

TRANSPARENCY INTERNATIONAL UK

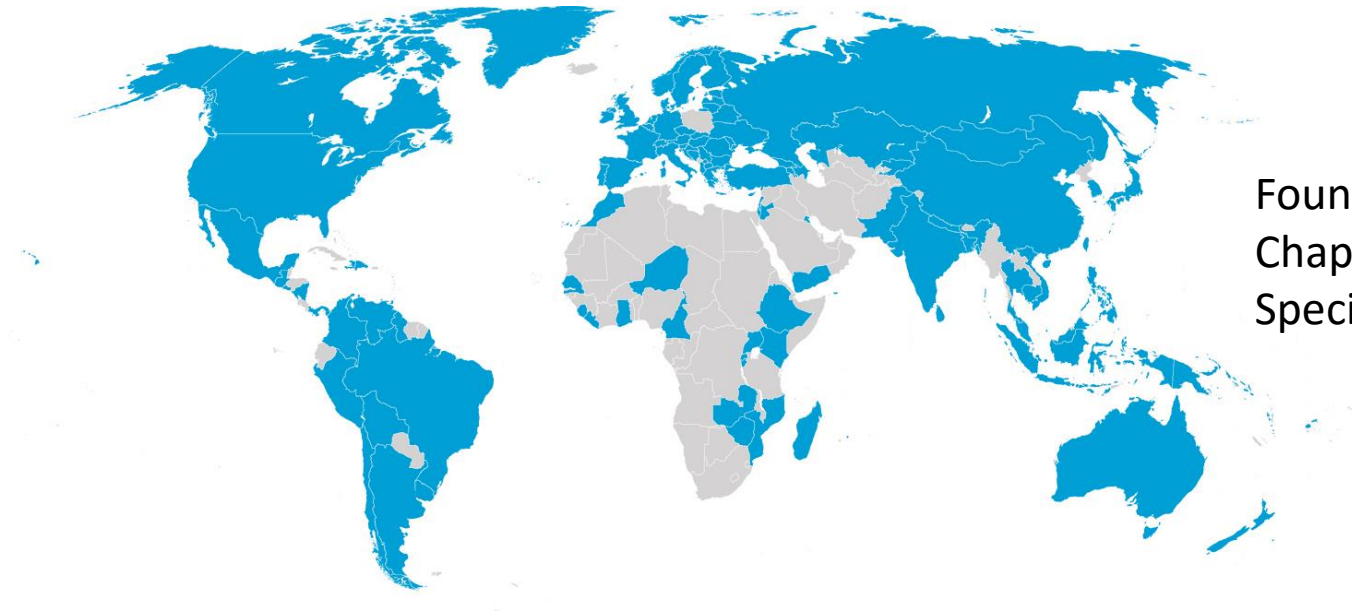
**DENIAL OF ENTRY AND VISA FOR
INVESTMENT MIGRATION APPLICANTS**

9TH GLOBAL RESIDENCE AND CITIZENSHIP CONFERENCE



**TRANSPARENCY
INTERNATIONAL**
the global coalition against corruption

Transparency International



Founded in 1993
Chapters in over 100 countries
Specialist anti-corruption NGO

Transparency International's Approach:

- Zero tolerance
- Corruption has victims
- Any bribery embeds corruption in the system
- Fighting corruption often requires collective action to achieve systemic change



GOLD RUSH

Investment visas and corrupt
capital flows into the UK

Key finding



UK residency is being offered to high net worth individuals where, overall, there are reasonable grounds for concern that the scheme has been used to launder corrupt wealth and the system for identifying such money laundering is not generally effective.

