

**Brazil: Report on the Observance of Standards and Codes—
FATF Recommendations for Anti-Money Laundering and
Combating the Financing of Terrorism**

This Report on the Observance of Standards and Codes on the FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism for **Brazil** was prepared by the Financial Action Task Force on Money Laundering (FATF), using the comprehensive methodology endorsed by the Financial Action Task Force in October 2002 and by the Executive Board of the IMF in November 2002. The views expressed in this document are those of the FATF team and do not necessarily reflect the views of the government of **Brazil** or the Executive Board of the IMF. ROSCs do not rate countries' observance of standards and codes or make pass-fail judgments. Consequently, no overall assessment of the effectiveness of the anti-money laundering and combating the financing of terrorism regime is provided.

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Federative Republic of Brazil
Report on Observance of Standards and Codes
FATF Recommendations for Anti-Money Laundering
and Combating the Financing of Terrorism

Introduction

1. This report on the Observance of Standards and Codes (ROSC) for the *FATF 40 Recommendations for Anti-Money Laundering and 8 Special Recommendations for Combating the Financing of Terrorism* was prepared by representatives of member jurisdictions of the Financial Action Task Force (FATF) and the *Grupo de Acción Financiera de Sudamérica* (GAFISUD) and members of the FATF and GAFISUD Secretariats.¹ The report provides a summary of the level of compliance with the FATF 40 Recommendations, adopted in 1996, and the FATF 8 Special Recommendations, adopted in 2001, and provides recommendations to strengthen Brazil's anti-money laundering and combating the financing of terrorism (AML/CFT) system. The views expressed in this document are those of the evaluation team as adopted by the FATF Plenary and do not necessarily reflect the view of the government of the Federative Republic of Brazil, the International Monetary Fund (IMF), or the World Bank.

Information and methodology used for the assessment

2. In preparing the detailed assessment, assessors reviewed the relevant AML and CFT laws and regulations, the capacity and implementation of criminal law enforcement systems, and supervisory and regulatory systems in place in the following sectors: banks, currency exchange, securities, insurance, and money remittance to deter money laundering and financing of terrorism. The evaluation team met from 3-7 November 2003 with officials from the relevant Brazilian Ministries and agencies as well as financial institution representatives. Meetings took place with representatives from following government agencies and departments: Conselho de Controle de Atividades Financeiras (COAF, the financial intelligence unit), the Ministry of Justice, the Superior Court of Justice, the Central Bank of Brazil, the Federal Police Department, the Attorney General, the Federal Revenue Secretariat, the Brazilian Intelligence Agency, the Superintendence of Private Insurance, and the Securities and Exchange Commission. Meetings also took place with several financial institutions and following private-sector organisations: Caixa Econômica Federal, Banco do Brasil, the Brazilian Federation of Banks, Nossa Caixa, Unibanco, and the National Federation of Insurance and Capitalisation Companies.

Overview of the financial sector

3. Brazilian financial institutions operating in the domestic market are in general diversified, dynamic, and competitive. Brazil has approximately 168 multiple and commercial banks with total

¹ The assessment was conducted by: Mr. José Luis Fernández Valoni (legal expert), Ministry of Foreign Affairs, International Trade and Worship, Argentina; Mr. Fernando Mera Espinosa (law enforcement expert), Responsible for the Money Laundering Office at the Superintendence of Banks and Insurance of Ecuador; Mrs. Maria Célia Ramos (financial expert), Senior Legal Counsel, Legal Department, Banco de Portugal; Mr. John C. Ellis (financial expert), Adviser, Money Laundering Policy, Financial Crime Policy Unit, Financial Services Authority (FSA), United Kingdom; Mr. Fernando Rosado, Executive Secretary, GAFISUD; Ms. Silvina Capello, GAFISUD Secretariat; Mr. Patrick Moulette, Executive Secretary, FATF; and Mr. Kevin Vandergrift, FATF Secretariat.

assets of approximately USD 349 billion² and equity of approximately USD 49 billion. There were also 45 financing companies, 18 savings and loan companies, 9 mortgage companies, 40 savings and loan associations, 58 leasing companies, and 1,381 co-operatives. As of November 2003, Brazil had 149 security brokers and 145 security dealers. In 2002, there were 140 insurance companies, 18 companies selling capitalisation securities, 77 companies in the area of complementary open pension funds and 78,500 insurance brokers.

