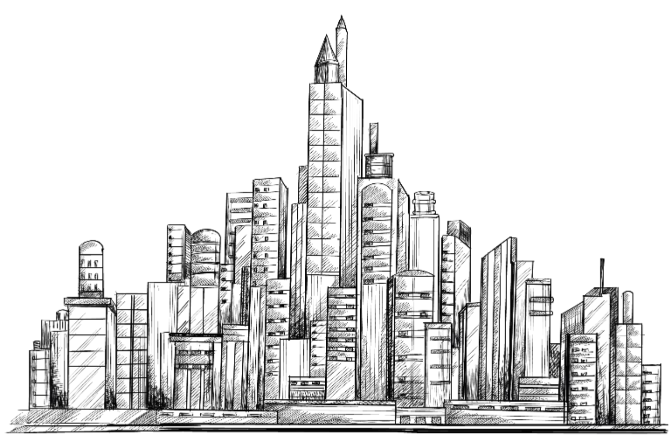
وحدة المعلومات المالية
Financial Intelligence Unit

Real Estate Money Laundering Typologies and Patterns

A Strategic Analysis Report

Dec 2023



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LIST OF ACRONYMS

ADGM	Abu Dhabi Global Market
CBI	Citizenship by Investment
DFSA	Dubai Financial Services Authority
FATF	Financial Action Task Force
Federal Law No. (20)	Federal Decree Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations, Including Federal Decree Law No. (26) of 2021 to amend certain provisions of Federal Decree Law No. (20) of 2018.
FIs	Financial Institutions
GoAML	The Financial Intelligence Unit Reporting System
ICP	Federal Authority for Identity, Citizenship, Customs and Port Security
IEMS	Integrated Enquiry Management System
IRFI	Inward Request for Information
ISD	Inward Spontaneous Dissemination
LEA	Law Enforcement Authority
ML	Money Laundering
MOE	Ministry of Economy
MSBs	Money Service Businesses
OECD	Organization for Economic Co-operation and Development
ORFI	Outward Request for Information
OSD	Outward Spontaneous Dissemination
PEP	Politically Exposed Person
POA	Power of Attorney
RBI	Residency by Investment
RE	Reporting Entity
RFR	Reason for Reporting
RSAS	Research and Strategic Analysis Section
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
UAEFIU	UAE Financial Intelligence Unit
VAs	Virtual Assets
VASPs	Virtual Assets Service Providers

EXECUTIVE SUMMARY

Real estate sector has been always attractive to money launderers because it facilitates the integration of criminals' ill-gotten proceeds through, for example, accessing the financial sector and justifying large capital flows cross borders. More importantly, the high value associated with luxury properties allows criminal networks to easily launder a high volume of illicit funds, especially if cash transactions are permissible, without attracting the attention of law enforcement authorities or financial professionals.

For the purpose of this report, the United Arab Emirates Financial Intelligence Unit (UAEFIU) examined **976** Real Estate Activity Reports (REARs), **405** suspicious reports from real estate agents and broker reported in the goAML, and a sample of **612** suspicious reports from other reporting entities during the period **01/07/2020–30/06/2023**.[1] Furthermore, the UAEFIU also examined **95** international intelligence reports (Inward Spontaneous Dissemination, Inward Requests for Information, Outward Spontaneous Dissemination, and Outward Requests for Information), representing **57%** of total reports exchanged during the reviewed period. These are in addition to cases initiated by different law enforcement authorities through the UAEFIU Integrated Enquiry Management System (IEMS).

This report discusses money laundering risks associated with the real estate sector in the UAE, mainly, through the abuse of real estate professionals and financial institutions (FIs), in addition to virtual asset service providers (VASPs). More specifically, according to FATF Recommendations 22 and 23, real estate agents are required to conduct customer due diligence (CDD) and record-keeping requirements (set out in Recommendations 10, 11, 12, 15, and 17) "when they are involved in transactions for their client concerning the buying and selling of real estate." Accordingly, **the Federal Decree Law no. (20) of 2018** on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations (Federal Law No. 20)[2] and **Cabinet Decision No. (10) of 2019**[3] included different provisions concerning real estate agents and brokers with respect to the purchase and sale of real estate.

Within the context of the last FATF (2022) Guidance for a Risk based Approach to the Real Estate Sector, this report uses the broader term of ***real estate professionals***, which refer to "real estate agents, other DNFBPs, other real estate practitioners, and/or professionals practicing or involved […] in particular, when linked to the buying and selling of real estate."[4]

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[1] Further details are provided in pp.10-16.

[2] Including Federal Decree Law No. (26) of 2021 to amend certain provisions of Federal Decree Law No. (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and the Financing of Illegal Organizations.

[3] Cabinet Decision No (10) of 2019 concerning the Executive Regulations of Federal Decree Law No (20) of 2018 on Anti-Money Laundering and Combating the Financing of Terrorism and Illegal Organizations.

[4] FATF (2022) Guidance for a Risk-Based Approach to the Real Estate Sector, FATF, Paris, p.6. Available at: https://www.fatf-gafi.org/en/publications/Fatfrecommendations/Guidance-rba-real-estate-sector.html

Most recently (November 2023), the Financial Action Task Force (FATF) and the Organization for Economic Cooperation and Development (OECD) issued a joint report on Misuse of Citizenship and Residency by Investment Programs (CBI and RBI).[5] RBI is "the process by which applicants acquire a visa or residency permit that permits residency in the issuing jurisdiction in return for some type of financial investment". The FATF and OECD report recognized the benefit of such programs for individuals and hosting countries, but also discussed money laundering risks associated with said programs, including risks related to real estate residency program. Within the same context, this report considered the potential ML risks associated with property owners who were subjects of STRs/SARs, wherein **7% of 612** suspicious report subjects were identified as property owners (according to their residency visa).

Furthermore, data analysis illustrated the most frequent subject nationalities as countries of concern in possibly moving and concealing illicit/unexplained source of fund through the UAE's economic sectors, or in evasion of circumvention sanctions.

This report also underlined legal persons' abuse of the real estate sector to conceal the origin of funds and the identity of the actual beneficial owner. The data analysis in this regard showed layering and routing patterns of a series of complex transactions among multiple counterparties, the involvement of legal persons as front/shell companies for unknown third parties, and their associated link with foreign entities. Moreover, while rental, ownership or investment in commercial properties by legal persons is inevitable, the analyzed sample of STRs highlighted that all of the suspected transactions that were related to legal persons' involved residential properties instead. Residential real estate was notably purchased under the company name or manager.

This report addresses the main money laundering (ML) concerns regarding the source of fund utilized in the real estate sector in the UAE, whether the source of fund was unknown, generated from criminal proceeds (e.g., fraud, drug trafficking, tax evasion , corrupted politically exposed persons 'PEPs') or linked to circumvention sanctioned subjects. Then the report continues by identifying the common typologies and patterns used in abusing the real estate sector, as follows:

1. The use of third parties and family members.
2. The abuse of legal person's structure and corporate account.
3. The involvement of DNFBPs and broker bank accounts.
4. Claimed rental income.
5. The use of home finance and early settlement.
6. Manipulation of the property price.

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[5] FATF/OECD (2023), Misuse of Citizenship and Residency by Investment Programmes, FATF, Paris, France. Available at: https://doi.org/10.1787/ae7ce5fb-en

Furthermore, this report uncovers different types of unlicensed practices associated with the real estate sector, such as unlicensed real estate crowdfunding, hawala services, virtual asset service providers, and practicing real estate activities without licensing.

Lastly, the UAEFIU developed two lists of risk indicators relevant to abuse of the real estate sector in the UAE to guide reporting entities involved in real estate transactions (particularly real estate professionals and financial institutions) in better detecting and reporting suspicious transactions and activities related to the sector. The UAEFIU concludes this report with several recommendations that require the consideration of supervisory and regulatory authorities as well as reporting entities.

INTRODUCTION

The real estate market in the UAE is one of the major non-oil economic drivers of the country's diversification. According to the Central Bank of the UAE (CBUAE), the real estate sector (real estate and construction) contributed 18.5% of the UAE's 2021 real non-oil GDP, and 22% of UAE banking sector loans.[6]

Despite the economic impact of the unprecedented circumstances of COVID-19 that resulted in a high level of uncertainty in different sectors worldwide, including real estate, the UAE real estate market has been witnessing a growing increase in business transactions and showing healthy indicators of recovery. For example, the total value of real estate transactions in the UAE during the first quarter of 2023 alone is estimated to be AED194 billion, compared to AED108 billion during the same period in 2022.[7] Further details on the volume and value of sectoral transactions by emirate are indicated later in this report.

According to the Global Real Estate Transparency Index (2022), the Dubai and Abu Dhabi real estate markets were ranked first in the MENA region in terms of transparency and in 31st and 45th place, respectively, among 94 countries.[8] The index evaluation methodology considered different factors, including performance measurement, governance, regulatory and legal framework, transaction process, beneficial ownership tracking, and sectoral sustainability.

Nevertheless, the UAE's (2017)[9] national risk assessment of sectors that are vulnerable to the risks of money laundering (ML) and terrorist financing (TF) evaluated the business of real estate agents and brokers to have medium–high risk in both mainland and free zones. As a result, **Federal Law No. (20)**,[10] as well as the National Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Strategy and Action Plan, introduced different measures and requirements to ensure the compliance of real estate professionals with the AML/CFT regime and to guard the country's economy and its financial sector against ML/TF risks. Still, as the FATF explained, even if the services provided to sectoral clients are considered to be vulnerable to the risks of ML/TF, it should not be understood that all real estate professionals and their clients represent a high risk, as long as sufficient risk mitigation measures are in place.[11]

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[6] Central Bank of the UAE (2023) 'Financial Stability Report, 2022', pp.16-17. Available at: https://www.centralbank.ae/en/our-operations/financial-stability/

[7] Al Arabiya, 21 May 2023. Available at: https://shorturl.at/mvBX9

[8] JLL (2022) "Global Real Estate Transparency Index", p.22. Available at: https://www.jll-mena.com/en/trends-and-insights/research/global-real-estate-transparency-index/greti-global-rankings-and-methodology

[9] The first national risk assessment in 2017 and its update in 2019.

[10] Including Federal Decree Law No. (26) of 2021 to amend certain provisions of Federal Decree Law No. (20) of 2018 on Anti-Money Laundering and Combating The Financing of Terrorism and the Financing of Illegal Organizations.

[11] FATF (2022) Guidance for a Risk-Based Approach to the Real Estate Sector, FATF, Paris, p.10. Available at: https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Fatfrecommendations/Guidance-rba-real-estate-sector.html

According to the FATF (2022) Guidance for a Risk-based Approach to the Real Estate Sector, ***real estate professionals*** "include real estate agents as well as those professionals that may carry out or prepare for transactions for clients involving the buying and selling of real estate, such as lawyers, notaries, real estate developers, title insurers, other independent legal professionals and accountants." The FATF emphasized: "A real estate agent should be *broadly* understood as a professional that operates within the real estate sector and is involved in transactions for a client concerning the buying and selling of real estate."[12]

The aforementioned Federal Decree Law No. (20) of 2018 and Cabinet Decision No. (10) of 2019 specify different provisions concerning DNFBPs' obligation regarding AML/CFT, including "Brokers and real estate agents when they conclude operations for the benefit of their customers with respect to the purchase and sale of real estate," and "Lawyers, notaries, and other independent legal professionals and independent accountants regarding the purchase and sale of real estate."

The UAE real estate sector is substantial, consisting of **4,446** registered real estate agents and brokers (as of September 2023).[13] Within this context, the Ministry of Economy (MOE) is the supervisory authority entrusted with the supervision of most of DNFBPs' sectors in the UAE (the state level and Commercial Free Zones), while the Dubai Financial Services Authority (DFSA) and the Abu Dhabi Global Market (ADGM) are entrusted to be the supervisory authority of DNFBPs under the Financial Free Zones. In addition, the Ministry of Justice (MOJ) is the supervisory authority of all lawyers, notaries, and other legal professionals and practitioners licensed by them.

As per Federal Law No. (20), the supervisory authorities' guidelines[14], MOE Circular Number 05/2022, and MOJ Circular Number (14) for 2022, real estate professionals must report to the **UAE's Financial Intelligence Unit** (UAEFIU) the following:

1. Purchase and sale transactions of freehold real estate in carrying out any single physical cash transaction or several transactions equal to or exceeding AED55,000 for the entire, or a portion of the, property value.
2. Purchase and sale transactions of freehold real estate where the method of payment is a virtual asset for a portion of or the entire property value.
3. Purchase and sale transactions of freehold real estate where the funds used to carry out the transaction were converted from a virtual asset for a portion of or the entire property value.

