6. Vulnerability of the real estate agents' sector

6.1. General description of the sector

Legal framework and specificity of the sector

In the Estonian jurisdiction, all real estate is registered in the Land Register. The Land Register reflects the ownership relationships related to real estate, changes in the ownership relationships as well as mortgages on real estate and other restrictions on use. Real estate purchase and sales transactions must be notarised. Real estate transactions can be performed directly between the buyer and the seller as well as through the intermediaries who are active in the real estate sector. Generally, the real estate sector includes entrepreneurs who develop real estate, intermediate the purchase and sale or rental of real estate. Conditionally, the sector also covers the entrepreneurs who manage and rent out the real estate they own. For the purposes of the MLTFPA, the real estate sector is limited to persons who intermediate the purchase or sale of immovable property or rental transactions thereof, provided that the rental fee agreed upon in the transaction is at least 10,000 euros in a month. The MLTFPA establishes due diligence obligations for those entrepreneurs when entering into a business relationship with the customer as well as an obligation to notify suspicious and unusual transactions to the Financial Intelligence Unit (FIU).

Three groups of obliged entities (within the meaning of the MLTFPA) participate in real estate purchase and sale transactions – real estate agents, notaries, and the financial sector where the money moves, whereas a part of the transactions is also made without intermediaries. The share of notaries and the financial sector in real estate transactions serves to some extent as a compensation mechanism in reducing the threats and vulnerability of the real estate sector, however, it does not cover all the deficiencies because the main focus is directed elsewhere. The notaries possess information regarding the details and the terms and conditions of the transaction disclosed to them by the parties and the intermediary, and the financial sector possesses information about the movement of money. Additionally, intermediaries also have a first impression about the customer as well as the other party to the transaction, which becomes evident during the negotiations prior to the transaction. On the other hand, customers will not have any significant problems when they replace a too curious intermediary with another one. However, they will have somewhat more problems when wishing to change a notary or a bank. At least a question arises regarding the reason for the change and if there are obvious signs of concealment, this information may be forwarded to the FIU by the notary. Therefore, it is probably not reasonable to require for a real estate agent to become too intrusive with their questions while exercising their due diligence obligations set under the MLTFPA, but their activity would be limited to the information necessary for ordinary reasonable business activity, not forgetting, of course, to identify the customer. However, if the wishes of the customer and the circumstances of the transaction indicate a suspicion, the respective notification must be submitted to the FIU. Hence, the intermediaries also have their role in the system, since they often see/hear things that remain hidden from the other participants of the transaction.

The situation is somewhat different for the rental transactions of immovable property, where the use of the services of a notary are not mandatory. This is where the intermediary has greater responsibility, but the awareness of the field of money laundering and terrorist financing is even lower and requires additional supervisory measures from the state.

Number of market participants

The real estate sector has very vague boundaries, since there is no procedure for entering the market. In the commercial register, a total of 2,578 companies have marked the activity of real estate agency as their field of activity, 1,800 companies have marked real estate as their principal field of activity, and approximately 160 companies active in the sector can be found online. As an umbrella organisation, the Estonian Real Estate Entities Association (EKFL) offers them some help, however, the number of its members is currently only 62. For single real estate agents, training is offered and professional certificates are issued by the Estonian Chamber of Estate Agents (EKMK), but this association also includes only a small number of the market participants.

Table 27. Description of the sector of real estate agents

Market participants	Number of market participants as at 31 Dec 2019	Number of obliged entities	Existence of a professional association or an umbrella organisation
Real estate agents	171[1]	100%	Estonian Real Estate Entities Association, Estonian Chamber of Estate Agents

A real estate agent is engaged in the sales of real estate or the intermediation thereof. Although real estate agents are not related to all of the real estate transactions, they are still related to a large number of transactions and are in contact with the customers, getting an overall idea of their purchase or sales wishes and budgets. Due to such direct contact, real estate agents may become aware of circumstances which indicate a suspicion of money laundering and this could be a valuable piece of information for preventing money laundering in Estonia generally.