4. Foreign exchange may be carried out only by banks and other authorised exchange brokers authorised by the Central Bank of Brazil (*Banco Central do Brasil*—BACEN), including 43 exchange brokerage companies, 268 travel agencies and 8 hotels authorised to carry out foreign exchange transactions. Foreign money remittance can only be performed through the banking system, either directly by authorised banks or through a customer of a bank on a contractual basis. Currently only one bank—Banco do Brasil—has such a contract (with Western Union).

General Situation of Money Laundering and Financing of Terrorism

5. Brazilian authorities report that the major sources of illegal proceeds are crimes against the financial system (such as fraud and embezzlement), drug trafficking, and tax evasion. Money laundering in Brazil seems to be primarily associated with domestic crime, including the smuggling of contraband goods and corruption, narcotics trafficking and organised crime, which generate funds that may be laundered through the banking system, real estate investment or financial asset markets. Illegal money frequently leaves the country to find protection in an offshore market and comes back disguised as an investment or as a loan. The most frequent techniques consist of sending money abroad through legal or illegal means, the use of accounts opened in names of nominees (“*laranjas*”), and the use of bingos and lotteries.

6. The geographical situation of Brazil, with borders with ten countries and almost 8,000 kilometres of coastline, represents an additional challenge to fighting criminal activities, especially the tri-border area between Brazil, Argentina and Paraguay (Foz de Iguacu). In these specific areas, the Federal Police report extensive cash smuggling through vehicles. With regard to typologies of terrorist financing, the Federal Police, in conjunction with authorities from other countries, have monitored the tri-border area. However, no evidence of terrorist financing has been observed.

Main findings

7. Brazilian has established a comprehensive legal and regulatory framework to combat money laundering. Law 9613/98 and sector-specific regulations incorporate the financial supervisors into the regime, and they appear to be broadly ensuring compliance by the financial sector. Brazil has made legislative improvements since its first mutual evaluation (by the FATF in 2000), especially by relaxing bank secrecy to allow broader access by COAF to financial information. Brazil has also broadened the range of predicate offences for money laundering to include terrorist financing and bribery of foreign public officials. COAF plays an important co-ordinating role. Over 24,000 suspicious transaction reports (STRs) have been received as of September 2003, and the Federal Police have undertaken an increasing number of money laundering investigations. Finally, Brazil has recently established regional specialised courts to prosecute money laundering and financial crimes cases.

8. Some deficiencies remain, however. Bank secrecy still limits the securities regulator’s ability to fully supervise the sector and fully share exchange information with foreign counterparts. Although financial institutions are required to identify the owners and controllers of accounts owned by legal entities, a more direct obligation to identify the ultimate beneficiary of such accounts as well as for all insurance payouts is recommended. Although Brazil’s overall mechanisms to provide legal assistance

² As of 3 November 2003, the exchange rate was BRL 1 = USD .349.

appear generally comprehensive, Brazil should work to formalise additional agreements and consider strengthening the legal basis for legal assistance outside of a treaty (“direct assistance”) in order to continue and expand its ability to provide legal assistance. Brazil also needs to adopt more comprehensive CFT measures, especially adequately criminalising the financing of terrorism to be able to comply fully with the UN Security Council Resolutions and improve measures to freeze and seize assets related to terrorist financing. Finally, Brazil needs to be able to more clearly demonstrate the effectiveness of its AML/CFT system through prosecutions and convictions. The recent establishment of specialised regional courts to prosecute money laundering and financial crimes are a positive step, and when fully functional, should help Brazil more easily demonstrate the effectiveness of its systems.³

Criminal justice measures and international co-operation

(a) Criminalisation of ML and FT

9. The anti-money laundering Law 9613 of 3 March 1998 established the money laundering offence that appears sufficiently broad in terms of the definition of the offence, the predicate offences, the element of knowledge required, and the available sanctions. The law creates eight broad categories of serious offences as predicates for money laundering, including terrorism, corruption, acts committed by a criminal organisation, and crimes against the financial system, such as fraud and embezzlement. Laws 10467/02 and 10701/03, respectively, added bribery of foreign public officials and the financing of terrorism as predicate offences for money laundering. As there are no available statistics regarding money laundering prosecutions and convictions, it is difficult to assess the effectiveness of the scope of these legal provisions.

