

# 2024 National Money Laundering Risk Assessment



February 2024

- In March 2023, Stephen Roland Reyna, a former bank branch manager, was ordered to federal prison for helping a drug trafficking ring launder money through his bank. Reyna was the manager of a bank branch in Harlingen, Texas. While serving in that position and utilizing his position and knowledge of the banking industry, he assisted a drug trafficking organization in laundering \$410,000 in drug sale proceeds. The organization would transport multi-kilogram cocaine loads from the Rio Grande Valley to northern states. Upon successful delivery, thousands of dollars in drug proceeds would then be dispersed through multiple bank accounts in the northern states. Reyna would coordinate with multiple co-conspirators in the Rio Grande Valley to launder the funds through their bank accounts. Reyna ensured the proceeds were successfully withdrawn from his branch in Harlingen. Co-conspirators would frequently pay Reyna in cash right after he helped them get their drug proceeds out of the bank.<sup>358</sup>

## Luxury and High-Value Goods

Purchases of high-value assets, such as real estate, precious metals, stones, jewels, art, automobiles and other types of vehicles are another strategy that criminals and TCOs use. By holding the value of their proceeds in a moveable commodity that later can be sold elsewhere, traffickers can convert the proceeds to currency in a different country. As noted above, CMLOs and other criminal organizations are known to export high-value goods purchased with criminal proceeds from the United States where they resell the goods for a profit. Sales documentation can provide a veil of legitimacy should a financial institution seek to understand the source of a client's funds.

### 1. Real Estate

The U.S. real estate market is one of the largest and most valuable real estate markets in the world and is attractive to both domestic and international buyers. In 2023, the U.S. residential market is estimated to be valued at \$47 trillion,<sup>359</sup> and numerous U.S. cities including New York, Los Angeles, San Francisco, Dallas, Washington D.C., and Boston are amongst the top ten leading commercial real estate market hubs in the world.<sup>360</sup> The relative stability of the U.S. real estate market and its historic reputation as a reliable store of long-term value has traditionally attracted both legitimate interest and those looking to find a reliable mechanism to launder money. Money laundering through real estate can negatively affect home prices, particularly since illicit actors seeking to integrate illicit funds may be willing to over or under pay for a property. According to a Commission in British Columbia, Canada, this activity can distort the market and disadvantage legitimate buyers and sellers.<sup>361</sup>

The financed portion of the U.S. real estate market is well-regulated and banks and non-bank lenders that issue residential and commercial mortgages and housing-related government-sponsored

358 DOJ, "Local banker sent to prison for money laundering conspiracy", (March 8, 2023), <https://www.justice.gov/usao-sdtx/pr/local-banker-sent-prison-money-laundering-conspiracy>.

359 RedFin, "U.S. Housing Market Recovers the Nearly \$3 Trillion It Lost, Hitting Record \$47 Trillion in Total Value," (Updated on August 31st, 2023), <https://www.redfin.com/news/housing-market-value-hits-record-high-2023/>.

360 Mordor Intelligence, U.S. Residential Real Estate Market Size & Share Analysis - Growth Trends & Forecasts (2023 - 2028), <https://www.mordorintelligence.com/industry-reports/residential-real-estate-market-in-usa>, 16 U.S. Metros Are in Top 30 Largest Commercial Markets Globally in 2020; NYC is the Number One CRE Market, April 2021, <https://www.nar.realtor/blogs/economists-outlook/16-u-s-metros-are-in-top-30-largest-commercial-markets-globally-in-2020-nyc-is-the-number-one-cre>.