Table 28. Data of the survey carried out in the sector of real estate agents

Sector	Number of market participants	Sample scope	Sample size / number of required responses	Number of outgoing calls for participation	Number of incoming responses	Response rate
Real estate agents	171	Sample	119	171	54	45%

The response rate in the sector of real estate agents was remarkably low and this was considered when analysing the awareness of the sector.

6.2. Description of risk typologies

- **Use of shelf companies**
  - Legal entities are used to hide ownership.
  - Real estate agencies, companies offering mortgage loans, and development and construction companies are used for purchasing real estate.
  - Real estate is resold to construction or development companies which partially use money with criminal origin in their development activities, borrowed from the shelf companies of criminals.
  - Generally, it is considered more reasonable to obtain smaller objects in larger cities to avoid attention.

- **Manipulation with asset valuation and value**
  - The seller of a real estate object agrees to officially sell the property under the market value and the price gap is then unofficially paid in cash.
  - Renovation/repair works are also paid for in cash, the market value of the object increases and it is possible to sell it officially at a profit. The party is also willing to pay income tax to indicate the legitimacy of the money earned.

[1] 65 of them are members of EKFL and the rest, 106, are real estate agencies found online, who offer real estate intermediation services

- There are situations when real estate objects are resold quickly for several times with the aim to hide the real owner of it and to involve illegal money in the transactions. In such cases, all the consecutive owners are actually figurehead to hide the identity of the real owner.

- **Mortgage schemes**
    - A criminal takes a loan to avoid suspicion and mitigate the risk in case the state should confiscate the asset.
    - Sometimes the criminal finances the loan through a figurehead to enhance the legitimacy of the transaction.
    - The loan is used to finance the real estate development or purchase.

If the real estate object is under the control of the criminal, it can be rented out or used for business purposes to earn a legal and stable income.

6.3. Threats

6.3.1. Money laundering threats

Threat of cash transactions
A large share of cash in transactions, especially in cases where the sum of the transaction has allegedly already been paid.

Threat of transactions with fictitious financing
Threats may occur when the below provided scheme is used.

1. A legal entity is established or taken over in a foreign country.
2. A company service provider is hired, who is engaged in daily management activities of the company and who is registered as the board member of the company.
3. The service provider opens a bank account for the company abroad, where illegal money is kept, which is then used for financing legal real estate purchases in the home country.

The criminals issue themselves a loan for the purchase of the real estate object to give the impression that the financial means are legitimate. Since loans for real estate purchases are quite common, they have also become more common in money laundering schemes.

The other option is to take a loan from the bank, which is secured by a real estate object obtained in a criminal way. Although banks should check the origin of the security, these activities may be deficient and the scheme is extremely difficult to detect in retrospect. However, the Estonian banks have become more careful and conservative, so that the higher risk may have transferred from banks to elsewhere in the financial sector. Sometimes the criminal money on a foreign bank account is used as a security of a legal company in homeland to get a loan from the banks to purchase real estate.

Threat of using non-financial professionals as additional intermediaries
Non-financial professionals (real estate agents, tax advisors, etc.) are dealing with the transfer of cash to the customer's bank account. The involvement of such non-financial professionals gives access to the financial system and allows to hide the origin of the money. In Estonia, the common practise is to use, for instance, an investment mediator or counsellor as a buffer – this person has a functioning company, or they establish a new one to manage the investment.

The involvement of non-financial agents helps the criminals to apply for a loan, open a bank account and use other financial products because it adds reliability to the transaction and helps to hide the actual beneficiary. The attorney-customer confidentiality can also be used for executing a money laundering scheme. Additionally, a third party between the buyer and the seller can also help to manage a trust account.

The involvement of real estate agents facilitates real estate transactions. It is especially critical since real estate agents have an important role in discovering money laundering and/or terrorist financing activities in real estate transactions – they can directly identify the actual beneficiary or the concealment of the origin of the assets and they know when a considerable part of the price of the real estate object is sought to be paid in cash.

