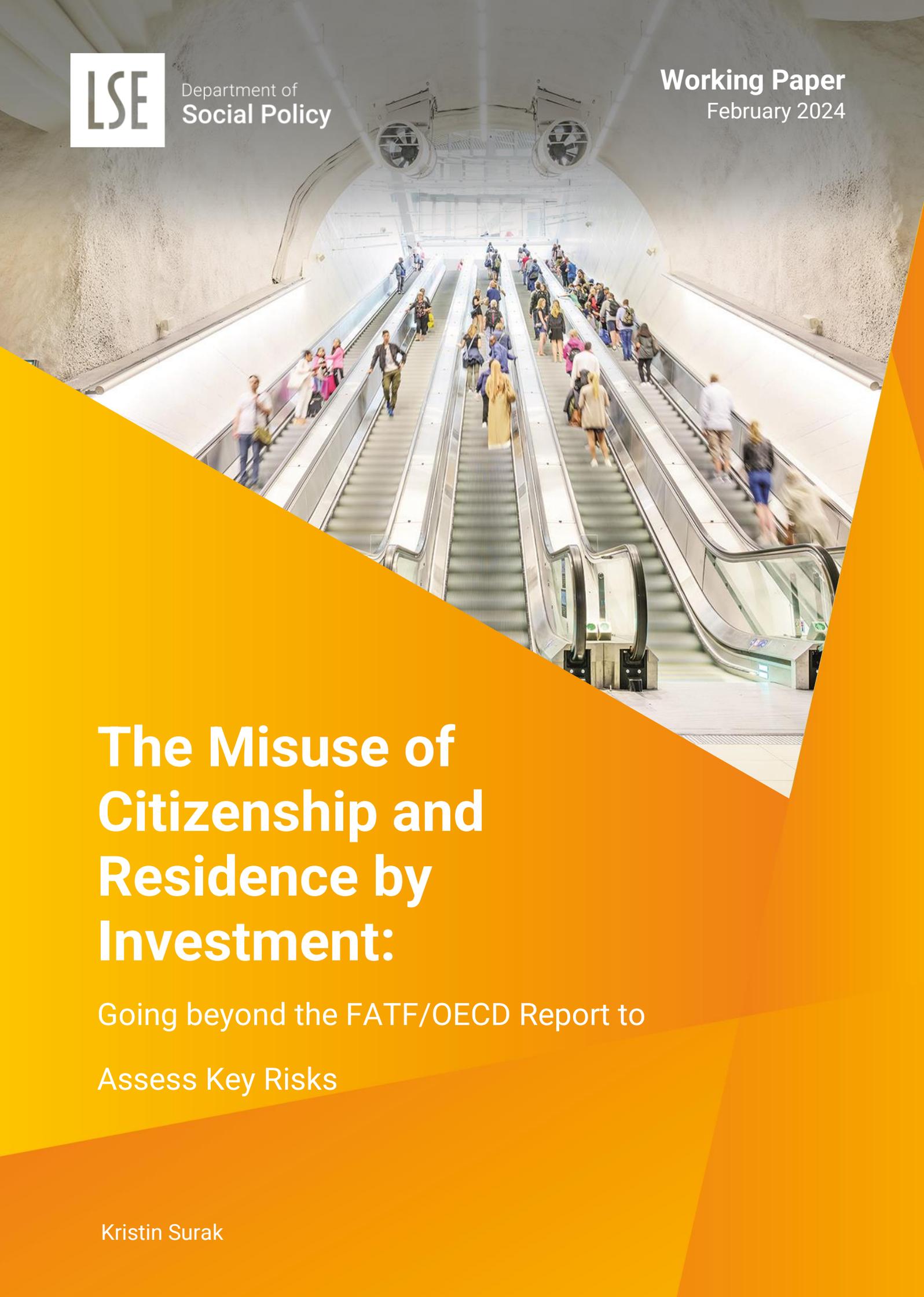




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The Misuse of Citizenship and Residence by Investment:

Going beyond the FATF/OECD Report to
Assess Key Risks

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The Misuse of Citizenship and Residence by Investment:
Going Beyond the FATF/OECD Report to Assess Key Risks

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Abstract

Citizenship by investment (CBI, or “golden passport”) and residence by investment (RBI, or “golden visa”) schemes, have come under criticism as potential tools for money laundering, evading taxes, and committing financial crimes. However empirical work on these themes remains limited. This working paper takes as its starting point the most thorough report on these issues to date, “The Misuse of Citizenship and Residency by Investment Programmes” by the OECD/FATF, to ask: What and where are the wider risks involving residence, citizenship, and identity documents with respect to identity laundering, money laundering, and tax evasion or avoidance? To answer this question, it draws on nine years of fieldwork in 19 countries and a new dataset on investment migration. First, it addresses scope issues, identifying several modes of acquiring citizenship or residence based on wealth that carry similar vulnerabilities to investment migration programs and that should be taken into account when developing problem-based approaches to risk mitigation. Next it assesses the scale of actual CBI and RBI offerings, identifying typically ignored cases that are particularly vulnerable to misuse, and it fills in absences in the depiction of the investment migration ecosystem by

including powerful but overlooked actors and relationships. Finally, it assesses risks related to identity laundering, money laundering, and tax. Overall, it shows that risks in these three areas operate through building profiles that are legible and acceptable to financial institutions as indicators of a person's relationship to a jurisdiction and that can be used to establish legal "substance" or techniques around "ghosting." As such, a wider range of possibilities for acquiring citizenship or residence based on financial means – beyond merely investment migration programs – needs to be taken into account if financial crime risks are to be fully addressed. Though this working paper carries over the risk-framing from the FATF report, it closes by proposing that future research and policy-making address actual "harms" rather than posited "risks."

Keywords: investment migration, citizenship by investment, residence by investment, money laundering, financial crimes, tax

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Introduction

In August 2023, the Singaporean police arrested ten people from Fujian, China in connection to a massive international money laundering and organized crime ring.¹ The bust seized or froze over \$2 billion in assets, including over one hundred properties in some of Asia's top-end neighborhoods, a slew of Bentley cars and Patek Philippe watches, and hundreds of luxury bags and multicolored "Bearbrick" figurines. It was Singapore's biggest ever case of money laundering and continues to rock the country. Hitting the headlines was not only the gang's rainbow array of costly bear dolls, but also its rainbow array of passports: Cambodia, Cyprus, Dominica, Saint Kitts, Turkey, and Vanuatu – all countries with citizenship by investment programs.

In November 2023, FATF and the OECD released the report, "Misuse of Citizenship and Residency by Investment Programmes" (hereafter "the FATF report," with references cited by FATF 2023, paragraph), an evaluative assessment of what can go wrong both with and within citizenship by investment (CBI) and residence by investment (RBI) programs.² The report is measured and covers a wide range of issues around money laundering, financial crimes, corruption, and tax evasion. Yet striking is what it misses when read against Singapore's massive money laundering ring. The predominant country where the illicit actors had gained citizenship through investment was Cambodia, which neither directly nor indirectly features in the FATF report. Furthermore, all of them had obtained residence in Singapore by setting up businesses rather than through a CBI or RBI scheme of the sort spotlighted by FATF. When it comes to issues around citizenship, residence, and money laundering and financial crime, what – and where – are the key risks?

¹ This report draws on research supported by the Economic and Social Research Council (ESRC) Grant ES/X001342/1 and grants from the London School of Economics Research Support Fund (LSE-RSF) and the Suntory and Toyota International Centers for Economics and Related Disciplines (STICERD).

² <https://www.fatf-gafi.org/en/publications/Methodsand Trends/misuse-CBI-RBI-programmes.html>

This working paper takes the FATF report as a provocation to examine the wider range of risks involving residence, citizenship, and identity documents with respect to identity laundering, money laundering, and tax. The FATF report assesses a number of angles involved in these programs that offers many sound recommendations. However, it also contains errors, mistakes, and inconsistencies that undermine its goals. Focusing on and moving from some of these failures can sharpen the policy tools that are available for limiting the misuses that the report targets. As such, this working paper focuses on identity laundering, money laundering, and tax risks. In doing so, it does not directly handle issues raised in the Report's Section 4 on corruption (see also Surak 2023a, Surak 2024a) or in Section 5 on mitigation and good practice (see also Surak 2021b), which are overall solid. Instead, it draws attention to blind spots in the report concerning scope, including the definition of the phenomena and breath of relevant cases, and subsequently focuses on the implications for key financial crime risks.

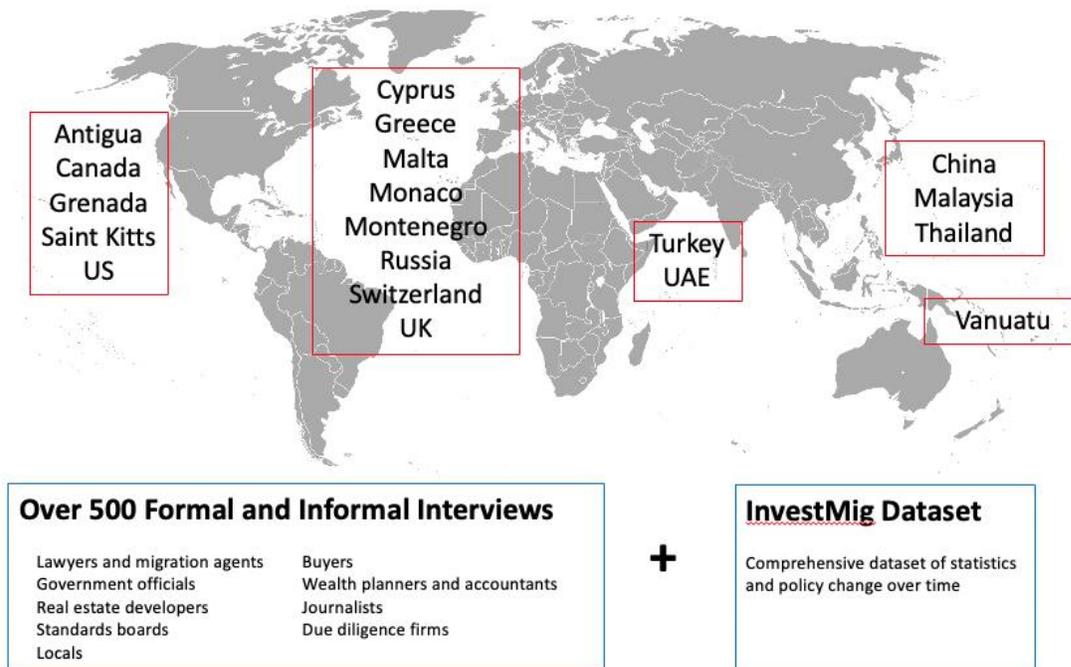
First it addresses issues in the FATF report concerning scope, including the definition of CBI and RBI and the identification of relevant cases. It draws attention to alternative modes of acquiring citizenship or residence that fit the definition of investment migration and carry similar vulnerabilities. These alternatives should also be taken into account when developing problem-based approaches to mitigating risks and limiting vulnerabilities that emerge in the interaction between finance and mobility or identity documents. Next it assesses the scale of actual CBI and RBI offerings, identifying typically ignored cases that are particularly vulnerable to misuse, and it fills in absences in the depiction of the investment migration ecosystem by including powerful but overlooked actors and relationships. Finally, it discusses risks related to identity laundering, money laundering, and tax. Crucial in this regard is the role of documents for building profiles that are legible and acceptable to financial institutions as indicators of a person's relationship to a jurisdiction and that can be used to establish legal "substance" or techniques around "ghosting." It discusses the extent of identity laundering risks, identifies some financial crime risks overlooked by the report, and it assesses tax risks and their relationship to investment migration programs. Overall, it shows that the risks around identity laundering, money laundering, and tax operate through profile-building

