



SAYARI

Real Estate Money Laundering:
Typologies and Emerging Countermeasures

TABLE OF CONTENTS:

01

Executive Summary

02

Real Estate Money Laundering
(REML) in Context

Why Real Estate?

03

REML Indicators

Common Typologies

Top Gatekeepers and Facilitators

04

Emerging Countermeasures

Expanded Geographic Targeting Orders

KLEPTO Act

ENABLERS Act

UBO Registries

Public Data Methodologies



Executive Summary

Real estate continues to offer a problematically enticing and efficient vehicle for laundering money globally. According to [a study by Global Financial Integrity](#) (GFI), an estimated \$2.3 billion was laundered between 2015 and 2020 through the U.S. real estate market alone.

While regulators in some countries have taken significant steps to curtail real estate money laundering (REML), a seemingly endless stream of journalistic investigations, data leaks, and law enforcement and regulatory actions suggests that the problem persists.

This ebook will explore why illicit actors continue to exploit the real estate sector, what indicators investigators and analysts in the sector should monitor for, and what new steps governments are taking to combat the issue. Access to beneficial ownership information plays a critical role in supporting these countermeasures, and a close examination of key REML cases, typologies, and gatekeepers reveals why.



Real Estate Money Laundering in Context

Laundering money through the purchase of real estate is not a new phenomenon. For decades, illicit actors have sought to legitimize their ill-gotten wealth by parking it in fixed assets like realty. Although money is laundered through real estate all over the world, some jurisdictions have received more media attention than others of late.

The United Kingdom is one such jurisdiction. A few years ago, leaked data from the Paradise Papers revealed that eight luxury apartments in London were owned by Alexander Angert, the leader of a prominent Ukrainian organized crime group. The Organized Crime and Corruption Reporting Project (OCCRP) [published a detailed investigation](#) describing how Angert's family and associates used a trusted relative in London as a proxy to set up anonymous offshore companies that they used to purchase the properties.

Public attention on the London real estate market in particular has intensified since Russia's invasion of Ukraine in February 2022. Prominent Russian businessmen and other wealthy public officials have invested in property there and all across Europe to launder money and protect assets from international sanctions.

Igor Shuvalov, for example, is a sanctioned oligarch who the [U.K. government has identified](#) as a "core part of Putin's inner circle" and the owner of an £11 million luxury apartment in London. Shuvalov claims to have gained his wealth honestly as a lawyer and businessman before joining the government, but the luxury apartment was bought in 2014 by a group linked to Shuvalov for "more than 100 times the official £112,000 salary Shuvalov had declared at that time."

Dubai, with its booming luxury property market, lack of corporate transparency, and long history as a nexus of many sorts of financial crime, has also been a frequent site of recent REML reporting.



Whitehall Court, where Shuvalov merged two apartments into one £11 million luxury property. [Source](#).

Property information for 2020 published as part of the “Dubai Uncovered” data leak revealed a slew of alleged criminals, politically exposed persons, and sanctioned officials with suspect real estate holdings in Dubai. Among the individuals identified there were: Roman Lyabikhov, a sanctioned lawmaker in the Russian parliament; and Ruslan Baisarov, a Russian businessman with close ties to Chechen dictator Ramzan Kadyrov. Baisarov is currently under U.K. sanctions.

There has been increased attention on Canada, most notably Vancouver, as a money laundering center since the long-awaited release of a 2021 report by the Cullen Commission, a government-issued investigation into money laundering in British Columbia. The Commission’s final report focused heavily on real estate, which it characterized as “highly vulnerable” to money laundering in 200 pages of detail.

The scale of the problem facing British Columbia is massive. [An earlier report estimated](#) that \$5.3 billion Canadian dollars were laundered through real estate alone in 2018, representing approximately 5% of the total value of real estate purchases that year. A single recent case involved Chinese property developer Chen Runkai, who channeled \$32 million CAD of [alleged corruption proceeds](#) into Vancouver real estate.

Real estate money laundering also remains persistent across the U.S. with an estimated [\\$2.3 trillion laundered](#) between 2015 and 2020. New York, California, Texas, and Florida real estate markets are among the hardest hit.

