



Golden Ticket?

**Moving Beyond the Limits of the FATF/OECD Report
on Investment Migration to Assess Key Risks**

Kristin Surak

London School of Economics

k.surak@lse.ac.uk

Singapore Money Laundry, August 2023





Misuse of Citizenship and Residency by Investment Programmes

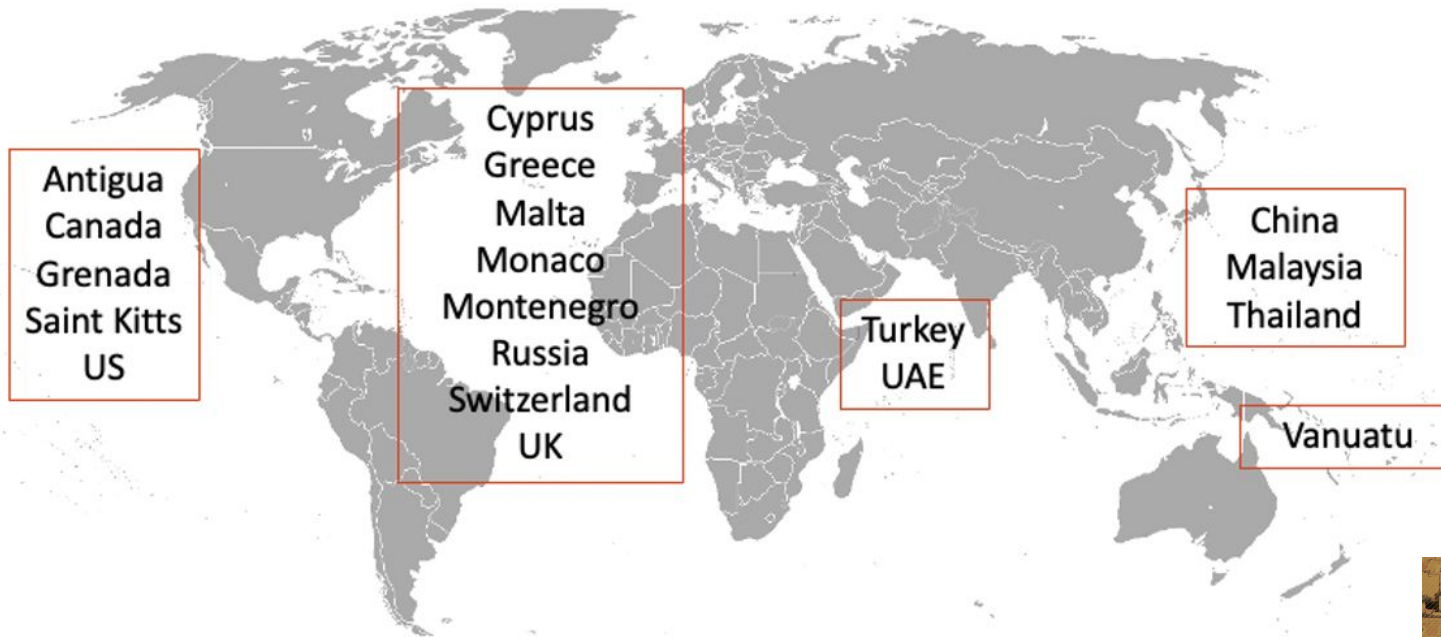
November 2023



Citizenship by Investment
("golden passports")

Residence by Investment
("golden visas")

Overview of Fieldwork and Data



Over 500 Formal and Informal Interviews

Lawyers and migration agents	Buyers
Government officials	Wealth planners and accountants
Real estate developers	Journalists
Standards boards	Due diligence firms
Locals	

+

InvestMig Dataset

Comprehensive dataset of statistics and policy change over time



Citizenship by Investment
("golden passports")

Residence by Investment
("golden visas")

Issues of Scope in the FATF/OECD Report:

- What are the risks?
- Where are the risks?

Identity Laundering

Money Laundering

Tax Risks

Citizenship by Investment
("golden passports")

Residence by Investment
("golden visas")

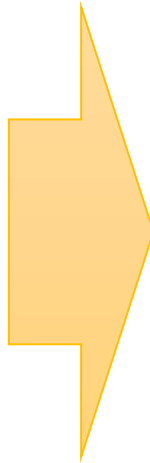
Issues of Scope in the FATF/OECD Report:

- What are the risks?
- Where are the risks?

