

Solution spotlight | Combatting money laundering in the real estate sector

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According to the Financial Action Task Force (FATF), real estate historically accounts for roughly a third of confiscated criminal assets worldwide - through exploitation by politically exposed persons; purchases of luxury real estate; the use of virtual assets; and the use of anonymous companies to launder the proceeds of crime. Bahrain's Ministry of Industry and Commerce (MOIC) and the Real Estate Regulatory Authority (RERA) have both released guidance – aligned with FATF recommendations - to prevent the abuse of real estate.

The lure of real estate

Real estate attracts criminal actors because:

- Large amounts of money can be laundered in a single transaction
- Ultimate owners of property can be concealed relatively easily
- Investments may appreciate

Analysis by FATF shows that the real estate sector often has a poor understanding of the money laundering, terrorist financing and proliferation financing risks it faces. Appropriate measures to adequately mitigate these risks include effective customer due diligence measures, such as access to information about the beneficial owners of real estate transactions. Supervisory authorities also need to increase their understanding of risks that the real estate sector faces and ensure that they are adequately addressed.

RERA initiatives

- Article 3 of resolution 3 of 2019 requires all businesses licensed to practice real estate activities in Bahrain to implement all policies and procedures outlined in Bahrain's AML law (as well as other policies and procedures developed by RERA or its AML/CTF committee) and bans business relationships aimed at laundering money or finance terrorism.
- Article 13 forbids cash transactions of more than BD2,000/- unless undertaken by real estate developers.

MOIC initiatives

The Ministry of Industry and Commerce (MOIC) order 173 requires all businesses with CRs to:

- Comply with Bahrain's money laundering legislation
- Adopt procedures to record and retain client details
- Report suspicious transactions to the relevant monitoring unit
- Maintain accounts for professional purposes in a bank accredited by the Central Bank of Bahrain
- Design effective AML programmes
- Develop compliance functions and appoint compliance officers
- Implement AML/CFT policies and procedures
- Follow customer (CDD) and enhanced due diligence (EDD) procedures
- Adopt measures to prevent money laundering and terrorism financing
- Develop and apply record maintenance procedures
- Develop internal and external reporting procedures and processes, including templates

For more information on how we can help real estate businesses combat money laundering, contact us.

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