

In Pursuit of a Second Citizenship

Nofi Mojidi presents the case for high and ultra-high-net-worth investor migration as well as insights on the growing trend and the emergence of jurisdictions offering such attractive programs.

How does one put a price tag on the ability to travel freely from one country to another? How have governments been able to quantify the value of obtaining peace of mind, national identity and foreign protection, simply by possessing a single document?

Investment migration, which includes economic citizenship, is the granting of a citizenship status or other form of residency status to an individual and their family contingent upon a specified and quantifiable investment in a particular country. Since the inception of the first investment migration program over 30 years ago, many countries have been able to utilise such foreign direct investment to achieve economic growth.

A GROWING TREND

In the Middle East, the investment migration industry is growing faster than in any other region in the world. In fact, around 60 per cent of all ultra-high-

net-worth second citizenship applications come from countries in the Middle East. With growing unrest and instability in countries like Syria, Iraq, Yemen and Egypt, the pursuit of an alternative residency to secure economic and geographic safety is justifiable.

Investment migration is a multi-billion dollar business with many of the world's most affluent taking part in acquiring a second citizenship or permanent residence. Wealthy individuals such as entrepreneurs and investors are choosing to expand and secure their personal and financial stability, leverage global business opportunities, and enhance the quality of life for their families. The decision to investigate and pursue alternative citizenship or residency is often motivated by a variety of additional factors including personal and family safety and security; political, economic and social stability; ease of travel; global investment and diversification of assets; and private wealth planning.

It is important to note however that there are various paths to obtain alternative residency or a second citizenship. Not all programs will fulfil the objectives of all families, and not all families are eligible for all programs. The most important factor in determining the appropriate program for any particular individual is to understand their time horizon.

Families who have a lengthier time horizon before acquiring a second citizenship may choose temporary residency programs like the ones offered in Australia or Portugal. In these instances, families would need to fulfil certain investment and residency requirements for them to qualify for permanent residency or eventual citizenship.

In Australia, an individual can invest AUD5 million in government bonds, regulated funds or proprietary companies. With a low residence requirement of 160 days in four years, the visa is valid for 4 years and may eventually lead to citizenship. A higher investment option is available at AUD15 million, with an expedited 12 month path to permanent residence and no residency requirement. On the other hand, Portugal's program offers residence on the basis of a number of options, such as a EUR500,000 investment in property or a EUR1 million capital transfer. In addition to a minimal language and residence requirement to qualify for permanent residence and then citizenship after six years, the visa would allow for unrestricted travel in the Schengen area for up to 30 days.



Some families would rather pursue programs that would enable them to first fulfil permanent residence requirements which then qualifies them for citizenship. The US EB-5 program along with Canada's Start-Up Visa program would fulfil those objectives. The EB-5 program requires either a USD1 million or USD500,000 investment, the lower amount where the investment is made in a rural area or a targeted area with high unemployment. The program would allow for dual citizenship, ease of travel, and possible citizenship after five years. However, permanent residents are susceptible to taxation on worldwide income, language requirements, and residency requirements of at least 180 days a year. The Canadian Start Up visa targets immigrant entrepreneurs with the skills and potential to build innovative businesses in Canada. Applicants must meet language requirements, bring sufficient settlement funds, prove the business is supported by a designated organisation, and show the business meets the ownership requirements. Although there is no stated minimum investment amount, acceptance would be based on an applicant meeting the above requirements.

In Eastern Europe, applicants can choose to finance their investment in order to pursue permanent residence in Bulgaria. The Bulgarian solution requires the equivalent of around EUR512,000 to be invested in shares or government bonds. Citizenship

is available after five years (or three years if the investment is doubled), with no residency requirement imposed although a residential lease must be maintained.

Many families elect for the quickest and most direct route to obtain a second citizenship. The Cypriot Naturalisation

by Exception program along with Malta's Individual Investor Programme offer direct citizenship options. Cyprus' investment options include a EUR5 million investment in shares, bonds, or bank deposits or a collective investment by 5 investors in real estate of EUR2.5 million each and, in either case, investment of EUR500k in a private residence to be held indefinitely. In Malta, an applicant would be required to make a EUR650k donation to a state fund and a EUR150k investment in shares or bonds for five years. Additionally, an applicant would make a EUR350k purchase of residential property or pay an annual rent of EUR16k for a five year contract. Similar to Cypriot citizens, Maltese applicants would benefit from EU citizenship. However, unlike Cypriot citizens, they would not require a visa to travel to the United States.

Families seeking ease of travel solutions tend

to pursue programs offered by Caribbean islands such as Antigua & Barbuda and St. Kitts & Nevis. For Antigua & Barbuda, an applicant can make a USD250k donation, invest USD400k in an approved real estate development, or invest USD1.5 million in an eligible business. Those applying before May 1, 2016 are able to make a reduced contribution of USD200k. There is a minimum residency requirement of five days in five years. Visa free travel excludes the US.

The St. Kitts & Nevis program requires a USD250k donation or USD400k investment in approved real estate developments. The investment must be held for 5 years after the purchase. Visa free travel excludes the US and Canada and there is no residency required.

REGULATING INDUSTRY PARTICIPANTS

Given the variety and accessibility of global programs and the continual entry of new jurisdictions into the investment migration industry, regulation of participants and their activities is becoming essential. For this reason, the Investment Migration Council (IMC) a Geneva based non-profit body was established in 2014 to serve as a regulator for investment immigration specialists bringing together the leading stakeholders in the field. IMC's mission is to provide a global framework of ethical and professional conduct acting as a bridge between governments, practitioners and clients.

AN INTRINSIC VALUE

As millionaire households in emerging economies continue to grow, the demand for second citizenships and alternative residences is likely to remain robust. Countries offering investor migration programs with non-traditional designs requiring a loose connection between the investor and the destination country will seem even more attractive in such a competitive industry. Ultimately, an individual's decision to choose a particular program, path, or jurisdiction will be a function of time versus value. They will need to assess their ability to fulfil eligibility requirements, evaluate the costs over and above the face value of the investment in any scenario, and realise that the granting of a citizenship status is at the discretion of government authorities. Once individuals and their families have obtained their desired second citizenship or residency, only then will they appreciate the value of a single document. 📄

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