Threat of using legal entities to hide ownership
It is very common in money laundering to use different legal entities to hide ownership or actual beneficiaries. The use of legal entities in this manner is most common in tax paradises, free trade areas, and countries with strict banking secrecy, although, in reality it may happen anywhere. In addition to hiding ownership or actual beneficiaries, the legal entities involved in money laundering schemes may earn legal income. In the real estate sector, for instance, management or construction companies may offer a legal facade for criminals who launder dirty money in them, combining it, for instance, with rental income.

Legal entities which are established in one jurisdiction but are actually used in another jurisdiction without local supervision, i.e., offshore companies, are a good method for moving criminal money because it is more difficult for law enforcement agencies to identify the actual beneficiary or the origin of the assets. Shelf companies are also used to maintain anonymity, the share of which can belong to either a physical or a legal person. For instance, a company in Estonia may belong to an offshore shelf company and thus it is difficult to determine the beneficial owner or the owner of this company. The money launderer in Estonia and the account owner in a foreign country may be one and the same person who, acting as an entrepreneur, invests their funds located abroad in the real estate objects in Estonia.

Threat of acquiring real estate through the acquisition of the owner company
Criminals acquire the shares of the company in a seemingly ordinary transaction, but the acquired company owns one or several real estate objects which are paid for non-officially to the former owner of the company by using dirty money. The ownership of the real estate in the Land Register does not change. This scheme is easy to realise but difficult to detect, especially for those business entities the transfer of which is form-free.

Threat of manipulation with asset valuation and value
There are two ways of manipulating with real estate prices. The undervaluation of a real estate object presents an opportunity to hand over the dirty money to the seller unofficially as a price difference, placing it unnoticeably in real estate. In the event of overvaluation of a real estate object, the dirty money moves from one money laundering participant to another, whereas the real estate transaction is just for covering the movement of money.

Use of alternative means of payments in the real estate market
Due to the relative anonymity of using alternative means of payment, the use of such sources makes the determination of the origin of the assets considerably more difficult. The FIU does not have any information about the use of such money laundering scheme in Estonia.

Pressure on real estate market by unidentified money from Russia
The pressure of unidentified, to a greater or lesser extent, or even criminal money from Russia on the Estonian economy has become known from the revelations of the International Consortium of Investigative Journalists (see https://www.icij.org/). This is also verified in large-scale criminal proceedings against Estonian banks. Although the majority of such money passes through Estonia as a transit country and sometimes even for several times, it also ends up in the Estonian real estate market. The related survey is under preparation at the FIU. The described tendency promotes international money laundering through Estonia and undermines the transparency of Estonian economy.

As a national defence threat, the purchase of real estate near border or that of containing strategic mineral resources by unknown non-resident investors

A case is known from Finland where persons with a Russian background purchased real estate / islands with strategic locations, which was considered a threat to national security by the Finnish government. In Estonia, the FIU is aware of an attempt to purchase real estate near the Estonian-Russian border by unknown investors with a suspicious background. There was also a potential oil shale deposit on the property.

Conclusion

Table 29. The money laundering risk level in the sector of real estate agents

Sector	The money laundering threat at the sectoral level	
Real estate agents	2.0	average/low

When assessing the described threats, it is possible only to observe whether such schemes have been used in Estonia or there have been attempts to use such schemes. Since there is no overview in Estonia on how much money and with what schemes has been used for money laundering in the real estate sector, it is not possible to assess the occurrence of these threats. Adequate criminal statistics would help to get the necessary overview.

Based on the existing knowledge, the money laundering threat in the sector of real estate agents is **below average**.

6.3.2. Terrorist financing threats

So far, the threats related to terrorist financing in the sector have been almost non-existent, since the real estate agents bring together the buyer and the seller but do not get close to the content of the transaction itself. Especially if the customer wishes to hide the real purposes of the transaction. Transactions are concluded at a notary's office and the intermediary only sees the contract upon the agreement between them and their customer. The typologies of FATF have also bypassed the sector as regards the topic of terrorist financing.

