



The Compliance Commission of The Bahamas

NOTICE

**Re: Compliance Commission Alert on Real Estate and Precious Metals involving
Russian Elites, Oligarchs and their family members**

The Compliance Commission (CC) wishes to alert registrants on the importance of identifying and quickly reporting suspicious transactions involving real estate and other high value assets of sanctioned Russian oligarchs and their family members and those through which they act. The alert provides selected red flags that will assist registrants in identifying suspicious transactions and the obligation to file a suspicious activity report with the Financial Intelligence Unit.

Real Estate

Sanctioned Russian elites and their proxies may seek to evade sanctions through the purchase and sale of commercial or high-end residential real estate. Real estate may offer an attractive vehicle for storing wealth or laundering illicit gains due to its high value, its potential for appreciation, and the potential use of layered and opaque transactions to obfuscate a property's ultimate beneficial owner. Sanctioned Russian elites and their proxies may purchase or maintain real estate through shell companies or trusts, possibly using funds or assets held in offshore jurisdictions, or may liquidate real estate owned in countries with sanctions against Russia and its elites (FinCEN Alert Russian Elites High Value Assets 2022).

Examples of selected red flags associated with Real Estate are outlined below:

- The purchase, sale, donation, or legal ownership transfer of high-value real estate in the name of a foreign legal entity, shell company, or trust, especially if the transaction: (i) is far above or below fair market value, (ii) involves all-cash transfers, or (iii) is funded by a third party with a known nexus to sanctioned Russian elites and their proxies.
- The use of legal entities or arrangements that may have a nexus to sanctioned Russian elites and their proxies to hide the ultimate beneficiary or the origins or source of the funds.

- Changes, without an apparent business reason, to the transaction patterns of a firm located in a country other than the United States, Russia, Belarus, and Ukraine, where the new transactions involve convertible virtual currency and Russian-related investments or firms.
- A Russian individual or entity requests a wire transfer from a non-U.S. (particularly non-Russian) bank to pay for an all-cash purchase, especially if the wired funds come from an account held by an individual or entity other than the original requestor.
- The dilution of equitable interest held in real property by sanctioned Russian elites and their proxies, by the addition of, or the transfer of real estate to, an individual not affiliated with the buyer or seller.
- The maintenance, purchase, or termination of real estate insurance by persons with a known nexus to sanctioned Russian elites and their proxies.

Precious Metals, Stones and Jewelry (PMSJs)

Dealers in Precious Metals, Stones and Jewelry such as gold and diamonds, are advised that sanctioned Russian elites and their proxies may attempt to use PMSJs to evade sanctions. In addition to being valued for a variety of legitimate industrial, personal consumption, and investment purposes, PMSJs are portable, highly valuable, and practical replacements for currency, making them ideal for concealing illicit wealth without increased scrutiny, because the underlying commodity is legal. As Russia is a major exporter of many of these materials, including diamonds and gold, sanctioned Russian elites and their proxies also may attempt to evade trade restrictions on PMSJs to obtain needed currency or funds (FinCEN Alert Russian Elites High Value Assets 2022).

Examples of selected red flags associated with PMSJs are outlined below:

- Transactions involving PMSJ trading companies, particularly in Asia, and firms with a nexus to sanctioned Russian elites and their proxies.
- High-value or frequent transactions involving mining operations with opaque and complex corporate structures, that are or have been owned or controlled by sanctioned Russian elites or their proxies.

FATF Recommendations 12 and 22 require countries to ensure that financial institutions and Designated Non-financial Businesses and Professions (DNFBPs) implement additional Customer Due Diligence measures to business relationships with PEPs. These additional measures assist in preventing the misuse of the financial system and DNFBPs by PEPs, their family members and close associates, and by detecting such potential abuse if and when it occurs. In all cases, where a financial institution or DNFBP suspects or has reasonable grounds to suspect that funds are the proceeds of criminal activity, a Suspicious Transaction Report should be filed with the Financial Intelligence Unit.

Please see link to FATF Guidance on politically exposed persons (recommendations 12 and 22) and the CC Guidance on PEPs for DNFBS supervised by the CC.

<https://www.fatf-gafi.org/media/fatf/documents/recommendations/guidance-pep-rec12-22.pdf>

<https://ccb.finance.gov.bs/wp-content/uploads/2021/09/GUIDANCE-ON-POLITICALLY-EXPOSED-PERSONS-9-7-2021.pdf>

On March 14th, 2022, the CC a member of the Group of Financial Services Regulators issued to registrants and licensees a Directive on Russia Business Activities informing them not to engage in transactions with sanctioned persons, entities or business linked to Russia and Belarus. Regulated entities should apply the highest level of risk management controls to deter the potential for any misuse of the Bahamian financial system in the current global environment and indeed, every circumstance.

Please see link to Directive on CC's website:

<https://ccb.finance.gov.bs/wp-content/uploads/2022/03/Notice-Directive-on-Russia-Business-Activities.pdf>


Please see link for Financial Intelligence Unit

<https://fiuconnect.fiubahamas.bs/casekconnect/index.php?module=users/login>

<https://www.fiubahamas.org.bs/>

Should you have any questions or concerns regarding this Notice please email compliance@bahamas.gov.bs.

Yours Truly,



Andrew Strachan

Inspector

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