institutional allocators cannot avoid one.

5.3 The Licensing Decision: Standalone Manager versus Hosted Platform

A fund requires a manager with regulatory permission to manage it. The manager can acquire that permission directly, by seeking its own licence from the DFSA or FSRA, or rent it, by appointing a hosted or umbrella platform that already holds the permission and contracts to operate the fund with the founding team acting in portfolio and advisory roles. Both centres also operate lighter regimes aimed specifically at venture capital managers, with reduced requirements reflecting the lower systemic risk of the activity.

On the Table 2 calibrations, the economics are stark. A standalone licence carries first-year all-in costs of USD 250,000 to 600,000 and a 6 to 12 month authorisation timeline, plus ongoing compliance staffing; a hosted platform charges USD 60,000 to 150,000 per fund per year and can have a qualified-investor fund live in 6 to 12 weeks. The licence is a fixed cost with option-like payoff: it earns its keep only if the franchise scales into multiple funds or a large single fund. Proposition 3 formalises the consequence: under fundraising uncertainty, deferring the licence and renting the permission preserves capital and converts the licensing decision into an option exercised on evidence.

The licence buys more than the removal of platform fees, and the non-financial side of the ledger matters at the archetype boundary. A directly licensed manager controls its own regulatory relationship, which compounds in value across funds; it can add permissions as the strategy broadens; it appears in the fund documents as the regulated party, which some institutional mandates require; and its authorisation is itself a diligence artefact, evidence that the regulator has examined the firm's owners, officers and systems. These are franchise assets, and they explain why established managers hold licences even where a platform would be cheaper on direct cost.

The platform route has real costs of its own, which honest analysis must state. The platform, not the founding team, is the regulated manager, which some institutional investors discount. Platform consent sits in the operating chain, which constrains speed and autonomy. Fees scale with fund count. And migration from a platform to an own-licence structure later, while routine, is a project with legal and investor-consent dimensions that should be planned at the outset, not discovered at the point of need. The design rule this paper proposes: default to the platform for fund one; negotiate the migration path into the platform agreement on day one; and begin the standalone application when a second fund or a step-change in size is realistically in view.

5.4 Feeders, Parallel Vehicles and Carry Entities

Above and beside the main fund sit the segmentation layers. A **feeder** is a vehicle through which a subset of investors accesses the main fund, earning its keep, per Proposition 4, only when that subset has genuinely different needs: a familiar-jurisdiction wrapper for international allocators whose committees know Cayman or Luxembourg but not yet the UAE centres; aggregation of small tickets to keep the main register clean; or accommodation of a specific tax or regulatory position. The reverse pattern also occurs: an international main fund with a UAE-centre feeder for regional capital. Feeder economics are modest on the Table 2 ranges, USD 25,000 to 60,000 to establish, but each feeder adds an audit, an administration stream and a layer of transfer mechanics, so the default number of feeders for a first fund should be zero or one.

Parallel vehicles, sister funds investing alongside the main fund deal by deal on materially identical terms, serve investors who cannot commingle, at the cost of allocation mechanics that must be specified precisely in the documents. **Co-investment sleeves and vehicles**, typically deal SPVs offered to fund investors alongside the fund, are now standard allocator expectations in the region and are cheap to provide from the same SPV toolkit as Section 5.1.

Carry vehicles hold the team's carried interest, separating it from the management company's fee income for reasons of succession, individual estate planning and clean separation of personal economics from operating liabilities. They are inexpensive on the Table 2 ranges and are one of the few layers that earns its keep almost automatically in any structure with more than one carry participant. Figure 2 assembles the full architecture.