The issue of implementation of international sanctions is linked to the issue of terrorist financing. 14.8% of the respondents of the survey check their customers against the international sanctions lists, although pursuant to the International Sanctions Act (ISA) they are not persons with a special obligation. However, notaries and assistant judges do have the respective obligations. If the transaction occurs with the participation of credit or financial institutions, they also have the respective due diligence obligations.

Therefore, it can be concluded that the topic of terrorist financing prevention is not very relevant in the real estate sector. Purchase of real estate by persons from risk countries and then renting it out and directing the rental income abroad can be considered a risk in the real estate sector. There have only been few such cases, but perhaps they would still need some acknowledgement, so that when this trend increases, relevant attention would be paid to them from the very beginning.

Conclusion

Table 30. The terrorist financing risk level in the sector of real estate agents

Sector	The terrorist financing threat at the sectoral level	
Real estate agents	2.3	average/low

Based on the existing knowledge, the terrorist financing threat in the sector of real estate agents is **below average**.

6.4. Vulnerabilities

6.4.1. Vulnerabilities of prevention of money laundering

6.4.1.1. Exposure to threat

The performance of due diligence measures by real estate companies is rather occasional and the ability to recognise threat signs could be better. Real estate intermediaries blame the legislators for burdening them with obligations. In 2019, the FIU organised three training courses and 8 on-site supervisory controls and EKFL prepared sample guidelines (rules of procedure and internal control rules) for the sector together with the FIU, but based on the rare reports obtained from the sector, it can be said that as regards money laundering and terrorist financing prevention, this sector is still uncovered. As of 2017 until the end of 2019, the whole sector sent 9 reports, whereas 7 of them in 2019, i.e., after the supervisory unit of the FIU had done some explanatory work in the sector. If a money laundering suspicion is identified in the pre-analysis, the notification is sent for an in-depth analysis, where a more thorough analysis of the parties and the transaction itself is made. No notifications from the real estate sector made it to the in-depth analysis, where the origin of the assets is determined.

The statistics of the Ministry of Justice do not reflect any data which would indicate what happens next regarding the notifications coming from the sector if the FIU sends the materials based on them to investigation authorities, the investigation authority seizes the assets. Also, it cannot be tracked, how many and what court cases arise from such notifications and how many assets are confiscated from the amount of assets handed over to criminal proceedings preliminary being seized by the FIU. There are also no statistics about the total amount of damages caused by crimes, also not by economic sectors. Until the state statistics have not been updated with data from the authorities and the missing indicators are not added, it is not possible to measure the effectiveness of the measures taken in Estonia. Also, it is not possible to take any reasoned management decisions for improving the situation.

6.4.1.2. Risk awareness

Management commitment and leadership

The real estate sector can be characterised by low awareness of money laundering and terrorist financing prevention. This is due to the fact, that the state has neglected the sector for a long time. Only 65 companies participated in the survey, the majority of whom were the members of EKFL. 77.8% of those respondents confirmed that there was a person responsible for that topic in their company. However, only 18.5% could assess the mechanism of notifying about suspicious transaction, which is a sign of low awareness of the reporting obligation.

To raise the awareness of the sector on money laundering and terrorist financing risks and threats, the dissertation “Awareness of Estonian Real Estate Intermediation Companies in Preventing Money Laundering” by Ene Tubelt as well as the document analysis made by the NRA group.

When in 2019, the FIU started its intensive supervisory activities through EKFL, they arrived to the same conclusion that has been outlined on page 40 of the said dissertation: “Based on the analysis of interviews and the survey, it occurred that real estate intermediaries believe that they are well aware of their legal obligations, however, the performance of their due diligence measures is occasional, their attitude rather resentful, and the ability to recognise threat signs could be better. Real estate intermediaries blame the legislators for burdening them with obligations that they cannot perform, and they tend not to believe that money laundering was a serious threat in the Estonian real estate sector.”

