



CASES AND CASES

COLLECTION OF
AML/CFT TYPOLOGIES

SPECIAL EDITION

NATIONAL RISK ASSESSMENT 2021



1. TABLE OF CONTENTS

1. Introduction.....	5
2. Money Laundering Typologies	7
2.1. Use of Non-governmental Organizations (NGOs) for the Misappropriation of Government Funds	7
2.2. Money Laundering from Passive Corruption through Fictitious Imports	9
2.3. Misappropriation of Municipal Public Administration Funds by Intermediaries.....	12
2.4. State Corruption Associated to Fiscal Fraud through Shell Companies	14
2.5. Laundering of Corruption Money through Simulated Asset Sales.....	16
2.6. Municipal Corruption through Public Work Tenders.....	18
2.7. Misappropriation of Municipal Government Funds by Businesses Contracted without Tenders	20
2.8. State Corruption from Government Fund Misappropriation through the Subcontracting of Agreements.....	22
2.9. Misappropriation of Public Funds for Campaign Funding through Over-invoicing by a Civil Society Organization for Public Interest - OSCIP	24
2.10. Misappropriation of Municipal Government Funds through Companies Contracted without Tenders	26
2.11. Real Estate Purchases to Misappropriate Government Funds	28
2.12. Payment of Bribes by Contractors in Municipal Contracts	30
2.13. Misappropriation of Municipal Funds through the Contracting of Artistic Events without Tenders	32
2.14. Irregular Funding of Electoral Campaigns with Bribes, via Supermarket and Money Transport Companies	34
2.15. Misappropriation of Government Funds in Hospital Administration Outsourcing.....	36
2.16. Misappropriation of the Funds of Complementary Pensions.....	38
2.17. Misappropriation of Municipal Government Funds through Expropriations	40
2.18. Fraud in Parastatal Entity Tenders	42
2.19. Misappropriation of Government Funds and Money Laundering in Pronaf Operations	44
2.20. Money Laundering through Shares in a Leasing Program	46
2.21. Use of the Transferrable Securities Market to Conceal the Senders and Recipients of Cash Transactions	48
2.22. Transfer of Funds Abroad through Fictitious Imports.....	51
2.23. Capital Flight through the Parallel Financial System (parallel dollar)	53
2.24. Purchase of Real Estate in Cash originating from International Drug Trafficking through Foreign Exchange Fraud	55

2.25. Fraudulent Operations with Real Estate Investment Funds and Pension Funds	58
2.26. Investor Fraud through Financial Pyramids.....	61
2.27. Internalizing Funds of Illicit Origin through Non-residents.....	64
2.28. Fraud against Investment Clubs or Funds through Flexible Purchase Options (over-the-counter trading) and the Transfer of Funds Abroad.....	66
2.29. "Dólar Cabo"	69
2.30. Artificial Accrual of Points in Credit Card Reward Programs	73
2.31. Corruption through Capitalization Bonds	75
2.32. Financial Pyramid through alleged Multi-Level Marketing Companies.....	80
2.33. Rental of Bank Accounts for the Receipt of Illicit Funds	83
2.34. Loansharking with Social Benefit Cards	85
2.35. Fraud via the Forging of Bank Payment Slips (Boletos)	87
2.36. Foreign Exchange Bureaus Involved in Illegal Currency Transfer Schemes Abroad.....	90
2.37. Smuggling through Advanced Import Payments.....	92
2.38. Alternative Fund Transfer System via Online Sales Sites	95
2.39. Money Laundering with Credit Cards	98
2.40. Capital Flight through Brokerage Firms.....	100
2.41. Capital Flight through Shell Companies and Real Businesses.....	103
2.42. Money Laundering through Protest Notaries (debt collection).....	106
2.43. Money Laundering through Informal Factoring at Gas Stations.....	108
2.44. Frauds at Vehicle Rental Companies	110
2.45. Money Laundering through the Illegal Extraction and Sale of Precious Metals	112
2.46. Money Laundering on the Art Market	115
2.47. Factoring Companies used in Disguised Payments.....	117
2.48. "Tiqueteiros" – Money Laundering through the Illegal Sale of Food/Meal Vouchers	119
2.49. Fiscal Fraud and Adulterated Fuel	122
2.50. Tax Evasion in the Illegal Commerce of Charcoal.....	125
2.51. Cash Withdrawals at the end of the year to Conceal Assets in Tax Evasion.....	128
2.52. Money Laundering through Small Amount Exchange Operations in the name of Intermediaries	129
2.53. "Tarjetagem" - from the term 'tarjeta' (card) in Spanish	132
2.54. Money Laundering of Drug Trafficking Proceeds through Lottery Houses and Hotels	135
2.55. Fraud to Purchase Inputs for Drug Production.....	137
2.56. Laundering of Drug Trafficking Proceeds through Transactions in the Bank Accounts of Students	138
2.57. Money Laundering from Drug Trafficking via Travel Agencies.....	141
2.58. Funding of Extremist Groups through Credit Cards	143
2.59. Drug Trafficking Payments through Remessa Expressa Transfers.....	146

2.60. Drug Trafficking Proceeds transferred Abroad through Black Market Money Changers ('doleiros').....	148
2.61. International Trafficking in Persons	151
2.62. Foreign Exchanges	153
2.63. Illegal Financial Flows via Trade Misinvoicing.....	154
2.64. Laundering of Assets obtained from Environmental Crime	159
2.65. Laundering of Cash originating from Corruption through Purchase of Automobiles	161
2.66. Money laundering from the Unaccounted Revenue of Music Bands.....	162
2.67. Illegal Transfer of Funds via Bank Payment Slips and Import Operations	164
2.68. Illegal Dollar Wire Transfers (dólar-cabo) through Transborder Trade	169
2.69. Tax Evasion in the Beverage Industry	172
2.70. Use of Over-invoiced Exports to a Foreign State Enterprise through Corruption in a Foreign Jurisdiction	174
2.71. Crime of Usury (Loan-sharking)	176
2.72. Evidence of Tax Evasion with the use of an account held by partners, legal representatives or third parties.....	177
2.73. Informal Activities.....	179
2.74. Financial Pyramid	181
2.75. Fraud in Purchasing Goods at Auctions	183
2.76. Cooperative Fractioning	183
2.77. Illegal transfer of funds through cryptocurrencies.....	185
2.78. Trafficking in Persons	188
2.79. Arms Trafficking	189
2.80. Electoral Donations by Businesses.....	192
2.81. Fraud by Civil Servants	194
2.82. Electronic Bank Fraud (via internet)	195
2.83. Financial Pyramid based on Supposed Virtual Currency Negotiations.....	197
2.84. Money Laundering of Drug Trafficking proceeds through Virtual Currencies.....	200
2.85. Narcotics trafficking Payments through the Purchase of Illegal Gold.....	202
2.86. Payment of Narcotics Trafficking through the Purchase of Illegal gold (2)	204
2.87. Money Laundering through Foreign Trade involving the Payment of Services	205
3. Financing of Terrorism Typologies	208
3.1. Financing of extremists groups in twin-cities	208
3.2. Financing of Sunni Extremist Group Abroad	210
3.3. Funding of an Extremist Group through Agribusiness and Foreign Trade	212
3.4. Financing of Extremist Groups/Individuals through Cells Outside the Country	216
3.5. Financing of Extremist Groups/Individuals through "inverted" 'dólar-cabo' Transactions.....	217
3.6. Funding of Extremist Groups with the Use of Shell Companies	220

1. INTRODUCTION

COAF, the Brazilian financial intelligence unit, regularly publishes collections of typologies used in money laundering, aiming to increase the capacity of sectors that must identify warning signs of the occurrence of this crime, as well as to provide the competent authorities a comprehensive view of the multiplicity and complexity of this criminal phenomenon.

The present special edition was produced to comprise the Macro Process of Typologies, part of the first Brazilian National Risk Assessment, and compiles the previous editions called “Casos & Casos” (Cases and Cases), and also adds new typologies emerging from recent technological developments such as cryptocurrencies. Typologies involving themes that have recently become a national and international concern are also addressed, such as illegal mining and crimes against wildlife. Another innovation of this edition is the description of typologies related to the financing of terrorism.

It should be highlighted that the present collection was the result of the cooperation between COAF and the Workgroup for the National Assessment of the Risks of Money Laundering, the Financing of Terrorism and the Financing of the Proliferation of Weapons of Mass Destruction, established by Decree No. 10.270, of March 6, 2020, with the collaboration of various public and private agencies and entities in a huge endeavor aimed at raising awareness regarding the topic and to help combat money laundering and the financing of terrorism and proliferation.

In recent years, countless investigations to combat serious crimes such as corruption, drug trafficking and criminal organizations have been successful with the adoption of a strategy focused on combating the laundering of the proceeds of these crimes. A key factor for this result has been the development and strengthening of the technical capacity of the control, supervision and criminal prosecution institutions to conduct financial investigations.

In this context, it is fundamental to increasingly invest in the capacity-building of public and private actors engaged in the combat and prevention of money laundering and the financing of terrorism.

With the aim of contributing to the development of these competences, COAF has organized the present typologies manual. This issue, consisting of 202 pages, identifies 87 money laundering and 6 terrorism financing typologies, and describes the economic activities used, the warning signs, the case descriptions and the graphic representations of each typology.

It is hoped that the knowledge provided in this manual will prove useful to all those who take part in the prevention and combating of money laundering and the financing of terrorism, and who believe that this mission contributes toward a better and more just country.

Enjoy!

Ana Amélia Olczewski
Head of Financial Intelligence

2. MONEY LAUNDERING TYPOLOGIES

2.1. USE OF NON-GOVERNMENTAL ORGANIZATIONS (NGOS) FOR THE MISAPPROPRIATION OF GOVERNMENT FUNDS

2.1.1. Economic Activities Used

- Municipal Government.
- Non-governmental Organizations - NGOs.

2.1.2. Financial Intelligence Alert Signals

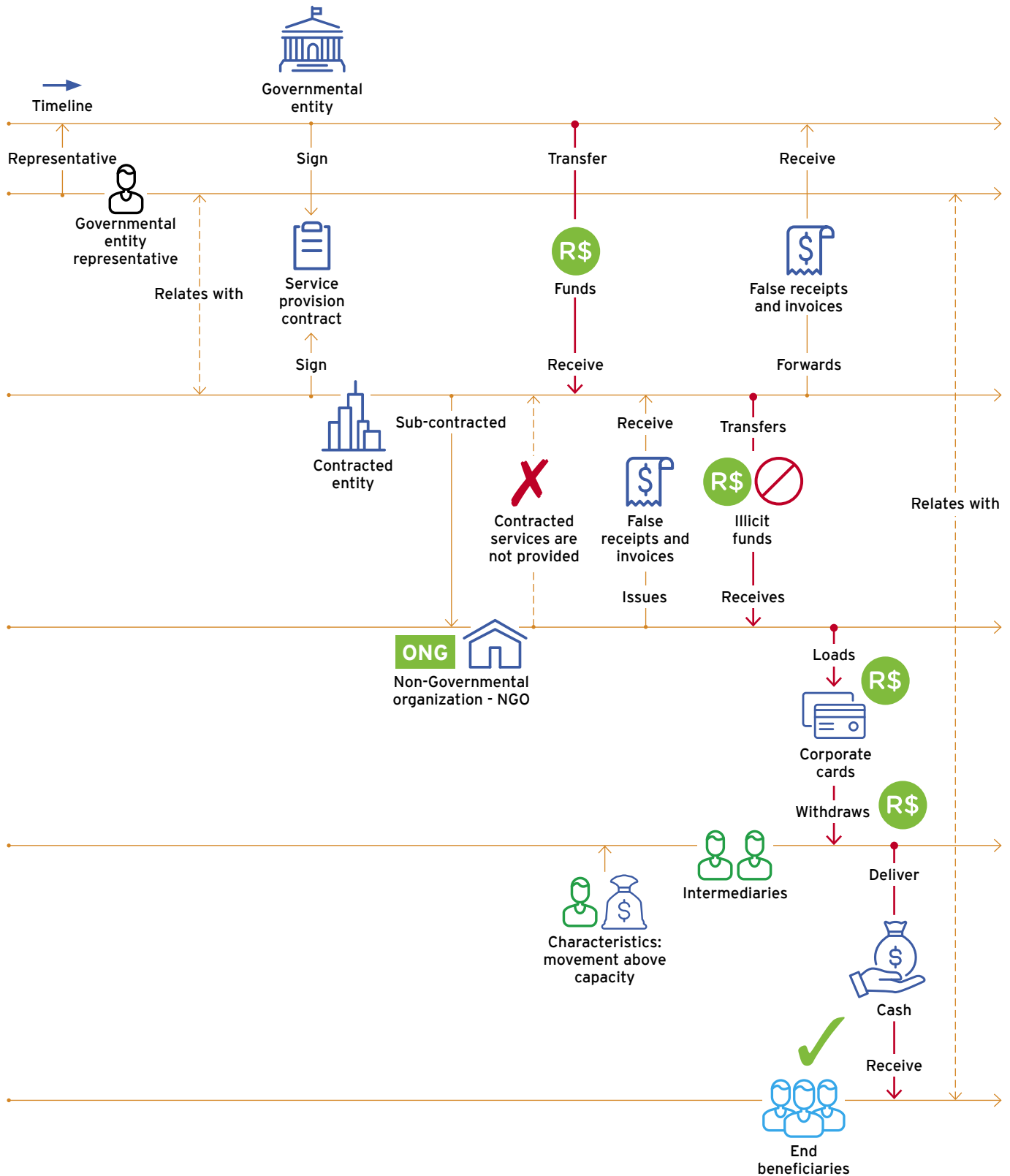
- Transactions incompatible with presumed assets, economic activity or financial capacity.
- Substantial increase in deposits, without apparent reason, subsequently transferred to a destination not related to the client, in a short period of time.
- Accounts that do not demonstrate being the result of normal activities, given that they are used to receive or pay sizable sums with no clear purpose or relation with the account holder or his or her business.
- Large sum deposits through electronic means or others that avoid direct contact with bank employees.
- Unusual transfer of funds by non profit organizations.

2.1.3. Case Description

A civil servant interested in misappropriating funds from a government institution, acting as its representative, contracts the provision of certain services by an entity. Supposedly with the same objective, this entity subcontract a non-governmental organization - NGO, that does not provide the service. However, invoices are issued that simulate the provision of the services in order to receive the payments.

The funds are withdrawn with pre-paid corporate cards by several persons and subsequently transferred to the end beneficiaries of the scheme.

2.1.4. Graphic Representation of the Case



2.2. MONEY LAUNDERING FROM PASSIVE CORRUPTION THROUGH FICTITIOUS IMPORTS

2.2.1. Economic Activities Used

- Foreign Trade.
- Federal Public Administration.
- National Financial System.

2.2.2. Financial Intelligence Alert Signals

- Fragmentation of deposits in cash, so as to disguise the total amount of the movement.
- Substantial increase in deposits, without apparent reason, subsequently transferred to a destination not related to the client, in a short period of time.
- Transactions incompatible with the presumed financial capacity of the company.
- Advance payment of imports in amounts incompatible with the size of the shipper.

2.2.3. Case Description

Two civil servants are responsible for customs control at a busy airport. According to investigations, foreign goods are being allowed into the country without the payment of the respective duties through the payment of bribes.

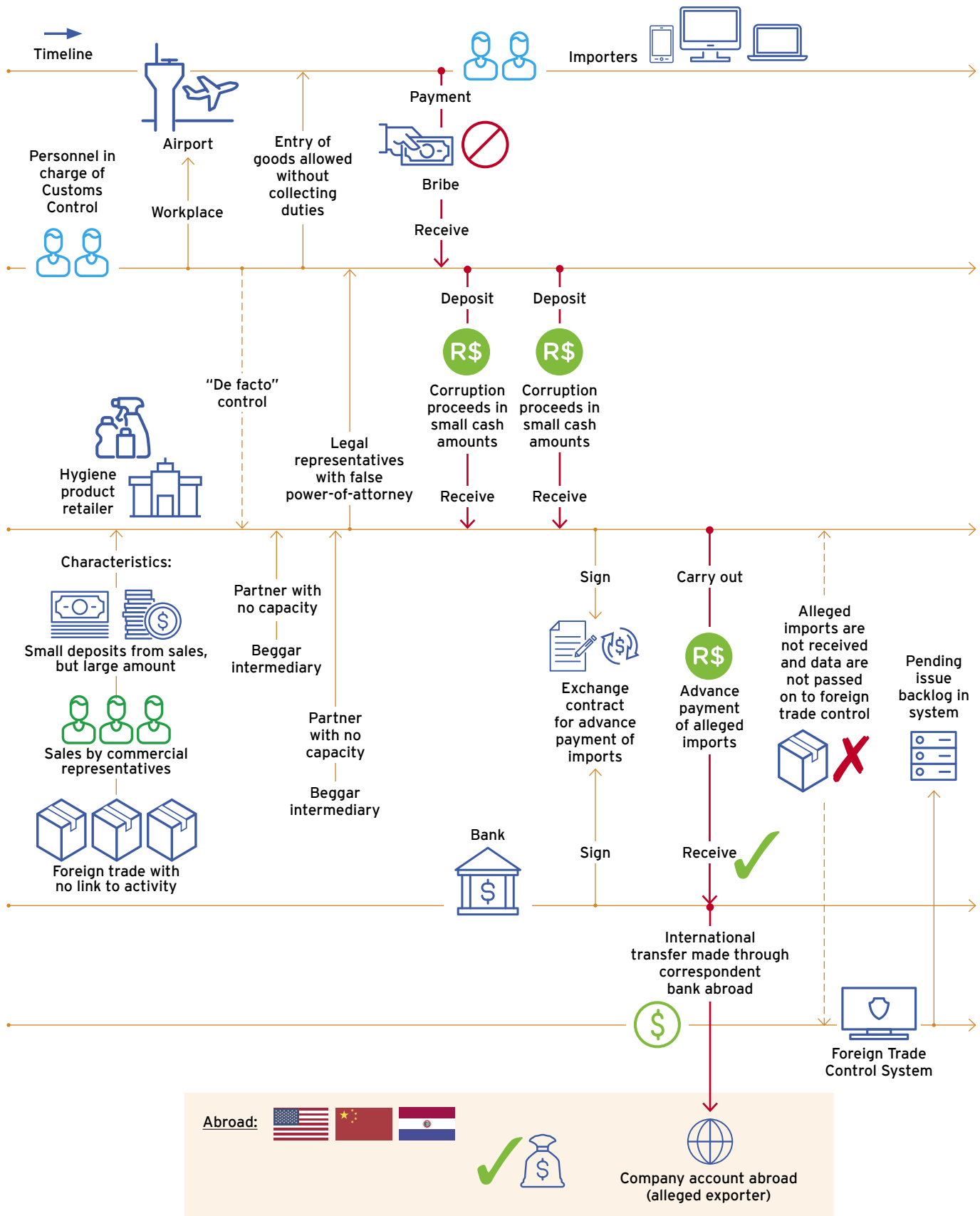
The civil servants purchase a retail hygiene product company, attributing the shareholding to intermediaries, homeless persons. The business is administered by the civil servants, through a false power-of-attorney. The operation is carried out with the intermediation of a company specialized in shareholding transfers.

The hygiene product company has, for years, held an account at the same financial institution and had a history of regular small amount cash withdrawals, originally proceeds from the sales of its sales representatives.

The proceeds from corruption began being deposited in the company's bank account, in small amount cash deposits. Albeit its transaction history, a significant and sudden increase in the number of daily deposits, as well as in their amounts, was detected by the bank's anti-money laundering controls, and the domestic Financial Intelligence Unit – FIU was notified of the atypical operations.

Aiming to transfer the illicit funds abroad, the company signed foreign exchange contracts for the advance payment of imports. Since these are simulated operations, the corresponding entry of goods increased the number of pending issues in the foreign trade control systems. The FIU of the country of the alleged export company reported that said company had terminated its activities years ago and that the account credited by the operations had never belonged to said company.

2.2.4. Graphic Representation of the Case



2.3. MISAPPROPRIATION OF MUNICIPAL PUBLIC ADMINISTRATION FUNDS BY INTERMEDIARIES

2.3.1. Economic Activities Utilized

- Municipal Public Administration.
- National Financial System.
- Agricultural and Livestock sector.

2.3.2. Financial Intelligence Alert Signals

- Substantial increases in the volume of cash deposits, without apparent cause, in a short period of time.
- Operations that hamper the identification of the origin of funds.
- Use of intermediaries (“laranjas”).
- Movement of funds in benefit of third parties.

2.3.3. Case description

The mayor of a town, involved in acts of corruption, makes a deposit of a sizeable amount in cash in the account held by the vice-mayor of the town, who is also his daughter.

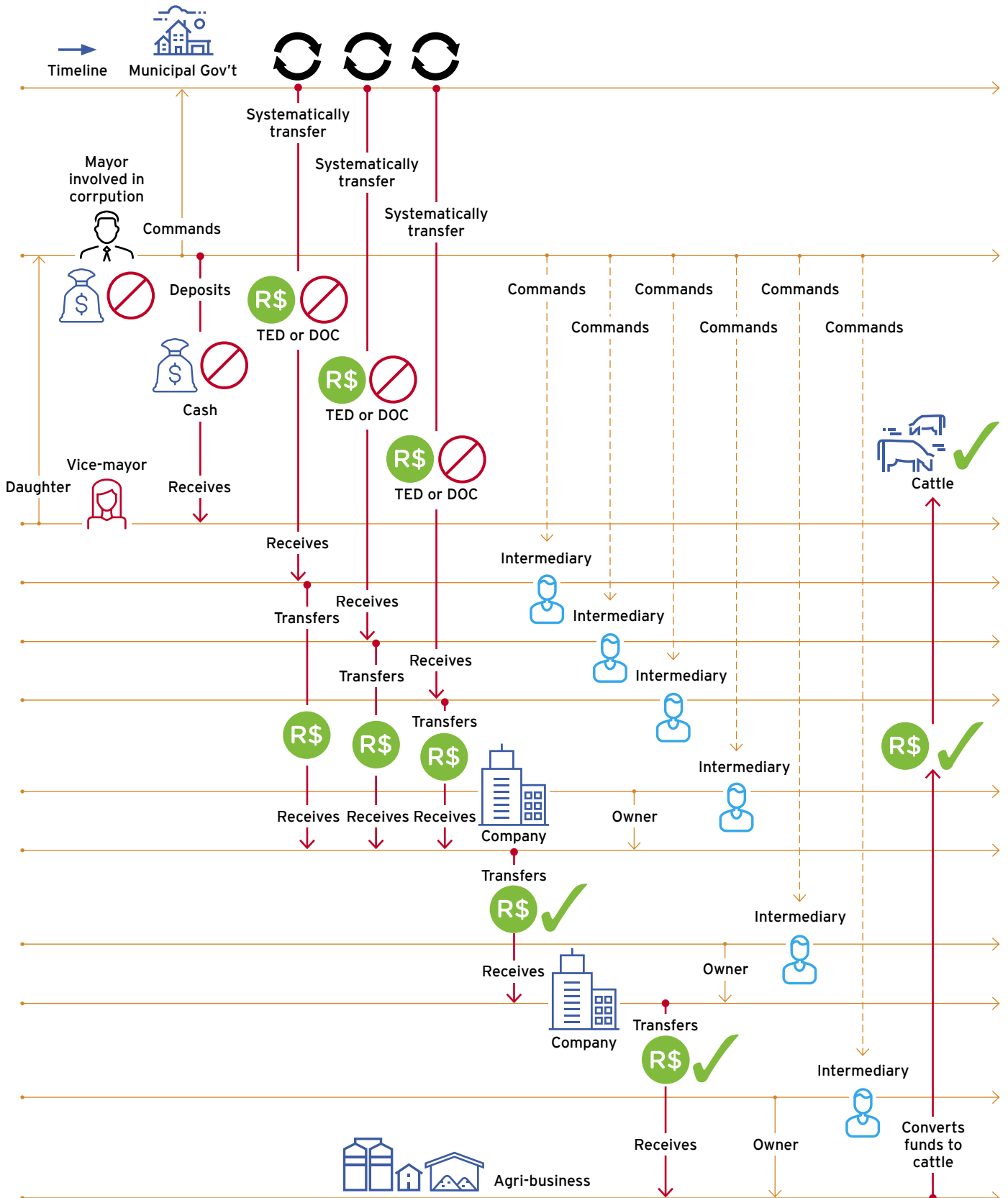
Later, it is revealed that three persons systematically receive available electronic transfers (TEDs) and credit order documents (DOCs) in their accounts originating from accounts of the municipal government, at different banks.

The funds are remitted to an account of a company. The money is then transferred to an account of another company and ultimately to an account of an agriculture and livestock company.

The agricultural and livestock company then “converts” the amounts received into cattle.

It was later discovered that the partners of the companies, as well as the recipients of the transfers, were actually intermediaries of the abovementioned mayor who, during his 4 years in office, was responsible for the misappropriation of dozens of millions of reais of government funds.

2.3.4. Graphic Representation of the Case



2.4. STATE CORRUPTION ASSOCIATED TO FISCAL FRAUD THROUGH SHELL COMPANIES

2.4.1. Economic Activities Used

- State Government – Taxes.
- Accounting Firms.
- Import and vessel reseller companies.
- Hospital supply reseller and provision companies.
- Auto part distribution companies.

