

into the financing transaction, suddenly they've [acquired] a lot more requirements, a lot more restrictions, that they have to satisfy."

Richard Norridge remembered being exposed to the idea of jets losing value quite quickly in the past when he was working on a fraud case: "We got a freezing order against a jet at a private airport south of London. I don't think it was fully appreciated perhaps at that stage that you can't just leave this thing on the runway because it will deteriorate quite quickly and might be worth a lot less money quite quickly, so I can see from the perspective of a lender, not coming at it from a distressed situation but coming at it in advance, wanting to make sure that these things are properly looked after."

Rex Morales emphasised the importance of the aircraft management agreement, the tripartite agreement and also (not mentioned before) the identity of the operator: "In the due diligence of the transaction, the lender will want to make sure that the aircraft operator is very reputable and is very comfortable assuming the risk of operation. This is because in the tripartite agreement we have the ability to prevent the deterioration of the aircraft, because the lender would have a direct right against the aircraft manager to ensure that they 'hangar' the aircraft and take it away from the clutches of the defaulting owner and properly maintain it and make sure that it is safely stored away. Obviously the manager would have to be paid for those actions, but that would be provided for as well in the aircraft management agreement

[and] the tripartite agreement. So it's an inbuilt mechanism in finance to make sure that you have a right to protect the asset base."

The panel acknowledged that all these restrictions can seem quite onerous but that people often forget the fact that in 2008 the world underwent a global credit crisis that proved devastating for business jet value and the business jet market. Many lenders were quite badly burnt during that time and the result of that today is a tension that always exists between cautious lenders who remember the crash of 12 years ago and their private clients who want to finance their jets with as few restrictions as possible. Speaking for all, Caroline Joyce said: "There's a tension between keeping the client happy and also making sure that the lender is protected." ■

Citizenship by investment in the plague year – an expert speaks

In this article we interview Till Neumann, the founder of Citizen Lane, a firm that helps globally active individuals select and use offshore jurisdictions' residence and citizenship-by-investment programmes.

Q: What recent developments have you seen in the world of investment migration?

A: There have been quite a few developments this year. The most notable of all has been the movement among the institutions of the EU to combat citizenship-by-investment programmes.

My opinion remains the same – I see the citizenship programmes as national development programmes. They are there to be used to benefit the people of a country. In many cases, they invite incoming high-net-worth people to invest in real estate as one possible way to acquire citizenship. In Cyprus (where they have now suspended the programme, so they're not doing this any more) we saw mainly the usage of real estate – this was not so perfect.

Q: What was wrong with the Cypriot programme?

A: Foreign applicants, especially Chinese investors, liked to invest €2 million or so in real estate. One reason for this is that real-estate companies in Cyprus pay 20% commissions to Chinese agents (who are working for Chinese HNWs) to attract them. The problem with that is that prices are raised artificially. Clients might lose money when they want to sell their properties at some point, as the market for luxury residences is vast due to the programme and, most importantly, the citizens of Cyprus do not benefit from these real-estate investments, except for a handful of construction workers.

Q: Why didn't the Cypriot government curb those commissions?

A: A government crackdown on the commissions would have been one option. I don't really see governments intervening profitably in these situations in any way. I think the Cypriot parliament should have restricted the real-estate investment options in the actual programme. When a foreign HNW invests in real estate, most of the money goes not to the people of the country but into the pockets of a few millionaires.

Q: What can the EU actually do to stop its member-states from offering citizenship-by-investment? Surely they have authority over their own citizenship and that's guaranteed in the EU treaty.

A: Yes, citizenship is a national matter. The EU passport (which is Burgundy red) is actually a national passport. When you look at who else is getting citizenship, each year there are tens of thousands in the EU who marry citizens, or live in this-or-that country for some time, or achieve citizenship in many different ways, and national law applies, getting them citizenship with almost no scrutiny at all. The EU let in over a million refugees, partly with unclear identity. Even though that is ethically honourable and right, from the standpoint of due diligence and national security risks it seems obvious that citizenship-by-investment programme applicants bear the overall smaller risk, since they are only a few hundreds annually and are being thoroughly vetted.

Refugees don't get automatic citizenship, but if they stay long enough they will.

There is no EU legislation on the subject of getting citizenship. I see this crusade against the programmes as political. Somebody at the centre of the EU is trying to build it up as a political issue, but they're issuing an empty threat. In the last version of the Cypriot programme they introduced mandatory donations. The idea was to induce applicants to put their money into something other than real estate, as Malta did when it called on them to put money into a government fund, but the Cypriot amount was much too low in my opinion; presumably this was because the real-estate lobby in Cyprus is too strong.

Q: What effect has the onset of the Coronavirus had on citizenship-by-investment firms like yours?

A: When Covid struck it was pretty heavy for us, but we still grew in 2020. We had the most shocking stop in March. All our clients except one halted the onboarding. Business picked up after the summer and the situation is now much better.

The crisis has brought with it a lot of misapprehensions, too. Since there is a travel ban and tourist visas are not being issued at the moment, many people think that we cannot process residence permit applications, but in fact we can. ■

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