around legal substance and not migration or immigration per se, and that a much wider range of possibilities for acquiring citizenship or residence based on financial means – going beyond merely investment migration programs – needs to be taken into account if those risks are to be fully addressed. Though this working paper carries over the risk-framing from the FATF report, it closes by asking whether it would be more effective to develop measures to address actual “harms” rather than posited “risks.”

Methods

The analysis presented here is based on 9 years of fieldwork in 19 countries tracing the global market in investment migration (Map 1). The focus of the fieldwork was on “supply” countries, “demand” areas, and the network of intermediaries that build the market. The fieldwork also included ethnographic work at over 30 professional conferences and networking events on investment migration. Across the years, I conducted formal and informal interviews with over 500 individuals involved in all aspects of these programs, including government officials, lawyers, migration agents, accountants, wealth planners, real estate developers, due diligence firms, standards boards, journalists, and locals. The quantitative figures are drawn from on the InvestMig dataset that I constructed, which collates known figures related to applications, approvals, and investments in CBI and RBI programs. The dataset relies on government figures that are publicly available or gained through information requests. If these are unobtainable, it employs figures from major newspapers (often acquired through government leaks) or NGO and private sector reports. It triangulates the information from multiple sources where possible and updates the numbers as new or more accurate ones become available.

Map 1: Overview of Fieldwork



Scope Issues: Where are the Risks?

A key weak point of the report concerns scope. It fails to adequately develop and consistently apply a precise definition of the phenomenon it aims to address – CBI and RBI – and subsequently generalizes from limited cases. As a result, it fails to assess attendant risks in their full breadth and identify where they are most likely to be found. In addition, the report misses out on neighboring phenomena – other sorts of naturalization or residence channels – that carry similar vulnerabilities and should be taken into account when developing a problem-based approach to risk management.

The report defines investment migration as “a type of migration where citizenship or residency in a jurisdiction can be effectively purchased through an investment in the host jurisdiction’s economy” (FATF 2023, para. 24). It is important to bear in mind that,

particularly in the case of CBI, *migration* itself is uncommon. Instead, CBI turns on *mobility*, mainly in terms of visa-free access in the present or travel possibilities in the future, as well as related issues of risk-hedging, future-planning, and business opportunities (see Surak 2020a, Surak 2023a).³ RBI programs are more likely to see participants spending some, and sometimes substantial, time in the country where they gain residence. However, the variability of physical presence in these cases, too, is best captured by focusing on mobility rather than migration. As such, rather than “nuances related to finance and immigration and how they interact” (FATF 2023, para. 14), more crucial are those between finance and *mobility* and what this means for the production of documentary evidence, legal substance, and profile-building.⁴

This shift in terminology may be brushed off as splitting hairs, but recognizing the difference is crucial for identifying how the risks around tax, money laundering, and identity laundering actually work. In these cases, it is often not the immigration of a person from Place A to Place B that is important, but how an individual creates legal substance around movement and mobility that opens financial possibilities – and how an individual cuts ties to other places. For people looking to game systems, this legal profile can be used to make a case that works in their own interest. “Ghosting residence,”⁵ for example, doesn’t depend on immigrating or migrating to a locale, but on building a competing profile in an alternative jurisdiction to evade taxes. In other cases, however, the accumulation of legal substance can work against them, leading to double or triple taxation. Crucially, though, financial institutions rely heavily on documentary evidence indicating legal substance in order to determine whether an individual can open an account and transfer money, in addition to adjudicating where they are tax resident. The

³ The CBI program in Turkey is the exception where a significant proportion of naturalizers move to the country or include it as a hub either before or after naturalization. Cyprus saw a similar trend among the Russian naturalizers in its now defunct program. The CBI programs in Jordan and Egypt, by contrast, focus on mainly “nationalizing” wealthy foreigners, often who have been based in the country for decades (see Surak 2023a).

⁴ Mobility remains relevant, even if people remain immobile, because the current regime of identifying and allocating people juridically is grounded in the assumption that individuals are in the “their” state, with exceptions turning on mobility – or projected mobility – whether of people across borders or borders across people.

⁵ See May Hen’s work on this technique.

risks around identity laundering, money laundering, and tax discussed below operate through such profile-building and not migration or immigration per se.⁶

The report goes on to define both CBI and RBI programs as extending, respectively, citizenship or residence based primarily on a financial investment (FATF 2023, para. 25, FATF 2023, para. 38),⁷ adding that CBI programs do not require a significant period of prior physical residence.⁸ In its introduction, the report explains that the particular

⁶ The misplaced emphasis on immigration and citizenship, generally built from assumptions derived from North Atlantic cases, leads to a number of unnecessary and incorrect statements in the report that distract from its overall project. For example, the report distinguishes CBI and RBI from other routes to naturalization or residence because they allow individuals to gain rights “by expediting or bypassing the *normal, more lengthy migration processes*” (FATF 2023, para. 1, emphasis added). However, the pattern of immigrating to a country, accruing time there, and then naturalizing, is not common or even available in many parts of the world, including China and much of the Middle East, nor are immigration routes the most common way to naturalize in many European countries. RBI programs are strangely rolled together with citizenship in this statement even though they are typically managed through the same bureaucratic channels as other visas and rarely offer an unusually “expedited” route. The same misattribution occurs in the declaration that the screening principles of investment migration “depart[] from the *conventional features* of modern immigration controls” (FATF 2023, para. 13, emphasis added). A North-Atlantic bias also lingers behind superfluous assertions such as “investment migration...involves the creation of social contracts” (FATF 2023, para. 12), based on Western philosophical assumptions and debates about statecraft that have little relevance to mechanics of visa and citizenship policies globally. The recommendation to “[s]trengthen the real link between recipients and the jurisdiction that designed the program,” for example, builds from a standpoint that holds investment migration to a standard different to those of other visa and naturalization channels. This bias reappears in describing the mobility of investor citizens in regional free-mobility areas as able to “disrupt supranational agreements” (FATF 2023, para. 114). The basic premise suggests that this mode of naturalization does not entitle its beneficiaries to the same rights as natural-born citizens which are presumably not “disruptive,” or that naturalized citizens themselves are not entitled to the same rights as other citizens that are guaranteed by supranational agreements. “While residence requirements and other traditional measures for granting residence and citizenship (language and civic knowledge, for example) are absent from many programs, these may be assessed in light of the expected engagement of the beneficiaries” (FATF 2023, para. 187). Beyond the nonsensical assertion that a residence requirement is a traditional measure for granting residence in a country (most residence visas are not granted based on prior residence, nor do they enforce physical presence), the meaning of the vague term “traditional measures” is clarified through the example of “language and civic knowledge.” However, it is extraordinarily rare to grant residence visas anywhere in the world based on language or civic knowledge, and while language abilities or civic knowledge may be assessed as a part of some naturalization channels particularly in the West, these are far from being a global standard. In GCC states, for example, *wasta* or “connections” have traditionally been crucial for naturalizing. Such superfluous assertions, often logically inconsistent, are not needed to advance the FATF report’s goals and instead detract from its rigor and accuracy.

⁷ “CBI is the practice of granting citizenship status principally or solely in return for financial investment, without any requirement for a significant period of prior physical residency in the issuing jurisdiction” (FATF 2023, para. 25). “RBI is the process by which applicants acquire a visa or residency permit that permits residency in the issuing jurisdiction in return for some type of financial investment” (FATF 2023, para. 28).

⁸ The CBI definition continues in the next sentence to declare, “A unique feature of CBI is that these programmes usually allow applicants to acquire citizenship quicker than through other, more traditional

method of selection – one that relies on financial investment – is risky because it selects new residents and citizens based on a “specific transient and transferable attribute that can be gained in both legal and illegal ways: wealth” as opposed to “non-transferrable attributes,” which it identifies through the examples of family/heritage, skills including language, qualifications, and abilities (FATF 2023, para. 13).

The emphasis on the transient and transferable attribute of wealth that can be gained both legally and illegally is important for it is precisely these traits that bring risks related to financial flows. However, screening based on wealth is not limited to CBI or RBI, nor is it unusual (see Surak 2023a, Kim 2018). They are also a defining characteristic of self-support, self-employment, and business investment visas, which border on the proximate phenomena of retirement visas and digital nomad visas, in addition to discretionary grants of citizenship based on economic contributions and gray market options. These neighboring categories are important because, as we shall see, they bring with them risks that are similar to those posed by the investment migration programs that the FATF assessment targets, but often at lower cost and sometimes with greater speed and fewer due diligence checks. The upshot of the report’s laudably terse set of definitions is that they cast a wide net encompassing far more country cases and visa and naturalization categories than the report analyzes, producing sizeable blind spots when assessing the types and areas of risk.⁹

immigration channels” (FATF 2023, para. 25). This is a superfluous addendum that is factually wrong and does not contribute to identifying the phenomenon with precision. In several countries, including Italy, Romania, Bulgaria, and Hungary, the majority of naturalizations by a wide margin are granted based on ancestry (with no physical presence required) rather than through putatively “normal” or traditional immigration channels. Prospective new members must simply gather the documents to prove that an ancestor was once a subject of those governments, which can often be done in a few months and with no need to show that they have spent time in or even visited the country. The same misattribution occurs, too, in declaring that investment migration “departs from the conventional features of modern immigration controls.”

