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May 20, 2014

Advisory

Abuse of the Citizenship-by-Investment Program Sponsored by the Federation of St. Kitts and Nevis

Passports Obtained Through St. Kitts and Nevis Citizenship-by-Investment Program Used to Facilitate Financial Crime

The Financial Crimes Enforcement Network (FinCEN) is issuing this Advisory to alert financial institutions that certain foreign individuals are abusing the Citizenship-by-Investment program sponsored by the Federation of St. Kitts and Nevis (SKN) to obtain SKN passports for the purpose of engaging in illicit financial activity. Financial institutions can mitigate exposure to such risk through customer due diligence, including risk-based identity verification consistent with existing customer identification program requirements.¹

The SKN Citizenship-by-Investment program offers citizenship to a non-citizen who either invests in designated real estate with a value of at least \$400,000 USD, or contributes \$250,000 USD to the St. Kitts and Nevis Sugar Industry Diversification Foundation.² FinCEN believes that illicit actors are abusing this program to acquire SKN citizenship in order to mask their identity and geographic background for the purpose of evading U.S. or international sanctions or engaging in other financial crime. For example, FinCEN believes that several

Iranian nationals designated by the Office of Foreign Assets Control (OFAC) have obtained passports issued through the SKN Citizenship-by-Investment program.

While many countries offer programs similar to the SKN Citizenship-by-Investment program, the SKN program is attractive to illicit actors because the program, as administered, maintains lax controls as to who may be granted citizenship. While the SKN government has publicly pledged to improve these controls, FinCEN believes that they remain ineffective. For example, in 2013 the SKN government announced that all Iranian nationals were suspended from participating in the SKN Citizenship-by-Investment program. Despite this public assurance, FinCEN believes that Iranian nationals continue to obtain passports issued through the program. As a result of these lax controls, illicit actors, including individuals intending to use the secondary citizenship to evade sanctions, can obtain an SKN passport with relative ease.

1. See, e.g., 31 C.F.R. § 1020.220(a).

2. See, St. Kitts-Nevis Citizenship by Investment Home Page, available at <http://ciu.gov.kn/>.

Guidance

Financial institutions should conduct risk-based customer due diligence to mitigate the risk that a customer is disguising his or her identity with an SKN passport in order to evade sanctions or engage in other financial crime. This due diligence may include verifying the customer's identity using a form of government-issued identification other than, or in addition to, the SKN passport, or using non-documentary methods that enable the financial institution to form a reasonable belief that it knows the true identity of the customer, including the customer's country of origin.³

If a financial institution knows, suspects, or has reason to suspect that a transaction conducted or attempted by, at, or through the financial institution involves funds derived from illegal activity, is an attempt to disguise funds derived from illegal activity, is designed to evade regulations promulgated under the Bank Secrecy Act, or lacks a business or apparent lawful purpose, the financial institution may be required to file a SAR.⁴ If a financial institution decides to file a SAR involving an individual using a passport obtained through the SKN Citizenship-by-Investment program, FinCEN requests that the financial institution include the term "SKN Passport" in both the narrative portion and in the "Other" fields in Part II items 29 through 38, as applicable. Financial institutions should also be mindful of their OFAC obligations if they believe that customers using SKN passports are blocked persons.

FinCEN notes that this Advisory is intended to highlight the illicit finance risks posed by the SKN Citizenship-by-Investment program, and is not intended to affect the maintenance of normal relationships between financial institutions in the United States and the Federation of St. Kitts and Nevis more broadly.

Additional questions or comments regarding the contents of this Advisory should be addressed to the FinCEN Resource Center at (800) 767-2825. ***Financial institutions wanting to report suspicious transactions that may relate to terrorist activity should call the Financial Institutions Toll-Free Hotline at (866) 556-3974 (7 days a week, 24 hours a day).*** The purpose of the hotline is to expedite the delivery of this information to law enforcement.

3. See, e.g., 31 C.F.R. § 1020.220(a).

4. See, e.g., 31 C.F.R. § 1020.320.