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Golden Visas: Why should the EU care?

Alessandro · Thursday, March 1st, 2018

Residency and citizenship-by-investment schemes, commonly known as golden visas or passports for sale, offer fast-track citizenship or residency status to foreign, wealthy investors in exchange for large investments.

These programmes have been existing since the 1980s and their number have increased across the world. Today, at least 12 EU Member States have these sort of schemes – Austria, Bulgaria, Cyprus, France, Greece, Hungary, Ireland, Latvia, Malta, Netherlands, Portugal and the UK. Most programmes offer residency status. In some countries citizenship is also available directly, like in Cyprus or Malta, or indirectly, as is the case in Portugal after six years.

Although increased foreign investment in key national economic sectors might seem very welcome to cash strapped European countries still reeling from the financial crisis, scandals that [the Guardian](#) have recently uncovered, highlight how these schemes are open to abuse pose serious risks to EU security and integrity.

Due diligence failings on applications

Firstly, there are risks which relate to the lack of proper and systematic due diligence and checks made on applicants. Cases like [Rami Makhoul](#), the Syrian businessman and cousin of Bashar al-Assad, a [Russian applicant](#) successfully receiving a Hungarian permanent residency permit despite his apparently well-known criminal record, and a [Chinese individual](#) who was allegedly on an Interpol wanted list for tax evasion, are only few examples of the apparent due diligence failings of golden visa programmes.

Golden visa schemes are high risk by nature. They usually involve substantial transactions from €250,000 in Greece, to €2 million in Cyprus. [Data](#) available on these schemes show that the demand for golden visas tends to be higher from countries – especially [China](#) and [Russia](#) – characterized by significant outward illicit financial flows or corruption-related instability. It's [reported that](#) Chinese nationals account for 70 per cent of the world's residency/citizenship visa market. In Portugal, they represent [64%](#) of total residency permits granted since the beginning of the programme. This is despite it being illegal to transfer out more than USD 50,000 out of China in one year.

More systemic governance failings

Not only can these golden visa schemes be exposed to occasional due diligence failings on

applicants, but they also appear to have more systemic failings that put the whole granting process at risk and cast suspicion on golden visas as a potential avenue for corrupt individuals and cash. This is illustrated by the investigation in Portugal, codenamed “Operation Labyrinth” that led in 2014 to the detention of [11 people](#) involved in the administration of the scheme and who were suspected of receiving bribe payments in exchange for granting visas. Among those suspected of being involved were the head of Portugal’s border agency and the president of the country’s registration and notary institute. Similarly, the Maltese scheme has been at the centre of [allegations](#) that the Prime Minister’s Chief of Staff Keith Schembri and the owner of the financial and business advisory service provider Nexia BT, Brian Tonna were involved in potential money laundering or the proceeds of crime related to alleged kickbacks from the sale of Maltese passports.

The management of these schemes also bears risks of conflict of interest, as the due diligence responsibilities are sometimes [outsourced to intermediaries](#). In some cases, the intermediary receives a commission for every successful application while, at the same time, is expected to make the necessary checks on the applicant. This raises serious concerns about the overall integrity of these schemes.

Finally, a lack of transparency and accountability fosters discretionary decision-making and risks of corruption and political capture. The lack of clarity on the granting process (criteria, due diligence procedures, identity of applicants and recipients) as well as on the allocation of investment, and the resulting impact, prevents the public from getting a clear overview of the risks associated with these schemes and from holding governments accountable.

Why this is an EU issue

Access to the EU appears as a clear selling point in most of golden visa schemes. Freedom of movement, ease of travel, access to the Schengen area seem to be the main selling points of service providers offering assistance to wealthy individuals in search of the golden visa scheme most suited to their needs.

The risks associated with golden visa schemes have been acknowledged by the [European Commission](#) and the [European Parliament](#) as early as 2014. More recently, the [OECD](#) announced it would start looking into the possible abuse of these schemes for tax evasion purposes.

The EU cannot turn a blind eye invoking Member States’ sovereignty on immigration issues when the link with criminality is clearly demonstrated. The threat is borne by the EU community at large, not just by the Member States offering the schemes. The EU must ensure that residency and citizenship-by-investment schemes do not undermine the EU core values of freedom, security and justice, nor threaten the principle of sincere cooperation between Member States.

It is also the responsibility of the EU to ensure that these schemes respect EU citizenship principles, by guaranteeing a genuine link between the applicant and the Member State where the application is made.

We are calling on the European Commission to undertake an EU-wide action to safeguard the integrity of the EU and EU citizenship principles and core values. The Commission must closely monitor all schemes operating in Member States. As an immediate first step, the study

on which the Commission is currently working provides the perfect opportunity to critically assess anti-money laundering and integrity standards governing the management of these schemes and to issue clear guidelines to Member States setting minimum due diligence, operational integrity and transparency standards.

Transparency International has documented what are the risks these schemes pose that relate to corruption and money-laundering. To read our studies on different European golden visa schemes, see the “Resources” section below.

This entry was posted on Thursday, March 1st, 2018 at 2:49 pm