2.4.2. Financial Intelligence Alert Signals

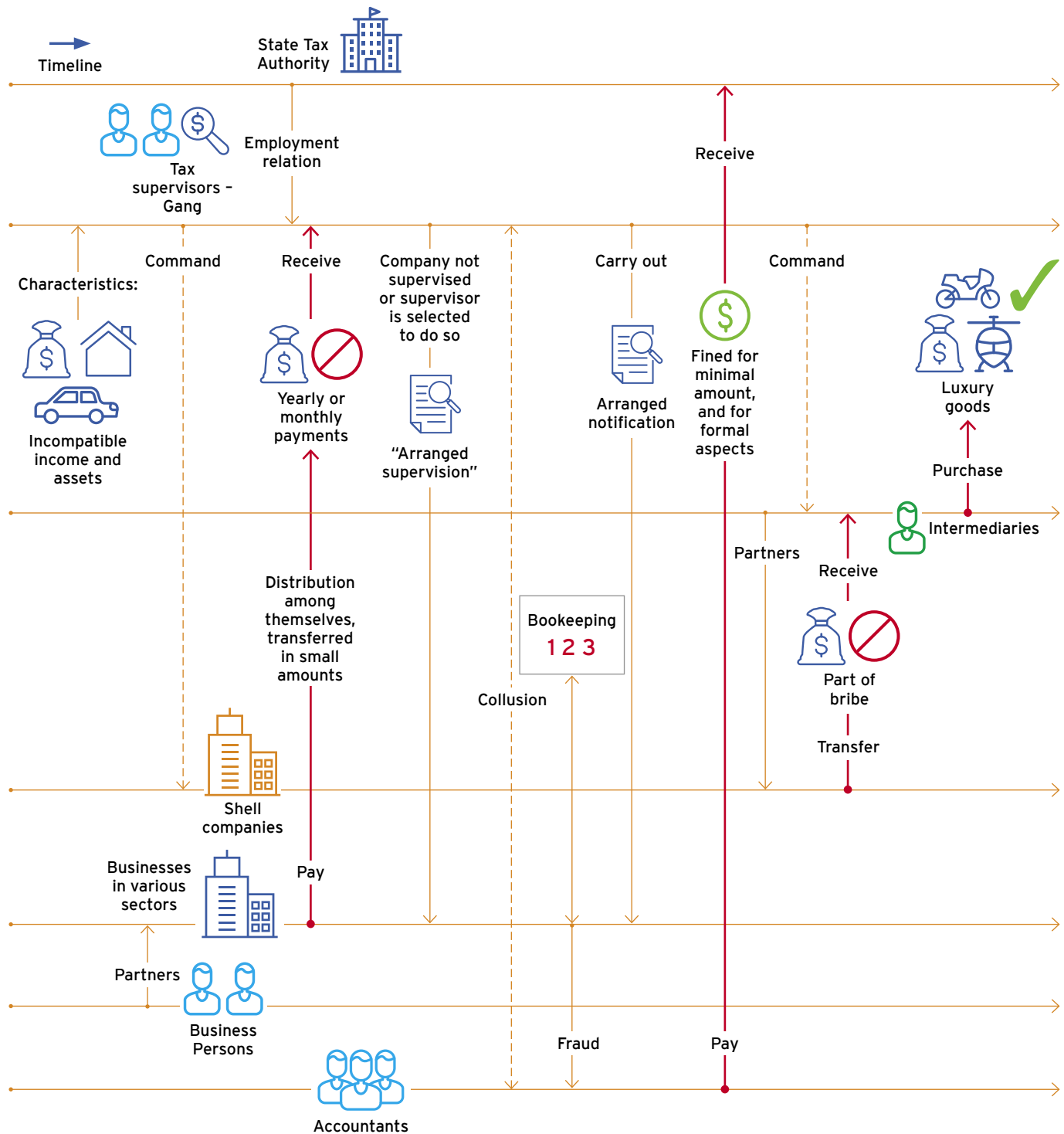
- Transactions incompatible with assets, economic activity and financial capacity.
- Companies with partners that have no apparent economic capacity to justify financial transactions.
- Financial transactions of companies which cannot be demonstrated to be the result of normal activities or business.

2.4.3. Case Description

This case involves a gang of state revenue supervisors, accountants and businesspersons in various sectors of activity who, for years, have been defrauding the tax authorities of a State in the Brazilian southeast. The gang operated a well-organized corruption scheme that controlled a collection network, with the use of shell companies and the payment of bribes by businesspersons in exchange for illegal privileges regarding tax supervisions and other services provided by certain segments of the state tax authorities.

With the payment of monthly or annual amounts, the companies received a certain type of “armor” that ensured that their tax inspections would be conducted by members of the gang. These companies, albeit inspected several times over the years, had never been notified by the State. When they were notified, the violations were normally restricted to the issuing of mere formal fines of small amounts. The funds obtained illegally by the gang were disguised and concealed through a complex scheme of shell companies.

2.4.4. Graphic Representation of the Case



2.5. LAUNDERING OF CORRUPTION MONEY THROUGH SIMULATED ASSET SALES

2.5.1. Economic Activities Used

- Federal Government.
- Civil construction.
- Jewelry and precious stones.
- Government bonds.

2.5.2. Financial Intelligence Alert Signals

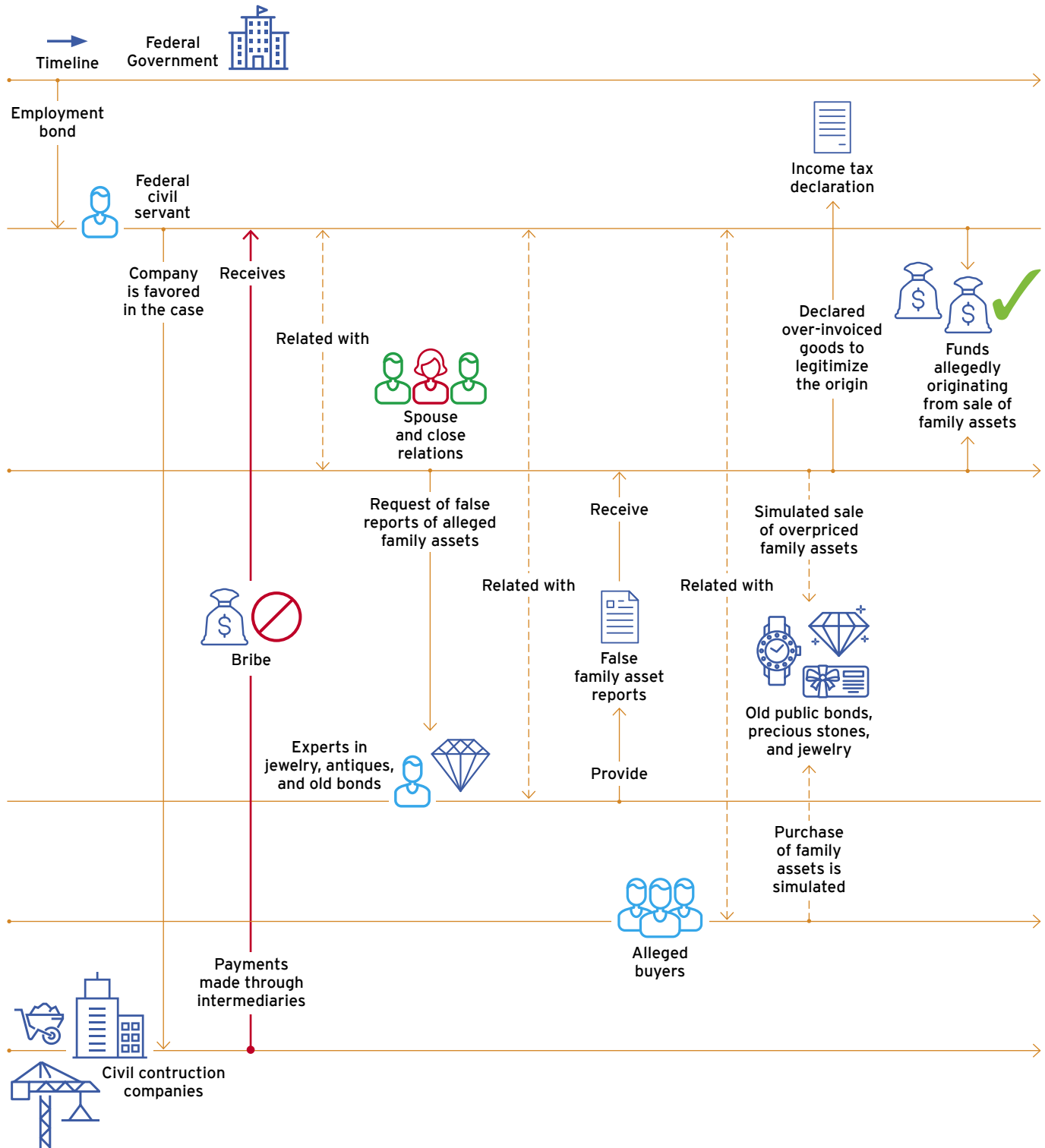
- Unusual transfer of funds by natural persons or businesses related to tenders.
- Unusual transfer of funds by government agents.
- Transactions involving the purchase or sale of jewelry, precious stones or metals and government bonds at prices that are not compatible with market prices or carried out by a person whose declared activity and profile are not consistent with the type of transaction conducted.

2.5.3. Case Description

A government agent receives dubious amounts in cash to favor certain businesses in Federal Government tenders. In order to justify the amounts received, said government agent, generally using the name of the spouse or someone close to the family, declares that the funds are from the sale of old government bonds, precious stones or family jewelry to collectors.

Under this scheme, the criminal participation of alleged specialists is fundamental, who over-appraise the objects with false reports, as is the participation of third parties who act as alleged buyers/collectors of the overpriced goods.

2.5.4. Graphic Representation of the Case



2.6. MUNICIPAL CORRUPTION THROUGH PUBLIC WORK TENDERS

2.6.1. Economic Activities Used

- Municipal Government.
- Civil Construction.
- National Financial System.

2.6.2. Financial Intelligence Alert Signals

- Receipt of funds through immediate cash withdrawals.
- Transactions incompatible with assets, economic activity and financial capacity.
- Unusual transfer of funds by natural persons of businesses related to tenders.
- Unusual transfer of funds by government agents.

2.6.3. Case Description

A municipal government issues a tender to contract Civil Construction works and deposits, in the bank account of the winning company, the amounts regarding the payment of the contracted services.

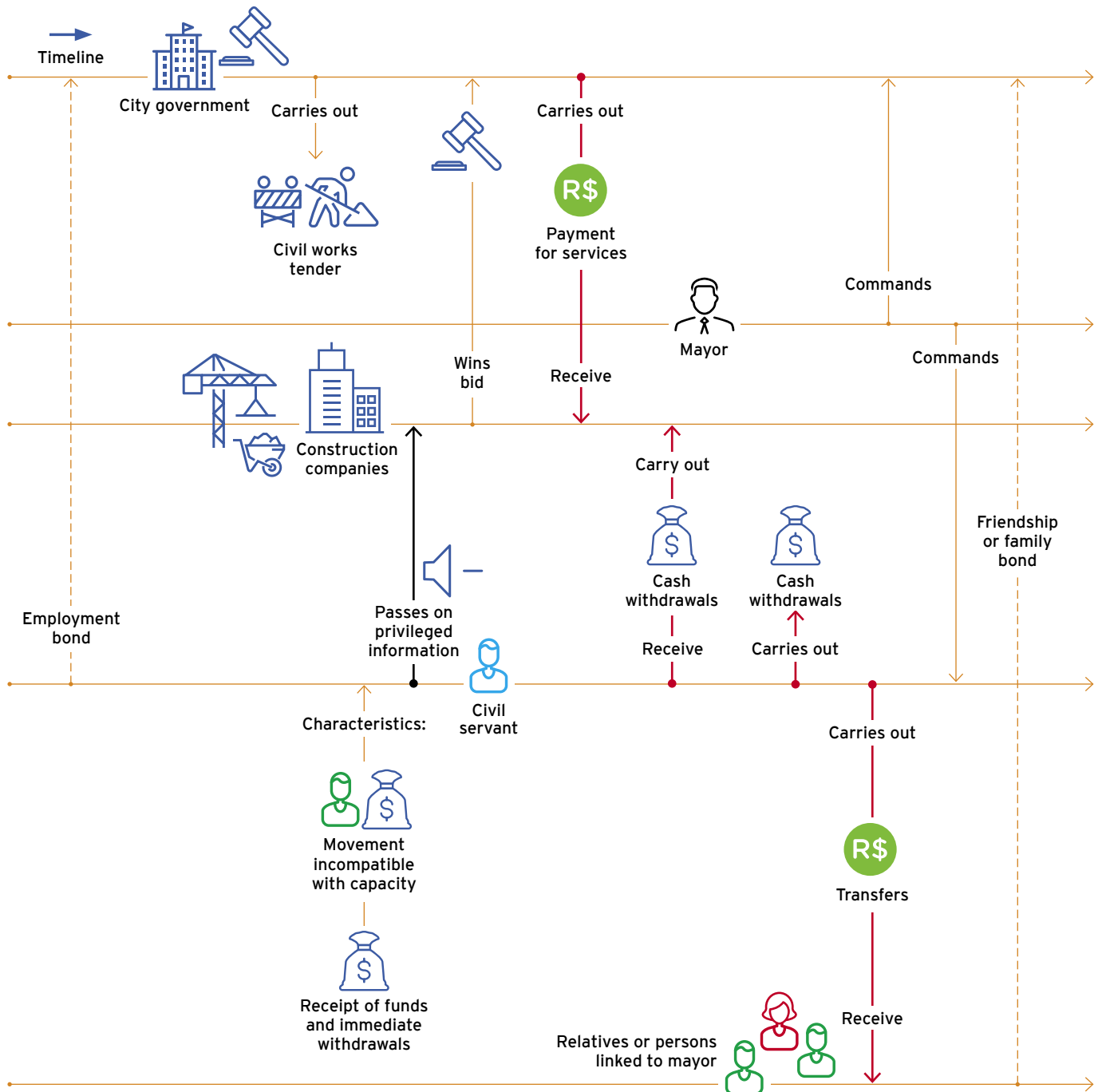
Upon receipt of the funds transferred by the municipal government, cash withdrawals are made and, simultaneously, deposits are made in accounts held by a civil servant of the same municipal government. The amounts of the deposits in the account of the civil servant represent 10% to 20% of the amount received from municipal government.

Part of the funds are withdrawn in cash and part is transferred to the accounts of individuals associated, by levels of kinship, to the municipal mayor.

The characteristics of the fund transfers indicate possible tender fraud. The deposits made by the company in the civil servant's account suggest the payment of a bribe to manipulate the bidding process.

The transfers from the civil servant's account to the accounts of persons associated with the municipal mayor indicate also the involvement mayor in the tender fraud.

2.6.4. Graphic Representation of the Case



2.7. MISAPPROPRIATION OF MUNICIPAL GOVERNMENT FUNDS BY BUSINESSES CONTRACTED WITHOUT TENDERS

2.7.1. Economic Activities Used

- Municipal Governments.
- Private Businesses.
- National Financial System.

2.7.2. Financial Intelligence Alert Signals

- Recently set up businesses, with no registered employees, whose partners have links with government.
- Transactions incompatible with assets, economic activity and financial capacity.
- Withdrawals of small amounts in cash, to conceal the total amount.
- Reluctance to provide registry update information.
- Transactions of large amounts through accounts with small amount transaction histories.
- Unusual transfer of funds by persons associated with the tender.
- Unusual transfer of funds by government agents.

2.7.3. Case Description

The bank accounts of a recently started business, with no registered employees, suddenly begin to transfer funds incompatible with its financial and economic capacity. The funds come almost entirely from municipal government agencies.

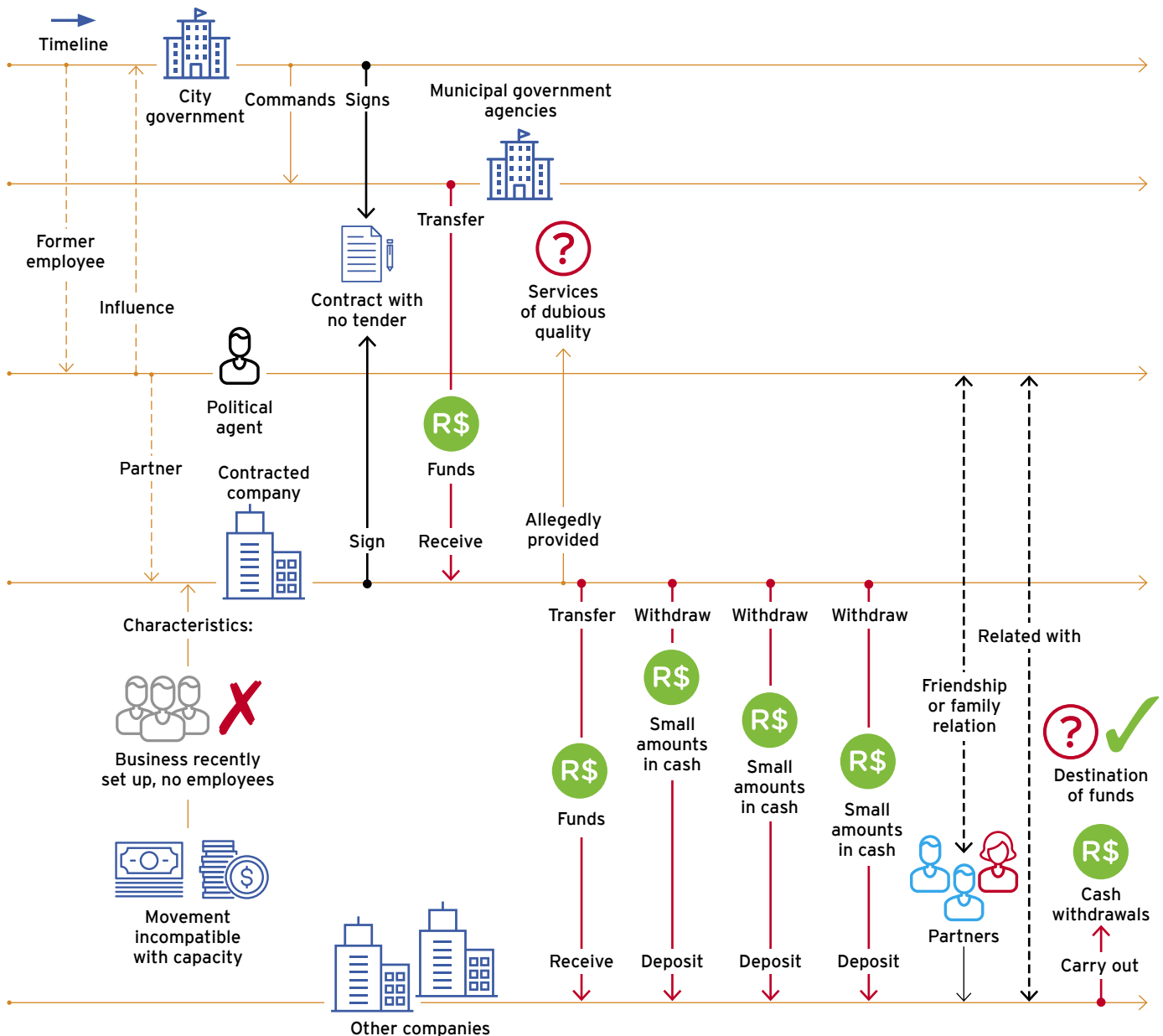
The shareholders of the business are a political agent, previously employed by the municipal government, and his or her relatives.

The funds credited to the account of the business are transferred to other companies, linked to the political agent partner and his or her relatives, or through small cash withdrawals.

When the businesses are contacted by the financial institutions where the accounts are held requesting them to provide registry update information, they are reluctant to do so, and do not present economic grounds or justification for the amounts involved in the transactions.

The characteristics of the transfers indicate possible concealment or disguising of misappropriated government funds. The transfers of the amounts, from the account receiving the credits from the government agencies to individuals or other businesses, are the means used to hamper the identification of the perpetrators of the misappropriation.

2.7.4. Graphic Representation of the Case



2.8. STATE CORRUPTION FROM GOVERNMENT FUND MISAPPROPRIATION THROUGH THE SUBCONTRACTING OF AGREEMENTS

2.8.1. Economic Activities Used

- National Financial System.
- Non-governmental organizations - NGOs.
- Production and promotion of sporting events.
- Organizing fairs, conferences, exhibitions and celebrations.

2.8.2. Financial Intelligence Alert Signals

- Unusual transfer of funds by non-profit organizations.
- Receipt of funds from a non-profit organization that is a beneficiary of government funds.
- Receipt of funds with immediate cash withdrawals.
- Businesses with similar registry data, with no registered employees, whose partners have links with government.

2.8.3. Case Description

A non-governmental organization that produces and promotes sporting events obtains government funding by proposing an agreement involving a project to hold an event in its area of activity.

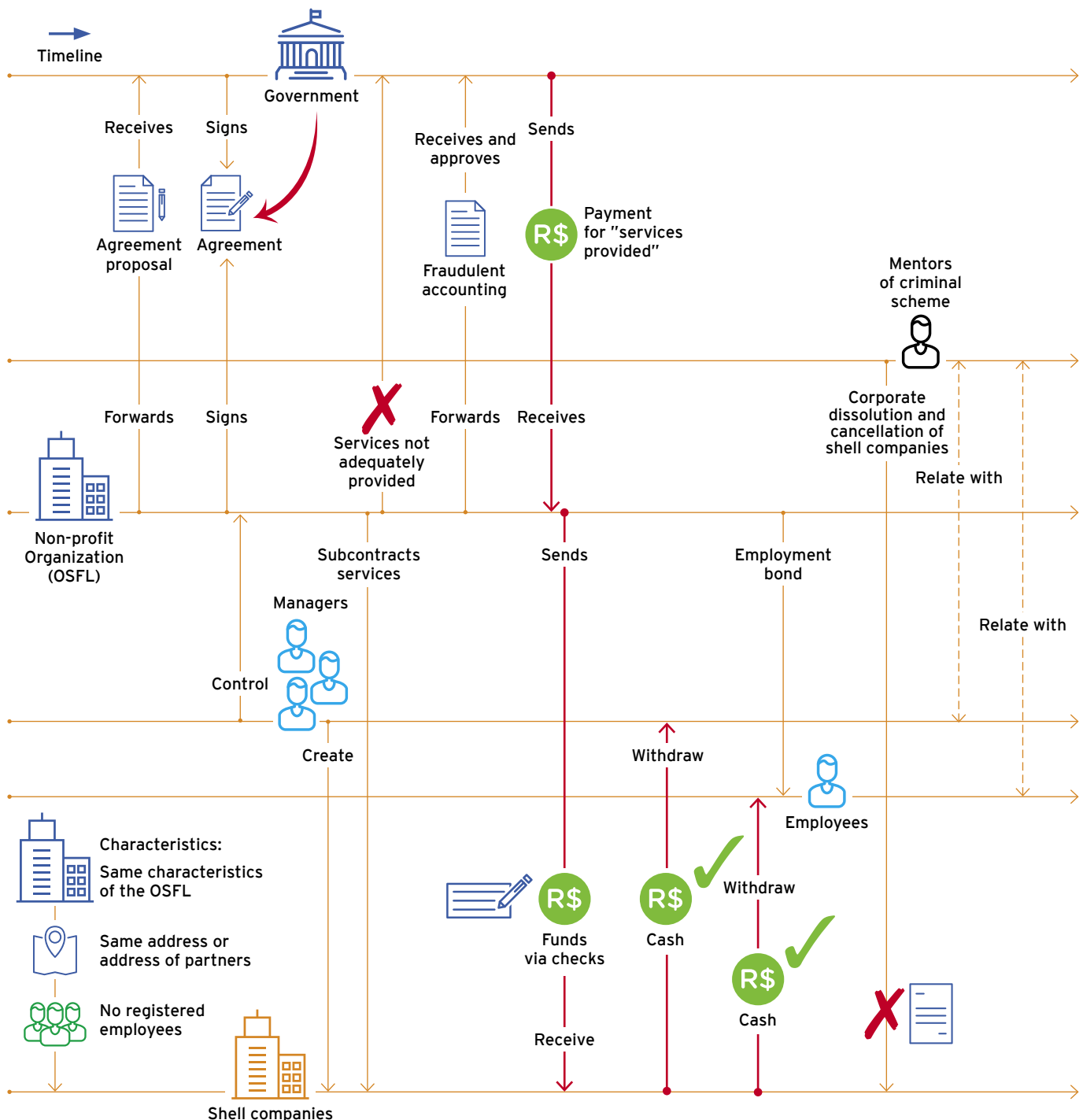
At the same time, managers of the organization start businesses whose activities are in the same segment.

These businesses do not have any registered employees, and are usually headquartered at the same residential address, at a nearby address, or at the address of one of the partners.

The non-profit organization then begins transferring funds via checks to these companies, to pay for services that are allegedly provided but which actually are not.

Subsequently, cash amounts are withdrawn from the accounts of the businesses by employees or managers linked to the non-profit organization, who then become the true beneficiaries of the government funds obtained through the agreement. Once the government funds reach the mentors of the scheme, the articles of incorporation of the shell companies are cancelled.

2.8.4. Graphic Representation of the Case



2.9. MISAPPROPRIATION OF PUBLIC FUNDS FOR CAMPAIGN FUNDING THROUGH OVER-INVOICING BY A CIVIL SOCIETY ORGANIZATION FOR PUBLIC INTEREST - OSCIP

2.9.1. Economic Activities Used

- State Government.
- Non-governmental Organizations (NGOs).
- National Financial System.