[12] Ibid, pp.5-7.

[13] As provided by ADGM, DFSA, and MOE, in p.9.

[14] Ministry of Economy Supplemental Guidance for the Real Estate Sector, issued in May 2019; Guidelines for Designated Non-Financial Businesses and Professions, issued in March 2021; and Central Bank of the UAE Guidance for Licensed Financial Institutions Providing Services to the Real Estate and the Precious Metals and Stones, issued in June 2021.

4. Any suspicious transactions/activities and additional information when there are suspicions, or reasonable grounds to suspect, that the proceeds are related to a crime or to the attempt or intention to use funds or proceeds for the purpose of committing, concealing or benefiting from a crime.

As per the aforementioned requirements, reporting entities should not substitute reporting real estate transactions (REARs indicated in points 1-3) with reporting suspicious transactions/activities (STRs/SARs indicated in point 4). Failure to report or violate the obligations indicated in Federal Law No. (20) could result in different administrative penalties, ranging from a warning to penalties of no less than AED50,000 and no more than AED5,000,000 for each violation, banning the violator and suspending managers and the business license (Article 14).

Obligations applicable to real estate professionals further include requirements to identify, assess and take preventative actions to mitigate any risks of being involved in facilitating the transfer of illicit proceeds for purposes of money laundering or terrorist financing.

This report aims to provide more guidance to reporting entities involved in real estate transactions so that they are able to detect and report suspicious transactions and activities related to the sector.

OBJECTIVE

As part of the Strategic Analysis Plan (SAP) and in line with the UAEFIU's efforts to address and identify patterns of possible money laundering crimes, the UAEFIU is delivering this report for the following purposes:

1. Examining the potential ML/TF risks associated with the real estate sector.
2. Understanding the typologies of abusing the UAE real estate sector in illicit activities.
3. Identifying patterns of how illicit funds are possibly integrated into the real estate sector in the UAE.
4. Developing different risk indicators associated with the sector to guide real estate professionals and financial institutions in detecting suspected transactions and activities associated with the sector.
5. Developing reporting entities' understanding through providing case examples underlining the major risk indicators.
6. Raising awareness of the public and private sectors concerning abuse of the real estate sector in laundering proceeds of crime.

METHODOLOGY

This report illustrates patterns and typologies related to abusing the UAE real estate sector in laundering proceeds of crime from **01/07/2020 to 30/06/2023**. The Research and Strategic Analysis Section (RSAS) has drawn up different hypotheses on how real estate professionals with the financial sector could be abused in laundering proceeds generated from different predicate offenses. This is in addition to identifying possible unlicensed practice associated with the sector which could be employed in money laundering. This report used preliminary data and insights collected from UAEFIU stakeholders and different publications. Thereafter, the RSAS proceeded to test them using information available within the UAEFIU's databases, particularly Suspicious Transaction Reports (STRs) and Suspicious Activity Reports (SARs) reported to the reporting system (goAML), cases disseminated to Law Enforcement Authorities (LEAs),as well as cases and freeze requests available in the Integrated Enquiry Management System (IEMS). These are in addition to reports related to international requests involving the UAE real estate sector (Inward Spontaneous Dissemination, Inward Requests for Information, Outward Spontaneous Dissemination, and Outward Requests for Information). The UAEFIU databases were used along with other data and insights received from the supervisory authorities of real estate agents and brokers; the Ministry of Economy (MOE), the Abu Dhabi Global Market (ADGM), and the Dubai Financial Services Authority (DFSA), in addition to other stakeholders such as the Federal Authority for Identity, Citizenship, Customs and Port Security (ICP).

The sample chosen to test the aforementioned hypotheses was determined based on real-estate-related **"Reasons for Reporting" (RFRs)** as well as **keyword searches** carried out on the goAML system. These are in addition to verification requests[15] sent to different reporting entities via the goAML message board.

DATA AND INFORMATION UNDERLYING THE ANALYSIS

This section provides an overview of the obtained information and the analyzed data underlying this report's analysis. It provides an overview of the real estate sector's performance and size of real estate professionals, as well as the number of transaction reports (REARs) that they reported, in addition to data relevant to cash declaration under purposes related to real estate. This section discusses in detail different sets of reviewed STRs/SARs, besides domestic and international intelligence requests, that led to the patterns identified in this report.

[15] Verification requests here refer to contacting FIs through the goAML message board to verify their reported STRs/SARs and then to be compared with what the RSAS team extracted from the system.

1. Overview of Real Estate Sector Performance across Emirates [16]

As indicated previously in this report, the real estate sector has been exhibiting a healthy recovery following the COVID-19 economic impact, contributing 18.5% of the UAE's 2021 real non-oil GDP and 22% of UAE banking sector loans.[17] According to data obtained from open sources, the total estimated transaction value of the real estate sector in the UAE (except for Fujairah and Umm Al Quwain) significantly increased from **AED277.6 billion** in 2020 to **AED416.4** billion in 2021 and reached **AED648.8** billion in 2022 (Table 1).

TABLE 1: *Estimated total real estate transactions value (2020–2022)*

	Total Real Estate Transactions Value (in billion)		
Emirate	**2020**	**2021**	**2022**
Abu Dhabi [18]	AED74	AED71.5	AED77.6
Ajman [19]	AED8.9	AED12.2	AED11.9
Dubai [20]	AED175	AED300	AED528
Fujairah	Not Available		
Ras Al-Khaimah[21]	AED3.8	AED6.5	AED7.3
Sharjah|[22]	AED15.9	AED26.2	AED24
Umm Al Quwain	Not Available		
Total	**AED277.6**	**AED416.4**	**AED648.8**

In terms of the transaction volume, this also increased from approximately **137,190 transactions** in 2020 to **196,054** in 2021, reaching around **247,587** transactions in 2022 (Table 2).

[16] The UAEFIU has requested such data from local land departments/municipalities. However, no response was received except from the **Ajman Department of Land and Real Estate**. The data used in this section is obtained from open sources.

[17] Central Bank of the UAE (2023) 'Financial Stability Report, 2022', pp.16-17. Available at: https://www.centralbank.ae/en/our-operations/financial-stability/

[18] Department of Municipalities and Transport (2020, 2021) Property and Index. Available at: https://pages.dmt.gov.ae/en/real-estate/property-and-index?FilterType={612FC7D2-08EC-4565-81E9-95D33883C74F}&Filter={D72083EE-1AA8-497A-9434-C83D1E8C4BCD}&Quarter=all ; Department of Municipalities and Transport (2023) 'Abu Dhabi records AED 77.6 billion in real estate transactions in 2022 and launches seven new investment areas'. Available at: https://www.dmt.gov.ae/en/Media-Centre/News/Real-estate-transactions-2022-Abu-Dhabi

[19] Data obtained from Ajman Department of Land and Real Estate.

[20] Dubai Pulse (database). Available at: https://www.dubaipulse.gov.ae/ ; Dubai Land Department (2023) Dubai Land Department Annual Report 2022. Available at: https://dubailand.gov.ae/en/about-dubai-land-department/annual-report-2022/#/ ; Dubai Land Department (2022) News and Media. Available at: https://dubailand.gov.ae/en/news-media/dld-2021-achieved-exceptional-results-that-will-contribute-to-enabling-the-real-estate-sector-s-journey-towards-the-next-50-years/#/ ; Dubai Land Department (2021) Annual Report Dubai Real Estate Sector Performance. Available at: https://dubailand.gov.ae/en/open-data/research/annual-report-real-estate-sector-performance-2021/#/

[21] Government of Ras Al-Khaimah (2020, 2021, 2022) Real Estate Transaction Reports. Available at: https://mun.rak.ae/ar/pages/lands-and-properties-sector.aspx

[22] Sharjah Real Estate Registration Department (2021) Annual Reports. Available at: https://www.shjrerd.gov.ae/default.aspx?PageId=281&csrt=11352390537948125815

TABLE 2: *Estimated total real estate transactions volume (2020–2022)*

	Total Real Estate Transactions Volume		
Emirate	**2020**	**2021**	**2022**
Abu Dhabi	19,030	14,957	19,033
Ajman	Not Available	8,581	10,448
Dubai	50,909	84,196	122,658
Fujairah	Not Available		
Ras Al-Khaimah	2,792	4,082	3,941
Sharjah	64,459	84,238	91,507
Umm Al Quwain	Not Available		
Total	**137,190**	**196,054**	**247,587**

2. Information and Data Obtained from Supervisory Authorities

2.1. Ministry of Economy (MOE)

According to information obtained from the MOE, the total number of registered real estate agents and brokers was **4,436** (as of 30 September 2023).

As part of the MOE's supervisory role concerning the compliance of real estate agents and brokers with the AML/CFT requirements, the Ministry imposed **228 violations** with total **fines of AED22,700,000** and **147 warnings** to **64 real estate brokers and agents**. Additionally, there were **six** real estate brokerage firms that were **temporarily suspended**.

2.2. Abu Dhabi Global Market (ADGM)

According to information obtained from the ADGM, **eight entities** are registered with the ADGM to practice real estate activities, including **six currently inactive entities** and only **two active entities** as sub-developers (as of September 2023).

2.3. Dubai Financial Services Authority (DFSA)

According to information obtained from the DFSA, there are only **two holding (LTD) real estate entities** (as of 30 June 2023). These are in addition to four active licensed entities providing real estate crowdfunding services — real estate crowdfunding involves pooling funds from multiple investors to finance real estate projects for the purpose of diversifying investors' portfolios.

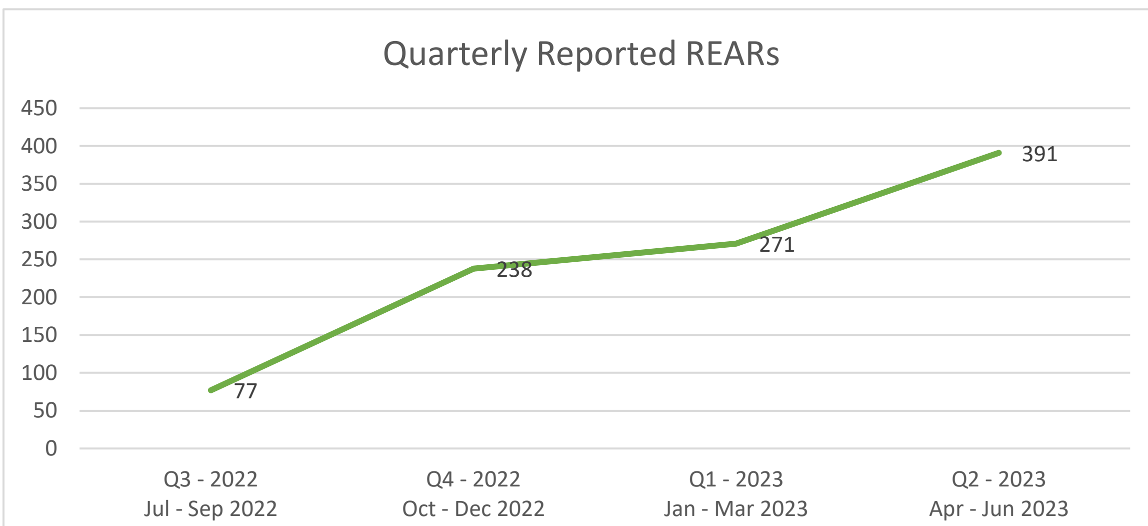
3. Relevant data and information available within the UAEFIU databases

3.1. Analysis of Real Estate Activity Reports (REARs)

During the period **01/07/2021– 30/06/2023**, there were **4,100 reporting entities registered with goAML** under the category of real estate sector.[23] These entities include but are not limited to brokers and agents, developers, and property management. In terms of the volume of reports during the reviewed period, **976 REARs** were received. More specifically, following the MOE's Circular Number 05/2022, an increase in reporting REARs has been observed since 01/07/2022 (as shown in Chart 1).

All REARs available in the goAML system as of 30/06/2023 were reviewed by the UAEFIU team. The analysis illustrated that out of the 976 reports, **946 REARs (97%) were relevant to individuals, while 30 REARs (3%) were relevant to legal persons**.

CHART 1: *Volume of quarterly reported REARs*



Based on the reviewed items involved in the reported REARs, the most reported type of real estate item was property, followed by apartments, and few related to residential buildings, land, or broadly reported broker commissions.

Regarding the payment method, 99% were reported in relation to transactions made in cash, while 1% were paid via virtual assets — virtual asset transactions reported in four REARs were paid all via VAs, and one REAR transaction was paid via a mix of VAs and cash.

[23] As of 30/11/2023, there are 4,729 reporting entities registered with goAML from the real estate sector.

