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Due Diligence in Investment Migration

Current Applications and Trends

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Report 1 (1/2)

Due Diligence in Investment Migration: Current Applications and Trends

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Acronyms

AML	Anti-Money Laundering
CBI	Citizenship by Investment
CFT	Combating the Financing of Terrorism
CIPA	Citizenship by Investment Programmes Association
FATF	Financial Action Task Force
GDP	Gross Domestic Product
IIP	Immigrant Investor Program
IMC	Investment Migration Council
KYC	Know Your Customer
PEP	Politically Exposed Person
RBI	Residence by Investment
SDGs	Sustainable Development Goals

About the Report

The Investment Migration Council (IMC), in coordination with BDO USA, LLP (BDO), Exiger, and Refinitiv, formed a Due Diligence Working Group to examine the state of play of due diligence in the investment migration sector and explore the potential for minimum standards across the industry. Oxford Analytica, commissioned by the IMC, has drawn on insights from across the sector by conducting independent research on these issues. The IMC coordinated the production of two reports with the support of BDO, Exiger and Refinitiv.

The first report – “Due Diligence in Investment Migration: Current Applications and Trends” – provides a critical overview of due diligence processes in investment migration, assessing current due diligence practices and the need for further improvements in the field. The second report – “Due Diligence in Investment Migration: Best Approach and Minimum Standard Recommendations” – is more specific, recommending basic standards for immigration agents, providers of due diligence, and governments. It is hoped that these two reports will address the issues that arise from a lack of harmonised standards and the questionable transparency of due diligence processes as they apply to investment migration.

About the Investment Migration Council

The IMC is a worldwide forum for investment migration, bringing together the leading stakeholders in the field. The IMC sets global standards, provides qualifications and publishes in-demand research in the field of investment migration aimed at governments, policy makers, international organisations, and the public. It is a non-profit Swiss based membership organisation in special consultative status with the Economic and Social Council of the United Nations since 2019 and registered with the European Commission Joint Transparency Register Secretariat (ID: 337639131420-09).



About Oxford Analytica

For over 40 years Oxford Analytica has drawn on its worldwide network of over 1,400 leading scholars, former policymakers, regulators and industry leaders to provide customised and actionable analysis and advisory services to international organisations, governments and private sector institutions. Oxford Analytica approaches a single issue from multiple perspectives with a strong emphasis on analytical integrity.



About BDO

BDO provides assurance, tax, and advisory services to clients around the globe from its 1,500+ global offices, and offers numerous industry-specific practices, world-class resources, and an unparalleled commitment to meeting its clients' needs. The Investment Migration Due Diligence practice of BDO provides strategic guidance to the Investment Migration industry in due diligence matters and offers sophisticated



due diligence and continuous monitoring technology solutions with the exceptional service its clients have come to expect. Recognised as an industry leader and Investigations Consultancy firm of the Year, BDO has a deep understanding of the issues facing Investment Migration, and the significant role that due diligence plays in the mitigation of risk for the industry.



About Exiger

Exiger is a global regulatory and financial crime, risk and compliance company. Exiger assists organisations worldwide with practical advice and technology solutions to prevent compliance breaches, respond to risk, remediate major issues and monitor ongoing business activities. Exiger's Immigration, Citizenship & Visa Practice has provided enhanced due diligence and consulting services to citizenship and residency by investment programmes since 2006, and is recognised as an industry pioneer and trusted leader by many of the largest and fastest growing programmes operating in the world today.



About Refinitiv

Refinitiv, formerly Thomson Reuters Financial & Risk business, is one of the world's leading providers of financial markets data and infrastructure, serving over 40,000 institutions in over 190 countries. Its enhanced due diligence business has twenty years of experience in delivering comprehensive background check reports on individuals and entities to global Governments, Corporates and Financial Institutions. It has been a trusted partner and leading provider of due diligence checks for Investment Migration Programmes for over a decade. Refinitiv has more than 400 highly trained, certified due diligence researchers, speaking 60+ languages across 13 global offices, including Counter Fraud Specialists and Certified Anti-Money Laundering Specialists.

Organisations interviewed

Multiple actors working in the field of investment migration, including agents, due diligence providers, and representatives of governments with Citizenship by Investment (CBI) or Residence by Investment (RBI) programmes, were invited to participate in the research and contribute their experience and knowledge to build a comprehensive view of current due diligence practices in the industry, and also of the desired best practice due diligence processes for investment migration programmes. The two reports are based on interviews with cooperative agents and representatives of governments, and interviews with representatives of specialised due diligence providers, and a representative of an international corruption monitoring organisation: APEX Capital Partners Corp; BDO; Exiger; Government of Malta; Government of St. Lucia; Henley & Partners; La Vida Golden Visas; Refinitiv; and Transparency International. In some cases, more than one interview was conducted per organisation.

Executive Summary

The investment migration industry has grown into a multi-billion-dollar industry. While CBI or RBI programmes certainly bring benefits to states, the combination of large international transactions and increased global mobility raises risks of exposure to financial crime, such as money laundering and tax evasion, infiltration by criminals or criminal groups, and the ability of individuals to flee justice in another jurisdiction.

Due diligence plays a central role within investment migration precisely because of the industry's desire to mitigate the above-mentioned risks. The screening of applicants is essential for maintaining security and for safeguarding the credibility of individual programmes. Moreover, conducting due diligence through a structured process alongside a comprehensive risk assessment framework ensures that applicants are evaluated in a consistent and objective way, and that decisions are taken systematically and in a transparent manner. Due diligence typically involves three principal actors: agents, governments and third-party due diligence providers. Each actor plays a distinct role in due diligence, but it is the combination of their procedures that generates a comprehensive assessment of each applicant's risk profile and suitability.

However, the application of due diligence is still unequal across different programme types and geographies. Instances of less robust due diligence threaten the standing of the entire industry by decreasing public trust, creating an unlevel playing field for the programmes, and increasing the risk of their misuse. There is therefore a need for harmonised minimum standards across the industry to address such gaps. This report recommends that the development of minimum standards should involve all three principal actors – agents, governments and third-party providers – to consider the best approach to:

- Establishing a system of national enforcement of minimum standards, with guidance from international bodies and industry associations;
- Recording all due diligence steps and decisions in CBI and RBI programmes to justify decision outcomes;
- Increasing transparency across industry, in terms of processes and outcomes, to ensure that all actors do meet minimum standards; and
- Addressing the concerns and demands of the global community in designing and operating CBI and RBI programmes.

