Creating credible immigrant investment schemes

Due diligence is at the heart of a good immigration investment programme, to avoid tarnishing the reputation of the scheme and jurisdiction alike. With more and more programmes being established, Eric Major, chief executive officer of Henley & Partners, highlights the components which make them robust and sustainable.

Already around 20 countries globally offer immigration investment programmes in one form or another. And a number of others are contemplating creating such schemes of their own.

For governments, key to the appeal are the benefits to local economies from the foreign direct investments these programmes promise to bring. For the applicants, they eye increased international freedom of travel, tax and estate planning, and diversification – on both a business and personal level – via multiple residences or citizenships.

However, opportunities for wealthy, internationally-minded individuals and families to optimise personal and business planning also bring various risks which need careful attention.

One of the main – and growing – concerns, for example, stems from the identity and motives of the potential applicants themselves. This must be addressed at the outset, before applications are even considered. "If you want to create and frame a programme that will be sustainable, have longevity and can provide long-term economic benefits to the target country, you really have to understand three key things: due diligence, due diligence and due diligence," says Eric Major, chief executive officer of Henley & Partners.

While the vast majority of applicants have honest and worthy intentions in mind, he warns that anyone involved in working with these clients as part of the process needs to be alert to the fact that some of them may not be doing it for the "right" reasons.

PROTECTING REPUTATIONS

Creating a credible residence and/or citizenship-by-investment programme is not easy – and it shouldn't be underestimated. Governments of jurisdictions which offer these schemes often receive applications by the droves.

ERIC MAJOR
Henley & Partners

And their officers need to vet and confirm all of this information before the application is allowed to advance to the next stage.

"You're only as good as the last questionable character you let in," says Major. That is one of the main reasons why his firm has a dedicated part of its business advising governments about how they can implement robust due diligence processes, and also partner with specialist firms to deliver the right types of reports on residency and citizenship applicants.

Such due diligence specialists which are used to vet candidates generally are on the look-out for common red flags. "You need to first take a holistic view," explains Major. "That means asking questions like: who is this person? Where are they from?

"What business(es) are they in? What kind of money is involved? Are they politically exposed? Are there murmurs or noises linked to them? Are any negative rumours genuine, or just from competitors trying to paint a bad picture? And finally, and very importantly, why are they seeking alternative residency or citizenship?"

To find the necessary information, various tools now exist which make verification possible more readily and quickly than many people think possible. But being adept at knowing what these tools are, what they do and how to use them is what matters.

Plus, having enough competency in the target country is not a given.

"For example, some due diligence firms are more effective in Asia while others have more experience in Latin America," explains Major.

So it is vital to have the right level of local knowledge to be able to uncover information below the surface.

Henley & Partners' due diligence process involves initial fact-checking for each applicant, combing through the relevant business(es) and venture(s) to understand the individual or family from a holistic point of view. This objectifies the process and enables the firm to assign the applicant a score. The visa officers of the relevant jurisdiction's government can then use that value to determine whether they need more information from the applicant, or perhaps to invite the applicant for a face-to-face interview.

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With a long track-record of offering such services, Henley & Partners has also been called on by many governments to work more closely with them to provide specific due diligence services processes. Among the most recent was Canada, which asked for advice on its Immigrant Investor Program.

SUPPORTING ECONOMIES

Yet not all stakeholders understand the perils of failing to have a stringent and reliable due diligence process.

For instance, immigrant investment schemes, if not handled properly, can do more harm than good to the country and its people, explains Major.

Not only can negative publicity cause other applicants to be wary of the programme, but it can also tarnish the image of the country as a whole for letting in people of potentially questionable character.

In some cases, it can cause other countries to withdraw privileges extended to citizens of the country running the programme. For example, since November 2014, citizens of St. Kitts & Nevis have required a visa to travel to Canada.

On the flipside, a well-run immigration investment programme serves many positive purposes.

It can help governments raise money to develop and support the economy. Using the example of St. Kitts & Nevis, funds raised through the SIDF have helped many small businesses and supported many important social and infrastructure projects in the country.

Other countries might look to build hospitals or schools.

Key to ensuring the right image and reputation, however, is the need to prvide clear communication lines to the local population, adds Major.

Doing so ensures they won't then misunderstand the motives and where the funds are being deployed. ■