

What Investment Migration looks like for Asia's Private Clients in a Post-Covid-19 World

Dominic Volek is a regular speaker on the Hubbis wealth management event circuit in Asia, and usually a regular globetrotter for business and leisure. But little did he, or we, imagine that our latest interview would have to be conducted via video link to his family home in Singapore. All businesses around the world are seeking to understand what impact the Covid-19 crisis will have on their customers and their operations, and Volek, who is Southeast Asia Head of investment migration consultancy Henley & Partners, stepped up to the plate in early April to offer his insights on what the world of citizenship and residence by investment might look like in the foreseeable future.



WHAT WILL
BE AFTER
COVID-19?

Volek begins by noting that most of Henley & Partners' clients are very wealthy and travel regularly. Henley had already onboarded many such clients when Covid-19 hit and was ready to submit many client applications for investment migration programs around the world. He reports that for those clients that were in the process of gathering the relevant documents and source of funds information they might need for their chosen application, the lockdown has actually helped them accelerate what is often a protracted process, as those customers are normally pulled hither and thither by pressing family or business matters.

On the less positive side for clients of Henley & Partners, the European programs generally require applicants to physically travel to their chosen country of citizenship or residence to give their biometrics, or have certain appointments and, obviously, those steps cannot be taken at this time.

THE WORLD ON PAUSE

"My broad assumption is that once we come out on the other end of this crisis, there will be an even more increased interest," Volek comments, "and during this hiatus, we will have managed to prepare many clients for the next phases of their applications. For this business, any type of uncertainty, be it political or economic risk, health or security concerns, and so forth, usually propels interest in our services and solutions."

He cites the example of healthcare facilities in countries such as Bangladesh or Indonesia, which might be considered below the high standards expected by wealthy global citizens. "If

very wealthy individuals from such countries have permanent residence or citizenship in one of the Tier-1 countries, for example, Singapore, Australia, the UK or Canada, they and their families might feel considerably more assured in the future," Volek observes. "Accordingly, clients from some of the region's emerging countries will likely see this as another good reason to consider the migration options that we offer around the globe."

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Other clients, Volek reports, might focus more intently on obtaining the right to live or reside in countries that offer remote lifestyles, for example by buying a farm in New Zealand and applying for permanent residence-by-investment (RBI) in such places. "My own brother, for example, has a farm in the middle of Namibia, so it is just a family of four on a vast 48,000-hectare farm, now that I would say really is isolating," he reports.

MANY MOTIVATIONS

Volek explains that there are many reasons why private clients take up one or more investment migration options, aside from those he'd just mentioned. There might be political or economic problems in their home country,

or they simply wish to have a 'Plan B', to safeguard against such issues emerging later on.

The motivation might also be more lifestyle-driven, perhaps due to education plans for their children or grandchildren, or maybe even for future retirement plans. And as investment migration can also cater to the whole family including parents and more distant family members, the solutions on offer are rather comprehensive.

Highlighting family members' education, whether for boarding schools abroad, or university, in either case, the spouse might want to spend part of the year in an overseas home nearer to the children. Student visas end when the student graduates and therefore in most cases, they have no legal right to remain in the country. Often those children want to stay on for a few more years to gain work experience, or stay even longer in order to become a permanent resident or even citizen of that country. Family investment migration is often greatly sought after whereby instead of studying under a student visa, more and more families are starting under an investor visa like the UK Tier 1 Investor Visa or the Australian Significant Investor Visa whereby



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the time that they spend in that country while studying is already counting towards their permanent residence and/or citizenship, and therefore settlement rights at the end of their studies.

At the other end of the spectrum, retirement into a different lifestyle and environment has great appeal. For those in Asia, citizenship of a European Union country is a great draw, as it offers unfettered access and settlement freedom to any of the 27 member states (now excluding the UK).

PASSPORT CONTROL

Another core motivation for many people in Asia is the relative weakness of their own passports from a travel freedom perspective. Singapore, Japan, Korea, as well as Australia and New Zealand are very high up the ranks of the annual global Henley Passport Index, which measures how many countries a passport holder can visit without a prior visa. Even Malaysia has an excellent passport from a travel

perspective, while other passports in the region, including those from several ASEAN countries, are far more limited in terms of their visa-free travel potential.

Some countries, such as Indonesia, do not permit dual citizenship, so it is a much bigger decision for an Indonesian to take up citizenship of another country, because to do so they would need to renounce their Indonesian citizenship.

