SECTORAL RISK (AML/CFT) ASSESSMENT OF
DESIGNATED NON- FINANCIAL BUSINESS AND PROFESSIONS
(REAL ESTATE SECTOR)

(SANITIZED VERSION)

BANGLADESH FINANCIAL INTELLIGENCE UNIT

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SPECIAL THANKS TO[1]:

THE AML/CFT RISK ASSESSMENT OF REAL ESTATE SECTOR

1.0: Introduction

1.1 Background

Money Laundering (ML) and Financing of Terrorism (TF) offences have emerged as the potential threats to global economy over the past couple of decades. With a view to preventing these unwanted activities, Financial Action Task Force (FATF) has been formed in 1989 under the leadership of G-7 countries. The organization is primarily responsible for developing a worldwide standard for Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT) activities. It works in close cooperation with other key international organizations, including the IMF, the World Bank, the United Nations, and FATF-style regional bodies (FSRBs). The Asia-Pacific Group on Money Laundering (also known as the APG or APGML) is the FSRB for the Asia Pacific region, founded in 1997. Bangladesh is a founding member of APG. However, as a part of global efforts to address ML and TF risks, Bangladesh is committed to implement FATF's 40 recommendations. Recommendation-1 requires that every member country should identify, assess, and understand its money laundering and terrorist financing risks and take appropriate measures to mitigate them effectively.

It is argued that the Designated Non-Financial Businesses and Professions (DNFBPs) are attractive venues for criminals as these businesses and professions are comparatively less regulated than that of financial sector. DNFBPs are consistently targeted by criminals for criminal influence and criminal exploitation. It is therefore stated in the first recommendation of FATF that "Countries should require financial institutions and designated non-financial businesses and professions (DNFBPs) to identify, assess and take effective action to mitigate their money laundering and terrorist financing risks". Recommendation 28 suggests that in addition to casinos, countries should ensure the other categories of DNFBPs are also subject to effective systems for monitoring and ensuring compliance with AML/CFT requirements. Recommendations 22nd and 23rd outline obligations for Designated Non-Financial Business and Professions (DNFBPs) including real estate agents when they are involved in transactions for their clients concerning the buying or selling of real estate. Recommendations 10, 11, 12, 15 & 17 suggest about Compliance (CDD, Record keeping, PEPs, New Technologies and Reliance on third-party respectively). According to these recommendations and their compliance requirements, it is essential to assess potential ML/TF risks of DNFBPs sector. In this connection, Bangladesh has taken initiative to assess country's ML/TF risks relating to DNFBPs, which include Real Estate agents, dealers of precious metals and precious stones, accountants, lawyers and trust and company service providers. In particular, this document has addressed assessment of ML/TF risks relating to Real Estate Sector.

1.2 Objectives

The main objective of this report is:

- To assess money laundering and terrorist financing risks in Real Estate Sector of Bangladesh.

Specific objectives of this study are:

- To develop a risk assessment framework to assess vulnerability of Real Estate Sector
- To assess quality and effectiveness of legal framework of Real Estate Sector
- To assess inherent vulnerability of Real Estate Sector
- To identify overall vulnerability of Real Estate sector
- To suggest effective remedial policy decisions and actions that need to be taken to mitigate those vulnerabilities

2.0: An Overview of Real Estate Sector in Bangladesh

2.1 Introduction

Bangladesh is the World's 7th largest populous country with 166 million population. A large segment of population (71.1%) still live in rural areas (ESCAP, 2013). 81 percent of total houses in Bangladesh are located in villages and 80 percent of them are made of local materials such as mud and bamboos. Structure of those houses is temporary in nature and these are built by households' own initiatives. This segment of population has low purchasing power. On the other hand, the country has experienced considerable urbanization in the last 30 years as urban population has become twice as share of urban population increased from 14.9 percent in 1980 to 28.9 percent in 2012. Population density in urban areas also considerably increased during this period. In 2012, urban population per square kilometer reached to 1074, which is three times of urban population density in neighbouring India. High density of urban population accompanied by very limited supply of land has continuous pressure on land and apartment price in urban areas. The World Bank (2010) has documented that additional demand for 500,000 houses are added annually in urban areas. Consequently, Real Estate Business in Bangladesh is mainly centered in the urban areas, particularly in the major cities of the country. This document therefore mainly sheds light on Real Estate Sector in the major cities of the country from the perspectives of ML and TF risks.

2.2 Real Estate Business in the context of real GDP

Time series data on Real Estate Business alone is not available. However, comparing growth of real estate, renting and business (RRB) activity against real growth of GDP, it is found that the sector's growth remained below the growth of real GDP throughout the period of FY01 to FY13 within a range of 1.0 to 2.9. On the other hand, the sector's size as a share of real GDP remains modest. In FY01, the sector was 8.82 percent of real GDP and the figure rather slowed down to 6.32 percent in FY13.

