



Gibraltar Financial Intelligence Unit
HM Government of Gibraltar

Typology Report

REAL ESTATE SECTOR

OVERVIEW

Typology reports provide guidance to reporting entities, focusing on money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks, vulnerabilities, and suspicious activity reporting obligations. These reports offer insights into ML, TF and PF trends and methods, helping businesses identify and mitigate risks.

This information strengthens Anti-Money Laundering and Combating the Financing of Terrorism (AML/CTF) programs, policies, procedures, risk management and improves reporting quality to the Gibraltar Financial Intelligence Unit (GFIU).

Purpose

This typology report aims to assist reporting entities involved in real estate transactions in fulfilling their obligations to identify and report suspicious transactions related to ML. It provides key indicators, methods, and vulnerabilities associated with ML. By understanding these risks and indicators, reporting entities can better detect and report suspicious activity, which will support Gibraltar's efforts to combat financial crime.

This report does not constitute legal advice, and any reliance on its content is at the user's own risk. If necessary, professional legal advice should be sought to ensure suitability for specific circumstances.

BACKGROUND

Global real estate is a prime target for money laundering due to its high value and ability to obscure fund origins. Criminals exploit this sector through third-party buyers, layered transactions, and property value manipulation to integrate illicit funds into the economy. Strong oversight and due diligence are essential to mitigate these risks.

Low global reporting rates of suspicious activity in real estate highlight gaps in detecting ML/TF risks, highlighting the need for clearer operational guidance. Global bodies like the FATF and Egmont Group emphasise real estate's vulnerability, prompting jurisdictions to tighten regulations. This includes requiring professionals in the sector to enhance due diligence, increase transparency, and submit suspicious activity reports (SARs). Firms should use the National Risk Assessment (NRA) to align their sectoral and firm-level risk assessments with jurisdictional risks, ensuring a targeted approach to mitigating threats.

The GFU supports reporting entities by providing specific indicators to help detect and report suspicious transactions, turning observations into actionable intelligence. Real estate agents and legal professionals are commonly the key gatekeepers in high-value transactions and must exercise strong oversight and scrutinise high-risk deals to avoid unintentionally enabling money laundering.

Timely and consistent suspicious activity reporting is crucial. Agents, brokers, and legal representatives, are often the first to spot red flags, such as unexplained wealth or rapid sales. SARs help FIUs track trends, uncover criminal networks, and strengthen global efforts against financial crime. Failure to report allows illicit funds to enter the economy, while consistent reporting deters abuse and closes loopholes, reinforcing the sector's defences.

REAL ESTATE & AML/CTF REGULATIONS

Real Estate Agents and Letting Agents in Gibraltar

Gibraltar's regulatory framework mandates strict AML/CTF measures for real estate agents (REAs) and letting agents. The Office of Fair Trading (OFT) supervises compliance under the Fair Trading Act 2025 and the Proceeds of Crime Act 2015 (POCA).

REAs must implement risk assessments, appoint a Money Laundering Reporting Officer, conduct due diligence, monitor transactions, and report suspicious activities. These measures align Gibraltar with international AML/CTF standards, reducing risks of financial crime in real estate.

Legal Professionals and AML/CTF Regulation

Legal professionals play a vital role in real estate transactions and must comply with AML/CTF regulations when facilitating property deals. Under the Legal Services Act 2017, they are required to be registered and authorised by the Legal Services Regulatory Authority, which also acts as their AML/CTF supervisor.

Lawyers involved in planning or executing property transactions and those acting on behalf of clients in financial or real estate dealings must implement robust risk controls. This includes conducting due diligence, monitoring transactions, appointing Money Laundering Reporting Officers, and reporting suspicious activity.

Given their position as intermediaries, legal professionals help prevent criminals from exploiting real estate to launder illicit funds. Strengthened oversight and compliance ensure that law firms do not inadvertently facilitate financial crime in the sector.

MONEY LAUNDERING TYPOLOGIES

This section outlines common techniques criminals use to launder money through real estate.