3.2. Analysis of STRs and SARs Reported by Real Estate Agents and Brokers

During the reviewed period from **1/07/2020 to 30/06/2023**, the UAEFIU received **405 suspicious reports** from real estate agents and brokers, constituting **369 STRs and 36 SARs**. Out of said reports. Within this framework, the UAEFIU conducted several roundtable sessions with real estate professionals, and they were encouraged to improve their engagement with the UAEFIU reporting system (goAML), including reporting suspicious transactions and activities associated with their customers.

The UAEFIU has reviewed **100%** of the reports received from real estate brokers and agents. **Ninety-three percent of the analyzed reports were relevant to individual subjects** while the remaining **7% pertained to legal persons**.

As shown in Chart 2, the three most used transaction modes are **cheques**, including clearing and manager cheques, followed by **credit card payments** and **cash deposits** (including ATM cash deposits, over the counter deposits/cash directly paid to the broker).

<u>CHART 2</u>: *Mode of transactions employed in real estate transactions*

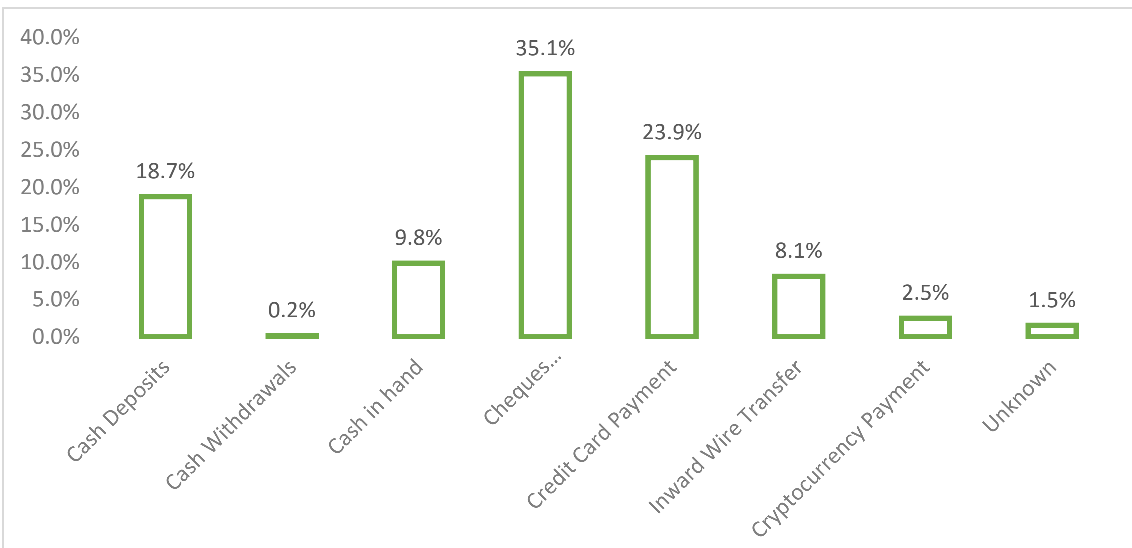
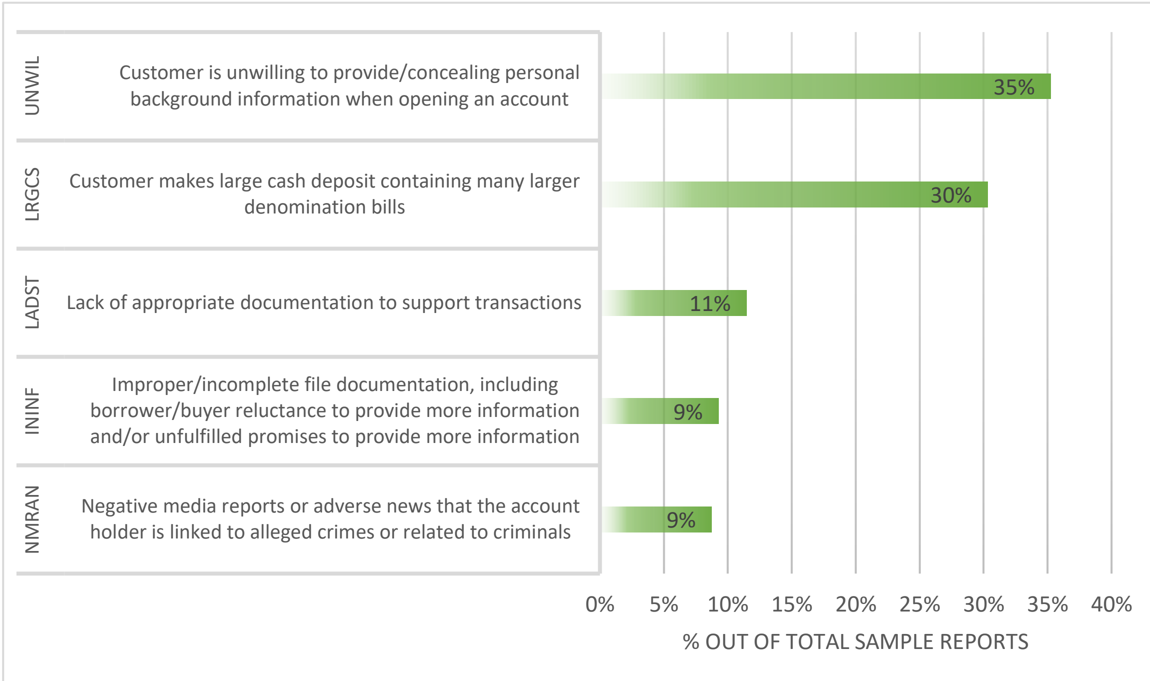


Chart 3 illustrates the top "Reasons for Reporting" (RFRs) used by real estate reporting entities in the filing of a suspicious report (STR/SAR) to the UAEFIU. These RFRs could also be used as indicators guiding reporting entities in detecting incidents in which real estate are possibly being abused for ML/TF purposes.

CHART 3: *Top 5 Reasons for Reporting (RFRs)*



Furthermore, analysis has shown that **57%** of the involved individual subjects **were residents** in the UAE, while **40%** were **non-residents**, and the remaining 3% were 'unknown' based on the data submitted by real estate brokers and agents.

As a result of the large percentage of individual subjects who were non-residents, obtaining their professions/occupations was obscured. Nevertheless, based on the available data on involved resident individuals, the most common occupations were **'Owner/Partner/Shareholder of a Company'**, '**Investor'** and '**Property Investor'**, followed by individuals holding managerial and executive positions in a company. The majority of professions observed belonged to the white-collar category, while there were few involving blue-collar workers, which is reasonable when considering that these reports pertain particularly to high-value assets.

Another important observation is that **4%** of the reviewed (405) reports were related to foreign PEPs and another **3%** were related to circumvention sanctioned subjects.

Further analysis suggested that the majority of individuals involved were in the age range of **36 to 47 years** (47% of total reports).

Regarding the local jurisdiction of reported legal persons, more than half (**56%**) were incorporated in **free zone jurisdictions**, consisting of 32% in commercial free zones, 16% in offshore centers, and 8% in financial centers. The remainder were registered on the **mainland**.

3.3. Analysis of a Sample of STRs/SARs Reported by Other Reporting Entities

In addition to analyzing suspicious reports received from real estate agents and brokers, the UAEFIU thoroughly reviewed a sample of **612 reports,** mainly received from banks, but also from MSBs, finance companies, and few VASPs. Analyzed reports comprise **556 STRs** (91%) and **56 SARs** (9%) reported during the reviewed period 01/07/2020 to 30/06/3023.

The analysis revealed that **91% were related to individuals**, while 9% pertained to legal persons. In terms of transaction modes, the main mode of transaction used was that of **cash deposits**, followed by **cheques**, POS payments, internal transfers, and outward transfers (as illustrated in Chart 4). Cash deposits consist of deposit transactions conducted through ATMs and over the counter (most frequent). Cheques entail all types of cheques, such as manager cheques and clearing cheques, regardless of whether they are deposits or withdrawals.

<u>CHART 4</u>: *Mode of transactions employed in real estate payments*

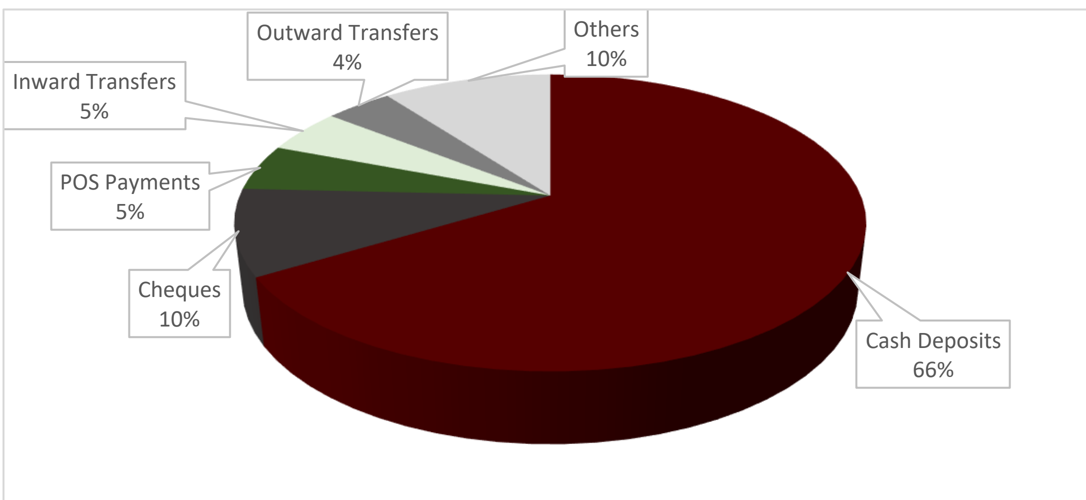
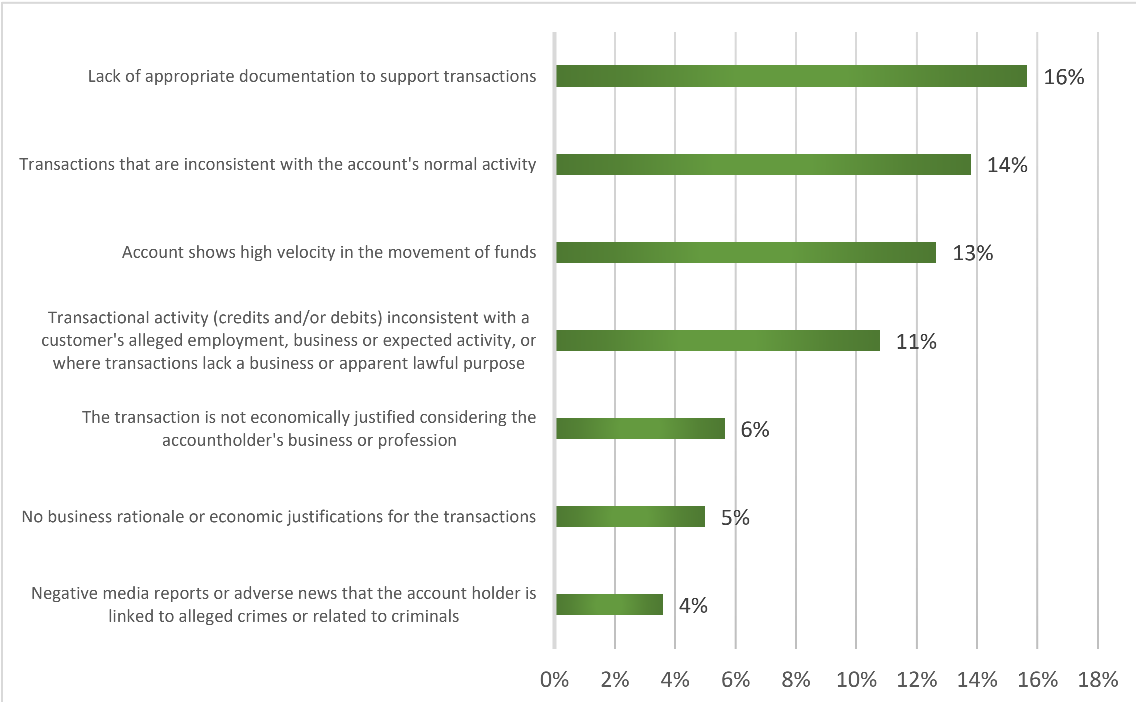


Chart 5 further indicates the top RFRs used by the reporting entities in the aforementioned sample.

CHART 5: *Top Reasons for Reporting (RFRs)*



The majority of subjects involved in the sample were individuals, **91.6%** of whom were **residents** in the UAE, while **6.6%** were **non-residents** and the remaining 1.8% was categorized as 'unknown' due to a lack of reported information.