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2.3 Legal Framework of Real Estate Sector

Legal framework of real estate sector in Bangladesh is comprised of Building Construction Act 1952, Building Construction Rule 1996, Town Improvement Act 1953, Private Housing (Land) Development Ordinance 2004, Land Development Rules for Private Housing Projects 2004, Bangladesh National Building Code 2006, Dhaka Metropolitan Building Construction Rules 2008 and Real Estate Development and Management Act 2010.

2.4 Regulatory Authorities

The concerned ministry for real estate development in Bangladesh is the Ministry of Housing and Public Works. Nine separate organizations working under this ministry are:

(i) Rajdhani Unnayan Kartripakka (RAJUK)

(ii) Chittagong Development Authority (CDA)

(iii) Khulna Development Authority (KDA)

(iv) Rajshahi Development Authority (RDA)

(v) Department of Urban Development (DUD)

(vi) National Housing Authority (NHA)

(vii) Department of Architecture (DA)

(viii) Public Works Department (PWD)

(ix) Housing and Building Research Institute (HBRI)

RAJUK, CDA, KDA and RDA control any use of land and construction activities in the cities of Dhaka, Chittagong, Khulna and Rajshahi. DUD designs master plan and urban development programs for all other towns of the country. Main focus of NHA is to ensure housing for the disadvantaged, destitute, shelter less poor including low and middle-income group of people at affordable price. DA is responsible for designing all Government buildings and also for public housing schemes across the country. PWD plays pivotal role in implementing government's construction projects. Main objective of HBRI is to promote technical and scientific studies and research on various problems of building construction and building materials industries and of human settlement as a whole.

**2.5 Major Players in Real Estate Market**

Real Estate Business is mainly limited to main cities of the country, namely Dhaka, Chittagong, Khulna and Rajshahi, although recent trend is observed in Sylhet City and Cox's Bazar, the longest sea beach area of the world . Main two products of this business are land and building. Both government and private sectors are stakeholders of this sector. Although RAJUK, CDA, RDA, and KDA are regulatory authorities in the major cities, they also develop land, build apartments and allotted them to public mainly for residential purposes. However, there exists strict entry regulation in this market. Anyone who has already been allotted a plot or flat for residential purpose in his/her name or in the name of his/her wife/husband or in the name of dependent children or any other dependent by the Authority does not qualify for such plot or apartment for the second time.

Private sector is the main driving force of Real Estate Market in Bangladesh. The journey Real Estate Business in private sector began in 1970 with only five registered firms (Amin et al., 2012). Gradually, new firms entered into the market and the number of companies reached to 42 in 1988. However, the sector got momentum since late 1990s. The number of registered Real Estate companies in Bangladesh as on 11 November, 2014 was 15,132 (RJSC). REHAB (the Real Estate and Housing Association of Bangladesh) is the umbrella association of real estate agents, developers and builders. Since all the major players in this market are members of this association, they constitute lion part of the market. As of 2013, the number of REHAB members were 1,198 (REHAB Directory, 2013) and total volume of business as of 2010 was BDT 259.81 billion.

**2.6 Growth and demand for Real Estate Products**

Capital city, Dhaka plays leading role in development of Real Estate Market among the major cities. Since data are not publicly available for other cities, this document has tried to depict a picture of growth and demand for real estate products in Bangladesh through development of this market in the capital city. From Figure 2.1 , it can be observed that a small number of apartments were constructed before 1990. The sector got momentum since 1990 and began to grow exponentially from 2000 and onward. Similar trend is observed for apartment price (see Figure 2.2). Significant upward trend of apartment price since 2005 indicate that supply side responded quickly to meet strong demand of the products. Unlike apartment price, land price began to rise sharply since 1990 and it got further momentum from 2000 and onward (see Figure 2.3). As like as land and apartment price, house rents of the major cities also considerably increased during the same period (see Figure 2.4).

Figure 2.1 : Growth of Apartments in the Capital City
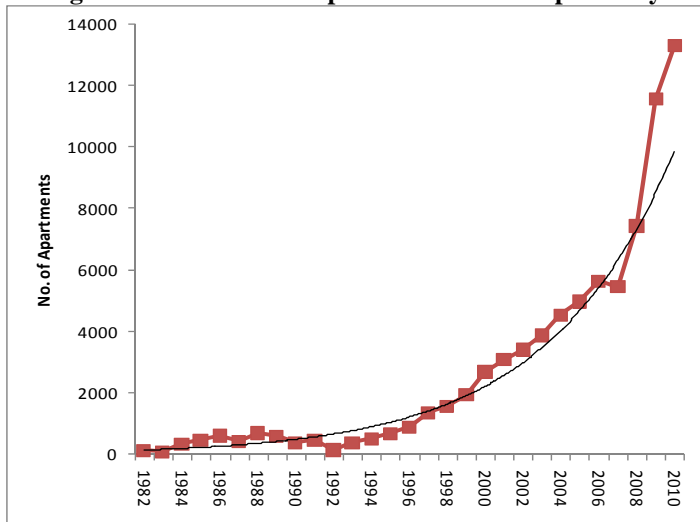
Source: Seraj (2012)