⁹ The definitions have weaknesses in internal consistency as well. CBI and RBI programs are identified as employing “transient and transferrable” qualities as the basis for naturalization or residence, which are contrasted against the “conventional” screening mechanisms, defined as “non-transferrable attributes” that include “...family/heritage[] or skills (i.e. language), qualifications, and abilities” (7). The two, however, are not distinct. Heritage is clearly transferrable within families through inheritance, and skills, qualifications, and abilities are transferrable between people as well. In addition, they can erode over time, whether through memory loss or simple skill obsolescence, becoming transient too.

Adjacent Phenomena and Alternatives

The sections below discuss the alternatives to CBI and RBI that either fit into the exact definition used by the FATF report or also feature the same risks related to the intersection of finance and mobility that emerge from selecting individuals based on wealth (cf. FATF 2023, paras. 13-14).

(a) Adjacent phenomena and alternatives to RBI programs

Business investment visas

The FATF report's definition of RBI encompasses also many business investment visas (BIVs), although these do not feature into the report's analysis. BIVs can be found in nearly every country in the world and many states offer multiple programs. In these schemes, individuals gain residence in a country in recognition of an investment made, though there is substantial variation in the qualification requirements across countries. Some business investment visas are aimed largely at entrepreneurs with business experience, others target individuals with a promising idea, while some cater to those who merely put money into a company. Within this array, there is significant variability between whether programs require an active and passive investment. The most "active" BIV programs will also target skills by, for example, requiring applicants to have a history of business-building and assessing whether a business plan fits the individual's capabilities. They will also continue to monitor an individual's involvement in the business and the success of the enterprise after the initial grant of the visa. By contrast, the most "passive" programs will simply look for evidence that the individual has injected money into a company, which may be pre-existing or newly incorporated. In some cases, the extent of "active" expectations is codified in law or policy; in others it is an outcome of administrative practice. Germany, for example, moved from a passive business investment program to one that was more active by changing its administrative procedures to more strictly assess applications and impose continued monitoring. This is accomplished

administratively rather than changing the law itself (Surak 2020b). At the other end are cases that relatively “passive.” In some cases, business investor visa programs are preferred to RBI offerings if available. For example, wealthy Mexicans are more likely to use the relatively swift and cheap NAFTA-based investment options to acquire a residence permit for the US than go through the more cumbersome and expensive RBI program, the EB-5 visa. Due diligence requirements for BIVs can also be less. For example, the Canadian entrepreneurial visa program requires fewer checks on the source of funds than its now defunct Federal Immigrant Investor Programme (FIIP).

Notably, the ten Chinese criminals behind Singapore’s \$2 billion money laundering ring established residence on the island using the BIV category “Employment Pass” or Dependent’s Pass. These permits can be applied for online and are typically processed within two to three weeks if the company is registered in Singapore and within two months if is registered outside the country. Family office regulation in Singapore is light, rendering it straightforward to set up a family office to facilitate financial flows while simultaneously using the business to transform oneself into an employee who then qualifies for an Employment Pass residence permit. It is also possible to establish a business with no substantial operations or whose sole purpose is to facilitate property purchases and then use that shell company to qualify for residence, as did the money launderers.¹⁰ There is also a bubbling private market around employment visas in Singapore. Individuals hoping to bank through Singapore can simply pay a local firm to employ them and grant them the residence permit. With the residence permit in hand, it is relatively easy to open a bank account.

Self-support and independent means visas

Self-support and independent means visa programs grant a residence permit to individuals who can prove that they have sufficient assets to support themselves. Typically applicants must also show evidence of private health insurance and guarantee

¹⁰ <https://www.channelnewsasia.com/singapore/billion-dollar-money-laundering-passports-shell-companies-affidavit-3857886>

that they will not take up employment within the country. Self-support and independent means visas are less prevalent than BIVs but are particularly prominent in Latin America and parts of Europe and can be found in places including Austria, Chile, Costa Rica, France, Ireland, South Africa, and Sri Lanka. Self-support visas share many similarities with self-employment visas and business investment visas that grant residence to individuals who buy, create, or invest in a company in the country, and they share similarities with freelancer and digital nomad visas if they allow individuals to qualify by demonstrating sufficient income or self-employment. In these cases, an individual needs merely to incorporate a company and hire themselves to qualify for a residence permit, sometimes with the additional requirement of showing some business activity.

Illegal visa sales

A final alternative for securing a visa for a country based on financial resources is through government corruption. The purchase of passports from corrupt embassy officials is perhaps more widely known (on this, see Surak 2023a), yet it is also possible to secure a residence permit through such means. Notably, these illicit exchanges can occur on a massive scale. In the recent “Visagate” scandal, for example, investigative journalists found that officials in Poland were facilitating a fast-track visa-approval system for kickbacks. Applicants for residence and work permits would pay several thousand dollars to brokers to ensure that their file would be swiftly approved, going through only cursory checks even if the documentation was incomplete. The Ministry of Foreign Affairs reportedly sent Polish embassy workers across the globe lists of the applicants who were to be fast-tracked. As many as 250,000 to 350,000 visas, including temporary work visas, may have been issued in this way in consulates spanning from Hong Kong, the Philippines, India, and the UAE, through to Belarus. With the investigation still underway, the actual scale of the visa sale is difficult to assess. However, the number of work visas that Poland issues stands out against EU averages. In 2021 alone, it granted nearly 800,000, or more than one in four first-time residence permits issued within the entire EU.¹¹ By early 2023, over 150,000 individuals with work visas were not registered as working in the

¹¹ <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20220809-2>

country and possibly not even present in Poland.¹² The available evidence suggests that the scale of this scandal in which visas were being granted without due process outstrips the number of RBI approvals in the EU by multiples. Embassies across the world are always at risk of corrupt officials granting passports (for a wide range of cases, see Surak 2023a), but Poland's Visagate scandal points to potential problems around residence permits too.

(b) Adjacent phenomena and alternatives to CBI programs

Discretionary economic citizenship

In the case of CBI, the FATF report's definition does not distinguish formal CBI programs from discretionary grants of citizenship as both allow a financial investment to serve as the basis of naturalization with little to no requirement for physical presence. Any sovereign can extend citizenship in a discretionary manner, including in recognition of economic benefits. Cases are wide-ranging, but their discretionary nature renders them extraordinarily difficult to track (for a collection of cases, see Surak 2023a). Recently, for example, the media have exposed instances of tech billionaires securing citizenship in countries by going outside the standard rules or routes, including PayPal's Peter Thiel in New Zealand, SnapChat's Evan Spiegel in France, Apple's Steve Wozniak in Serbia, and Telegram's Pavel Durov in the UAE. Austria has formalized these grants by creating a bureaucratic procedure for approving applicants who make an unspecified contribution to the country's economic success. Such cases, however, are extraordinarily difficult to investigate systematically, however. Even if they fall under the report's CBI definition, they fall out of its purview and even discussion.

Discretion, too, can be used to approve more nefarious characters, raising questions of kickbacks to officials. For example, Montenegro naturalized former Thai leader Thaksin

¹²<https://biqdata.wyborcza.pl/biqdata/7,159116,30219125,afera-wizowa-pracuje-u-nas-mniej-osob-niz-ma-wizy-reszta.html>

Shinawatra, who was carrying a criminal conviction for abuse of power, after he moved €15 million into a bank co-owned by the prime minister's brother (see Surak 2023a). Similarly, the president of Albania saw it fit to grant citizenship to the two Sandesaras brothers and their families, including a diplomatic post for a relative, when they promised to invest €33 million in the country even while under investigation in a \$2 billion bank fraud scandal.¹³ These discretionary grants can occur in countries with CBI programs as well, operating as a FATF 2023, parallel "VIP track" that enables individuals to move around official bureaucratic processes (see Surak 2023a). For example, Ali Reza Monfared, an Iranian citizen who was both circumventing sanctions on the sale of Iranian oil and embezzling from the government in Tehran, was granted citizenship in Dominica a week after the meeting the country's prime minister.¹⁴ Al Jazeera exposed similar workarounds to the official CBI program in Cyprus, in which approval for individuals carrying criminal records could be gained through kickbacks to high-ranking politicians.¹⁵ If a country has a CBI program, it may provide a degree of cover and offer a post-hoc justification for the citizenship. This possibility is an important area for further empirical research. At the same time, such a twinned relationship is risky for a CBI program too: the exposure of workarounds can threaten the integrity of the formal scheme, leading to the loss of visa-free access or program closures (see Surak 2023a).

Grey-market documents

During my fieldwork, I encountered service providers in China, the Middle East, Russia, and Europe who described securing citizenship for clients in recognition of investments in countries beyond those offering CBI programs, including countries in North, Central, and South America; Western and Southern Africa; Western and Eastern Europe; the Balkans; and East Asia. In some cases, knowing the right officials was critical and citizenship could be gained by making a contribution to the country that would include

¹³ <https://www.occrp.org/en/investigations/above-the-law-how-a-wealthy-indian-family-evaded-justice>

¹⁴ <https://www.aljazeera.com/features/2019/12/2/diplomats-for-sale-how-an-ambassadorship-was-bought-and-lost> The prime minister denies the allegations: see <https://www.aljazeera.com/news/2019/11/27/exclusive-caribbean-officials-linked-to-diplomatic-passport> Exclusive/ Caribbean officials linked to diplomatic passport sale | Grenada News | Al Jazeera

¹⁵ "The Cyprus Papers Undercover": https://www.youtube.com/watch?v=Oj18cya_gvw

something personally beneficial to the official as well. In others, the workarounds had become so standardized and the processing so straightforward that cottage industries had developed to offer citizenship options off the shelf without individualized personal connections. Service providers working in this space described to me the gray market options as easier and cheaper in comparison to the more costly official CBI programs that also require due diligence checks. However, grey-market documents come with more uncertainty: “they’re not fake, but it’s not 100 percent legal either,” as one service provider put it. The insecure future of the gray-market grants rendered them less trustworthy than CBI options (see Surak 2023a). As such, they are not always the most desirable option.