Identity Laundering

Money Laundering

Tax Risks



Immigration/Migration

Creating legal substance and
engaging in profile-building
around mobility

What defines investment migration ?

“Investment migration provides the possibility for foreign nationals to qualify for a visa, residency permit, or passport based on a **specific transient and transferable attribute that can be gained in both legal and illegal ways: wealth**” (FATF 2023, para. 13).

“Investment migration provides the possibility for foreign nationals to qualify for a visa, residency permit, or passport based on a specific transient and transferable attribute that can be gained in both legal and illegal ways: wealth” (FATF 2023, para. 13).

Alternatives to RBI

Business Investor Visas (BIVs)

(digital nomad visas, freelancer visas)

Self-Support and Independent Means Visas

(digital nomad visas, freelancer visas)

Illegal Visa Sales

“Investment migration provides the possibility for foreign nationals to qualify for a visa, residency permit, or passport based on a specific transient and transferable attribute that can be gained in both legal and illegal ways: wealth” (FATF 2023, para. 13).

Alternatives to CBI

Discretionary Economic Citizenship

Gray Market Documents
(going through governments)

Diplomatic Passports

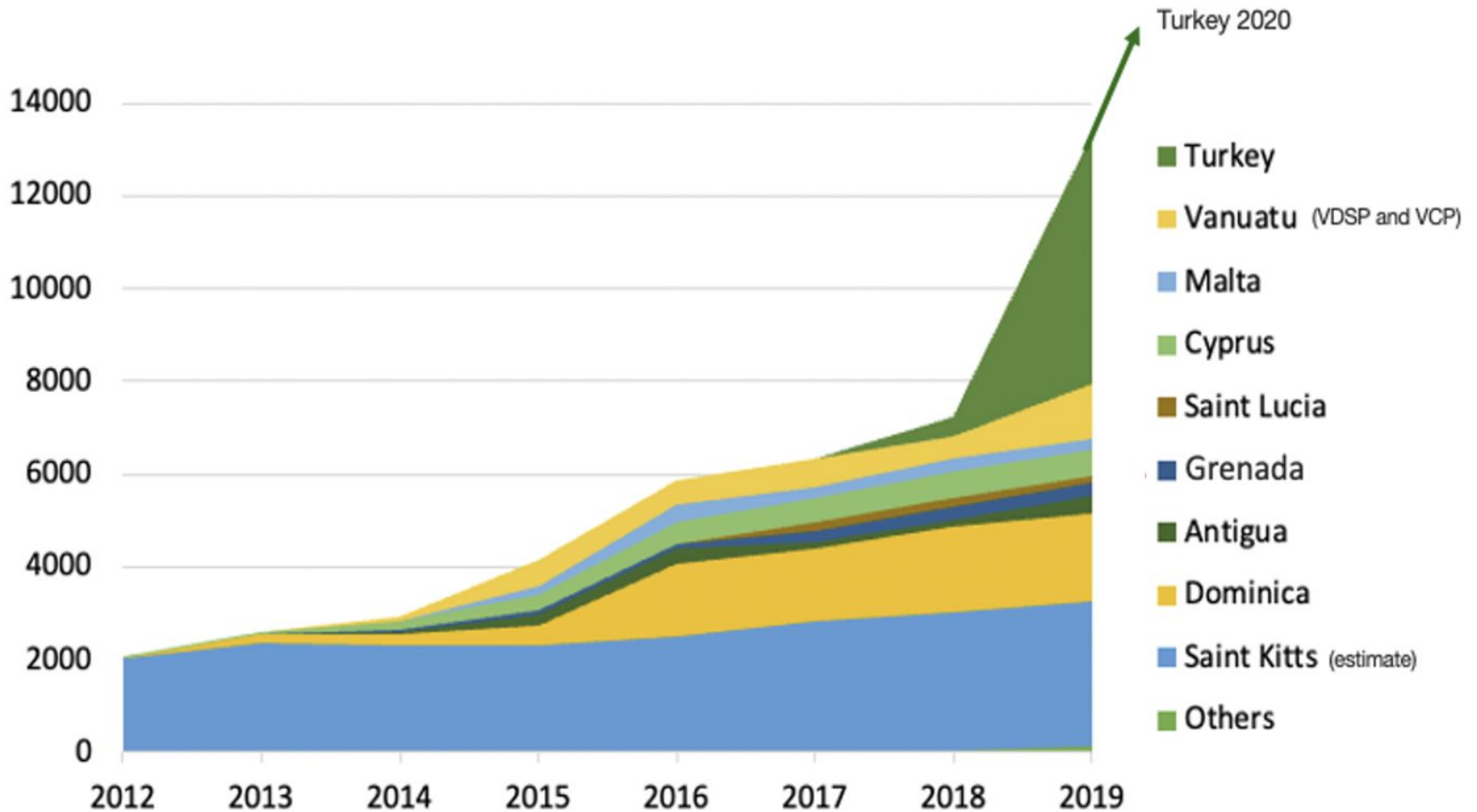
Black Market Documents

Countries with Citizenship by Investment (CBI) Legal Provisions (2014-2023)



