

EUROPEAN PARLIAMENT DEBATE: SERIOUS SECURITY THREATS THROUGH THE SALE OF EU PASSPORTS AND VISAS TO CRIMINALS

Briefing note for the Members of the European Parliament

20 October 2020

Transparency International is grateful to the Members of the European Parliament for their tenacious efforts to end the haphazard sale of EU citizenship and residency to the corrupt and criminals.

We welcome the Greens/EFA group's move to initiate an urgent debate in the European Parliament following the most recent reports of abuse in the Cypriot passports scheme. This debate is timely also considering the European Commission's decision to launch infringement procedures against Cyprus and Malta today.¹

Ahead of the October 22 debate, we would like to bring to your attention several issues we believe the European Commission should address in the coming months.

1. In Cyprus and Malta, the European Union institutions should ensure full accountability for past abuses.

While infringement procedures are the right move to ensure a thorough review of how golden visa schemes compromise the effective implementation of EU law, curbing abuse in the future, the European Union institutions should ensure that Cyprus and Malta thoroughly investigate past failings and establish accountabilities. To that end, we would ask the European Parliament and the European Commission to consider fact-finding missions or independent audits of the schemes in question.

As part of EU-mandated audits, past awards should also be re-examined. In cases where citizenship has been awarded to politically exposed persons, suspected or convicted criminals as well as sanctioned individuals – whether directly or through a family member – the European Commission should oversee passport revocations.

In addition, enhanced due diligence checks should be extended to their invested funds and referred for further legal action and asset confiscation, if needed.

¹ Transparency International (20 October 2020). *Golden passports: Infringement procedures against Cyprus and Malta the right move*. Available at: <https://www.transparency.org/en/press/golden-passports-infringement-procedures-against-cyprus-and-malta-the-right-move>

2. In addition to Cyprus and Malta, the European Commission should examine other schemes that – directly or indirectly – sell citizenship to the super-rich.

It is crucial that residency-by-investment schemes do not fall of the EU agenda, especially as some schemes – for example, those of Bulgaria and Portugal – already offer investors a route to citizenship through their residence programmes. If citizenship-by-investment schemes are deemed illegal, such arrangements may, in fact, become the new normal. With the Maltese scheme's planned revamping and the prospects that Cypriot government may try to follow the same path, residency schemes will continue to pose threats to the integrity and security of the EU unless standards are harmonised.

It should also be pointed out that Austria, which does not have a dedicated scheme and has not been scrutinised by the European Commission thus far, also allows rich foreign investors to acquire citizenship in exchange of substantial investment.²

3. The European Commission should subject the private sector intermediaries to anti-money laundering obligations.

The investor migration schemes are powered by a multi-billion industry and private sector players who design programmes, advise governments and lobby on their behalf. We have had concerns regarding conflicts of interest in the way the programme intermediaries operate, as evidenced in the undercover investigations by Al Jazeera.

Despite the high risk of money laundering, the golden visa industry currently operates unregulated. Transparency International recently proposed to the European Commission to extend anti-money laundering obligations to private sector intermediaries.³ Firms operating in the sector should be licensed and comply with minimum requirements including the respect of a code of conduct and the obligation to provide details on their beneficial owners. However, it should be highlighted that this would not entirely address the issue as the ultimate responsibility should lie with public authorities and cannot be delegated to the private sector.

4. While the scandals surrounding Cypriot and Maltese passports schemes present examples of the most egregious abuse, the problem requires a systemic, long-term solution.

We encourage the European Parliament to remain firm in the position that the problem is larger than a single country's failures.

² Transparency International & Global Witness (October 2018). *European Getaway: Inside the Murky World of Golden Visas*. Available at: <https://www.transparency.org/en/publications/golden-visas>; Organized Crime and Corruption Reporting Project (5 March 2018). *Visa scandals slammed Austria's door shut — or did they?* Available at: <https://www.occrp.org/en/goldforvisas/visa-scandals-slammed-austrias-door-shut-or-did-they>

³ Transparency International EU (26 August 2020). *Transparency International EU calls for tougher EU anti-money laundering rules in light of COVID-19 crisis and recent money laundering scandals*. Available at: <https://transparency.eu/tougher-aml-rules-pr/>

Heeding the calls from the European Parliament and the European Economic and Social Committee, the European Commission should present a plan for phasing out the 'golden visa' schemes.

Transparency International believes that three key features that make Member States' golden visa schemes particularly risky include: (i) the fast-track processing of applications; ii) the passive nature of investments required/accepted and (iii) little to no physical residency requirement. We strongly believe that schemes with these three features should not continue to exist in the EU.

As Transparency International and Global Witness have previously argued, a lack of harmonisation allows the states to engage into a 'race to the bottom' in terms of standards. In the absence of exchange of information, this has allowed suspicious applicants to engage in passport- and visa-shopping across the EU.⁴

We would be happy to answer any of your questions, supply evidence or to appear for testimonies during the hearings. Should you have any questions, please do not hesitate to contact:

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⁴ Rami Makhlouf, the cousin of Syria President Bashar Al-Assad, was sanctioned by the U.S. in 2008 for his role in aiding corruption in Syria. In 2010, after unsuccessful attempts to buy Austrian citizenship, he became a Cypriot citizen. In May 2011, the EU sanctioned Makhlouf for bankrolling his cousin's regime. Only in March 2013 was his Cypriot citizenship revoked. In 2014, he received a residence permit from Hungary's now-terminated golden visa programme.