The sector’s reporting statistics for the past five years indicate that up to 2019, the performance of the reporting obligation was rather occasional. There was also no real supervision over the sector. The situation started to somewhat improve in 2019 when the supervisory authority started to remind the sector of their due diligence obligations as well as the notifying obligation with on-site inspections and precepts. In 2019, an on-site inspection was carried out in 8 companies and in 2020, in 10 companies.

Table 31. Real estate agents’ notifying statistics from 2015 to 2020

Report type	2015	2016	2017	2018	2019	2020	Total
CTR		3	2		3		**8**
ISR					1		**1**
STR					3	7	**10**
UTR	1						**1**
Total	**1**	**3**	**2**	**0**	**7**	**7**	**20**

To conclude, it can be said that the situation has improved within the past two years, however, this does not involve the whole sector yet, of which there is also no full overview.

6.4.1.2. Legal framework and supervision

Quality of supervision

As regards money laundering and terrorist financing, the real estate sector is one of the least regulated sectors. Real estate companies and intermediaries have no control mechanism for entering the market and no norms regulating the intermediation process. The regulation of real estate transactions compensates this situation to some extent, since the purchase-sale transactions are notarised and registered in the Land Register. The market participants are subject to due diligence measures and notifying obligations in intermediation activities.

In addition to the legally established regulation, the law gives the FIU the right to issue recommended guides for clarifying the legal acts regarding money laundering and terrorist financing prevention. The law provides that the FIU issues a guide about the characteristics of transactions with a money laundering suspicion and a guide about the characteristics of transactions with a terrorist financing suspicion. In reality, the FIU has issued the following guides which are also applicable for real estate intermediaries:

- a notification form to be submitted to the FIU
- procedure for filling in the notification form to be submitted to the FIU
- a guide to the characteristics of suspicious transactions
- recommendations of the FIU for managing the risks arising from the activities of obliged entities
- recommendations of the FIU for drafting rules of procedure and internal control rules
- the FIU guide for applying international financial sanctions

The supervisory authority of the sector is the FIU, which has not specially prepared any sector-specific guides. However, after the FIU started to draw more attention to its supervision, sample guidelines (rules of procedure and internal control rules) for the sector were prepared by the Estonian Real Estate Entities Association (EKFL) in 2020.

Efficiency of compliance control systems and reporting

The reporting obligation of the sector was established as of 1 January 2021, but the content and periodicity of reports is yet to be stipulated. The assessment of the efficiency of the compliance control systems is not topical today, since this part of the sector, the companies belonging to EKFL, only started fulfilling their legal obligations last year. The results can be assessed in a couple of years. There is no information regarding the rest of the sector.

Quality of the framework of the due diligence measures applied to customers

It is still too early to discuss the quality of the framework of the due diligence measures applied in the sector. Together with the umbrella organisations of the sector, the supervisory authorities still need to find the optimal options for the practice. Rigid adherence to formal requirements confuses the real estate intermediaries. They need practical advice on how to fulfil their duties.

6.4.1.3. Assessment of sector-specific risks using the quality of sector-based controls

During the time the NRA was carried out, over a thousand surveys were sent to companies which, according to the register, are active in the real estate sector but only 65 of them responded, most of them the members of EKFL. Considering the nature of the sector, the number of respondents and the fact that the FIU only obtained enough resources for the supervision of this sector in 2019, serious conclusions cannot be made based on the received responses:

- The sector does not have an entrance control, which is why it is difficult to determine the borders of the sector.
- Low awareness of the sector of risks and their due diligence measures. The FIU only started to communicate with the sector more actively in 2019.
- Due to low awareness, the sector-specific risks or the cases where the FIU needs to be notified are not identified.
- The state information systems (Commercial Register, register of BOs) used for checking the data of customers are not considered thorough enough and reliable (31.5% of the respondents considered those sources always reliable).

- The market participants do not pay attention to the necessity of notifying (only 18.5% of the respondents could assess the notifying mechanism) or do not know where, why, and how to do it.