10. Brazil ratified on the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances 1988 (Vienna Convention). Brazil signed the United Nations International Convention for the Suppression of the Financing of Terrorism and the United Nations Convention against Transnational Organised Crime; however, neither had been ratified at the time of the on-site visit.⁴ Brazil has issued a series of Executive Decrees to implement the relevant United Nations Security Council Resolutions by incorporating the text of the Resolutions into the domestic legal regime.

11. Brazil has not yet ratified the Terrorist Financing Convention or criminalised the financing of terrorism according to the requirements of the Convention, and therefore has not fully implemented provisions of S/RES/1373.

(b) Confiscation of proceeds of crime or property used to finance terrorism

12. Legal measures for freezing and confiscating relating to money laundering appear sufficiently broad. The Criminal Code provides generally for the confiscation of assets, rights and valuables resulting from any crime after a guilty verdict, which would thus include proceeds from and instrumentalities used in or intended for use in the commission of money laundering and predicate offences. Law 9613/98 contains additional confiscation measures, as well as comprehensive provisional measures, including restraining orders, on an *ex-parte* basis.

³ In December 2003, the National Anti-Money Laundering Strategy group (ENCLA, which involves all the relevant ministries and agencies established the goal of developing a system to provide nationwide statistics on money laundering investigations, indictments, and convictions, under the coordination of the Justice Department’s Department of Assets Recovery and International Legal Co-operation (DRCI).

⁴ Brazil ratified the UN Convention against Transnational Organised Crime on 29 January 2004 and promulgated it by Decree 5015 of 12 March 2004.

13. Brazilian authorities were not able to provide any comprehensive statistics on the amount of assets frozen, seized or confiscated. The amount confiscated in favor of the Anti-Drugs National Fund—BRL 290,078 (approximately USD 100,000)—seems quite low given the size of the drug trade as indicated by the Brazilian authorities. Thus, it is difficult to determine the actual effectiveness of the legal measures.⁵

14. With respect to freezing and seizing funds related to the UN Security Council Resolutions, it is not clear whether funds may be frozen without an order from a judge, which would not be satisfactory for the case of S/RES/1267. Banks' ability to freeze funds relating to the UN Resolutions should be improved. On the other hand, Brazilian authorities reported that they have searched for funds and bank accounts and all relevant databases against various list of suspected terrorists and terrorist organisations, with no matches being found and no criminal proceedings being initiated.

(c) The financial intelligence unit (FIU) and process for receiving, analysing, and disseminating financial information and other intelligence at the domestic and international levels

15. Law 9613/98 created the *Conselho de Controle de Atividades Financeiras* (COAF) to function as Brazil's FIU. COAF's main functions are: examining and identifying any suspicious occurrence of the illicit activities defined in the law; regulating and issuing instructions for the those entities that are not already subject to any specific monitoring or regulatory agency (including bingos, real estate, factoring companies, and credit and payment card administrators), and applying administrative sanctions. COAF also coordinates and develops the policy for co-operation and information exchange in the fight against money laundering. COAF has been a member of the Egmont Group since 1999.

16. COAF is housed within the Ministry of Finance and consists of a Plenary Council ("The Council") and an Executive Secretariat. The Council is formed by a chairman and 10 commissioners or representatives of the government institutions that share the responsibilities of the fight against money laundering, who meet on an as-needed basis. The Executive Secretariat, which currently consists of 25 civil servants, carries out the daily functions of COAF.

17. COAF generally functions effectively and performs a useful AML co-ordination role within Brazil. Entities regulated by COAF, as well as the insurance sector, send STRs directly to COAF. The securities sector first STRs to the securities regulator (CVM), who then forwards them in their entirety to COAF, where they are entered into COAF's database. Legislation since the first mutual evaluation (Complementary Law 105/01 and Law 10701/03) now allows COAF to receive full bank STR data and access additional information from reporting parties. COAF can now fully and directly access bank STRs from the moment they are entered into the Central Bank's database. As a result, COAF can also now more fully share STR information as intelligence with foreign counterparts.