But these cases only scratch the surface. Money is laundered through real estate all over the world because realty, like fine art and antiques, lends itself to this type of exploitation.

Why Real Estate?

Illicit actors looking to launder money gravitate toward peer-to-peer markets trading in expensive, subjectively valued assets. Real estate often fits the bill.

First, the high value attached to luxury properties allows criminal networks to launder vast amounts of money in a single transaction without arousing suspicion and without any particular financial expertise. This is enhanced by the subjective nature of real estate prices, which can be easily manipulated. Overvaluation, in particular, provides an opportunity to launder even more money than the property might normally be worth.

Furthermore, cash continues to be readily accepted – even preferred – for real estate purchases in many jurisdictions, including the United States. Cash transactions are a common feature of money laundering because they are difficult to trace; historically, an all-cash (or “non-financed”) property purchase doesn’t require information on source of funds or identification of a beneficial owner.

Cash transactions present significant opportunities for money launderers. Even just in the U.S., the National Association of Realtors [estimated](#) that non-financed real estate transactions represented about 19 percent of existing residential sales for 2020 and 2021.

Finally, real estate is a comparatively stable investment. Speculative assets like cryptocurrency or stocks are largely unpredictable while real estate generally increases in value over time, especially in luxury property markets. Those natural increases offer the promise of even greater financial benefit for the money launderer.

There are also regulatory reasons why real estate remains vulnerable to money laundering. In many jurisdictions, anti-money laundering (AML) and combatting the financing of terrorism (CFT) requirements for real estate transactions historically have been less than comprehensive. In the U.S., for example, real estate agents are currently not required to perform due diligence on buyers.

What AML/CFT regulations do exist in the real estate industry are often imperfectly enforced. In the U.K., for example, real estate agents are supposed to confirm a buyer's source of wealth but don't always do it in practice; enforcement challenges were highlighted earlier this year when fintech company Thirdfort [reported](#) that a quarter of real estate agency branches in the U.K. had failed to register with HMRC for their required money laundering supervision.

*In the U.K., **25% of estate agents** had yet to register with HM Revenue & Customs some **five years** after the law required them to comply.*

Real estate transactions can occur at each stage of the money laundering process:

- **Placement:** the introduction of illicit funds to a legitimate market. In real estate, this might look like an all-cash purchase of a luxury property or a purchase that utilizes a nominee owner and an unregulated private lender.
- **Layering:** the transferring of illicit funds within a legitimate market. In the property sector, layering might involve acquiring real estate through the transfer of illicit proceeds or, in a more complicated scheme, canceling an accepted offer to purchase, resulting in a deposit being returned to the trust account of a lawyer or nominee.
- **Integration:** the withdrawal of “cleaned” funds from the money laundering vehicle. This is a common stage for REML. Launderers may borrow against, lease, or resell their properties in order to extract seemingly legitimate income from the asset, which they may then reinvest.

Regulators can nevertheless monitor real estate transactions for telltale signs of increased money laundering risk, regardless of the phase.



Fig. 1: Examples of real estate transactions at each stage of the money laundering process.

REML Indicators

The following characteristics indicate increased money laundering risk for real estate transactions.

- 1 – Multiple purchases and sales made in a short period of time.** A high velocity of transactions can indicate an attempt to layer illicit funds with the goal of “cleansing” and integrating them quickly.
- 2 – Property over- or undervaluation.** Overvaluation drives up the price of successive sales while undervaluation allows for the discounted portion of the transaction to be paid in cash.
- 3 – Cash purchases.** As discussed, cash or “non-financed” transactions are difficult to trace back to the original source of funds. According to GFI, many countries also do not have reporting thresholds for cash purchases. Those that do nevertheless see illicit actors avoid detection by structuring payments from multiple accounts.
- 4 – Unknown source of funds for purchases.** For an investigator at a financial institution, this might look like foreign wire transfers in which the originator and beneficiary are the same.
- 5 – Cases where property is the owner’s only link to that jurisdiction.** Money launderers can more easily evade detection in jurisdictions with little-to-no information on their business ventures, family, or associates.
- 6 – The use of proxies.** Illicit actors will often purchase property under someone else’s name to disguise their ownership. Proxies are often relatives or other trusted associates but could also be a formal nominee, like a lawyer or other professional service provider.
- 7 – The use of anonymous shell companies.** Like proxies, anonymous corporate vehicles can be used to hide a property’s true owner. Shell companies are anonymous when financial institutions and regulators are unable to identify their ultimate beneficial owners (UBOs). In many cases, the UBO can be hidden via multiple layers of shell companies registered in various jurisdictions.