Though challenging to estimate, the overall scale of “gray market” documents issued in countries without CBI programs is likely to be sizeable.¹⁶ For example, CNN in 2017 exposed the sale of nearly 150 Venezuelan passports at the country’s embassy in Baghdad – about the same number of CBI applications approved by smaller programs.¹⁷ The scale, however, can be much greater. In Bulgaria, for example, prosecutors in 2020 revealed that officials were accepting bribes of around €5000 to issue fake documents attesting to Bulgarian origin, which could then be used to naturalize. More than twenty individuals were arrested in connection to the scandal. The full scale of the passport issuances in this case is unknown, but local news sources claimed that around 30 fake certificates were issued every week.¹⁸ The extrapolated rate – around 1500 individuals gaining citizenship through this particular illicit group every year – is greater than what Malta regularly naturalizes through its CBI scheme.

The Bulgarian gray market described above leveraged not a CBI program, but a legal provision allowing naturalization based on ancestry. Such channels are found in many countries, but the most popular ones are in southern and eastern Europe and provide access to EU citizenship. Indeed, naturalization based on ancestry is the most common

¹⁶ For an overview of historical cases operating around Hong Kong in the 1980s and 1990s, see Surak (2023a).

¹⁷ <https://edition.cnn.com/2017/02/08/world/venezuela-passports-investigation/index.html>

¹⁸ <https://www.euractiv.com/section/justice-home-affairs/news/thousands-obtained-eu-citizenship-for-e5000-in-bulgarian-scam/>

route to naturalization in several EU countries including Hungary and Italy, with the latter having naturalized more than 1 million people through this route.¹⁹ Romania, for example, is a popular choice among Russians who simply purchase false identity documents and use them to apply for ancestry-based citizenship. In 2018 alone, Bucharest naturalized 45,000 individuals due to ancestry and just over 400 based on immigration. Reporters investigating how Romanian naturalization-through-ancestry operates in practice have uncovered hundreds of cases in which the paperwork vanished and thousands in which supplementary documents were not received yet the applications, labeled “urgent” were moved directly for approval by high-ranking committee members.²⁰ Such ancestry channels are usually much cheaper than CBI options and involve only minimal due diligence, but they are not open to all since applicants must generally possess a white racial profile to present a convincing case. However, for those who fit the profile, loosely implemented provisions provide possibilities for ready access to citizenship.

A further form of fraud is found among officers who sell dated – or back-dated – entry and exit stamps for passports. Corrupt officials may be willing, for a bribe, to stamp passports to show physical presence in a country for a desired length of time either to claim citizenship or to establish tax residence. When such circuits are set up, the passports can be simply mailed to the individual in possession of the entry/exit stamp for the certification.

Diplomatic passports

Individuals seeking additional protection may negotiate diplomatic posts. Diplomats are not always citizens of the countries they represent and in some countries, including the US, it is common grant diplomatic posts to businesspeople who may aid a country in developing economic opportunities abroad. However, such posts can be desirable for the travel ease and legal protections they bring. London is a prominent example, where

¹⁹ <https://globalcit.eu/more-than-one-million-individuals-got-italian-citizenship-abroad-in-the-twelve-years-1998-2010/>

²⁰ <https://www.vice.com/en/article/akwe34/romania-has-allegedly-allowed-russians-and-ukrainians-to-buy-eu-passports#>

around 22,000 people are entitled to diplomatic immunity. The possibilities diplomatic status carries can be particularly valuable to wealthy residents who may attempt to claim diplomatic immunity to avoid paying divorce settlements.²¹ Not all attempts are successful: Boris Becker tried to avoid bankruptcy proceedings in the UK by asserting diplomatic immunity as a representative of the Central African Republic only to discover that the documents issued were fake.²² However, demand for such documents is substantial. Countries with CBI programs have also issued diplomatic credentials for questionable reasons, as seen in the Monafred case introduced above. It remains unclear whether such issuances are more or less frequent than in similar countries without CBI programs.

Black market documents

For those who are not connected, passports can be readily acquired off the darkweb. Fake documents for an EU country cost around \$1500 and a real passport from an EU runs around \$14,000.²³ It is also possible to purchase images of individuals holding their passport beside their face, which can be used for online identification purposes, as will be discussed later. As with the “gray market,” these black-market documents are significantly cheaper and more readily had than acquiring a passport via CBI, but there is more uncertainty over they will be successfully recognized when used or continue to work over time.

Identifying CBI and RBI and the Investment Migration Ecosystem

²¹ See, for example, <https://www.theguardian.com/world/2016/feb/08/saudi-billionaire-sheikh-walid-juffali-denied-diplomatic-immunity>. See, also, <https://www.theguardian.com/law/2016/mar/22/hammond-criticises-judge-for-stripping-diplomatic-immunity-from-saudi-billionaire>

²² <https://www.theguardian.com/world/2018/jun/19/boris-beckers-diplomatic-passport-is-a-fake-says-car>

²³ <https://gbhackers.com/passports-dark-web/>

To decrease the conceptual muddiness, this paper advances an alternative definition of CBI and RBI to the one employed by the FATF report that distinguishes the phenomena from neighboring cases. Citizenship by investment programs can be defined as formal, bureaucratic schemes that enable individuals to naturalize on the basis of a defined donation to a government or passive investment in a country. They establish minimum investment amounts and types, have a clearly defined and bureaucratic application procedure, and can be readily applied for by anyone who is able to tick the correct boxes. Formalization is an important element of this definition as it distinguishes CBI from merely the grant of citizenship based on individualized negotiations with a government or set of officials, a practice that can be found globally (see Surak 2023a). Formalization is important as well because it facilitates predictability, catering to a mass-market, profitability, program growth, and the elaboration of an investment migration ecosystem. As such, formalization is an important precondition of the particular risk profiles that develop.

Residence by investment programs enable countries to extend temporary or permanent residence to individuals on the basis of a defined donation to or passive investment in a country. As with CBI programs, they too establish investment amounts and types, have a clearly defined and bureaucratic application procedure, and can be readily applied for by anyone who is able to tick the correct boxes. Traditionally, it has been the passive nature of investments that has provoked debates about the rich “paying to play” that are rarely raised in the context of business investor visas and sub-genres like entrepreneurial visas. BIVs can encompass both active and passive investments, depending on the *de jure* program structure and its *de facto* implementation in practice, and thus may partly overlap with RBI programs. In light of this grey area, the definition of RBI advanced here is narrowly put as programs that have at least one qualifying investment option that is passive by nature, such as investing in real estate, bonds, stocks, or funds (see also Surak and Tsuzuki (2021) for a discussion of scope).

By these definitions, currently at least 22 countries have had legal provisions facilitating CBI within the past ten years (Map 2),²⁴ and at least 60 countries and 9 dependencies currently have legal provisions enabling RBI (Map 3).

Map 2: Countries with Legal Provisions Enabling CBI During the Period 2014-2023



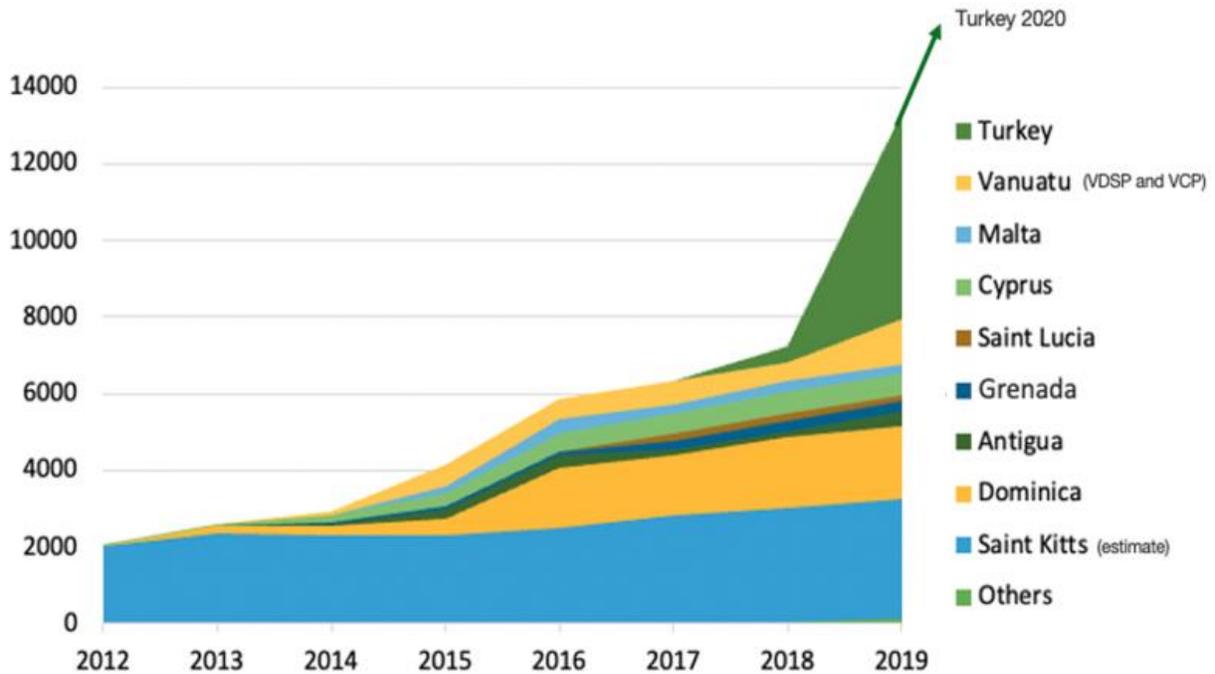
²⁴ The ten-year limit is chosen because most passports are issued for ten years and this paper focuses on the risks associated with identity documents. Even though Cyprus and Moldova have ended their programs, for example, their investor citizens often still possess passports which can be renewed.

Map 3: Countries with Legal Provisions Enabling RBI (2023)



However, a provision on paper does not equal an active program that is not only accepting applications, but also approving significant numbers of individuals. Samoa, for example, passed a law in 2016 that enabled CBI. However, it has seen only one application which was revoked before it was fully assessed, producing no investor citizens thus far (see Surak 2023a). CBI programs currently approving at least 100 applications per year number include, in descending order, Turkey, Saint Kitts, Dominica, Vanuatu, Grenada, Antigua, Malta, and Saint Lucia (see Figure 1). Cyprus also approved at least 100 applications annually in the years before it closed its program in 2020. In some years, Jordan and Montenegro have approved more than 100 applications, but the approval rates are inconsistent across time and are often under 100. It is important to note that, on average, each application includes 1.7 family members in addition to the main applicant (see Surak 2024b). As such around 2.7 individuals typically gain citizenship for each application approved.