(d) Law enforcement and prosecution authorities, powers, and duties

18. Brazil has designated appropriate authorities to combat ML and FT effectively. The Brazilian Federal Police's Division for Combating Financial Crimes (*Divisão de Repressão de Crimes Financeiros*—DFIN) investigates money laundering cases, especially those related to offences against the national financial system. DFIN is working to establish six regional units to correspond to and work closely with the regional specialised courts to investigate and prosecute money laundering cases. Three units have already been established—in Brasília, São Paulo, and Rio de Janeiro. The Federal Police have registered an increasing number of ML investigations in the past several years—124 cases in 2000, 183 cases in 2001, 363 in 2002, and 353 in 2003 (to November).

⁵ The Justice Ministry's Department of Assets Recovery and International Legal Co-operation (*Departamento de Ativos e Cooperação Jurídica Internacional*—DRCI) was formally established by Decree 4991 of 18 February 2004. One of its main tasks is to maintain improved statistics in this area.

19. The Federal Revenue Secretariat (*Secretaria da Receita Federal*—SRF), which also includes customs control, investigates money laundering related to offences under its jurisdiction such as drug and other types of smuggling.

20. The Attorney General's Office (*Procuradoria Geral*) is responsible for the defence of the legal order and of the democratic regime. The Office's "*promotores*" at the state level and "*procuradores*" at the federal level prosecute all criminal offences. There were no adequate statistics regarding prosecutions and convictions; however, Federal Revenue Secretariat (SRF) reported 9 cases of convictions in the first instance for money laundering offences relating to issues under its jurisdiction.

21. In May 2003, legislation established regional specialised courts ("*varas federais criminais*") to prosecute crimes against the national financial system and money laundering. A judge heads each of these courts and oversees sentencing and the lifting of bank secrecy. The Attorney General coordinates the investigative work of the Federal Police and assistance from the financial supervisory bodies. As of November 2003, five specialised Courts were fully operating: one in Porto Alegre, one in Florianópolis, one in Curitiba, one in Rio de Janeiro, and one in Fortaleza. The newly established specialised federal courts will enhance AML efforts by specialising resources and attention to combating money laundering and similar crimes; they will also enable Brazilian authorities to better track cases and therefore evaluate the overall effectiveness of the system.

22. Law enforcement authorities appear to have adequate access to information and investigative techniques for investigations and prosecutions; bank information and records can be obtained via a court order.

(e) International co-operation

23. Brazil can provide mutual legal assistance (MLA) within the context of a treaty or on the basis of reciprocity; a letter rogatory will not be enforced to provide coercive measures such as the lifting of bank secrecy. Brazil currently has agreements in force to cover nine countries and is negotiating several others. Brazil can also provide assistance pursuant to requests for "direct assistance," whereby Brazilian authorities present foreign requests directly to Brazilian judges for information requiring judicial authorisation, such as the production of records and lifting of bank secrecy. The court will review the merits of the request and authorise the lifting of secrecy if it concludes that the request is in accordance with Brazilian law. However, the legal basis for this type of assistance is not entirely clear; Brazil should consider establishing a clearer and stronger legal basis for this type of assistance. Finalising more written agreements will also help ensure effective international co-operation.

24. Brazil's ability to provide legal assistance regarding terrorist financing is generally comprehensive, through treaties, agreements or direct assistance. However, in addition to the lack of clarity regarding the legal framework for direct assistance, it is also unclear how Brazil would be able to extradite for all terrorist financing offences, given that dual criminality is required for extradition.

25. Brazil received 40 MLA requests 741 letters rogatory between January 1999 and May 2003; however, authorities have not provided any additional information regarding the number that were responded to, or the content or time frame for these responses. Up to November 2003, the Justice Ministry had processed approximately 15 requests for direct assistance.

26. Law 9613/98 provides adequate legal measures for sharing of confiscated assets with foreign authorities; however, there were no statistics available.

27. At the time of the on-site visit, Brazil was finalising the creation of a Department of Assets Recovery and International Legal Co-operation within the Ministry of Justice.⁶ When fully staffed and

⁶ See previous footnote.

operational, this unit should help Brazil respond more efficiently to mutual legal assistance requests and help Brazil to maintain more comprehensive statistics and thus more easily evaluate the effectiveness of Brazil's systems.

Preventive measures for financial institutions

(a) Financial institutions

28. Brazil has designated the appropriate competent authorities to supervise financial institutions. The National Monetary Council (CMN) is the main decision-making authority for the national financial system and consists of the Minister of Finance, the Minister of Planning and Budget, and the President of the Central Bank of Brazil (*Banco Central do Brasil*—BACEN).

29. BACEN licenses and supervises banks and other institutions, such as credit cooperatives, exchange brokerage companies, and travel agencies hotels that perform retail foreign exchange operations. BACEN's anti-money laundering unit (DECIF) supervises compliance for anti-money laundering regulations. DECIF currently consists of nine regional offices and a total staff of 229 employees. The Superintendence of Private Insurance (*Superintência de Seguros Privados*—SUSEP) regulates and supervises the insurance market, capitalisation companies and re-insurance for prudential and AML purposes. The Securities and Exchange Commission (*Comissão de Valores Mobiliários*—CVM) supervises the securities market and related activities for prudential and AML purposes. The Caixa Econômica Federal is a large public financial institution that also supervises the national lottery system.

30. Complementary Law 105 has improved one deficiency identified in the first mutual evaluation report by allowing COAF to receive full information on STRs. However, bank and other secrecy provisions could be further improved to allow COAF greater access to additional information. Bank secrecy also prevents CVM—the securities regulator—to fully access information to be able to fully supervise the sector and co-operate with foreign counterparts.

31. Law 9613/98 creates a generally comprehensive framework of anti-money laundering requirements for a wide range of financial institutions. The law makes general requirements for customer identification, record-keeping, and suspicious transaction reporting, which are to be specified and enforced by the existing supervisory agencies.

32. Requirements for banks are contained in CMN Resolution 2025 and BACEN Circular 2852. AML requirements for the securities and insurance sectors are specified in CVM Instruction 301 and SUSEP Circular 200, respectively.

33. The requirements for verification of the identity of the direct customer are comprehensive. In addition, financial institutions are required to verify the identity of the owner and controller of legal entities. However, there is no direct obligation to take reasonable measures to obtain information regarding the true identity of the person on whose behalf an account is opened for banks. For insurance, the identification requirement currently only extends to third-party payments exceeding BRL 10,000 (approximately USD 3,500) or to guarantee insurance contracts regardless of thresholds. A more direct obligation to identify the ultimate beneficiary might be more effective, especially given that Brazilian authorities have indicated that a common money laundering mechanism is to use accounts opened under the names of nominees. BACEN is considering revising its framework to adopt a more direct obligation.

34. The legislation and regulations adequately cover the requirements for increased diligence for unusual or suspicious transactions and transactions involving jurisdictions with deficient AML regimes. BACEN and COAF have issued numerous circulars advising of the increased money laundering risks and the need for enhanced scrutiny regarding transactions involving non-cooperative countries or territories (NCCTs).

35. Record-keeping provisions are comprehensive.

36. STR provisions are generally comprehensive and appear effective. The law and sector-specific regulations also contain adequate safe harbour provisions and prohibit tipping off clients. In addition, each sector-specific regulation contains comprehensive guidelines on the manner of STR reporting and a list of indicators that should be reported. The securities and insurance regulations are somewhat more limited in that they require reporting of suspicious transactions exceeding BRL 10,000 or transactions from the specific list, although the lists are general and broadly include most types of suspicious activities. There has also been an increasing number of STRs filed by the insurance sector. Statistics from BACEN and COAF reported the following number of STRs from 1999 to September 2003:

Financial sector	Total STRs filed
BACEN (STRs)	14,890
SUSEP	767
CVM	30
SPC (Pension Funds)	11

37. Law 10701/03 added terrorist financing as a predicate offence for money laundering; therefore, there is now a general obligation for all financial institutions to report transactions suspected of being related to terrorist financing.

38. Financial institutions are required to have AML programs, including training and compliance officers, although there is no formal audit requirement⁷ for AML purposes or for screening employees. There is also no specific regulation for overseas branches and subsidiaries of Brazilian financial institutions to apply to local (Brazilian) standards, although the Central Bank is signing agreements to allow closer inspection of overseas branches and subsidiaries.