THE PLAN ‘B’

Political persecution at home, economic instability, or fear of family members’ kidnapping might also drive clients to consider a worst-case Plan B scenario. “Certainly, once this pandemic which has shaken the whole world is past its peak, I would expect there to be more clients looking closely into all the possible worst-case scenarios and planning for it accordingly,” Volek comments. “If there is anything that Covid-19 has taught us, it is the power of preparedness.”

He also notes the typical private client is cash-rich but time-poor. Most clients do not actually move to the country in which they obtain alternative residence or citizenship, or at least, not before they retire, as generally their motives are driven by additional freedom and flexibility for themselves and their families.

Volek highlights how RBI is the less complicated option for Henley & Partners clients, whereas CBI is, understandably, the more demanding and expensive option.

CBI programs confer on the successful individual, and their families, the same rights as

ordinary citizens of those countries; the solution is permanent and includes voting rights and passports with little to no physical presence required. The great advantage of CBI is that it bypasses the traditional route of an HNW individual and the entire family relocating to another country in order to naturalize as citizens.

In fact, Volek notes that CBI is still a relatively new concept, and that there are just over ten countries currently with specific legislation in place that allows an individual – as long as they pass the due diligence and anti-money laundering checks – to invest and become a citizen of that country.

PLENTY OF CHOICE

Henley today offers a virtual smorgasbord of program options to its clients. “Most of our competitors focus only on one or two markets and are able to offer three or four programs,” he reports, “but we are fully global and can tailor our recommendations from the world of programs out there, then narrow them down as to those we are comfortable with from a due diligence perspective, and lastly filter them through to suit each particular client, their financial situation, their hopes, the family and so forth.”

Volek briefly explains that the more traditional RBI and CBI options for Asia’s private clients have historically been the UK, the US and Canada and Australia, as well as New Zealand. While those are typically more expensive, time consuming and complicated to obtain nowadays, there are many alternative programs out there. Current programs endorsed by

Henley & Partners around the world include 11 CBI programs and 18 RBI alternatives, spread across North America, the Caribbean, Europe and Asia Pacific.

In Europe, the top three CBI destinations are Austria, Malta and Cyprus. “They offer outstanding travel documents but the real attraction there particularly for UHNWIs is that they are members of the EU,” he explains, “so not only are you getting an insurance policy and a high-quality passport, but you and your family are getting settlement rights throughout the European Union, in other words, 27 countries after Brexit.” Another favourite country for Henley & Partners for RBI is Portugal, with its Golden Residence Permit program. Outside the EU, but still in Europe, Montenegro and the Republic of Moldova represent the more recent CBI options launched.

The Caribbean, is where the whole concept of CBI began years ago, and this option is today very much about getting a better travel document, with only about USD100,000 to USD200,000 as a donation to the selected government required, resulting in a second or alternative citizenship within six months and with that, a passport offering visa-free access to the whole of the Schengen, Singapore, Hong Kong, the UK and many more destinations.

WORKING WITH THE WEALTH INDUSTRY

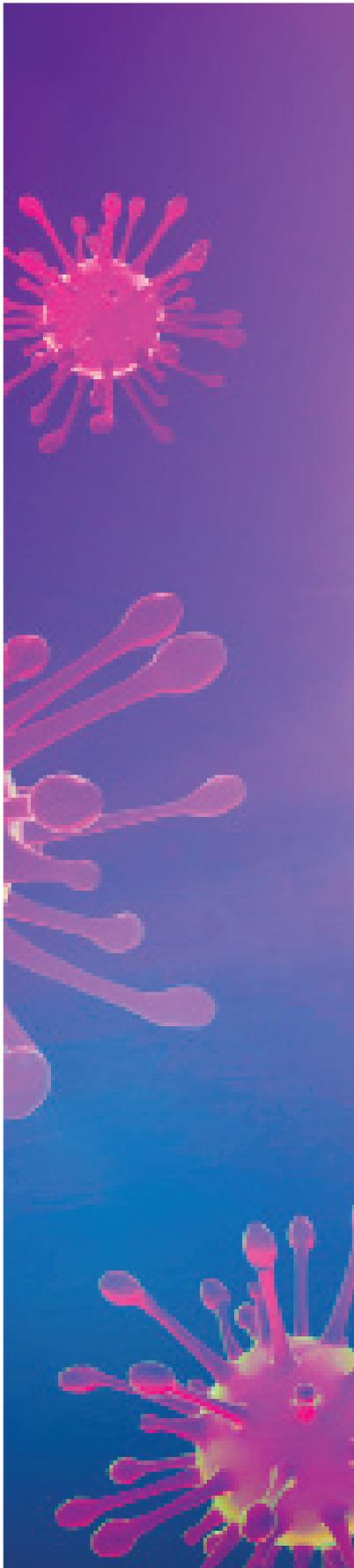
Volek takes a step back from the gloom of the current environment to imagine a more positive time and to explain how the firm works with the wealth management industry.