6.4.1.4. Assessment of sector-specific risks in relation to additional controls

- There is no systematic control over money laundering through investment in the real estate sector
- No systematic checks are carried out on suspicious investments in real estate
- Suspicious cases are rarely notified
- Identification and reporting of real estate transactions by shelf companies is planned, but reports are not sent for some reason

6.4.1.5. Quality of response to risks identified during the previous assessments

The results of the NRA 2105 indicated that the risks of the sector were average and even below average. Nevertheless, the implemented methodology did not allow to thoroughly assess the sector and therefore, the results of the 4th round of Moneyval should rather be used instead.

For the given sector, the 4th round of Moneyval (2014) found that the real estate sector is the weakest sector for implementing due diligence measures, storing data as well as performing the reporting obligation. Although the assessment was given in a soft tone, it was clear that the sector had been neglected. The responsiveness was only created in 2019, when the FIU got additional resources for supervision.

Regarding this sector, SNRA (2017/2019) pointed out that the cross-European money laundering and terrorist financing prevention training needs to pay attention to, *inter alia*, the intrusion of organised crime into the real estate business.

In Estonia, it is necessary to mention that in the absence of adequate statistics, this has not been analysed.

6.4.1.6. Conclusion

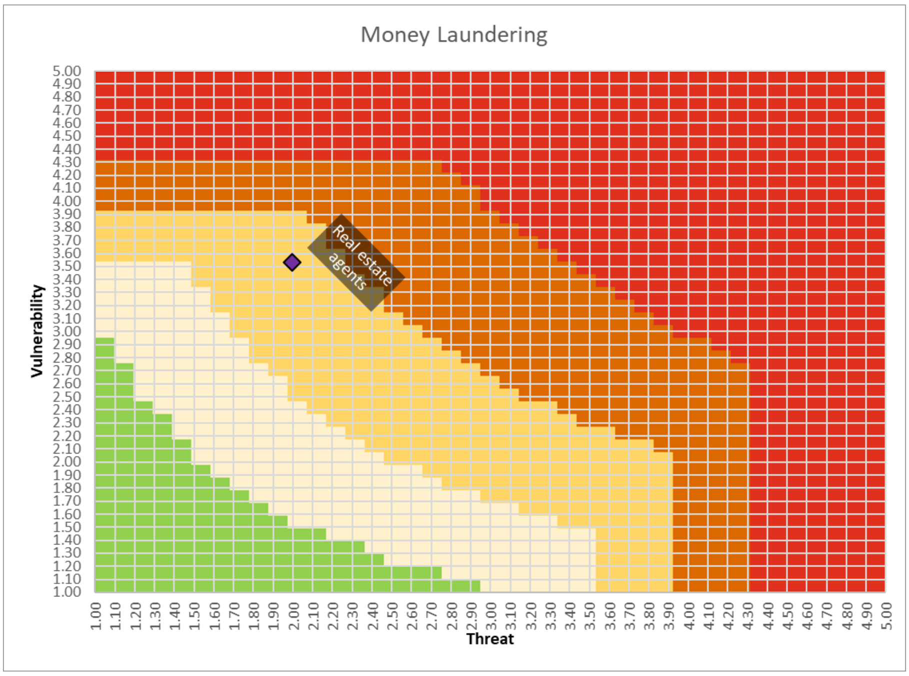
Table 32. The level of money laundering vulnerability in the sector of real estate agents

Sector	The level of money laundering vulnerability at the sectoral level	
Real estate agents	3.53	**average**

On a scale of 1 to 5, the real estate sector vulnerability rating from the aspect of money laundering is 3.53, i.e., among higher average ones together with non-profit organisations and company service providers. In some aspect those sectors are similar to their non-defined borders and low awareness.

The most vulnerable parts are the lack of control over those who enters the market and the efficiency of reacting to the identified deficiencies, of which it may be concluded that market entry control is needed in the sector and supervision over control activities and training needs to be improved. The 3.17 rating obtained from the efficiency of identifying sector-specific risks needs to be pointed out, which indicates that the sector itself does not sense the actual risks in the sector at the sufficient level and considers the legal due diligence obligations as excessive. This also leads to a conclusion that the sector is not sufficiently involved in the money laundering prevention system.