Figure 2.2: Change in Apartment Price in the Capital City
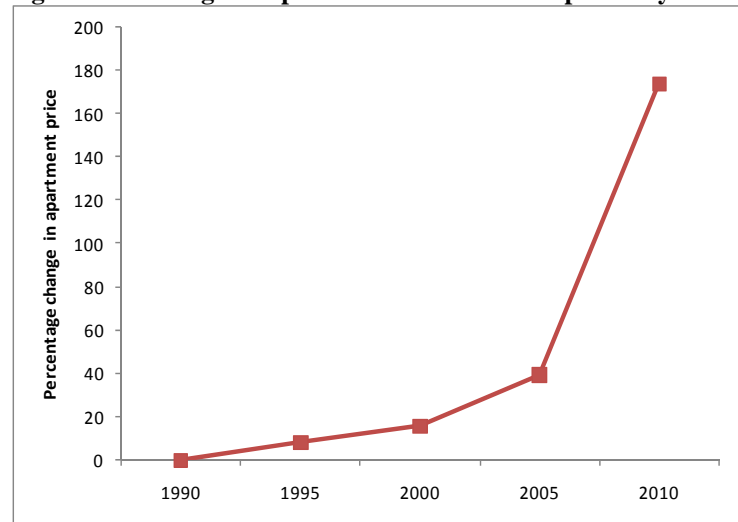
Source: Statistical Yearbook, BBS, Base Price Year 1990
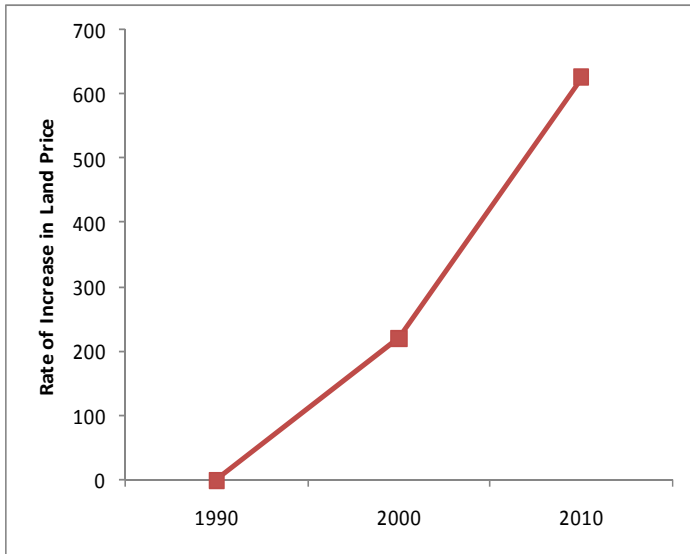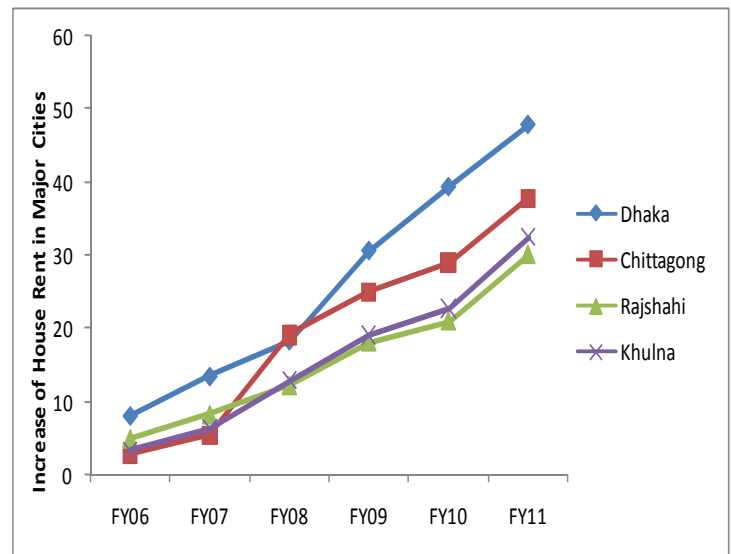
Figure 2.3: Increase of Land Price in the Capital City	Figure 2.4: Increase of House Rent in the Major Cities

2.7 Registration and transfer mechanism

Registration process of land and apartment requires a copy of buyer's National ID which includes his/her picture and a unique identification number, income tax certificate which includes Tax Payer's Identification Number (TIN), passport size pictures of both buyers and sellers and land ownership history for the last 25 years. These legal requirements indicate that there is little scope to hide identity of buyer and seller in Real Estate Sector of Bangladesh. Registration process of land in general requires registration fees (2.5%), VAT (1.5%), capital gains tax (5%) which is not applicable in rural areas, stamp duty (5%), property handover tax etc. These figures indicate that transfer mechanism is also costly one.