Moreover, the most frequent occupations were **'Company Owner/Partner/Shareholder of a Company/Investor/Self-Employed,' 'Managerial Position Holder,'** followed by 'Sales and Marketing Employees' and 'Property Owners' (as per visa residency). Further details can be found in Table 3.

TABLE 3: *Profession/occupation of subject individuals*

SN	Known Profession/Occupation	No. of Subject Individuals
1	Company owner/partner/shareholder/investor/self-employed	37%
2	Employed (unidentified profession)	18%
3	Managerial positions holder (manager, director, etc.)	12%
4	Sales and marketing employees	7%
5	Property Owner	7%
6	White collar worker (i.e. accountant, administration, clerk, cabin crew, consultant, engineer, broker, etc.)	5%
7	Unemployed and others (i.e. housewife, student, unemployed)	4%
8	Unknown	4%
9	Businessman/investor	3%

10	Blue collar worker (i.e., cleaner, cook, driver, guard, office boy, etc.)	2%
11	Executive position holders (i.e. chairman of the board, CEO, etc).	1%

In terms of high-risk categories, **4% of the individuals involved were foreign PEPs** and **2% of subjects involved were circumvention-sanctioned**. Further analysis suggested that the majority of individuals involved were in the age range of 33 to 50 years (60% of total reports).

Concerning the real estate items involved and their underlying transactions, **25% of the real estate transactions were related to residential properties — 24% were residential (finished projects) and 1% were off-plan units**.

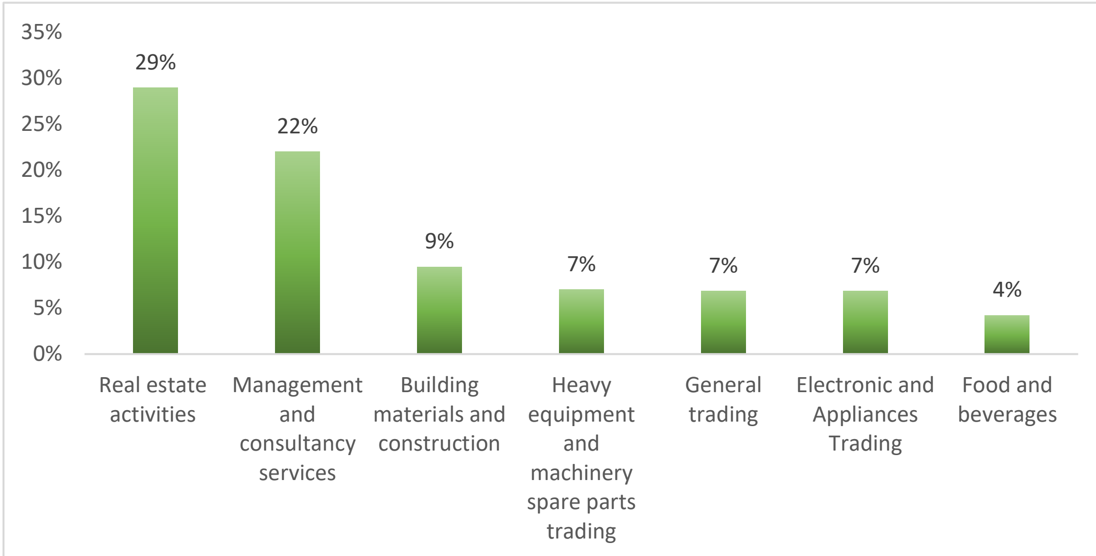
With regard to reports filed against legal persons during the reviewed period from 01/07/2020 to 30/06/2023, most of the subjects were newly established (as illustrated in Table 4). Reporting entities were able to identify 80% of the beneficial owners involved.

TABLE 4: *Legal person age (since establishment date)*

Current Age	No. of Subject Entities	% out of Total
0-1 year	4	2.1%
1 year	20	10.3%
2 years	34	17.4%
3 years	25	12.8%
4 years	13	6.7%
> 4 years	76	42%
Data not available	17	8.7%

In terms of the jurisdiction of registration, more than half of the subject legal persons were established on the **mainland (60%)** followed by **free zone jurisdictions (31%)** and **2% established in 'foreign jurisdictions'**, while the remaining **7%** were marked as **'Unknown'** due to a lack of information provided by the reporting entities. Free zone jurisdictions can be further broken down into: commercial (22%), offshore (6%), and financial free zone (3%). Half of the involved subjects' legal forms were **'Limited Liability Company'**, followed equally by '**Offshore Company'** and **'Sole Establishment'**. The most frequent business activities were associated with real estate activities (as shown in Chart 6).

<u>CHART 6</u>: *Most frequent business activities involved*



3.4. Analysis of Information Available from International Cooperation

During the reviewed period from 01/07/2020 to 30/06/2023, the UAEFIU exchanged **166 intelligence reports** with counterpart FIUs in relation to ML suspicions involving real estate in the UAE or in another foreign jurisdiction. The RSAS thoroughly analyzed **57%** of these reports with the aim of identifying any pattern indicating abuse of the real estate sector in the UAE. The reviewed sample included **two disseminated cases** to the LEA — following the reviewed period, two other cases were also disseminated to LEAs, including one case that had a 'freeze order'.

3.5. Analysis of Cases and Information Available from IEMS

During the period examined, the UAEFIU received via its **Integrated Enquiry Management System** (**IEMS**) 80 cases that included 942 subjects (both natural and legal persons), 14% of whom (136) were real estate entities (as shown in Chart 7).

The 80 cases were associated with different grounds of suspicion, including corruption and bribery, fraud, illicit trafficking of narcotics, smuggling, tax evasion, terrorist financing and money laundering which was found to be the most frequent offense (70%) (as indicated in Chart 8).

CHART 7: *Number of cases, subjects and real estate entities*

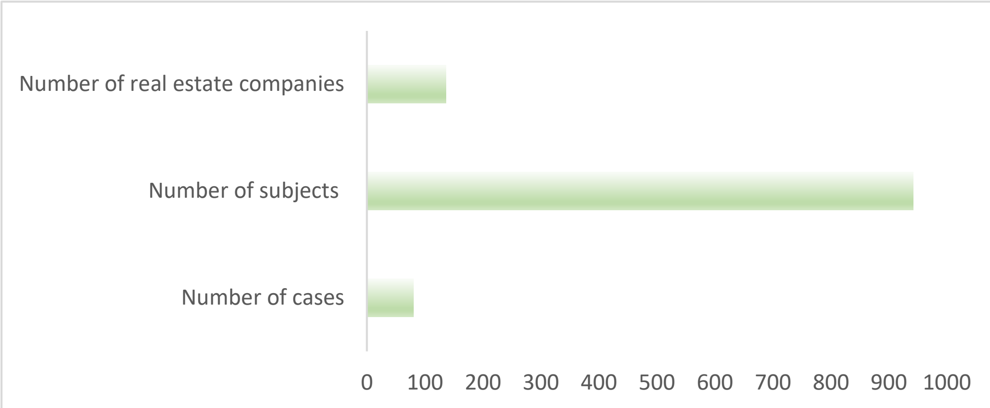
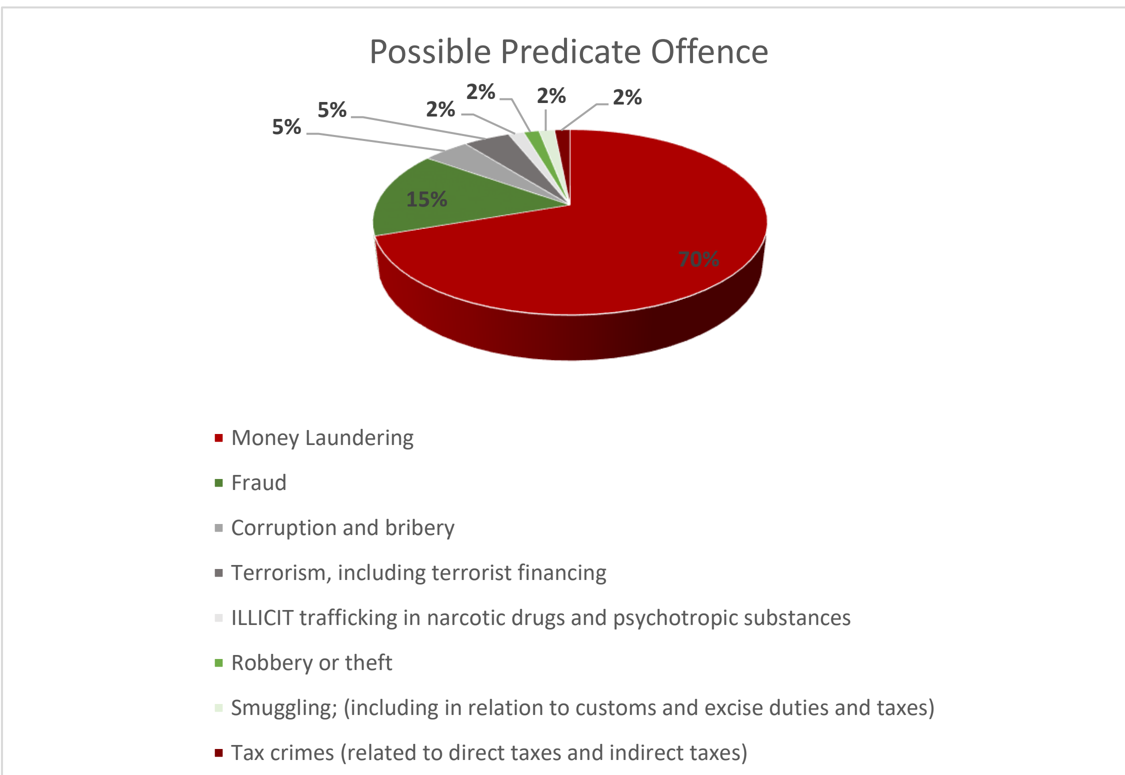


CHART 8: *Grounds of suspicions involving real estate*



Ultimately, the main observation noted during the analysis of IEMS data illustrated a clear pattern of abusing credit cards (i.e., real estate firms swiping cards multiple times). Other observations included possible involvement of cryptocurrency as well as suspected remittance amounts received by real estate companies via MSBs, involving multiple companies with different lines of businesses. These were in addition to the possibility of misusing managerial positions and power of attorney (POA) for illegal purposes, involving real estate firms and POS machines.

IDENTIFIED TYPOLOGIES AND PATTERNS

This section provides an overview of the identified typologies and patterns related to abuse of the real estate sector through illicit activities. This section first discusses the challenges faced by reporting entities in identifying the source of suspicious funds related to real estate transactions. At the same time, it underlines the major identified suspicion of ill-gotten funds integrated into the real estate sector in the UAE. Then this section will address in-depth patterns of abusing the real estate sector through money laundering or other illicit activities, as well as uncovers unlicensed practices related to the sector. The identified patterns discussed in this section are the outcome of the analysis of data collected from the UAEFIU databases.

1. Source of Suspected Fund Related to Real Estate Transactions

1.1. Unknown Source of Fund

Different STRs, whether by financial institutions or real estate agents, illustrated the use of unknown sources of funds to purchase a property in the UAE using different placement techniques. One of the frequent patterns is when a personal bank account witnesses a huge surge of an unknown source of funds in a short period of time through cash deposits and remittances from multiple sources, including the customer's other own accounts — be it in the UAE or abroad. Customer turnover in such a pattern is usually not declared at the time of the account opening. The funds are usually claimed to be generated abroad from saving, heritage, gifts, rental income or selling an asset, friend loan repayment, online trading (including cryptocurrency), dividends, or business and investment income in different sectors without supporting evidence.

The same pattern could be observed when a customer claims to be working as a freelance agent in the real estate sector while holding power of attorney (POA) for different investors and property owners — similarly, a property owner could be investing and owning different properties on behalf of others.

Another frequent pattern consists of routing an unknown source of funds to/from own accounts held in different banks in the UAE and abroad. The local personal account would show multiple self-transfers in a short period of time from the customer to his/her other bank accounts in the UAE as well as in a foreign country. The funds would be directly utilized toward different properties and own accounts once again. In several cases involved in this pattern, it was noted that the customer held dual nationality and had opened multiple accounts in different currencies.

On the other hand, the behavior of routing funds might involve significant inward remittances from different foreign individuals and entities (from one or more foreign countries) under the claim of cryptocurrency investment or business with family members and friends — with no supporting documents. The funds would be directly utilized toward properties under the customer's name.

In addition to banking accounts, money service businesses (MSBs), including money transfer platforms, could also be involved through receiving remittances from a claimed family member or business partner — with no supporting documents.