“As investment migration opens a world of opportunity from lifestyle to education and retirement and even to domicile and estate planning optimisation, these types of conversations have been growing in importance for the wealth community as private banks and other providers seek to expand their client relationships to a much broader, more holistic conversation. And we think that will be even more so the case in the aftermath of Covid-19.”

For many years, Henley & Partners has worked with many intermediaries across the Asia Pacific region, and of course plans to continue that approach in the years ahead. “We estimate that about a third to perhaps a half of all of our clients are referred to us through various intermediaries, typically financial firms, private bankers, independent asset managers, family offices, trust firms, lawyers, accountants and others,” he elucidates.

“Of course, there are concerns,” he admits. “For example, a private banker might say that if they introduce their clients to us, the worry is that they might later lose some of the assets they have under management, given that substantial investment in property or other host government investments might be required for certain programs. But in response, we say that it is better for these banks to introduce clients to us and have their clients professionally supported throughout, rather than having those clients trying to do it themselves or working through some less reputable company. In other words, we offer the stamp of authority and credibility that aligns with the image these private banks wish to portray.”





OPENING MORE DOORS

Moreover, Volek remarks that in tough market conditions and amidst a falling commission and fee environment - which most certainly pre-existed Covid-19 - new revenue streams are valuable. “We have a structured, proven, properly-documented process for what we call our Introducer Program, and for successful referrals that end up with a successful RBI or CBI application, for the individual and probably for their wider families as well, we are also happy to work with intermediaries on a fee-sharing basis.”

Volek notes that the investment migration industry is not yet regulated, so while Henley & Partners is the global leader and pioneer of the business with the largest global footprint, others can purport to offer a similar service but in reality, generally fall far short of the professionalism required.

KEEP IT PROFESSIONAL

“These are not easy processes,” he explains, “there is a lot of due diligence required on the clients to make sure that they are indeed suitable for their chosen country’s offering. There is an intense amount of work required to make these applications successful. We have more than 300 people around the world and we offer the professionalism and track record that will reassure clients that the great effort they need to put in to achieve successful applications will be rewarded.”

Moreover, as barriers to this industry can be low – competitors can simply set up a website and appear to offer a proper service – there is very considerable risk of losing fees paid, or worse, fraud. “Not only might some of the people

out there not be professional, but even worse there is a major security risk to the end-clients as there is a lot of detailed personal and financial information involved in such applications,” he cautions.

A PORT FOR EVERY OPTION

Henley has over 30 offices established around the world. “Wherever we offer one of these programs, whether it is Portugal, Australia, UK, or Canada, we have a local office and a team on the ground,” Volek reports. “We keep all information and all processes within the firm; this is vital to the success we offer clients and to the security of their data. And we have the track record too, with more than two decades of success.”

Moreover, Henley also works with governments around the world on their CBI or RBI schemes. The Henley private client business sits alongside the other key element of the firm’s business, the government advisory practice, wherein the firm strategically advises governments on the design, set-up and implementation of their investment migration programs.

THE GOVERNMENT CONNECTION

“To date,” Volek explains, “we have helped governments raise more than USD8 billion in foreign direct investment. We are the pioneers and industry leaders in both the private client and government advisory sides of the business.”

He reports that, for example, in 2019, Henley was appointed as one of the exclusive marketing agents and helped Montenegro introduce its new program. “This is a competitive environment for these governments around the world,” he observes, “so they must tailor their



programs to suit their situations and price them appropriately."

Malta, by way of example, as an EU member offers one of the most attractive CBI programs, whereas countries such as Montenegro, which is less developed economically and which is not yet part of the EU, must pitch their offerings to appeal to certain market segments. "With foreign direct investment in ever greater demand and particularly now due to the Covid-19 outbreak," Volek comments, "I think there will definitely be more changes coming, and there will be more programs launching, and they must all be priced and structured competitively."

PRIVATE AND PUBLIC COMBINED

This dual-pronged approach to Henley & Partners business covering the private and government clients would never have come about had Henley not adopted the highest possible standards.