2.9.2. Financial Intelligence Alert Signals

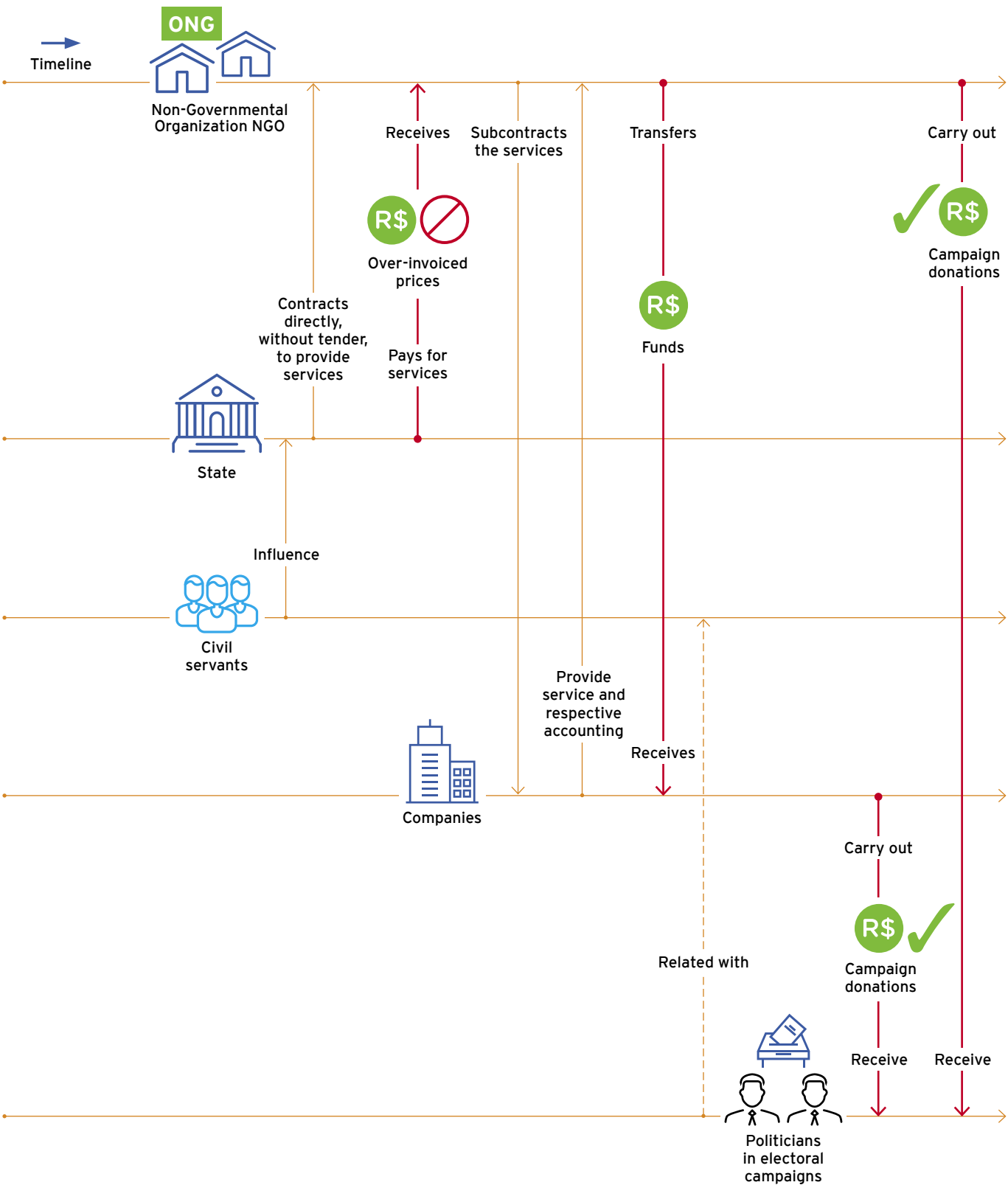
- Receipt of government funds by a recently-created business, with no registered employees, whose partners are linked to civil servants.
- Transactions incompatible with assets, economic activity and financial capacity.
- Fragmentation of cash withdrawals to disguise the total amount.
- Reluctance to provide information for registry updates.
- Movement of significant amounts through an account with no frequent previous use.
- Receipt of sums from non-profit organizations beneficiaries of government funds.

2.9.3. Case Description

A group of NGOs receives funds from the government to supposedly provide services of public interest, without a tender. To carry out the services, the NGOs subcontract companies, whose owners are directly or indirectly linked to their managers.

Once the funds are received, whose amounts indicate that there was over-invoicing, the companies donate part of the amounts to the electoral campaigns of candidates linked to the employees of the executive branch of government responsible for releasing the funds to the NGOs, without the issuing of tenders.

2.9.4. Graphic Representation of the Case



2.10. MISAPPROPRIATION OF MUNICIPAL GOVERNMENT FUNDS THROUGH COMPANIES CONTRACTED WITHOUT TENDERS

2.10.1. Economic Activities Used

- Municipal Government
- Private Companies
- National Financial System

2.10.2. Financial Intelligence Alert Signals

- Receipt of government funds by a recently-created business, with no registered employees, whose partners are directly or indirectly linked to civil servants.
- Transactions incompatible with presumed assets, economic activity or financial capacity.
- Withdrawals of small amounts in cash, to conceal the total amount.
- Reluctancy to provide the necessary information for registry updates.
- Movement of significant amounts through an account with no frequent previous use.

2.10.3. Case Description

A recently started business, with no registered employees, suddenly begins engaging in transactions, through its bank accounts, with funds incompatible with its financial and economic capacity. The funds come almost entirely from municipal government agencies.

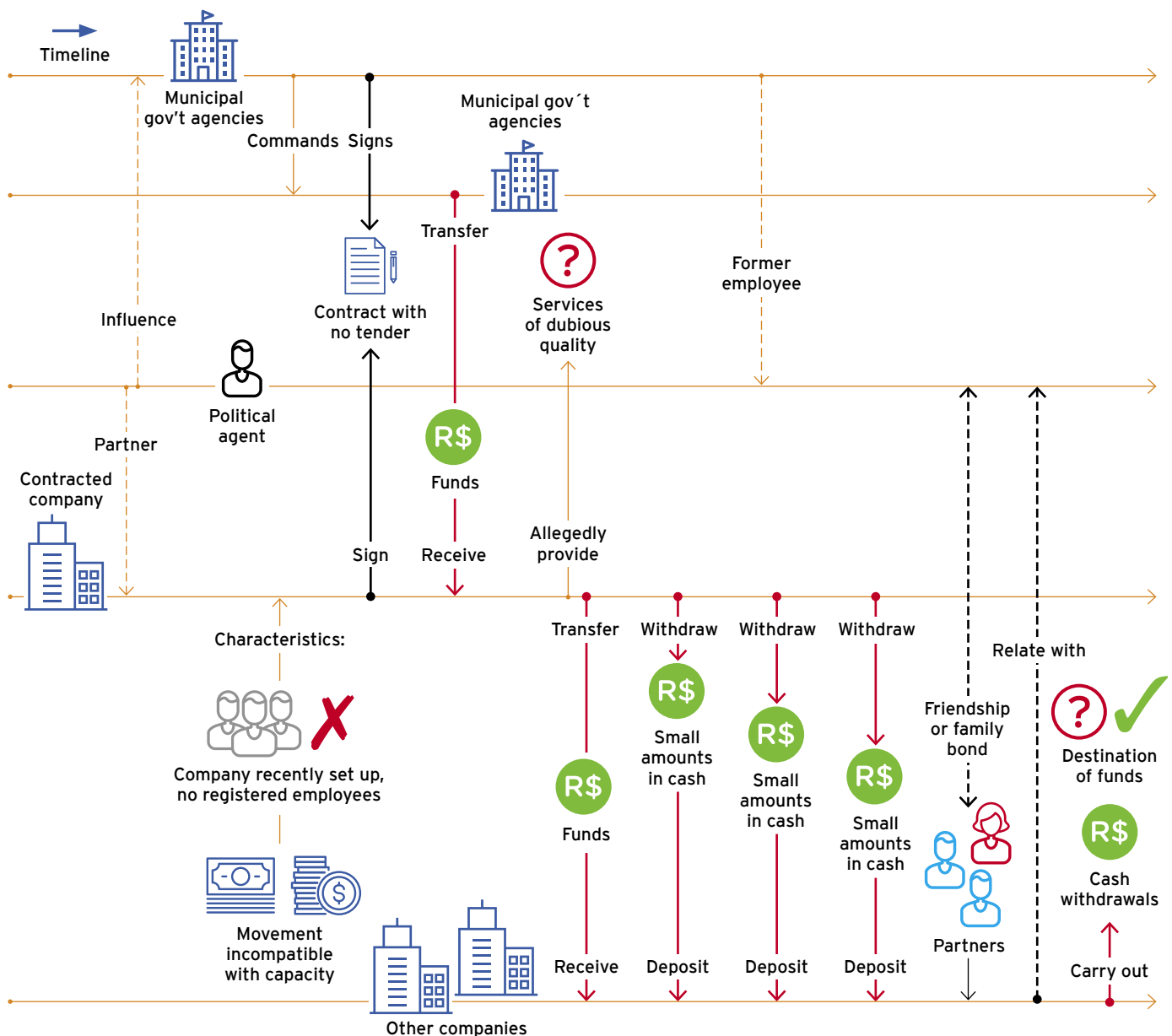
The company's shares are held by a political agent, a former employee of the municipal government, and by members of this person's family.

The funds credited to the company's account are transferred to other companies, linked to the shareholding political agent and his or her family members, or through small cash withdrawals.

In contacts with the financial institutions where the companies have their accounts, the company is reluctant to provide information to update registry information and does not present economic grounds or justification for the funds transferred.

The characteristics of the transfers indicate possible concealment or disguising of misappropriated government funds. The transfers of the amounts, from the account receiving the credits from the government agencies to individuals or other businesses, are the means used to hamper the identification of the perpetrators of the misappropriation.

2.10.4. Graphic Representation of the Case



2.11. REAL ESTATE PURCHASES TO MISAPPROPRIATE GOVERNMENT FUNDS

2.11.1. Economic Activities Used

- Public Higher Learning Institute.
- Non-governmental Organization - NGO.
- Real Estate Sector.
- National Financial System.

2.11.2. Financial Intelligence Alert Signals

- Real estate transactions with apparent unjustified increase or decrease in the price of the property.
- Real estate transactions or proposals that, given the characteristics of the parties involved, amounts, type of transaction, instruments used or the lack of economic or legal basis, may indicate a crime.
- Real estate transaction incompatible with the assets, main activity or presumed financial capacity of the parties.
- Receipt of funds with the immediate purchase of instruments to make payments or transfers to third parties, without justification.
- Transactions incompatible with presumed assets, economic activity or financial capacity.

2.11.3. Case Description

A public institution of higher learning created a foundation to provide support (non-profit, non-governmental organization) for studies and research.

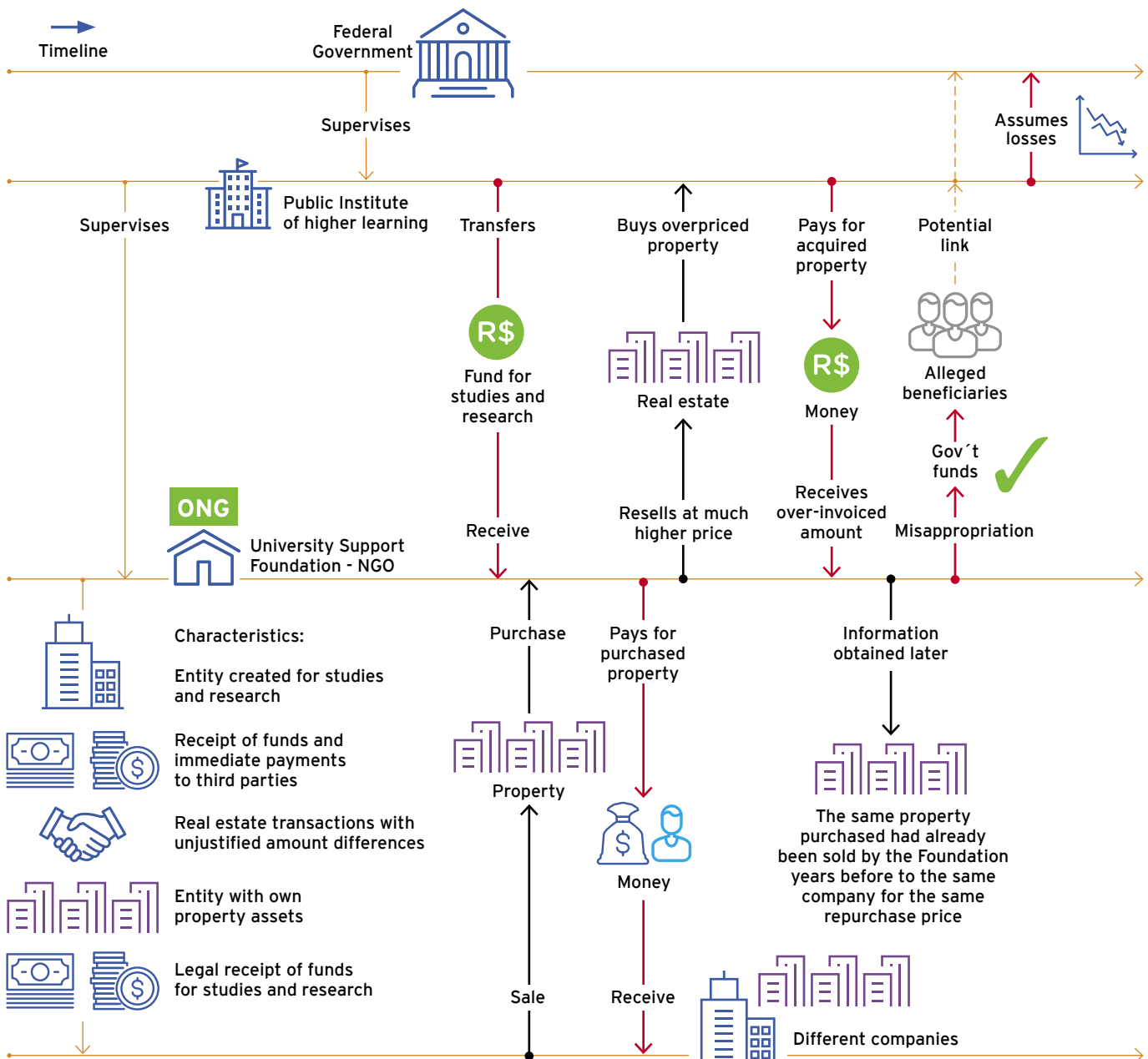
The foundation received government funds to carry out research and projects, including transfers from the institution that created the foundation.

On a certain date, the foundation received funds from the institution of higher learning and, on a date immediately after the transfer, purchases property and transfers the funds to the companies that sold the property. Shortly after, the foundation sells the same property to the institution of higher learning that created it, at prices significantly higher than those paid by the foundation for the property.

After checking the property transaction records, it is discovered that the property that had previously belonged to the foundation was repurchased by the same foundation years later, at the same prices and, on a date close to the date of repurchase, resold to the institution of higher learning, but at prices much higher than those originally paid.

The characteristics of financial transfers, associated with the property transactions, indicate that the purchase of the property was used as an artifice to misappropriate government funds received by the institution of higher learning.

2.11.4. Graphic Representation of the Case



2.12. PAYMENT OF BRIBES BY CONTRACTORS IN MUNICIPAL CONTRACTS

2.12.1. Economic Activities Used

- Municipal Government.
- Private Companies.
- National Financial System.
- Federal Public Administration – Agreements.

2.12.2. Financial Intelligence Alert Signals

- Unusual transfer of funds by individual or business related to tenders.
- Receipt of credits exclusively from government agencies.
- Transfer of funds incompatible with assets, economic activity and financial capacity.
- Withdrawals of small amounts in cash, to conceal the total amount.
- Reluctancy to provide the necessary information for registry updates.
- Purchase of vehicles through cash payments.

2.12.3. Case Description

An engineering works company receives funds in its accounts from various municipal governments claiming that the funds are from contracts won in municipal tenders. It also receives various money orders from the federal government for contracts with municipal governments to carry out federal government agreements in the cities.

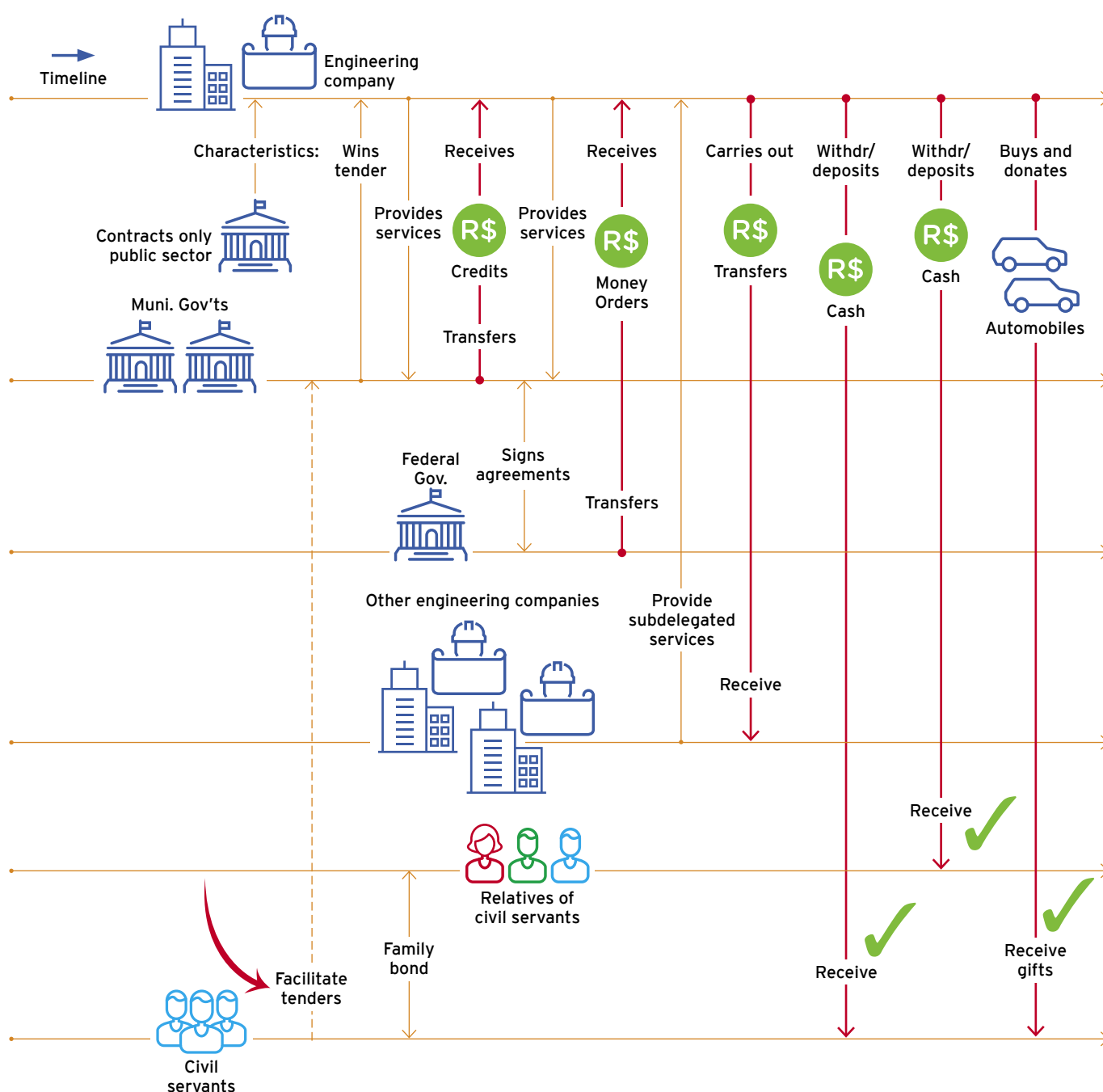
All the credits received in its accounts come from government agencies.

The company claims that it does not work for private companies.

The debits are from cash withdrawals and transfers to companies associated with engineering activities.

Part of the amounts withdrawn in cash is transferred to employees of the municipal governments that transferred credits to the business, as well as to relatives and persons directly or indirectly linked to the government employees. Another part is used to purchase vehicles, through payments in cash, that are given as presents to employees working at the agencies responsible for the tenders that transfer funds to the company.

2.12.4. Graphic Representation of the Case



2.13. MISAPPROPRIATION OF MUNICIPAL FUNDS THROUGH THE CONTRACTING OF ARTISTIC EVENTS WITHOUT TENDERS

2.13.1. Economic Activities Used

- National Financial System.
- Municipal Government.
- Artistic Sector.
- Real Estate Sector.

2.13.2. Financial Intelligence Alert Signals

- Receipt of government funds transferred to persons with public links.
- Transactions incompatible with assets, economic activity and financial capacity.
- Real estate transactions with apparent unjustified increase or decrease in the price of the property.
- Real estate transactions or proposals that, given the characteristics of the parties involved, amounts, type of transaction, instruments used or the lack of economic or legal basis, may indicate a crime.

2.13.3. Case Description

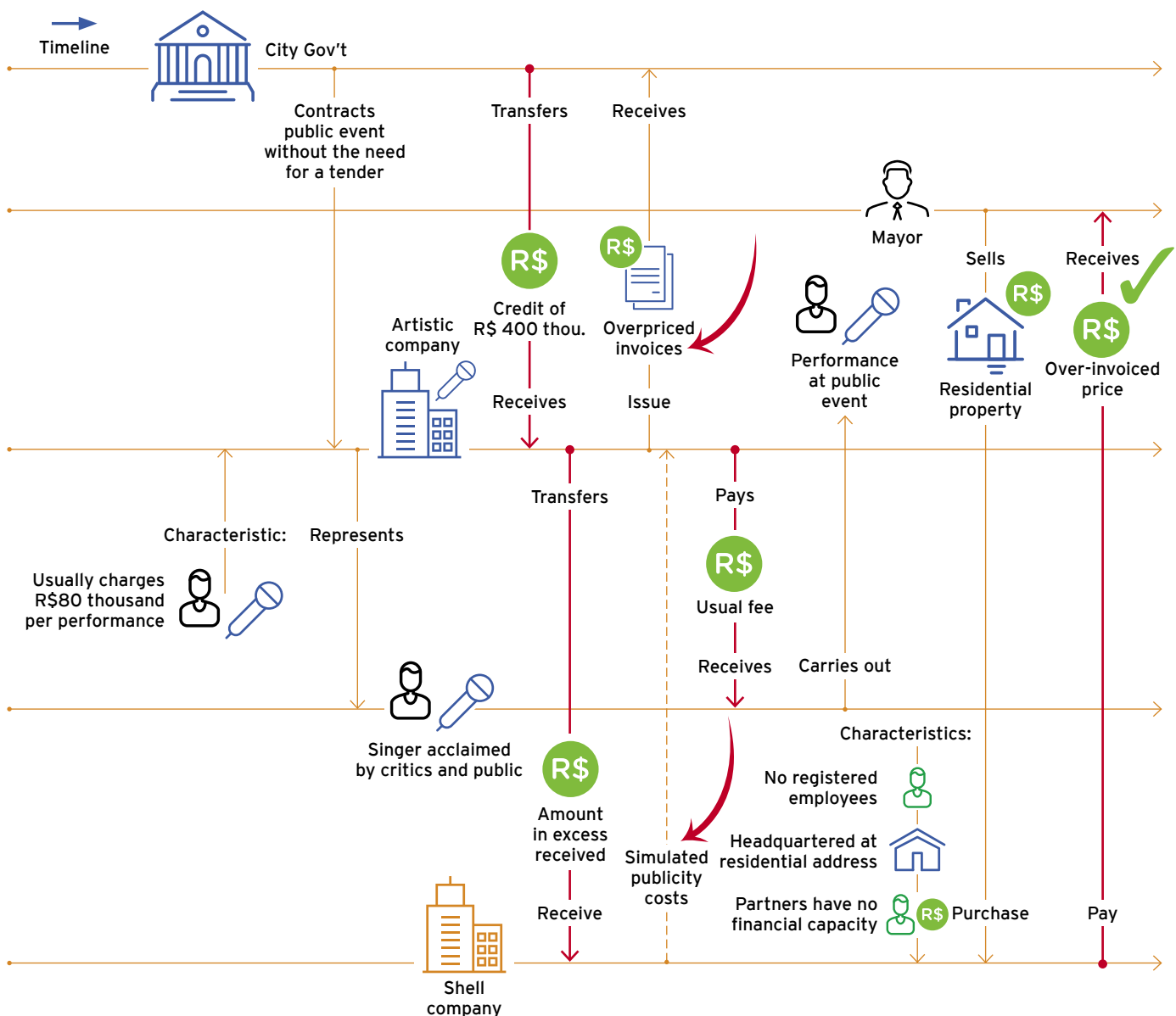
Article 25, section 3, of Law no. 8.666/93 states that "...Art. 25. Tendering is not required when competition is not viable, especially: ... III awarding contracts to professionals from any artistic sector, directly or through an exclusive agent, as long as they have been well established by expert critics or public opinion...". Based on this article, government agencies can book artists for shows without the need for tendering. However, this process has several other requirements, such as price justification.

A certain municipal government books an artist whose fees are around R\$ 80,000 for R\$ 400,000, without the need for tendering, based on the aforementioned article of Law no. 8.666/93. The company representing the artist submits over-invoiced bills to the municipal government with. The financial transactions of this company include several credits for R\$ 80,000 received from contracts signed with private individuals, and one credit for R\$ 400,000 from the municipal government for a single show.

Subsequently, a part of the overpaid amount was deposited to another company with characteristics of a “shell company”, namely the absence of registered employees, headquartered at a residential address, and a partner without apparent financial capacity.

The amounts received by this second company are justified as expenses for the advertising of the show in question. However, the financial transactions do not confirm any debit with such purpose. The amounts received are used to purchase a property belonging to the mayor for an amount higher than the market value and equal to the amount received by the second company.

2.13.4. Graphic Representation of the Case



2.14. IRREGULAR FUNDING OF ELECTORAL CAMPAIGNS WITH BRIBES, VIA SUPERMARKET AND MONEY TRANSPORT COMPANIES

2.14.1. Economic Activities Used

- Transport of sums.
- Electoral Campaigns.
- Retail Commerce.

2.14.2. Financial Intelligence Alert Signals

- Sudden and unjustified change in account movements.
- Transport of cash amounts to individuals.
- Small amount cash withdrawals.

2.14.3. Case Description

Cash deposits in supermarket accounts are a common practice due to their operational characteristics. A certain company in this line of activity has records of several cash deposits in its account when there was a change in the nature of the receivables, during an election campaign.

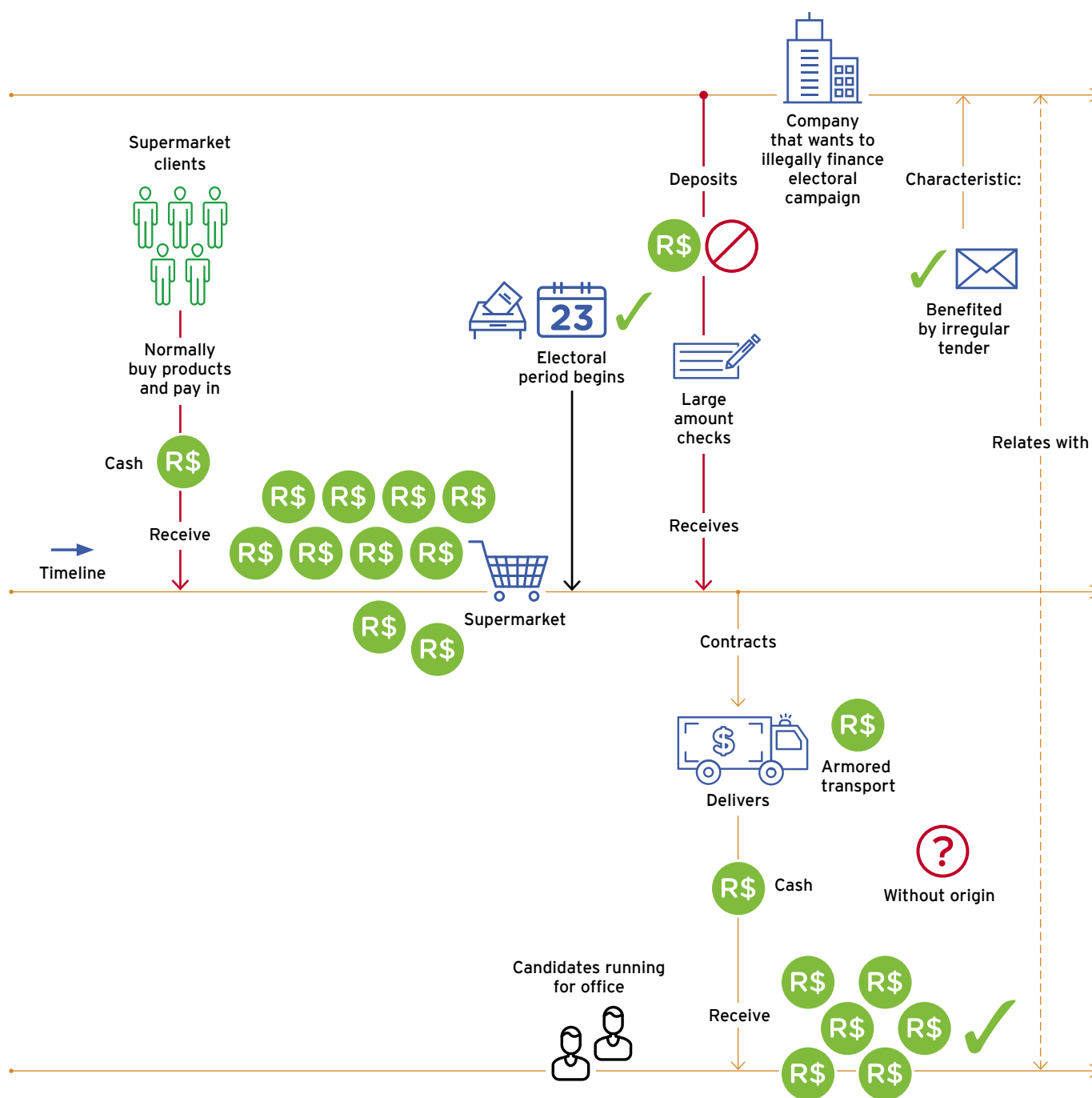
Instead of credits being received through cash deposits, the company started receiving check deposits for amounts incompatible with its presumed function whose main characteristic is pulverized retail sales.

Along with this interruption, notifications regarding Law no. 9.613/98 are received, from the armored money transport segment, indicating that the supermarket had contracted said service to transport amounts in cash to certain individuals without the use of a financial institution, which could characterize an attempt to conceal the identity of the true beneficiaries of the cash.

Subsequent examinations indicated that the checks deposited in the supermarket account were issued by companies linked to the individuals who were the recipients of the transported cash.

After investigations, it is discovered that the amounts in cash were used in irregular campaign funding. The deposited checks were backed by bribes paid by the winners of the irregular tendering processes.

2.14.4. Graphic Representation of the Case



2.15. MISAPPROPRIATION OF GOVERNMENT FUNDS IN HOSPITAL ADMINISTRATION OUTSOURCING

2.15.1. Economic Activities Used

- National Financial System.
- Non-Governmental Organizations.
- Municipal Government.
- Health Care Services.

2.15.2. Financial Intelligence Alert Signals

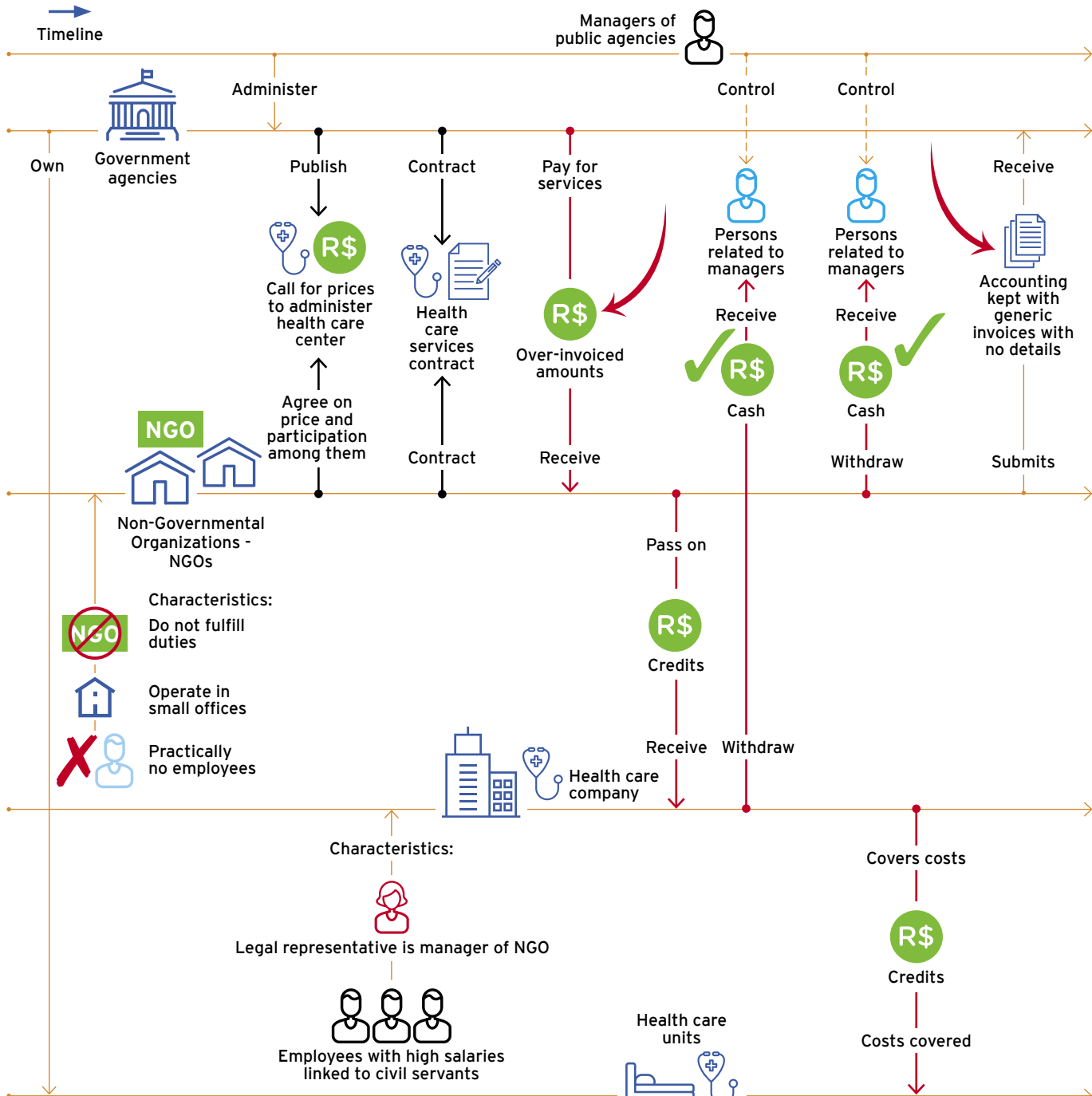
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Receipt of sums from non-profit organizations beneficiaries of government funds.

2.15.3. Case Description

Government agencies award contracts to non-governmental organizations (NGOs) to provide health services. The NGOs must manage the health units in the municipalities that awarded them the contracts. The agreed upon services are not provided as agreed. Management of the health care services in the municipalities was almost entirely carried out by the NGOs.

The financial transactions of the NGOs showed that all credits received come from the contracting government agencies and the debits went to the health care provider that should provide the contracted services. The legal representative of this health care provider is none other than the director of the NGO. Several cash withdrawals are also made from the accounts of the health care provider and the NGO itself. The amounts withdrawn are destined to the accounts of persons linked to the managers of the contracting government agencies.

The submission of prices by which NGOs are contracted is done between NGOs of the same group, thus simulating a competition, but the outcome had already been decided. The NGOs are located in commercial offices, with almost no employees. In fact, they do not exist as civil societies. They only manage the funds contracted without a tender.



2.16. MISAPPROPRIATION OF THE FUNDS OF COMPLEMENTARY PENSIONS

2.16.1. Economic Activities Used

- National Financial System.
- Private Pension Entity.
- Public Entities.

2.16.2. Financial Intelligence Alert Signals

- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity.
- Alternation of the same persons in the shareholdings of companies related in suspicious communications.
- Transactions incompatible with assets, economic activity and financial capacity.
- Cash withdrawals by unrelated persons.

2.16.3. Case Description

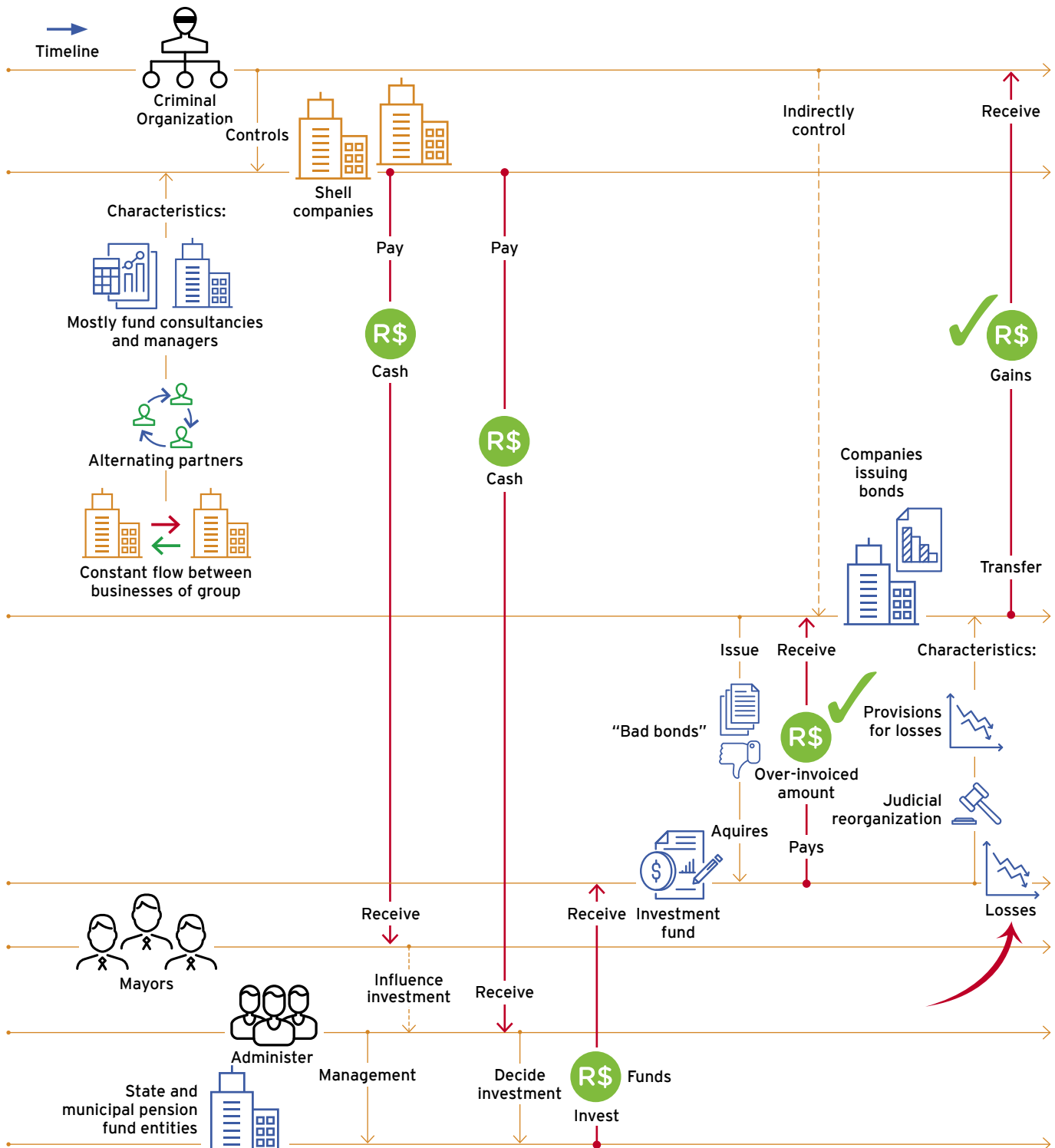
A criminal organization controls a group of shell companies whose partners are straw persons, so-called “laranjas”. The vast majority of these companies are investment fund consultancy and management firms. According to the financial transactions, most of the credits received come from complementary private pension entities. As soon as the amounts are received, there is a constant financial flow between the companies belonging to “the group”, mainly through bank transfers. The debits are carried out through cash withdrawals. The partners are constantly being replaced by others.

An investigation and examination of the financial flow of the parties involved identified that the cash withdrawals were used to entice pension fund managers to invest in investment funds with unattractive bonds, managed by the criminal gang itself and with a high probability of failure.

The funds managed by these companies are comprised of “junk bonds”, originating from the provision for losses due to liquidity problems and/or judicial reorganization pleas by the issuers of corporate bonds that make up their portfolios, which are managed by those involved in the scheme.

Thus, the fund managers invest in pension funds motivated by the bribe they receive and not by the greater benefit of the fund. Losses are accounted to the private pension entities.

2.16.4. Graphic Representation of the Case



2.17. MISAPPROPRIATION OF MUNICIPAL GOVERNMENT FUNDS THROUGH EXPROPRIATIONS

2.17.1. Economic Activities Used

- National Financial System.
- Municipal Government.
- Real Estate Sector.

2.17.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with assets, economic activity and financial capacity.
- Cash withdrawals by individuals with no apparent justification.
- Sudden change in financial movement pattern.
- Unusual transfer of funds by public agents.
- Expropriation of property for prices apparently above market prices.

2.17.3. Case Description

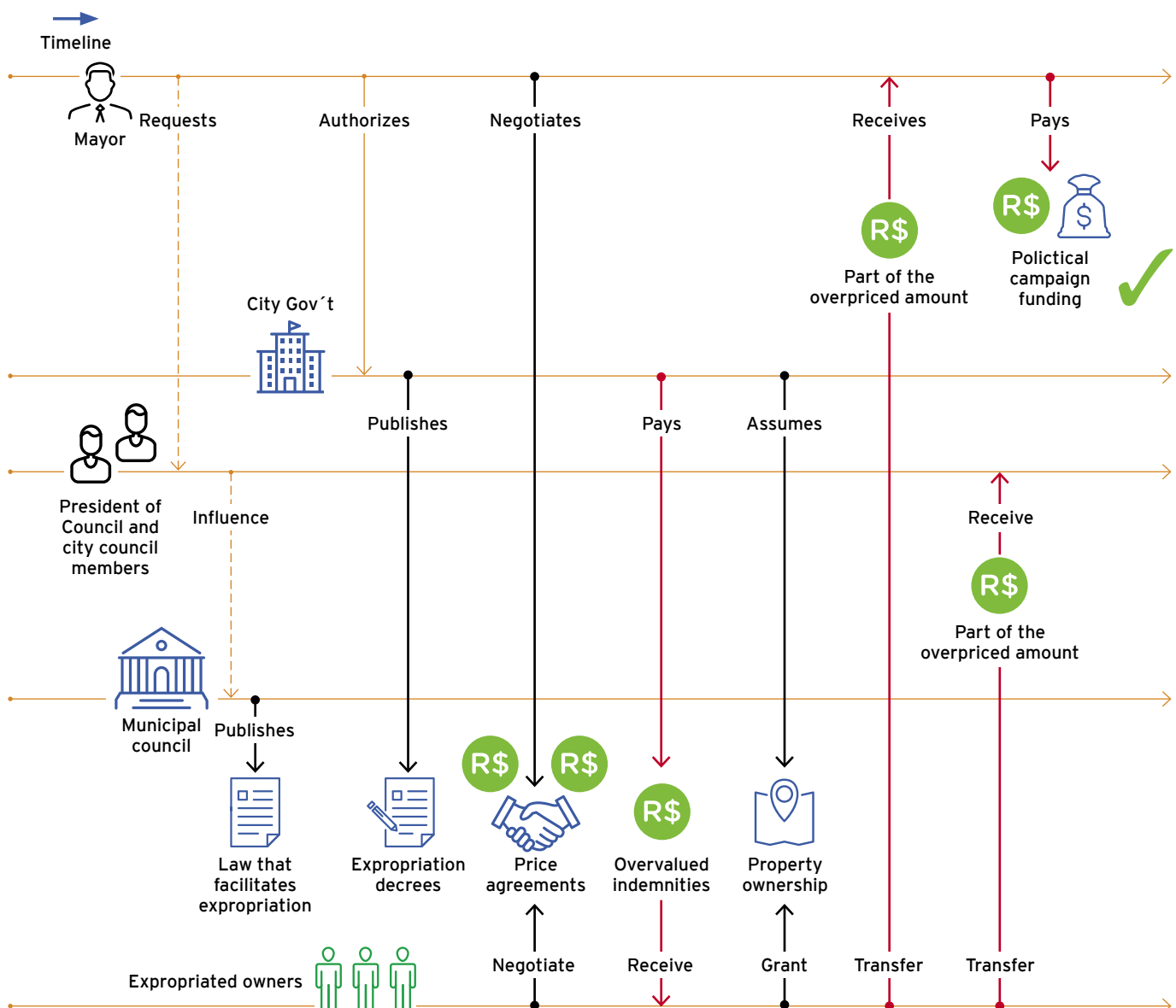
A certain mayor gets support from the municipal council to enable an expropriation process in a more independent manner and to reduce the possibility of questioning by the legislative branch, by revoking a certain restrictive law or by passing a law with more flexible terms. The municipal government publishes expropriation decrees (Declaration of Public Utility), with insufficient grounds from an economic or social standpoint. It is up to the government to objectively identify: a) the adequacy and need for the property to be expropriated to satisfy collective needs, b) the amount of compensation to be paid and c) the duties to be paid and the available economic and financial funds.

Then, direct agreements are reached with the owners of properties to be expropriated, with prices substantially higher than real estate market prices.

Once the compensation payments were made through money orders, checks or other means, the ownership of the properties is transferred, in theory or in practice, to the public authority. The expropriated individuals, following an agreement with the mayor or other public servants, transfer funds or make cash deposits for part of the surplus amounts to the accounts of the mayor or whomever he designates, who, in this specific case, was the President of the Municipal Council and certain aldermen.

The scheme observed in Brazilian municipalities was motivated by the illegal financing of election campaigns.

2.17.4. Graphic Representation of the Case



2.18. FRAUD IN PARASTATAL ENTITY TENDERS

2.18.1. Economic Activities Used

- National Financial System.
- Third Sector.

2.18.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Salaries outside conventional levels for companies related to the public sector.
- Unusual transfer of funds by employees of a parastatal entity.
- Unusual transfer of funds by natural person or business related to tenders.

2.18.3. Case Description

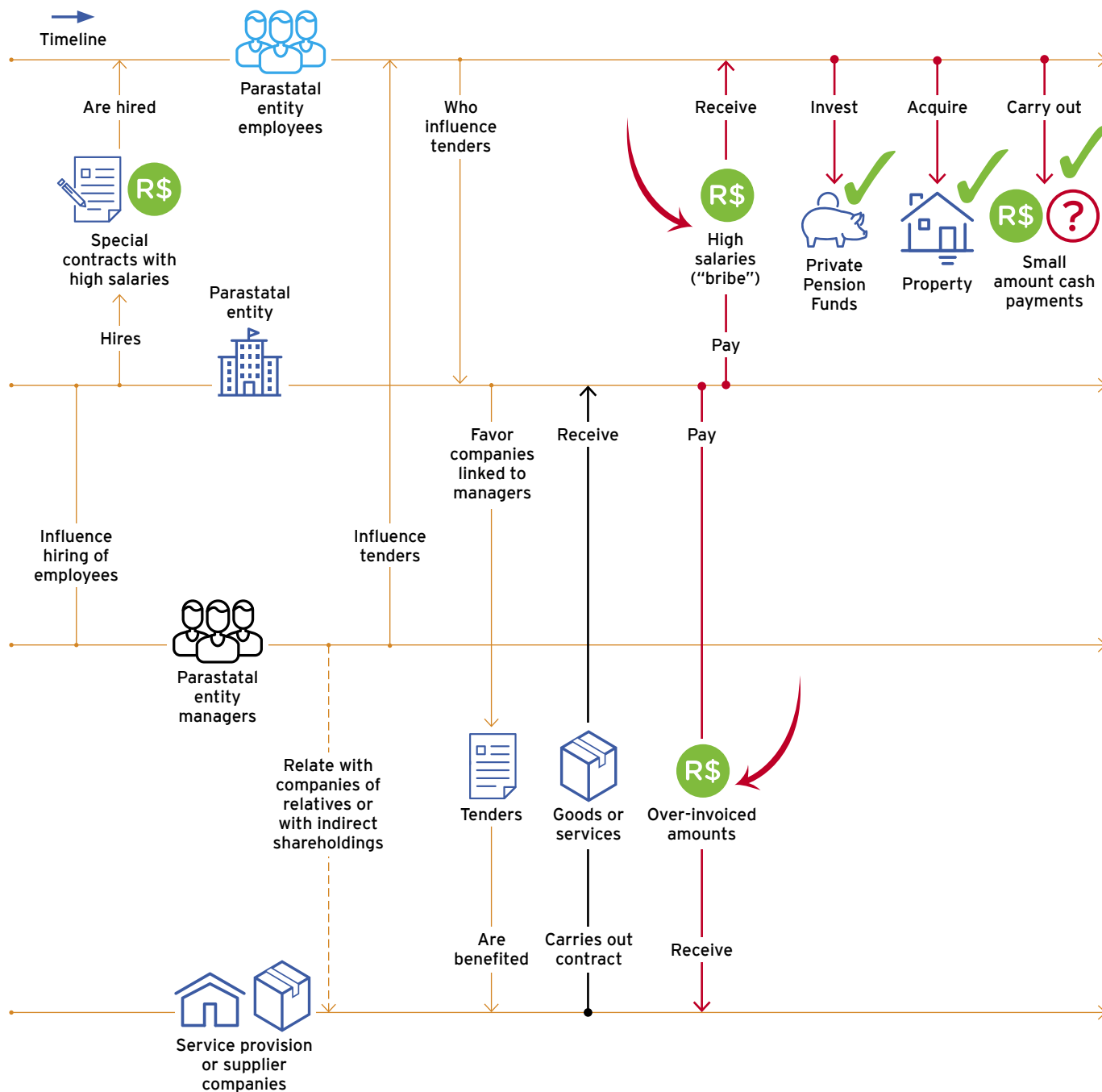
The expression “parastatal entities” denotes a set of associative entities that provide independent services, both administratively and financially.

Parastatal entity employees carry out financial transactions incompatible with their presumed economic and financial capacity, mainly through credits received from the entity at which they work. In addition, they contract private pensions plans for amounts greater than R\$ 1 million, equally incompatible with their profiles, and also purchase properties, with payments made in cash. The debit transactions of these employees also include several small amount cash operations.

A financial examination, using National Registry of Social Information (CNIS) data, reveals that these employees earn significantly higher salaries than those established by the entity’s remuneration structure. Moreover, these employees are part of the tendering department of the parastatal entity. It is detected that the employees use their positions to benefit companies linked to the directors of the entity in tendering processes.

The “bribe” is paid to the employees by way of high salaries in order to avoid calling attention. Some salaries are as high as R\$ 300,000 a month.

2.18.4. Graphic Representation of the Case



2.19. MISAPPROPRIATION OF GOVERNMENT FUNDS AND MONEY LAUNDERING IN PRONAF OPERATIONS

2.19.1. Economic Activities Used

- Federal Public Administration– Pronaf.
- National Financial System.

2.19.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits, unusual for the economic activity or incompatible with the economic/ financial capacity.
- Cash withdrawals.
- Small amount cash deposits to avoid identification of depositors.
- Atypical transactions of social program beneficiaries.

2.19.3. Case Description

The National Family Agriculture Strengthening Program (Pronaf) aims to promote the generation of income and to improve the use of family labor, through the funding of rural agricultural and non-agricultural activities and services carried out at rural establishments or in nearby community areas, at interest rates well below the market rates.

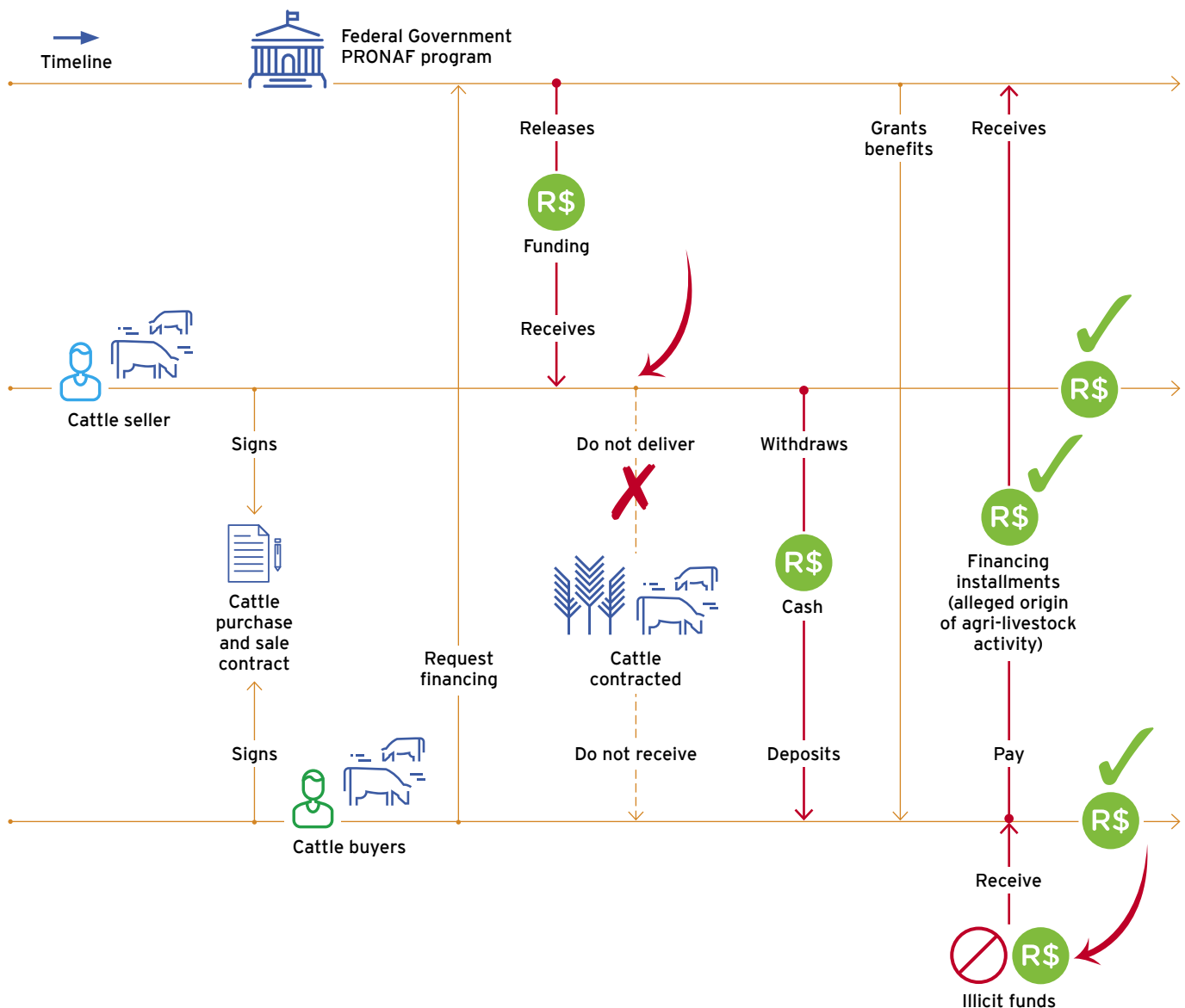
An individual settled on plot of land by the National Agrarian Reform Program receives, in their bank account various deposits made by the Pronaf, from contracts involving the sale of cattle to other settlers belonging to the same rural settlement.