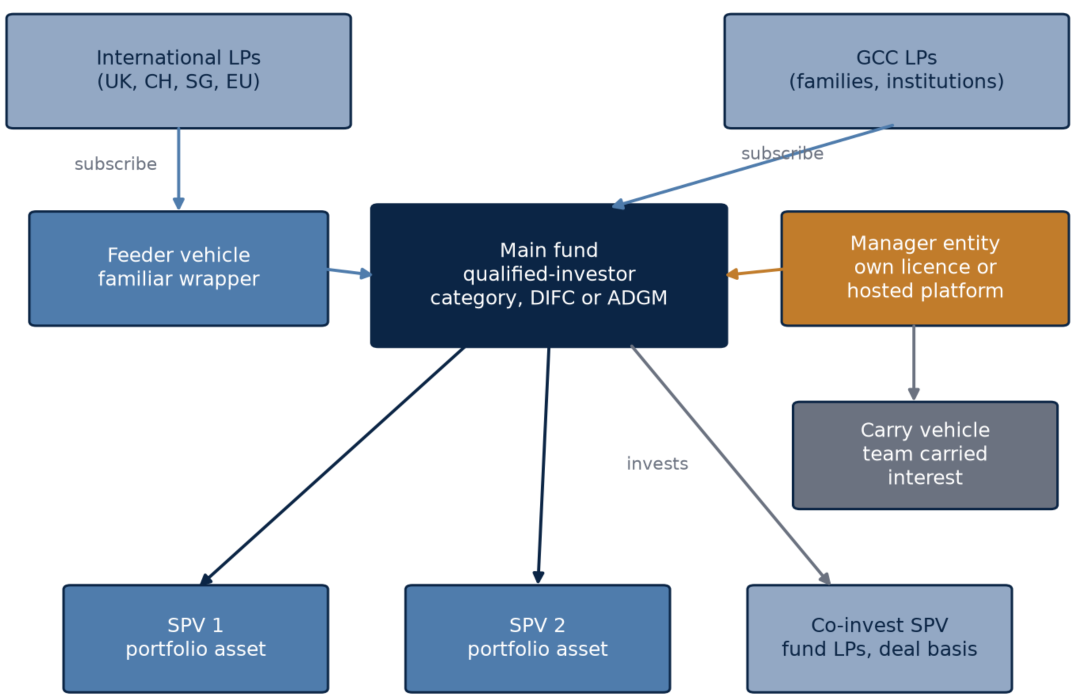

Figure 2. A fund with feeder, carry vehicle and portfolio SPVs

Source: author's analysis.

5.5 Tax Positioning, Substance and the Limits of Structuring

Tax positioning is treated here qualitatively, as design logic rather than technical analysis; qualified tax counsel in each relevant jurisdiction belongs in the execution chain of every structure discussed below.

Four qualitative points frame the analysis. First, the UAE's introduction of a federal corporate tax regime in the 2020s ended the era of a default tax-free environment; the regime includes concepts of exempt and qualifying activity, and the treatment of funds, SPVs and management entities depends on classification, election and compliance positions that must be taken deliberately, not inherited from habit. Second, treaty access is a function of residence, substance and the specific treaty; the UAE maintains a wide treaty network, but whether a given SPV can claim benefits under a given treaty depends on facts, including beneficial ownership and substance, that structuring alone cannot manufacture. Third, international substance expectations, both the UAE's own economic substance framework and the expectations of counterparty jurisdictions, mean that a vehicle claiming residence and treaty benefits needs a defensible level of real activity, governance and decision-making in the jurisdiction. Locating the vehicle where the management team genuinely sits, the core onshore argument of Section 3.3, is therefore not only a convenience but a substance strategy. Fourth, investor-level tax drives feeder design more than vehicle-level tax: the question is rarely what the fund pays, and usually what character and reporting the investor receives.

The structural conclusion is disciplined modesty: tax considerations legitimately shape the choice among structures that already make sense on investor and regulatory grounds, and rarely justify structures that do not. A layer whose only rationale is tax should trigger, per Proposition 4, heightened scrutiny and specialist advice, not enthusiasm.

6. THE DECISION FRAMEWORK APPLIED

This section applies the Section 4 framework to four archetypal situations that between them cover most of the GCC managers this paper addresses, then catalogues the failure modes the framework is designed to prevent. Table 3 summarises the mapping.

6.1 Archetype One: The First-Time Syndicator

The situation: an experienced deal professional, often ex-banking or ex-corporate, with proprietary access to one or two specific opportunities, a personal network of 10 to 30 potential backers writing USD 250,000 to 1,000,000 tickets, no committed capital and no compliance infrastructure.

The framework's reading is unambiguous. The product is asset-specific access, not delegated discretion, so the vehicle is a deal SPV per Figure 1, formed in whichever centre the lead's network and service providers make cheaper and faster at the time, with a promote class or a small carry entity for the lead's economics. Planning cost is USD 10,000 to 25,000 per deal and 2 to 6 weeks to close readiness on the Table 2 ranges, a rounding error against a USD 5 to 30 million position. A fund at this stage would be a category error: it would buy committed capital the investor base is not ready to give, at a running cost the economics cannot carry, and it would put the lead on the wrong side of the licensing boundary. The discipline that matters instead, per Proposition 3, is to run the syndication practice to fund-grade standards from day one: audited SPVs, an administrator on the register, clean deal-by-deal records of sourcing, entry, management and exit. Those records are the option premium on the future fund.

6.2 Archetype Two: The Emerging Manager Raising Fund I

The situation: a team of two to four professionals with a track record, employed or syndicated, targeting a first blind-pool fund of USD 30 to 75 million in venture, growth or private credit, with a regional anchor in discussion and a tail of family offices.