1.2. Suspected Ill-Gotten Fund

The previous pattern indicated customers' suspicious transactional behavior in buying local properties using an unknown (credit) source of funds. In this part, open sources and screening results indicated the involvement of different suspected subjects in criminal procedures or scandals abroad that were relevant to various possible illegal activities, e.g., fraud, corruption, embezzlement, tax evasion, and illegal online casinos, and those on suspicion of money laundering. As will be explained shortly in this report, the customer (whether a natural or legal person) might be acting as a third party or holding POA to buy and sell properties in the UAE or receive rental payments on behalf of a subject of a predicate offense investigation in a foreign country or a foreign corrupted PEP.

The said patterns in this part were consistent in both the analyzed sample of STRs/SARs and the examined international requests, which illustrated using the UAE as a destination to integrate the ill-gotten funds directly by the members of an organized crime network or indirectly through third parties.

1.2.1. Purchase of a property linked to suspected fraud activities

Different suspicious reports linked the customer's unusual transactional pattern to foreign fraud and embezzlement activities. The customer's local bank account would witness a significant inward remittance from the customer's own account(s) in a foreign country to be ultimately utilized through multiple cash withdrawals and manager cheques toward the purchase of a property in the UAE. The credit funds might be routed through the customer's multiple local accounts. The remaining balance would be redirected to counterparties or family members in a third country. In such a case, open-source indications of criminal procedures usually link the customer to the suspicion of fraud. The fraudster is not necessarily involved in real estate fraud-related schemes, as they might involve different types of fraudulent activities, as well as corruption.

The examination of international requests illustrated the most frequent type of fraud related to real estate to be ‘investment fraud’, and few requests were associated with utilizing the proceeds of ‘carousel fraud’ in local properties.

1.2.2. Laundering the proceeds of drug trafficking through real estate

The UAEFIU identified different patterns related to integrating suspected illicit funds into the real estate sector in its strategic analysis report entitled 'The Abuse of Financial Institutions in Drug Trafficking and Money Laundering', issued in August 2023. These patterns included the use of a non-resident customer's savings account in receiving different amounts under the claim of rental income or the sale of a property while the customer is linked to criminal proceedings abroad in relation to drug trafficking.

In many cases the payment of property would be conducted through manager cheques, but in other cases the customer account might witness a significant amount of cash deposits through ATMs. A down payment in cash or a settled real estate outstanding balance could also be paid in cash through money mules.

Another identified pattern is the layering and routing of funds among different natural and legal persons using the banking sector and MSBs. Thereafter, the funds are funneled into purchasing multiple properties in the UAE.

It has been further observed that newly established (shell/front) legal persons are mostly involved in this pattern and are licensed to invest in different sectors or trade in diverse products and goods. The transactional pattern would show a high volume of inward remittances from different counterparties (mostly shell entities). Then they would be utilized via remittances to the customer's own accounts, manager cheques to other counterparties, and different high-value real estate projects and luxury goods. In such a pattern, the owner of the local company would have an indirect link with drug traffickers abroad, and/or the customer's transactions would involve fund transfers to/from individuals known to be dealing in illegal drugs. In most cases, the customer would act as a third party on behalf of an ultimate beneficiary.

1.2.3. Laundering the proceeds of tax evasion

Data analysis suggested possible laundering of proceeds related to tax evasion through buying real estate in the UAE, e.g., through a broker or a tax advisor holding POA to act on behalf of foreign offshore and limited (LTD) companies in selling and purchasing properties in the UAE.

1.2.4. Fund related to suspected corrupted PEPs

Different STRs reported suspicion of the integration of proceeds of corruption by foreign politically exposed persons (PEPs)[24] into the real estate sector in the UAE. One of the most

[24] As per Article (1) of the Cabinet Decision No.(10) of 2019, Politically Exposed Persons (PEPs) are "Natural persons who are or have been entrusted with prominent public functions in the State or any other foreign country such as Heads of States or Governments, senior politicians, senior government officials, judicial or military officials, senior executive managers of state-owned corporations, and senior officials of political parties and persons who are, or have previously been, entrusted with the management of an international organisation or any prominent function within such an organisation".

frequent patterns involves using a PEP's family member in receiving funds from different jurisdictions (whether through natural or legal persons linked to the PEP). The received funds would then be utilized, mostly through clearing cheques, toward purchasing real estate in the UAE under the family member's name. The PEP might be indirectly linked to multiple legal persons abroad who purchase properties in the UAE through local real estate firms under the name of a third party.

The examination of international requests related to real estate underlined different subjects of investigations who were most often identified as PEPs (including their family members and associates).

1.3. Fund related to circumvention-sanctioned individuals

Through receiving fund transfers from third parties from multiple jurisdictions to ultimately culminate in property transactions, third parties (customers) might also be employees acting on behalf of employers with a link to circumvention-sanctioned individuals abroad.

2. Patterns of Abusing the Real Estate Sector in Illicit Activities

2.1. The Use of Third Parties and Family Members

One of the frequent patterns in depositing structured amounts of funds to be funneled in buying a property consists of using a third party (the customer) on behalf of the funds/property beneficiary. In such a situation, the customer might have power of attorney (POA) or a signed sale and purchase agreement with different individuals or alleged investors abroad who do not have bank accounts in the UAE. The customer's account usually witnesses the receipt of significant cash or cheque deposits (including cash deposits through ATMs in different locations by different subjects). Subsequently, the credited funds would be utilized through manager cheques (issued from different branches or multiple FIs) and/or credit cards toward purchasing a property, in addition to outward remittances to different individuals or entities, leaving no or a low balance in the account.

The purchase of a property could also be undertaken via an outward remittance sent from a customer's account to another individual (a second third party) who has no relative or business relationship with the customer or in the property title deed. The beneficiary of the remittance (second third party) might hold POA on behalf of the seller to receive the value of selling the asset. In different cases, the involved beneficiary of the funds was noted to be of a young age with an unknown or unclear source of income while owning multiple properties and having no profile in the public domain, suggesting that the beneficiary might have been acting as a frontman.

In other frequently observed scenarios, the customer might also act as a third party in layering unexplained funds by receiving significant ATM cash deposits that do not match the customer's profile. Subsequently, multiple outward remittances to a foreign country (mostly the customer's home country) will be followed under the claim of buying a property. The same pattern could be observed but with the customer receiving multiple cash deposits and inward remittances from different individuals, followed by outward remittances to a counterparty abroad under the claim of being a family member buying a property.

Within the same context, several STRs indicated the employment of family members in utilizing unknown sources of foreign funds toward properties in the UAE. The remitter (originator) would be a foreign national resident in the home country, while the family member (mostly the spouse) would be a resident in the UAE. In some unique circumstances, the property(ies) would be bought under the name of their children.

Another third-party pattern was observed in the data in which a group of individuals (mules) would open personal banking accounts for salary purposes. The new accounts would not witness salary-related transactions, but rather would be used with corporate accounts to receive structured cash deposits as well as inward internal transfers and remittances (whether through banking accounts or MSBs). Inward remittances might involve foreign accounts and be routed among the group members.

Subsequently, the funds are utilized through cash withdrawals and outward internal transfers and remittances within a relatively short period of time. The data illustrated the transactional pattern of having multiple originators of the credited amount but with one beneficiary (counterparty) through internal transfers — or subsidiaries of other counterparties. The fund are claimed to be income from rental payments, selling a property (mostly abroad), and/or investment in cryptocurrency. This pattern often involves legal persons who provide financial advice and services related to buying and selling assets.

Similarly, possible involvement of mules was observed in different title deeds examined, e.g., a buyer of a high-value property who has a low-income salary but would settle the property payment in cash.

Third parties also included legal professionals with power of attorney for a non-resident individual and acting on behalf of the beneficiary of the property, whether through his/her personal account or the firm's account.

2.2. The Abuse of Legal Person Structure and Corporate Account

Overall, the accounts of different natural and legal persons indicated in this section often show layering and routing patterns of a series of complex transactions among multiple counterparties, suggesting possible involvement of legal persons as front/shell companies for unknown third parties. In most cases, different legal persons used in the identified patterns were found to be owned by the same owner or linked to him/her. Still, the transactional routing pattern, especially with multiple foreign entities in different jurisdictions, implied the possibility of money laundering for the benefit of a more extensive network or organized crime group.

The most frequently noted pattern consists of routing the funds among the corporate account, the beneficial owner's account(s), and multiple individuals and entities with no clear business relationship. Analysis of the customer's transactional behavior suggested that the customer's personal bank account(s) as well as the corporate account are used for possible money laundering of (foreign) illicit funds and the concealment of the actual beneficial owner.

The customer individual's account would be mainly funded by the corporate account and/or the customer's different accounts with other local financial institutions or from abroad, together with a high volume of multiple cash deposits. Subsequently, the funds would be utilized by remittances to other counterparties as well as manager cheques toward purchasing properties (mostly as installments). The customer would also use the maximum cash withdrawal limit through ATMs on a daily basis or sequential days, leaving the account with a zero balance. Overall, the surge in the account would significantly exceed the declared turnover during a short period of time — usually a few months. The property would be registered under the customer's name or the close associate's ownership.

The employer might also use some of the employee's bank accounts in receiving and transferring funds or a business partner's accounts through POA. Furthermore, the corporate account would be funded through multiple cash deposits and a high volume of funds from different (local and foreign) counterparties in different lines of business from the corporate profile. In many cases, funds in the corporate account would also be wiped out, leaving a nil balance. Additionally, it was noted in other incidents that the beneficial owner's spouse's bank account was involved in the corporate pattern identified.

In a few incidents, it was noted that a manager (POA) of a cash-intensive business might buy a residential property under the company name with insufficient justification for the purpose of the purchase.

Essentially, several legal persons involved in the reported suspicious transactions related to real estate were noted to be newly established (including many highly intensive cash businesses) or had no actual presence or showed no business expenses (shell entities). Ultimately, financial institutions' accounts are used to route transactions by third parties on behalf of the ultimate beneficial owner through the purchase of properties in the UAE.

2.3. The Involvement of DNFBPs and Broker’s Bank Account(s)

The methodological approach employed in this report of analyzing suspicious reports received from both real estate agents and financial institutions enabled the RSAS team to comprehensively understand the multilayered involvement of different DNFBP actors. For example, data highlighted not only the employment of real estate agents in moving and integrating suspected illicit funds, but also possible involvement (wittingly or unwittingly) of legal advisors or tax consultants — as deduced from the reported customer's transactions. Using the UAEFIU databases also enabled the RSAS to link different DPMSRs and the purchase of properties to different subjects of STRs reported by financial institutions. Moreover, it was suspected that several natural and legal persons (subject of STRs) were involved in real estate business activities without relevant licenses.

On the one hand, the analyzed sample of STRs reported by real estate agents showed the pattern of a group of non-resident individuals from the same nationality approaching a broker(s) on the same or sequential dates to purchase multiple high-value off-plan properties in the same location/building. In such a case, payments will be made through cash (including agency fees) and manager cheques with unexplained source of funds. An individual might also approach the same agent on sequential dates, buying multiple high-value properties — especially off-plan. In other incidents, data indicated that such a group of individuals might be business partners abroad or relevantly use the same foreign country address and/or be sponsored by the same local entity — e.g., X company LLC for general trading.

On the other hand, within the same context of the previously explained pattern of acting as a third party, one observed pattern is when a broker acts as a third party on behalf of a criminal abroad. The financial institution customer's (broker) account would receive significant (unknown) cash deposits and inward remittances from a subject of imprisonment, criminal procedures, and fraudulent schemes, among others. Said funds would then be sent to the customer's other accounts in other financial institutions and toward different real estate projects and firms. Thus, the broker would be acting as a third party in moving and concealing the criminal proceeds to be integrated into the real estate sector.

Similarly, another pattern involves the firm using the financial institution customer's (e.g., a broker or manager employed at a real estate firm) account for purposes of real estate business, but also cases in which the employer has a link with a sanctioned individual abroad or a positive screening result. The customer's personal bank account would witness significant ATM/cash deposits and multiple inward remittances from the firm and unknown individuals. The received funds would then be followed by outward transfers to other different individuals as well as manager cheques toward the purchase of a property or counterparties involved in the real estate sector. Conversely, the employee might be receiving inward remittances from a real estate firm on behalf of the company owner.

Another identified pattern is when a customer is an owner of different businesses abroad and transfers the business income to his/her personal bank in the UAE to be ultimately utilized to purchase different properties. At the same time, insufficient documents were provided to verify the customer's funds. Further data indicated the customer's ownership of different (newly established) legal persons in the UAE, including real estate brokerage businesses. An investigation into the brokerage firms implied potential use of the firms as shell companies, as there were no indications of the company's presence in the public domain. In addition, it was noted that a real estate firm could be directly or indirectly established by a subject of circumvention sanctions.