These indicators can appear in any combination and are associated with common REML typologies.

Common Typologies

In an analysis of 125 publicly disclosed money laundering cases – 5 in the U.S., 34 in the U.K., and 35 in Canada – from 2015 to 2020, [GFI identified](#) three leading money laundering typologies: mortgage schemes, third parties, and company structures.

- 1 – Mortgage Schemes.** In this typology, mortgages and other types of housing loans are paid off using illicit funds, either all at once or in smaller installments. Alternatively criminals might borrow illicit money from themselves through a foreign shell company they control. This is known as a loan-back scheme and has the advantage of entirely eliminating legitimate lenders from the exchange.

- 2 – Third Parties.** In third-party purchases, as alluded to above, money launderers have family members and trusted associates without criminal records act as the legal owners of properties purchased using illicit funds. Putting the real estate in someone else's name distances criminals and their ill-gotten gains from the transaction.
- 3 – Company Structures.** Criminals leveraging company structures purchase real estate via shell companies they ultimately control. This is most effective when the illicit actor's ties to the company are difficult to trace and when the third parties who on paper appear to own the property do not arouse suspicion.

GFI describes nine other money laundering typologies, but mortgage schemes, third parties, and company structures were the most common in all three jurisdictions they analyzed. A 2021 investigation by OCCRP illustrates how these REML typologies can be used in combination to evade law enforcement.

What specific additional risks are posed by legal arrangements such as trusts?

Trusts pose increased risks to financial institutions and enforcement agencies for one primary reason - secrecy. Information on the ultimate beneficiaries of trusts is typically not publicly available. And in cases where trusts are used to hold assets, it can be difficult and often impossible to determine who ultimately owns or controls said assets.

Therefore, one way to think about risk as it relates to trusts is by treating them the same way you'd treat an entity registered in a traditional secrecy jurisdiction, such as Delaware, the British Virgin Islands, or Seychelles.

Another way to assess risk would be to determine if it is standard practice for trusts to be used in a given business industry. The use of trusts to hold corporate assets in industries where trusts are not common may be considered higher risk than in industries where the use of trusts to hold assets is more common.

For example, are you dealing with a family trust that owns a residential property in California, which is not uncommon in the state? Or are you dealing with a trust that sits atop a corporate structure comprising a maze of shell companies registered in known secrecy jurisdictions with no legitimate business purpose? The most effective risk assessments will take context like this into account.

— Bjorn Kjelstad, Director of Training & Investigations, Sayari

By 2021, Russian national Sergey Toni owned €50 million worth of real estate across Europe, including, [according to the report](#), “a 19th-century neo-Gothic palace near Paris; an apartment between the Louvre and the Arc de Triomphe; two villas on the French Riviera; three houses, three apartments, a villa, and land on Spain’s Mediterranean coast; a depot in Germany; and even, apparently, a hotel in Switzerland.”

Oleg Toni's salary as the deputy managing director of a state-owned enterprise also failed to explain this level of wealth, raising serious questions as to the source of the funds used to purchase such a vast empire of real estate holdings.

While owning real property via a corporate vehicle is not in itself a red flag for illicit activity, it is common for illicit actors to shield ownership of real assets by hiding behind corporate vehicles, especially registered in the names of proxies or in known secrecy jurisdictions.



Fig. 2: Properties (purple) owned by Sergey Toni (bottom left) via Brunswick Rose Limited in Sayari Graph.

Can we use Sayari to identify real estate transactions for any given entity, such as a company or academic organization?

Yes, Sayari enables analysts and investigators to surface real property assets by owner as opposed to entering an address or other property identification information. We currently have real estate/property data in Florida, Texas, United Kingdom, and Dubai. That said, we are consistently expanding our data holdings, including in the property/real estate domain.

