



April 27, 2021

International Immigrant Investment Programs: Illicit Finance Risks

Immigrant investment programs (IIPs), sometimes referred to as golden visas or passport programs, are immigration programs in which applicants make a financial contribution to the host country and, in exchange, are offered legal residency (residency-by investment, RBI) or citizenship (citizenship-by investment, CBI, also known as economic citizenship). IIPs may appeal to governments as a significant source of investment. See CRS In Focus IF11344, *The Changing Landscape of Immigrant Investment Programs*, by Jennifer M. Roscoe, for more information on IIP-related trends and background. The United States operates an IIP, the EB-5 Immigrant Investor Program, which includes fraud-related risk assessments and case adjudications administered by U.S. Citizenship and Immigration Services. See CRS Report R44475, *EB-5 Immigrant Investor Visa*, by Holly Straut-Eppsteiner for a discussion of the U.S. IIP.

As the number of international IIPs has grown in recent decades, some observers have expressed concerns that these programs may facilitate financial crime. While the scope of these risks is uncertain and many international IIP participants may not have criminal motivations, some participants may seek to use the programs for tax and sanctions evasion and money laundering by conducting business under an easily obtained secondary residency or dual nationality. Congress has sought to strengthen U.S. responses to illicit finance by appropriating funds for U.S. government entities that address financial crimes and by requiring reporting on anti-money laundering issues in foreign countries. Members have also called attention to international IIPs that they have viewed as particularly troubling through statements and in hearings.

How might international IIPs enable illicit finance?

While international IIPs typically include requirements designed to prevent participation by would-be criminal actors, some programs reportedly exhibit lax standards or enforcement. In 2021, the Department of State’s (DOS’s) congressionally mandated *International Narcotics Control Strategy Report (INCSR) Volume II: Money Laundering* cited examples of current or recent international IIPs with selection processes that were advertised as fast and inexpensive, did not require an interview, and raised concerns about attempts to evade law enforcement or facilitate illicit finance.

Once individuals become citizens or residents of a host country, they may attempt to store ill-gotten funds, circumvent tax requirements, or evade sanctions by relocating assets to the host country or conducting business via their new residency or citizenship. Using a secondary

residency or citizenship may complicate due diligence efforts or the blocking of sanctioned assets, as they may not trigger sanctions alerts or the enhanced scrutiny sometimes applied to citizens of certain countries. Secondary passports may also enable international travel, including through visa-free arrangements, that an individual would not have access to under their primary passport. Secondary residency or citizenship may also be used to avoid tax obligations.

Which countries’ programs have come under scrutiny?

While various international IIP programs may be vulnerable to illicit finance, U.S. and inter-governmental reporting have identified certain countries of particular interest, often in relation to specific typologies of illicit finance. In 2021, the INCSR identified 79 major money laundering jurisdictions, defined by the Foreign Assistance Act §481(e)(7) as those “whose financial institutions engage in currency transactions involving significant amounts of proceeds from international narcotics trafficking.” The 2021 INCSR referenced current or recent IIPs as vulnerabilities in 5 of the 79 identified jurisdictions (“A” in **Figure 1**). The Organisation for Economic Co-operation and Development (OECD) has also identified countries with RBIs and CBIs that represent a potentially high risk to the integrity of its Common Reporting Standards (CRS), which are designed to foster information exchange to prevent tax evasion (“B” in **Figure 1**).

Figure 1. Countries with IIPs Identified as Vulnerabilities or Potentially High Risk by the INCSR and OECD.

A	B	Antigua and Barbuda	B	Malta
B	Bahamas	A	B	Saint Kitts and Nevis
B	Bahrain	A	B	Saint Lucia
B	Barbados	B	Seychelles	
A	B	Cyprus	B	Turks and Caicos Islands
A	B	Dominica	B	United Arab Emirates
B	Grenada	B	Vanuatu	

Notes: “A” indicates countries whose IIPs were referenced in the 2021 INCSR. “B” indicates countries that are listed on the OECD’s website as of April 2021. The OECD countries are limited to those that have signed on to the CRS (the United States has not signed on).

How have jurisdictions with IIPs responded to allegations of illicit activity?

In response to criticism and scrutiny, some foreign governments have cancelled citizenship or residency for certain individuals and made reforms to their IIP processes, though the effectiveness of certain reforms remains in question. Cyprus and Malta, for instance, have reportedly instituted reforms for their IIPs in recent years, including

through limits on the number of IIP naturalizations and increased proof of residence requirements. Yet, both countries have continued to be described as risk-prone by media outlets and EU institutions. In August 2020, a media exposé released footage of high-level Cypriot officials agreeing to facilitate a passport for a Chinese applicant with a criminal history, contrary to Cypriot requirements. Subsequently, the officials resigned, but denied wrongdoing, and Cyprus ended its CBI program. In October 2020, the European Commission brought legal action against both countries due to their CBIs.