The framework points to a qualified-investor fund on a hosted platform. The product is now delegated discretion, so a fund is the honest wrapper per Section 5.2; the investor base is professional but regional, so a single vehicle with no feeder is the default per Proposition 4; and expected assets sit at or below the USD 30 to 50 million viability floor for a standalone licence, so the platform route dominates per Proposition 3, at USD 60,000 to 150,000 per year against a standalone build of USD 400,000 to 1,000,000 in year one. The centre choice follows the anchor: where the anchor investor has a preference, expressed or institutional, that preference decides, because a first fund's single most valuable asset is its anchor. The two contractual points to negotiate hard at the outset are the migration path off the platform, priced and pre-consented in the platform agreement, and the ownership of track record, which must sit with the team, not the platform.

6.3 Archetype Three: The Established Manager with International LPs

The situation: a manager on fund two or three, aggregate assets above USD 100 million, an institutional pipeline that includes European, Swiss, Singaporean and UK allocators, and a compliance function of its own.

Here the framework flips. The manager is past the platform crossover, so a standalone licence in the chosen centre earns its keep: it removes platform consent from the operating chain, captures the platform fee, and answers the institutional preference for a directly regulated counterparty per Proposition 2. The structure becomes the full Figure 2 architecture: a main qualified-investor fund in the centre where the management company sits, a feeder in a wrapper familiar to the international allocators where their committees require one, a carry vehicle for the team, and co-investment SPVs as standard allocator service. This is also the archetype where the substance logic of Section 5.5 bites hardest: an international LP base brings international tax scrutiny, and the alignment of vehicle domicile, management activity and decision-making in one centre is the cleanest defensible position.

6.4 Archetype Four: The Family Office Co-Investment Programme

The situation: a single family office or a small club of families running a deliberate co-investment programme, five to fifteen positions over several years, tickets of USD 2 to 10 million, no external capital and no intention to manage third-party money.

The framework prescribes structure without a fund: a holding SPV or a cell-type umbrella in one centre, with per-deal SPVs or cells beneath it, per Section 5.1. There is no delegation to an external manager, so there is no fund-regulation question; the layers earn their keep through liability segregation between positions, clean per-deal syndication when a co-investor joins, and estate and governance tidiness at the family level. The centre choice for this archetype is driven almost entirely by service margins and by where the family's existing banking and advisory relationships sit, per Proposition 5. The characteristic error is the opposite of the syndicator's: families under-structure, holding a growing direct portfolio through one legacy company or personal names, and discover the cost of the missing architecture at the first distressed asset, the first co-investor dispute or the first succession event.

Table 3. Decision matrix: archetypal situations mapped to structures

Archetype	Product	Vehicle	Regulatory route	Planning envelope
First-time syndicator	Asset-specific access	Deal SPV with promote class	None; stay clear of discretionary	USD 10,000 to 25,000 per deal; 2 to

			management	6 weeks
Emerging manager, Fund I	Blind-pool discretion, USD 30 to 75m	Qualified-investor fund	Hosted platform; migration path pre-agreed	USD 60,000 to 150,000 per year platform fee; 6 to 12 weeks to launch
Established manager, international LPs	Multi-fund franchise, USD 100m plus	Fund plus feeder plus carry vehicle	Standalone licence in chosen centre	USD 400,000 to 1,000,000 first-year build; 6 to 12 months
Family office co-invest programme	Own capital, 5 to 15 positions	Holding SPV or cell umbrella plus deal SPVs	None required	USD 10,000 to 25,000 per position; 2 to 6 weeks

Source: author's analysis.

6.5 Failure Modes

Three failure modes recur, and each is a violation of a proposition.

Over-structuring early. The emerging manager who builds a standalone licence, a feeder and a parallel vehicle for a USD 40 million first fund violates Propositions 3 and 4 simultaneously: the licence consumes the option value of deferral, and the feeder serves an international investor base that has not yet arrived. The cash consequence on the Table 2 ranges is USD 500,000 or more of structuring and first-year running cost against management fee income that may not reach USD 800,000; the signalling consequence, per Proposition 4, is that sophisticated allocators read the excess architecture as inexperience, not ambition.

Wrong centre for the investor base. A manager who selects the centre by prestige or imitation rather than by mapping the anchor and the ecosystem violates Proposition 1. The error is rarely fatal, because the centres are legally similar, but it is expensive in softer currency: an Abu Dhabi-anchored capital base diligencing a Dubai vehicle, or the reverse, adds friction to every closing, and relocating a live structure later costs far more than choosing correctly at formation.

