

EUROPEAN GETAWAY



EXECUTIVE SUMMARY





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Full title

EUROPEAN GETAWAY –
INSIDE THE MURKY WORLD OF GOLDEN VISAS

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Date

OCT 2018

Location

BERLIN, BRUSSELS, LONDON

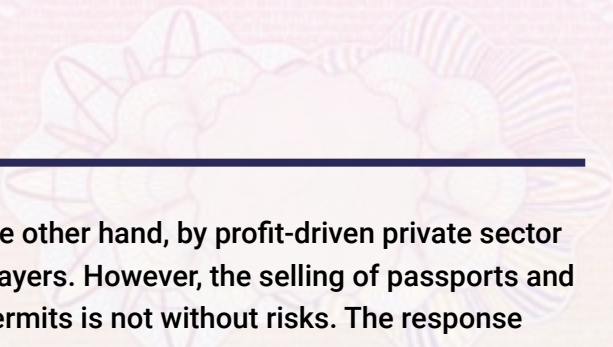
Full report

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Just like a luxury good, European Union (EU) citizenship and residency rights can be bought. There are many buyers, and there is no shortage of suppliers, which explains why investment migration is a growing, multi-billion-euro industry. The rules of the game in this diverse market are shaped, on the one hand, by government officials who have effectively demonstrated their preference for quick gains over longer-term impacts, and, on

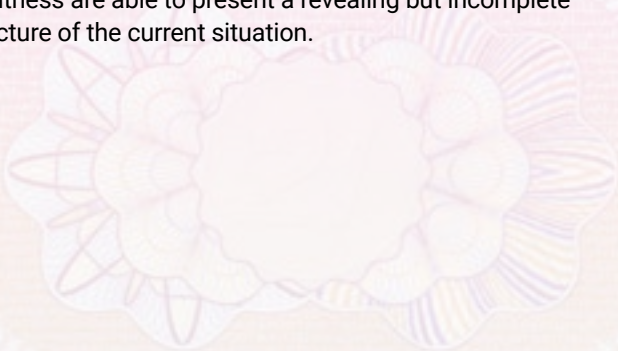


the other hand, by profit-driven private sector players. However, the selling of passports and permits is not without risks. The response from the EU has been limited thus far, and Member States have been making use of their wide discretionary powers when it comes to issues of citizenship and residency. This report highlights the corruption risks posed by the sale of citizenship and residency and how these schemes threaten the integrity of the EU.

The idea is simple: investment migration schemes offer fast-track citizenship and/or residency to foreign nationals in exchange for their substantial investment in the country. Many European countries have such mechanisms in place. In some of the schemes, the qualifying requirement is a large and passive form of investment, e.g., in luxury property, a national development fund, government bonds or shares in an existing company. This report refers to these schemes as “golden visas”.

Currently, four EU Member States sell passports and 12 trade with residency rights through golden visa schemes. The two lists overlap, as three countries – Bulgaria, Cyprus and Malta – trade with both. In addition to those, Hungary operated a residency scheme between 2013 and 2018. The sale of citizenship and residency – its profits, ethical implications and risks – affects all EU citizens. But as this report shows, EU citizens remain woefully ignorant of how these schemes work, how their national governments may or may not be mitigating the inevitable risks of selling passports and permits to the ultra-wealthy, and where the investments made by foreign nationals are ultimately going.

Despite increasing public interest, secrecy continues to enshroud the most basic information about golden visas. Having investigated publicly available sources and reached out to national governments for additional information, Transparency International and Global Witness are able to present a revealing but incomplete picture of the current situation.



KEY FINDINGS

- » In the last ten years, the EU has welcomed more than **6,000 new citizens** and close to **100,000 new residents** through golden visas schemes.
- » **Spain, Hungary, Latvia, Portugal** and **the United Kingdom (UK)** have granted the highest numbers of golden visas – above 10,000 each – to investors and their families. Next in line are **Greece, Cyprus** and **Malta**.
- » None of the countries, with the exception of Austria and Malta, publish lists of new citizens or residents.
- » EU golden visa schemes require varying amounts of investment. Residency can cost **€250,000** in Greece and Latvia, while a Cypriot passport can cost **€2 million**. It can even reach **€10 million** in the Austrian case, though the law does not officially tag the Austrian passport with a price.

- » Seven out of 17 schemes have not disclosed how much investment they have raised.
- » The golden visa schemes of EU Member States have attracted **around €25 billion** in foreign direct investment into the EU over the past decade.
- » **Spain, Cyprus, Portugal and the UK** appear to be the top earners, each receiving annually, on average, €976 million, €914 million, €670 million and €498 million, respectively.
- » In relative terms, the figures for small economies like Cyprus and Malta are especially impressive. Through the sale of citizenship, Cyprus has raised **€4.8 billion** since 2013, while Malta has reaped **about €718 million** in foreign direct investment since 2014.

The analysis of the schemes offered in **Cyprus, Malta** and **Portugal** shows the ways in which insufficient due diligence, wide discretionary powers and conflicts of interest can open Europe's door to the corrupt. Specifically, we found that:

- » Cyprus and Portugal, in spite of recent reviews and changes in their programmes, do not seem to take into account an applicant's source of funds or wealth when analysing applications.
- » While a four-tier due diligence process is in place in Malta, government officials enjoy wide discretion when deciding on an applicant's eligibility for the programme. Applicants who have criminal records or are subject to criminal investigation may still be considered due to "special circumstances".

Our analysis reveals that poor accountability and limited transparency can give rise to corruption within countries operating golden visa programmes, with groups of individuals bound to benefit from the schemes to the potential detriment of the local population.