This report is followed by a second report, “Due Diligence in Investment Migration: Best Approach and Minimum Standard Recommendations”, which explores the potential to adopt minimum standards across the industry.

Introduction

Aims of the report

This report seeks to increase the understanding of policymakers and other actors about:

- what investment migration is, and the different CBI and RBI programmes in existence;
- the risks and benefits associated with the industry;
- the role due diligence plays within the investment migration industry;
- approaches to, and types of due diligence utilised to assess the risks involved in investment migration;
- the evolution of due diligence within the investment migration industry; and
- the importance of due diligence for the safe and proper functioning – and success – of CBI and RBI programmes.

The report recognises that the sector's focus on due diligence is uneven: while some programmes conduct an advanced level of due diligence, others are still not conducting any or enough due diligence, or are not sufficiently transparent about the due diligence processes that they employ.

The report concludes by identifying the need for the development of industry-wide minimum due diligence standards and provides proposals for what those standards should be to help create stronger CBI and RBI programmes, and create greater trust in the industry.

What is investment migration?

Investment migration is the process by which a government grants citizenship or residential rights to individuals in return for a financial investment or other direct contributions to the host country. The investment required from the applicant can take various forms, such as purchasing real estate, buying government bonds, donating to a government-specified fund, or investing in a local business. Some programmes have several financial requirements. For example:

- The Cyprus Investment Programme, a CBI programme, requires applicants to make donations of at least 75,000 euros¹ to the country's Research and

¹ These donations are in addition to other programme requirements and have been enforced as of 15 May 2019. For more information with regard to the most recent changes of the Cypriot Citizenship Programme, see Cyprus Investment Program, subsection (2) of section 111A of the Civil Registry Laws of 2002-2019 which is available at the website of the Ministry of Interior of Cyprus: <<http://www.moi.gov.cy/moi/moi.nsf/All/0A09FCB93BA3348BC22582C4001F50CF>> last accessed 25 November 2019.

Innovation Foundation,² and/or to the Cyprus Land Development Corporation.³ Furthermore, applicants must invest at least two million euros in one sector, or a combination, of real estate, land development and infrastructure projects; the purchase, establishment or participation in Cypriot companies or businesses; and/or alternative investment funds or registered alternative investments.

- In Malta, CBI applicants are asked to make a non-refundable contribution of at least 650,000 euros to the National Development and Social Fund,⁴ a purchase of 150,000 euros in government stocks or bonds, and a property transaction.⁵

CBI and RBI programmes can be traced back to the early 1980s, with the first CBI programme developed in 1984 by St. Kitts and Nevis. Canada set up its own programme soon thereafter with its Immigrant Investor Program (IIP), established in 1986. The United States introduced the EB-5 IIP in 1990. In Europe, the investment migration industry grew significantly after the 2007 – 2008 financial crisis, as European countries looked for ways to boost their economies.⁶

Today, investment migration is an established industry and fast-growing feature of the global economic landscape. There are currently 12 formal national CBI programmes,⁷ while numerous countries offer discretionary naturalisation to suitable foreign investors on the basis of the “special interests” of the state.⁸ Additionally, many countries, small and large, offer RBI programmes to attract foreign investment. As the pool of potential applicants grows, more governments see CBI and RBI as a source of capital inflows, and the due diligence process for applicants is a critical tool to mitigate the risks of financial crime, terrorist funding, and allowing “back door” access to mostly Western jurisdictions to undesirable individuals.

What is due diligence?

At its most basic level, due diligence is a broad term used to describe a series of investigative processes that identify, corroborate and verify information about an individual or a business entity, and assess their eligibility and risk profile in order to protect against security, criminal, reputational and political risks. Due diligence helps organisations ensure they are not dealing with prohibited or sanctioned parties, or those placed on international watch lists for numerous reasons. Due diligence also helps to understand risks associated with an individual's or an

2 More information about the Research and Innovation Foundation is available at <www.research.org.cy> last accessed 25 November 2019.

3 More information about the Cyprus Land Development Corporation is available at <www.cldc.org.cy> last accessed 25 November 2019.

4 More information about the National Development and Social Fund is available at <<https://ndsf.com.mt>> last accessed 25 November 2019.

5 Henley & Partners, *Global Residence and Citizenship Programs 2018–2019: The Definitive Comparison of the Leading Investment Migration Programmes* (4th edn, Ideos, NY/London/Zurich/Hong Kong 2018) 107.

6 For more concise history of CBI programmes, see Ayelet Shachar, “Citizenship for Sale?” in *The Oxford Handbook of Citizenship* (OUP, Oxford 2017) 794-797, 789.

7 The following 12 countries offer formal CBI programmes: Antigua and Barbuda, Cyprus, Dominica, Grenada, Jordan, Malta, Moldova, Montenegro, St Kitts and Nevis, St Lucia, Turkey, and Vanuatu.

8 See in more detail Christian H. Kälin, *Ius Doni in International Law and EU Law* (Brill/Nijhoff, Leiden/Boston 2019).

entity's partners and associates (including understanding complex asset ownership structures), customers or other related parties.

The investigative process can be conducted in-house by a government entity or can be outsourced to a due diligence service provider, and has long been considered a necessary component of business practices where transparency regarding both individuals and/or companies is needed. It is performed in several sectors, including extensively in the financial services industry where it is a part of Know Your Customer (KYC) and Anti-Money Laundering (AML) protocols and in corporate sectors, particularly by entities in jurisdictions with strict Anti-Bribery and Corruption regulations, and who are dealing with potential partners in others which have weak or compromised civil institutions.

Importance of due diligence in investment migration and principal actors

In the investment migration industry, due diligence is critical in order to verify an individual's identity, background, associations and reputation, and to understand whether his/her wealth has been acquired through legitimate means and is commensurate with identifiable sources of income. More generally, due diligence provides investment migration programmes with the means to make informed risk-based decisions within a larger risk assessment framework. As such, due diligence plays a central role in establishing and maintaining the integrity of both CBI and RBI programmes.

Due diligence procedures should span the entire investment migration application process, from assessing applications through agents to final decision-making by competent state authorities (and sometimes subsequently at predetermined intervals).

