
GOLDEN EU PASSPORTS MORE RISKY THAN INDICATED

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The EU substantially watered down its recent warning on golden passport schemes, an investigation has shown.

The European Commission published a report on 23 January on the "security, money laundering, tax evasion and corruption" risks associated with the schemes.

But it left out tougher provisions contained in an earlier draft, seen by the the Organised Crime and Corruption Reporting Project (OCCRP), a club of investigative journalists.

This October 2018 draft had proposed "member states should not accept investor scheme applications from persons listed on UN and EU sanctions lists."

But this was cut from the published text.

The EU commission report also called for "clarity in procedures and in responsibilities" of private firms involved in passport sales to avoid conflict of interest.

But it redacted detailed recommendations on how to do it.

"Intermediaries involved in the handling of applications should not have any decision-making power or screening duties, tasks which should be reserved for government authorities," the October draft had said.

"They should make publicly available information about those intermediaries and the procedure for selecting them," the draft had also said.

Bulgaria, Cyprus, and Malta are the only member states that sell EU passports, while several others have golden residency schemes.

The sales are governed by national law, but the October draft indicated that commission lawyers were looking into whether EU legislation could get a hook into the practice.

"Whether such legislation and practice, which permit third country nationals to obtain national citizenship, and hence citizenship of the [European] Union, without requiring any genuine connection to the country, are compatible with Union law is being questioned," the draft said, according to the OCCRP.

Cyprus and Malta have made billions of euros from the passport industry.

They have attracted hundreds of wealthy Russians, many of whom were Politically Exposed Persons (PEPs) - people who posed a high risk of money laundering.

Cyprus sold an EU passport to Russian oligarch Oleg Deripaska who is currently under US sanctions for "malign activities".

It also offered one to Viktor Vekselberg, another Russian tycoon, who is under US sanctions but who owns a significant part of Cyprus' largest bank, the Bank of Cyprus.

Malta sold passports to Alexey Marey, the former CEO of Alfa Bank Russia, the country's largest private lender; Alexey De-Monderik, a co-founder of Russian cyber security firm Kaspersky Lab; and Alexander Mechatin, the CEO of Beluga Group, Russia's largest private spirits company.

The schemes have also attracted wealthy Middle Eastern buyers.

Cyprus sold an EU passport to Rami Makhlouf, a senior member of the Syrian regime, in 2010.

It later rescinded his citizenship when the regime began to massacre its own people in the Syrian war.

Malta also sold 62 EU passports to two billionaire Saudi Arabian families - the Al-Muhaidibs and Al-Agils - in 2018, according to its official gazette.

Bulgaria was less successful, however.

Its justice ministry said in January it had failed to attract enough buyers and would fold its scheme, leaving Cyprus and Malta on their own.

Golden EU passports offer the prospect of free movement of people and their money in the 28 member states, as well as visa-free travel to 160 countries worldwide, including the US.

But Malta's relations with foreign PEPs ended in tragedy when a car bomb killed Daphne Caruana Galizia, an investigative journalist, in October 2017.

She had alleged that top people in the Maltese government had taken kick-backs from passport sales to Azerbaijan before her murder, in a case which remains unsolved.

PEPs also harmed Cyprus' image, when it emerged that a Russian used a Cypriot firm to fund a far-right party in France and that Ukrainians used a Cypriot bank to pay Paul Manafort, a US lobbyist on trial for Russia-collusion in the 2016 US election.

For Cypriot authorities, neither its passport sales nor its bank probity were at fault, however.

For Maltese leader Joseph Muscat, the Caruana Galizia allegations were also little more than "dubious" social media "gossip".

"I'm in a quite horrible situation of having to criticise someone who was killed brutally," Muscat told British broadcaster the BBC in an interview in January 2018.

Kaynak/Source: