

# FinCEN RENEWS MONEY LAUNDERING GTOS



The Financial Crimes Enforcement Network (FinCEN) announced Nov. 15 the issuance of revised Geographic Targeting Orders (GTOs) that require U.S. title insurance companies to identify the natural persons behind shell companies used in all-cash purchases of residential real estate.

The purchase amount threshold, which previously varied by city, is now set at \$300,000 for each covered metropolitan area.

FinCEN is also requiring that covered purchases using virtual currencies be reported. FinCEN also is dropping the confidentiality provision and removing GTO coverage for purchases by trusts. For purposes of this order, “**Beneficial Owner**” means each individual who, directly or indirectly, owns 25% or more of the equity interests of the Legal Entity purchasing real property in the Covered Transaction. “**Legal Entity**” means a corporation, limited liability Company, partnership or other similar business entity, whether formed under the laws of a state, or of the United States, or a foreign jurisdiction.

## WHEN ARE THE EFFECTIVE DATES?

The extended GTOs run from  
**May 16, 2019 to November 11, 2019.**

## WHAT IS A GEOGRAPHIC TARGETING ORDER?

Under the Bank Secrecy Act (BSA), the director of FinCEN can issue orders which require additional recordkeeping and reporting requirements on domestic financial institutions in a specific geographic areas (“Covered Transactions”) that involve transactions using certain amounts of United States currency or monetary instruments. Orders such as these can be in effect for up to 180 days. See 31 USC § 5326(a); CFR § 1010.370.

## THE REPORT MUST INCLUDE:

- Information about the identity of the individual primarily responsible for representing the buyer. The title company must obtain a record of the individual’s driver’s license, passport or other similar identification
- Date of closing of the covered transaction
- Total amount transferred in the form of a monetary instrument
- Total purchase price of the covered transaction
- Address of real property involved

If the purchase involved in the covered transaction is a limited liability company, the underwriter must provide the name, address and taxpayer identification number of all its members.

## COVERED JURISDICTIONS

CALIFORNIA		NEW YORK	
Los Angeles		Brooklyn	
San Diego		Queens	
San Francisco		Bronx	
San Mateo		Staten Island	
Santa Clara		Manhattan	
FLORIDA		HAWAII	
Broward		City & County of Honolulu	
Miami-Dade			
Palm Beach			
NEVADA			
Clark County			
TEXAS		WASHINGTON	
Bexar		King County	
Tarrant			
Dallas			
ILLINOIS		MASSACHUSETTS	
Cook County		Suffolk	
		Middlesex	

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### WHAT ARE THE PENALTIES OF VIOLATING THE GTO?

Violation of the GTO may subject a Covered Business to the following criminal and civil penalties:

#### CRIMINAL

TYPE OF VIOLATION	PENALTY
Willful Violation	Up to \$250,000 fine and 5 years in prison
Willful Violation while violating another law of the US	Up to \$500,000 fine and 10 years in prison
Structuring or assisting in structuring a transaction to avoid the currency transaction reporting	Fine and up to five years in prison

#### CIVIL PENALTIES

TYPE OF VIOLATION	PENALTY
Willful violation (a separate violation occurs for each day the violation continues and each location a violation occurs)	Greater of the amount involved (up to \$100,000) or \$25,000
Failure to file a report, material misstatement or omission	Not to exceed the amount involved in the transaction
Structuring or assisting in structuring a transaction to avoid the currency transaction reporting	Not to exceed the amount involved in the transaction
Negligence	Not to exceed \$500 or \$50,000 if a pattern of negligence is found

- Contact your Ticor Title Representative for more information •