— Bjorn Kjelstad, Director of Training & Investigations, Sayari

Top Gatekeepers and Facilitators

While family relatives can facilitate money laundering as proxies, they are not considered gatekeepers. Gatekeepers are professionals – such as real estate brokers, bankers, loan officers, and lawyers – who participate in real property transactions. Their involvement in real estate money laundering schemes presents additional opportunities to curb REML through regulatory reform.

In its analysis, GFI found lawyers, real estate brokers, and title & escrow agents to be the leading gatekeepers and facilitators in U.S. REML cases. In the U.K., however, accountants and real estate development companies joined lawyers at the top. In Canada, it was lawyers, real estate agents, and real estate development companies.

“In all three countries,” notes GFI, “the top gatekeeper utilized to facilitate the money laundering schemes were lawyers.”

Gatekeepers were not knowingly complicit in all cases, however. Some were willfully blind to their clients’ schemes while others, in the absence of appropriate regulatory requirements, simply did not ask questions that would have led them to discover the crime.

A high-profile investigation into the family member of a former chairman of an Azerbaijani state-owned bank illustrates how lawyers can act as REML facilitators and how public records linked to the case exhibit money laundering warning signs.

CASE STUDY: ZAMIRA HAJIYEVA

In 2018, the U.K. National Crime Agency issued an Unexplained Wealth Order against Zamira Hajiyeve, alleging that her wealth was the result of crime and obliging her to prove her source of wealth.

This order was related to Zamira’s marriage to Jahangir Hajiyeve, a former chairman of a state-owned Azerbaijani bank who, two years prior, had been sentenced in Azerbaijan to 15 years in prison on charges of fraud, embezzlement, and misappropriation of public funds worth as much as £2.2 billion (approximately \$2.5 billion).

Zamira’s suspicious real estate portfolio included the Mill Ride Golf & Country Club in the U.K., which was [allegedly](#) purchased for £10.5 million. A company by the name of MRGC 2013 Ltd [owned](#) the golf club, but MRGC’s UBO was initially shrouded in secrecy and a web of shell companies.

This persisted until April 2016, when the U.K.’s Persons with Significant Control law went into effect and mandated that corporate entities disclose their ultimate beneficial owners publicly. MRGC 2013 Ltd complied, naming Zamira as its UBO in filings with Companies House.

Then, later that same day, Zamira was suddenly replaced as UBO by a person named Andreas Georghiou, the head of a Cypriot law firm.

It is a red flag to see an individual, especially a high-risk individual such as Zamira Hajiyevea, be added and then removed as the UBO of a legal entity on the same day. The fact that an attorney based in Cyprus, a jurisdiction that has long been used to set up shell companies, was immediately added as the UBO of the company also raises serious questions as to whether or not Andreas Georghiou was in fact the UBO.

While using a law firm or other professional services firm to act as a proxy is legal and often perfectly legitimate, corporate service providers are not usually the actual UBOs. Rather, they are acting on behalf of someone who wishes to remain anonymous and therefore a common feature of illicit activity.

The conspicuous way in which Georghiou was added to MRGC’s filings suggests that Zamira may have remained as the company’s real ultimate beneficial owner – perhaps even after Andreas transferred the title to his niece Elena two years later.