In a 2014 advisory to financial institutions, the U.S. Department of the Treasury's (Treasury's) Financial Crime Enforcement Network (FinCEN) stated that despite assurances by the Government of St. Kitts and Nevis that it had suspended Iranian nationals from its CBI in 2013, FinCEN believed Iranian nationals continued to participate, potentially as a way to evade sanctions. To date, the advisory has not been withdrawn, although the 2021 INCSR cites evidence of steps taken to improve the country's CBI vetting processes.

How has the United States attempted to address illicit finance in international IIPs?

Monitoring, Reporting, and Oversight

In addition to the INCSR, federal entities have reported on specific IIP's illicit finance risks. For example, in the 2014 advisory on St. Kitts's and Nevis, FinCEN encouraged financial institutions to conduct customer due diligence, including seeking identification other than or in addition to a St. Kitts and Nevis passport. DOS has referenced citizen and civil society group concerns over corruption relating to CBI programs in its annual country reports on human rights. Congress has conducted oversight of the issue through hearings on illicit finance. Additionally, the United States is a member of the Financial Action Task Force (FATF), an intergovernmental body that seeks to combat money laundering and terrorist financing (ML/TF). The FATF, as well as associated FATF-style regional bodies, conducts mutual evaluations of member countries, which analyze the implementation and effectiveness of measures to combat ML/TF. Some mutual evaluations have described vulnerabilities of specific IIP programs.

Investigations and Prosecutions

The U.S. Department of Justice (DOJ) may investigate and charge individuals for crimes facilitated by an IIP. For example, in 2017, the U.S. Attorney's Office for the Southern District of New York indicted Ali Sadr Hashemi Nejad. It alleged that Sadr took steps to evade U.S. sanctions and defraud U.S. banks by concealing the role of Iranian parties in transactions in part by using a St. Kitts and Nevis passport and a United Arab Emirates address. Sadr was found guilty in March 2020, but the verdict was vacated in July 2020 due to federal prosecutors' violations of disclosure obligations during proceedings.

Visa Restrictions

The United States has restricted individuals with dual nationalities or who gained new citizenship through IIPs

from certain visa-related waivers. Pursuant to the Visa Waiver Program Improvement and Terrorist Travel Prevention Act of 2015 (Division O, P.L. 114-113) and subsequent implementation by the Department of Homeland Security, dual nationals of the Democratic People's Republic of Korea, Iran, Iraq, Sudan, or Syria are not eligible to travel to the United States under the Visa Waiver Program. Additionally, according to press releases from the U.S. Embassy in Barbados, individuals who gained citizenship through a CBI in St. Kitts and Nevis, Antigua and Barbuda, or Dominica are not eligible for a waiver for a visa interview for a U.S. nonimmigrant visa.

Capacity Building

Federal entities, including DOJ, DOS, Treasury, and the U.S. Agency for International Development, may engage in capacity-building training or technical assistance with countries with high risk IIPs. Such assistance may seek to improve governance and counter financial crime.

Issues for Congress

Other Potential IIP-Related Crimes

IIPs have been linked to criminal activities beyond the provision of residency or citizenship to criminal actors, such as the improper use of investment funds and for the criminal gain of host country officials or intermediaries who arrange investment opportunities. Congress may consider these and other aspects of IIP-related crimes in the context of risks of international IIPs.

Foreign Government Responsiveness

Responses by host countries with reportedly risk-prone IIPs may reflect considerations such as the value of IIPs to the economy, perception of the risk as limited, prioritization of other policy issues, and, in some cases, opportunities for corrupt, personal gain. Congress may seek to understand the role of and reasons underlying political will for IIP-related reforms when considering responses to IIPs.

Transparency and Information Sharing

Some observers call for additional analyses of illicit finance and international IIPs and for countries to publish identifying information of IIP participants in order to prevent "visa shopping," whereby bad actors can search for IIPs that will accept their applications and provide the most benefit. These stakeholders suggest that more countries should share reports and identifying information through Financial Intelligence Units, regional agreements, or other methods. Congress may consider the impact of information sharing as a tool to combat abuse of IIPs, including via congressionally mandated reports or directions to U.S. entities to raise the issue in international fora.

U.S. EB-5 Immigrant Investor Program

Congress may also consider alleged risks of the U.S. EB-5 IIP, which has been criticized by some observers, including certain Members of Congress, for the program's susceptibility to fraudulent schemes, as outlined in a 2015 Government Accountability Office Report.

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