A due diligence process typically involves three principal actors:

- **Agents:** Agents are private sector service providers who should at a minimum perform a KYC screening to confirm the identity of the applicant, make a preliminary assessment of their risk profile, and check their eligibility.⁹ This takes place at the time of initial contact between the applicant and the agent, who may subsequently present the application to the government concerned. This step serves as an initial filter to identify unsuitable individuals. This initial screening consists of checking global watch list and sanctions databases and Politically Exposed Person (PEP) directories. While agents may not conduct a full criminal history search, evidence of previous serious criminal activity should be apparent at this stage in the process from the publicly available information related to criminal or otherwise undesirable activity.¹⁰

9 Agents based outside of the country may interact with applicants and bring them to licensed local service providers, who ensure that the application is complete and then submit it. The local service providers may also conduct similar screening.

10 Databases also allow for the verification of machine-readable numerical information on a passport. This is not the same as verification of identity or even of the passport, just that the known algorithm of a certain country's passport is consistent with the information on the provided passport. Many fake passports would not be identified in this search.

- **Governments:** When an application is submitted to a government agency, the latter conducts: a) verification of the validity of the individual's police and court records and checks of national databases and government information that may not be publicly available; b) law enforcement inquiries with international law enforcement agencies to obtain details on, for example, outstanding warrants or suspicion of international criminal activity; and c) enquiries with relevant governmental and intergovernmental entities to obtain, for example, evidence of failed visa applications. Based on these inquiries, the government agency creates its own risk profile of an applicant.
- **Third-party providers:** Specialised third-party due diligence firms provide a clearer picture about the source of wealth of an applicant, and verify or corroborate their primary documentation, professional, educational and residence history, as well as ownership or directorships in business entities or state-owned enterprises. Any identified non-disclosures of businesses and business affiliations are recorded. Enhanced due diligence is conducted by third-party providers when required by agents or governments. In general, enhanced due diligence includes further background checks related to source of wealth and net worth, political associations that might not be recorded on PEP databases education records, general reputation, unethical or sharp business practices, and social and environmental responsibility, in part through gathering on-the-ground intelligence on the individual, their family members and associates. For this, due diligence providers conduct in-country research including, for instance, searches of English- and local-language adverse media, social media, in-country litigation, regulatory and bankruptcy database checks, and reputational and other assessments through interviews with appropriate well-placed sources. An independent risk rating is also sometimes requested from the due diligence provider, complementing any risk profile created by the government.

Based on the collective findings of these actors, a decision is then made by the government agency regarding the application. For agents that carry out KYC screening, they will make a decision based on the results of the screening on whether to proceed with onboarding the applicant and assisting them in their application. Governments make decisions on approving or not approving applications based on the collective findings of their own due diligence inquiries as well as those of third-party providers, to the extent that these are part of their due diligence processes. Some CBI and RBI programmes request that agents provide the results of their own KYC screening, in which case these may also be assessed as part of the investigative process.

Industry Overview

Introduction to CBI and RBI programmes

Two types of investment migration programmes, CBI and RBI, make up the industry. Each offers applicants a different set of rights and benefits.

- CBI programmes

CBI programmes allow individuals to acquire the rights of citizens, including a passport, although there can sometimes be limitations to those rights. For instance, in St Kitts and Nevis, citizens-investors are not permitted to vote in the country's elections.¹¹ With citizenship comes the right to residency, and in many cases, citizenship is hereditary allowing CBI recipients to gain citizenship for their descendants. Additionally, CBI passport holders benefit from visa-free or visa-on-arrival access to countries with such visa agreements in place.¹²

CBI programmes differ from RBI programmes mostly in their permanent nature. Furthermore, revoking citizenship faces higher legal barriers than does revoking residency.

- RBI programmes

The most prevalent form of investment migration is RBI. According to 2018 data, Europe saw almost 100,000 new residents through RBI programmes over the course of the last decade, compared with around 6,000 new citizens through CBI programmes during the same period.¹³

Residency visas generally give individuals the right to live in a country through the acquisition of property. Several RBI programmes can also put individuals on a pathway to citizenship in line with the country's regular naturalisation timeline. For example, individuals who gain RBI in Portugal can apply for citizenship after six years of residence.¹⁴ Similar requirements apply in Spain, although the process is longer: after an initial real estate investment of 500,000 euros, applicants can renew their residency rights every two years. After five years residency becomes

11 Section 3(5) St Kitts and Nevis Citizenship Act, 1984 (No. 1 of 1984) makes the following provisions provides for an individual to be "registered as a citizen of St. Kitts and Nevis without any rights of voting save under and in accordance with the provisions of any law governing the qualification of voters, if the Cabinet is satisfied that such person has invested substantially in St. Christopher and Nevis".

12 See Investment Migration Insider, "Visa-Free Landmass of CBI Passports" *IMI* (2019) <<https://www.imidaily.com/data/#latest>> last accessed 25 November 2019.

13 Transparency International and Global Witness, *European Getaway: Inside the Murky World of Golden Visas* (Transparency International and Global Witness, 2018) 3. Cf Investment Migration Insider, "Residence by Investment Programs: Global Statistics" and "Citizenship by Investment Programs: Global Statistics" *IMI* (2019) <<https://www.imidaily.com/data/#latest>> last accessed 25 November 2019.

14 Serviço de Estrangeiros e Fronteiras, "ARI – Residence permit for investment activity" <www.sef.pt/en/pages/conteudo-detalhe.aspx?nID=21> last accessed 5 November 2019.

permanent, and after ten years, residents can apply for citizenship.¹⁵ However, not all RBI programmes offer a pathway to citizenship. For example, New Zealand's residency programme, which requires a minimum investment of 3,000,000 New Zealand dollars over a four-year period, does not lead to citizenship, instead offering individuals who successfully complete the programme a form of permanent residence.¹⁶

RBI programmes can also offer recipients greater access to visa-free travel, depending on the host country's arrangements with other countries and regions such as the EU. This is a significant attraction of EU RBI programmes, which offers visa-free access to EU Member States. Similar access to the United Kingdom can be gained through residence in British Commonwealth countries. The lower costs of entry compared to CBI programmes are the primary reason why RBI programmes are the most commonly used means of investment migration.