Our Approach



Threat exposure

Adequacy of the mitigation (vulnerability)

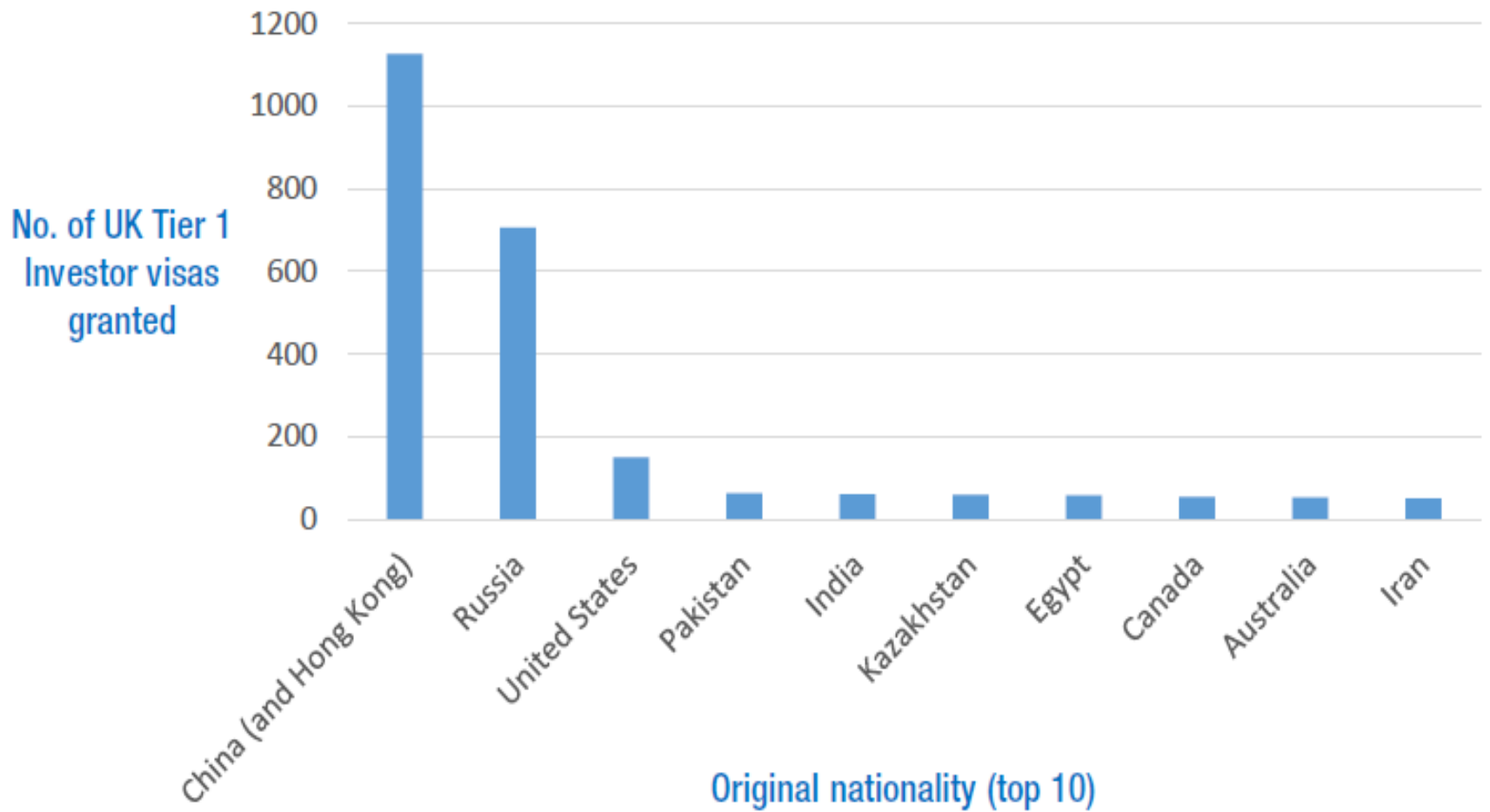
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Risk

UK Tier 1 Investor Visa Scheme



- £2m can provide a foreign investor with a 'golden visa' and, after five years, permanent residency in the UK
- £10m investment can provide a golden visa investor with the right to secure UK permanent residency status in just two years
- 1,173 golden investor approvals in 2014, up from 153 in 2009
- At least £3.15bn has entered the UK through the golden visa scheme since 2008



High exposure to Russian and Chinese private investment



- £1.15bn invested by Chinese golden visa recipients since the scheme began
- £729m invested by Russian golden visa investors since the scheme began
- 60% of all golden visas granted by the UK have been awarded to Chinese and Russian nationals since the scheme began in 2008
- 51% of golden visas were awarded to Chinese nationals in 2014



“billions of pounds of suspected proceeds of corruption are laundered through the UK each year.”

- The UK Government’s National Risk Assessment on Money Laundering and Terrorist Financing

Risk indices and threat flows



	Transparency International - Corruption Perceptions 2014 Index		World Bank - (WGI) - Control Of Corruption	Basel AML Index
China	36/100	100 out of 175	47/100	6.06/10
Russia	27/100	136 out of 175	20/100	6.29/10

- £31bn of illegal outflows estimated by the Central Bank of Russia to have left Russia in 2012
- £82bn of suspected corrupt wealth laundered out of China and placed under criminal investigation by Chinese authorities since April 2015

Current Tier 1 Visa Checks



- UK bank accounts before making a Tier 1 visa application
- Continuously maintain their investment if and when their application is successful, for the entire period of their visa
- Applicants who have not held the investment funds for three consecutive months before the date of the application must also provide evidence of the source of the funds
- Checks carried out on character and appropriateness
- No criminal records before being granted a visa

High degree of confidence in the effective operation of anti-money laundering (AML) checks being carried out by banks or asset management firms in the UK

Period of acute risk – 2008 to April 2015



- Before April 2015, UK relied on the commitment of the applicant to transfer his funds to a UK bank account after they were awarded the Tier 1 Investor visa.
- However, during this period UK banks are believed to have used the fact that an individual had been awarded a Tier 1 Investor visa as qualifying evidence to overcome due diligence concerns when assessing the applicant's legitimacy.

Amount of Tier 1 investment that passed into the UK during the period of acute risk



Nationality of origin	Minimum investment flows during the period	The % of investment flows during the period out of total investment
China	£1.13bn	98%
Russia	£707m	97%
All nationalities	£3.06bn	97%

General weaknesses in the UK's AML system



- A weak system of up-front checks on Tier 1 visa applicants
- Evidence of poor AML compliance in the financial sector.
- Low quantity and poor quality reporting of money laundering.
- Ineffective supervisors responsible for overseeing money laundering risks.
- A large number of private sector AML supervisors hold conflicts of interest.
- A limited environment for personal liability for money laundering failings.

Effective enforcement?



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active investigations led by UK law enforcement authorities focused on money laundering into the UK of the proceeds of corruption stolen from China or Russia

Conclusions



- Grounds for concern that the UK's Tier 1 Investor visa programme has been used as a tool to launder the proceeds of corruption
- Absence of effective, up-front and transparent checks for Tier 1 Investor visa applicants
- Significant doubts as to whether the UK's AML regime is fit for purpose
- Ultimately, no UK law enforcement investigations against money laundering in the UK related to embezzlement offences in China or Russia

Recommendations



- Establish greater integrity and transparency in the Tier 1 Investor Visa system
- Improving mechanisms for cooperation to identify and recover corrupt assets
- Improving law enforcement capacity and the effectiveness of AML supervision in the UK

Visa denial



- Maintain an anti-corruption visa denial list, in an intelligence-led and preventative framework.
- Based on information provided by UK law enforcement and security services about identifying individuals who are highly likely to be involved in systemic grand corruption, and against whom there is little immediate prospect of justice in their own country.
- Visa denial decisions should be subject to appeal and the process should comply with international humanitarian law.

“Corruption has a deplorable effect on our societies – corroding justice, good governance and prosperity.



“The UK is a global financial centre, open for business with the world. It is one of our country’s great strengths, but it brings with it responsibilities: to ensure that we take the appropriate steps to prevent money laundering; and that we act to stop the proceeds of overseas corruption from being hidden here”

- Home Secretary The Rt Hon Theresa May MP

“So by lifting off this shroud of secrecy we can expose wrongdoing and dissuade others from going down the same path. I’m determined that the UK must not become a safe haven for corrupt money from around the world.”



“There is no place for dirty money in Britain. Indeed, there should be no place for dirty money anywhere. That is my message to foreign fraudsters: London is not a place to stash your dodgy cash.”

- David Cameron MP - 28th July 2015



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www.transparency.org.uk -
www.transparency.org

TI-UK launched an **interactive map of London** which reveals the statistics for each borough –
ukunmaskthecorrupt.org