

Indicators related to Real Estate Sector

Preface

People used to buy real estate for residential or commercial purposes, but now there are many goals and ways to exploit the Real Estate Sector. For example, investment companies and funds and real estate development and management entities use funds provided by third parties to implement these investments for commercial purposes, or maintain these investments in various corporate legal entities that are established solely to facilitate specific transactions. Therefore, these indicators should be considered for both small businesses or real estate professionals to monitor suspicious transactions associated with real estate purchases and sales in compliance with AML/CFT regulations.

Indicators Related to Customer:

1. Customer completes the real estate transaction in return for a large amount of money.
2. Customer buys property in the name of another party, including partners or relatives (other than spouse).
3. Customer refrains from adding his name on any document that may link him to the property or use different names on purchase orders, transaction documents and deposit receipts.
4. Customer inappropriately replaces the purchaser's name at the last minute.
5. Customer negotiates a purchase at market value or higher than the offered price but writes a lower value in the purchase documents and pays the difference outside the transaction scope.
6. Customer sells property below market value and pays additional amounts outside the transaction scope.
7. Customer purchases a property for personal use under the umbrella of the commercial entity, while this type of transaction is not compatible with the customer's normal business.
8. Customer purchases a property without inspecting it.
9. Customer purchases several properties within a short period of time and seems to have some concerns about location, condition, cost of expected repairs, etc., of these properties.
10. Customer pays large amounts for rent or rental value in advance.

11. Customer pays large bills in cash to rebuild or renovate a house in a building where property management services are available.
12. Customer is very secretive or elusive about the actual owner, the source of the funds, and transaction reasons.
13. Doubts about the validity of documents enclosed with the loan application.
14. Customer's use of an agent or intermediary, or his strong refusal of any personal contact with such agent or intermediary for unjustified reason.
15. Customer's refusal or hesitation to provide the required information, data and documents when executing the transaction.
16. Customer submits false or forged documents.
17. Customer was convicted with, or is currently under investigation for, a property crime, or has links with criminals.
18. Customer, owner or the actual beneficiary are closely associated with persons whose names are included in terrorist financing lists, or are suspected of complicity in any ML/FT activities.
19. Customer uses mediators or legal persons to protect his identity or conceal his complicity, including by involvement of lawyers in all transaction procedures, even if not required.
20. Customer buys real estate abroad through foreign companies.
21. Customer frequently buys new real estate releases (organized mortgage fraud).
22. Sudden change in customer's behavior, introduction of unknown third parties during transactions, or involvement of lawyers, financial institutions or others, while their involvement is not common in similar transactions.
23. Customer is a commercial entity with a complex legal structure which may obscure beneficial ownership.
24. Negative media reports or other negative information from a reliable source become available about the customer, owner or beneficial owner.
25. Customer shows uncommon curiosity about internal systems and policies as well as control and monitoring mechanisms.
26. Customer's insist on signing documents by fax only.
27. Purchasers of cash-generating properties are not interested in making profits, filling vacancies or aligning the rental value with the market value.
28. Customer unjustifiably requests urgent completion of property purchase.

29. Customer's representative or lawyer seems inappropriate or lacks sufficient experience to complete transactions.

Indicators Related to Transaction:

1. Newly established commercial entities conduct huge transactions that are disproportionate to their assets.
2. Commercial entities conduct transactions disproportionate to their commercial activity.
3. One of the transaction parties is a cultural or entertainment association, or non-profit organization.
4. One of the transaction parties provides false data for the commercial entity, unknown address, or whose contact information is not available.
5. Same parties repeatedly appear in real estate transactions over short period of times.
6. Carrying out various transactions involving the same party or between a group of commercial entities that have common links such as family ties between owners or their representatives, commercial links, same address, same owner, representative or attorney, or entities with similar names, etc...).
7. Carrying out various transactions through intermediaries that act on behalf of a group of commercial entities that have common links such as family ties between owners or their representatives, commercial links, people residing in the same address, same owner, representative or attorney, or entities with similar names, etc...).
8. Establishing a commercial entity as a fictitious party to appear in dealings between the real estate and the actual owner.
9. Transaction parties are not interested in the property features (i.e., quality of construction, location, date of delivery, etc.).
10. Transaction parties are not interested in getting a better price for the transaction or improving payment terms.
11. Transaction parties show interest in the buildings constructed in certain areas, regardless of the amount that they have to pay.
12. Transactions are carried out by foreign parties and non-residents for tax purposes or capital investment purposes (they do not show any interest in using the purchased property for housing purposes, even if temporarily, etc...).