361 See The Honourable Austin F. Cullen, Commission of Inquiry into Money Laundering in British Columbia, (June 3, 2022), <https://cullencommission.ca/files/reports/CullenCommission-FinalReport-Full.pdf>.

enterprises, must establish AML/CFT programs and file SARs.<sup>362</sup> However, an estimated 20 to 30 percent of residential real estate purchases in the United States are non-financed and not fully subject to comprehensive AML/CFT requirements.<sup>363</sup> Since 2002, “persons involved in real estate closings and settlements” have received a temporary exemption from compliance as a financial institution from FinCEN and are exempt from instituting and maintaining comprehensive AML/CFT programs.<sup>364</sup> Because of the key role real estate professionals play in closings and settlements, this is a critical vulnerability, and real estate professionals have been found to act as both witting and unwitting participants in money laundering schemes. Currently, under FinCEN’s Real Estate Geographic Targeting Order (GTO),<sup>365</sup> in effect since 2016, title insurance companies involved in the non-financed purchase of residential real estate by a legal entity in select jurisdictions are required to report the legal entity’s beneficial ownership information. FinCEN has utilized this tool to gather information about vulnerabilities in the non-financed market, and the Real Estate GTOs currently cover 69 counties.<sup>366</sup> However, GTOs are time-limited and location-specific and remain a temporary solution to information gaps. In December 2021, the Treasury issued an advance notice of proposed rulemaking (ANPRM) to solicit public feedback on how to address the risks associated with this sector. Building on this information and public feedback, FinCEN has an NPRM in OMB review that will continue the process of addressing money laundering vulnerabilities in the residential real estate sector.

Predicate offenses for money laundering through real estate continue to involve domestic and transnational activity, including narcotics trafficking, corruption, human trafficking, fraud, and sanctions evasion.<sup>367</sup> Illicit actors often make non-financed purchases using legal vehicles or arrangements designed to obfuscate the purchaser’s identity and source of funds to integrate ill-gotten proceeds into the formal economy.

Additional factors that make the U.S. real estate market vulnerable to money laundering include the ease through which illicit actors can anonymize their identity or the source of their funds through legal entities, legal arrangements, and pooled accounts like IOLTAs. Money laundering typologies include the use of nominees and gatekeepers<sup>368</sup> to facilitate transfers without revealing the identity of the true owner

362 31 USC § 5318 (g),(h).

363 “Anti-Money Laundering Regulations for Real Estate Transactions,” Federal Register (December 8, 2021), <https://www.federalregister.gov/documents/2021/12/08/2021-26549/anti-money-laundering-regulations-for-real-estate-transactions>. See also FinCEN, “Statement of FinCEN Acting Director Himamauli Das before the House Committee on Financial Services,” (April 7, 2023).

364 67 FR 21110: FinCEN Interim final rule ‘Anti-Money Laundering Programs for Financial Institutions’; 31 CFR §1010.205(b)(v)

365 FinCEN, “FAQ: Geographic Targeting Orders Involving Certain Real Estate Transactions”, (April 21, 2023), [https://www.fincen.gov/sites/default/files/shared/508\\_FAQ\\_April2023REGTO.pdf](https://www.fincen.gov/sites/default/files/shared/508_FAQ_April2023REGTO.pdf).

366 FinCEN, “FinCEN Renews and Expands Real Estate Geographic Targeting Orders”, (October 20, 2023), <https://www.fincen.gov/news/news-releases/fincen-renews-and-expands-real-estate-geographic-targeting-orders-2>.

367 CRS, Money Laundering in the real estate sector, (January 4, 2022), <https://sgp.fas.org/crs/misc/IF11967.pdf>.

368 The term “gatekeepers” refers to financial facilitators that have the “ability to furnish access (knowingly or unwittingly) to the various functions that might help the criminal with funds to move or conceal”. See *FATF Report on Money Laundering Typologies 2000-2001*, February 1, 2001, available at <http://www.fatf-gafi.org/dataoecd/29/36/34038090.pdf>. The Treasury Department has used the term gatekeeper in prior risk assessments and public remarks. See, e.g., Remarks by Assistant Secretary for Terrorist Financing and Financial Crimes Elizabeth Rosenberg at The Brookings Institution, September 7, 2022, available at <https://home.treasury.gov/news/press-releases/jy0938> (observing that the 2022 National Money Laundering Risk Assessment examined concerns around “financial facilitators – sometimes known as gatekeepers – that move...dirty money along”). The term’s application to illicit finance was coined at the 1999 meeting of the G-8 Finance Ministers. See Ministerial Conference of the G-8 Countries on Combating Transnational Organized Crime (October 19-20, 1999), Communiqué, available at <http://www.justice.gov/criminal/cybercrime/g82004/99MoscowCommunique.pdf>.