Data analysis also indicated another pattern involving real estate firms (with a negative site presence) conducting unusual transactions using POS machines through multiple card swipes during non-working hours (i.e., 00:00–03:00).

Altogether, different observed suspicious inward remittances, whether from individuals or entities, were often with the purpose of 'foreign investments,' 'operating expenses,' and 'real estate purchases.' In cases in which the real estate firm is the subject of an STR, intensive transactional routing behavior is noted among different real estate firms (local or foreign) as well as individuals through multiple inward and outward remittances and many cheque deposits and withdrawals. In cases in which the real estate firm is abused through illicit activities, the customer might offer the broker a high commission while having no specific conditions for the desired properties, such as the location, size, value, or any other requirements, except for quick transaction processing.

A final observation in this pattern suggests the abuse of DPMS as well as the real estate sector in disguising the form of suspected illegal funds, as different subjects (STRs, DPMSRs, REARs, and international requests) were found to be purchasing high-value of jewelry and watches besides luxury properties.

2.4. Claimed Rental Income

A frequently identified pattern is when a customer receives a high volume of cash and/or cheque deposits, followed by outward remittances and/or POS transactions toward installments of real estate properties. Cash and cheque deposits in such cases are justified as rental income or selling properties in a short period of time (where the customer usually owns different properties abroad). In typical cases, there would not be sufficient evidence to support such a claim. However, many scenarios highlighted the employment of suspected counterfeit and fabricated documents.

The aforementioned pattern could also involve a real estate actor or firm in the process. For example, manager cheques or deposits might be credited from a brokerage company or when the customer is a partner in a real estate firm. However, the account used in receiving such cheques and then directing toward purchasing properties is usually a personal account(s). Moreover, the property would be purchased under the customer's (individual) name.

The involvement of legal persons in renting real estate was also observed in the analyzed STRs. A legal person with a different line of business from real estate would rent several warehouses and residential properties owned by the company. The account would show significant credit through cash and cheque deposits as well as multiple internal transfers and remittances from different individuals, followed by manager cheques and outward remittances to other individuals, and cash withdrawals, leaving the account with a low balance. In some cases, financial institutions could provide tenancy contracts to cover some of the claimed rental funds. In most incidents, however, the transactional behavior would imply that the legal person is acting as a front company for an unknown third party.

2.5. The Use of Home Finance and Early Settlement

Different STRs indicated the use of a long-term home finance agreement between the financial institution and the customer to then be settled in a short period of time. For example, the loan would be funded through manager cheques or inward remittances from the customer's own company account to settle and close the loan early. The loan would be settled in few months following obtainment of the loan through one or multiple payments.

Another pattern consists of using a (local) legal person who would obtain informal (claimed) high-volume loans from another (foreign) entity to be directed toward investment in real estate by purchasing properties in the UAE. Said loans would be repaid to the foreign entity shortly after selling the property. Nevertheless, the foreign entity in such cases would have no presence in the public domain, and the owner's name on the title deed could not be verified with said entity, suggesting a rotation and integration of funds into real estate in the UAE.

Within the same context, different STRs suggested the possibility of paying individuals home finance shortly after obtaining the loan through unlicensed hawala service providers or unrelated legal persons licensed as wholesalers.

At the same time, such a pattern could indirectly involve foreign PEPs using family members and third parties through a complex structure of legal persons that would lend a high amount of funds under alleged loans to a counterparty (legal person). The counterparty as a recipient of the loan would utilize it in purchasing multiple residential properties under the corporate name.

2.6. Manipulation of the Property Price

Different STRs, whether reported by financial institutions or real estate agents and brokers, implied the possibility of the seller and buyer manipulating the asset price. The property would be sold to the customer at a significantly lower or higher price than the purchase price. The amount is often paid through manager cheques, which usually alert the financial institution's monitoring system.

Such a pattern could also be observed through a non-resident buying a property by issuing POA to a broker and contacting the same broker in a short period of time to sell the property (e.g., selling it for no apparent logical reason or moving its ownership to a friend as a gift). The customer would ask the broker to make a fake sale transaction to transfer ownership with a lower property value than the actual one.

The same technique could also be used by a group of individuals (with the same nationality), with the asset being resold among the group members. It might also involve the purchase of a property at a lower market price by offshore companies established in high-risk jurisdictions on behalf of a third party.

In this identified pattern, the employment of fabricated-price documents was frequently observed.

3. Unlicensed Practices of Activities Related to Real Estate

3.1. Unlicensed Real Estate Activities

One observed pattern that implies the practice of activities involving selling and buying real estate without licenses is noted amongst different individuals using their personal accounts to receive unknown funds from multiple originators but ultimately directing them toward the purchase of a property. Customer personal accounts would witness multiple credits using cheques and remittances, whether from individuals or entities. Funds are immediately utilized through demand cheques to purchase a property. Counterparties involved in the account credits would include a variety of natural and legal persons as well as different real estate entities.

On the other hand, a licensed broker (customer) could be transacting in buying different off-plan units under his/her name through cash deposits (claimed commission) to be paid by the customer's banking cards toward the units. The purchased units might be resold again by the broker for a personal profit. This pattern did not show any transactions involving the broker's employer (real estate firm).

The financial institution client might also be acting as a broker but from abroad, where he/she owns a brokerage firm in the home country. The customer's savings account in the UAE would witness high amounts of inward remittances and clearing cheques from different individuals (usually with the same nationality as that of the customer), followed by multiple outward remittances toward purchasing different properties in the UAE.

3.2. Potential Unlicensed Real Estate Crowdfunding

Several incidents suggested possible employment of real estate crowdfunding through individual accounts. The transactional pattern would involve an individual account that receives multiple ATM cash deposits, manager cheques, and transfers from own accounts and other individuals. The inward funds would be followed by cash withdrawals, manager cheques toward properties, and outward transfers to multiple individual counterparties and own accounts. In such a scenario, the customer collects funds from multiple individuals to buy a property under his/her name and then pays back the involved individuals with (investment) profit from selling the property. The same customer might also transfer funds to other individuals to buy properties under their names and then receive funds from them as profit.

3.3. Unlicensed Hawala Services to Be Funneled for Buying a Property

Such a pattern would indicate a high volume of credit transactions in the customer account from multiple ATM cash deposits and inward remittances from different individuals and entities — i.e., general trading companies. The credit amount might also involve receiving a high value of clearing cheques from a hawala service provider. Subsequently, the funds would be utilized through multiple ATM cash withdrawals, different outward remittances, and high-value cheques to real estate firms. Some of the subjects involved in this pattern were also noted to have a high volume of DPMSR transactions.

Besides the suspected unlicensed hawala activities, the data also showed different non-resident customers having unidentified sources of large cash amounts, using third parties (claiming to be friends) to exchange the cash for manager cheques to purchase different real estate properties.

3.4. The Involvement of Virtual Assets and Unlicensed Service Providers

The analysis broadly illustrated in different suspicious transactional patterns that the suspected inward funds would ultimately be directed toward purchasing both real estate and virtual assets through various outward remittances to the real estate firm(s) and virtual asset service providers (VASPs).

Still, the most frequent pattern involves a customer who has an unknown source of funds purchasing a property while claiming that the source of funds is that of profit from investing in virtual assets. In some cases, the claim might be supported by documentary evidence indicating actual transactions involving selling and buying virtual assets — through local or foreign VASPs. However, the value stated in said documents does not fully cover the funds utilized to purchase the property.

Moreover, different STRs/SARs indicated a pattern of customers' tendency to buy several off-plan properties via cryptocurrency (e.g., using P2P cryptocurrency transfer) without disclosing the source of funds. The property value could be inconsistent with the client's age and profession, indicating the possibility of the customer acting on behalf of someone else to purchase this property in the UAE. The customer may approach different real estate agents until a deal is accepted.

In addition to the aforementioned pattern, data suggested possible involvement of hawala service providers in changing cryptocurrency to manager cheques or cash in the case in which a real estate agent does not accept cryptocurrency as a payment method. This is in addition to the involvement of unknown third party (i.e., a claimed friend) residents in the UAE to finalize the real estate payment.

Similarly, other incidents indicated the employment of unlicensed cryptocurrency exchange services advocated by a real estate broker, highlighting an emerging pattern in which a real estate agent refers a client to an unlicensed VASP to exchange a cryptocurrency into a fiat currency or manager cheques toward a property purchase.

Data analysis of VASPs' suspicious reports indicated the potential transactional pattern of a property sale in a foreign country in which the proceeds are transferred to another foreign country to be exchanged for purchasing a cryptocurrency. The cryptocurrency would then be transferred to a local VASP to be exchanged once again for cash. Said route together with data reported by FIs imply the possibility of recycling the funds again into the UAE real estate sector.

3.5. Far East Typology and Real Estate

The UAEFIU issued different reports related to Far East underground banking since 2019, which highlighted that the patterns involved in such a scheme might be triggered by the Chinese Government's policy concerning personal foreign exchange transactions and the removal of capital from China. Data collected for the purpose of this report indicated an observed pattern (particularly during the period 2021–2022) involving individuals from Far Eastern countries depositing multiple cash deposits and receiving inward remittances from different parties for the purpose of buying a property. The individuals involved were residents and of a similar age group and found to be 'self-employed' (according to the provided KYC information). This pattern might also involve real estate transactions through companies based in Far Eastern countries trading with local ones.

DEVELOPED RISK INDICATORS

As an outcome of the analysis conducted in this report, the UAEFIU has developed two lists of risk indicators that are relevant to abuse of the real estate sector in the UAE. The purpose of these lists is to guide reporting entities involved in real estate transactions (particularly real estate professionals and financial institutions) in detecting suspicious transactional patterns and activities related to the real estate sector. It is pertinent to mention that such indicators can raise suspicions and trigger investigations that lead to further identification of other indicators. Nevertheless, criminal activity cannot explicitly be concluded based on a single indicator.

A. Risk Indicators Relevant to Real Estate Professionals

- **Customer Characteristics and Behavioral Pattern**

1. A customer with a low income wants to pay for a high-value property in cash.
2. A customer asks a real estate agent to conduct a transaction/accept a cash payment on his/her behalf as soon as possible for a high commission percentage.

3. A customer asks a real estate agent to conduct a transaction on his/her behalf due to personal reasons (i.e., being a non-resident or with a load of high-level work), using intimidating words like "working with high-level government organizations" and asking to keep this relationship confidential.
4. A customer decides not to proceed with a transaction after being asked many questions about the background of the source of funds or the method of payment.
5. A customer wants to invest in any high-value business as quickly as possible with no specific requirements, preferences, required location, or negotiation of the property price.
6. A customer requests that a real estate agent register purchased real estate below its market value or lower than the paid amount with an offer of high commission.
7. One or two individuals (buyer and/or seller) approach a real estate agent to finalize a real estate deal with a significant variation between the purchase price and the market value.
8. A customer approaches a real estate agent to sell a property that was recently bought with a significant difference between the selling price and the market value (flipping).
9. A return customer wants to buy a property that he/she recently sold (flipping).
10. A group of individuals are paying together for one or multiple properties with no clear relationship.
11. A customer who is listed on any list of targeted financial sanctions.
12. A customer associated with countries at high risk of ML/TF or with a high level of corruption.
13. A customer who is linked to a politically exposed person (PEP).
14. Adverse media associate the customer with a criminal act or financial crime.

- **Transactional Pattern**

1. A rapid movement of funds via manager cheques toward real estate entities that does not match the customer profile.
2. A customer wants to buy multiple high-value real estate units (including off-plan) via structured amounts of cash and/or other banking instruments (i.e., manager cheques) with no apparent source of funds.
3. A customer wants to buy multiple high-value real estate units (including off-plan) through cryptocurrency while the source of this cryptocurrency is unknown (i.e., using P2P cryptocurrency transfer) and/or does not match the customer profile.
4. A customer pays the value of a property through a friend/family member or unidentified third party.
5. A natural or legal person is paying for the customer's transaction with no clear relationship.
6. A customer approaches the same real agent on subsequent days to buy multiple properties with no clear source of funds.
7. A legal professional or tax advisor holds POA to act on behalf of a non-resident customer(s) or offshore entity in buying and selling properties in the UAE.

8. A company with a complex ownership structure purchases one or multiple off-plan units.
9. A company with no physical presence/address, contact number, or email address (shell entity) purchases a property.
10. A customer changes the payment method at the last moment of the deal from the one agreed upon (e.g., paying in cash instead of a cheque).
11. A group of individuals with the same nationality with no apparent source of income approach a real estate agent(s) to buy different properties in the same building.