13. Interest of foreign or non-resident parties to conduct large-scale transactions and investments (such as buying large plots of land to build houses, buying entire buildings, or establishing businesses for recreational activities, etc....).
14. Multiple properties are sold, bought, resold or exchanged at the same time or in successive transactions for the same property in a short period of time with unjustified changes in value.
15. Transactions where purchasers incur a high value debt compared to the property's value.
16. Payment of transactions in cash, bank bonds, bearer checks, endorsed checks or certified checks for a third party.
17. Transactions related to the property itself or parties' rights, such as (purchase and immediate sale of property), including a significant increase or decrease in price compared to the purchase price.
18. Transactions are carried out by a third party, other than the transaction's parties, when making payments. Cases where payment is made through a credit institution registered in the State while signing the transfer of ownership to get a real estate loan can be excluded.
19. Either party requests dividing the required amount into smaller installments to be paid by parties within a short period of time.
20. Carrying out transactions through cash payments or by means of negotiable instruments, without disclosing the actual payment entity (as in cases of bank transfers).
21. The transaction initial value is completely different (much higher or much lower) from the actual value of the property or its market value.
22. Transactions are carried out under an unregistered private contract, and are not completed.

Indicators Related to Products, Services and Channels Used:

1. Customer pays the down payment in cash; thus, the balance is financed by an unknown source or a foreign bank.
2. Customer pays the initial deposit by a check issued by a third party other than the spouse or either parent.
3. Customer submits a request for unusual acceleration of transactions, regardless its higher or lower value.
4. A proposal by a purchaser, seller, or other party to pay via virtual assets, making transaction partially less transparent.
5. Use of complex loans or other unusual means of financing (i.e. various and unjustified sources and types of payment).
6. Use of promissory note, credit notes, bills of exchange, securities or any other negotiable instrument outside the financial system to be paid by the debtor in cash.
7. Unjustified or sudden changes in financing arrangements.
8. Use of cash in a quick sale, cash exchange directly between seller and purchaser, to include a one-time cash deposit or large cash transaction.
9. Partial or full settlement in cash or foreign currency for no reasonable economic reason (such as personal or professional links to the currency used) or failure of the purchaser to disclose the origin of funds used in an unusual large cash or foreign currency transaction.
10. Payment of transaction costs or invoices to the seller or purchaser by a third party not associated with transaction or through unusual channels (such as an irrelevant financial institution).
11. Customer requests to keep a large amount in the account and cancels transaction, then he requests a refund to a bank account other than the account associated with the original transaction.
12. Transactions related to indirect transfer of real estate ownership to other parties for no clear economic purpose.

Indicators Related to Geographical Location:

1. Transactions involving commercial entities or legal arrangements registered in tax-exempt or high-risk jurisdictions.
2. Customers show great interest in buying real estate in certain areas regardless of the price to be paid.
3. The real estate to be bought and sold is one of the capital assets of a company that does not have a registered address or permanent premises.
4. Use third parties, offshore accounts, persons or entities in high-risk countries to send or receive money on behalf of a purchaser or seller.
5. Customer requests that the sale or rental proceeds be sent to high-risk countries or third parties unrelated to the transaction.
6. The parties to the transaction (owners or their representatives) are nationals, residents or registered in a high-risk country.