or source of funds for the property, the use of all-cash payments to avoid the AML/CFT scrutiny that comes with financing, the use of loan-back mortgage schemes to reintegrate illicit proceeds into the licit economy, over or under paying for real estate, and the successive transfer of real estate at a higher value or between legal entities and arrangements or natural persons, sometimes for no consideration.<sup>369</sup>

As highlighted in FinCEN's January 2023 alert on "Potential U.S. Commercial Real Estate Investments by Sanctioned Russian Elites, Oligarchs and their Proxies," the commercial real estate sector is also exposed to risk, as it is common to use purpose-built legal entities, indirect ownership chains, multiple types of ownership and financing options, and the presence of multiple parties to each commercial real estate transfer, each of which can obscure an owner's identity and source of funds.<sup>370</sup>

Further, the anonymity of ownership in the residential and commercial real estate markets presents both a money laundering and a national security risk because it can help facilitate sanctions evasion, corruption, and even espionage. A 2016 GAO report found that ownership information for 1406, or one-third of high-security General Services Administration (GSA)-leased commercial real estate spaces was unavailable. The report found that some of these spaces were rented by foreign companies based in Canada, China, Israel, Japan, and South Korea, all countries that may have an interest in obtaining information about U.S. government-owned facilities. Beginning in 2018, a series of actions culminating with the passage of the Secure Federal Leases from Espionage and Suspicious Entanglements Act of 2020 requires collecting foreign ownership information, including beneficial ownership information of foreign-owned high-security commercial real estate leased by the GSA.<sup>371</sup>

#### *Case examples*

- In April 2023, Robert Wise, a New York-based attorney, pleaded guilty to paying on behalf of sanctioned Russian oligarch, Viktor Vekselberg, nearly four million dollars to help him maintain his ownership of six properties in the United States. The properties in question were (i) two apartments on Park Avenue in New York, New York, (ii) an estate in Southampton, New York, (iii) two apartments on Fisher Island, Florida, and (iv) a penthouse apartment also on Fisher Island, Florida. The properties were all acquired using a series of shell companies prior to Vekselberg's OFAC designation. Before his designation, accounts associated with Vekselberg sent 90 wire payments totaling \$18.5 million to Wise's IOLTA. After Vekselberg's designation as an SDN, Wise's IOLTA started to receive payments from an account in the Bahamas held in the name of a shell company, Smile Holding Ltd., that was controlled by Vekselberg's longtime associate, Vladimir Voronchenko and from another Russian bank account held by a Russian national related to Voronchenko. Between approximately June 2018 and March 2022, Wise's IOLTA received around 25 wire transfers totaling \$3.8 million. Wise used these funds to maintain and service Vekselberg's properties knowing that he was violating ongoing U.S. sanctions.<sup>372</sup>

369 Lakshmi Kumar, Kaisa de Bel, Global Financial Integrity, August 2021, Acres of Money Laundering, <https://34n8bd.p3cdn1.secureserver.net/wp-content/uploads/2021/08/Acres-of-Money-Laundering-Final-Version-2021.pdf?time=1698916839>.

370 FinCEN, "Potential U.S. Commercial Real Estate Investments by Sanctioned Russian Elites, Oligarchs and their Proxies," (January 25, 2023), [https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Real%20Estate%20FINAL%20508\\_1-25-23%20FINAL%20FINAL.pdf](https://www.fincen.gov/sites/default/files/shared/FinCEN%20Alert%20Real%20Estate%20FINAL%20508_1-25-23%20FINAL%20FINAL.pdf).

371 Secure Federal Leases from Espionage and Suspicious Entanglements Act, [Public Law 116-276](#), 134 Stat. 3362 (2020) (the "Secure Federal LEASEs Act").