Licensing mismatch. The syndicator who drifts into de facto discretionary management without a licence, pooling commitments in advance, recycling capital across deals without consent, holds the most dangerous position in this paper: the practice has outgrown the structure. The mirror image, the licensed manager whose only activity is occasional deal-by-deal syndication, carries a regulatory cost base the activity cannot justify. Both are violations of the step-two logic of Section 4.1: the regulatory wrapper must match the product actually being sold, reviewed annually as the practice evolves.

7. SENSITIVITY AND ROBUSTNESS

A design framework earns credibility by stating how its recommendations move when its inputs move, naming its worst case, and specifying what evidence would falsify it.

7.1 Moving the Calibrations

Costs. The recommendations are robust to substantial cost movement. If standalone licensing costs fall by half from the Table 2 ranges, the viability floor drops from roughly USD 30 to 50 million towards USD 15 to 25 million, and the platform crossover moves earlier, from around the second fund towards late in the first; the staged path of Proposition 3 survives, with an earlier exercise date. If platform fees double, the platform route remains dominant for sub-USD 30 million funds, because the alternative fixed base is still several multiples larger. The SPV recommendation for syndicators and family offices is insensitive to any plausible cost movement: structuring cost is so small relative to position size that only timeline, not cost, could change the answer.

Timelines. The framework is more sensitive to time than to money. If authorisation timelines for standalone licences compress towards three months, the option value of platform deferral shrinks materially, and Archetype Two managers with strong anchors should weigh going directly to a licence. Conversely, if qualified-investor fund establishment slows, the SPV route gains ground at the margin for hybrid programmes, because a syndicated first deal can anchor a fundraise that a delayed fund cannot.

Centre margins. The DIFC versus ADGM recommendation of Proposition 5 is, by construction, the least stable output of the framework, because it rests on service margins that both centres actively manage. A durable cost or speed advantage at the SPV level would pull syndication volume towards the cheaper centre without moving fund domiciliation, since fund choice weighs ecosystem and anchor factors more heavily. A durable divergence in regulator engagement, real or perceived, would move emerging managers, who are the most sensitive to authorisation friction, before it moved established ones. Neither movement would disturb the paper's vehicle-level recommendations; the framework quarantines centre choice in step three precisely so that competitive repricing between the centres does not destabilise the structural logic.

Investor base. Proposition 1 makes the recommendations most sensitive to the investor vector. A single institutional LP entering an Archetype Two raise with a hard requirement for a directly licensed manager overrides the platform recommendation; the framework treats such requirements as binding constraints, not preferences. Similarly, a syndicator whose backers begin asking for committed-capital economics is watching the investor base migrate towards Archetype Two, and the structure should migrate with it.

7.2 The Worst Case: The Stranded Platform

The named worst case for the paper's central recommendation is the stranded platform scenario. An Archetype Two manager launches on a hosted platform, raises USD 50 million, and then finds the migration path blocked: the platform agreement contains no pre-priced exit, investor consents to a manager change prove slow, a key LP objects to novation, and the platform's commercial incentive is to retain the fund. The manager is trapped paying platform fees at scale, with the track record's regulatory identity entangled with the platform, precisely when institutional LPs for fund two are asking who the regulated manager really is. The scenario does not falsify Proposition 3, staged structuring remains correct ex ante, but it identifies the covenant that makes the proposition safe in practice: the migration path, its price, its consent mechanics and the ownership of track record must be contracted at platform entry, when the manager's bargaining position is strongest.

7.3 What Would Falsify the Claims

Three observations would falsify or materially weaken the paper's propositions. First, if allocator behaviour showed no premium for operational credibility, if funds with weak administration and audit raised as easily as strong ones within the centres, Proposition 2 would fail, and with it the paper's advice to spend on governance before spending on layers. Second, if a systematic review of GCC manager histories showed that managers who licensed immediately outperformed staged managers in fundraising and franchise survival, Proposition 3 would be reversed, and the correct advice would be to treat the licence as a signalling investment rather than a deferrable fixed cost. Third, if the two centres diverged sharply in legal fundamentals, enforcement outcomes or fund-regime architecture, Proposition 5 would fail, and the centre choice would become a ranking rather than a fit exercise. Each of these is an empirical question that the growth of the centres will progressively answer; Section 9 returns to them as a research agenda.