Overseas-Based Criminals Investing in Local Property

Criminals use offshore accounts, shell companies, or trusts to buy property in Gibraltar, concealing illicit funds and evading law enforcement in their home jurisdictions. This method integrates illegal proceeds into seemingly legitimate assets.

Structured Cash Deposits for Property Purchases

To avoid detection, criminals break large sums into smaller cash deposits across multiple banks or accounts. These funds are later pooled to finance real estate transactions while evading reporting thresholds.

Use of Third Parties

Criminals use family members or associates with clean records to buy property on their behalf. This distances them from illicit funds, obscures ownership, and complicates asset confiscation.

Falsification of Property Value

Under-Valuation: Properties are recorded at artificially low prices, with the difference paid in illicit cash, disguising true wealth and reducing tax liabilities.

Over-Valuation: Inflated property values allow criminals to secure higher loans, which are repaid with illicit funds to launder money.

Rental Income to Legitimise Illicit Funds

Criminals use rental properties to funnel illicit money as legitimate income, either by paying rent to themselves through associates or creating fake tenants and payments.

MONEY LAUNDERING TYPOLOGIES

Leveraging Property Renovations

Illicit funds are used for property upgrades, increasing resale value and integrating dirty money into the legitimate economy. Some contractors may underreport cash payments to obscure the financial trail.

Use of Loans and Mortgages

Criminals obtain property loans and repay them with illicit funds, disguising the money as legitimate. In “loan-back” schemes, they use offshore companies as lenders and repay loans with illegal proceeds.

Successive Sales (“Flipping”)

Properties are rapidly bought and sold at inflated prices through controlled entities, laundering money while maintaining indirect control of assets.



RED FLAGS & INDICATORS

The following lists should provide the reader with an understanding of the types of suspicious behaviour that could indicate a need for a SAR to be reported to the GFIU.

Indicators help identify transactions requiring AML/CTF scrutiny but are not definitive proof of suspicious activity. Multiple indicators may increase the urgency for review. AML/CTF officers should use them for training and reporting while continuously adapting controls to evolving financial crime risks. FIU provided indicators serve as guidance, not an exhaustive list.

Customer Behaviour and Characteristics

(Observable actions and client traits)

Unusual Urgency:

- Rushed transactions with no economic rationale or interest in property details.
- Uses intimidation tactics (e.g., citing government ties) to avoid scrutiny.
- Abandons transactions when questioned about funds.

Lack of Transparency:

- Refuses ID, uses fake addresses/PO boxes, or inconsistent names on documents.
- Relies on intermediaries (e.g., lawyers, offshore entities) to hide involvement.

Financial Mismatches:

- Low-income buyers purchasing luxury properties in cash.
- Offers high commissions to expedite or conceal irregularities

RED FLAGS & INDICATORS

Ownership & Legal Structure Risks

(Concealed ownership and legal anomalies)

Opaque Ownership:

- Shell companies, trusts, nominees (e.g., minors, incapacitated persons).
- Legal entities with no commercial activity (e.g., non-profits buying luxury properties).

Suspicious Legal/Loan Terms:

- Loans exceeding property value or lacking collateral.
- Fraudulent loan applications (e.g., falsified income documents).

Third-Party Facilitation:

- Lawyers/agents falsifying documents or acting for offshore entities.
- Lawyers/agents willing to overlook suspicious activity.

Property Utilisation & Development Risks

(Post-purchase property use and development)

Ignored Income Potential:

- Buyers show no interest in rental income (e.g., vacancies, below-market rents).

Phantom Activity:

- Invoices for unverifiable renovations paid in cash.
- Rapid development in high-risk areas (e.g., speculative construction).

TYOLOGY CASE STUDY 1

CASE OVERVIEW

Person A and their associates engaged in a sophisticated money laundering scheme using real estate purchases and the legal sector to integrate illicit funds into the legitimate financial system. The investigation revealed that multiple properties and Gibraltar taxi licenses were acquired through third parties, offshore transactions, and legal intermediaries.

Funds originating from high-risk jurisdictions were layered through law firm client accounts and third-party bank transfers to obscure the true source of wealth. The case highlights key typologies of financial crime, particularly the misuse of the real estate and legal sector to launder proceeds of crime.