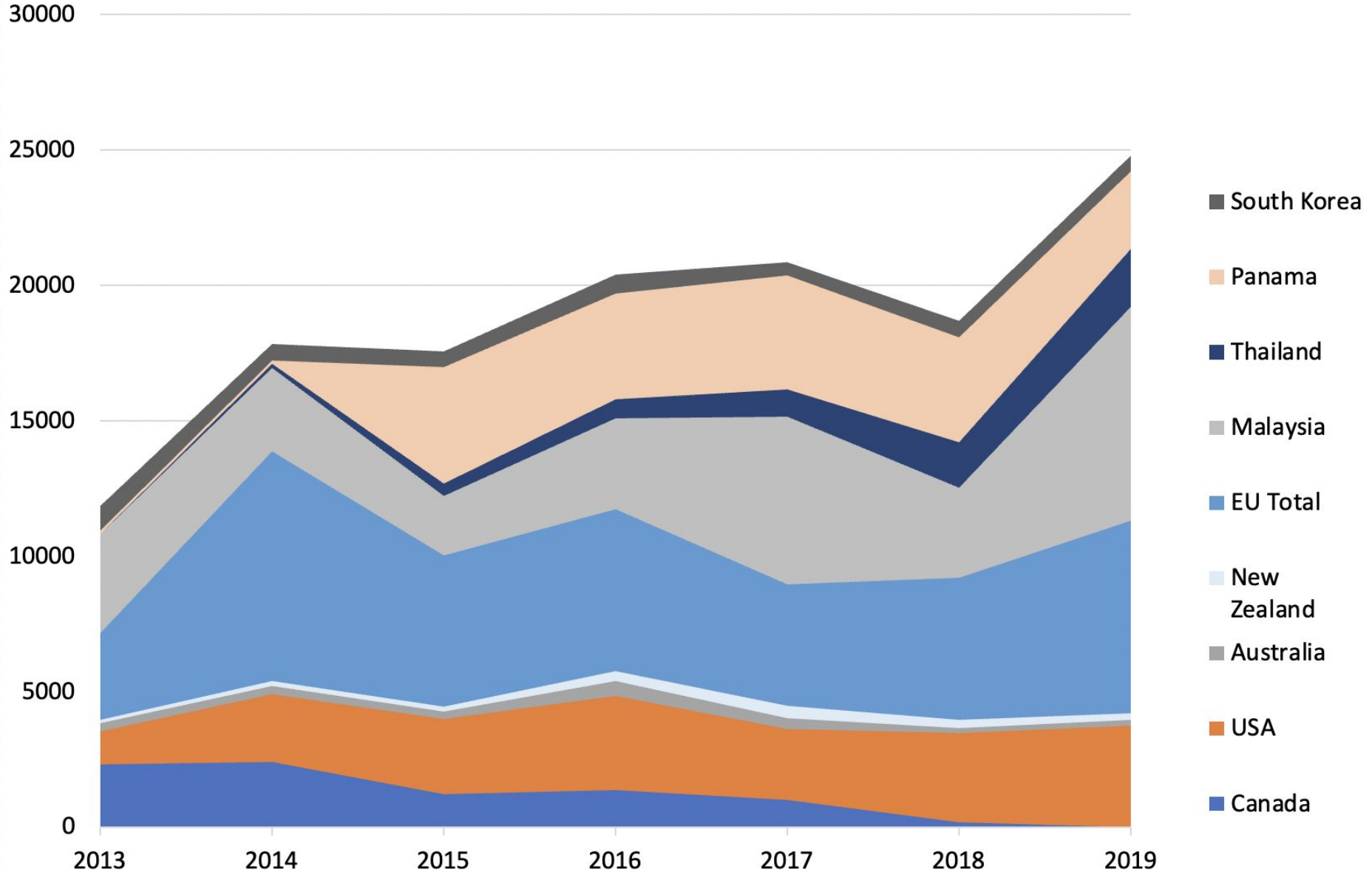
22 countries

Annual CBI Application Approvals



- + Comoros: at least 50,000 passports between 2008 and 2018
- + Cambodia: several hundred approvals in some years