8. DISCUSSION

8.1 Implications for the GCC Manager

For the manager, the paper's findings compress into a sequencing discipline. Structure follows product, product follows investors, and the structure should be the cheapest one that honestly wraps the product being sold today, with the migration path to tomorrow's structure contracted in advance. Concretely: syndicate through SPVs while the product is access; move to a hosted qualified-investor fund when the product becomes discretion; take the licence when the franchise, not the ego, requires it; and add feeders, parallel vehicles and cells only when a named investor with a named requirement is asking for them. The corollary from Proposition 2 is where the early money should go instead: a recognised administrator, a serious auditor and clean records are cheaper than excess layers and are worth more at diligence. And the corollary from Proposition 5 is that the DIFC versus ADGM question deserves a scored afternoon, not a default: map the anchor, the ecosystem for the strategy, the current service margins, and the team's physical seat, and the answer usually writes itself.

8.2 Implications for the Allocator

For the family office CIO or head of alternatives diligencing a GCC vehicle, the paper's framework inverts into a reading tool: the structure is evidence about the manager. A structure that matches the archetype, an SPV stack for a deal-by-deal practice, a platform fund for a first blind pool, a licensed manager with feeder architecture for an institutional franchise, is evidence of judgement and cost discipline. Unexplained layers invite the Proposition 4 question, what does this layer earn, and the quality of the manager's answer is itself diligence information. Specific flags follow from the analysis: a platform fund without a contracted migration path carries the stranded-platform risk of Section 7.2; a syndicator whose mechanics resemble discretionary pooling carries licensing-boundary risk; carry vehicles and co-investment SPVs should exist and be clean, because their absence signals unplanned economics; and the alignment of vehicle domicile with real management substance is the first tax-robustness question to ask. None of this substitutes for legal and tax diligence; it tells the allocator where to point it.

8.3 International Comparison: Cayman, Luxembourg, Singapore

The UAE centres compete in a settled international field, and the comparison clarifies what they are and are not for.

Cayman remains the default for globally distributed alternative funds: unmatched familiarity, deep precedent and service infrastructure, and tax neutrality. Its relative weaknesses for a GCC manager are distance, the increasing substance expectations attaching to offshore vehicles managed from elsewhere, and the growing preference of regional investors for vehicles they can diligence at home. The realistic pattern is complementary rather than adversarial: UAE-centre main vehicles with Cayman feeders for global capital, or Cayman main funds with UAE-centre feeders and management companies.

Luxembourg is the European institutional standard, built on treaty access, regulatory substance and distribution rights into European capital. For a GCC manager whose fundraise is substantially European and institutional, a Luxembourg vehicle remains the path of least committee resistance; the UAE centres do not yet carry equivalent weight in European investment committees. The trade-offs are cost and process, which run heavier than the UAE qualified-investor routes on any current planning basis.

Singapore is the closest strategic analogue: a common-law, treaty-rich centre that deliberately built a fund domicile through regime design and manager incentives, aimed first at regional managers and capital. Its trajectory is the encouraging precedent for the UAE centres: domicile credibility can be built in a decade when legal infrastructure, regulator engagement and ecosystem investment move together. It is also the competitive warning: for Asian capital, Singapore holds the home-ground advantage that the UAE centres hold for Gulf capital, and managers raising across both regions increasingly weigh the two directly.

The synthesis for practice: the UAE centres have won the home game, the regional manager with regional capital, and are competitive for the regional manager with mixed capital when paired with a familiar feeder. The global institutional default remains contested, and Proposition 2 names the terrain on which it will be decided: operational credibility, demonstrated over fund cycles, not statutes.

9. LIMITATIONS AND FUTURE RESEARCH

Five limitations bound the paper's claims. First, the framework is analytical rather than econometric: the propositions are grounded in established literature and transaction experience, not tested on a systematic dataset of GCC fund formations, because no such public dataset yet exists. Second, the calibrations in Section 4 and Appendix A are planning ranges reflecting practice at the time of writing; both centres adjust their regimes, fee levels and processing standards continuously, and the ranges will age. Third, the paper describes regimes at an architectural level by design; it does not, and deliberately does not, state current thresholds, capital requirements or rulebook provisions, and it is not legal or tax advice. Fourth, the archetypes compress a continuous space of manager situations into four points; real cases blend them, and the framework's lexicographic ordering, investors first, resources second, is a modelling choice that a manager with unusual constraints may legitimately reorder. Fifth, the international comparison is qualitative; a rigorous domicile study would require matched data on formation volumes, costs and fundraising outcomes across jurisdictions.

Each limitation defines a research question. A registry-based study of vehicle formation in the two centres, tracking the SPV-to-fund migration of individual managers, would test Proposition 3 directly. A survey of allocator diligence practice on GCC vehicles would test the operational-credibility channel of Proposition 2 against the legal-fundamentals channel. A matched-cost study across the UAE centres, Singapore and Luxembourg would put numbers on the service-margin competition of Proposition 5. And as the first cohort of UAE-centre funds completes full cycles, performance and survival data will allow the over-structuring hypothesis of Section 6.5 to be tested as a selection story: whether structure choice at formation predicts franchise outcomes.