Figure 1: Annual Approval Numbers for CBI Applications



NOTE: "Others" includes Egypt, Jordan, Moldova, Montenegro, and North Macedonia.

The figures for annual approvals go only through 2019, before the emergence of Covid-19. The global pandemic significantly interrupted application submission, along with normal bureaucratic functioning, in a number of countries. Only now are statistics becoming available that can be used to construct a global image of approval rates, but they remain incomplete for some key cases. If, however, the graph were extended, it would show that the approvals in Turkey have skyrocketed. In 2021, the minister of the interior reported that the government was approving around 1000 applications per month, which would constitute around half of all global approvals. Turkey raised the minimum investment amount from \$250,000 to \$400,000 in 2022, but it continues to see high demand in a region of great insecurity. It also continues to accept applications from Russian citizens, currently a major source of demand for citizenship options (Surak 2023c).

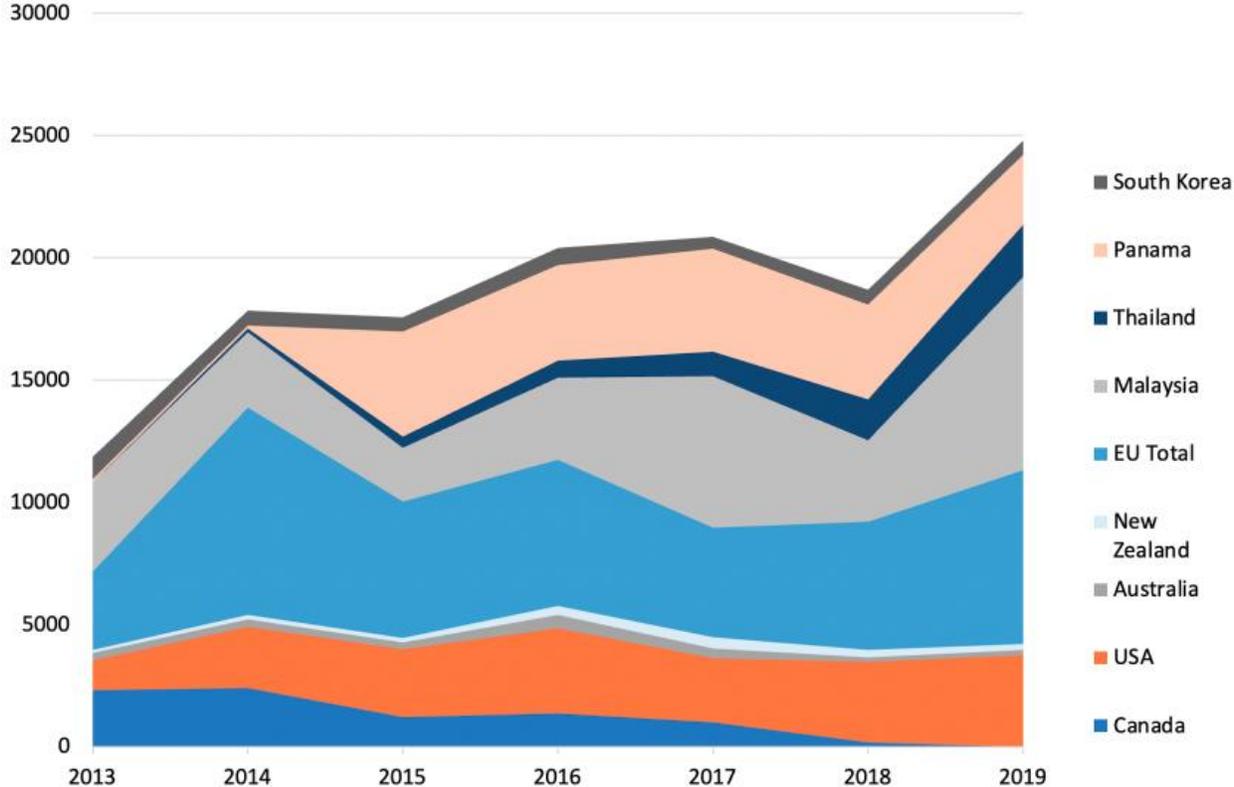
Within this field, annual application approval figures for two countries – Comoros and Cambodia – are not known and therefore they cannot be included on the graph. Complete figures for all of Vanuatu’s channels are also unknown. There have been substantial irregularities in program operation in these countries that can justify categorizing them, or individual programs within them, as in a gray legal area and operating outside fully formalized programs. The working paper, however, includes them within its scope as they raise a number of concerns with respect to financial crimes. The Comoros channel, for example, distributed passports en bulk and operated in violation of international law. The country has subsequently not recognized many if not most of the citizenships granted and has refused to renew passports on that basis. Cambodia’s channel is accessed not through a completely de-individualized bureaucratic procedure, but through government connections. Vanuatu has hosted seven different CBI channels over the past decade, some with conflicting government information, and figures are known for only two of the channels (on these cases, see Surak 2023a). Notably, citizenship in Cambodia was the prime choice of the money launderers in Singapore, with six of the ten carrying its passport, followed by Vanuatu, which naturalized five of the ringleaders. Furthermore, the scale of issuances in these cases can be substantial. Vanuatu naturalized at least 2200 individuals through some of its CBI options in 2020 alone. Cambodia has naturalized several hundred individuals in some years and, reportedly, none in others.²⁵ The largest by far, however, has been the Comoros, which issued at least 50,000 passports through its channel between 2008 and 2018.

Global figures on the far more numerous RBI programs have not yet been systematically collected. Such an exercise presents challenges as many countries do not regularly release details about the number of residence permit issuances in any visa category, not only RBI programs, and the set also includes several authoritarian regimes that rarely release such information at all or respond to information requests. Figure 2 offers a partial view of this field, tracing application approvals through the eve of Covid-19 when the pandemic disrupted application processing and government reporting, from which is

²⁵ Figures from the InvestMig dataset.

only beginning to recover. It captures the decline of Canada’s FIIP and QIIP, the relatively steady popularity of the US’s EB-5 program, and the miniscule numbers in Australia and New Zealand. Programs were offered in 13 EU countries during these years and have continued to be popular.

Figure 2: Annual Approval Numbers for RBI Applications



However, the available data show that the largest RBI programs are in the Global South. By 2019, the largest single program was Malaysia’s My Second Home scheme, which in some years was approving more individuals than all EU programs combined. Thailand and South Korea were more popular than Australia and New Zealand, and Panama was

also approving more individuals than the US in some years.²⁶ Even though data are available for only a subset of Global South cases, their pooled total approvals outstrips that of Europe, the US, Canada, Australia, and New Zealand combined. This important development, typically overlooked in discussions of investment migration (see Surak 2023b for an exception) suggests that RBI programs are not merely an open door for South-North migration, as is often presumed, but an important form of South-South connectivity and even North-South connectivity.

Within this field, the UAE is the giant that dwarfs the rest. In 2019 it began its golden visa program, which offers residence permits valid for five or ten years in recognition of an investment or property purchase of around \$550,000. Based on information from lawyers and statements by officials in the UAE, the government had granted 150,000 visas by the end of 2022, rising to a total of 250,000 by the end of 2023. As such, it is the largest RBI program in the world by multiples and possibly accounts for more than 80% of all approvals globally. As with Turkey in the case of CBI, this massive scale requires that the UAE be included as an influential part of the equation when calibrating working assumptions about investment migrations programs. It is also a particularly important case to focus on when evaluating risks around financial crime.

The absence or only faint presence of significant cases²⁷ – especially the UAE, Comoros, Vanuatu, and Cambodia – is a critical blind spot in the FATF report. As a result, the report produces a far too limited characterization of the field and how it operates, which inhibits its effectiveness in addressing issues around financial crime. For example, due diligence is thin at best, if carried out at all, and does not involve private sector actors in the cases of Comoros, Vanuatu, and Cambodia, alongside Turkey’s massive scheme and the much smaller programs in Jordan, Egypt, and elsewhere (cf. FATF 2023, para. 18). Neither Vanuatu nor Cambodia require applicants to submit a police certificate from their home

²⁶ Notably, the US’s EB-5 program has an annual cap of 10,000 individuals. The actual number of approvals fluctuates around this limit, but the upshot is that in most years only around 3500 applications are approved.

²⁷ Vanuatu is mentioned once in a footnote.

country verifying that an individual has no criminal record. Turkey requires one only from an individual's place of residence over the preceding twelve months. None of these countries have a separate "investment unit" to handle application assessment (cf. FATF 2023, para. 51; FATF 2023, paras. 16-17). Indeed, the reality of the program structure – from the application submission process through to the assessment processes – in countries outside the Caribbean and those in the EU or EU neighborhood is vastly different than captured by the general model that the FATF report employs. These differences in actors, assessment stages, and administrative processes, as well as public-private interface in program operation, have a significant impact on types of risks raised and how they can be addressed. For example, the report's extended sections on due diligence are largely non-applicable and the discussions of various government layers is spurious in precisely the cases that pose a greater risk for financial crimes.