- **Difficulty of Verification and Inconsistency of Information**

1. The source and legitimacy of the funds cannot be ascertained due to a lack of supporting documents.
2. The source of the manager's cheque(s) is unknown due to insufficient corroborating evidence.
3. A company manager buys a high-value residential property under the company name via his/her own account with no or minimum information on the beneficial owners.
4. A company manager buys a high-value residential property under the company name in cash with no clear business reason and while not providing a source of income or company book/statement.
5. A customer provides suspected forged documents or fabricated invoices to support the claimed source of funds.

B. Risk Indicators Relevant to Financial Institutions

- **Customer Characteristics and Behavioral Pattern**

1. A customer (natural or legal person) is dealing with multiple individuals and real estate agents in purchasing multiple high-value properties while they were not declared during onboarding or in the trade license.
2. A customer appears to be acting on behalf of third parties and is suspected to be using his/her account for fund placement and layering to be integrated into buying properties in the UAE.
3. An unusual transactional pattern while the customer claims to be working as a freelancer in the real estate business.
4. An account appears to be used for facilitating third party transactions on behalf of the employer.
5. A third party holds POA from an offshore entity incorporated in a lax AML/CFT jurisdiction or that is the subject of open sources and which is acting on behalf of buying and selling properties in the UAE.

6. An entity facilitating fund custodian, trustee and fiduciary services engages in real estate transactions/activities on behalf of third parties with no authorized business activity as per the license.
7. A customer has multiple companies registered in the real estate business but uses his/her personal account, and all properties are bought in his/her personal name.
8. A customer applies for an early home finance settlement without a clear reason, or the settlement amount is paid by an unknown third party.
9. A customer purchases and sells a property(ies) in a short time period, or a property address is noted in the customer transaction to be sold more than once.
10. The relationship between the counterparties involved in the account is not clear, while the account credit and/or debit entails transactions related to real estate firms.
11. The purpose of routing funds to/from own accounts held in different banks and the source of funds in those accounts are not clear, while funds are being utilized in purchasing a property(ies).
12. The purpose of routing funds to/from multiple individuals and/or entities in different foreign countries is not clear, while the account's outward transactions are utilized in purchasing a property(ies).
13. No business-related expenses, such as salary/wages and other business expenses, are noted in the real estate firm's account.
14. Negative media or positive screening results on the customer or third parties involved in the transaction.
15. A customer is identified in the public domain or screening result as an associate in a criminal act, accused of financial crime or linked to a PEP.

- **Transactional Pattern**

1. A customer account is being used as a pass-through account, suggesting that a customer is acting as a front for multiple individuals.
2. A customer's account transactions resemble purely a mule account's activities for third parties.
3. A high value of ATM cash deposits from multiple individuals in different locations as well as cheque deposits from the customer's other own accounts, followed by immediate cash withdrawals, outward transfers, and high-value cheques to different real estate entities.
4. Routing of funds without any business rationale.
5. An internal self-transfer from the customer's other accounts abroad with no supporting documents on the source of funds.
6. Substantial remittances in a short period of time from a family member(s) abroad to be utilized in real estate in the UAE.
7. A customer account that is mainly funded via ATM cash deposits from multiple individuals in various locations in which the source of funds is unknown.

8. An individual account (company owner) funded only through the company account and multiple unknown cash deposits.
9. A payment service provider pays on behalf of an offshore company to purchase multiple properties in the UAE.
10. Customer accounts receive significant amounts of cash deposits and/or inward remittances from unknown parties to be utilized in property purchases or installments.
11. Credits into an individual account are only noted as manager cheques, while there is no information on the ultimate remitter of these funds and the beneficiary of the property.
12. Funds are transferred to settle a credit card, followed by installments to purchase a property on behalf of a friend.
13. Funds received are immediately spent whilst conducting various card payments toward real estate purchases or installments.
14. A high volume of anonymous funding into the account from multiple unknown individuals and/or entities.
15. High-value transactions pass through the account within a short period of time to be utilized in a real estate purchase.
16. An individual account seems to be used as a funnel account through receiving multiple unknown deposits and remittances for real estate crowdfunding.
17. A company (third party) lends or pays for a customer's property price while having no direct relation with the customer (borrower).
18. The customer account credits are only through internal transfers from an individual(s) and/or sister company/counterparty(ies), and the same is used as outward transfers toward entities engaged in consulting services and real estate businesses.
19. A personal account is used for routing business transactions.
20. A customer uses his/her personal account for real estate business transactions without holding any license to practice such transactions/activities.
21. Rapid movement of funds is observed in the customer's account, wherein the funds credited are immediately utilized.
22. A huge surge in customer account turnover exceeds the declared income.
23. A customer's transactions are not in line with the declared KYC profile of the customer.
24. The account appears to be used as a funnel/pass-through account to route third party transactions.
25. An unusual transactional pattern that does not match the customer profile, followed by investment in real estate.
26. Customer transactions involve counterparties previously reported by the financial institution due to a suspicion of money laundering or criminal activities and are routed to multiple property developers to purchase properties.

- **Difficulty of Verification and Inconsistency of Information**

1. The source and legitimacy of funds remain unclear.
2. The beneficial owner of the fund and property could not be ascertained.

3. Difficulty in ascertaining the legitimate origin of the source of funds associated with a claimed sale/purchase transaction due to a lack of supporting documents (e.g., property sale and purchase agreement or title deed).
4. The customer submits a suspected forged tenancy contract, title deed, sale and purchase agreement, or fabricated invoice and documentary evidence.
5. A customer provides an invoice on a blank page which is not possible to authenticate against the suspected funds.
6. A clear trade cycle cannot be established in the absence of complete shipment documents to support the source of claimed funds used in real estate transactions.
7. Profile information on the property buyer (whether the customer is the buyer or seller) does not align with the volume of cash being paid for purchasing the property.

CASE EXAMPLES

Case example 1: Significant suspicious funds towards a property purchase

The UAEFIU received a suspicious report on (**Subject A**), a UAE resident and the owner of (**Company X**), a newly established free zone entity. The entity was licensed for IT business but has been restricted shortly following establishment due to not fulfilling some of the regulatory requirements.

Subject A held multiple bank accounts in different currencies with two financial institutions in the UAE. Company X was suspected of being a shell entity because the corporate account did not show any business transactions, and the financial institution's site visit was negative. At the same time, Subject A's personal account pattern showed a high turnover of credit, reaching millions of AED in a short period of time. The account credit was mainly received via high cash deposits to be directly utilized by cheques for real estate developers to buy high-value residential properties (off-plan).

It was noted that Subject A was receiving multiple manager cheques over different subsequent days, as well as cheque deposits from the insurance company as redemption of the investment policy. The cheques received were mainly from companies licensed for 'General Trading,' including entities also the subject of STRs and similarly reported due to unusually high turnover. The same pattern was observed over time of receiving a high value of credit to be mainly utilized in personal expenses and multiple cheques toward different properties and land department fees. More importantly, 75% of the total credit of the account was addressed to **Subject B** for the purpose of purchasing properties, which suggested that Subject A's account aimed to facilitate the movement of funds to Subject B.

As per the customer's claim, the source of funds was profit from investing in cryptocurrency. Verification of the customer's claim was obscure in addition to the source of the alleged investment due to insufficient supporting evidence. The UAEFIU disseminated the case to the concerned law enforcement authority.

Risk Indicators

- The account witnessed a rapid movement of funds.
- Account turnover exceeded the declared anticipated amount.
- The utilization of manager cheques to hide the issuer of the cheques.
- The lack of supporting documents provided by the customer to justify the high-value transactions.
- The customer justified that the source of funds was that of proceeds from the sale of cryptocurrencies without providing solid evidence of the claim.
- No information was found in the public domain or on social media that would indicate the wealth of the customer, who had received and purchased high-value assets in a short time period.

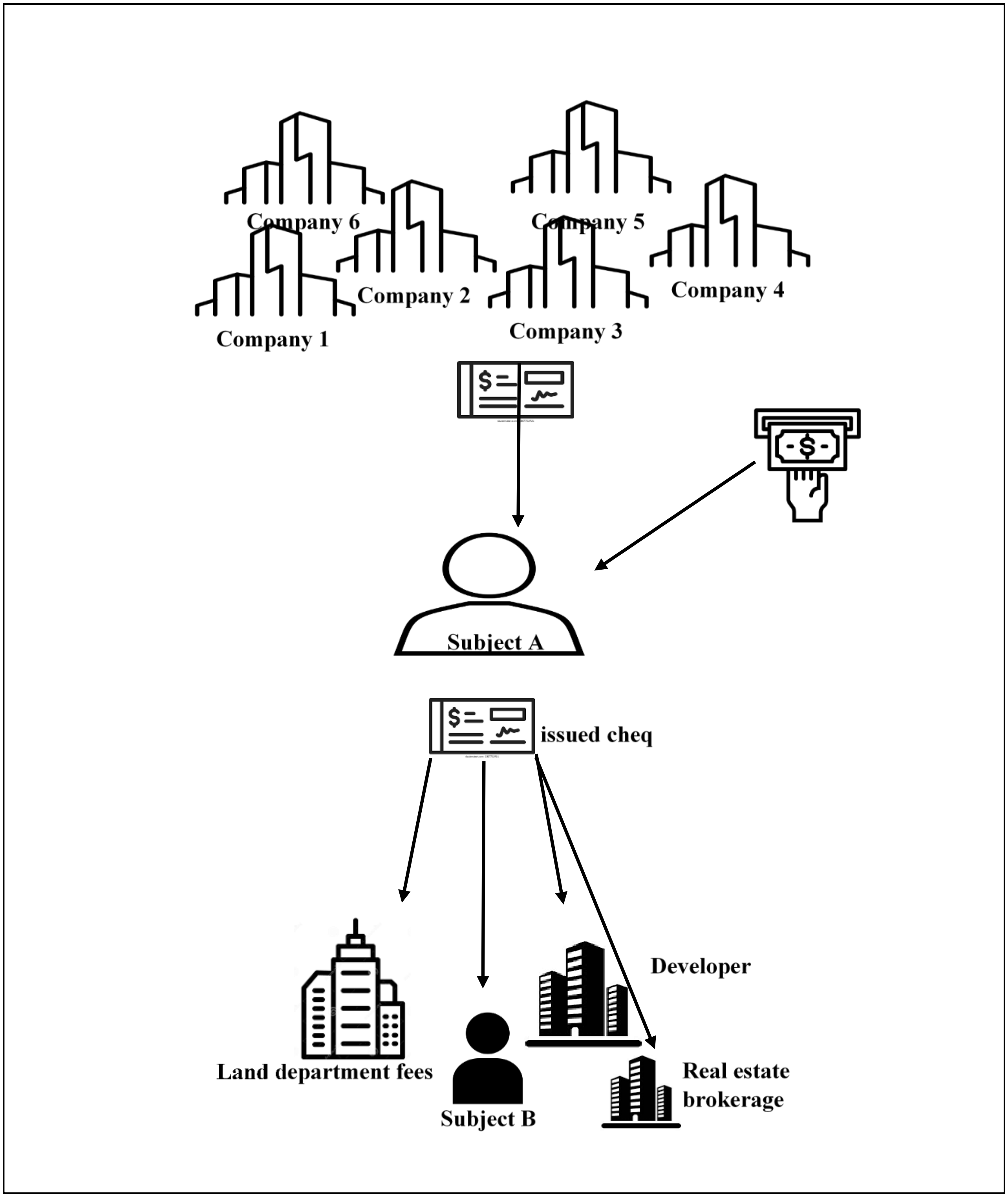


Diagram 1: Significant suspicious funds towards a property purchase

<u>Case example 2:</u> Integrating the proceeds of foreign crime into the real estate sector using front and shell entities

The UAEFIU received a suspicious report on **Subject A**, a foreign national and a resident in the UAE. Open sources revealed a historical pattern involving the subject being part of criminal groups and convicted multiple times in different foreign jurisdictions. The subject was involved in several predicate offenses such as fraud and forgery, the smuggling of drugs, tax evasion, as well as money laundering. According to adverse media, in many cases the proceeds of crime were used to finance Subject A's luxury lifestyle, including owning different high-value properties abroad.

Subject A managed to open multiple bank accounts in different currencies, including AED, EUR, USD and GBP, in addition to several account registrations with MSBs. While Subject A was the subject of a criminal case in which he was accused of conducting fraud in the UAE, the subject utilized his/her bank accounts to receive significant suspected amounts of credit in a short span of time, which did not match the declared amounts at the time of opening the accounts.