The financial transactions of the this individual indicate that, after receiving the deposits from Pronaf, approximately 95% of the amount of each contract was withdrawn in cash and deposited in the accounts of the cattle buyers, benefitted by Pronaf funding.

After investigation, it was discovered that the sale of cattle was a simulation, in order for Pronaf to release the funds, which were then transferred to the alleged buyers. The alleged buyers retained 5% of the released funds as compensation for participating in the scheme.

Subsequently, to pay for the funding obtained from the Pronaf, the alleged buyers used funds obtained from illegal activities, or intentionally delayed the payment of the installments to obtain sizable discounts in the renegotiation campaigns offered by the program.

2.19.4. Graphic Representation of the Case



2.20. MONEY LAUNDERING THROUGH SHARES IN A LEASING PROGRAM

2.20.1. Economic Activities Used

- National Financial System.
- Leasing programs.

2.20.2. Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Large quantity of 'consórcio' quotas administered by a single person.
- Businesses whose partners apparently do not have the economic capacity to justify the registered financial movement.

2.20.3. Case Description

In the current account of an electronic device company, located in a region where imported goods are sold, frequent financial transactions are observed that are incompatible with the company's financial and economic capacity.

The partners apparently do not have the financial capacity for this activity. This financial activity, in addition to the great incompatibility noted in transactions/revenue, intense activity was also observed in operations involving leasing plan management companies.

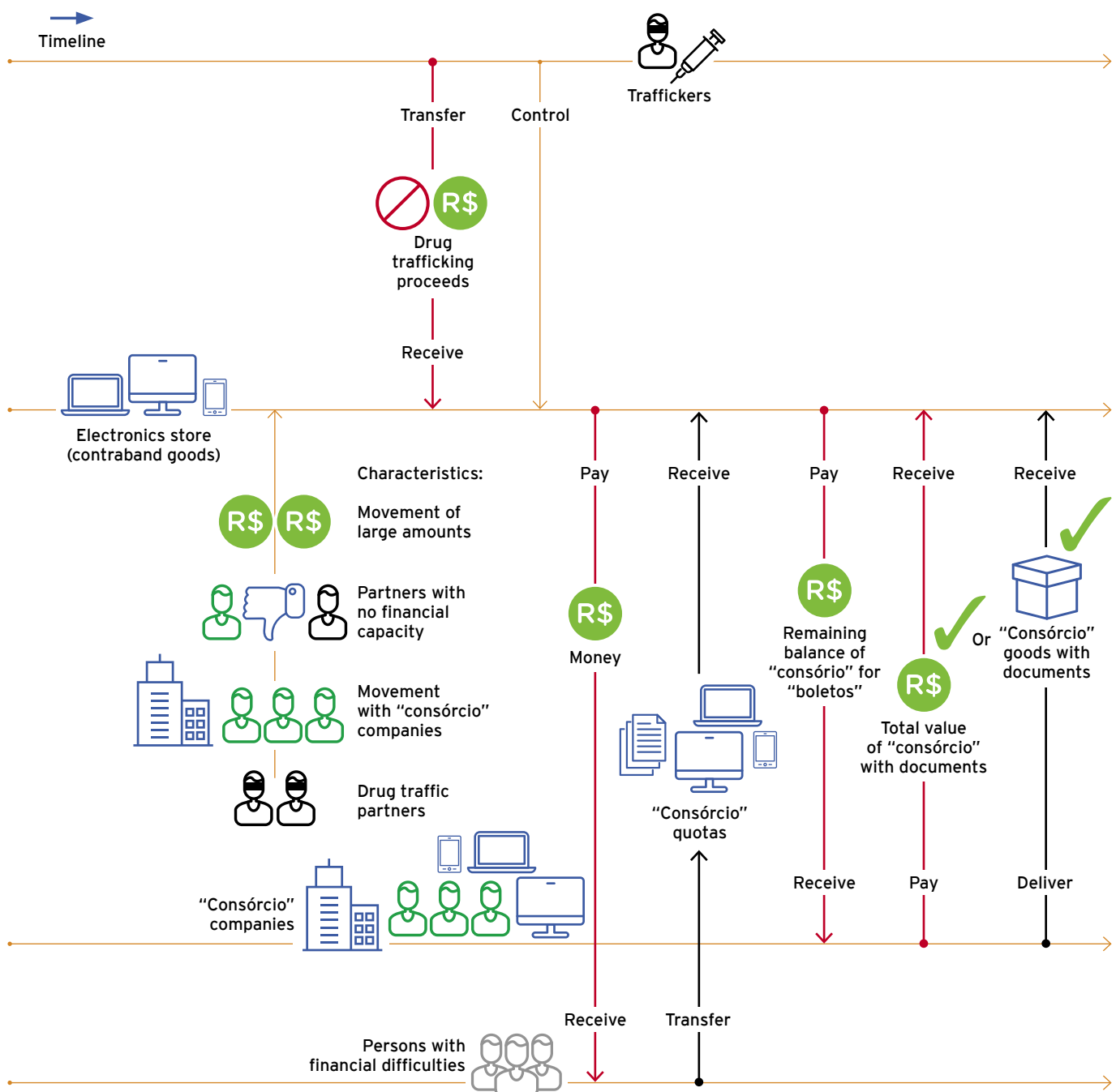
The representative of the account provides the justification the this financial activity is due to the company's "normal" buying and selling activities.

The partners of the company are also drug traffickers and the amounts accrued from this activity, normally in cash, are used to purchase the lease program shares of third parties with financial difficulties at lower prices.

The outstanding settlement balance and the respective issuance of the purchase document is also paid for with these funds. The settlement is done through the payment of banks slips in cash.

Thus, the respective amounts for the share that are authorized for purchase are credited in the accounts of the company, another part is used to purchase the goods authorized by the leasing program. All transactions involving the fake and contraband goods, as well as the drug trafficking, passes through the current account in an attempt to make the financial activity arising from the criminal scheme appear to be legal.

2.20.4. Graphic Representation of the Case



2.21. USE OF THE TRANSFERRABLE SECURITIES MARKET TO CONCEAL THE SENDERS AND RECIPIENTS OF CASH TRANSACTIONS

2.21.1. Economic Activities Used

- Securities Market.
- Securities or Merchandise Brokers.

2.21.2. Financial Intelligence Alert Signals

- Operations with characteristics to circumvent the identification of those involved or the beneficiaries.
- Cash deposits by unidentified third parties in account of investor held at securities broker.
- Small amount cash deposits to disguise the total amount.
- Sudden change in the movements of an investor account held at the securities or merchandise brokers.
- Unusual transfer of funds by public agents.
- Use of intermediaries.
- Operations indicating being regularly carried out in name of third parties.
- Bond and securities market operations settled in cash.

2.21.3. Case Description

The owner of a company involved in tender frauds wants to transfer the proceeds of the illegal activity to a political agent who participated in the fraud without any evidence of the link between them. An investor who is friend of the owner of the company is a market professional linked to a securities brokerage. Taking advantage of this friendship, the owner of the company then makes a series of cash deposits of amounts that do not need to be reported in the account held by the investor at the brokerage.

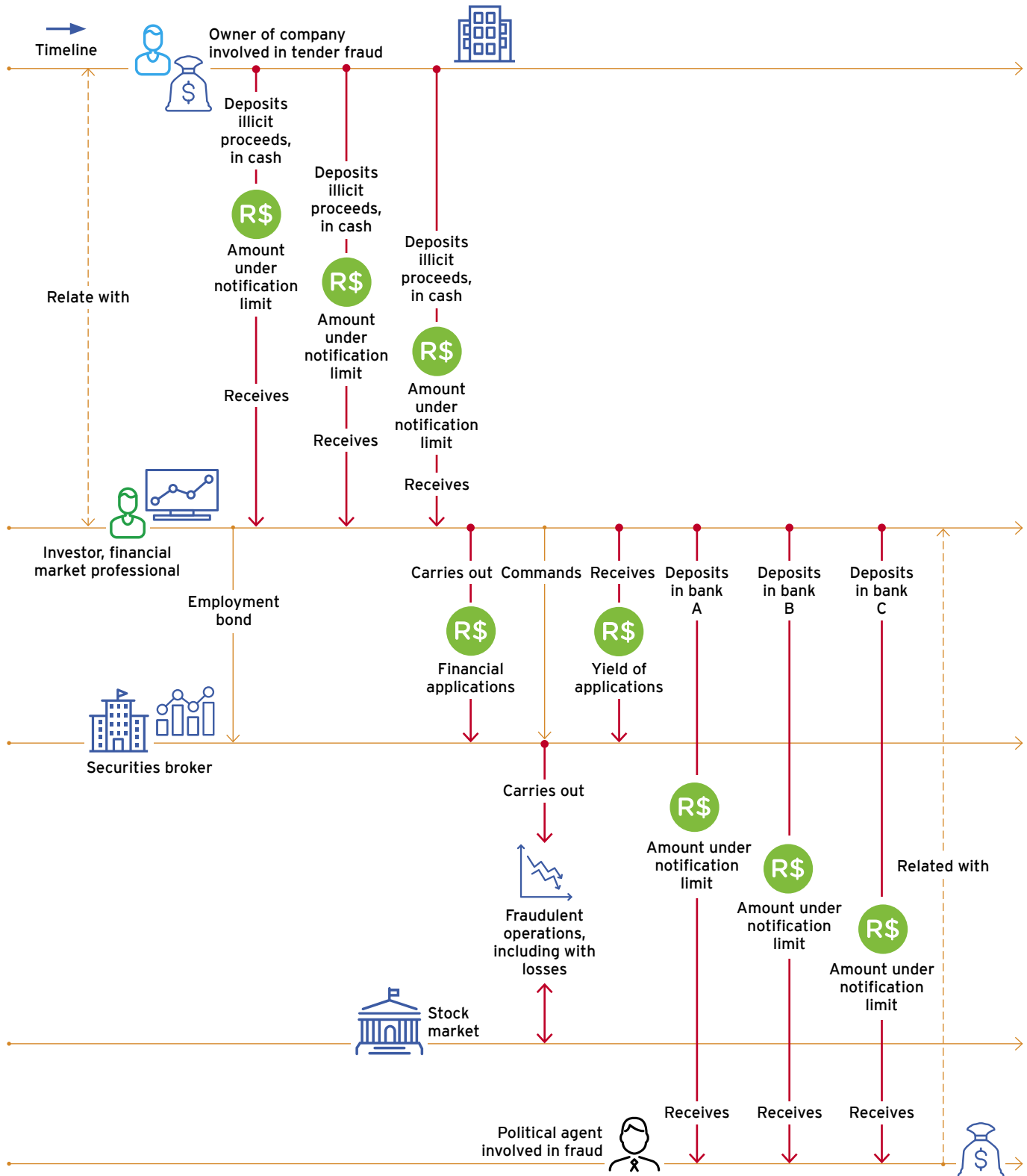
The investor does not contaminate his/her own business activities with the funds of his/her business friend. The person uses the funds in stock market operations which, regardless of generation profits or losses, do not relevantly affect the amount originally deposited.

Systematically, the investor then transfers, through a series of cash transactions of amounts that do not need to be reported, funds from his/her account at the brokerage to various bank accounts held by the political agent. With this procedure, the investor aims to conceal the fact that it is the business owner who is transferring the funds to the political agent.

When the money enters the securities market, the investor does not try to capitalize the amount “invested”. On the contrary, the person admits the possibility of a loss.

It thus may be observed that the securities market is being wrongfully used to conceal the source of the money credited in the accounts of the political agent, seeking to produce a “smoke screen” to distance the sender of the funds, the business owner participating in the fraud, from their recipient, the politician involved in the corruptions scheme.

2.21.4. Graphic Representation of the Case



2.22. TRANSFER OF FUNDS ABROAD THROUGH FICTITIOUS IMPORTS

2.22.1. Economic Activities Used

- Foreign Trade.
- National Financial System.

2.22.2. Financial Intelligence Alert Signals

- Deposits incompatible with the financial movement of the importing company.
- Use of intermediaries.
- Export and import operations that are apparently fictitious.

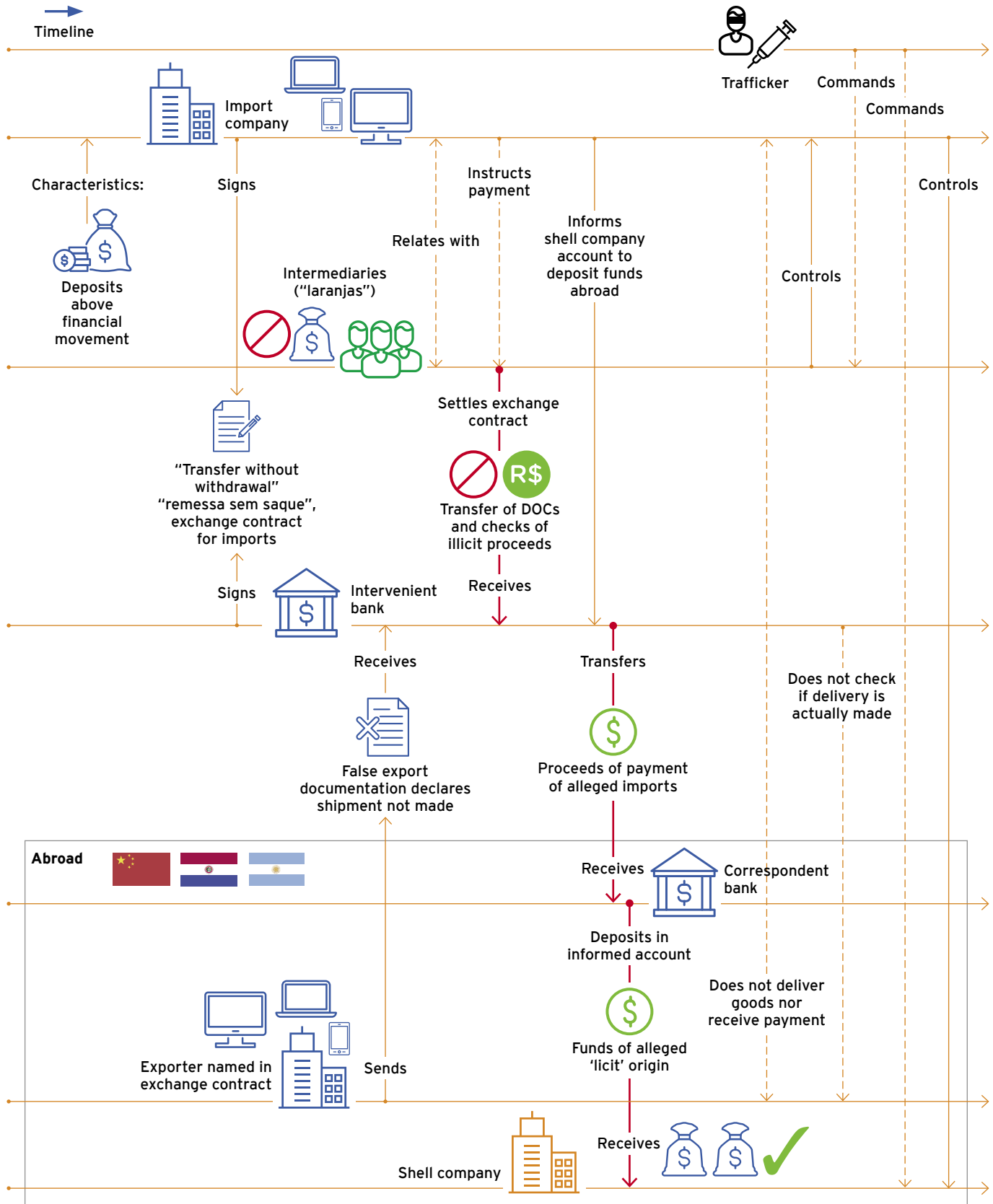
2.22.3. Case Description

An import company signs foreign exchange contracts for the payment of imports. The payment mode used, “remessa sem saque” (transfer without withdrawal), eliminates the need for the intervening bank to verify the formalities regarding the international counterpart, given that the commercial operation is carried out between partners that have been trading for some time, or between a head office and a subsidiary.

It is discovered however that the amounts remitted abroad by the importing company are transferred to an account that is not held by the alleged informed international exporter and the goods never actually enter the country. Furthermore, it is also detected that the exchange contract settlement amounts are provided by intermediaries (figureheads), through wire transfers and cheques, allowing these persons to be traced. The representatives of the importing company never substantiate the integrity of the import operation.

Once the intermediaries were located and heard it was possible to identify the actual partners of the importing company who used the intermediaries to conceal their identities and who used the company to transfer money originating from drug trafficking to other countries. Evidence of the collusion of employees of the intermediating bank in the transferring of money abroad was not found.

2.22.4. Graphic Representation of the Case



2.23. CAPITAL FLIGHT THROUGH THE PARALLEL FINANCIAL SYSTEM (PARALLEL DOLLAR)

2.23.1. Economic Activities Used

- Foreign Exchange Market.
- Textile, Mechanical and Lumber Industries.

2.23.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with assets, economic activity and financial capacity.
- Transfer of funds in cash in municipalities located in border regions, with evidence of not being typical or of being incompatible with the economic/financial capacity of the client.
- Transfer of funds in benefit of third parties.
- Payments made to outside the country after credits in reais are made in the deposit accounts of the bearers of exchange operations by persons that do not demonstrate the existence of economic or financial link.

2.23.3. Case Description

Two currency exchange bureaus located in the South of the country illegally transfer funds abroad charging commissions for their “services”.

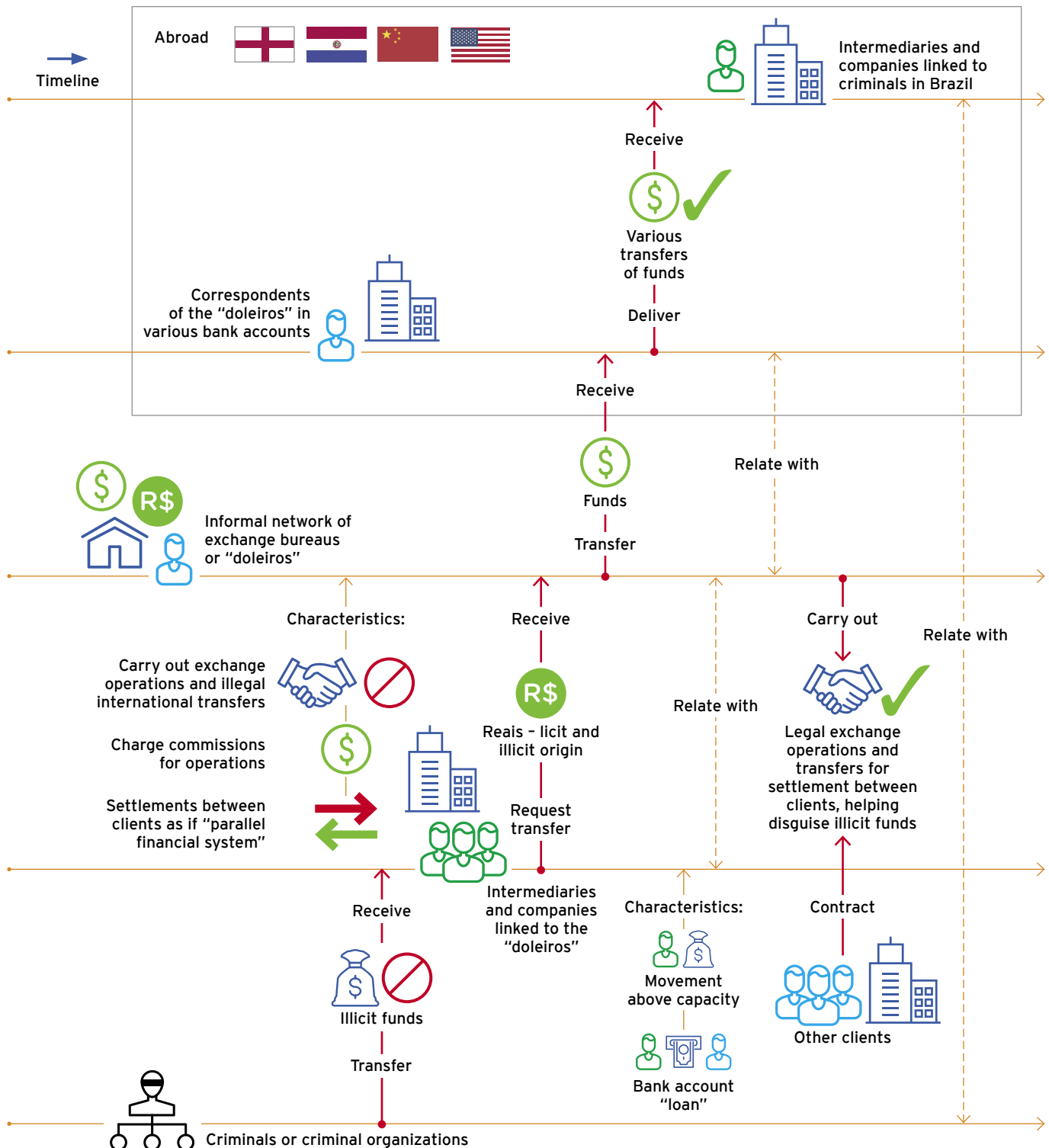
The scheme used accounts in banks outside the country, located in the North America, Europe and South America to transfer the funds of various clients, both individuals and businesses.

In Brazil, an extensive network of connections is discovered between the two bureaus and others located in various other locations throughout the country, particularly in the South and Southeast regions, as well as in border regions in the South and Southeast of the country.

In order to conceal the illegal operations, the scheme uses the banks accounts of both individuals and businesses, in which clearing operations are carried out that mix illegal operations with others that are legal, through a type of parallel financial system.

Several individuals and businesses “lend” the accounts to move the funds originating from illicit transactions in exchange for a certain percentage of the business.

2.23.4. Graphic Representation of the Case



2.24. PURCHASE OF REAL ESTATE IN CASH ORIGINATING FROM INTERNATIONAL DRUG TRAFFICKING THROUGH FOREIGN EXCHANGE FRAUD

2.24.1. Economic Activities Used

- Foreign Exchange Market.
- Real Estate Sector.
- Law Firms.

2.24.2. Financial Intelligence Alert Signals

- Expressive receipt of cash deposits with no apparent relation to the account holder.
- Operations using means to hamper identifying the origin of the funds.
- Transactions that do not reflect being from normal activities or business.
- Cash transactions in border region municipalities that present evidence of being atypical or of being incompatible with the capacity of the account holder.

2.24.3. Case Description

A foreigner is arrested when attempting to buy property worth approximately USD 350,000, in a single cash payment. Investigations conducted by prosecution agencies reached the conclusion that this person was a drug trafficker and had been a member of an important criminal organization, now extinct.

With the dismantling of the criminal organization, a sizable amount of money originating from the narcotics trade was in the hands of several members of the group, among whom was the person investigated. There was thus the urgent need to invest this illicit money in other countries to give it the appearance of being licit.

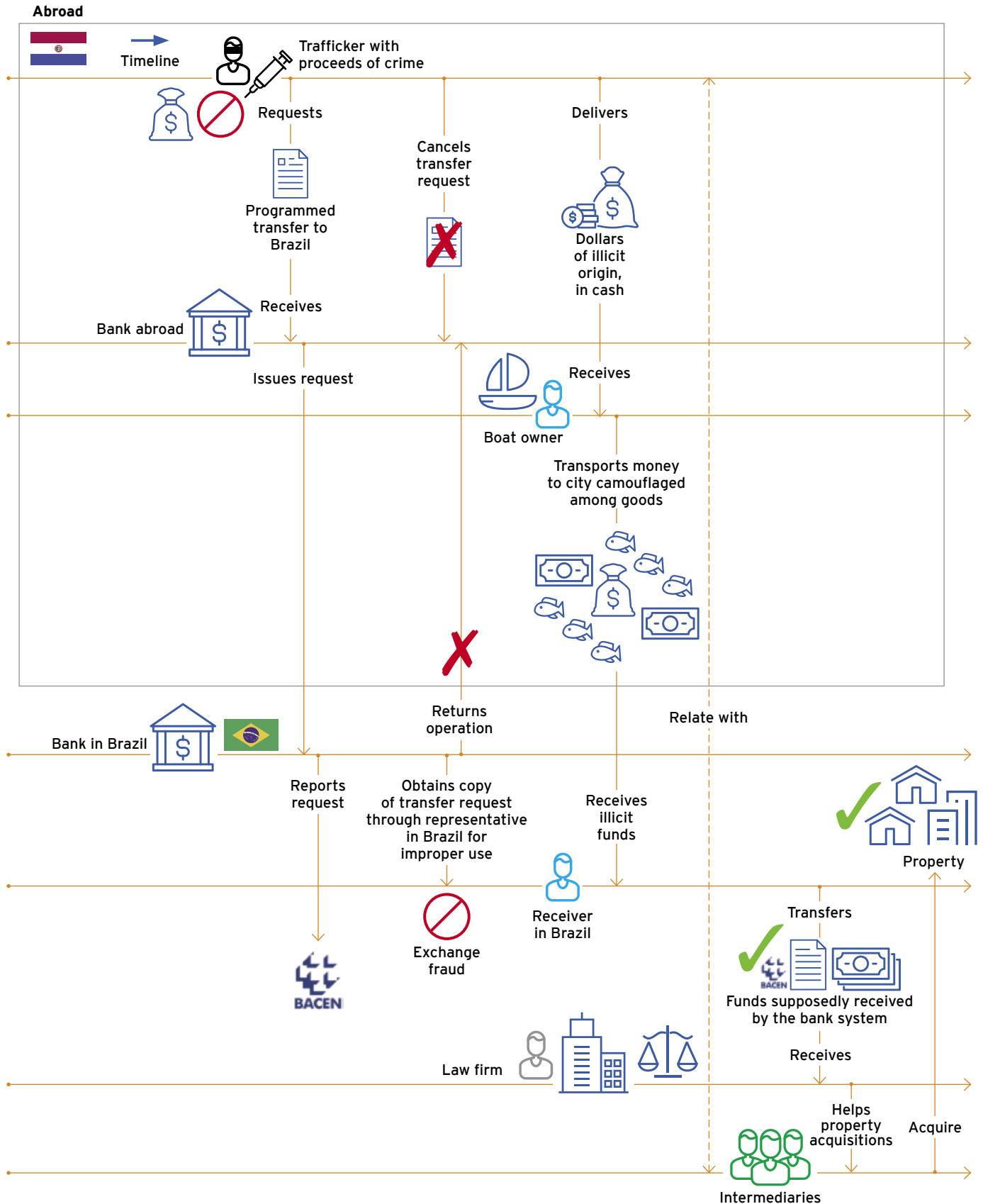
The foreign currency in cash crosses the border into Brazil on a boat camouflaged in a load of fish at a small border town and then transported to the nearest capital city. Among those involved, there was a border money changer and the owner of the vessel, who was paid a commission.

In order to legalize the foreign currency that entered Brazil illegally through the border, a bank located in a foreign jurisdiction is requested to make an international transfer to a branch of the bank in Brazil, and the Brazilian Central Bank is notified of the transfer. The document referring to the programmed transfer is sent by a representative of the foreign trafficker to the recipient of the money.

However, the transfer does not actually take place, since before the amount is converted into national currency (exchange) and the deposit made in the account of the recipient, the trafficker makes a phone call to the agent abroad and requests that the transfer be reversed. Thus, the recipient who is in possession of the money transported across the border, deposits the money in one of his or her bank accounts and, in order to justify the possession of the illicit money, the Brazilian accomplice presents the document initially authorizing the transfer, duly registered at the Central Bank. The trafficker operates with the connivance of the managers of the banks used in the transactions, who are paid respective commissions for their involvement.

The money that the trafficker is able to legalize by the scheme is used to purchase real estate registered under the names of Brazilians involved in the scheme, who use law firms to conduct the business.

2.24.4. Graphic Representation of the Case



2.25. FRAUDULENT OPERATIONS WITH REAL ESTATE INVESTMENT FUNDS AND PENSION FUNDS

2.25.1. Economic Activities Used:

- Real Estate Investment Funds (FII).
- Civil Construction.
- Pension Funds (closed private pension entities).
- Securities Market.

2.25.2. Financial Intelligence Alert Signals

- Transactions incompatible with the presumed economic/financial capacity of companies of the same group.
- Transactions incompatible with the presumed economic/financial capacity of the investment fund shareholder.
- Receipts with immediate payments or transfers to third parties, without justification.
- Habitual unjustified transactions with politically exposed persons or persons closely related.
- Operations on the bond and securities market with characteristics to conceal the identification of those involved.
- Atypical operations that result in substantial and disproportional gains for the intermediaries.

2.25.3. Case Description

A pension fund uses funds to set up an investment fund aimed at financing a large real estate project. The companies determined to administer the fund and to execute the project belong to the same economic group, whose controlling shareholder is a politically exposed person (PEP).

The company administering the real estate investment fund - REIF, by manipulating shareholder assemblies, was able to annul the initial funding of the REIF, by way of favors granted by the pension fund manager, disregarding legislation applying to investment funds.

In this process, the pension fund suffers sizable losses in contrast to the high returns obtained by the shares held by the administrating company in the REIF. A sudden increase in the wealth of the pension fund manager is detected, whose worth increases nearly 700% during the period the real estate project is carried out.

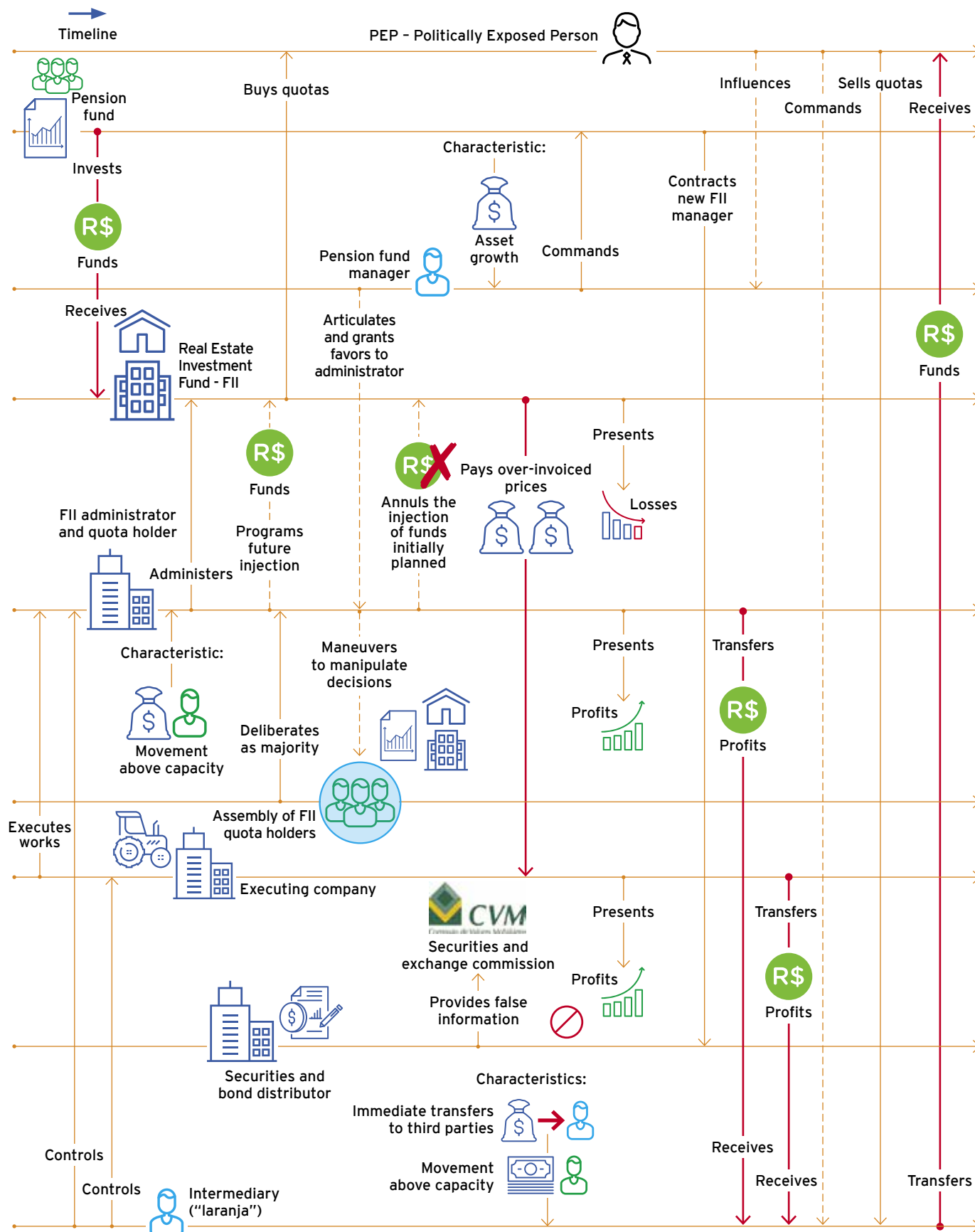
The pension fund contracts a securities dealer to manage the REIF. The dealer provides false information to the Brazilian Securities and Exchange Commission to conceal the actual shareholders of the REIF.

As a result, the administering company accrues significant returns from the real estate investment fund without injecting any funds of its own. Part of these returns come from profits obtained by developers belonging to the company's same economic group, which were contracted through the dealer at values significantly higher than the average market rates.

In addition, ownership of the REIF shares is transferred from the politically exposed person, who is also a shareholder of the investment fund, to a third party, to avoid having to comply with Brazilian tax legislation (Law nº8668/93 altered by Law nº9779/99), which states that: "Funds that invest in a real estate venture whose incorporator, developer or partner is a shareholder of the fund and who holds, individually or in conjunction with others, more than 25% of the shares of said fund, shall not be treated differently, and shall be subject to the taxation rates applicable to businesses."

The third party is none other than the intermediary ("figurehead") for the politically exposed person. Generally, the returns accrued by the intermediary from the shares held in the REIF are not backed by the person's presumed financial capacity. Furthermore, the transaction profile of the account held by the intermediary is characterized by the immediate transfer of the funds received from the investment fund to account held by the politically exposed person or by one of the person's ventures, withholding only the amount needed to pay the CPMF (Brazilian Provisional Contribution on Financial Transactions) in the person's account.

2.25.4. Graphic Representation of the Case



2.26. INVESTOR FRAUD THROUGH FINANCIAL PYRAMIDS

2.26.1. Economic Activities Used

- Agribusiness.
- Foreign Exchange Market.

2.26.2. Financial Intelligence Alert Signals

- Operations at prices incompatible with the market or carried out by persons whose activity and profile are incompatible with the type of negotiation.
- Cash withdrawals from account that receives a series of deposits from various sources in a short period of time.
- Receipts with immediate payments or transfers to third parties, without justification.
- Significant investments disproportional to capacity, whose origin is not clearly known.
- Extremely short-term investment redemptions, regardless of yield.
- Operations whose level of complexity and risk are incompatible with the technical training of the account holder.
- Use of intermediaries.

2.26.3. Case Description

A company specialized in the raising, reproduction and sale of geese and their derivatives offers, on the capital market, investment bonds with repurchase guarantees at the end of the contract, with rapid returns, and above those yielded by other types of investment.

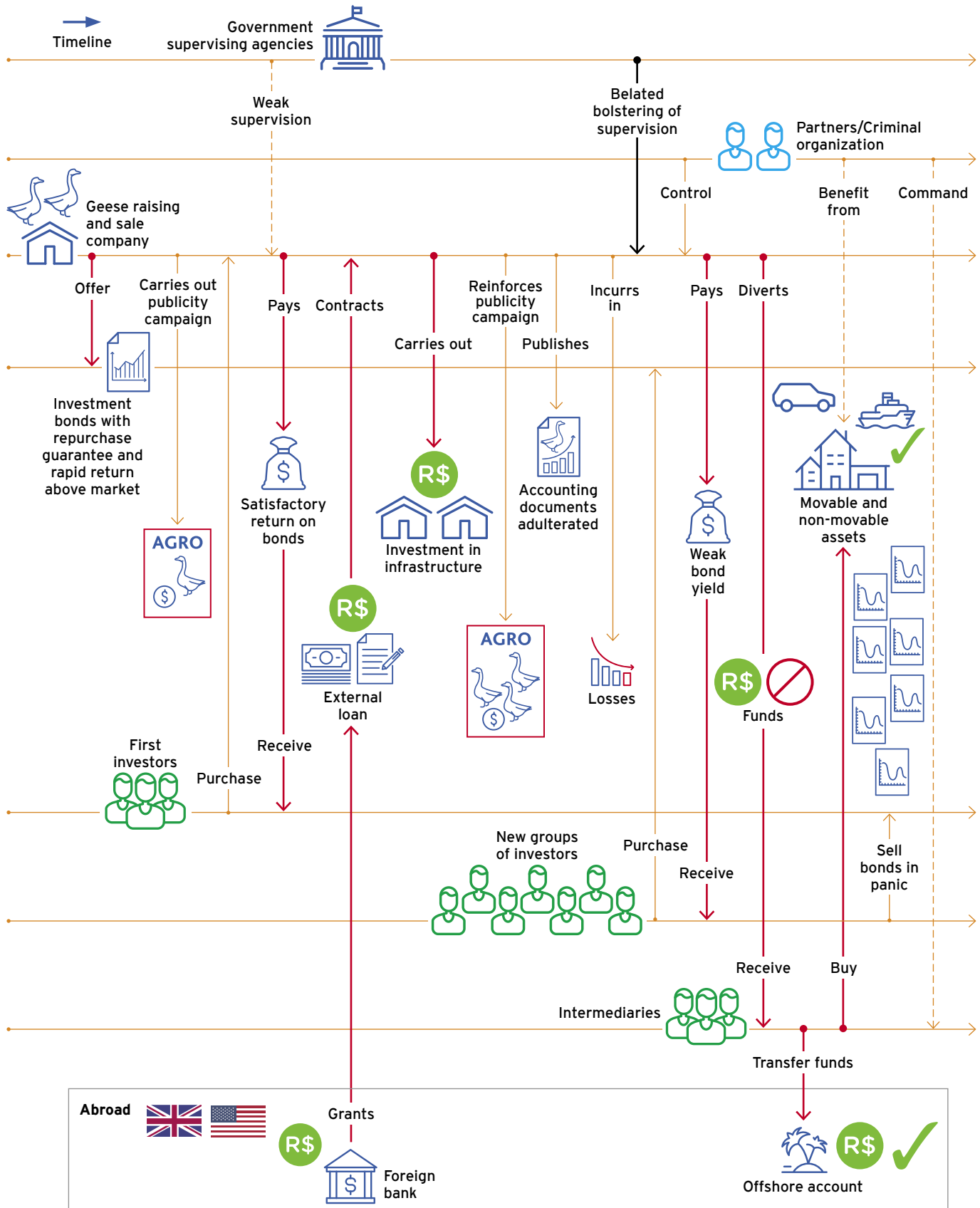
As a way of advertising, the company makes large investments in publicity material, including in renowned magazines in the agribusiness sector. At the same time, the company satisfactorily remunerates the first investors, with funds from abroad, aiming to convey to potential clients an image of trustworthiness and seriousness.

In light of the difficulty in supervising the agribusiness sector, the company operates freely during a certain period of time.

The company secures a large amount of funds which are to be allegedly invested in the multiplication of the geese. However, once a sufficient number of investors is reached, the company starts doctoring its accounting records and to divert funds to the majority shareholders, through intermediaries (“straw-men” or “laranjas”), who then transfer the funds abroad or use them to purchase goods.

After some time, the company is no longer able to meet its obligations to its shareholders and, under greater supervision, its illicit activities become increasingly evident, causing panic among investors. With the herd effect, the investors who are the last to leave are the ones who lose the most.

2.26.4. Graphic Representation of the Case



2.27. INTERNALIZING FUNDS OF ILLICIT ORIGIN THROUGH NON-RESIDENTS

2.27.1. Economic Activities Used

- Consulting firms.
- Travel agents.

2.27.2. Financial Intelligence Alert Signals

- Incompatible transactions of individuals and businesses in cities with large immigrant communities, that do not demonstrate being the result of normal activities.
- Deposits in various locations, including border regions, with immediate withdrawal or transfer to third parties.
- Waiver of prerogatives or of other bank services that are normally not refused (interest, credits, etc.).
- Travel agents not authorized to operate with foreign exchange.

2.27.3. Case Description

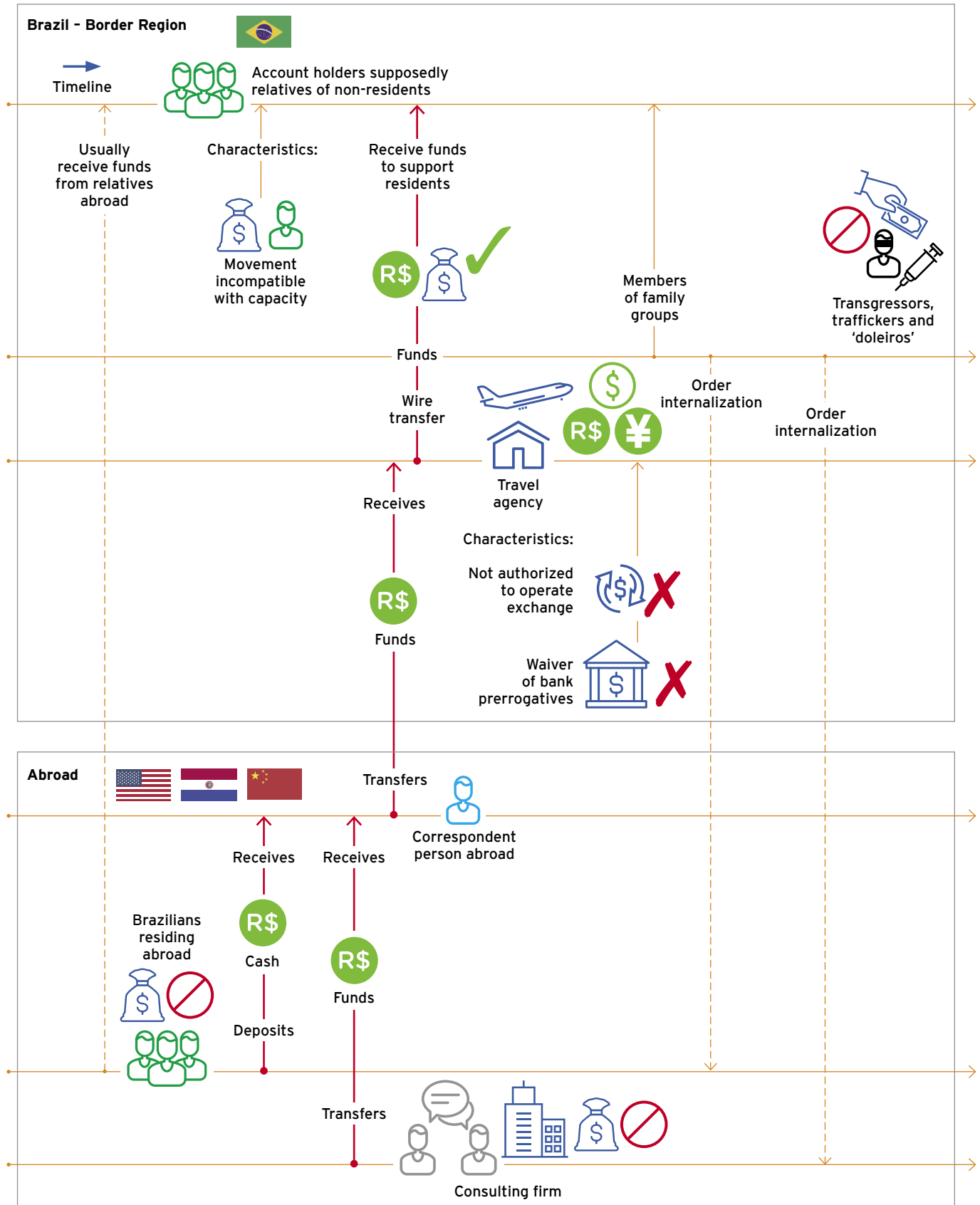
Non-residents are used to internalize funds in the accounts of drug traffickers, money changers and others related to these people by simulating transfers to their family members.

When questioned about the transactions in their accounts, the account holders claim that they are transfers of money from the US, for “the maintenance of residents” transferred by “relatives of the beneficiaries”, who are merely intermediaries.

However, among the persons involved, most of whom are relatives, one is a well-known money changer in the region, another is facing trafficking charges and two others are accused of tax fraud. All of them engage in transactions involving millions of reais.

It is also detected that some of the transfers are made by businesses, generally consulting firms, which are not compatible with their declared purposes.

2.27.4. Graphic Representation of the Case



2.28. FRAUD AGAINST INVESTMENT CLUBS OR FUNDS THROUGH FLEXIBLE PURCHASE OPTIONS (OVER-THE-COUNTER TRADING) AND THE TRANSFER OF FUNDS ABROAD

2.28.1. Economic Activities Used

- Investments clubs and funds.
- Securities and bond brokers.
- Factoring company.
- Foreign Trade.

2.28.2. Financial Intelligence Alert Signals

- Operations between the same parties or in benefit of the same parties, with continuous gains or losses for some of those involved.
- Operations with characteristics that conceal the identification of those involved or the beneficiaries.
- Operations at prices incompatible with the market or carried out by a person whose declared activity and profile are not compatible with the type of negotiation engaged in.
- International transfers for which the origin of the funds is not justified or that are incompatible with capacity or profile of the account holder.
- Foreign credit operations settled without apparent explanation for the origin of the funds.
- Foreign credit operations that are not settled through operations in same institution.

2.28.3. Case Description

In one over-the-counter trade operation, the parties mutually agree to determine the parameters of the transaction, such as the price of the asset, the premium, collateral, date, and form of settlement. The operations are conducted outside the formal market, meaning that they do not pass through the securities market. It is only after they are structured that they are registered at the securities market (in this case, the so-called organized over-the-counter trading).

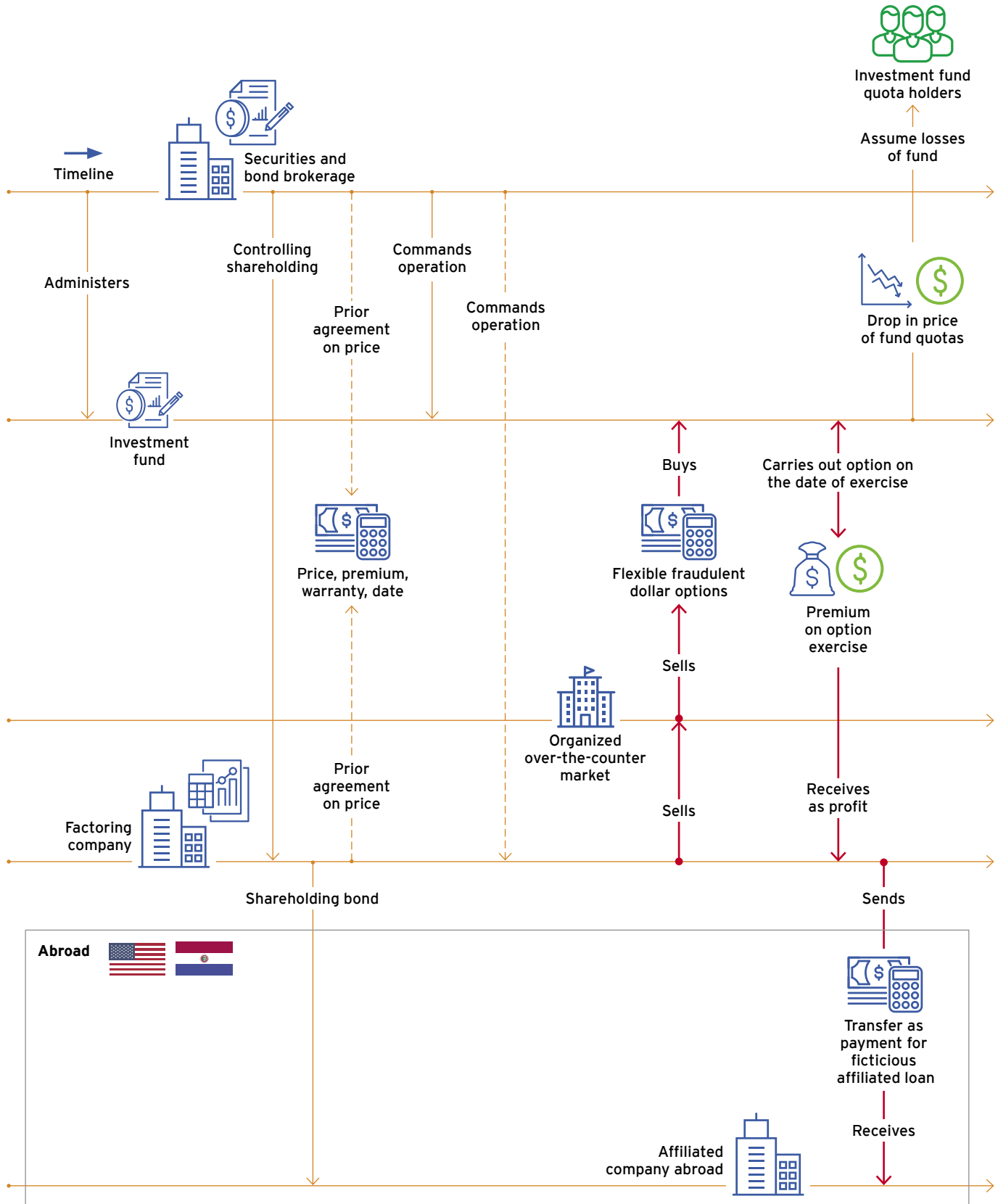
The transfers are normally made by a securities broker that administers various investment funds and clubs and, at the same time, intermediates the operations and participates as a counterpart in the operation, through another business, normally a factoring company, of which it holds a controlling shareholding.

The operations are carried out in the over-the-counter market and comprise the purchase, by the investment fund, of flexible dollar options at a determined exercise price, which is so high that the purchaser would be forced to assume a position that would probably not be kept, footing the premium paid to the counterpart, who then accrues profits.

It so happens that the winning company, normally a factoring firm, is part of the scheme. Now the funds involved take on a pseudo legality, are transferred abroad under the allegation that it is to pay back a loan previously contracted by a business of the same group, based on private instruments.

Thus, the funds of the shareholder of the investment fund are transferred abroad without calling the attention of the supervising agencies.

2.28.4. Graphic Representation of the Case



2.29. “DÓLAR CABO”

2.29.1. Economic Activities Used

- Commerce.
- National Financial System.
- Foreign Exchange Market.