2.8 Weaknesses of the sector

There is no unique data base to identify total possession of land and buildings by natural individuals and legal persons. It is not unlikely that criminals may find scope to penetrate illegitimate fund in real estate sector.

2.9 AML and CFT Regulations for Real Estate Sector

Article 2 (w)(ix) of Bangladesh Money Laundering Prevention Act 2012 lists real estate developers as reporting organizations. Furthermore, Money Laundering Prevention Rules 2013 and Anti-Terrorism Act 2009 are also equally applicable to Real Estate Sector. BFIU circulars and guidelines related to Real Estate Sector have clearly demonstrated its earnest efforts to prevent money laundering. BFIU recently issued another circular (No. 13, dated 09 July 2013) for Real Estate Sector updating all the requirements as per FATF recommendations including Prevention of financing of Terrorism and Financing of Weapons of Mass Destruction.

3.0 Real Estate Sector of Bangladesh within National Risk Assessment Framework

National risk assessment framework of Bangladesh economy has been depicted in Figure 3.1. This Chart shows that national risk assessment is an outcome of money laundering and terrorist financing risks embedded in different sectors of the economy. It further shows that different factors and their interrelationship also contribute to overall ML and TF risks of the country, though some factors have direct impacts while others have indirect influence. The importance and impact of a single factor often depends on the existence or absence of other factors.

Figure 3. 1: Real Estate Sector within National Risk Assessment Framework
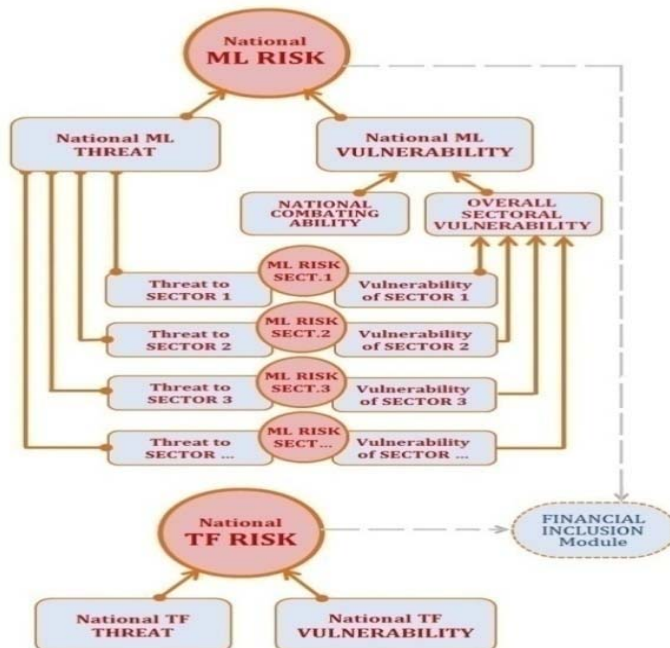
Since Bangladesh economy is comprised of various sectors, in this framework real estate sector is a component of overall national ML and TF risks.

4.0 Conceptual Framework to assess ML and TF Risks of the Real Estate Sector in Bangladesh

Conceptually, there are four factors that determine vulnerability of the real estate sector. These factors are:

    4.1 The network structure of the module

    4.2 The assessment ratings of the input variables.

    4.3 The relative weights of the input variables and intermediate variables

    4.4 The defined conditions (pre-requisites) for intermediate variables

4.1 The Network Structure of Real Estate Sector's Vulnerability Module

The network structure is the building block of risk assessment process. It displays dependency among the variables that influence vulnerability of the real estate sector. In other words, all the variables are inter-connected through a network system. Complexity of this network influences overall risk of this sector. Variables can be primarily

categorized into two types: (a) input variables and (b) intermediate variable variables. Input variables are again sub-categorized into (i) AML Control Variables and (ii) Inherent Vulnerability Variables. Ratings of AML control variables are inversely related to vulnerability of Real Estate Sector. In other words, higher ratings indicate lower vulnerability while lower ratings indicate likelihood of higher vulnerability of the sector. On the other hand, higher ratings of inherent vulnerability variables indicate higher level of vulnerability of the sector and vice versa. Intermediate variables are broad, high-level factors and outcomes of interactive effects of input variables. These variables have also considerable influence in determining overall vulnerability of Real Estate Sector.

