

Free Zone or Onshore?

Making the Right Choice for Fund Distribution in the UAE



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The United Arab Emirates (UAE) continues to position itself as a gateway to the Middle East for global fund managers – offering a compelling mix of wealth, ambition and regulatory reform.

In recent years, demand from regional investors – from sovereign entities to family offices – has evolved rapidly, with growing appetite for international diversification, structured products and regulated fund offerings. Regulatory developments have followed suit, creating a more defined and transparent framework for foreign managers seeking to market and distribute funds locally.

Yet while the opportunity is real, success hinges on a critical early decision: how to structure your market entry. Should you set up in a free zone, commit to an onshore licence, or take a hybrid approach that combines elements of both?

Free Zone Setup: Fast Start, Limited Reach

The Dubai International Financial Centre (DIFC) and Abu Dhabi Global Market (ADGM) were both established to attract international firms with a straightforward, business-friendly environment. These free zones offer a number of benefits, including the use of English common law frameworks and favourable tax treatment such as neutrality and capital repatriation. For many fund managers, they provide an efficient entry point to establish a local presence and begin marketing activities, particularly to professional investors located within the free zones.

While setting up in a free zone is quicker and less complex than an onshore licence, access is limited. Free zone licences do not grant full access to the broader onshore investor base in the UAE, nor do they currently qualify for the planned Gulf Cooperation Council (GCC) fund passporting. For managers aiming to scale, serve retail clients, or deepen regional penetration, a free zone setup is often a strong starting point rather than a long-term solution.

Onshore UAE Licence: Commitment and Market Access

While the UAE's free zones offer a streamlined entry point, recent regulatory changes are shifting the centre of gravity towards onshore structures for funds. In particular, updates from the Securities and Commodities Authority (SCA) have clarified the requirements for marketing foreign funds to professional investors based in the UAE mainland. These regulations now mandate that any firm wishing to promote foreign funds (including free zone funds) to onshore investors must be formally registered with the SCA.

Crucially, the new rules also prohibit the public marketing of foreign funds to retail investors unless the fund is structured as a licensed onshore feeder fund. This means that while foreign funds may still be marketed under certain conditions, full access to the UAE's wider investor base – including retail – requires a more substantial regulatory and operational commitment.

The advantages of going onshore are increasingly strategic. An onshore licence enhances credibility and unlocks broader access – not only within the UAE but potentially across the Gulf. As the GCC moves towards greater regulatory integration, onshore structures may qualify for future fund passporting regimes in markets such as Saudi Arabia, Kuwait, Qatar, Bahrain and Oman.

For managers with regional ambitions, onshore is becoming the structure of choice – not just to meet regulatory standards, but to enable long-term growth, investor trust and operational scale.

Shifting to Onshore and Building for the Long Term

For many managers, establishing a presence in a free zone offers a practical first step – a way to test investor appetite, particularly among Sovereign Wealth Funds and begin activity with relative ease. But for those with serious ambitions in the region, a free zone set-up should be seen as a launchpad, not a destination.

The regulatory trajectory is clear: onshore is being prioritised – not only for regulatory alignment, but also for broader access and strategic positioning. An onshore presence allows full distribution to UAE investors, while signalling meaningful commitment to the region.

Fund distribution in the UAE, or even the GCC, is not a short-term play. It requires time, consistency and dedicated local engagement. Managers that invest early in a scalable structure – and evolve their presence accordingly – will be better placed to stay relevant as the market matures.

Building the Right Foundation for Onshore Fund Distribution

Moving from a free zone to an onshore structure involves a broad set of operational and regulatory commitments. To distribute to retail investors, or access the planned GCC passport for private funds, managers must establish feeder fund structures and work with a locally licensed management company and custodian. Additional requirements include adhering to UAE rules for audit, administration and compliance, as well as securing a local promoter licence for fund marketing.

Only onshore funds currently qualify for future GCC passporting, making them a critical component for firms seeking regional reach. What may appear simple on paper often requires a layered, adaptable infrastructure – whether built for digital engagement or in-person distribution.

Choosing Onshore for Sustainable Growth

As the UAE cements its role as a gateway to the Gulf, the decision between free zone and onshore structuring is no longer a tactical consideration – it's a strategic one. For fund managers looking to build sustainable access, scale operations and stay ahead of regulatory change, onshore offers the clearest path forward. Free zones may provide an efficient starting point, but they are no substitute for long-term infrastructure, market credibility and regional positioning.

"This is a market that rewards commitment," says [Selma Coffey](#), Head of Distribution Solutions at Waystone. "If you're serious about fund distribution in the UAE, onshore is where the future lies. It's about more than just meeting the current regulatory requirements – it's about building the right foundation for regional growth, investor trust and long-term relevance in an evolving market."

Waystone's own expansion reflects this shift. By establishing a regulated onshore presence, the firm has positioned itself to support asset managers not just in the UAE, but across the wider Gulf as cross-border alignment deepens. With a strong focus on onshore distribution solutions, Waystone provides the regulatory certainty, strategic flexibility and infrastructure fund managers need to grow and scale across the region.

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