2.29.2. Financial Intelligence Alert Signals

- Large quantity of transfers, from the same account to several others, in different regions, belonging to persons with no apparent link to the sender.
- Cash deposits made by the same person, mainly at the same cashiers or at nearby ATMs, to various accounts in different municipalities or bank branches.
- Movement by recently set up companies, much above their presumed economic/financial capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity to justify the registered movement.
- Receipt of funds sent by individuals and businesses apparently not related to the account holders.

2.29.3. Case Description

Brazilian citizens, residing abroad, transfer money to Brazil through international money transfer services. In Brazil, the amounts reach the beneficiaries through transfers in reais (R\$) made from accounts within the country, generally held by businesses that apparently have no link with the senders or recipients of the funds, either through bank transfers or cash deposits.

These operations indicate that the funds, instead of being transferred through official means, do not actually leave the country of origin. The amounts credited in reais in the accounts of the end beneficiaries originate within Brazil, configuring an “alternative transfer system”, in which international money transfer services located abroad, associated to Brazilian companies that operate as money changers, are used to carry out the international transfer of funds, outside the official supervision and

control systems (according to Brazilian regulation, the transfer of funds from abroad must, mandatorily, pass through an institution authorized by the Central Bank of Brazil to operate in the foreign exchange market).

The holders of the accounts in Brazil from which the transfers are made are generally businesses that operate in the services sector, and have the following characteristics: the transfer of funds belonging to third parties and/or the subjective pricing of their products (sales representatives, sales promotion, foreign exchange bureaus, travel agencies, billing agencies, consulting firms, advisories, business management firms, publicity firms, event promoters). These businesses, apparently 'shell companies', have recently been set up, have partners who are very young, and do not have transaction and business histories that are compatible with the actual transactions. In order not to call attention, several businesses are used simultaneously. After a short time, or when questioned by the financial institutions holding the accounts or by supervisory authorities, these business stop operating or are substituted by others with different shareholding compositions.

In most cases, the funds that supply the accounts of these businesses originate from other sales or sales representation businesses (electronic devices, information technology goods, or other imported items such as garments, textiles, musical instruments, medical material and equipment). Many of the businesses have names that indicate that they operate directly in foreign trade (with terms such as "importation" and/or "exportation", "importer" and/or "exporter"), but do not have any records of international sales operations that may justify the alleged activities.

These characteristics indicate the potential involvement of these businesses in illegal practices, such as the under-invoicing of imports and fraudulent interposition in foreign trade. The importers register the import operations at values lower than those actually negotiated and make the payments of the registered amounts through the legal channels. To complete the payment of the actual value of the imports, they use the "alternative transfer system": they transfer amounts to the accounts of the businesses in Brazil which, in association with international money transfer services, transfer the funds to the accounts of the exporter, using the funds collected from the persons who deposited funds in these services to be transferred to Brazil.

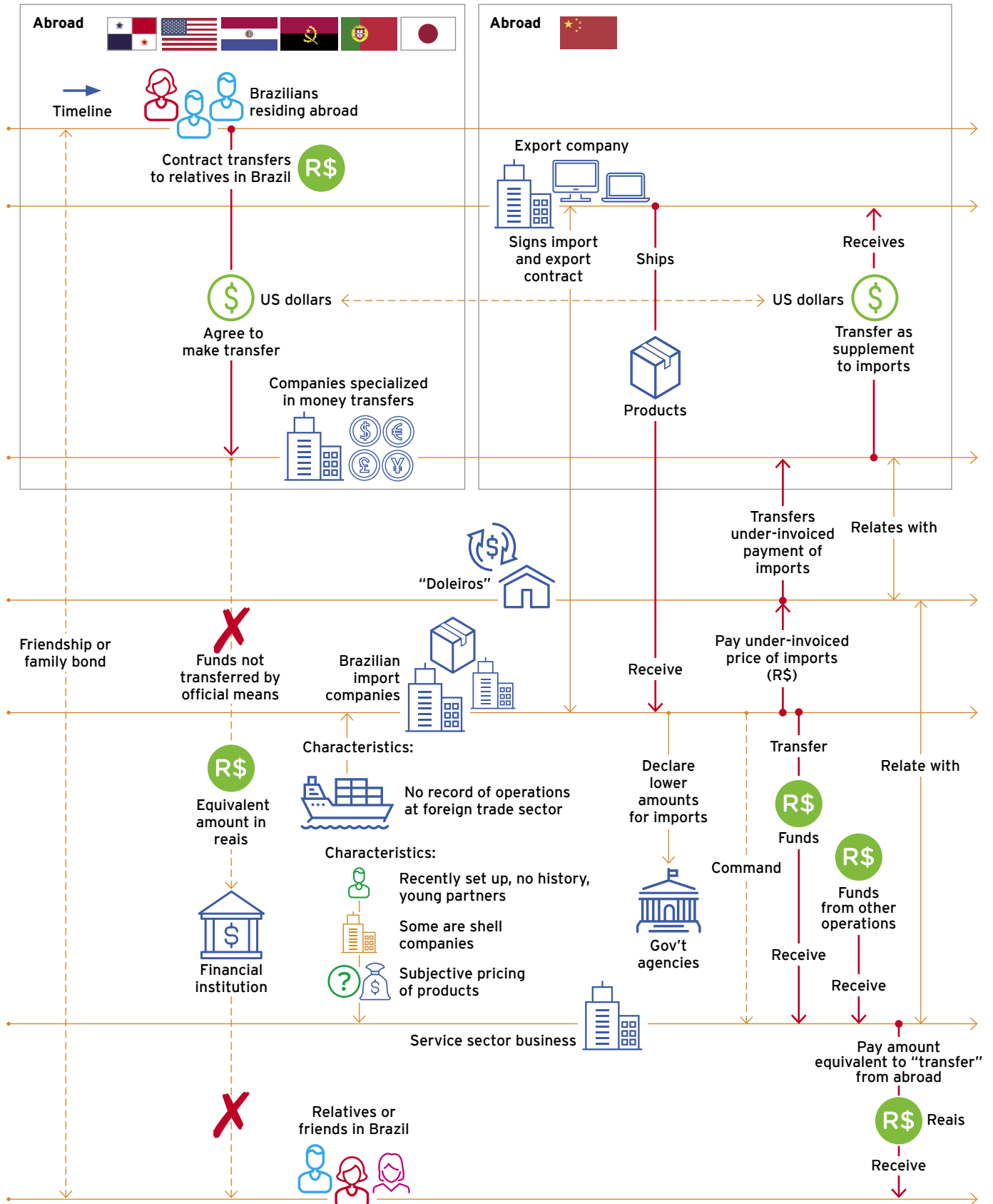
Therefore, the amount to be transferred to Brazil are, in practice, transferred to other countries, to complement the under-invoiced imports. To cover the payment of the transfers, here in Brazil, the companies associated to the wire services transfer the amounts to the current and savings accounts of beneficiaries throughout the country. These accounts are generally held by individuals in various occupations (such as students, professors, beauticians, office clerks, pensioners, among others), at times low-income persons, and potentially relatives of Brazilian immigrants abroad, or in some way related to them.

Alternatively, instead of transfers, cash deposits are also made at ATMs or at the cashier windows of financial institutions. This normally takes place at locations in border regions, in states such as Rio Grande do Sul, Santa Catarina, Paraná, Mato Grosso do Sul and Mato Grosso, where towns are located near towns in neighboring countries, where a large volume of retail transactions in Reais (R\$) are made by Brazilians.

This “alternative transfer system” enables the transfer of funds from Brazil abroad undetected by the control and supervision mechanisms and without identifying those involved. This scheme is also attractive for proceeds originating from other crimes, such as drug trafficking, smuggling, duty evasion, misappropriation of government funds, corruption, among others.

The senders and beneficiaries of the transfers from abroad are used as straw-men (“laranjas”) to transfer the proceeds originating, direct or indirectly, from crimes, without leaving records that may lead to the perpetrators (particularly in cases involving cash deposits).

2.29.4. Graphic Representation of the Case



2.30. ARTIFICIAL ACCRUAL OF POINTS IN CREDIT CARD REWARD PROGRAMS

2.30.1. Economic Activities Used

- National Financial System.
- Travel Segment.
- Card issuers.

2.30.2. Financial Intelligence Alert Signals

- Monthly expenditures of account holder habitually surpass the limits monitored by the credit card administrators.
- Habitual occurrence of expressive credit balances in the bills.
- Transactions incompatible with assets, professional occupation and financial capacity.
- Unusual movement, with the receipt or payment of significant amounts with no clear purpose or relation to the activity.
- Movement of significant amount through an account with no frequent previous use.

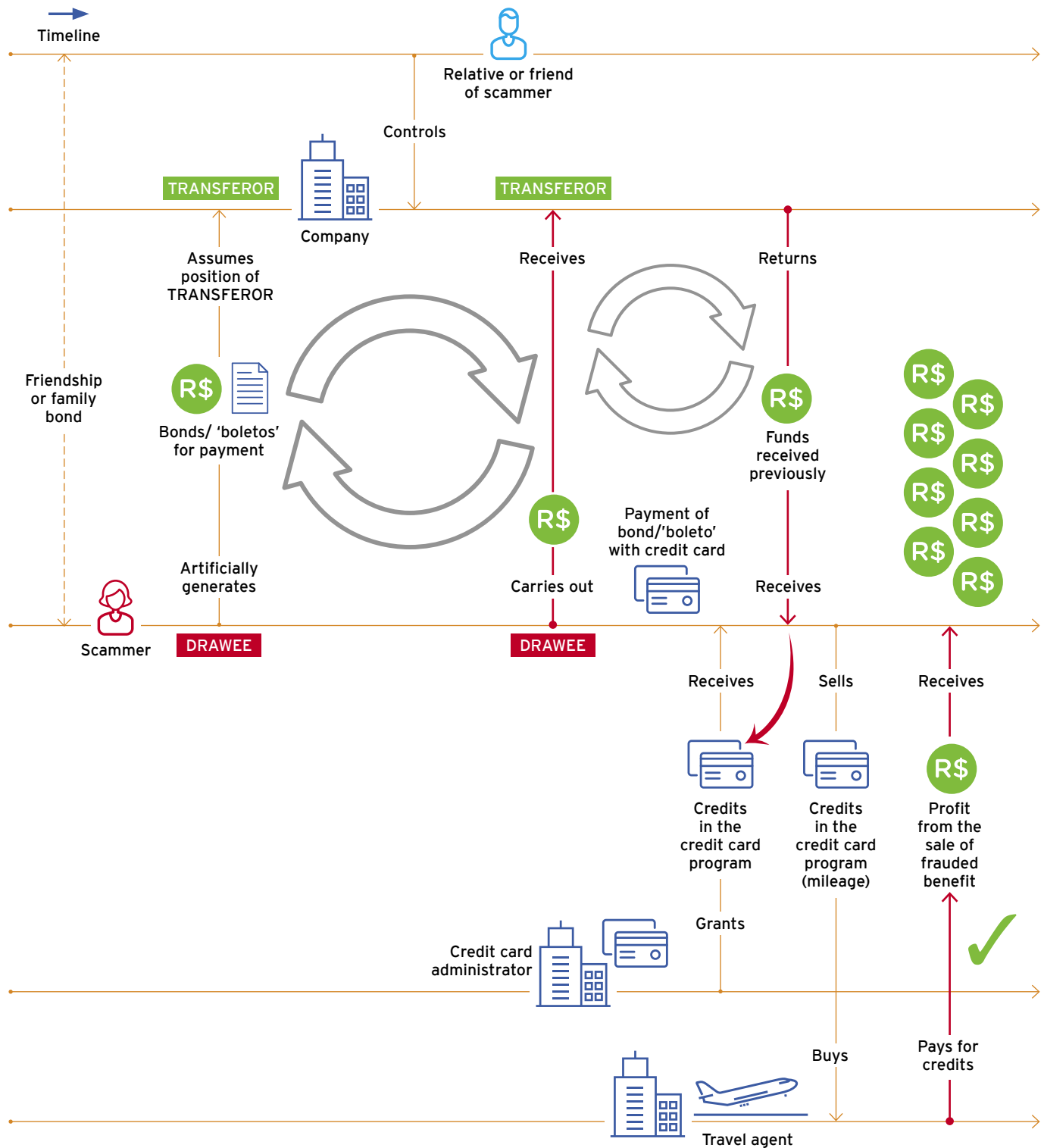
2.30.3. Case Description

Individual and businesses who hold credit cards artificially issue billing instruments in which these, or other individuals or businesses, appear as payees.

Once the instruments are issued, the individuals or businesses that issued them use their own credit cards to pay them. After the corresponding amounts enter the payee's account, they are used to pay the bills of the credit cards that were used to pay said billing instruments.

Through this procedure, which is repeated several times, the holder of the credit card is able to accrue, artificially, points in reward programs, obtaining a profit from their subsequent sale to travel agencies.

2.30.4. Graphic Representation of the Case



2.31. CORRUPTION THROUGH CAPITALIZATION BONDS

2.31.1. Economic Activities Used

- Insurance and Capitalization Bonds.
- Insurance and Capitalization Bond Brokers.

2.31.2. Financial Intelligence Alert Signals

- Prize and cash drawings that are held in a manner similar to bingos by capitalization bond distributors.
- Use of an incentive capitalization bond to promote popular capitalization bonds.
- No registry of commission payments to the brokerage for intermediating the capitalization bonds.
- Transfer of the capitalization bond redemption rights to entities linked to capitalization societies.
- Habitual anticipated redemption of capitalization bonds.
- Atypical movement by non-profit organizations.
- Atypical operations that generate substantial yields to intermediating agents, disproportionate to the nature of the services provided.
- Companies headquartered at residential addresses, with no registered employees, whose partners apparently do not have the capacity to justify the financial movement.

2.31.3. Case Description

The scheme is typified by the misrepresentation of a capitalization bond process, which is transformed into a channel for illegal gambling, in which the existing authorization to hold prize drawings is used to promote the sale of these bonds.

The capitalization bond is a fixed-maturity savings, which may be realized in a single payment (PU) or in periodic payments (PP), normally monthly payments (PM). During the validity period, the consumer has the right to participate in cash prize drawings and, upon maturity, receives part or all of the amount invested. The purchase of the capitalization bonds is, thus, a way of saving money and, at the same time, of participating in the drawings. In order to discourage the anticipated redemption of the bond, penalties are applied on redemptions made before the bond's maturity date.

In contrast with traditional savings, the total amount paid by the consumer for the capitalization bond is monetized, since each payment is comprised of three components, allocated as follows:

- a) **Capital quota** – percentage allocated to form a mathematical reserve (capital provision) to cover redemption upon maturity.
- b) **Drawing quota** – percentage to cover the prizes drawn.
- c) **Management quota** – percentage to cover the operational and administrative costs of the capitalization venture.

The percentage of the payments towards each of the quotas depends on the periodicity of the payments of the sold bond in accordance with provisions of Art. n° 27 of SUSEP Circular n° 365, of 27 May, 2008. For the single payment bonds (PU), the capitalization quota must be at least 50% of the amount paid. For the monthly payment (PM) and periodic payment (PP) bonds, the percentage going to the formation of the mathematical reserve for subsequent redemption must be, during the first 3 months of validity, at least 10% and, as of the fourth month of validity, at least 70%.

The capitalization bonds may also be sold in the following forms: traditional, programmed purchase, popular and incentive.

The traditional capitalization bond restitutes the holder, upon maturity, a minimum, of the total amount of the payments made by the subscriber, as long as these payments were made on the programmed dates.

The programmed purchase capitalization bond ensures to the holder, upon maturity, payment of the redeemed amount in money or, if so desired, the receipt of a good or service registered in the registry form.

The popular capitalization bond allows the holder to participate in drawings, without having to return the full amount paid.

The incentive capitalization bond is linked to a promotional event of commercial nature set up by the underwriter. Here, a business, defined as a company promoting the event, purchases capitalization bonds to be used to advertise individual or collective sales promotions in which free prizes are distributed to leverage the sale of its products or the purchase of its services. In this promotion, the promoting company cedes the raffling rights of these capitalization bonds to the consumer purchasing the product or service, making the purchase more attractive.

In the case analyzed here, a brokerage supposedly aiming to leverage the sale of popular capitalization bonds (TCP) and thus receive more commissions, purchases a series of incentive capitalization bonds (TCI) from the capitalization venture and links them to the TCPs. The consumers of the popular bonds can then participate not only in the TCP prize drawings, but also in the TCI drawings. The right to redeem the amounts capitalized upon maturity of the bonds is transferred by the consumers to a non-profit organization linked to the economic group of the capitalization venture.

Said bonds are then delivered to a distribution company to be promoted and sold, which is also the company responsible for holding the drawings.

However, the TCPs are issued in the monthly payment format, in which a small percentage (10%) of the first payments goes to towards the mathematical reserve. Since the consumer is only interested in participating in the drawings, having transferred the right to redeem the bonds, for 100% of the bonds sold no more payments are made as of the second month of validity thus hampering the forming of the mathematical reserve to be capitalized. Since the remaining installments are not paid, the bond is cancelled and the small percentage (10%) going to the capitalization quota is redeemed in advance.

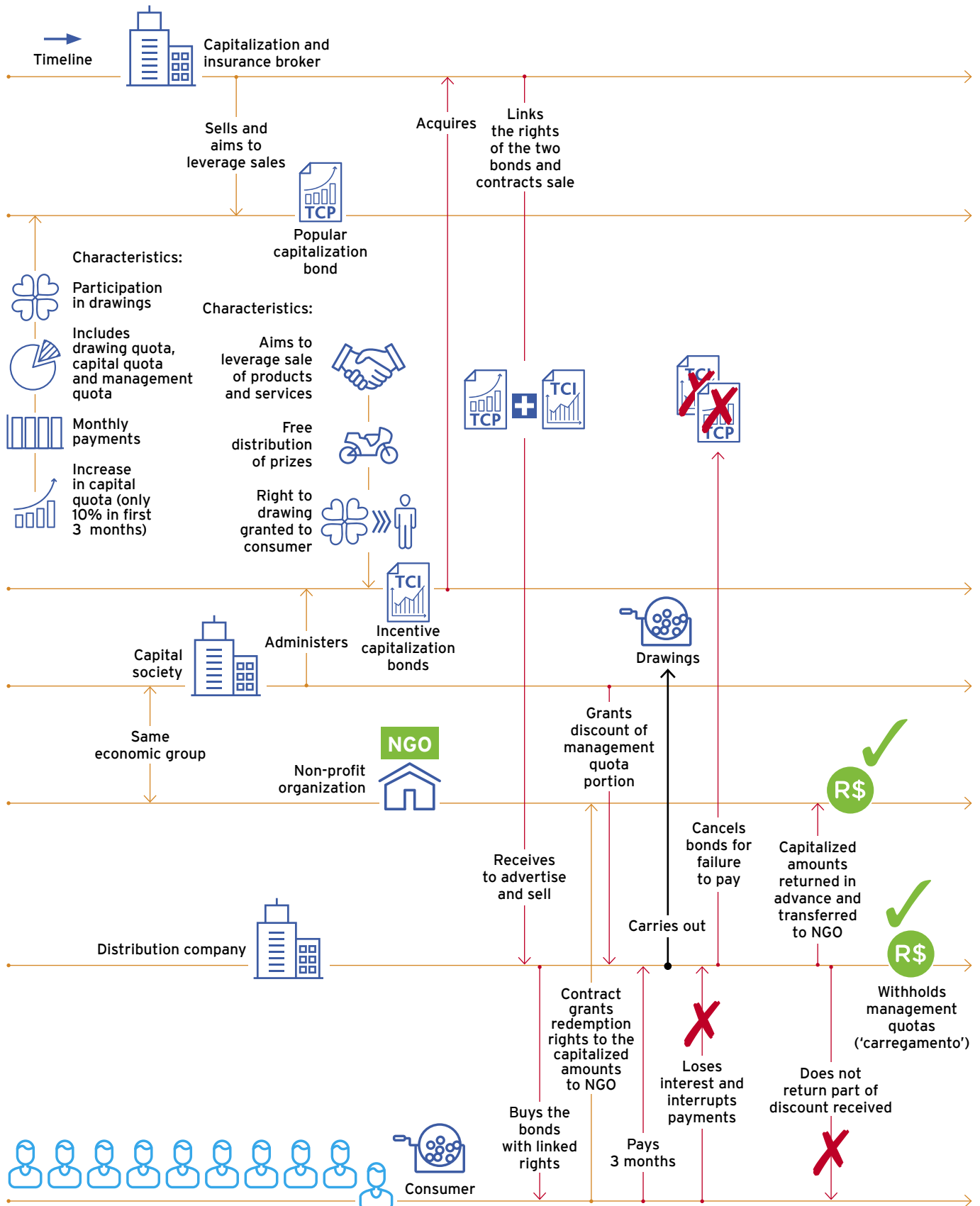
The amounts collected from the payment of the first installment of TCP, which in almost their totality go to the management quota, are not transferred to the capitalization venture.

In the scheme analyzed, the distribution company transfers only the amount necessary to hold the drawings, since the capitalization scheme concedes, for the purchase of abovementioned TCPs, an alleged discount practically equal to the management quota of the first installment. This discount, however, is not passed on to the consumer who paid the first installment in full, i.e. the amount for the capital, management and drawing quotas.

The amount of the management quota is, therefore, withheld by the distributor, who should only be remunerated for the advertising and distribution activities. The sale of the capitalization bonds is thus misrepresented, since the sole aim of the distributor is to collect the profits from the payment of the first installment of the bond, taking advantage of the possibility of holding prize or cash prize drawings.

Furthermore, there is no registry in the accounting records of the transfer of the commission from the capitalization venture to the broker, which should be the main objective of the sale of the TCPs, leveraged by the advertising of the TCIs.

2.31.4. Graphic Representation of the Case



2.32. FINANCIAL PYRAMID THROUGH ALLEGED MULTI-LEVEL MARKETING COMPANIES

2.32.1. Economic Activities Used

- Multi-level Marketing Companies.
- National Financial System.
- Private Pension Funds.
- Luxury and High Value Goods.

2.32.2. Financial Intelligence Alert Signals

- Substantial increase in cash deposits, with no apparent reason, subsequently transferred, over a short period of time, to destinations not related to the account holder.
- Expressive volume of online and cash deposits at diverse locations, by different persons with no apparent link with the account holder, in small amounts, with evidence of fragmentation.
- Fragmentation of deposits in cash, so as to disguise the total amount of the movement.
- Transactions incompatible with assets, economic activity and financial capacity.
- Companies with similar registry data, with no registered employees.
- Transfers of amounts for availability abroad, incompatible with the economic/ financial capacity or with no economic or legal justification.
- Deposits in private pension funds in the name of partners or associates.
- Purchase, over a short period, of a large number of luxury vehicles.
- Purchase of pre-paid cards.

2.32.3. Case Description

Recently created businesses, generally registered as IT or similar companies (internet provider, IT consultancies, software production) start receiving, in their bank accounts, large amounts, from various locations and a variety of senders. The accounts are credited by cash deposits or wire transfers, initially in small amounts, but when added up amount to large sums.

Subsequently, they make a large number of transfers to several persons, cash withdrawals, large transfers to the partners themselves and to associated individuals and businesses, transfers to accounts abroad, and pre-paid card purchases.

The businesses receiving the funds have the characteristics of shell companies, have the same registry information at the Receita Federal, have no or few employees, and belong to the same partners of the companies sending the amounts, or to their relatives or to other associated persons.

The funds received by the partners and associates of the businesses are used to invest in financial applications, make sizable allotments to private pension funds and to purchase luxury vehicles.

Attention is called by the large amounts involved. Information obtained from the news media indicate that these businesses supposedly offer “multi-level marketing” services, promising participants quick and expressive financial gains, through the provision of services or the sale of products of dubious market value (for example, watching ads on the internet or sharing them on social media, sharing web page links, among others).

The amounts entering the accounts are apparently from payments made by the participants of the “multi-level marketing” to cover “inclusion or sign-up fees” for the plans offered by the companies.

This initial investment, as promised by the companies, is recovered by the participant in a short period of time, from the proceeds for providing the services or the sale of the products and, mainly, for the commissions on new participants, which are then converted into exponential financial gains.

These characteristics indicate the practice of the so-called “financial pyramid”, in which the funding and maintenance of the entire scheme are fundamentally based on the revenue obtained from the prospection of new participants, whose inclusion is conditioned to the payment of “inclusion or sign-up” fees.



2.33. RENTAL OF BANK ACCOUNTS FOR THE RECEIPT OF ILLICIT FUNDS

2.33.1. Economic Activities Used

- National Financial System.

2.33.2. Financial Intelligence Alert Signals

- Transfer of funds in benefit of third parties.
- Receipt of funds with immediate cash withdrawals.

