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PROFESSIONAL WEALTH MANAGEMENT

From **FINTECH** 18 August 2021

Covid lockdowns add to the appeal of second citizenships



BY YURI BENDER

Having lost mobility during the health crisis, wealthy individuals are showing increased interest in citizenship by investment schemes, though the programmes remain controversial

The Covid-19 pandemic appears to have given a new lease of life to a colourful cross-border industry, which offers wealthy individuals and their families second citizenships in return for investments into tourism facilities or infrastructure.

Countries recently offering high-profile Citizenship by Investment (CBI) programmes include Caribbean players St Kitts and Nevis, and Dominica, which have used CBI revenues to successfully mitigate the effects of national disasters, and Mediterranean jurisdictions, Malta and Cyprus, where they have encountered major political issues.

Both private banks and law firms report increased interest among clients seeking new citizenships and passports since the advent of the pandemic. Wealthy investors, say commentators, only began to appreciate mobility once it was abruptly withdrawn due to Covid.

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Sourced from research commissioned by CS Global Partners

Opening up

Many popular CBI destinations are once again opening up to international visitors. "The Caribbean islands remain popular and are quite easy to work with," reveals John Errington, managing director of London-based CBI specialists Errington Bose Immigration Services.

Clients, he says, are particularly interested in island nations such as Antigua and Barbuda, and St Kitts and Nevis, although few plan to actually live permanently in the jurisdictions they invest in.

While high net worth migrants from restrictive regimes typically favour cities like London, Paris or Los Angeles, there is a recognition among practitioners that the more peripheral islands, as well as providing a potential second passport, can serve as an ultimate "bolthole" should things go wrong in the authoritarian country where they make their money.

Traditionally, clients came from Asia, Russia and the Middle East, but new sources of investment are also being identified. "We are seeing more and more clients from Africa, and Nigeria in particular. Nigerians are favouring a St Kitts passport to allow them to travel to London and other places more easily," reports Mr Errington.

Storms in the Med

Once attractive Mediterranean hubs have not, however, been enjoying the success of their Caribbean peers. The Cyprus Investment Programme, previously popular amongst a Russian audience, appreciative of their country's huge influence in the coastal resorts of Larnaca and Limassol, where Russian is widely spoken, has been withdrawn, following infringement procedures from the European Commission in 2020.

"The Maltese and Cypriot markets have trailed off, mainly due to scandals," says Mr Errington. Until recently, he says, Asian investors planning to extract their money from home territory found Malta attractive, due to an efficient banking system, the relative speed of obtaining a Maltese passport and the protection it offered once issued.

But following twin pressures from European regulators, and domestic protests linked to the assassination of journalist Daphne Caruana Galizia, which led to the resignation of prime minister Joseph Muscat in 2019, Malta replaced its Individual Investor Programme with a new strategy. Maltese authorities have since promised greater transparency and increased dialogue with the EU. A recent judicial inquiry identified a "culture of impunity" within the higher echelons of government, which had spread to regulatory bodies.

Both Malta and Cyprus had been criticised by European authorities. Mr Errington says Malta in particular raised the ire of EU neighbours for going against the principles of membership of the economic bloc.

EU neighbours, critical of Malta's highly lucrative scheme denigrating the traditional European freedom of movement concept, were left "jealous and sceptical, if not hostile".

Despite this negative publicity, most commentators believe there is an inevitability of rival jurisdictions vying to attract wealth through CBI schemes, particularly within the realist, highly competitive political climate facilitated by Covid-19.

"The more autocracy you have, the more you will see citizenship for sale in the liberal jurisdictions," suggests Loretta Napoleoni, an Italian political commentator who analyses international finance and security issues.

"If you know where to go and you have the money, then everything is for sale," says Ms Napoleoni.

"The super-rich buy their way into countries and are welcomed for their money. Most people in that country think they will spend their money there and expect a trickle-down effect. Public opinion is mostly only opposing immigration at lower levels, so I don't see regulation happening."

Suggestions that criminal individuals are benefiting from second passports are often over-cooked, she believes. Organised criminals, she says, are more likely to use covert ways to enter other jurisdictions, rather than these highly public channels.

"Terrorist organisations do not use the mainstream of buying houses or making investments, they prefer to lean on corrupt officials. If you are a known criminal, you would not go through an official channel," insists Ms Napoleoni.

In smaller countries, however, these thorny issues of security, tax avoidance and lax vetting are often seized on and amplified by opposition movements, keen to create a political backlash against CBI strategies.

"This does not mean the policy is wrong," suggests Indian-American academic Parag Khanna, founder of consultancy FutureMap and author of *'Move: The forces uprooting us'*, which plots future migration patterns. "When they get elected, the opposition typically follows the same policy, as fundamentally it's not about politics or protecting an international reputation, but demographics, which is a domestic, fiscal issue."

For these smaller nations, CBI is vital to attract physical, tangible investment, replacing burdensome sovereign debt with "sovereign equity", a concept which needs to be better communicated to voters.

"I don't believe that the half-baked, politically-motivated pressures to clamp down on these programmes will be sufficient to suppress the demand side of the equation from millions of people who want to move, and it's an open and shut case," says Mr Khanna.

"The force that wins is the one favouring mobility, not the force that favours suppression. The fact that there are now 100 such programmes tells that story very clearly."

The most recent, overarching trend he has observed among countries participating in the CBI industry is increased collaboration between competing centres, which all share the aim of attracting well-qualified, high net worth entrepreneurs.

Promoters of investment migration, including the likes of Malta, Ireland, Singapore and the United Arab Emirates, are establishing 'Green Zone Networks' of states respecting each other's standards of immigration control, health regulation and monitoring of residency criteria. Mr Khanna also believes technological innovation is correlated to openness and circulation of people.

Joint initiatives

These emerging 'clubs' of nations are compared by Mr Khanna to modern-day re-incarnations of the Hanseatic League, a medieval federation of trading states in the Baltic and North Seas, which advanced mutual commercial interests of member hubs and protected them against external aggression.

Improved due diligence of applicants should result from such joint initiatives. "We could have better background checks," suggests Mr Khanna.

"We should curb money laundering and be careful about who is allowed in simply as a mask, but we should not question the right to be able to live in a better place to cure the accident of birth."

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