Figure 4.1: Real Estate Sector's Risk Assessment Framework
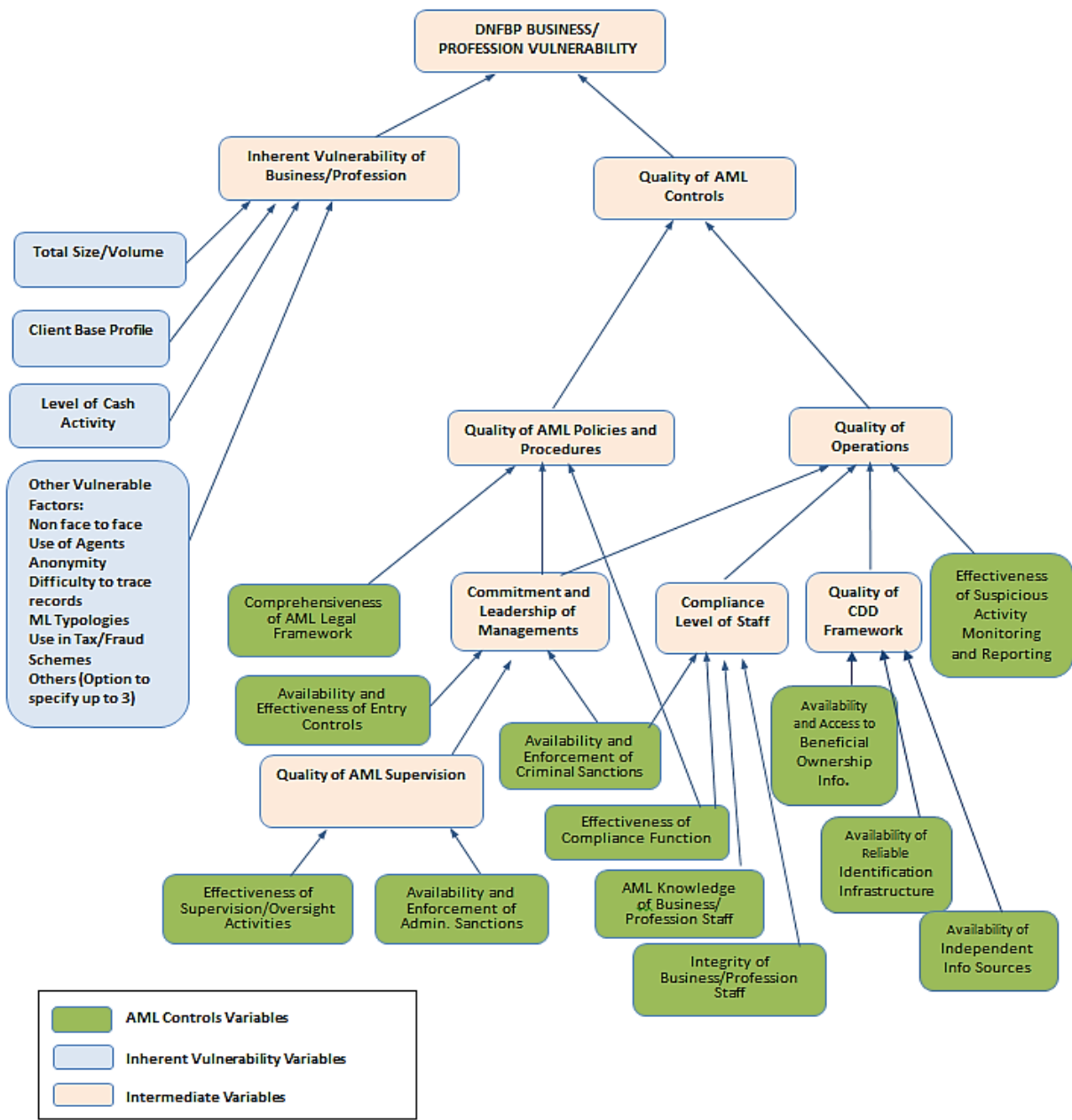
5.0 Methodology

All the AML control variables are ranked as ordinal number against some specific criteria. These ordinal numbers are *excellent, very high, high, medium high, medium, medium low, low, very low, close to nothing and does not exist.* Numerical values are assigned against each of these ordinal numbers. The cardinal numbers against these ordinal numbers are 1.0, 0.9, 0.8, 0.7, 0.6, 0.5, 0.4, 0.3, 0.2, 0.1 and 0.0 respectively. When all the criteria of a variable are satisfied, the variable is then ranked as excellent and then numerical value assigned against this ordinal number is 1.00. It can be mentioned that professional judgment, experience, and group discussion are also taken into account while ranking a variable.

Similarly, inherent vulnerability variables are assessed against some specific criteria and assigned them some ordinal numbers or categorical values. When numerical values of AML control variables and ordinal/categorical values of vulnerability variables are given as inputs in the formatted Excel Sheet designed by the WB team, the built-in mechanism automatically generates ratings of intermediate variables and outputs of the assessment. These results are discussed in the next section.

6.0 Findings and Discussion

This section sheds lights on findings of AML control variables, inherent vulnerability variables, intermediate variables and overall vulnerability of Real Estate Sector in Bangladesh followed by priority ranking for general input/AML control variables.

6.1 Findings of input (AML Control) variables

6.1.1 Comprehensiveness of AML Legal Framework

Risk Score: 0.6

Major deficiencies:
- Real Estate Sector lacks single authority for licensing
- Licensing authorities for Real Estate do not have authority for AML/CFT supervision
- Internal control mechanism is poor.