Global scale of the industry

The Caribbean and Europe are the two leading regions for CBI programmes, while Vanuatu also has a CBI programme. CBI has grown into an estimated three-billion-dollar industry, with, reportedly, over 9,000 CBI applications approved worldwide in 2018/2019 full year of records.¹⁷ This figure is expected to grow, with an increasing number of programmes having become more affordable, in part as a result of increasing competition from new programmes.¹⁸

RBI programmes generated more than 12 billion dollars in direct investment globally in 2018.¹⁹ Europe hosts the largest number of RBI programmes: RBI in the EU alone has attracted around 25 billion euros in investment over the previous decade, according to 2018 data.²⁰ In 2018, Europe received reportedly over three billion dollars in investment from only 6 RBI programmes and nearly 5,000 applications

15 Spain's Ministry of Foreign Affairs, "Residence Visa for Buyers of Real Estate in Spain" <www.exteriores.gob.es/Consulados/LOSANGELES/en/InformacionParaExtranjeros/Pages/Residence-Visa-for-Buyers-of-Real-Estate-in-Spain.aspx> last accessed 25 November 2019.

16 See in more detail the website of the Government of New Zealand <<https://www.immigration.govt.nz/new-zealand-visas/options/live-permanently/explore-visa-options-for-living-permanently>> last accessed 25 November 2019.

17 Investment Migration Insider, "Data & Statistics" *IMI* (21 September 2019) <<https://www.imidaily.com/caribbean/dominica-cip-approved-2100-applications-in-last-12-months-likely-a-world-record/>> last accessed 25 November 2019.

18 This figure, for instance, does not include the approved main applicants for Montenegrin citizenship through investment. Montenegro was set to start receiving applications in 2019. Furthermore, in July 2019, the Government of Moldova temporarily suspended the programme and stopped processing new applications for Moldovan citizenship through investment until the programme has been reviewed. New Albanian CBI programme may be also soon expected, as it has been already announced by the Albanian Prime Minister, Mr Edi Rama, see La Vida Golden Visa, "PM's Discuss Citizenship Investment Programmes" <<https://www.goldenvisas.com/ministers-discuss-citizenship-investment/>> last accessed 25 November 2019. Last but not least, a number of CBI programmes have become more affordable for applicants, see, for instance: La Vida Golden Visa, "Record Year for St. Kitts Citizenship 2018" <www.goldenvisas.com/record-year-for-st-kitts-citizenship/> last accessed 25 November 2019; Investment Migration Insider, "25 percent of Dominica's GDP and Half of Govt. Revenue to Come From CIP This Year" *IMI* (15 August 2019) <www.imidaily.com/caribbean/25-of-dominicas-gdp-and-half-of-govt-revenue-to-come-from-cip-this-year/> last accessed 25 November 2019; Investment Migration Insider, "Turkey CIP Astounds: Nearly 10,000 Citizens by Investment in 12 Months Says Interior Ministry" *IMI* (28 September 2019) <<https://www.imidaily.com/editors-picks/turkey-cip-astounds-nearly-10000-citizens-by-investment-in-12-months-says-interior-ministry/>> last accessed 25 November 2019.

19 Investment Migration Insider, "Data & Statistics" <www.imidaily.com/data/#rbiglobal> last accessed 25 November 2019.

20 Transparency International and Global Witness, *European Getaway* 3 (based on country and industry sources).

(of main applicants) were approved.²¹ In the same year, over seven billion dollars was invested in North America under two programmes (the US EB-5 IIP and the Canadian Quebec IIP).²² The country with the highest RBI revenues is the United States, which received reportedly over six billion dollars in 2018, thanks to the EB-5 being the single highest investment-generating programme. Canada received over one billion dollars last year, followed by Portugal, the leading European country, with 934 million dollars in revenue.²³

Impacts on countries

The sizeable financial investment raised by CBI and RBI programmes can bring important economic and social benefits to host countries. For example, countries with such programmes have experienced greater fiscal stability, higher economic growth, job creation and infrastructure investment. The impacts are perhaps most evident in the Caribbean, where CBI programmes often form a substantial part of government revenues, for example in Dominica and in St. Kitts and Nevis.²⁴ In St. Lucia, investment migration has played a key role in helping the government reduce its deficit spending and invest in infrastructure.²⁵

However, the impact of investment migration can be contentious. It has been suggested, for instance, that it can inflate local real estate prices in cases where it represents a large share of a country's gross domestic product (GDP).²⁶

Investment mechanisms

The leading investment requirements of CBI programmes include:

- **Real estate:** Over half of all CBI investments are in the form of real estate, with the Cyprus CBI programme being the prime example.
- **Donations:** Donations to national funds have risen substantially, driven by Caribbean states, and Malta in Europe.
- **Business investment:** Some countries, for example Antigua and Barbuda, have seen in the past a significant surge in the requirement for business

21 These include: the Portuguese Golden Visa Programme; UK Tier 1 Investor Visa Programme; Spanish Golden Visa Programme; Greek Golden Visa Programme; Latvian Golden Visa Programme; and the Irish Immigrant Investment Programme. The number of total visas issued, including main applicants and dependants, is 2.5 times higher, i.e. around 12 500 visas were issued in 2018 only as a result of the six RBI programmes enumerated above <<https://www.imidaily.com/data/#rbiglobal>> last accessed 25 November 2019.

22 Investment Migration Insider, "Data & Statistics" *IMI* (2019) <www.imidaily.com/data/#rbiglobal> last accessed 25 November 2019.

23 Ibid.

24 For instance, revenue collected from the CBI programmes in Dominica represent about half of government revenue, see the budget speech of Prime Minister Roosevelt Skerit of Dominica of 25 July 2018, "From Survival to Sustainability and Success: A Resilient Dominica" 31 <<https://dominicanewsonline.com/news/wp-content/uploads/2018/07/Budget-2018-1.pdf>> last accessed 24 November 2019. Between January and September 2018, revenue collected from St. Kitts and Nevis CBI programme represented 39% of total government revenue, see Caribbean Development Bank, "Country Economic Review 2018: St. Kitts & Nevis" 4 <<https://www.caribank.org/publications-and-resources/resource-library/economic-reviews/country-economic-review-2018-st-kitts-and-nevis>> last accessed 25 November. Cf Heather Cover-Kus, "Weighing Up Second Passport Power in Small States: A SWOT Analysis of the Citizenship-by Investment Industry" 2019 (I) Small States Matters (Commonwealth Secretariat, London).