- + Vanuatu: seven different legal provisions

Annual RBI Application Approvals

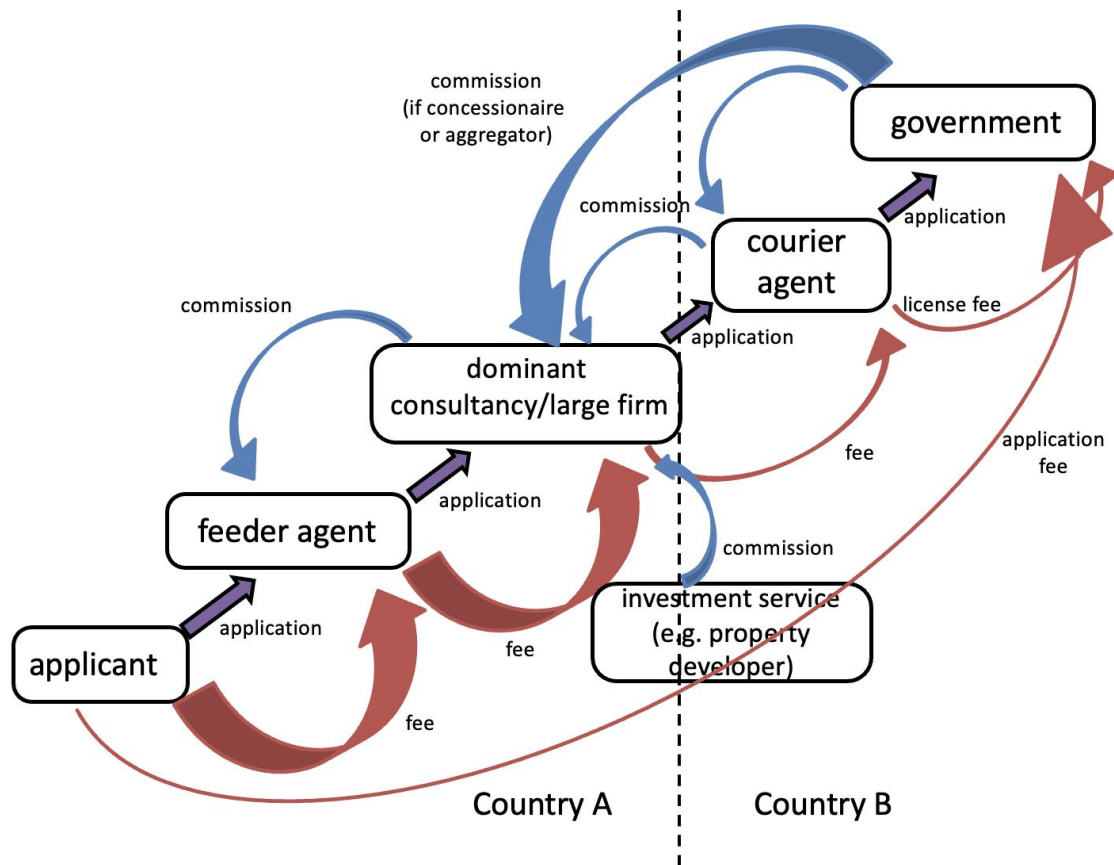


The Investment Migration Ecosystem:

The interface of Public and Private actors that make the programs possible

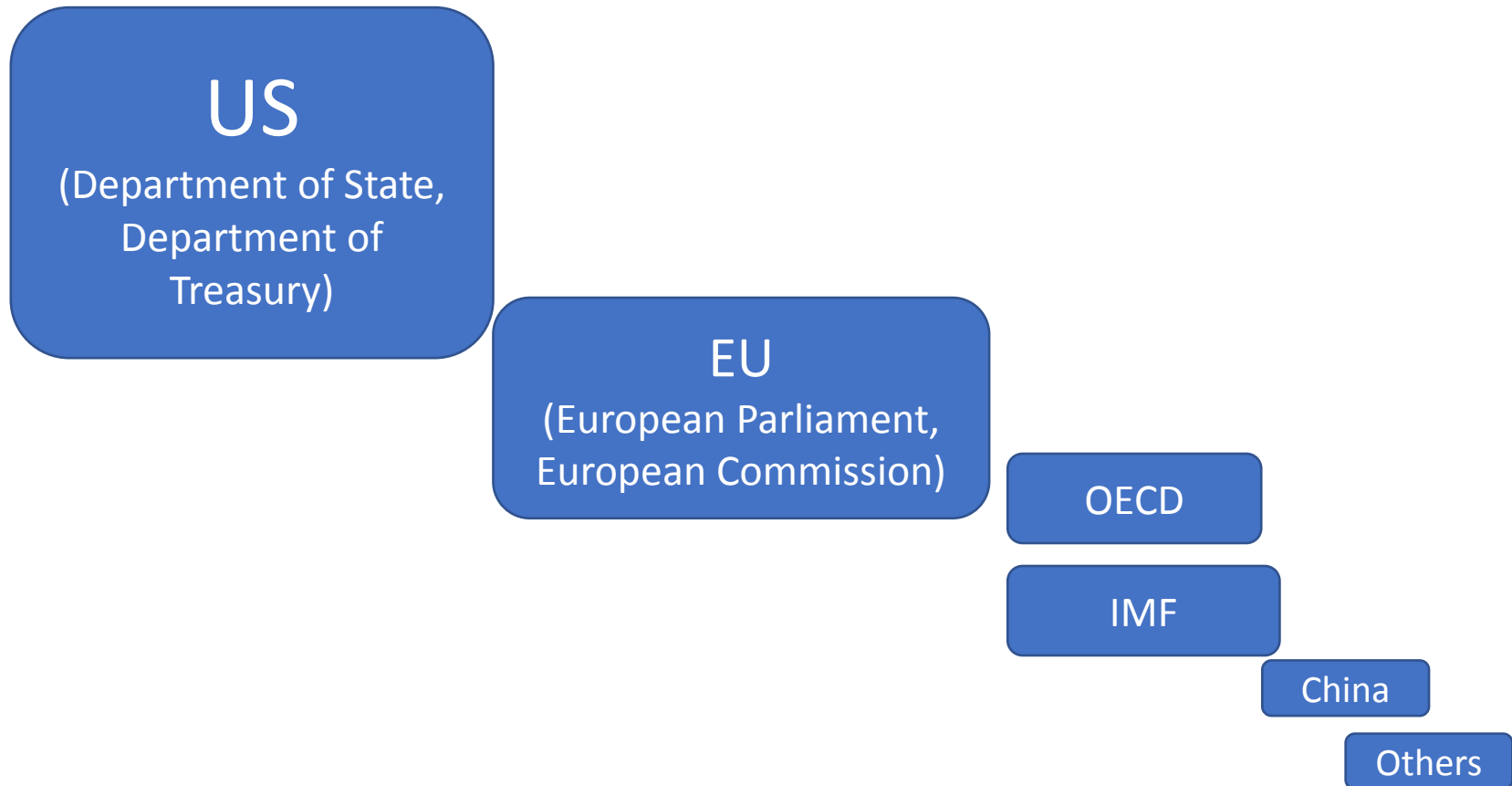
The Investment Migration Ecosystem: Public-Private Interface

Capturing More of the Supply Chain (basic form below)



The Investment Migration Ecosystem: Public-Private Interface

Inserting the Role of Global Powers and International Institutions



Issues of Scope:

What are the risks? Where are the risks?