An analysis of the subject's transactions underlined that the accounts were credited through a mix of cash and cheque deposits and inward remittances from multiple shell entities that were layering and routing the funds via other front entities. Most of the entities involved were new establishments and subjects of multiple STRs. Furthermore, the majority of said entities' beneficial owners were found to have the same nationality, young age, and insufficient professional experience in the licensed business. In addition, Subject A was found to be a counterparty in a suspicious report that was filed on **Company X**, where property in the UAE was sold by Company X in cash to Subject A.

Eventually, the analysis uncovered different high-value properties in the UAE owned by the subject and a family member. The observed pattern relevant to real estate suggested the layering of funds through reinvesting sold properties in other new ones, in addition to the purchase of different high-value properties from real estate developers using manager cheques issued by previously mentioned shell entities. Ultimately, the UAEFIU disseminated the case to the concerned law enforcement authority for further investigation.

Risk Indicators

- Negative media reports.
- Recruited other individuals in establishing shell or front companies to move funds.
- Used third party accounts to purchase assets/real estate properties.
- The abuse of legal entity accounts to conduct transactions on behalf of third parties without justification for purchasing high-value real estate assets.

- Unjustifiable transactions between legal entities.
- Different legal entities being subject of STRs.

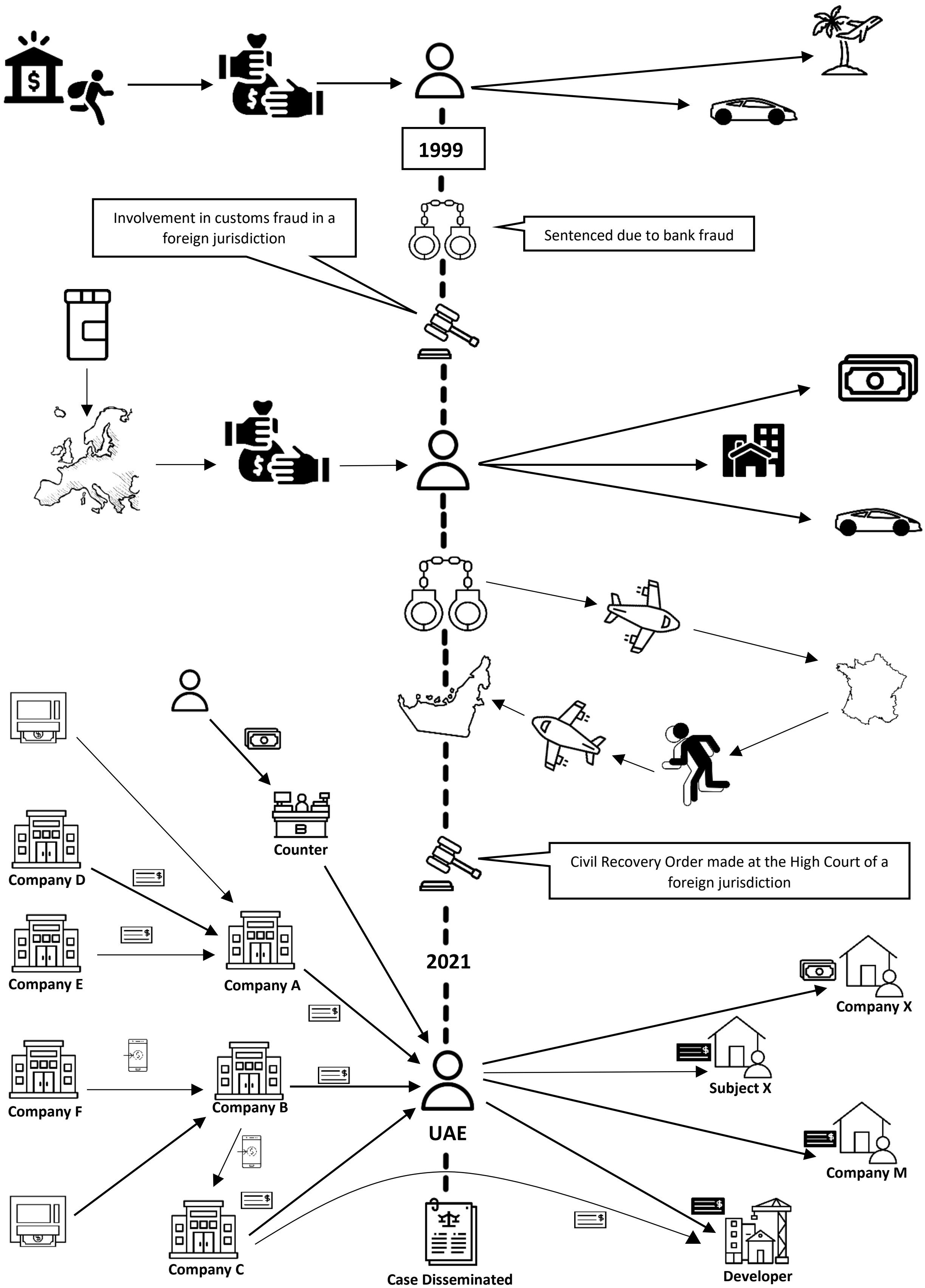


Diagram 2: Integrating the proceeds of foreign crime into the real estate sector using shell entities

<u>Case example 3:</u> The establishment of real estate firm to facilitate the movement of unknown funds

The UAEFIU received STRs on (**Company A**), a newly (sole) established entity licensed in accounting and auditing training. The company was controlled by **Subject A**, who was the authorized signatory on accounts and held POA on behalf of the company owner.

Company A had multiple bank accounts that showed one typical transactional pattern: the accounts were mainly funded through a high volume and value of transactions by different POS machines in a short period of time, followed by cash withdrawals and outward remittances to **Company B** and Subject A's personal account.

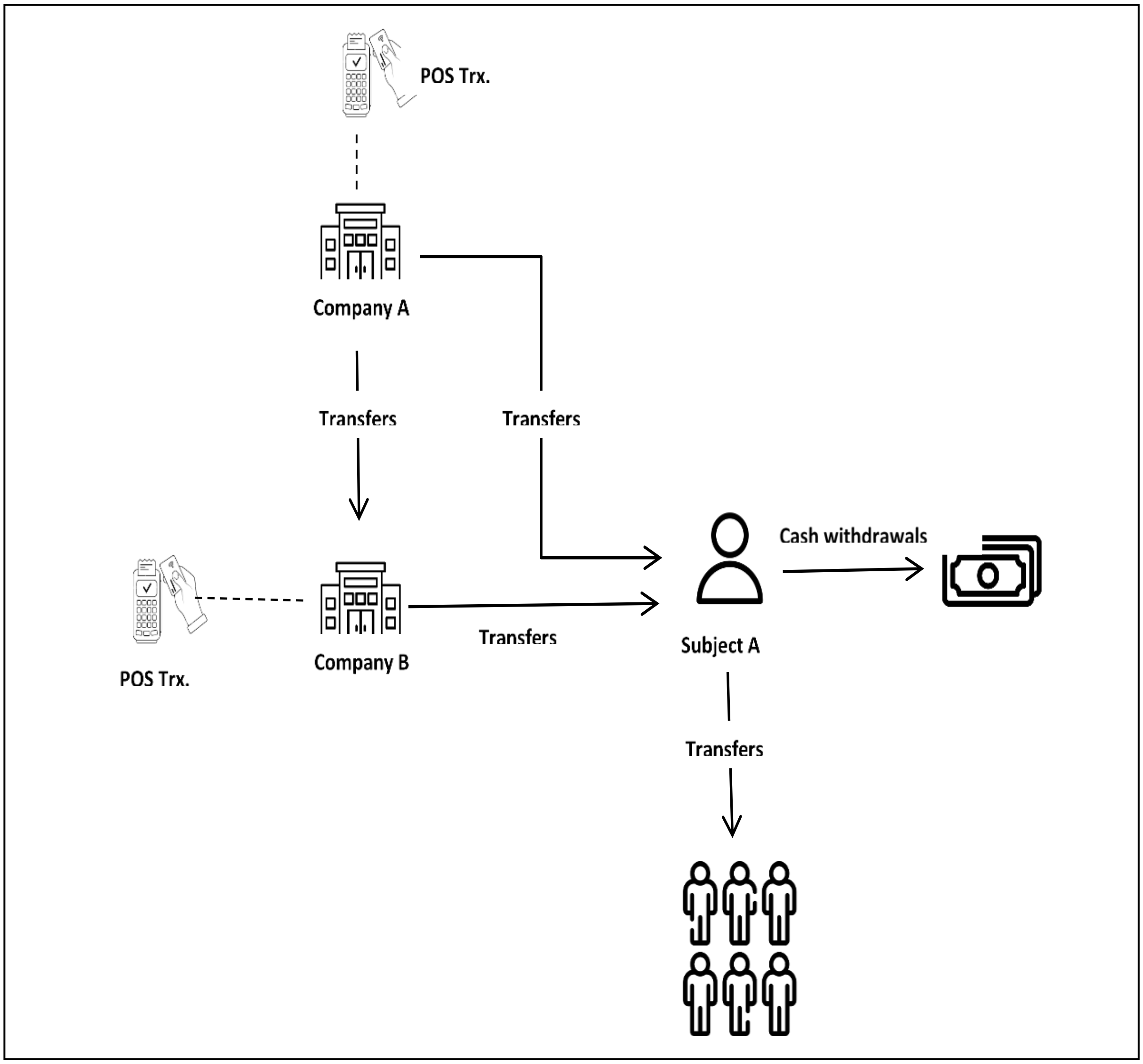
Further analysis of Company A showed that the entity was a shell company with no fiscal location or information in the public domain. Documentary evidence indicated the company's use of fabricated invoices. At the same time, it was found that Subject A also controlled Company B, a real estate firm.

Company B's account showed the same identified pattern of credit through POS machines, which was directly transferred to Subject A's personal account and then withdrawn in cash or remitted to other individuals, including Subject A's relatives.

The UAEFIU disseminated the case to the concerned law enforcement authority for further investigation into the unknown source of fund and the beneficial owner.

Risk indicators

- An unusual subsequent high volume of transactions via POS machines.
- A legal person account showing no business transactions or information in the public domain.
- The fabrication of evidence, such as invoices.
- Unusually high turnover for a newly established company.
- Multiple legal persons controlled by one authorized natural person showing unusual transactional patterns.
- Unexplained transfers to an authorized signatory's personal account, which subsequently were withdrawn in cash.
- The nature of the account and business activity indicates that entities might be shell or front companies.



<u>Diagram 3</u>: The establishment of real estate firm to facilitate the movement of unknown funds

CONCLUSION AND FINAL REMARKS

This report identified different typologies and patterns related to abuse of real estate sector, highlighting different scenarios and case examples. It highlighted that real estate professionals, whether wittingly or unwittingly, are vulnerable to money laundering risks.

The UAEFIU developed two lists of risk indicators for the consideration of reporting entities, (particularly, real estate professionals and financial institutions) in detecting ML/TF transactional patterns and activities relevant to the sector. Reporting entities should update their risk indicators and monitoring systems accordingly. Reporting entities are also urged to apply a risk-based approach, taking into consideration the FATF Guidance for a Risk-Based Approach to the Real Estate Sector, issued in July 2022.

As per MOE Circular Number 05/2022, real estate agents and brokers when dealing with the buyer or seller who is a legal person, trade license and register of beneficial owners should be obtained. In case of dealing with a natural person, real estate agents should obtain a valid Emirates ID or passport copy. Nevertheless, the examined sample of STRs/SARs reported by real estate agents and brokers showed difference shortcoming in reporting, including providing sufficient information and supporting documents related to the suspected subject.

According to MOJ Circular Number (14) for 2022, lawyers and legal firms should also report their customers' transactions involving the purchase or sell of a real estate (REARs) as well as any Suspicious Transactions or Activities Reports (STRs/SARs) in relation to their clients. Within this framework, legal professionals are urged to improve their engagement with the UAEFIU reporting system (goAML), including reporting real estate transactions and activities associated with their customers.

While data analysis showed improvement in terms of reporting entities ability to identify legal person beneficial owners, different shortcomings in reporting still require further enhancement, e.g., ensuring the availability of information and adequacy of online KYC.

Other areas of concern that also need reporting entities' attention are when opening bank accounts for non-resident customers, especially when the source of fund is unknown, ensuring the implementation of customer screening, including customers' relatives and counterparties involved in customer transactions. These are in addition to customer claiming to be free lancers in real estate business, as well as customers registered as real estate agents or firms that might be involved in unusual transactions. Moreover, sufficient evidence of customers' source of funds needs to be obtained, especially when it is linked to possible abuse of other professionals (such as lawyers, tax advisors, or virtual asset service providers).