39. Regulations are generally comprehensive to prevent people involved in certain crimes from controlling or managing financial institutions. Resolution 3041 of 2002 and BACEN Circular 3172 of 2002 established specific conditions for financial institutions when hiring directors and senior managers. The applicant must have good reputation and not be convicted of any crime listed in the Resolution: bankruptcy, tax evasion, corruption, embezzlement, a crime against the national financial system, or any other crime which bans temporary or permanent future public employment. A regulation to specifically prevent criminals from holding a significant investment in a financial institution is still needed, however.

40. Enforcement and sanction authority for supervisors is comprehensive and appears effective with the exception of the CVM, where bank secrecy provisions still prevent direct access to information for its regulation of the securities sector.

41. Problems have arisen with the consistency and supervision of the non-banking currency exchange facilities, namely exchange brokers, hotels and travel agencies, which do not have the will or the means to comply with AML obligations. BACEN is now in the process of elaborating new regulations for this sector, which should have internal controls and compliance evaluation procedures similar to the ones applied to banks and brokers, tailored to their size and transaction profiles.

42. Domestic co-operation between regulators appears generally comprehensive. However, as CVM is prevented from accessing certain information still protected by bank secrecy, CVM cannot

⁷ SUSEP Circular 249/2004 was issued on 20 February 2004. It purportedly obliges insurance companies, capitalisation companies, and open pension funds entities to establish, internal controls (including an internal audit) by 31 December 2004. The examination team has not evaluated the Circular.

fully co-operate with foreign regulators. For example, Brazil could not sign the IOSCO multilateral MOU.

(b) Other sectors

43. The Brazilian anti-money laundering Law 9613/98 also covered several other non-banking financial institutions and non-financial businesses and professions. COAF Resolution 1-8, issued in 1999, and Resolution 10, issued in 2001, define the obligations for the below sectors. (Regulation 9 modified provisions of Resolutions 3 and 5). Each regulation specifies the types of information that must be recorded for transaction records, including customer's name, address, CPF or CNPJ, identifying number and document type, and name, date, and description of the transaction. Each regulation also contains requirements to report suspicious transactions that should be reported directly to COAF and includes a list of specific examples.

44. The following chart indicates the sector, the COAF Resolution defining the AML requirements, the transactions to which AML obligations apply, and the number of reports sent to COAF since 1999:

COAF Resolution	Sector	Customer ID and Record-keeping applies to	Number of STRs received from 1999 to September 2003
1	real estate	transactions of at least BRL 50,000	2,806
2	factoring	transactions of at least BRL 10,000	91
3	lotteries	payouts of at least BRL 10,000	520
4	jewellery, precious stones and metals dealers	transactions of at least BRL 5,000 in retail sales and BRL 50,000 in industrial sector sales	8
5	bingos	payouts of at least BRL 2,000	2,476
6	credit and payment card managers	all transactions	155
7	commodities exchanges and their brokers	all transactions	2
8	objects of art and antiques dealers	transactions of at least BRL 5,000	1
10	money transfer services	All transactions	1

45. In addition, Law 10701/03 modified Law 9613/98 to include natural persons and legal entities that deal with luxury or high value assets as entities having all the various anti-money laundering obligations under the law. COAF is currently preparing its resolution specifying the requirements for the sector.

(c) Controls and monitoring of cash and cross-border transactions

46. BACEN Circular Letter 3098 of 11 June 2003 obliges financial institutions to report cash transactions exceeding BRL 100,000⁸. BACEN reported that it had already received 17,842 reports as of 29 October 2004. The significant number of large cash transaction reports seems to indicate high volumes of cash movements in the economy, and Brazil should maintain a high vigilance over this area.

47. Law 9069/95 requires that all inflows and outflows of domestic and foreign currency be effected through the banking system with proper identification of the sender and the beneficiary. This law and subsequent regulations (BACEN Resolution 2524/98 and SRF Normative Instructions 117 and 120 of 1998) require persons transporting domestic or foreign currency in cash, checks or travellers checks of

⁸ USD 34,900.

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BRL 10,000 (approximately USD 3,500) or its equivalent in foreign currencies to submit a declaration to the local unit of the Federal Revenue Secretariat (SRF). The SRF reviews these reports and may investigate potential violations of the law. Currently, the reports are not put into electronic form and therefore not analysed electronically; however, working group consisting of COAF, BACEN and SRF have proposed the implementation of an electronic system that would also allow the definition of passenger risk profiles by checking data with flight passenger lists, their fiscal data and other relevant information. In addition, comprehensive statistics on these reports were not available, despite the fact that statistics were available during Brazil's first mutual evaluation.

