

Handling Real-Estate-Related Transactions: A Checklist for Financial Institutions

There are a few things a financial institution can do when handling real-estate-related transactions:



- Have an overall anti-money laundering (AML) program in place.** Real estate fraud is just one means of fraud, and addressing it should be part of a firm's overall AML efforts. "It's not just due diligence but having an AML program," attorney Ross Delston said. "You have to have written policies and procedures, a designated compliance officer, training, and an independent AML audit."



- Double-check questionable wire transfers.** If a client wires a transfer from a bank overseas that sets off any red flags, financial institutions should have a process that examines and verifies, as much as possible, the source of the transfer. While the SWIFT message accompanying the transaction may provide some rationale, "it's probably not enough to give a full picture of what's going on. It would require a bit of digging," Delston said. A bank "can go back to the customer and say, 'We're doing some background research: Can you tell us more about this transaction?'"



- Use all available research tools.** The Financial Crimes Enforcement Network's (FinCEN's) Geographic Targeting Orders (GTOs) may be limited in time and region but should be incorporated into your due diligence procedures — any real estate purchase in a GTO area should be given extra scrutiny. Another good tool is software that keeps AML officials up to date on news about specific regions known for money laundering.



- Look for patterns.** Does the purchaser have a pattern of buying properties in a particular area for all-cash deals? Are they making purchases at unusual rates (say, multiple purchases in a brief period or confined to a particular neighborhood)? Do they have a history of "flipping" properties quickly?



- Keep an eye on politically exposed persons (PEPs).** The reality of shell companies is that it's hard to figure out who owns the company based on public records. One strategy would be to increase due diligence on any person involved in the purchase who's considered to be a politically exposed person — such as family or friends of someone with a senior position in another country, particularly one with a known history of corruption or political instability.

— Chris O'Leary & Ross Delston

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