372 DOJ, "New York Attorney Pleads Guilty to Conspiring to Commit Money Laundering to Promote Sanctions Violations by Associate of Sanctioned Russian Oligarch," (April 25, 2023), <https://www.justice.gov/opa/pr/new-york-attorney-pleads-guilty-conspiring-commit-money-laundering-promote-sanctions>.

- In January 2023, a Miami federal grand jury indicted a Venezuelan Supreme Court justice for conspiring to launder bribes he received in exchange for using his position to resolve civil and criminal cases in Venezuela to favor bribe payers. It is alleged that the justice received more than \$10 million in bribes, typically from Venezuelan contractors who had received contracts from Venezuelan government-owned entities. The individual allegedly used the bribe proceeds to purchase or renovate real estate around the world, including a villa in Tuscany, Italy, for 2.4 million euros, a luxury villa in La Romana, Dominican Republic, for \$1.5 million; a building in Las Mercedes in Caracas, Venezuela, for \$1.3 million, and an apartment in Miami for \$1.3 million. He also used the bribe proceeds for cars, luxury goods, expensive travel, and musical entertainment.<sup>373</sup>
- In December 2022, a Russian intelligence agent designated by OFAC was charged with conspiracy to violate the International Emergency Economic Powers Act, bank fraud conspiracy, money laundering conspiracy, and four counts of money laundering in connection with the purchase and maintenance of two condominiums in Beverly Hills, California. As alleged in the indictment, beginning in 2013, the individual and a co-conspirator devised a scheme to purchase and maintain two luxury condominiums in Beverly Hills while concealing his interest in the transactions from U.S. financial institutions. Specifically, the individual used the services of a corporate nominee, a multi-tiered structure of California-based shell companies, and numerous U.S. bank and brokerage accounts. Using this framework, the individual wired approximately \$3.92 million to the nominee from overseas accounts in Latvia and Switzerland belonging to companies registered in the British Virgin Islands. The suspect then used the money to pay \$3.2 million in cash for real estate in the name of a corporate entity set up by the nominee, with the individual having no visible affiliation with the purchase. The remaining \$800,000 was invested in a brokerage account maintained by the nominee and used to pay expenses for the condominiums.<sup>374</sup>
- In November 2022, an individual in Delaware was sentenced to 45 years in prison for conspiracy to commit money laundering, conspiracy to distribute cocaine, and various other drug and money laundering offenses. According to court records and evidence presented at trial, between 2009 and 2017, the individual and his wife laundered over a million dollars in drug proceeds through the purchase of real estate in Delaware and Pennsylvania using their company, Zemi Property Management. They deposited drug money into several different bank accounts – and asked their friends and family members to do the same – and then used those funds to buy cashier’s checks that funded the property purchases.<sup>375</sup>

## 2. Precious Metals, Stones, and Jewels

The precious metals, stones, and jewels (PMSJs) industry in the United States presents varying money laundering risks.<sup>376</sup> Persons involved include large-scale mining interests, artisanal and small-scale mining, traders, refiners, manufacturers, designers, retailers, and secondary markets such as auction

373 DOJ, “Former President of Venezuelan Supreme Court Indicted on Charges of Accepting Bribes to Resolve Court Cases,” (January 26, 2023), <https://www.justice.gov/usao-sdfl/pr/former-president-venezuelan-supreme-court-indicted-charges-accepting-bribes-resolve>.

374 DOJ, “Russian Intelligence Agent Charged with Fraud and Money Laundering in Connection with Purchase and Use of Luxury Beverly Hills Real Estate,” <https://www.justice.gov/usao-edny/pr/russian-intelligence-agent-charged-fraud-and-money-laundering-connection-purchase-and>.

375 DOJ, Delaware Man Sentenced to 45 years in Federal Prison for Trafficking over 150 Kilograms of Cocaine and Laundering the Proceeds, (November 23, 2022), <https://www.justice.gov/usao-de/pr/delaware-man-sentenced-45-years-federal-prison-trafficking-over-150-kilograms-cocaine-and>.

376 U.S. Bureau of Statistics, Occupational Employment and Wage Statistics, (May 2022), <https://www.bls.gov/oes/current/oes519071.htm>.