



Top 10 Money Laundering and Terrorist Financing Indicators in the Real Estate Sector

The Canadian real estate sector has become a hotbed for criminal activity, with money laundering (ML) and terrorist financing (TF) posing a significant threat to its integrity. Compliance with the regulatory framework is of utmost importance to thwart these risks and preserve the sanctity of this sector. Below are 10 unique and potent suspicious indicators that can be used to identify potential ML/TF in the real estate sector:

1. **Cash purchases of high-value properties:** This is a telltale sign of ML as it enables individuals to funnel illicit funds into legitimate real estate transactions. For instance, a buyer who acquires a multi-million-dollar property with cash and without financing is a red flag. To identify such activity, real estate agents should be vigilant of buyers who have no identifiable source of income but have large sums of cash available.
2. **Use of third-party intermediaries:** Criminals often use intermediaries to distance themselves from illicit funds, and in the case of real estate transactions, this is no exception. For example, a buyer who uses their lawyer to purchase a property and requests that their name not be disclosed on any legal documents could be suspected of ML. Real estate agents should investigate the relationship between the buyer and the third party and verify the identity of all parties involved in the transaction.
3. **Structured deposits:** Deposits made in smaller amounts to avoid detection can be an indicator of ML. Real estate agents should be aware of deposits made in suspicious patterns or by individuals with no apparent source of income. For example, an individual who deposits small amounts of cash into their account over a prolonged period to acquire a property could be suspected of ML.
4. **Complex corporate structures:** Criminals often use complex corporate structures to hide the beneficial owner of a property, making it challenging to track the source of funds. For example, a company that has multiple offshore entities with no discernible business operations, but acquires a property worth millions of dollars, could be suspected of ML. Real estate agents must investigate the ownership structure of companies involved in the transaction.
5. **Use of shell companies:** Shell companies can be used to hide the true owner of a property, making it difficult to track the source of funds. For example, a company that purchases a property with no known business operations or legitimate income could be suspected of ML. Real estate agents should be aware of the use of shell companies in transactions and investigate the beneficial ownership of these companies.
6. **Purchase of distressed properties:** Criminals often take advantage of distressed properties, such as foreclosures, to launder their money. For example, an individual who purchases a foreclosed property for a significantly higher price than its market value could be suspected of ML.



7. Non-standard payment methods: Criminals often use non-standard payment methods such as cryptocurrencies to launder their money. Although these types of transactions are still relatively uncommon, agents should be aware of the use of non-standard payment methods and investigate the source of funds used for the transaction.
8. Purchase of multiple properties: The purchase of multiple properties by a single buyer is a classic sign of ML. For example, an individual who purchases ten high-end properties in the span of a few months with no discernible source of income could be suspected of ML. Agents must remain vigilant and investigate the source of funds used for each purchase and verify the identity of the buyer.
9. Use of funds from high-risk countries: This can be a powerful ML/TF indicator. For instance, an individual who uses funds from a country known for its high level of corruption to purchase a multi-million-dollar property could be suspected of ML. Countries with high levels of corruption and terrorism pose a significant risk, and agents must scrutinize the source of funds used for the transaction and investigate any links to high-risk countries.
10. Unusual source of funds: Any unusual source of funds used for a real estate transaction can be an indicator of ML/TF. For example, an individual who uses funds from an unknown source or a source with no apparent connection to the real estate sector to purchase a property could be suspected of ML. Real estate agents should investigate the source of funds and verify the identity of the buyer.

At The AML Shop we understand the gravity of the situation and offer specialized services that help clients develop and implement robust compliance programs to meet their regulatory obligations and protect their real estate business from legal, financial, operational, and reputational risk. Get in touch with us today (contactus@theamlshop.ca) to explore tailored solutions that meet your unique AML needs.