"We like to believe we set the standards for this industry," Volek reports. "The branded financial intermediaries and the big private banks are comfortable with the

way that we operate because we run ourselves like a regulated business. We have very clear risk and compliance policies, very strict onboarding requirements for clients in terms of the due diligence – sometimes this involves enhanced due diligence for politically exposed persons or individuals from high risk jurisdictions, we are experts at AML checks, all of the key elements that the banks or financial intermediaries would be looking at when onboarding the clients, we do the exact same."

Additionally, Henley has invested in very advanced IT infrastructure. "Secure IT platforms are essential," he reports, "as these are very wealthy clients, often very prominent in their home or other countries. There is a lot of very confidential personal information, financial information, family information, and so forth, so everything must remain rigorously confidential and secure."

Finally, Henley was founded in Europe, the HQ is still there today, and the company is therefore fully GDPR-compliant which both their clients and the intermediaries they work with like.

LINES IN THE SAND

Volek also reassures intermediary partners that the firm never crosses the line in the sand to offer services that any of its introducers might offer. "We stick precisely to our area of expertise, we never seek to offer any financial, tax, trust or other advice," he reports. "Some of our partner intermediaries ask us why we do not leverage our incredible pool of clients, but our position is absolutely clear – we stick to our core business so that we do not have any conflict to work with intermediaries in many different areas. This also then puts us in a position to reciprocate referrals of our clients back to our trusted intermediaries whenever the opportunity presents itself."

Volek advises clients to move briskly with applications if they are already considering such moves. "Once the application is submitted to a government," he notes, "it is submitted under the rules and regulations at that time, but as things might change, it is best to get ahead. We have very clear processes in terms of expediting the documentation and application, so we can move fast. And remember, some of the more complex and

expensive applications for some of the top destination countries can take a long time from the successful application to the successful granting of CBI or RBI. Better, therefore, to lock in the opportunity today.”

THE BENEFITS OF SPEED

There are already indications that some of the more popular RCBI programs are set to evolve. For example, Portugal’s Golden Residence Permit program will soon adapt its rules on which of its real estate markets around the country are acceptable for investment as part of the process. “Quite possibly Lisbon and/ or Porto, which have been the recipient of significant property investment sums from their programs, will be taken off the list as those markets have become too saturated,” he reports. “The government will likely redirect investment towards less buoyant market segments and regions in the country.”

“But whatever the specifics of any country’s program, we know from experience that these programs are consistently changing requirements, either investment amounts, or eligible investments, or the process and timelines,” he elaborates. “The other risk, of course, is that there could be changes in the residency requirements which might require

applicants to potentially spend more time physically in that country than currently, whereas some of them ask for only a few days there each year, which is not onerous at all. So, the risk of change is always there.”

MORE CHANGE AHEAD

He adds that in the post-Covid-19 environment, there are likely to be more changes coming; some countries might fast-track their backlog, others might make their programs more appealing, some might go the other way and close the door. “But,” Volek says, “we are fairly optimistic that the foreign direct investment that flows into countries through these programs will become even more appealing to those host nations.”

Volek also notes that the relationships with the wealth industry are so important that Henley & Partners also has a Global Head of Intermediary Services, Stephan Vogl, based out of Zürich. “He works with our regional and country specialists around the globe,” Volek reports, “and what we’ve noticed is that there is demand for a two-way flow of introductions, so it is far from simply a one-way relationship with the intermediaries we partner with.”

He elaborates on this point, noting that the more business the firm

does in the emerging markets, for example, in Asia, the more opportunity we have to reciprocate referrals as well.

“And for those firms that are not permitted to take referral fees, for instance the Independent Asset Managers (IAMs) here in Singapore,” Volek reports, “we can adopt more of a strategic cooperation agreement to the benefit of these firms and their clients, whereby to help them gain kudos from working with us to provide ideas and solutions to their important clients, we might also offer the end-clients a discount on our fees as a result of their referral. We can also learn more about those advisory firms and how we might be able to refer our clients to them, where appropriate.”

MORE GROWTH AHEAD

Volek closes the discussion by remarking how investment migration had grown from a very small base to a global industry in the past two decades. “Virtually every wealthy individual will be considering such options at some stage,” he says, “and there is little doubt in my mind that after this global pandemic ends, the impetus for these programs will grow again, with rising demand from the private clients, as well as growing interest amongst governments worldwide seeking to bolster their finances.” ■