Structural weaknesses and opacity in a highly discretionary government programme are problematic in any sector. But when such schemes are marketed

directly at individuals of high net worth and high risk, such flaws risk exposing the government to undue influence, abuse of power, and bribery. In short, they risk not only the entrance of corrupt individuals into Member States, but also the corruption of states themselves.

By their very nature, golden visa schemes are an attractive prospect for the criminal and the corrupt. The risk profile of applicants should demand the strictest of due diligence and the strongest measures to protect the integrity of the EU. In spite of this, recent scandals show that applicants are not as carefully scrutinised as they should be. Furthermore, the success rates of applicants seem to indicate that some Member States are not particularly selective, raising doubts about the strictness of checks and controls conducted on applicants. Hungary, Latvia and the UK, in particular, have granted residency to over 90 per cent of their applicants. Tellingly, these three countries also serve as salutary warning of the social, political, reputational and diplomatic risks of golden visas. Specifically, the Hungarian programme terminated with allegations that individuals with dubious background gained residency through the scheme, and Latvia and the UK had to put the brakes on their schemes and even consider revoking residency from a significant number of people.

It is an EU-wide problem. Member States that profit from selling golden visas are putting at risk not only their own citizens, but also other Member States and the EU as a whole. However, Member States apply different criteria and risk appetite when reviewing applicants. Authorities claim to follow best due diligence practices when screening applicants. But even if we were to take it for granted that authorities in Member States are truly following best practices during the screening process, what matters even more is how they assess their due diligence findings to make decisions – in other words, the level of risk they are willing to tolerate on behalf of other EU Member States when approving applicants. Foreign nationals are being awarded citizenship and residency, along with all the rights and privileges that come with them. Governments should use due diligence to assess the risks an applicant poses not only to the country, but to the EU as a whole. The bar needs to be set high, and golden visas should be given only to individuals with exceptional track records.

AT THE NATIONAL LEVEL,
GOVERNMENTS ADMINISTERING
GOLDEN VISA SCHEMES NEED TO
ENSURE THAT THE INDIVIDUALS
THEY WELCOME INTO THEIR
COUNTRIES AND, BY EXTENSION,
THE EU, ARE CLEAN – AND THAT
THEIR MONEY IS, AS WELL.
COUNTRIES DAZZLED BY PROFIT
ARE AT RISK OF FAILING TO
EXERCISE RIGOROUS OVERSIGHT
OVER THE DECISION-MAKING
PROCESS.

There exist no harmonised standards despite the fact that Member States are ultimately selling the same thing: EU citizenship and residency, and the accompanying benefits. It is critical to harmonise the sale of residency and citizenship across the EU, and that high standards of transparency and due diligence are implemented across the board. Only a unified and coordinated approach will prevent risky individuals from “passport-shopping” between jurisdictions and avert a race to the bottom when it comes to standards.

While the EU 5th Anti-Money Laundering (AML) Directive is a welcome recognition of the anti-money laundering risks posed by golden visas, it falls short of fully addressing the problem and could be counter-productive. The directive essentially amounts to shifting, and in fact diluting, the responsibility of conducting due diligence to banks and intermediaries. The EU needs to do more. In the immediate term, and before the end of its mandate, the European Commission must consider the money laundering and corruption risks of golden visas and formulate robust guidelines for Member States.

Because Member States have a collective obligation to ensure the safety of citizens and the integrity of European security and justice objectives, it is important to cast a wary eye upon such schemes. Should Member States decide that they want to continue profiting from the controversial trade in passports and permits, it is critical, at the very least, to harmonise and enforce high standards of transparency and due diligence in the sale of residency and citizenship across the EU.



WE URGE THE EUROPEAN UNION TO:

- » Set EU-wide standards of enhanced due diligence, operational integrity and transparency to prevent the abuse of these schemes by the corrupt and the criminal, and to ensure that all EU citizens are aware of the risks and benefits posed by the schemes.
- » Establish a mechanism that regularly reassesses these risks, and issues corresponding mitigation measures. This could be done as part of the Supranational Risk Assessment (SNRA) that the European Commission produces every two years, per new European anti-money laundering rules.

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- » Explore ways to broaden anti-money laundering requirements to ensure that all those involved in the golden visa industry, including approved agents, are obliged to uphold these regulations.
 - » Establish mechanisms for coordinating information sharing between Member States concerning rejected applicants.
 - » Undertake infringement procedures against Member States offering golden visa schemes if they are deemed to undermine the principle of sincere cooperation and jeopardise EU values and objectives.

WE CALL UPON MEMBER STATES TO:

- » Ensure that all golden visa applicants and their family members are subject to enhanced due diligence. All information and documents provided by the applicant must be independently verified by the responsible government agency, rather than by private entities.
- » Ensure that the applicant's wealth is not disproportionate to their known lawful sources of income. Sufficient information should be obtained that give an indication of the volume of wealth to be reasonably expected of the applicant and of how it was acquired.
- » Ensure that checks on pending civil or criminal proceedings against the applicant or family members are conducted in addition to police and security checks.
- » Predefine and publish the specific objectives, investment criteria, residency criteria and enhanced due diligence standards of the scheme.
- » Ensure that adequate notes and documents relating to decisions are kept on file.

- » Exercise oversight by ensuring that the schemes are regularly audited and that the results are published.
- » Conduct impact assessments and make adjustments as necessary.
- » Set up a mechanism for receiving reports, e.g., from whistleblowers, and for reviewing problematic cases.
- » Revoke citizenship and residency rights, in the case that new evidence of corruption or criminality is uncovered.
- » Publish statistics on the success rate of applications as well as the names and countries of origin of successful applicants.
- » Share with EU authorities information on individuals who had their golden visa applications denied due to security issues or exposure to risk.

Full report

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