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DIFC Variable Capital Company Regime

By Abdus Samad and Matthew Rosenberg | 25 August 2025

Introduction

In June 2025, the Dubai International Financial Centre Authority (**DIFCA**) published Consultation Paper No. 2, setting out a proposed regulatory framework for the introduction of Variable Capital Companies (**VCCs**) in the DIFC (**VCC Regulations**).

The VCC Regulations (once issued) are expected to provide for a flexible corporate vehicle for proprietary investments and are particularly well suited to private equity firms, family offices and high net worth individuals.

Overview: what is a Variable Capital Company (VCC)

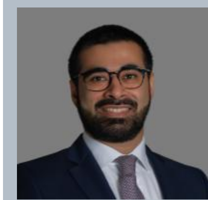
A VCC is a private limited company that may be established as either a standalone entity or an umbrella structure housing multiple entities known as “cells”, with the idea being that the assets and liabilities of each cell will be ring-fenced from each other. The VCC acts as a platform for the underlying cells, centralising compliance, reporting and management functions. A distinguishing feature of a VCC is its capital flexibility, which, in contrast to traditional fixed capital companies, allows for dividends to be paid out of capital and for its capital to adjust in line with its net asset value.

Segregated Cells vs Incorporated Cells

A VCC can be established with one of two different types of cells: (i) segregated or (ii) incorporated. A VCC cannot be established with both types of cells. A segregated cell will not have a separate legal personality from the VCC, and all segregated cells (and the VCC) shall together form a single body corporate. By contrast, each incorporated cell shall be a standalone body corporate, distinct from every other incorporated cell and from the VCC itself, with each incorporated cell also having its own set of articles of association. It should be noted that, in either case, the VCC will not itself own shares in an incorporated cell and accordingly there shall be no parent/subsidiary relationship.

Whether a VCC is established with segregated cells or incorporated cells will depend on the investment (and other) objectives of the VCC. While segregated cells are anticipated to be simpler, more cost-efficient and to entail less administrative burden, incorporated cells are expected to be more easily “detached” from the VCC structure, making them the preferred option where there is a high likelihood of a future restructuring.

The Authors



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Flexible Share Capital

The share capital of a VCC is proposed to be equal to its net asset value (**NAV**). Accordingly, the share capital of a VCC shall be variable and expand or contract in line with the NAV of the VCC. This is in contrast to a traditional fixed capital company whose share capital is equal to the nominal value of each share multiplied by the number of shares issued. The payment of distributions to shareholders is also tied to NAV, allowing more flexibility when compared to fixed capital companies which permit such payments to be made from realised profits only.

VCCs are also expected to be simpler from a corporate governance perspective. The issuance and buyback of shares and the payment of distributions can all be authorised by the board of directors, negating the usual requirement for shareholder approval.

Other Key Features

- Qualifying requirements: the VCC and all of its cells must satisfy the DIFC Registrar of Companies (the **Registrar**) that either it is: (i) proposed to be controlled by GCC Persons, Authorised Firms or DIFC Registered Persons; (ii) is being established to hold GCC Registerable Assets; or (iii) is being established for a Qualifying Purpose. Examples of Qualifying Purposes include aviation, crowdfunding, intellectual property, maritime structures and so called "Secondaries Structures", which have been newly introduced by the VCC Regulations as a Qualifying Purpose and are defined as: "*a corporate structure established for the purpose of facilitating the transfer of investment assets, partnership interests or Securities from primary investors to secondary investors or for any subsequent transfer*";
- Share register: A VCC must keep a share register in respect of itself and each cell. A VCC may appoint a "Register Keeper" which must be a corporate service provider or someone approved by the Registrar as suitably experienced;
- Duties and liabilities of officers: the usual directors' duties under DIFC Law 5 of 2018 shall apply to a VCC and directors of any incorporated cells, with additional duties particular to the unique legal and structural nature of a VCC.

Conclusion

Following an initial public consultation period, the deadline for providing feedback on the draft VCC Regulations passed on 24 July 2025. The DIFCA is now in the process of reviewing the comments received and considering if any further refinements are required to the draft regulations. Upon their enactment, the VCC Regulations promise to offer a versatile structure that will appeal to investors in the DIFC and the wider GCC region. ■