Room for improvement:
- Effective implementation of ML/TF laws, rules and circulars will minimize the ML/TF risks of Real Estate Sector.

6.1.2 Effectiveness of Supervision/Oversight Activities

Risk Score: 0.5

Major deficiencies:

- Supervisory activities within a comprehensive supervisory framework which includes clear supervision policies, procedures and manuals has not yet been finalized.
- Considering the periphery/size of the sector the supervisory authority lacks sufficient number of trained staff.
- In terms of AML/CFT compliance, SROs are not competent enough to perform supervision on AML/CFT.

Partial deficiencies:

- Training on AML/CFT for staffs of Real estate developers is underway.

- Necessary resources to ensure AML compliance (such as the technical capacity, budget, and tools) for Real Estate developers are being developed gradually.

- Comprehensive, risk-based supervisory program that consists of on-site and off-site monitoring and on-site inspections on both regularly scheduled cycles and periodic spot-checks (risk-based and as necessary) are being planned for implementation.

- Moral suasion has an impact on the assessed business/profession's management and is positively influencing behavior patterns but it is not being exercised sufficiently.

- Supervisory powers are yet to be exercised effectively.

Room for improvement:

- Following Risk Based Approach, high risk entities are being in the process of identification through Compliance Questionnaires.

6.1.3 Availability and Enforcement of Administrative Sanctions

Risk Score: 0.4

Major deficiencies:

- There is no record of administrative enforcement actions taken in the past by law enforcement authorities regarding non-compliance with AML requirements in the assessed business/profession.

Partial deficiencies:

- The administrative sanctions are required to be initiated to positively influence the assessed business/profession's firms' management and staff behavior.

Room for improvement:

- Once on-site inspection is initiated, apt administrative sanctions will be exercised in cases of non-compliance.

6.1.4 Availability and Enforcement of Criminal Sanctions

Risk Score: 0.3

Major deficiencies:
- There is no record of convictions, and criminal enforcement actions taken in the past by law enforcement authorities regarding non-compliance with AML requirements in the assessed business/profession.

Room for improvement:
- There are instances of criminal enforcement actions taken against Real Estate Developers under other laws but there is however no database preserving these records.
- BFIU may develop a software/database to preserve criminal convictions record related to real estate sector with cooperation from other regulators such as LEAs, Environment Department etc.

6.1.5 Availability and Effectiveness of Entry Controls
Risk Score: 0.10
Deficiencies:
- In connection with licensing and entry controls duties, there is no fit and proper test designed to prevent criminals or their associates from being granted a business or professional license or being the beneficial owner of a significant controlling interest in the business or holding a significant management position

- There is no provision for appropriate educational and professional certification requirements for key directors and senior management

- There is no requirement for all licensees to have adequate AML compliance controls in place, including compliance manuals and appointment of well-qualified internal controls/compliance staff

- There is no such mechanism to ensure the quality implementation of entry controls to the assessed business/profession, including a sufficient number of well-trained and highly skilled personnel to screen, vet and approve all applications and supporting documentation

Room for Improvement:
- In consultation with the respective SROs, such provision can be incorporated to prevent criminals entering Real Estate Sector.
- BFIU may request the licensing authorities that before issuing licenses they should ensure that all businesses/entities/individuals implement adequate AML/CFT controls including compliance manuals and appointment of qualified AML/CFT compliance staff.
- BFIU will conduct training on AML/CFT compliance issues for the staffs of Real Estate Sector periodically.

6.1.6 Integrity of Business/Profession Staff

Risk Score: 0.50

Deficiencies:
- There is no practice of recording and reporting on integrity failures by the staffs, managers and directors of Real estate Sector.

Room for Improvement:

- BFIU will conduct training and awareness program to address the issue of integrity failure.
- BFIU will ask REHAB to request their members to keep records and report on integrity failures by the staffs, managers and directors.
- BFIU will ensure that integrity failures are recorded by respective Real Estate Developer and reported to BFIU during on-site and off-site inspections.
- BFIU circular 13 has instructed all Real Estate Developers to initiate screening mechanism before employing staffs.

6.1.7 AML Knowledge of Business/Profession Staff

Risk Score: 0.10

Deficiencies:

- Training programs are yet to be designed to ensure all appropriate staff members. All professionals and staff members are required to undergo ongoing training to ensure that their knowledge of AML laws, policies and procedures is appropriate and up-to-date (keep in mind that if the firm conducts business with clients and professional intermediary firms in other jurisdictions, their knowledge should also extend to AML laws and regulations of those jurisdictions as well)

- Professionals/staff have not a good knowledge of and are not regularly updated on domestic and transnational money laundering schemes and typologies, including those involving the misuse of the business/profession and specialized knowledge and skills of its professionals and its products and services

- Professionals/staff are not aware of AML compliance and reporting procedures and obligations.