Ignoring Global South cases and connections also results in a limited characterization of the role of the private sector, or "investment migration industry," within the wider investment migration ecosystem. The report asserts that only a "small number of firms" operates in this space (FATF 2023, para. 104) when the actual numbers are substantial, particularly in key "sending" areas, whether global hubs or countries of origin. A sense of the scale can be gained in China where until 2018 all immigration firms had to be licensed by the government. An analysis of their licensing certificates shows that by a conservative estimate around 5000 firms operated in this space and that as many as 27,000 were offering immigration services (Lao Xiao 2019; see Surak 2023a for a discussion). Notably, too, the dominant Chinese firms are massive, counting more than 500 and sometimes over 1000 employees (Surak 2023a). The vast majority offer services beyond merely investment migration programs, but nonetheless remain a definitive part of the Chinese investment migration scene. The great scale and operation of the migration industries in the "sending" areas – places like Dubai and Hong Kong are also bubbling hubs – needs to be taken into account, alongside the complex web of "business-to-business" (B2B) relationships, which the report reduces to only "concierge services," to offer an accurate

assessment of risks and mitigation techniques around documentation, scams, fraud, and money laundering (see Surak 2023a).²⁸

As the FATF report describes, a large, transnational investment migration industry which interacts governments to form an ecosystem of public and private actors that facilitate investment migration (see also Surak 2023a, Surak 2023b, Surak 2024a). The FATF report focuses only on a limited range of actors and roles, without tracing the length of the supply chains and elaborating on the possible configurations they can take (see, for example, Surak 2023a).²⁹ One common form is depicted in Figure 3, which follows the

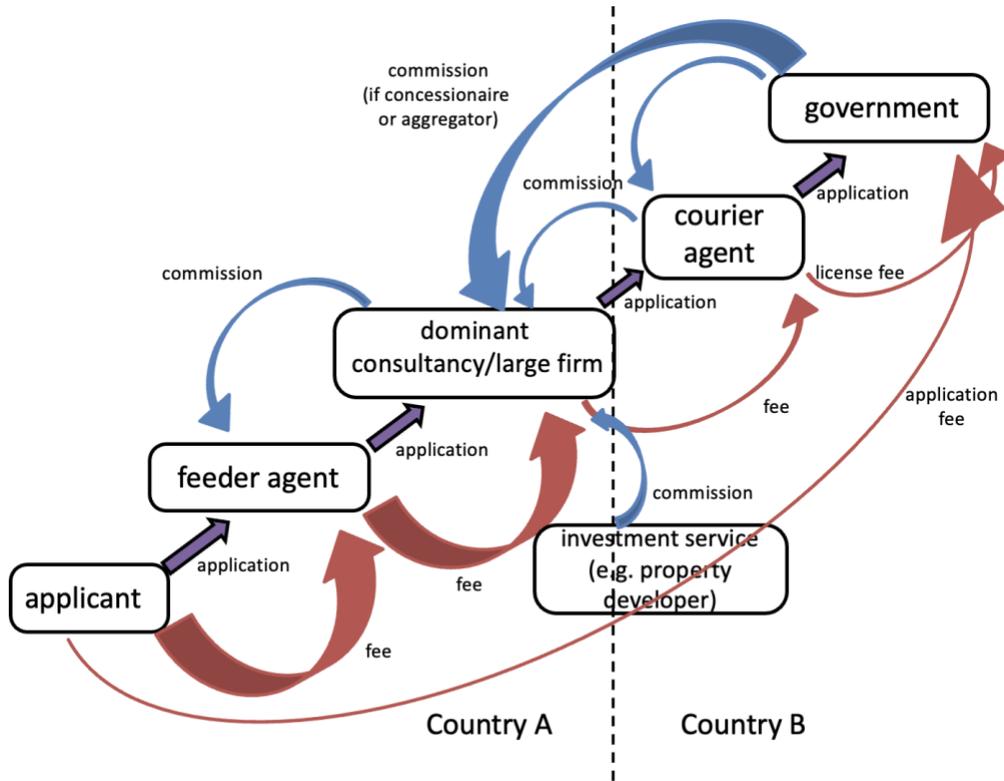
²⁸ Some comparative work has assessed the economic outcomes of both CBI programs (Surak 2024b, Surak 2023b) and RBI programs (Surak and Tsuzuki 2021). Though these implications are, in the main, only tangentially related to the goals of the FATF report, it still contains several errors worth noting as they can lead to distorted assessments. It is not the case that “[m]any countries have...raised thresholds or phased out real estate investment” in response to “concerns about distortion of the real estate market and negative impact on accessibility for residence to [sic] rental [sic] and purchased [sic] property” (FATF 2023, para. 112). Portugal fits this characterization, but the other cases of change (a small proportion of RBI programs overall), such as the US, Turkey, and Malaysia did not make the shift in response to concerns about property market distortions, and instead were driven other factors, such as overall approval numbers, accurate pricing, and inflation rates. The empirical work on the impact of CBI and RBI programs on real estate prices is nascent, but shows that in most cases there is no impact at the national level (Surak and Tsuzuki 2021, Surak 2021b, Surak 2023a, Surak 2024b), and that where it does occur, the risk is concentrated within specific cities or districts (Viesturs et al. 2017, Surak and Tsuzuki 2021, Surak 2024b) (cf. FATF 2023, para. 185). In addition, there is no evidence to date that Covid-19 “led several tourism-dependent countries to seek alternative source of revenues through CBI/RBI programs,” which the report specifies as “more recent” schemes (FATF 2023, para. 112). At the time of writing, no new CBI programs have appeared since Russia’s in 2020, which was already in the works before Covid, and most of the new RBI programs have been countries that are not dependent on tourism, with the Bahamas and Sri Lanka as possible exceptions. The report also speculates about the fiscal cost of CBI naturalizers who become resident in a country and subsequently draw on social security provisions and the education system (FATF 2023, para. 112). However, research shows that most naturalizers do not move the CBI country, that their qualifying economic contributions are typically greater than what an average taxpayer contributes to government coffers, and that when they do relocate, they have a preference for relying on private education and private care which is usually superior to public provisions in these countries (Surak 2020c, Surak 2023a). The main exception, which should be empirically investigated, is the possibility that RBI participants in programs offered by wealthy countries where migrants are likely to settle, such as Australia or Canada, subsequently benefit more from public services than what their qualifying investment contributes to the government.

²⁹ Dating the inception of the “modern investment migration ecosystem” to 1984, the year that Saint Kitts established a CBI provision (FATF 2023, para. 15), misses out on the historically contingent co-constitution of the ecosystem itself and the formalization and expansion of CBI programs (see Surak 2021a, Surak 2023a). It is precisely the formalization of the programs through the variable and contingent interactions between governments and the private sector that allowed this ecosystem – as well as the CBI programs in particular – to grow. The flattened account also fails to capture the much older history of contemporary RBI programs. This is a field that is much under-researched but goes back further than Canada’s FIIP (cf. FATF 2023, para. 15). Spain and Portugal, for example, offered residence to individuals making a passive investment in real estate from at least the early 1980s, and Malta has been doing so

path an application file takes from the applicant to the government, tracing the flow of fees along the way. Notably, the supply chains cross jurisdictional boundaries, which create challenges to regulation that must be adequately addressed when fleshing out vulnerabilities and adequate courses of action. For further details, see Surak (2023a).

since it gained independence in 1964, with successive programs folding into each through to its present RBI schemes (see Surak 2023a). To date, no comprehensive study has examined the history of these older RBI channels or the migration industries surrounding them. Yet dissecting the vagaries of both CBI and RBI histories and the varying relationships between governments, applicants, and private sector interests is essential for isolating risks and mitigation techniques around corruption, kickbacks, workarounds, and loopholes that may compromise the integrity of programs. The report does a commendable job of listing a wide range of issues that may emerge, but a more rigorous attention to contingent historical developments can add needed specificity to the precise patterns of potential misuses, which can vary greatly from jurisdiction to jurisdiction. For example, a closer analysis of the migration industries around these older RBI programs spotlight the changing roles of private due diligence firms within the wider ecosystem, or the transformations in regulation and de-regulation in countries where demand originates. Analysis of transformations in such public-private partnerships over time can also be used to identify how risk profiles can change both positively and negatively, as well as isolate the success rates of mitigation techniques in particular circumstances.

Figure 3: Supply Chain (Basic Form)



A major gap in the FATF report’s ecology of public and private actors is the role of global superpowers and supranational organizations, which wield substantial influence over several CBI programs outside their own jurisdiction. Microstates in the US’s and EU’s sphere of influence have, over time, acquiesced to several demands from these larger powers by changing their program formats, administrative procedures, and due diligence regimes. They have also followed US State Department guidance on banning particular nationalities from applying for their programs and have sought its endorsement of pre-approval lists of individuals. (For a detailed examination of the role of the US, including the leverage it has and how it uses it, as well as the changes it has driven, see Surak 2023a.) Most recently, the US Department of Treasury met with the five Caribbean countries with CBI programs in February 2023 and subsequently issued a list of “six principles,” which the countries agreed to implement. By summer, the countries began to apply these changes, which include interviews with applicants, measures to prevent

“forum shopping” by rejected applicants, enhanced due diligence checks, periodic audits, retrieval of revoked passports, and the suspension of applications from Russians and Belarusians. Crucially, the Department of Treasury has been holding follow-up meetings to ensure implementation, which actors in the region confirm is needed to ensure compliance. This form of intervention appears, thus far, to be an effective way to encourage governments in a competitive environment to agree to common standards and limit program vulnerabilities. Indeed, in cases where actors like the US supply a backstop to programs as discussed above, it can also become possible for global powers to track and identify illicit actors who have received citizenship and passports through these channels.

The European Commission and European Parliament, by contrast, have wielded influence largely by pressuring countries in the accession process to close programs or halt planned options before they open, and by threatening to revoke visa-free access for others. They have wielded these tools in several cases. EU interests concerning cross-border movement have also guided how CBI countries in its sphere of influence select applicants. As a result, individuals seeking citizenship in either EU member states or in countries with visa-free access cannot apply if they have been denied a visa to the EU's free mobility region, the Schengen Zone (cf. FATF 2023, para. 114). Caribbean CBI countries, for example, reject applicants who have been denied a visa for the Schengen area and for the UK, and such denials are checked during the application process. Additionally, Malta requires its CBI applicants to obtain a Schengen visa before approval to ensure that other Schengen-area countries will accept the individual crossing their borders visa-free. Malta is the only CBI country with visa-free access to the US, but as with all foreign nationals, including those with visa-free access, its citizens must first apply for approval through the Electronic System for Travel Authorization (ESTA) to enter, giving Washington the final decision on who can enter visa-free. Since 2018, the EU has been intending to implement a similar system known as the European Travel Information and Authorization System (ETIAS), but the rollout has faced continuous delays stretching on for years, with a mid-2025 launch now projected. Once it is in place, it will also give the EU the final decision on who can access its travel area visa-free.

Vulnerabilities Around Identity Laundering, Money Laundering, and Tax

The remainder of this working paper draws on the above reframing of CBI and RBI programs to reassess the vulnerabilities in the three areas that the FATF report identifies as posing financial risks vis-à-vis investment migration: identity laundering, money laundering, and tax. In the context of financial crime, CBI and RBI programs do not directly supply mechanisms for moving, hiding, or transforming wealth itself, but rather make available to individuals legal identities, residence possibilities, and profile-building opportunities – as does citizenship and residence acquired through any means.

