

**FinCEN Alert on Misuse of Commercial Real Estate Investments by Illicit Actors**

- In the year since Russia’s full-scale invasion of Ukraine began, and thanks to international pressure and the economic restrictions that over 30 countries have imposed on Russia, sanctioned Russian elites increasingly have fewer options for moving and hiding their ill-gotten wealth.
- The United States is committed to exposing the channels that Russian elites, oligarchs, and their proxies may use to move or hide funds. Recently, the Financial Crimes Enforcement Network (FinCEN) issued an alert to U.S. financial institutions identifying red flags and typologies in commercial real estate transactions that financial institutions can use to remain vigilant in monitoring, detecting, and reporting suspicious activity that may be indicative of sanctions evasion by sanctioned Russia elites, oligarchs, and their proxies.
- The relative stability of the U.S. commercial real estate market and the high value of commercial real estate properties can provide illicit actors with a way to generate a steady income and store large amounts of wealth.
- Real estate money laundering schemes can involve a wide range of conventional domestic criminals, as well as transnational criminals, including drug cartels and human traffickers, international terrorists, and foreign kleptocrats (i.e., corrupt high-level officials). The purchase of real estate, often combined with methods to conceal a purchaser's identity and source of funds, can allow criminals to integrate ill-gotten proceeds into the legal economy.
- As the United States explained in its 2020 National Strategy for Combating Terrorist and Other Illicit Financing, “[c]riminals with

widely divergent levels of financial sophistication use real estate at all price levels to store, launder, or benefit from illicit funds.” In that report, we identified the risks of laundering illicit proceeds through real estate purchases as a main vulnerability and key action item for strengthening the U.S. framework to counter money laundering and terror financing.

- And, as Secretary of the Treasury Yellen highlighted in March 2023 during the Second Summit for Democracy, “[c]orrupt actors have for decades anonymously stashed their ill-gotten gains in real estate. By one estimate, illicit actors laundered at least \$2.3 billion through U.S. real estate between 2015 and 2020.”
- We assess that sanctioned Russian elites and their proxies are likely attempting to evade sanctions by exploiting vulnerabilities in the U.S. and international commercial real estate markets. Commercial real estate transactions routinely involve highly complex financing methods and opaque ownership structures that diminish transparency in a way that can allow bad actors to hide illicit funds in commercial real estate investments.
- We ask you to share FinCEN’s alert with your financial and real estate sectors and to consider issuing your own alert.
- We thank you for your cooperation and support in the global fight against illicit finance and for preventing sanctions evaders and criminals from hiding or profiting from their ill-gotten wealth.