Room for Improvement:

- BFIU will conduct training on AML/CFT issues based on yearly action plan. BFIU will conduct training on AML/CFT issues for TOT so that real estate employees can be trained according to their respective yearly plan.
- BFIU may provide qualified human resource if they seek to conduct training sessions on AML/CFT issues.

6.1.8 Effectiveness of Compliance Function (Organization)

Risk Score: 0

Deficiencies:

- Real Estate Sector has not initiated any internal compliance programs that are commensurate to the level of the risk of the firms, taking into account factors such as jurisdictions of end user and professional intermediary clients, clients that are complex or opaque legal structures, the volume and nature of products provided; client-base profile transaction patterns and cross-border nature of transactions

- They have not appointed a sufficiently-resourced, independent AML compliance officer at senior management level

- There is no mechanism of performing internal and/or external AML audits.

Room for Improvement:

- BFIU will circulate risk assessment guidance to REHAB in order to assess their own AML/CFT risks.
- BFIU circular 13 has asked Real Estate Developers to do the following:-

    -to implement compliance programs based on risk assessment among its members

    -to ensure the compliance programs implemented by the respective entity are commensurate to the level of the risk of the firms based on its off- site and on-site inspection.

    -to appoint qualified personnel as AML/CFT compliance officer at senior management level based on the nature and volume of their business /profession.

    -to perform internal and/or external AML/CFT audits

- BFIU inspection teams will ensure compliance of the above in future.

6.1.9 Effectiveness of Suspicious Activity Monitoring and Reporting

Risk Score: 0.10

Major deficiencies:

- The firms do not have information systems that enable and facilitate the monitoring of client transactions and comparing them against the client's profile. They have no system to perform effective PEP screening or to assist the business/profession and its staff to effectively identify and record all complex, unusual large transactions

Partial deficiencies:

- Transactional records are available in maximum cases in a format that facilitates AML screening and monitoring

Room for Improvement:

- BFIU circular 13/2015 on DNFBPs has addressed the issues identified above and emphasized reporting of STR and SAR to BFIU. BFIU inspection teams will ensure compliance of the above in future.

6.1.10 Availability and Access to Beneficial Ownership Information

Risk Score: 0.30

Deficiencies:

- There is limited scope of determining transparency relating to beneficial interests in corporations, trusts or similar entities in place.
- Comprehensive information on the structure, management, control, and beneficial ownership (BO) in corporations, trusts and similar vehicles is sometimes difficult to available and is not available to AML-regulated institutions and businesses and professions to facilitate their Customer Due Diligence requirements.

Room for improvement:

- The BFIU circular 13/2015 has addressed the issue of maintaining information on BO and making it readily available to competent authorities. The circular will also laid out the customer due diligence and enhanced due diligence requirements for BO.
- BFIU inspection teams will ensure compliance of the above in future.

6.1.11 Availability of Reliable Identification Infrastructure

Risk Score: 1.0

- There is no deficiency to avail of reliable identification infrastructure.

6.1.12 Availability of Independent Information Sources

Risk Score: 0.9

- There is no deficiency to avail of independent information sources.

6.2 Findings of Inherent Vulnerability Variables

6.2.1 Risk Scores of Inherent Vulnerability Variables

Risk scores of inherent vulnerability variables are shown in Table 6.1. It is mentioned earlier that higher ratings of inherent vulnerability variables are associated with higher vulnerability of the sector. From this perspective, three variables are found to have considerable inherent vulnerability. In particular, risk score of total size of the sector in terms of total number of providers, total number of product provided and total turnover/volume of the business appear to be high. As of 2010, total volume of business of Real Estate Sector was BDT 259.81 billion. The number of registered Real Estate companies in Bangladesh as on 11 November, 2014 was 15,132 (RJSC) where the number of REHAB members were 1,198 (REHAB Directory, 2013). On the other hand, risk scores of both client-base profile of the business and level of cash activity related to the business are found as *medium*. This is because Real Estate Developers are required to keep details of client's records as per BFIU Circular No. 8, dated 29 October 2013. They take cash but to a limited extent. Large transactions are however conducted through instruments. In few cases,

Real Estate Developers use the services of informal agents in buying and selling real estate. Currently, there are no records regarding anonymous use of products. Real estate products are primarily land and building and these products therefore do not suffer from untraceable problem. REHAB regularly arranges fair where clients meet face-to-face with the developers. Presumably, face-to-face introduction is a common picture in real estate business of Bangladesh.