25 Government expert 1.

26 NGO expert 1.

investment, which overtook all other forms of investment in 2017. In 2018, however, donations to national funds have largely dominated CBI applications in Antigua and Barbuda.²⁷

Investment migration has quickly become an important sector for national development, particularly for small nations.²⁸ This should continue to drive growth in an industry that is nonetheless set to mature as programmes evolve. The sector's rising economic and social impact means that investment migration may also be well positioned to contribute to the UN Sustainable Development Goals (SDGs). The industry's role in achieving SDGs 8 and 9 – Decent Work and Economic Growth, and Industry Innovation and Infrastructure – is particularly pertinent.

Risks associated with investment migration

CBI and RBI programmes are not without risk. The international nature and the high value of these programmes, along with applicants who often come from high-risk countries,²⁹ and increased global mobility, can create a range of legal, political and reputational risks for both governments and agents that facilitate their application.

- Risks posed by individuals

Legal risks stemming from large international financial transactions and increased global mobility fall into four broad categories: money laundering; tax evasion; infiltration by criminals or criminal groups; and the ability of individuals to flee justice in another jurisdiction.

- **Money laundering:** Individuals can use the proceeds of funds derived from criminal activity to make the investment required by CBI and RBI programmes, and use these investments to execute the money laundering

27 Investment Migration Insider, "The Antigua & Barbuda Citizenship by Investment Programme" *IMI* (2019) <<https://www.imidaily.com/the-antigua-barbuda-citizenship-by-investment-programme/>> last accessed 29 November 2019.

28 See e.g. Cover-Kus, "Weighing Up Second Passport Power in Small States".

29 The Financial Action Task Force (FATF) identifies jurisdictions with weak anti-money laundering/combating the financing of terrorism (AML/CFT) measures. At the time of writing the FATF public documents included: a call for action in the case of Democratic People's Republic of Korea (DPRK) and Iran; and monitoring of 12 jurisdictions with strategic AML/CFT deficiencies: Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Panama, Sri Lanka, Syria, Trinidad and Tobago, Tunisia, and Yemen. More information is available at <<http://www.fatf-gafi.org/>> last accessed 25 November 2019. Furthermore, in accordance with Article 9(2) "Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC" (EU Fourth AML Directive), the European Commission has identified 16 "high risk third countries" with strategic deficiencies in their AML/CFT regimes that pose threats to the EU financial system: Afghanistan, Bosnia and Herzegovina, Guyana, Iraq, Lao PDR, Syria, Uganda, Vanuatu, Yemen, Ethiopia, Sri Lanka, Trinidad and Tobago, Tunisia, Pakistan, Iran, and Democratic People's Republic of Korea. Furthermore, "Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU" (EU Fifth AML Directive) [2018] OJ L156/55, strengthens the criteria for identification of high-risk third countries, by applying requirements designed to take into the account "strategic deficiencies" of a third country in particular in the following three areas: the legal and institutional AML/CFT framework of the third country; the powers and procedures of the third country's competent authorities for the purposes of combating money laundering and terrorist financing; and the effectiveness of the third country's AML/CFT system in addressing money laundering or terrorist financing risks (Article 1(5) EU Fifth AML Directive, amending Article 9(2) EU Fourth AML Directive). On 7 March 2019, the Council of the EU rejected a draft list of 23 high-risk countries proposed by the European Commission due to lack of transparency and resiliency of the process, <<https://data.consilium.europa.eu/doc/document/ST-6964-2019-REV-1/en/pdf>> last accessed 25 November 2019.

processes of placement, layering and subsequent integration of illegally acquired funds into the legitimate economy. Additionally, they may further seek to use the benefits of CBI and RBI to gain easier access to the international banking system that allows transfers in currencies that avoid the scrutiny that is applied, for example, to US dollar transactions.

- **Tax evasion:** While neither CBI nor RBI determine an individual's taxation obligations, such programmes can be used to gain taxation benefits (which may, in fact, be legal). Tax evasion, however, can be achieved either through the offshoring of cash deposits, and the investment of cash in other investments such as real estate in jurisdictions with limited financial transparency or compliance requirements.
- **Infiltration by criminals or criminal groups:** There is a possibility that the source of income for investment originates from criminal activity, and this can attract criminals and organised crime groups who seek to use CBI and RBI programmes to facilitate such activities and the financing of terrorist activities.
- **Fleeing justice:** Individuals can use CBI and RBI programmes to flee justice and financial and other penalties imposed in their home country.

Some of these risks have indeed materialised, revealing flaws in existing due diligence procedures.³⁰ Moreover, there is also a risk that individuals commit fraudulent or criminal acts after being accepted into a CBI or RBI programme, despite not having a known history of such activity, and then use their obtained residency or citizen status to avoid prosecution at home. However, as with the standard naturalisation process, applicants to CBI and RBI programmes can only be judged based on scrutiny of their past behaviour.

The existence of these risks – and proven incidents of malfeasance – have led to criticism of the industry. The European Commission, as well as advocacy groups Transparency International and Global Witness, have voiced concern over the opacity of the sector and the opportunity that CBI and RBI programmes present for ill-intentioned individuals.³¹ This highlights the need for a constructive discussion about the importance of due diligence and how it can be more effectively conducted by investment migration programmes.

30 Anthony Van Fossen, "Citizenship for Sale: Passports of Convenience from Pacific Island Tax Havens" (2007) 45(2) *Commonwealth & Comparative Politics* 138–163.

31 E.g. European Commission, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee of the Regions, "Investor Citizenship and Residence Schemes in the European Union" COM (2019) final (Brussels, January 2019); Transparency International and Global Witness, *European Getaway*.

Due Diligence Within Investment Migration

Due diligence plays an integral role within investment migration because of the industry's desire to mitigate the above-mentioned risks. The screening of applicants is essential for maintaining security and for safeguarding the credibility of individual programmes. Moreover, conducting due diligence through a structured process alongside a comprehensive risk assessment framework ensures that applicants are evaluated in a consistent and methodical manner, and that decisions are made systematically and transparently.

As mentioned above, the aim of the due diligence process is to gather and verify information on the applicant, and to assess the applicant's risk profile in order to make a fully informed decision on whether citizenship or residency status should be granted.