10. CONCLUSION

This paper set out to answer three questions: what determines the choice between a fund, an SPV stack and a platform structure for a GCC manager; on what dimensions DIFC and ADGM actually differ; and how allocators should read structure as evidence.

The answers form a compact discipline. The structuring decision is a design problem whose inputs are the investor base, the asset, the manager's regulatory ambition and resource constraints, in that order of priority. The product determines the vehicle: access products belong in SPVs, discretion products belong in funds, and the boundary between them is a regulatory line that the structure must respect before the practice crosses it. The licensing decision is a fixed-cost amortisation problem with an option attached: hosted platforms dominate below the viability floor, standalone licences above the crossover, and the migration path between them must be contracted at entry, which is the single most important covenant an emerging manager signs. Layers, feeders, parallel vehicles, cells, earn their place through identifiable benefits or not at all, and the team's carry vehicle is the rare layer that almost always qualifies. The choice between DIFC and ADGM is real but second-order: two deliberately similar common-law centres competing on service margins, ecosystem fit and anchor gravity, so the right answer is manager-specific and found by scoring, not by ranking.

For managers, the operational summary is to structure one honest step behind ambition and one contracted step ahead of need: run today's product in today's cheapest credible wrapper, spend the savings on the governance that Proposition 2 says allocators actually price, and hold the option on tomorrow's structure in writing. For allocators, the summary is that structure is testimony: a manager's vehicle choices, layer by layer, record a series of judgements about cost, alignment and honesty about the product, and reading them carefully is among the cheapest diligence available. The two centres have built the menu; the craft now lies in ordering from it correctly.

DECLARATIONS

Funding. The author received no external funding for this research.

Conflicts of interest. The author is the managing partner of an independent capital advisory firm that advises managers and allocators on transactions of the type discussed in this paper. No client information has been used, and no live mandate is referenced.

Data availability. The paper uses no proprietary dataset. The base-case calibrations used in the exhibits are recorded in Section 4 and Appendix A.

Disclaimer. This paper is an educational and structural analysis. It is not investment advice, legal advice or tax advice, and it is not an offer or a solicitation of any kind. Managers should confirm current regulatory requirements with counsel and the relevant regulator.

REFERENCES

[1] Axelson, U., Stromberg, P. and Weisbach, M. S. (2009) 'Why are buyouts levered? The financial structure of private equity funds', Journal of Finance, 64(4), pp. 1549-1582.

[2] Black, B. S. and Gilson, R. J. (1998) 'Venture capital and the structure of capital markets: banks versus stock markets', Journal of Financial Economics, 47(3), pp. 243-277.

[3] Chung, J.-W., Sensoy, B. A., Stern, L. and Weisbach, M. S. (2012) 'Pay for performance from future fund flows: the case of private equity', Review of Financial Studies, 25(11), pp. 3259-3304.

[4] Cumming, D. and Johan, S. (2006) 'Is it the law or the lawyers? Investment covenants around the world', European Financial Management, 12(4), pp. 535-574.

[5] Cumming, D. and Johan, S. (2013) Venture Capital and Private Equity Contracting: An International Perspective. 2nd edn. Waltham, MA: Elsevier.

[6] Diamond, D. W. (1984) 'Financial intermediation and delegated monitoring', Review of Economic Studies, 51(3), pp. 393-414.

[7] Djankov, S., La Porta, R., Lopez-de-Silanes, F. and Shleifer, A. (2008) 'The law and economics of self-dealing', Journal of Financial Economics, 88(3), pp. 430-465.

[8] Gilson, R. J. (2003) 'Engineering a venture capital market: lessons from the American experience', Stanford Law Review, 55(4), pp. 1067-1103.

[9] Gompers, P. and Lerner, J. (1996) 'The use of covenants: an empirical analysis of venture partnership agreements', Journal of Law and Economics, 39(2), pp. 463-498.

[10] Gompers, P. and Lerner, J. (1999) The Venture Capital Cycle. Cambridge, MA: MIT Press.

[11] Jensen, M. C. and Meckling, W. H. (1976) 'Theory of the firm: managerial behavior, agency costs and ownership structure', Journal of Financial Economics, 3(4), pp. 305-360.

[12] Kaplan, S. N. and Schoar, A. (2005) 'Private equity performance: returns, persistence, and capital flows', Journal of Finance, 60(4), pp. 1791-1823.

[13] Kaplan, S. N. and Stromberg, P. (2003) 'Financial contracting theory meets the real world: an empirical analysis of venture capital contracts', Review of Economic Studies, 70(2), pp. 281-315.

