

RED FLAG INDICATORS FOR REAL ESTATE AGENTS

General Comments

This list of indicators is meant to assist estate agents and salespersons to determine the money laundering or terrorism financing risk of both new and existing clients. It is not an exhaustive list and the existence of any indicator(s) does not imply that the real estate transaction is necessarily linked to such money laundering or terrorism financing activities. If there is any suspicion, estate agents and salespersons are advised to submit a report to the STRO.

Client Behaviour - Natural Persons (Individuals) and/or Legal Persons (e.g. Companies, Businesses, Trusts, Foundations, Societies and Cooperatives)

- i) Client is traced to negative news or crime (e.g. he is named in a news report on a crime committed.)
- ii) Client appears hesitant or declines to put his name on any document that would connect him with the property.
- iii) Client uses different names on Offers to Purchase, closing documents and deposit receipts.
- iv) Client purchases property in the name of a nominee such as an associate or a relative (other than a spouse), or on behalf of minors or incapacitated persons or other persons who lack the economic capacity to carry out such purchases.
- v) Client attempts to hide the identity of the true client or requests that the transaction be structured to hide the identity of the true client.
- vi) Client provides an address that is unknown, believed to be false, or simply a correspondence address.
- vii) Client inadequately explains the last minute substitution of the purchasing party's name.
- viii) Client (buyer) takes on a debt significantly higher than the value of the property.
- ix) Client appears unconcerned about the economic or investment value of the property he is purchasing.
- x) Client purchases property without inspecting it.
- xi) Client purchases multiple properties in a short time period, and seems to have few concerns about the location, condition and anticipated repair costs, etc., of each property.
- xii) Client queries about the AML/CFT reporting requirements.
- xiii) Buyer is a shell company and representatives of the company refuse to disclose the identity of the true owners.

- xiv) Client is a recently created legal entity and the amount of the transaction is large compared to their assets.
- xv) Client's known business activity and purpose does not match the real estate transaction. For example, the client is a non-profit organisation but the property is purchased for investment and the client intends to have a large loan.

Transaction Patterns

- i) Client arrives at a real estate closing or makes a real estate purchase with a significant amount of cash, or negotiable instruments which do not state the true payer (e.g. bank drafts).
- ii) Client pays substantial down payment in cash and the balance is financed by an unusual source or offshore bank.
- iii) Client pays rent or the amount of a lease in advance using a large amount of cash.
- iv) Transaction is entered into at a value significantly different (much higher or much lower) from the real or market value of the property.
- v) Property is sold in a series of successive transactions; with each transaction at a significantly higher or lower price than a recent market price. In particular, if the transactions were conducted between the same parties.
- vi) Transaction uses unusual or unnecessarily complex legal structures without any economic logic.