Information verification and assessment of the applicant's risk profile

The primary role of due diligence within investment migration is to confirm or corroborate information on applicants. This includes verifying the applicant's identity and collecting more rigorous intelligence on the applicant – and any family members or close associates – to establish a clear picture of the individual and his or her business dealings, as well as relevant past behaviour.

The other critical reason for conducting due diligence is to develop a risk profile of the applicant. Many of those who seek a new residence or a second citizenship are from countries with low levels of transparency through institutional or regulatory weakness, which usually indicates a high incidence of corruption and criminality. Such applicants are often categorised as high risk. For example, certain individuals are more likely to participate in bribery, corruption, fraud, human rights violations, and high levels of social and environmental irresponsibility. Undertaking due diligence ensures that an applicant's exposure to, or involvement in, such activities is ascertained, and the associated risks are identified and understood. The proportion of applicants for whom red flags are raised can be significant. For example, the due diligence process as conducted by the Maltese government for its CBI programme raised issues in 37 percent of applications that required further assessment to better define the applicant's risk profile.³²

Reputational risk management

The motivations for individuals who apply for CBI and RBI programmes vary. While some are driven by the desire for greater access to travel or to buy property, others might seek out a programme to escape conflict in their home countries, or to evade justice, or commit fraudulent activity. By gaining insight into what is motivating the applicant, due diligence helps to determine the suitability of applicants and protect against unnecessary risk.

³² Malta Office of the Regulator, *Fifth Annual Report on the Individual Investor Programme: (1st July 2017 – 30th June 2018)* <<https://orlip.gov.mt/en/Documents/Reports/Annual%20Report%202018.pdf>> last accessed 25 November 2019.

Serious reputational damage can be caused to both governments and agents if an undesirable candidate is granted citizenship or residence through an investment migration programme:

- **Governments:** Governments that are perceived to take in someone who has not been adequately vetted will face increased scrutiny from civil society (as well as from the international banking system and organisations such as the FATF if AML vetting practices have not been applied).³³ Depending on where the applicant originates, his or her status as a PEP, and his or her source of wealth and general character, can damage the reputation and even threaten the existence of the programme. Governments also need to appreciate that the risk appetite of private sector players, including agents, may be different from their own: therefore, governments need to conduct their own strict due diligence rather than rely on due diligence carried out by agents.
- **Agents:** For agents, the risks of submitting unfit applicants to CBI and RBI programmes is both reputational and financial. Agents that consistently put forward unsuitable candidates are likely to be deemed disreputable, thereby reducing their future participation in the sector.

The decision-making process

By highlighting discrepancies in applications, issues surrounding sources of wealth, uncertainty over applicants' motivations, their character, or their political exposure, strict due diligence processes have helped prevent undesirable candidates from being accepted within CBI and RBI programmes.

Applicants and agents may withdraw applications at any point. Such withdrawals could be a reaction to information requested or identified during the initial screening by the agent, or in response to questions and requests for clarification from the programme during the due diligence process. There is a tendency for agents and applicants to withdraw applications when they sense potential rejection is possible. As such, official government rejection rates do not reflect the actual number of applications that are unsuccessful as a result of scrutiny by programme providers and their collaborators. Nonetheless, programme rejection rates can be high, and while some applicants are rejected because they have not made the required investment on time, many are also rejected because due diligence has revealed they do not meet the programme's standards.³⁴ New Zealand's rejection rate of over 30 percent of all applicants during its 2018-19 fiscal year appears to be among the world's highest.^{35, 36}

33 See in more detail Chisanga Chekwe, *Staying Ahead: Due Diligence in Residence and Citizenship by Investment Programmes* (IMC/Thomson Reuters 2018) 28 et seq.

34 Government expert 1.

35 New Zealand Ministry of Business, Innovation and Employment <<https://www.immigration.govt.nz/documents/statistics/statistics-residents-decisions-financial-year>> last accessed 25 November 2019. Rate calculated as a combined percentage for Investor one and two visa programmes.

36 Third party provider expert 1; Government expert 1; Government expert 2.

It is important to note that while agents and third-party providers may conduct due diligence, the government in charge of the programme is the sole arbiter on whether to accept an application. Such a decision should combine the applicant's vetting in accordance with the government's risk appetite, and with associated concerns regarding potential geopolitical or domestic political ramifications.

The evolution of due diligence within investment migration

Due diligence within the sector has evolved over the last decade. Today, it is supported by an established service industry made up of agents, third-party providers, lawyers, real estate advisors and others. It relies on advanced tools and resources, and draws on best practice employed by other sectors. Some regulatory changes have also worked in favour of improved due diligence, for example as they relate to transparency of complex ownership structures: where more information on the ownership of legal entities becomes available, it is easier to establish or confirm the applicant's ownership of businesses and related sources of wealth. However, progress across the sector is uneven, as it appears that some government programmes still do not conduct sound due diligence.³⁷

Increased use of technology and on-the-ground resources

The digitisation of information and the ability to access additional information via on-the-ground resources have played a significant role in allowing due diligence within investment migration to mature. Sometimes combined with artificial intelligence, digitisation has dramatically improved access to information through databases and the ability to perform media research in multiple languages. Natural language processing techniques are helping the due diligence industry to identify relevant information on applicants and their networks in less time. This increases both the amount of information available and the speed at which it can be analysed and visualised. Progress in this area has been rapid over the last decade, and agents and governments are benefiting from ever more complete applicant profiles.

At the same time, local knowledge and on-the-ground investigative work remain a key component of the due diligence process. This is especially true for enhanced due diligence conducted by third-party providers, which specialise in accessing still undigitised information and interviews with local sources. However, the cost and time requirements of conducting meaningful source interviews is a significant impediment to its wider adoption in the industry. In addition, databases in many jurisdictions are poorly maintained and increasingly inaccessible in frontier jurisdictions, while adverse media coverage is increasingly unavailable in the growing number of countries which are embracing authoritarianism. Ironically, it is in these types of jurisdictions that source commentary is of particular value.

37 Financial Times, *A Guide to Global Citizenship: The 2018 CBI Index* (Financial Times, 2018) 14 <<https://www.pwmnet.com/Special-Reports/CBI-Index/A-guide-to-global-citizenship>> last accessed 25 November 2019.