All Related Entities

Showing direct relationships (All Related Entities) for entity MRGC 2013 LTD

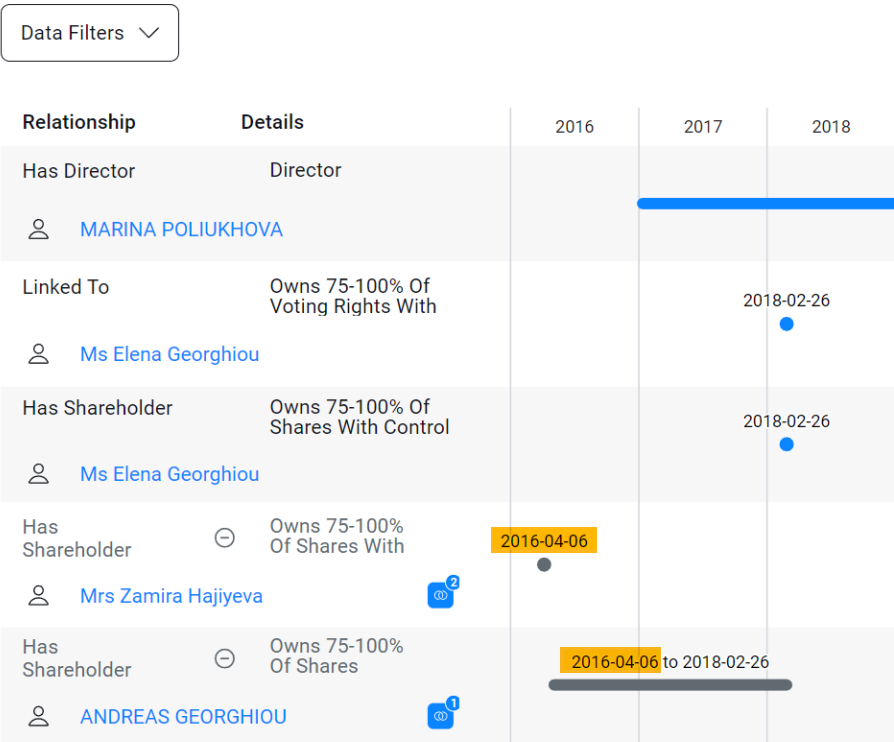


Fig. 3: All entities related to MRGC 2013 LTD, displayed as a timeline in Sayari Graph. Zamira Hajiyevea, disclosed as beneficial owner with 75-100% ownership of the company on April 6th, 2016, is replaced by Andreas Georghiou as beneficial owner later that day.

Emerging Countermeasures

The prevalence of real estate money laundering globally, particularly in light of Russia's invasion of Ukraine in February 2022, has prompted the U.S. and other governments to double down on anti-money laundering initiatives.

Most of these emerging countermeasures target leading REML typologies by requiring beneficial ownership disclosure.

What databases do you suggest using to track UBO or at least the direct owner of the asset or company? Most of the registries in the U.S. show no valuable information at all.

The U.S. can be a very difficult place to track ultimate beneficial ownership and/or control. Of course, disclosure of key ownership and control information varies widely from state to state. For example, Delaware and Wyoming are known blackhole jurisdictions, meaning they provide very little to no publicly available ownership information. Places like Florida and Arizona, on the other hand, provide much more information.

One helpful way to go about [identifying UBO in secrecy and other low transparent jurisdictions](#), whether in the U.S. or abroad, is to take what we call the “backdoor” approach. The idea behind the backdoor approach is to use public records from more transparent jurisdictions to glean insight into entities registered in less transparent jurisdictions.

For example, a Delaware-incorporated entity that wants to do business in Florida will need to register as a foreign entity with the Florida Secretary of State. Florida typically requires more ownership and control relationships to be disclosed, thus allowing you to glean insight into key persons of interest of the Delaware entity by looking at corporate records filed in Florida.

This [same methodology applies globally](#), and is especially useful for companies that are registered in traditional offshore jurisdictions such as the British Virgin Islands, Cayman Islands, and Seychelles.

A second way to unmask ownership and control parties for companies registered in secrecy jurisdictions is by consulting [U.S. county property records](#). Original filings for warranty deeds and other property-related documents will sometimes provide the name of an officer or legal representative of the entity purchasing or selling the given property. This is extremely useful if said entity is registered in a secrecy jurisdiction like Wyoming or Delaware.

— Bjorn Kjelstad, Director of Training & Investigations, Sayari

Expanded Geographic Targeting Orders

Geographic Targeting Orders (GTOs), issued by FinCEN in 2016, require certain U.S. title insurance companies to identify the natural person owners of companies conducting all-cash purchases above a certain threshold of real estate in target counties. To prevent illicit actors from evading GTOs by simply purchasing real estate outside the targeted areas, FinCEN is moving to [expand GTO reporting requirements nationwide](#). This highly anticipated crackdown on non-financed property transactions was [originally proposed in 2021](#).

Analysts have expressed concern over FinCEN's ability to police GTOs, however. In an analysis of transactions from 2014 to 2019, Brookings Global [found](#) "the absence of an aggregate effect" of GTOs on all-cash purchases, citing "the lack of overt enforcement and validation of the ownership information" as a probable cause of this outcome. FinCEN, which has reportedly ["complained of chronic underfunding,"](#) will likely require additional resources in order to effectively enforce the new nationwide mandate.