Table 6.1: Risk Scores of Inherent Vulnerability Variables

Sl. No.	Inherent Vulnerability Variables	Risk Score
1.	Total size/volume of the business	High
2.	Client-base profile of the business	Medium
3.	Level of cash activity associated with the business	Medium
4.	Use of agents	Low
5.	Anonymous use of products	Not available
6.	Difficulty to trace the transaction	Easy to trace
7.	Existence of ML typologies on the abuse of the business	Exists and
8.	Use of the business/profession in tax/fraud schemes	Exists but limited
9.	Non-face-to-face interaction with the client.	Available

6.2.2 Deficiencies

There still exist some deficiencies in Real Estate Sector of Bangladesh. In particular, there remains huge high net-worth individuals and domestic/international PEPs. There are some clients with foreign business or personal interests. All of them need to be dealt with enhanced due diligence. In some cases, developers use informal agents in buying and selling real estate and take cash instead of financial instruments.

6.3 Findings of intermediate variables

It is already discussed that each of the intermediate variables is an outcome of interactive effects of two or more AML control variables. When values of AML control variables of real estate sector are inserted in the World Bank's risk assessment tool, risk scores of intermediate variables are automatically generated from the built-in mechanism of the model. These risk scores are reported in Table 6.2. Since risk score of AML control variables are inversely related to vulnerability of the sector, intermediate variables can also be interpreted in similar fashion. In other words, higher risk score of intermediate variables are associated with lower vulnerability. From this perspective, low score (10%) of the quality of controls, quality of operations and compliance level of staff indicate that they are considerably contributing to overall vulnerability of the sector.

Table 6.2: Risk Scores of Intermediate Variables

Sl. No.	Intermediate Variables	Risk Score
1.	The Quality of AML controls	10%
2.	Quality of operations	10%
3.	Quality of AML supervision	47%
4.	Quality of AML policies and procedures	25%
5.	Quality Of CDD Framework	69%
6.	Commitment and Leadership of Managements	34%
7.	Compliance Level of Staff	10%

6.4 Findings of Overall Vulnerability

Using World Bank tool for assessing Risk for Real estate Sector, the inputs have generated the following overall outputs:

Table 6.3: Risk Scores of Overall Vulnerability

Sl. No.	Vulnerability of the Real Estate business	Obtained score
1.	Inherent vulnerability	83%
2.	Final vulnerability	83%

High score (83%) of final vulnerability of the Real Estate business indicates that the sector is exposed to high risk in terms of ML & TF context.

6.5 Priority Ranking For General Input /AML Controls Variables

With the given input of AML control variables and inherent vulnerability variables in the respective fields of risk assessment framework, computing system has generated priority ranking for input variables as shown in Table 6.4. This ranking is useful to find out the priority level of taking actions. The lower the ranking of a variable indicates higher priority action to be initiated to mitigate the problems associated with it. From the following table, it can be seen that AML knowledge of business/profession staff, effectiveness of compliance function, availability and effectiveness of entry controls, effectiveness of suspicious activity monitoring and reporting, effectiveness of supervision/oversight activities and availability and enforcement of criminal sanctions need to be dealt with high priority.

Table 6.4: Priority Ranking for General Input/ AML Control Variables

PRIORITY RANKING FOR GENERAL INPUT / AML CONTROL VARIABLES	PRIORITY RANKING**
Comprehensiveness of AML Legal Framework	9
Effectiveness of Supervision/Oversight Activities	5
Availability and Enforcement of Administrative Sanctions	7
Availability and Enforcement of Criminal Sanctions	6
Availability and Effectiveness of Entry Controls	3
Integrity of Business/ Profession Staff	8
AML Knowledge of Business/ Profession Staff	1
Effectiveness of Compliance Function (Organization)	2
Effectiveness of Suspicious Activity Monitoring and Reporting	4
Availability and Access to Beneficial Ownership information	10
Availability of Reliable Identification Infrastructure	
Availability of Independent Information Sources	

7.0 Conclusion and Recommendations

In respect of AML/CFT related risk assessment, Real Estate business in Bangladesh possess a very high risk. We have to mitigate the risk according to the priority ranking as we have got. In this context, following recommendations can be made for Real estate sector to handle the existing ML and TF risks:

- Establish, implement, monitor, and maintain an effective compliance program in line with BFIU circular and Guidelines.
- Devise and implement relevant policies, procedures, processes and controls designed to prevent and detect potential Money Laundering, Terrorist Financing and Fraud activities.
- Consider Customer Due Diligence, record preservation, training and awareness, employee screening, detection of unusual and/or suspicious transactions, monitoring and reporting
- Appoint a compliance officer at a management level or a designated focal point for compliance related matters who will be responsible for the day-to-day oversight of relevant policies, procedures, processes and controls to detect, prevent Money Laundering, Terrorist Financing and Fraud.
- Ensure that relevant policies, procedures, processes and controls are communicated to all relevant employees.
- Establish ongoing employees training program to ensure that they are kept informed of new developments, including information on current anti Money Laundering, anti Terrorist Financing and anti Fraud risks, techniques, methods and trends.
- Ensure an independent review system that will test and assess the effectiveness of these Guidelines on a risk-sensitive basis; this review shall have a defined minimum frequency.
- Devise and implement appropriate screening procedures to ensure that employees, customers and suppliers are not identified on any official sanctions list.