Financial sector techniques

Investment migration programmes face similar challenges to the financial services sector in terms of risk exposure to financial crime such as money laundering, fraud, terrorism financing and tax evasion. However, there is arguably a need for a greater level of scrutiny tailored to the investment migration industry – including political risk, political exposure, and crucially, political association which is not captured on PEP databases – to assess the risk profile of an applicant and to identify the applicant's motivations. Industry and external stakeholders recognise that investment migration due diligence must therefore go beyond the KYC identity confirmation processes required of financial institutions.³⁸ In reality, however, some programmes' checks and verifications remain inadequate when assessing the risk profile of applicants,³⁹ and compliance costs are the source of considerable and often heated debate over what level of due diligence should be adopted.

Transparency and information sharing

Improvements within CBI and RBI due diligence frameworks have also been made in response to specific incidents over the past few years that have received negative press and exacerbated concerns over transparency. For example, in 2014, St. Kitts and Nevis saw its visa-free status to Canada revoked over concerns related to its passport and identity management systems.⁴⁰ This in turn spurred significant change to the system, leading to far more transparency and an increase in due diligence for the country's CBI programme.⁴¹

Some programmes in the industry offer little transparency regarding their due diligence processes, making it nearly impossible to assess their effectiveness or what techniques (if any) they deploy, including the use of third-party providers. Players both within and outside the industry have also pointed to inadequate information sharing between programmes. Such lack of communication between programmes is partly a result of governments wanting to increase the competitiveness of their programmes, and also partly due to concerns about the confidentiality of the personal information obtained during the due diligence process. That is changing, as the current level of scrutiny placed on the industry is forcing governments to disclose how investment migration programmes are structured, including how due diligence is conducted. Many states now make details publicly available on their programme websites, including statistics on the number of successful applicants. Communication about the programme structure is an important way of encouraging best practice across the sector. In the Caribbean, countries have asked the regional Citizenship by Investment Programmes Association (CIPA) to lead the consolidation of due diligence processes. One aim is to share information through CIPA on

³⁸ It should be noted, however, that KYC for banks goes beyond identity confirmation processes in many cases.

³⁹ Agent expert 1; NGO expert 1.

⁴⁰ See The Daily Observer, "St. Kitts & Nevis Now Need Visas to Enter Canada in Light of CIP Concerns" *The Daily Observer* (St. John's, 22 November 2014) <<https://www.antiguaobserver.com/st-kitts-travellers-to-require-visa-to-get-into-canada-after-countrys-program-to-sell-citizenships-opens-security-holes/>> accessed 25 November 2019.

⁴¹ Financial Times, *A Guide to Global Citizenship*.

application outcomes so that neighbouring countries can avoid granting citizenship to a candidate rejected in another country.⁴² Such proactive information sharing between jurisdictions is called for everywhere, but could be perceived as naive given the economic incentives for approval of applications.

Despite improvements, the industry still lags when it comes to transparency and information sharing – between programmes and with external stakeholders. Further improving communication, and thereby also transparency across the industry, should help address many of the concerns brought up by recent negative coverage of the industry in the media, as well as enhance the industry’s reputation with the general public.

Due diligence in practice

While due diligence is at the core of the investment migration industry, it remains uneven in its application among both agents and governments. Differences also often exist in the levels of due diligence applied under different CBI and RBI programmes.

Use by agents

As with any industry that employs due diligence, there are different levels of commitment to it. With regards to agents, barriers to entry tend to be quite low. However, agents with an established reputation have little financial motivation to push through a questionable case; their wider reputation is far more valuable to them in the longer term.

Creating standards for agents to uphold is an important aspect of how due diligence should become more standardised within the investment migration industry. This should go beyond self-regulation: for example, an accreditation process, like the one currently used in Cyprus’ CBI programme, could be put in place whereby agents abide by a code of conduct. This should include beneficial ownership transparency to avoid any conflict of interest, and agent accreditation could then be removed in response to non-compliance.⁴³

Additionally, it is essential that agents and third-party providers are selected by government programmes based on open contracting principles. This would ensure they are chosen based not just on the affordability of their services, but also and crucially, on the quality of their work. Malta’s CBI programme, which adheres to open contracting principles, works with several providers with international networks to access information and sources on the ground around the globe. Their services compete on country expertise and their access to on-the-ground resources.⁴⁴

⁴² Government expert 1.

⁴³ NGO expert 1.

⁴⁴ Government expert 2.

Use by governments

At the government level, a lack of clarity about the formal due diligence processes undertaken within programmes is common. The concept of due diligence may be acknowledged, but its practical application – in terms of due diligence procedures and methodologies and the use of third-party providers – is poorly documented.

While uncertainty exists about government processes, it is clear from publicly available information and from interviews with programme officials that European and Caribbean systems of due diligence for CBI programmes differ somewhat in structure and process. For instance, Caribbean countries do not require applicants to open a local bank account (as is the case in most European CBI programmes), thereby avoiding the extra step of banks conducting due diligence required by KYC and AML regulations. However, Caribbean programmes make use of the Joint Regional Communication Centre, which undertakes additional checks on CBI programme applicants and allows for information sharing.⁴⁵ Within Europe, different documentation requirements between the various CBI and RBI programmes results in less stringent due diligence.

Nevertheless, there are sufficient similarities between the CBI programmes in Europe and those in the Caribbean in terms of the type of information that is collected – both criminal and financial – the mechanisms for that collection, and the multi-layer process that incorporates the work of agents, government agencies and third-party due diligence providers. These common characteristics should serve as a starting point for setting minimum standards for investment migration programmes.

Different levels of due diligence for CBI and RBI

In practice, RBI programmes tend to see less use of enhanced due diligence processes than CBI programmes. This is largely because the revenue associated with them is smaller, meaning less availability of funds for due diligence, and particularly for commissioning of third-party providers.⁴⁶

Opinions differ on whether due diligence should be the same for CBI and RBI programmes. On the one hand, more is arguably at stake in CBI programmes (the investment required is considerably higher and citizenship is a legal status that might be difficult to revoke), and therefore CBI should have higher due diligence standards. On the other hand, there is a view that due diligence should be the same regardless of the amount of money required since there is no rational basis to argue that residency presents lower risks than citizenship. This, second view, may be also justified by the fact that residence investment visas often lead to fully fledged citizenship in accordance with national citizenship laws. Therefore, regardless of the difference between residence and citizenship programmes, there

45 Government expert 1.

46 Government expert 2.

should be a minimum standard across both.⁴⁷ Nonetheless, the means used to meet the standard may differ: it should be recognised that, in practice, the level of due diligence undertaken by a CBI programme is more in-depth than a RBI programme.