TYOLOGY CASE STUDY 1

Indicators

1

Intermediary Transactions

Payments were funnelled through multiple legal and financial intermediaries to distance Person A from direct involvement.

2

Use of Third-Party Names

Properties were registered under the names of family members or associates with no legitimate financial means to justify the purchases.

3

Cash Payments and Structuring

Payments for real estate acquisitions were made in cash or split across multiple transactions to evade detection.

4

Use of Law Firm Client Accounts

Payments for assets were routed through law firms, creating an additional layer of anonymity for the true owners.

5

Complex Ownership Structures

Properties were assigned under trust arrangements to conceal the UBO.

6

Involvement of Legal Trusts

Trusts were used to obscure beneficial ownership and complicate the financial trail.

7

Failure to Conduct Due Diligence

Legal professionals processed transactions despite the lack of supporting financial documentation.

8

Unexplained International Transfers

Significant funds were transferred from jurisdictions without clear documentation or legitimate sources of income.

9

Association with Known Money Launderers

Transactions involved individuals previously convicted of financial crimes.

CONCLUSION

The case highlights the vulnerabilities of the real estate and legal sectors in facilitating money laundering. By exploiting legal structures, layering funds across jurisdictions, and using third parties to disguise ownership, Person A successfully integrated illicit funds into Gibraltar's economy. Enhanced due diligence, cross-border cooperation, and stricter oversight of legal professionals handling high-risk transactions are necessary to prevent similar schemes in the future.

TYOLOGY

CASE STUDY 2

CASE OVERVIEW

A legal service provider was engaged by an individual seeking to purchase a high-value property. Initially, there appeared to be no direct connection between the buyer and the sellers. However, concerns arose regarding the sellers' behavior, as they exhibited urgency in completing the transaction and unexpectedly changed their legal representation.

As part of routine due diligence, background checks on the sellers revealed that one of the individuals had been charged with fraud and money laundering offences, along with additional allegations related to the acquisition of criminal property. Further scrutiny showed that the property had originally been acquired off-plan at a significantly lower price and was now being sold at a substantial increase in value.

The case highlighted potential risks of property transactions being used to integrate illicit funds into the legitimate economy.

TYOLOGY CASE STUDY 2

Indicators

1

Suspected Criminal Background of the Seller

Due diligence checks revealed that one of the sellers had a history of fraud and money laundering charges, raising concerns that the property transaction could be an attempt to integrate illicit funds into the legitimate economy.

2

Unusual Urgency

The sellers were pressuring for the transaction to be completed quickly. This urgency suggested an attempt to bypass scrutiny before due diligence could uncover potential red flags.

3

Third Party Facilitation

The sellers changed their legal representation during the process, a known red flag in financial crime typologies. Such actions may indicate an attempt to avoid difficult questions or to engage a legal representative who may be less likely to scrutinize the transaction.

CONCLUSION

This case highlights the risks associated with property transactions and the importance of conducting thorough due diligence to detect and prevent potential money laundering activities.

CONCLUSION

As criminals continue to adapt their methods, a proactive, intelligence-led approach is essential to closing loopholes, preventing illicit financial flows, and maintaining the integrity of the real estate sector. The Gibraltar Financial Intelligence Unit plays a vital role in supporting reporting entities by providing strategic insights, typologies, and indicators to enhance detection and reporting efforts.

The real estate sector remains a significant target for money laundering due to its ability to facilitate the integration of illicit funds into the legitimate economy. Criminals can exploit vulnerabilities within real estate transactions by leveraging complex ownership structures, falsifying property values, using third-party buyers, and manipulating rental income to disguise the origins of illicit proceeds.

To mitigate these risks, real estate professionals and legal representatives must remain vigilant in identifying red flags and suspicious patterns. Strengthening AML/CTF controls, conducting thorough due diligence, enhancing transaction monitoring, and fostering a culture of compliance is critical in safeguarding Gibraltar's real estate market from financial crime.

This Typology Report is produced by the Gibraltar Financial Intelligence Unit and is based on intelligence from multiple sources, including Suspicious Activity Reports, to identify and assess emerging financial crime risks.

