

RED FLAG INDICATORS FOR REAL ESTATE DEVELOPER

Examples of suspicious real estate transactions

The scenarios below help developers to perform a risk-analysis for potential purchasers. It is not a comprehensive list of all scenarios with possible links to money laundering or terrorism financing. It also does not imply that the scenarios are necessarily linked to such activities. While each scenario may not be sufficient to suggest that money laundering or terrorism financing is taking place, a combination of such scenarios may be indicative of a suspicious transaction.

Purchaser's profile and behaviour

- i. Purchaser is linked to negative news or crime (e.g. he is a designated entity on the United Nations Security Council Resolutions or he is named in a news report on a crime committed.)
- ii. Purchaser buys property in the name of a nominee such as an associate or a relative (other than a spouse or child), or on behalf of minors or incapacitated persons or other persons who lack the economic capacity to carry out such purchases.
- iii. Purchaser provides an address that is unknown, believed to be false, or simply a correspondence address, e.g. a post office box number which might not provide details of the actual address.
- iv. Purchaser appears unconcerned about the economic or investment value of the property he is purchasing.
- v. Purchaser buys property without making any attempt to inspect or review the brochure or marketing material of the property.
- vi. Purchaser buys multiple properties in a short time period, and seems to have few concerns about the location and price of each property.
- vii. Purchaser asks about the anti-money laundering and counter financing of terrorism reporting requirements.
- viii. Purchaser is a shell company and representatives of the company refuse to disclose the identity of the owners.
- ix. Purchaser's known business activity and purpose do not match the real estate transaction, e.g. purchaser is a non-profit organisation but the property is purchased for investment which requires a large loan.
- x. Purchase is made without assistance from any marketing agent or solicitor and without taking any loan.

- xi. Purchaser appears hesitant or declines to put his name on any documents that would connect him with the property.
- xii. Purchaser appears to be acting as proxies for the purchase of the properties and makes attempts to conceal the identity of the beneficial owner.

Transactional Patterns

- i. Purchaser arrives at a property show unit near to closing hours or attempts to make a purchase with a significant amount of cash, or negotiable instruments which do not state the identity of the payer (e.g. bank drafts).
- ii. Payments from purchaser are financed by an unusual source, e.g. [from an offshore bank located in a jurisdiction identified as high-risk and non-cooperative by FATF](#).
- iii. Transaction, whether property is sold directly by a developer or sold in a sub-sale by a purchaser, is entered into at a value significantly different (much higher or much lower) from the real or market value of the property.
- iv. Purchaser pays the initial deposit with a cheque from a third party, other than a spouse or parent.
- v. Payment for purchase was done through multiple cash transactions and paid direct to the project account.
- vi. Transaction uses unusual or unnecessarily complex legal structures without any economic logic.