Summary assessment against the FATF Recommendations

48. Brazil is compliant with or largely compliant with all of the FATF 40 Recommendations requiring specific action. However, Brazil needs to quickly adopt and implement more comprehensive anti-terrorist financing measures.

Table 1. Recommended Action Plan to Improve Compliance with the FATF Recommendations.

Reference FATF Recommendation	Recommended Action
40 Recommendations for AML	
General framework of the Recommendations (FATF 1-3)	Brazil should further amend Complementary Law 105 to give the CVM direct access to information so as to more adequately supervise the sector. Brazil should also consider amending secrecy provisions to allow for greater access to financial information by authorities without a court order.
Customer identification and record-keeping rules (FATF 10-13)	Brazil should consider a clearer obligation to identify the ultimate beneficiary of accounts, especially for legal entities, and for the insurance sector regardless of the amount. BACEN should continue to carefully monitor the sector to prevent further money laundering using CC-5 and nominee (“ <i>laranja</i> ”) accounts.
Increased diligence of financial institutions (FATF 14-19)	Brazil should amend its regulations for securities and insurance to require the reporting of all suspicious transactions regardless of a threshold. A more explicit requirement for an audit requirement for AML compliance is needed. Rules for adequate screening procedures could also be strengthened.
Measures to cope with countries with insufficient AML measures (FATF 20-21)	Brazil needs more specific regulations for its foreign branches and subsidiaries to apply the Brazilian standards.
Implementation & role of regulatory and other administrative authorities (FATF 26-29)	CVM should be granted more comprehensive direct access to information so as to be able to more comprehensively supervise the securities sector. The regime for supervising hotels and travel agencies conducting foreign exchange should also be strengthened. Specific regulations preventing criminals from holding a significant investment in financial institutions are still required.
Other forms of cooperation – Focus of improved mutual assistance on money laundering issues (FATF 36-40)	Brazil will need to ensure that the system for providing assistance through “direct assistance” requests continues to function effectively; Brazil should consider establishing a stronger legal basis for “direct assistance”. Significantly increasing the number of written agreements in force will also help ensure effective international co-operation.
8 Special recommendations on terrorist financing	
I. Ratification and implementation of UN Instruments	Brazil should quickly ratify and become a party to the Terrorist Financing Convention.
II. Criminalizing the financing of terrorism and associated money laundering	Brazil should adopt legislation to clearly make the financing of terrorism a criminal offence.

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Reference FATF Recommendation	Recommended Action
III. Freezing and confiscating terrorist assets	Brazil should enhance legal measures to allow authorities to more fully seize and confiscate terrorist assets.
V. International Cooperation	Brazil needs to make terrorist financing a more comprehensive autonomous offence so as to be able to comply with the dual criminality provisions for granting extradition.
VII. Wire transfers	There should be a more specific requirement to include the CPF/CNPJ (or the customer's date of birth, address, or unique identifying number) in the message instruction.

Table 2. Other recommended actions

Reference	Recommended Action
Criminalization of ML and FT	Brazil should continue implementation of specialised courts for prosecuting money laundering and other financial crimes.
The FIU and processes for receiving, analyzing, and disseminating financial information and other intelligence at the domestic and international levels	Brazil should consider amending its bank and information secrecy provisions to allow COAF to access additional information and documentation relating to an STR.
Law enforcement and prosecution authorities, powers and duties	Brazil needs to increase the number of money laundering investigations and prosecutions. Brazil should ensure that the new specialised courts and other enforcement agencies are fully resourced.
Co-operation between supervisors and other competent authorities	Brazilian supervisors should continue to pursue information exchange agreements. Brazil should also consider giving CVM more complete access to financial information so that it may sign the IOSCO MOU and more effectively exchange information internationally.
Lotteries and bingos	Maintain vigilance over these sectors to detect and deter their use for money laundering.
Cash transactions	Brazilian authorities should maintain vigilance over the sector and ensure the cash transaction reports are properly analysed for information that could be useful in combating money laundering and terrorist financing.
Cross-border transactions	Brazil should make electronic and properly analyse the cross-border transaction reports received.

Authorities' response

49. The government of Brazil had no additional comments on this report.