Figure 6. Heat map of the money laundering risk level of the sector of real estate agents



Summary

The risk level of the sector from the point of view of money laundering is **average**, which means that existing risks need to be mitigated and specific measures need to be taken. Due diligence measures must be applied in the sector in a usual manner.

6.4.2. Risk management strategy

6.4.2.1. Mitigating measures at the national level

Based on the results of risk assessment, the following proposals are made to improve the situation at the national level:

1. To create control mechanisms for entering the market by establishing an activity licence or a real estate agent’s professional certificate requirement, where knowledge of money laundering prevention measures at the necessary level serves as a mandatory component. The system for issuing professional certificates has been created by the Estonian Chamber of Estate Agents and the Estonian Qualifications Authority and is currently functioning. Only through issuing certificates of profession, it can be ensured that the persons entering the market have sufficient knowledge of money laundering prevention measures to the extent needed for this profession. As an alternative, the proposals may also include a licence requirement, which would ensure an overview of the persons providing the service, however, it will not solve the problem of competence. It is certainly possible for the state and market participants to develop a sensible compromise solution here that would ensure the necessary regulation of the field and at the same time would not significantly restrict the entrepreneurial freedom.
2. The role of notaries in real estate transactions must be preserved, since today it serves as an important compensation mechanism for mitigating money laundering and terrorist financing risks in the real estate sector. Restoration of the role of the notary should be considered in the process of transferring companies to avoid the change of the actual owner of real estate by using different schemes.
3. Background checks on foreign investments must also be implemented by considering money laundering and terrorist financing risks in order to avoid the infiltration of dirty money into the Estonian economy.
4. To ensure sufficient resources for the FIU for organising training for all the sectors and for the systematic development of risk-based supervision.

5. To develop a system for criminal statistics or more generally, a system of offence statistics of the state, which includes the whole process from the action to the punishment as a single process, so that it could be analysed by economic sectors.
6. To create a register for politically exposed persons (PEP), which would allow the market participants to better perform their due diligence obligation.

6.4.2.2. Mitigating measures at the level of obliged entities

Based on the results of risk assessment, the following proposals are made to improve the situation at the level of obliged entities:

1. To create control mechanisms for entering the market by establishing an activity licence or a real estate agent's professional certificate requirement, where knowledge of money laundering prevention measures at the necessary level serves as a mandatory component. The system for issuing professional certificates has been created by the Estonian Chamber of Estate Agents and the Estonian Qualifications Authority and is currently functioning. Only through issuing certificates of profession, it can be ensured that the persons entering the market have sufficient knowledge of money laundering prevention measures to the extent needed for this profession. As an alternative, the proposals may also include a licence requirement, which would ensure an overview of the persons providing the service, however, it will not solve the problem of competence. It is certainly possible for the state and market participants to develop a sensible compromise solution here that would ensure the necessary regulation of the field and at the same time would not significantly restrict the entrepreneurial freedom.
2. Training for market participants at the level of professional association for better knowledge of money laundering and terrorist financing threats. Due to the lack of resources, FIU is likely to have troubles in training market participants without the support of professional associations in the near future.

6.4.3. Vulnerabilities of prevention of terrorist financing

So far, the threats related to terrorist financing in the sector are almost non-existent, since the real estate agents bring together the buyer and the seller, but do not get close to the content of the transaction itself. Especially if the customer wishes to hide the real purposes of the transaction. Transactions are concluded at a notary's office and the intermediator only sees the contract upon the agreement between them and their customer. The typologies of FATF have also bypassed the sector as regards the topic of terrorist financing.

The issue of implementation of international sanctions is linked to the issue of terrorist financing. 14.8% of the respondents of the survey check their customers against the international sanctions lists, although pursuant to the International Sanctions Act (ISA) they are not persons with a special obligation. However, notaries and assistant judges do have the respective obligations. If the transaction occurs with the participation of credit or financial institutions, they also have the respective due diligence obligations.