Challenges facing due diligence in investment migration

It is critical to clarify the different responsibilities of the private sector and governments, so that each actor fully understands its role and associated requirements within the due diligence process. Lack of uniform data across jurisdictions and publicly available official data on investment migration programmes are yet other challenges facing due diligence in investment migration.

Unclear distribution of responsibilities

Agents are regularly seen as the first line of defence with regards to vetting applicants. They act as both initial screeners and as a buffer between applicants and governments. Separately, third-party providers often provide the most clarity into the background of an applicant through enhanced due diligence. Agents and third-party providers, therefore, contribute to the important role of the private sector in the due diligence process. However, this role cannot replace the ultimate responsibility for accepting or rejecting an applicant, which rests with governments.

Simply put, agents should put forward clients they deem suitable following their own due diligence and third-party providers should conduct further due diligence checks on them, while governments should ask further questions, and make use of national resources to confirm information on applicants before making decisions to approve or reject applications. Governments often themselves commission checks on applicants, but they should never effectively delegate decision-making to the private sector. Further, governments also have a duty to understand the levels of research and the methodologies applied by both agents and by third-party providers.

Lack of uniform data across jurisdictions

Due diligence as an industry is reliant on the availability of information, both internationally and within local jurisdictions. However, this data availability is not uniform across jurisdictions. The lack of online information or incomplete records in some jurisdictions often complicates due diligence processes. On-the-ground presence is often necessary to physically retrieve information, and local knowledge and language skills are often necessary to obtain and interpret those records, although the skills of local researchers are often inadequate, and misinterpretation through translation and transliteration can be problematic.

Because applicants for CBI and RBI programmes currently undergo somewhat different checks (or different degrees of scrutiny), the information produced by due diligence across the two types of programmes is not readily comparable. Setting the same minimum standards for both CBI and RBI programmes, and encouraging states to be more transparent about the process would help address this issue.

⁴⁷ Agent expert 1; NGO expert 1.

Limited transparency

From an external perspective, the relative lack of publicly available official data on investment migration programmes, including application acceptance rates and how the financial contributions made to the programmes are used, makes it virtually impossible to conduct an industry-wide comparison on both the scale of the industry and how it executes and applies due diligence.

Often, such analysis is based on estimates, at best. Reliable and comparable data on how CBI and RBI investments are used by the recipient countries is particularly difficult to obtain. Often only limited information is available, as in the case of Grenada.⁴⁸ Although more programmes are beginning to publish statistics on the nature of their applicants and the due diligence processes used to assess their applications, significant gaps remain.

⁴⁸ Grenada Ministry of Finance <https://www.finance.gd/docs/CBIStatistics2ndQtr2019.pdf?fbclid=IwAR3Ygth0DfWbqUyMurmVUax3ItXtw1AsgNiXEu_rxWEk56uYiBtAZ8RDK6Y> last accessed 25 November 2019.

Conclusions and Recommendations

The need for minimum standards

As a foundational component of both CBI and RBI programmes, appropriately rigorous due diligence is arguably the main means of ensuring their viability and success. But as this report has highlighted, due diligence continues to be applied unequally across jurisdictions and within the industry as a whole. The transparency of individual programmes' due diligence processes and the government's risk appetite and rationale for accepting or rejecting applicants is also variable. This is problematic for the entire industry, as it will typically be judged by its weaknesses.

Certain minimum standards therefore need to be agreed. These should not differ between CBI and RBI programmes, even if in practice the level of due diligence undertaken by a CBI programme is deeper than for RBI, as the risks posed by applicants to such programmes are fundamentally the same. This report recommends that minimum standards should include the involvement of all three actors – agents, governments and third-party providers – as part of best practice for CBI and RBI programmes. This will encourage every actor in the investment migration industry to be actively involved in and genuinely committed to meaningful due diligence.

A system of national enforcement of minimum standards should be encouraged through industry associations, with guidance from international bodies such as the EU. Increased transparency of CBI and BI programmes should be used as a tool to ensure that minimum standards are met.

Adhering to minimum standards will help build trust in the industry. States should be encouraged to consider the security impacts not only for their own country or region, but also for the countries to which these new citizens and residents are able to freely travel. Moreover, there should also be a sensitivity to the concerns and demands of the global community in designing and operating CBI and RBI programmes. States are becoming answerable to a growing number of advocacy groups, the EU, international organisations such as the International Monetary Fund, and the Organisation for Economic Co-operation and Development, as well as to their partner countries and, of course, to the general public.

In this context, and notwithstanding growing concerns about the security and use of personal data, governments should ensure that all decisions on CBI and RBI applications are appropriately recorded and that they are prepared to justify those decisions if required to do so. Documentation should be ready in case it is requested as part of an industry audit to ensure that programmes meet agreed standards.

Finally, it is critical to view due diligence as a tool for decision making, but that decision making remains the responsibility of governments and not third-party due diligence providers and agents. The decision to accept or reject an applicant

ultimately falls to governments and is determined by what they deem to be in their interests after considering the risks presented by an applicant. Outsourced due diligence is not meant to replace such judgements or reduce the responsibility of governments.

Further recommendations

Report Two, “Due Diligence in Investment Migration: Best Approach and Minimum Standard Recommendations”, will explore the potential to adopt minimum standards across the industry, including:

1. The role of private third-party providers in complementing government-led due diligence as critical, and that it should become the norm. Teams responsible for overseeing CBI and RBI programmes within governments can lack the capacity and skills to conduct the type of due diligence performed by these firms. Due diligence providers are ideally placed to support governments in making informed decisions.
2. Information sharing between governments, as well as with and between supranational organisations, needs to be improved for due diligence to further strengthen the ability to identify the risks posed by CBI and RBI applicants.
3. Involving the Common Reporting Standard and improving communication with financial institutions to help strengthen due diligence within investment migration.
4. Within the EU, having agents registered as intermediaries under existing AML regulations as a means of further increasing transparency.
5. States should provide whistleblowing mechanisms for staff and citizens to report concerns and wrongdoing, as well as for protecting their anonymity.

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