[14] La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. W. (1998) 'Law and finance', Journal of Political Economy, 106(6), pp. 1113-1155.

[15] La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. W. (2000) 'Investor protection and corporate governance', Journal of Financial Economics, 58(1-2), pp. 3-27.

[16] Leland, H. E. and Pyle, D. H. (1977) 'Informational asymmetries, financial structure, and financial intermediation', Journal of Finance, 32(2), pp. 371-387.

[17] Lerner, J. and Schoar, A. (2005) 'Does legal enforcement affect financial transactions? The contractual channel in private equity', Quarterly Journal of Economics, 120(1), pp. 223-246.

[18] Metrick, A. and Yasuda, A. (2010) 'The economics of private equity funds', Review of Financial Studies, 23(6), pp. 2303-2341.

[19] Phalippou, L. and Gottschalg, O. (2009) 'The performance of private equity funds', Review of Financial Studies, 22(4), pp. 1747-1776.

[20] Sahlman, W. A. (1990) 'The structure and governance of venture-capital organizations', Journal of Financial Economics, 27(2), pp. 473-521.

ABOUT THE AUTHOR

Chennakeshav (CK) Adya is an independent researcher and corporate-finance practitioner with more than twenty-five years of experience as both an operator and an investor across capital markets, private capital and cross-border transactions. His research focuses on capital structure, private markets, fund formation and the financing of high-growth ecosystems in the Gulf and beyond. He writes to make the mechanics of private capital legible to managers and allocators alike, combining a practitioner's view of how funds are actually raised and structured with the discipline of a structured, evidence-aware framework.

APPENDIX A. BASE-CASE CALIBRATIONS

The table below records the base-case calibrations used in the exhibits and the derived planning quantities used in Sections 4 to 7, drawn from the author's transaction experience in the region and from market convention among counsel, administrators and platforms.

Table A1. Base-case calibrations and derived planning quantities

Parameter	Planning range	Used in
Single SPV, formation and first-year running	USD 10,000 to 25,000	Table 2; Sections 5.1, 6.1, 6.4
SPV annual running cost thereafter	USD 6,000 to 15,000	Table 2; Section 5.1
Qualified-investor fund establishment	USD 150,000 to 400,000	Table 2; Section 5.2
Standalone licence, first-year all-in	USD 250,000 to 600,000	Table 2; Section 5.3
Standalone build, licence plus fund, year one	USD 400,000 to 1,000,000	Sections 4.2, 6.2, 6.5; Table 3
Combined annual running cost, manager plus fund	USD 300,000 to 700,000	Section 4.2
Hosted platform fee, per fund per year	USD 60,000 to 150,000	Table 2; Sections 5.3, 6.2; Table 3
Fund annual running cost (audit, administration, governance)	USD 150,000 to 350,000	Table 2; Section 5.2
Feeder vehicle establishment	USD 25,000 to 60,000	Table 2; Section 5.4
Carry or co-investment vehicle	USD 10,000 to 25,000	Table 2; Section 5.4
SPV formation timeline	2 to 6 weeks	Table 2; Sections 6.1, 6.4

Platform fund launch timeline	6 to 12 weeks	Table 2; Sections 5.3, 6.2
Qualified-investor fund establishment timeline	3 to 6 months	Table 2
Standalone authorisation timeline	6 to 12 months	Table 2; Sections 5.3, 7.1
Feeder establishment timeline	4 to 8 weeks	Table 2
Viability floor for a standalone licence	USD 30 to 50 million AUM	Sections 4.2, 5.3, 6.2
Platform crossover point	Second fund or USD 75 to 100 million aggregate	Sections 4.2, 6.3
Single-deal syndication size	USD 5 to 30 million	Sections 4.2, 5.1; Figure 1
Syndication ticket size	USD 250,000 to 1,000,000	Sections 4.2, 6.1; Figure 1
Fund I target size, emerging manager	USD 30 to 75 million	Section 6.2; Table 3
Established manager aggregate assets	USD 100 million plus	Section 6.3; Table 3
Family office co-investment tickets	USD 2 to 10 million; 5 to 15 positions	Section 6.4
Fee income reference, USD 40 million fund	Below USD 800,000 per year	Section 6.5
Syndicator backer network	10 to 30 potential backers	Section 6.1

Source: author's analysis.

APPENDIX B. STRUCTURING DECISION CHECKLIST

The checklist below operationalises the Section 4 framework as the questions a manager should answer, in order, before instructing counsel on centre and vehicle. A written answer to each question turns the counsel engagement from an open-ended drafting exercise into a scoped execution brief.

