

CLIENT MEMORANDUM

Treasury Department Targets Cash Market for High-End Manhattan Residential Real Estate for Temporary Anti-Money Laundering Procedures

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The U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a Geographic Targeting Order ("GTO") on January 13, 2016, requiring certain title insurance companies to implement the anti-money laundering ("AML") procedures set forth in the GTO for all-cash purchases of high-end residential real estate in the borough of Manhattan (the "Manhattan GTO").¹ A similar GTO was issued at the same time for Miami, Florida (the "Miami GTO").² Transactions covered by the Manhattan GTO include those in which—

- The purchaser is a "legal entity" (e.g., a corporation, partnership, or LLC, whether domestic or foreign);
- The total purchase price is greater than \$3 million;
- There is no bank loan or similar form of external financing; and
- The purchase is made at least in part using "currency, a cashier's check, a certified check, a traveler's check or a money order" (each a "monetary instrument" within the meaning of U.S. AML laws).

¹ FinCEN's news release may be viewed [here](#).

² The Miami GTO may be viewed [here](#). It is similar to the Manhattan GTO, but applies to transactions valued at \$1 million dollars or more.

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Neither GTO applies to residential real estate transactions in which a legal entity buyer pays a seller through a bank-to-bank wire transfer, as long as no part of the payment is made in physical currency or another monetary instrument.

The Manhattan GTO takes effect on March 1, 2016, and will end on August 27, 2016, unless extended by FinCEN. Title insurance companies that will be subject to the GTO will be selected and notified by FinCEN of their status. Such title insurance companies will be required to:

- Obtain and record proof of identity of key individuals involved in the transaction—either a driver's license, passport or other similar identifying documentation—for the individual primarily responsible for representing the purchaser, and of each beneficial owner of the legal entity having a 25% or greater equity interest.
- File an electronic report with FinCEN, within 30 days after closing, on the dollar value of the transaction, the identity verification process, and certain other details of the transaction.³

GTOs are temporary measures that address an acute local problem, and are issued when FinCEN determines that the additional record keeping and reporting requirements are necessary to carry out the purpose of U.S. AML laws and prevent individuals and entities from evading the provisions of those laws. The Manhattan GTO is based on FinCEN's concern that certain corrupt foreign officials or transnational criminals may be attempting to conceal their identities by purchasing residential properties in Manhattan through shell companies or similarly opaque structures. FinCEN may also use its experience under these GTOs to evaluate whether a more permanent form of AML regulation is required for the high-end real estate market.

If you have any questions about this memorandum, please feel free to contact David C. Drewes (ddrewes@willkie.com, 212-728-8653), Thomas J. Henry (thenry@willkie.com, 212-728-8750), Barbara Block (bblock@willkie.com, 202-303-1178) or the Willkie attorney with whom you regularly work.

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³ The Manhattan GTO may be viewed [here](#).