Identity Laundering

Money Laundering

Tax Risks

Identity Laundering

- Name issues are complex
- Ease of changing name variable across case and time
- Some “serial investor migrants” (Surak 2020)
- Inclusion of place of birth on passports, shift to biometric passports

Passport Information

Country	Includes Place of Birth	Biometric Passport (<u>introduction</u> date)
Antigua	Yes	Yes (2017)
Cambodia	Yes	Yes (2014)
Comoros	Yes	No information
Cyprus	Yes	Yes (2010)
Dominica	Yes	Yes (2021)
Egypt	Yes	Yes (2006)
Jordan	Yes	No
Malta	Yes	Yes (2008)
Moldova	Yes	Yes (2011)
Montenegro	Yes	Yes (2010)
North Macedonia	Yes	Yes (2007)
Saint Lucia	Yes	Yes (2022)
Saint Kitts	Yes	Yes (2015)
Vanuatu	Yes	Yes (2010)

Note: Only countries with known CBI approvals between 2014 and 2023 are included

FAFT Report: Risks CBI and RBI Pose for Money Laundering and Financial Crime

CBI (FATF)

1. Altering identities
2. Enhancing freedom of movement
3. Facilitating establishment of legal persons in other jurisdictions

RBI (FATF)

1. Move to new places
2. Justify large cross-border financial flows
3. Purchase high-value goods and services (e.g. “sending children to private schools and using real property”)
4. Set up businesses
5. Ultimately obtain a new citizenship

FAFT Report: Risks CBI and RBI Pose for Money Laundering and Financial Crime

CBI (FATF)

1. Altering identities
2. Enhancing freedom of movement
3. Facilitating establishment of legal persons in other jurisdictions

RBI (FATF)

1. Move to new places
2. Justify large cross-border financial flows
3. Purchase high-value goods and services
4. Set up businesses
5. Ultimately obtain a new citizenship

But also the case with...

- Discretionary Economic Citizenship
- Grey Market Documents
- Diplomatic Passports
- Black Market Documents

But also the case with...

- Business Investor Visas
- Self-Support and Independent Means Visas
- Illegal Visa Sales
- (and most any kind of residence permit too)

And the alternatives can be easier and can see high numbers

FAFT Report: Risks CBI and RBI Pose for Money Laundering and Financial Crime

Additional Vulnerabilities:

- Private banking risks
- Escrow account risks
- Small due diligence firms

Tax Risks

“All CBI/RBI programmes present a high risk of being used to circumvent international tax information exchanges under the CRS” (FATF 2023, para. 118).

Tax Risks

“All CBI/RBI programmes present a high risk of being used to circumvent international tax information exchanges under the CRS” (FATF 2023, para. 118).

Critical Point:

CRS’s automatic exchange of information (AEOI) is based solely on an individual’s *tax residence*

(not their citizenship or residence permits nor even their domicile or purely physical residence)

Real Issue:

Banks use self-certification and rely on profiles

A person with *any kind of* residence visa in the *same* country where they are banking is usually presumed to be tax resident in that country and treated as a “non-reporting person”

Tax Risks: Key Cases

- UAE
- Taiwan
- “Voluntary Secrecy”: Anguilla, Bahamas, Bahrain, Belize, Bermuda, British Virgin Islands, Brunei, Cayman Islands, Dominica, Kuwait, Lebanon, Marshall Islands, Montserrat, Nauru, New Caledonia, Niue, Oman, Qatar, Saint Vincent, Samoa, Sint Maarten, Trinidad, Turks and Caicos, UAE, Vanuatu. Plus Macao

“Real link” arguments feed into mid-shore opportunities generated through legal substance and profile-building

Upshot

Moving Beyond the Limits and Weaknesses of the FATF Report

- Need to look at adjacent phenomena that allow people to do the same thing based on the same mechanisms
- Need to develop models and mitigation measures influenced by the empirically predominant risk cases
- Shift from a program-based approach to a problem-based or risk-based approach that addresses issues around using mobility documents to gain legal substance and build profiles that can be used for illicit ends

Golden Ticket?

Moving Beyond the Limits of the FATF/OECD Report
on Investment Migration to Assess Key Risks

Kristin Surak

London School of Economics

k.surak@lse.ac.uk

Further empirical research on investment migration at:

<https://www.lse.ac.uk/sociology/people/kristin-surak>

<https://www.kristin-surak.com>



Harvard University Press (2023)