Therefore, it can be concluded that the topic of terrorist financing prevention is not very relevant in the real estate sector. Purchase of real estate by persons from risk countries and then renting it out and directing the rental income abroad can be considered a risk in the real estate sector. Real estate objects can also be rented out for accommodating persons with terrorist intentions. Rental procedures may probably not reveal the actual intentions of the person renting the premises and the persons accommodated there, which is why the threat (in terms of what is happening) may prove to be a reality. There have only been few such cases, but perhaps they would still need some acknowledgement, so that when this trend increases, relevant attention would be paid to them from the very beginning.

During the previous assessments, the real estate sector has not been handled in terms of terrorist financing.

6.4.4. Conclusion

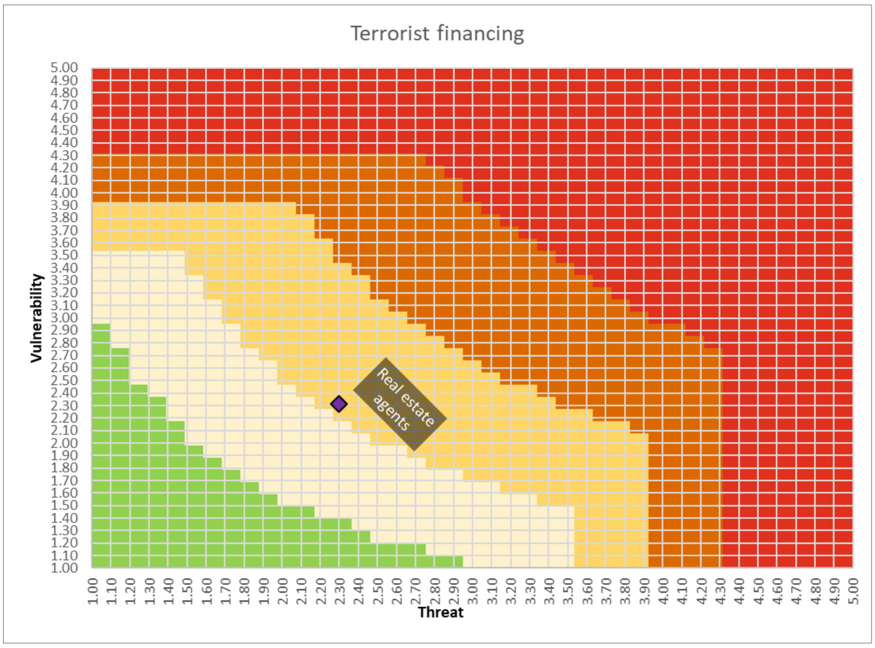
Table 33. The level of terrorist financing vulnerability in the sector of real estate agents

Sector	The level of terrorist financing vulnerability at the sectoral level	
Real estate agents	2.31	**low**

On a scale of 1 to 5, the rating of the vulnerability of the sector of real estate agents from the aspect of terrorist financing is 2.31, i.e., **low**.

The only remarkable aspect is access to, for instance, information about the actual beneficiaries and PEPs both nationally as well as internationally. The sector cannot use paid databases for reliable identification of persons due to sector's nature. This aspect needs to be resolved at the national level. Since the level of terrorist financing vulnerability is low, improving the efficiency of regulations or supervision is probably irrelevant for this sector for the reason stated above, and focus should be targeted to money laundering prevention.

Figure 7. Heat map of terrorist financing risk level of the sector of real estate agents



Summary
The risk level of the sector from the point of view of terrorist financing is **average**, which means that different risks need to be mitigated and specific measures need to be taken. Due diligence measures must be applied in the sector as usual.

6.4.5. Risk management strategy

6.4.5.1. Mitigating measures at the national level

Potential mitigating measures at the national level coincide with the mitigating measures for money laundering prevention.

6.4.5.2. Mitigating measures at the level of obliged entities

Potential mitigating measures at the level of obliged entities coincide with the mitigating measures for money laundering prevention.