KLEPTO Act

The bipartisan Kleptocrat Liability for Excessive Property Transactions and Ownership (KLEPTO) Act, issued in response to Russia's war on Ukraine, was [introduced](#) in the U.S. Senate in April 2022. This law would require FinCEN to mandate that real estate professionals collect and report ultimate beneficial ownership information from all parties involved in the transaction – commercial or residential, no matter payment amount. It would [also](#) place these requirements on boat, plane, and car sellers.

ENABLERS Act

Like the KLEPTO Act, the Establishing New Authorities for Businesses Laundering and Enabling Risks to Security (ENABLERS) Act, which was passed overwhelmingly by the U.S. House of Representatives in July 2022, [seeks](#) to hold American enablers of foreign kleptocrats accountable. Unlike the KLEPTO Act, however, it focuses squarely on expanding the types of financial gatekeepers required to help detect, flag, and prevent money laundering under the Bank Secrecy Act.

A component of the broader [National Defense Authorization Act](#), the ENABLERS Act will be [voted on later this year](#) in the Senate, [where it faces favorable chances](#).

UBO Registries

On August 1, 2022, the U.K.'s Register of Overseas Entities came into effect, [requiring](#) all "overseas entities who want to buy, sell, or transfer property or land" in the U.K. to register their beneficial owners or managing officers with Companies House. Passed in response to the Russian war on Ukraine, the registry has been [widely criticized](#) for being "riddled with flaws and loopholes." For one, the law only applies to real estate owned by companies, leaving assets open to exploitation by other REML typologies. For another, it requires companies to disclose only their UBOs, which may not be the same as the property UBO.

Labour Party MP Margaret Hodge called for "an open register of the true owners of U.K. land and property, not just of those owned by companies."

Similar efforts to establish a beneficial ownership registry are underway in the U.S. The Anti-Money Laundering Act of 2020 tasked FinCEN with creating a beneficial ownership database and issuing rules for how that information would be collected. FinCEN has [taken longer](#) than expected to draft these rules, having finalized [the first of three sets](#) in September 2022.

Public Data Methodologies

As these efforts by the U.S. and U.K. to curb money laundering indicate, corporate ownership information is in high demand and critical to REML countermeasures.

While ownership information is available in the form of corporate filings, tax records, and other public documents, it is often prohibitively difficult to obtain and interpret – particularly in a globalized economy. This is in part why countries are working to establish their own UBO databases.

In the meantime, Sayari is supporting counter-REML objectives by turning 2.3B+ corporate records into an interactive map of the globe's commercial relationships, enabling analysts and investigators to visualize cross-border corporate networks all in one intuitive platform.

As the case studies in this ebook indicate, Sayari Graph enables investigative techniques otherwise unavailable to analysts, including but not limited to:

- Identifying UBO of real estate assets by pairing corporate data with property data in one easy-to-use platform
- Analyzing complex, cross-border corporate networks to enhance investigative effectiveness
- Unlocking and enhancing searchability across traditionally hard-to-access public datasets

Regulatory and compliance teams move twice as fast with the help of Sayari Graph, the world's largest and most comprehensive commercial risk intelligence platform. [Sign up for a free trial](#) to gain instant access to over 2.3 billion documents from 250+ jurisdictions worldwide.

See [Sergey Toni's network](#) or search another entity of interest to get started.



About Sayari

Sayari empowers government and industry to protect finance, trade and security systems by illuminating the global commercial networks through connected public data and documents. Providing commercial intelligence data from over 250 jurisdictions worldwide, Sayari delivers the entity network visualizations and intuitive risk identifications that decision makers need to stay proactively informed and power safer global commerce.

Since its founding in 2015, Sayari has earned the trust of top financial institutions, Fortune 100 corporations and government agencies, securing a \$40M Series C in 2021. Sayari is headquartered in Washington, D.C., and its solutions are used by more than 3,000 frontline analysts in 35 countries.

TO LEARN MORE, PLEASE VISIT [SAYARI.COM](https://sayari.com)