- **Investors.** Who are the first ten cheques, by name? What are their jurisdictions, tax positions and documentation expectations? Does any investor carry a hard structural requirement (regulated manager, independent administrator, specific wrapper), and is it a condition or a preference?
- **Product.** Is the capital being raised against an identified asset with investor-by-investor consent, or against delegated discretion over a blind pool? If both, which comes first, and does the second genuinely need to exist at launch?
- **Regulatory ambition.** Is the intention a deal-by-deal practice, a single fund, or a multi-fund franchise? What does the three-year version of the firm look like, and what is the earliest structure that does not block it?
- **Economics.** What are expected assets under management at first close and at month twenty-four? Do management fees at those levels carry the running cost of the proposed structure on the Appendix A ranges, with margin for slippage?
- **Timeline.** When must the vehicle be able to accept capital? Does the first deal or the anchor's window drive the date, and which structures on the Appendix A timelines can meet it?
- **Centre fit.** Where does the anchor prefer to invest? Where does the team physically sit, and where will management decisions actually be taken? Which centre's ecosystem is deeper for the specific strategy, and what are the current cost and speed margins between them?
- **Layers.** For every entity in the proposed chart: what does this layer earn, in liability segregation, investor segmentation, tax or treaty positioning, or regulatory permission? Strike any layer without a written answer.
- **Migration.** If launching on a platform, what are the contracted price, consent mechanics and timeline for moving to a standalone licence, and who owns the track record? If syndicating, what record-keeping standard will make the deals legible as a track record at fund one?

- **Substance.** Does the domicile of each vehicle align with where its decisions are made and its people sit? Which entities will claim treaty benefits, and on what factual basis?
- **Governance.** Who are the administrator and auditor, and would the target allocators recognise them? What reporting standard is being promised, and can the team deliver it from day one?

APPENDIX C. GLOSSARY OF KEY TERMS

ADGM. Abu Dhabi Global Market, the financial free zone of Abu Dhabi, operating a common-law framework with its own courts and its own regulator, the Financial Services Regulatory Authority.

Anchor investor. The first substantial committed investor in a fund or syndicate, whose commitment catalyses the remainder of the raise and whose structural preferences carry decisive weight in vehicle design.

Blind pool. A fund raised against a strategy rather than identified assets, in which investors commit capital before knowing the specific investments; the defining product of delegated discretion.

Carried interest. The share of investment profits, above any agreed hurdle, allocated to the manager or deal lead as performance compensation; typically held through a dedicated carry vehicle.

Carry vehicle. An entity that holds the team's carried interest separately from the management company, cleanly dividing personal performance economics from operating fee income and liabilities.

Cell company. A single legal entity containing segregated compartments, or cells, whose assets and liabilities are ring-fenced from one another under the centre's law; used as an umbrella for multi-deal programmes.

Co-investment vehicle. A structure, usually a deal SPV, through which fund investors invest additional capital alongside the fund in a specific deal, typically on favourable fee terms.

DIFC. Dubai International Financial Centre, the financial free zone of Dubai, operating a common-law framework with its own courts and its own regulator, the Dubai Financial Services Authority.

Feeder fund. A vehicle through which a defined subset of investors invests into a main fund, used to segment investors by jurisdiction, tax position, wrapper familiarity or ticket size.

General partner (GP). The party in a fund structure that manages the fund and bears management responsibility, holding carried interest and typically a co-investment commitment; used in this paper interchangeably with the manager side of corporate fund analogues.

Hosted platform. A licensed fund management business that operates funds for external founding teams under its own regulatory permission, allowing a manager to launch without holding a licence directly; also called an umbrella or regulatory hosting arrangement.

Limited partner (LP). A passive investor in a fund, committing capital under the fund documents without management rights; used generically in this paper for fund investors across legal forms.

Migration path. The contracted route by which a fund launched on a hosted platform moves to the founding team's own licence, covering price, investor consent mechanics, timeline and ownership of track record.

Promote. The deal-level analogue of carried interest: the enhanced economic share allocated to a syndication lead through a dedicated share class or entity in a deal SPV.

Qualified-investor fund. The category of fund, present in both centres under differing names, restricted to sophisticated investors above meaningful minimum commitments and subject to the lightest regulatory overlay and fastest establishment process.

Special purpose vehicle (SPV). A passive holding company established for a defined purpose, typically holding a single asset or position; quick and cheap to form in both centres and the basic unit of syndication and holding structures.

Substance. The real activity, people, governance and decision-making located in a jurisdiction, on which residence claims, treaty access and regulatory standing increasingly depend.

Syndication. The practice of raising capital investor by investor for an identified deal, each investor consenting to the specific asset, typically executed through a deal SPV with a shareholders' agreement.