Identity laundering risks

The FATF reports spotlights identity laundering as a “benefit” of CBI (FATF 2023, para. 26), but the connection is not straightforward in the limited set of country cases that the report assesses. How this works in practice is more complicated than readily gaining the “[o]ppportunity to acquire a travel and identification document under a different nationality or name, which can be used to represent who the holder is in a novel way, or otherwise obfuscate the person’s original identity” (FATF 2023, para. 26). Furthermore, none of the recent reports by FATF on the techniques used by criminal actors to finance illicit activities turns on identity laundering, whether dealing with crowdfunding for terrorism financing, ransomware financing, the art and antiquities market, environmental crime, trade-based money laundering and others. However, a false or new identity can, as the report on investment migration notes, facilitate layering that renders illicit financial flows more difficult to trace.

All countries with active CBI programs list the place of birth in the passport, which can be used by border authorities or financial authorities when screening individuals (Table 1). The upshot is that their “original identity” remains available when assessing the person or making background checks. As such, the possibility of identifying individuals who gained citizenship through investment by border guards is strong even absent the two-track passport system that the FATF report proposes (FATF 2023, paras. 164-165). In addition, biometric passports and retina scans make it difficult for individuals to simply drop prior identities by naturalizing and acquiring a new travel document. For example, border guards in the UAE are able to immediately identify if an individual is entering under a different nationality than one used previously.³⁰ Biometric systems are not yet universal and not all passports issued by CBI countries currently in circulation include biometric data, but as countries move to this standard, it will be more difficult for individuals to avoid identity-matching.

Table 1: Passport Information

Country	Includes Place of Birth	Biometric Passport (introduction 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

³⁰ This happened to the author when she attempted to enter the UAE on a UK passport after previously entering on a US one. Their systems used biometric information to match the new nationality and passport with the ones used previously and were able to immediately identify that the two documents were held by the same individual.

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.

The FATF report identifies name changes as a perfectly legal option that criminals might exploit for nefarious ends. Within this vulnerability, it is important to bear in mind that most name changes are mundane. A typical example is altering a name upon marriage or divorce, but the most common cases are due to cultural complexities. Moving from one writing system to another regularly produces challenges around standardization that can produce such requests, as well as irregularities across documents. Russia, for example, has changed the standard format for Romanizing names from Cyrillic several times in recent decades. As a result, it is not unusual for a single individual to find their name written differently across official documents when recorded in Roman letters. Cultural complexities in naming practices, such as including parents’ and grandparents’ names as a part of a given name in some documents and not others is found countries across Latin America and the Middle East. In a recent example from my fieldwork, a successful applicant to a CBI program in the Caribbean was seeking a name change because the common practice in his country of origin was to list the father’s and grandfather’s names as a part of the baby’s name on its birth certificate. However, the individual’s other official documents, including his home-country passport and bank accounts, employed a “westernized” standard that listed only two names: his given name and surname. The country where he became an investor citizen printed the six-part name from his birth certificate onto his passport and he was seeking to have this shortened to

the two that he uses to conform with Anglophone standards so that it would align with his other identification documents. Due diligence service providers note that such cultural complexities are common and usually not an indication of nefarious activities. However, they do present one of the key challenges of their work.

There is substantial variation across countries and across time in the ease of changing names. Caribbean countries with CBI programs no longer allow names to be changed in the application process and have moved to systems designed to limit the possibility for identity laundering (cf. European Parliament 2023): individuals wishing to alter a name must submit documentation that it has been legally changed within their home country before the official name in the CBI country, including the name on the passport, can be changed. Interviews with service providers suggest that name changes are challenging to implement in Turkey and Malta. Previously in places including Dominica and Saint Kitts, changing name was a relatively straightforward process that could be carried out after acquiring citizenship and before applying for a passport. In Vanuatu, it has also been a simple process to change names. Beyond the possibility altering names officially, identity laundering is a significant vulnerability in cases where the bureaucratic vetting procedures within governments are extremely weak. The countries of greatest risk for such cases are Comoros and Vanuatu, and possibly also Cambodia.

Previous research has identified cases of “serial investor migrants” among approved applications whereby individuals acquire citizenship through investment and subsequently use it to acquire an additional citizenship or residence through investment (Surak 2020b; see also Surak (2021b), Surak (2023a)). In the case of the UK’s now defunct RBI program, the Tier 1 (investor) visa, such serial investor migrants represented 1.0% of main applicants and 1.2% of family dependents – a small proportion of cases for a program known for having particularly lax due diligence checks (Surak 2020b).³¹ Serial

³¹ Until 2016, the Home Office assumed that the banks were carrying out due diligence on the individuals applying for investor residence when they opened an account, and the banks assumed that approval for Tier 1 was a signal that an individual had been cleared by the Home Office. The circularity resulted in no effective background checks carried out during the application process, as was widely known among service providers dealing with the program.

investor migration is, in itself, not a crime and may even result by default when, for example, an individual renounces their original citizenship, takes on an investor citizenship, and subsequently applies for an RBI program. However, it poses a risk if an individual lies about possessing multiple citizenships and presents only one, thereby cutting biographic ties (see Surak 2020a, Surak 2021b, Surak 2023a).

Money laundering and financial crime risks

International actors have raised concerns over the use of CBI and RBI programs for money laundering and committing financial crimes (European Parliamentary Research Service 2020, FATF 2023, OECD 2023). Investigative journalists have exposed some major cases of criminals in possession of citizenship gained through CBI programs who have carried out billions of dollars in financial crimes. What remains unknown is the actual incidence rate of money laundering or financial crimes carried out via these programs which now naturalize around 50,000 people each year in the case of CBI (see Surak 2023a) or extend residence to hundreds of thousands of individuals annually in the case of RBI.³² To date, no empirical study has assessed or established a reasonable estimate of the scale or incidence rate of people with criminal backgrounds who have been approved by CBI or RBI programs, or – a greater challenge to intercept – people with criminal intents who apply for the programs, alongside the actual use of investor citizenship or residence to carry out criminal activities.

The FATF report identifies a set of risks and vulnerabilities that investment migration programs present regarding money laundering. According to the report, CBI facilitates this kind of financial crime by (1) altering identities, (2) enhancing freedom of movement, (3) facilitating the establishment of legal persons in other jurisdictions (FATF 2023, para.

³² RBI programs supply residence permits that can be permanent (sometimes subject to conditions for retention) or temporary and subject to renewal. Residence visas are offered for different lengths of time and can be lost as well, rendering it extraordinarily difficult to assess how many people currently possess such permits globally. Given however, that the UAE alone has extended around 250,000 “golden visas,” the global total numbers in at least the hundreds of thousands.

25). RBI does the same by allowing actors to (1) move to new places, (2) justify large cross-border capital flows, (3) purchase high value goods and services, (4) set up businesses, and (5) ultimately obtain a new citizenship (FATF 2023, para. 36).

The list, however, lacks the precision needed to adequately address the risks. It is unclear why the “benefits” of RBI programs are not also listed on those for CBI schemes, though they are also acquired. More importantly, some of the “benefits” are only secondary to the financial flows involved in money laundering. Attributing them to investment migration muddies the water when attempting to address the source and extent of the risks with precision. For example, “sending children to private schools and using real property” (FATF 2023, para. 36) and “gain[ing] enhanced freedom of movement” (FATF 2023, para. 35) are hardly needed for illicit actors to carry out financial crimes or money laundering, and it’s only in unusual cases that a visa or citizenship is needed to “purchase high value goods and services.” The report’s limited case analysis also leads to inaccurate statements such as “RBI programmes normally lead to settled status and can lead to citizenship through naturalization over time...bringing with [this] many of the same risks as a CBI programme, albeit on a slower basis” (FATF 2023, para. 36). However, settled status is not available to vast majority, likely upward of 85%, of RBI participants, nor is “ultimately obtaining[ing] a new citizenship” (FATF 2023, para. 36) even a possibility in these cases. For reasons described above, the risks around altering identities may be much greater in the gray market that operates outside the official programs. Furthermore, possibilities to establish legal persons, move to new places, and set up businesses are available through any sort of visa, not only those gained through RBI. If focusing on the opportunities opened by wealth, the business investor visas, self-support visas, and similar categories available to individuals in possession of economic means present similar risks on a wide basis.

Financial institutions play a critical role in the operation of CBI and RBI programs as the gateway for qualifying funds to enter a jurisdiction. The FATF report assesses a number of risks involved in the movement of funds during the application process. To this list, it is important to add those around escrow accounts. Such accounts are employed in the

qualification process for citizenship in several CBI programs, and the vulnerabilities they present may also extend to RBI programs if they are used. Escrow accounts that do not have independent oversight are vulnerable to mismanagement or misappropriation, particularly if actors “play” with the funds and seek to turn a profit for themselves before the funds are disbursed. In extreme cases, as with the CIIP in Vanuatu and the offering in Comoros, the qualifying funds have been transferred not to the government, but to an overseas escrow account maintained by a service provider (see Surak 2023a).

However, a much larger risk concerns financial crimes that occur after the application process. In these cases, the operation of financial institutions is crucial. The success of laundering an identity with the goal of accessing a financial system, for example, depends on a bank’s procedures for verifying an identity. Some banks require only two forms of identification, such as a passport and a utility bill, and will even accept expired documents as sufficient evidence. Online banks may rely solely on the online verification of identity documents, rendering these financial institutions vulnerable to exploitation by actors who simply purchase identity images off the darkweb.³³ In many cases, however, identity laundering is not necessary. Jho Low, the alleged mastermind of the 1MDB scandal, used Deutsche Bank to clear €6 million that he moved Cyprus when applying for citizenship by investment, which occurred after the emergence of allegations of the massive embezzlement.³⁴

The residence by investment program in the UAE presents perhaps the greatest risk of abuse. The country not only accounts for possibly over 80% of all RBI approvals globally, but it is also well known as a financial center where much is tolerated. The UAE ranks in the top third of countries representing money laundering risks on the Basel AML Index.³⁵ It also remains on FATF’s gray list and has taken a very gradual approach to strengthening

³³ One way to limit such vulnerabilities – and one more realistic than the recommended retrieval of passports, which is challenging even for powerful countries (cf. FATF 2023, para. 86) – would be to require banks to check passports against a revoked passport list similar to ones used by airlines.

³⁴ <https://www.ft.com/content/5b329f78-6220-11ea-b3f3-fe4680ea68b5>

³⁵ <https://index.baselgovernance.org/ranking>

its AML regulations. A person who acquires a “golden visa” in the UAE can, for example, open a bank account and move money through the bank’s overseas branches.

The FATF report discusses the positive role that professional due diligence firms can play in screening applicants and their source of funds and wealth. Though due diligence firms have become integrated into the CBI screening processes of several countries, including those in the Caribbean and in Europe or its periphery, such as Malta and Montenegro,³⁶ they do not feature in the cases beyond, including Turkey, Egypt, Jordan, Comoros, Vanuatu, and Cambodia (cf. FATF 2023, para. 56). Nor do they play a role in vetting applicants for RBI programs beyond any screening they might supply for banks or financial institutions. Within the due diligence field, however, the type of firm matters. Missed in the report is that governments may appoint small, boutique due diligence firms whose main source of income is the contract to screen for an investment migration program, which can render the firm vulnerable to bribery or collusion. Large, multinational due diligence firms with a diversified clientele and an interest in maintaining professional integrity to preserve their much wider business interests present much less of a risk.

Tax evasion and avoidance risks

International institutions have raised concerns about tax evasion risks presented by investment migration programs (European Parliamentary Research Service 2020, FATF 2023, OECD 2023) and some analysts have targeted CBI programs for allowing individuals to avoid reporting under CRS (Langenmyer and Zyska 2023).³⁷ The FATF report is inconsistent on the implications: it cites the work of the OECD to assert that only

³⁶ On the history of this integration, see Surak 2021a, Surak 2023a.

³⁷ Their investigation is a study in what can be done methodologically with extraordinarily limited data. Unfortunately, however, these limits means that they generate only indirect evidence that automatic information exchanges may be avoided and they do not allow them to suggest how common such cases may be: Is the effect due to one individual moving large sums or many individual moving smaller sums? The authors also mischaracterize the risk through claims such as, “CBI programs enable tax evaders to escape tax information exchange,” when their analysis shows that it is not the program itself that enables tax evasion. Rather, it simply may serve as a basis for an individual to gain documents that they can use to falsely present themselves to banks.

22 out of 100 investment migration programs are high risk (FATF 2023, para. 117), but elsewhere claims that “All CBI/RBI programmes present a high risk of being used to circumvent international tax information exchanges under the CRS” (FATF 2023, para. 118).³⁸ In addition, what “high risk” might mean in practice is not straightforward since the CRS’s automatic exchange of information (AEOI) is based solely on an individual’s *tax residence*, and not their citizenship or residence permits, nor even their domicile or purely physical residence. As a result, merely participating in a CBI or RBI program is insufficient to avoid AEOI under CRS.

Whether or not a risk is present depends primarily on how financial institutions identify the tax residence of their clients. This is typically through self-declaration under threat of perjury: most banks allow clients to self-certify their tax residency, placing the burden on the client to honestly declare their situation. There is great variability in the extent to which financial institutions attempt to ensure that clients are making true statements and variability in the type and extent of documentation they require. Some oblige clients to supply a variety of supporting evidence and carry out tests to potentially “trip up” individuals making false claims, while others do not. They also vary in what triggers red flags and how they handle them. A citizen or resident might apply for a tax identification number from a country, for example, but it is up to the bank – and the decisions of its compliance department – to decide to whether this is taken as definitive of tax residence and whether to investigate for tax residencies elsewhere. Interviews show that the introduction of CRS has led to some incidences of individuals becoming serial investor migrants in attempts to avoid automatic reporting to their place of tax residence, however follow-up fieldwork suggests that it was not always effective in practice (Surak 2021b, Surak 2023a). Success depends on whether a bank accepts proof of citizenship and potentially also a tax identification number as sufficient verification of a person’s tax residence and accepts that as definitive of a person’s sole tax residence.

³⁸ Perhaps the most straightforward way to avoid reporting under CRS is the “US solution”: simply open a bank account in the United States, which hasn’t signed the agreement and is unlikely to become a signatory.

Because financial institutions rely on self-certification and profile-building to determine tax residency, obtaining *any* kind of residence visa in the *same* country as the banking relationship represents the greatest opportunity for avoiding AEOI under CRS. Usually banks regard individuals who have residence in the same country where they are opening an account as a “non-reporting person” and do not collect information for CRS. If a person with a Turkish passport attempts to open a bank account in London and claim Maltese tax residence, it will likely raise a red flag. However, if the person has a basic work permit or any kind of residence visa for the UK, along with basic supporting evidence such as a utility bill or rental agreement, they will likely be seen by the London bank as a “non-reporting person” and categorized as a UK tax resident. Often, too, financial institutions do not press on to identify any additional tax residencies once they have identified one. As such, it is not that CBI and RBI programs themselves “present a high risk of being used to circumvent...CRS,” (FATF 2023, para. 118), but that residence documents *of any sort* present challenges to banks as they try to determine an individual’s tax residence. For this reason, the business investor visas, self-support visas, and other forms of independent-means visas discussed earlier in this working paper are essential to take into account if the actual vulnerabilities around gaming or “ghosting” residence to avoid AEOI for tax reasons are to be addressed.

Among the countries that offer RBI, the UAE program presents perhaps the greatest risk in this regard given the scale of its approvals and the ease of claiming tax residence in the country known for having very low tax rates. To qualify for a tax residence certificate, a person simply needs to be in the UAE for one day every six months. Taiwan is another important case to note as it has not signed on to CRS. It is also highly unlikely to report to the People’s Republic of China, which makes its RBI program highly desirable for Chinese nationals. Finally, any country that has opted for “voluntary secrecy” by being listed under Annex A of the MCAA agreement will submit – but not receive – information under CRS. The OECD does not publish a list of countries that have opted for voluntary secrecy. However, it is possible to estimate which jurisdictions have selected this option

based on OECD data on active exchange relationships.³⁹ Countries and dependencies that receive information from no jurisdictions are likely to have chosen voluntary secrecy and include 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, and Vanuatu. In addition, Macau is receiving information only from a single jurisdiction, Costa Rica. If an individual is able to persuade a financial institution that they are a tax resident in one of these jurisdictions, they will also be considered “non-reportable” and their information will not be collected.

At the same time, the shift in international tax enforcement towards requiring “substance” works in favor of some CBI and RBI programs. The trend has been towards taxing profits in the place where the profit-generating economic activities occur. This creates an incentive for producing more physical, economic, and statutory “substance” in low-tax jurisdictions, or effectively a form of “mid-shoring” (see Surak 2023a). Particularly with CBI, in which physical presence has traditionally remained rare among naturalizers outside the case of Turkey, calls by international institutions for investor citizens to spend more time in the CBI country and generate “real links” (e.g. FATF 2023, para. 187) or “genuine links” also encourage the production of “substance” for wealth-structuring purposes (on this unintended consequence, see Surak (2023a)). Notably, the traditional “core market” of CBI programs has been in low-tax jurisdictions that offer beneficial tax rates to individuals who are resident but not domiciled in the country. “Real link” requirements can contribute to the substance needed to claim these wealth structuring possibilities that might otherwise be ignored since physical presence requirements have traditionally been a detriment to the popularity of individual CBI programs. Individuals may end up spending 60 days – sometimes less – in a country,⁴⁰ alongside joining some clubs, donating to some charities, and moving some business and wealth structures into

³⁹ <https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/>

⁴⁰ In Cyprus, for example, it is possible to apply for and gain a tax residence certificate verifying one’s intention to make it one’s tax residence after only a few weeks.

a country, to produce not only “real links” but also facilitate the profile-building that results in a convincing “whole picture” of the person’s mode of existence from a taxation perspective. Similar possibilities can be found in the “resident non-domiciled” (“res non-dom”) structures, such as Portugal’s Non-Habitual Residency Program and Spain’s “Beckham Law,” maintained in some countries with RBI programs. Notably, these tax structures are not built into the RBI programs themselves but operate – and in most cases are created – independently of them.⁴¹ Indeed, it is not an RBI visa, but rather any sort of residence permit for the county that is a prerequisite for accessing such tax statuses.

Conclusion

As with any policy, CBI and RBI options present various vulnerabilities and the costs must be weighed against the benefits – alongside the reality of how the programs operate on the ground – when assessing them. For countries going forward with these policy options, there are number of ways in which programs can be designed and implemented to diminish various risks. For international agencies concerned with identifying and mitigating risks, it is crucial that the empirical phenomenon is precisely identified and accurately assessed, and that models are built from indicative samples. It is also crucial to assess the scale of the risks and whether they are actually more prevalent in neighboring cases that may be off the radar. Adequately addressing these issues around design and scope is crucial for developing suitable and accurate policy tools.

Although this report carried over the risk-and-vulnerabilities approach used in the FATF report, future research should consider shifting to an analytic framework that emphasizes real harms rather than potential risks when identifying program vulnerabilities. In any domain, potential risks are myriad, while those actually exploited and causing real harm are more limited. Identifying where the real harms have occurred, as well as their

⁴¹ Portugal’s NHR and Spain’s “Beckham Law,” for example, predates their current RBI offerings. Malta, with its long history of combining RBI visa categories and tax benefits, is the main exception (see Surak 2023a).

frequency and scale, would facilitate more targeted policy responses with stronger efficacy against actual damage.

This paper has identified limits and inaccuracies in the FATF report concerning what investment migration is, how it operates, and the risks it brings, and it has identified adjacent phenomena that offer similar outcomes, sometimes on a much larger scale. It has filled in various gaps in the depiction of investment migration and its accompanying ecosystem, and identified some vulnerabilities overlooked in the report. It has also assessed risks around identity laundering, money laundering and tax, and spotlighted a key mechanism facilitating risks involved around tax and accessing financial systems: namely the role of documents in building profiles and legal substance. If those risks are to be addressed, further work should consider moving beyond a phenomenon- or program-driven approach, such as one that starts from CBI and RBI regimes themselves, to a problem- or risk-driven approach, such as one that starts from possibilities for accruing documents that enable individuals build profiles that can be used for illicit ends. Further work should also fully identify the scale and scope of such risks to produce a better understanding of risk profile patterns that can feed into greater precision around regulation and workable best practices.

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