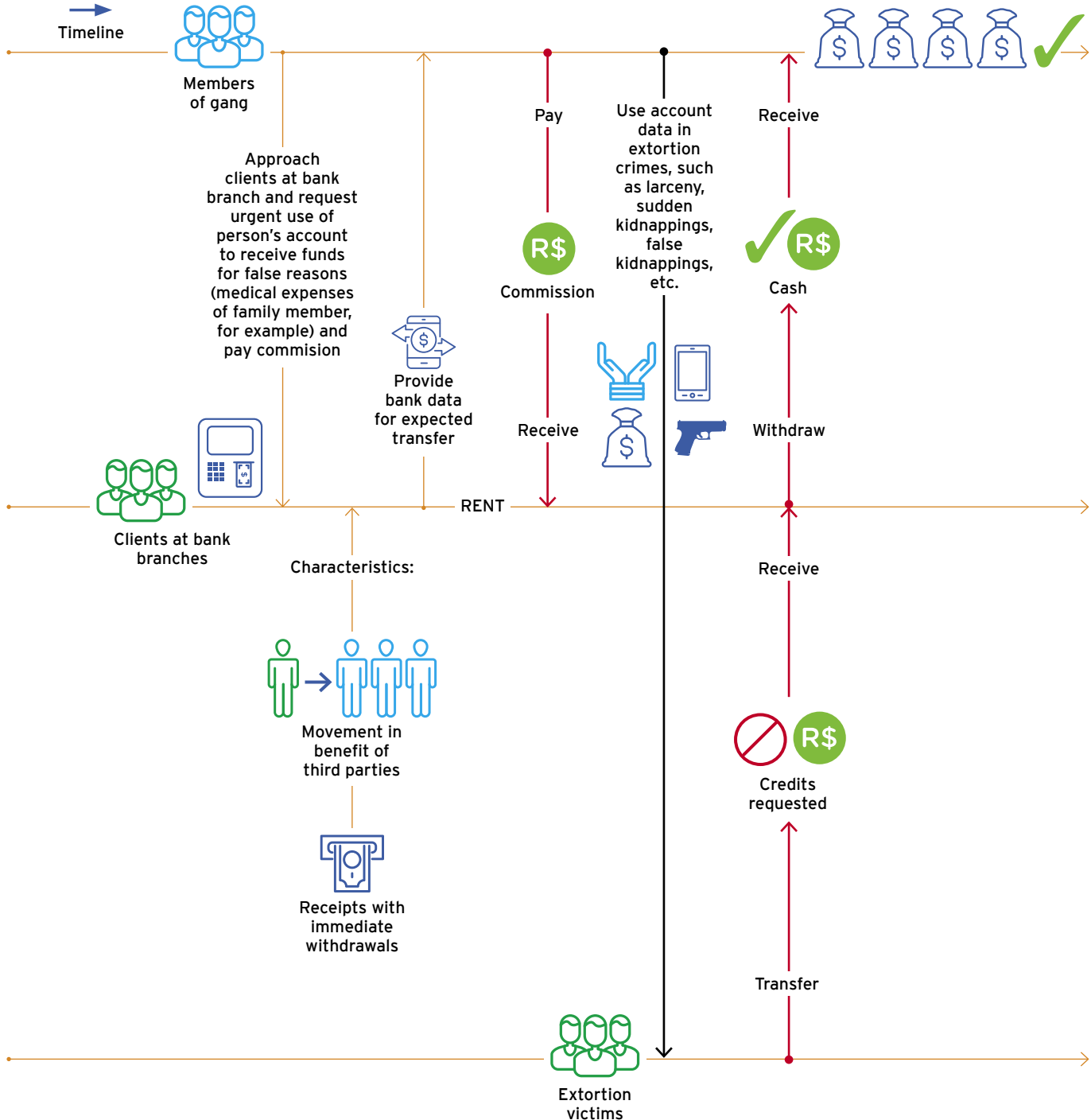
2.33.3. Case Description

Members of a gang approach the clients of a financial institution at the ATMs alleging that they do not have bank accounts and that they urgently need to receive a transfer of funds to cover the medical costs of a family member (or other similar justification). They promise to pay a commission to these persons who, seduced by the easy gain, agree to temporarily lend their accounts in order to receive said transfers.

In possession of the account numbers, the perpetrators used these accounts to receive the proceeds of criminal activities, such as “false kidnappings”, “sudden kidnappings” and embezzlement, where persons are forced or induced to transfers funds or make deposits.

As soon as the credits are received, the funds are immediately withdrawn in cash by the account holders and handed over to the criminals.

Thus, by “renting” the accounts of third parties, the criminals are able to transfer the proceeds of their crimes without leaving any evidence as to who they are. The account holders are used as straw-men (“laranjas”) to transfer the proceeds of crime.



2.34. LOANSHARKING WITH SOCIAL BENEFIT CARDS

2.34.1. Economic Activities Used

- National Financial System.
- Social Benefits Cards.

2.34.2. Financial Intelligence Alert Signals

- Transfer of funds in benefit of third parties.
- Receipt of funds with immediate cash withdrawals.

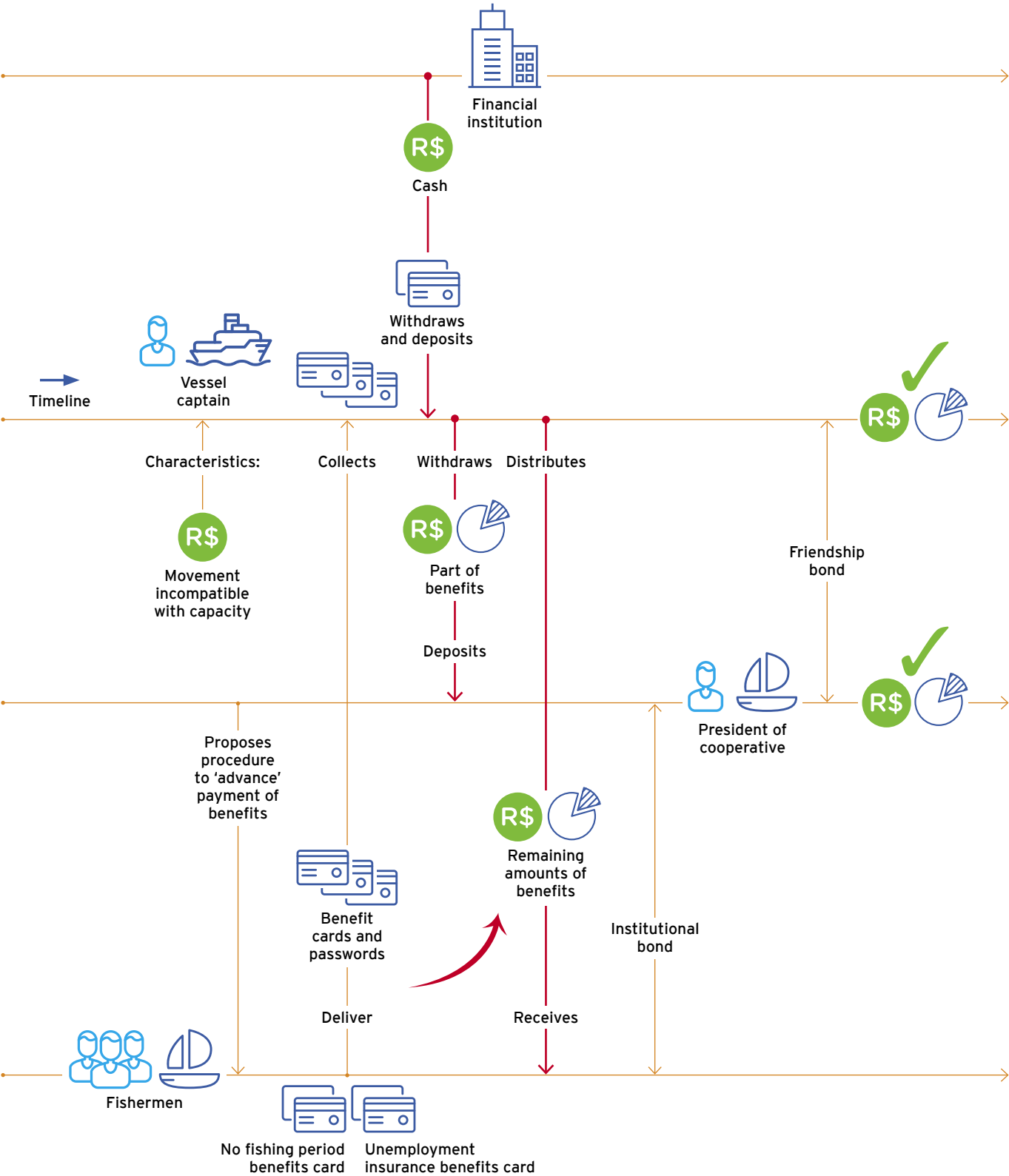
2.34.3. Case Description

A captain of a fishing vessel operating in the Northeast of the country receives a series of cash deposits in the captain's accounts, of individually small amounts, but whose sum adds up to a sizable sum. The transfers are incompatible with the captain's presumed economic and financial capacity and a declared monthly income of approximately R\$ 2,000.00.

At the same branch and on the same day these deposits are made, a series of fishing ban insurance benefits (benefits that fishers receive during periods when fishing is banned and in the off-season) and unemployment insurance.

After an investigation is conducted, it was discovered that the captain of the vessel is linked to a manager of a fisher cooperative. Alleging anticipated payment of the benefits to the fishers, the benefit cards are collected and the workers only receive part of the amount they are entitled to. On the day the benefit is paid, the captain who has the cards and their passwords in his possession proceeds to the bank branch office, makes withdrawals in name of the actual beneficiaries and deposits the amounts in his account, sharing part of the proceeds with the president of the cooperative.

2.34.4. Graphic Representation of the Case



2.35. FRAUD VIA THE FORGING OF BANK PAYMENT SLIPS (BOLETOS)

2.35.1. Economic Activities Used

- National Financial System.
- Retail and Wholesale Commerce.

2.35.2. Financial Intelligence Alert Signals

- Sudden and unjustified change in type of movement in account.
- Updating of bank payment slips (boletos) at unauthorized websites.
- Transfer of funds to individuals or businesses involved in criminal reports.

2.35.3. Case Description

A large distributor of food products offers its clients the possibility of paying for their purchases through bank payment slips. When the slips are not paid by the due date, the slips can only be paid at the banks issuing the document, accrued with interest and late fees.

A small supermarket that has the same commercial name as the abovementioned food product distributor, located in another town in the same state, presents a sudden change in its current account activity, and receives a series of bank payment credits for which there were no registries, for amounts incompatible with the establishment's revenue and presumed economic and financial capacity. The debits from this same account are several cash withdrawals and transfers to individuals with criminal records related to embezzlement. In order to justify the transactions, the supermarket submits false documents, in addition to fictitious invoices.

After investigation, it is discovered that the supermarket was linked to a criminal organization that had created a website to update the bank payment slips. The victims access the site to update the due dates of the unpaid bank slips and subsequently a new document is issued with the same payment information but with a new bar code.

This minor change, imperceptible to the clients, since the name of the establishment remained the same, diverted the payments in arrears to accounts held by the supermarket that are linked to the criminal organization.

In addition, since the site did not adjust the amount in arrears, the clients of the food product distributor sought to pay the outstanding amount immediately so as not to pay late fees.

Since the buyers did not actually pay off the debt, the food product distributor contacted the clients to inform them of the outstanding payments. And to honor their commitments, they ended up paying the same amount again.

2.36. FOREIGN EXCHANGE BUREAUS INVOLVED IN ILLEGAL CURRENCY TRANSFER SCHEMES ABROAD

2.36.1. Economic Activities Used

- Securities Brokers.
- National Financial System.

2.36.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Receipt of funds transferred by individuals or businesses apparently not related to the account holders.
- Exchange operations backed by cash operations.

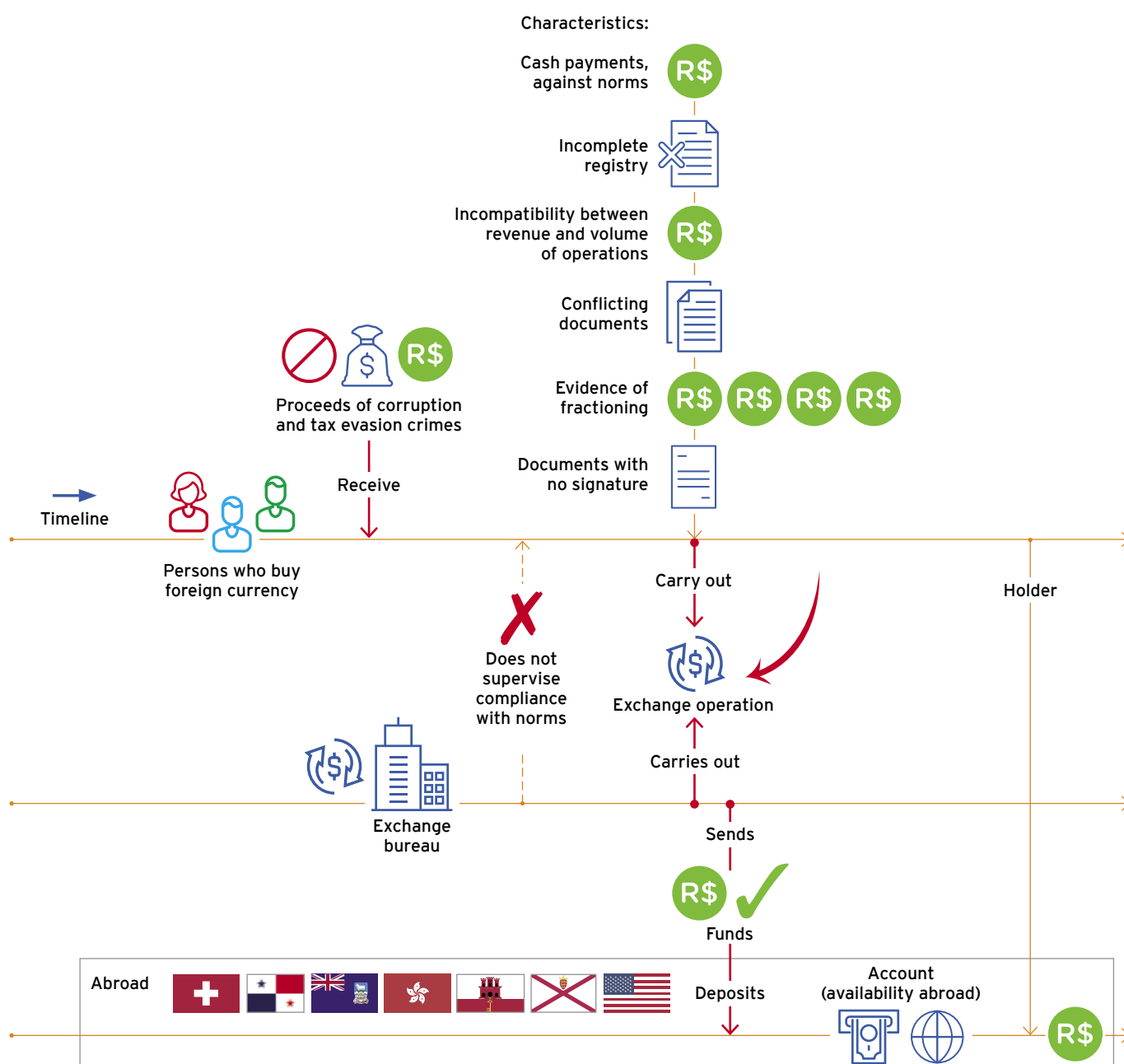
2.36.3. Case Description

The settlement of foreign exchange contracts infringes Art. 20 of BACEN Circular N° 3.691/13, that determines that “in an operation of foreign currency sale, the equivalent value in BRL shall be accepted by the seller through: I - debt to deposit account held by the buyer. II - receipt of a crossed check issued by the buyer, crossed, payable to the seller and not endorsable. or III – Electronic Funds Transfer (TED) or other funds transferring bank order, provided that such order is issued by the buyer and the corresponding funds are debited to a deposit account held by such buyer”

Individuals who carry out foreign exchange operations of constitution of availability of funds abroad with the following characteristics of suspicion: a) payment of the operation with amounts in cash. b) incomplete registry. c) corroborating documentation that is inconsistent with the registry or that is not signed. d) apparent incompatibility between the declared income and the volume of operations carried out. e) evidence of the fractioning of the operations as a way to circumvent the limit on the amounts imposed by exchange regulation.

The amount in cash used to illegally pay for the exchange contracts are proceeds from corruption and tax evasion. Examination of the available information indicated the participation of the exchange bureau in the illegal transfer of funds abroad, which can be confirmed by the absence of supervision (mainly due to the incompatibility between the financial information and the volume of exchange operations carried out), incomplete registry, documents with no signatures, in addition to the abovementioned origin of the cash amounts used to settle the exchange contracts.

2.36.4. Graphic Representation of the Case



2.37. SMUGGLING THROUGH ADVANCED IMPORT PAYMENTS

2.37.1. Economic Activities Used

- National Financial System.
- Real Estate Sector.
- Foreign Exchange Market.

2.37.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Advance payment of imports without physical registry of the goods.
- Attempt to circumvent the Brazilian Central Bank identification norms.

2.37.3. Case Description

A group of businesses that sells counterfeit products in a known shopping region of a large city is controlled by a criminal organization comprised of foreign nationals. These businesses are registered under the names of straw-men ("laranjas") who loan their names in exchange for a financial benefit or even a job. They sign powers of attorney with broad powers to the actual owners, members of the criminal organization.

The amounts received by the businesses are deposited by persons using forged documents into the accounts of shell companies fiscally registered to operate with imports and exports, controlled by the same group of foreign nationals. These import and export companies do not have licenses to operate in foreign trade.

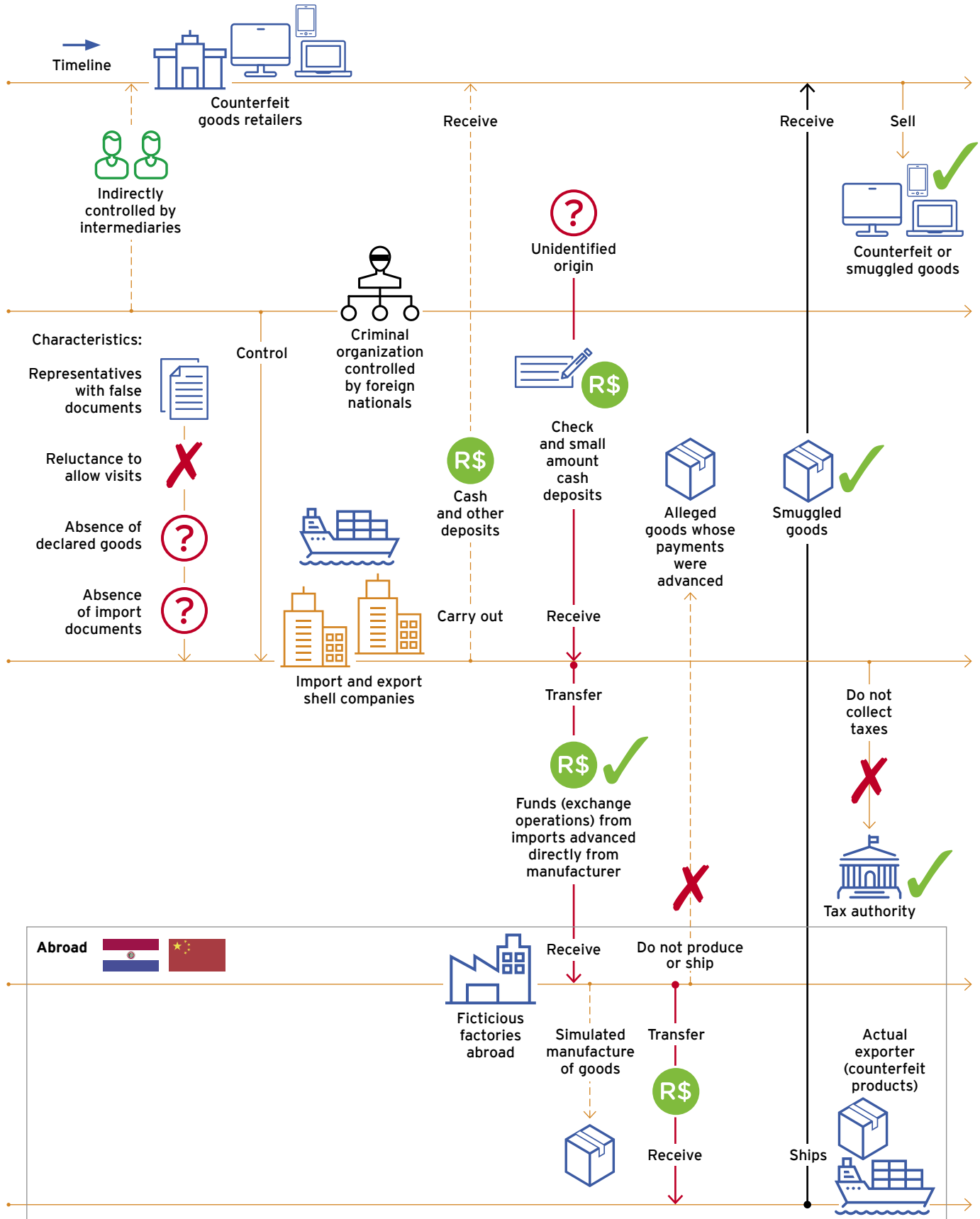
In the financial transactions of the import and export companies, a large number of deposits are made in checks and cash amounts under R\$ 10 thousand to circumvent the identification norms of the Central Bank of Brazil. The debits are almost exclusively from exchange operations. The large number of credit and debit operations makes it difficult to identify the source and destination of the funds. The exchange amounts regard imports, and it was verified that these companies engaged in various exchange operations involving advanced import payments.

All the amounts received by these companies were immediately transferred abroad through advanced import payments. The persons responsible alleged a series of reasons for postponing visits and for not submitting documentation (change of headquarter address, the center of operations was located at a distant address, problems with computers, pending client document submissions, among others). On visits to the registered address of the businesses, no proof is found of the goods declared in the bank registry.

The advanced exchange operations are for the production phase of the goods for subsequent transport and entry for sale on the national market and there are no documents that prove that the goods were actually imported.

The goods are smuggled into the country without the payment of the corresponding taxes. The products are resold without the respective fiscal documentation on the national market. The criminal organization makes the payment through advanced import payments, without fiscal proof of the goods entering the country.

2.37.4. Graphic Representation of the Case



2.38. ALTERNATIVE FUND TRANSFER SYSTEM VIA ONLINE SALES SITES

2.38.1. Economic Activities Used

- National Financial System.
- Foreign Trade.
- Foreign Exchange Market.
- Means of payment via internet.

2.38.2. Financial Intelligence Alert Signals

- Transfer of funds incompatible with assets, economic activity and with financial capacity.
- Movement of significant amount in account with previous infrequent use.
- Receipt of funds from individuals or businesses with no apparent link with the account holders.
- Significant volume of online and cash deposits from different locations, by different persons with no apparent link to the account holder, in small amounts, with evidence of fragmentation.
- Large quantity of transfers, from a single bank account, to several other accounts, in different regions, held by persons with no apparent link with the sender.

2.38.3. Case Description

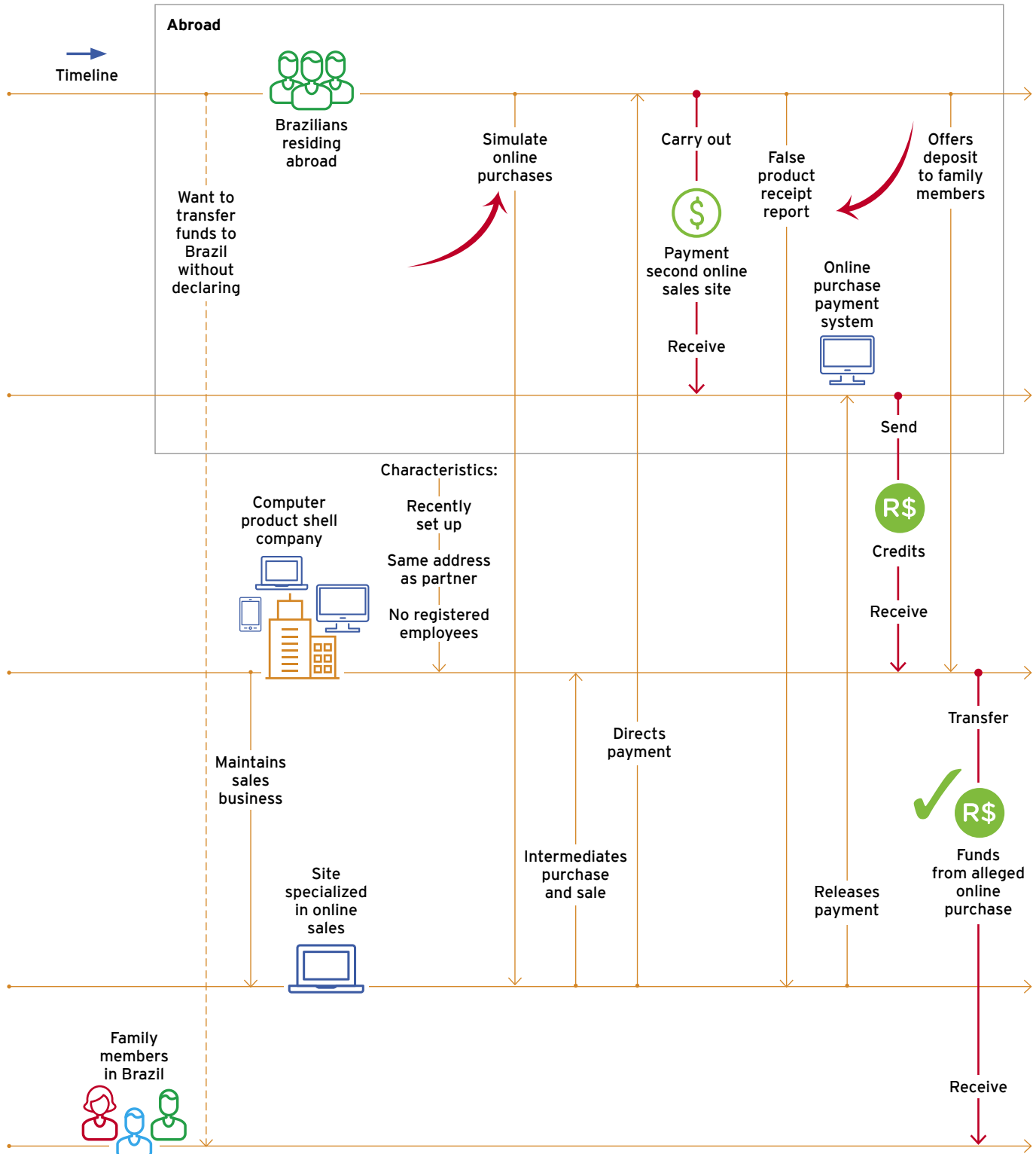
A recently set up business, with characteristics of being a shell company for not having any registered employees and for being headquartered at the same address of one of the partners, declaring to be a electronic product retailer, receives in its account credits from the payment systems of sites specialized in online sales sites (where the seller rents virtual space to advertise their products)), and then transfers the funds received to hundreds of individuals located throughout the country.

The payment systems of these sites specialized in the online sales were created to provide more security to buyers and sellers. Buyers make the payments for a certain product through the own system of each site, but the funds are only released to the seller when the buyer confirms receipt of the product purchased.

Brazilian citizens abroad, aiming to transfer funds to their relatives or to their own accounts in Brazil, in an undeclared manner, simulate the purchase of a product advertised by a shell company, intermediated by an online sales site, and use the site's own payment system. The buyers subsequently falsely confirm receipt of the supposedly purchased product so that payment is transferred to the advertising shell company. This way, the credit received by the shell company comes from the online sales site payment system and not from the buyer.

Lastly, the buyer sends a message to the shell company that made the fictitious sale, thus releasing the payment of the simulated purchase which is then transferred to a bank account named by the buyer.

2.38.4. Graphic Representation of the Case



2.39. MONEY LAUNDERING WITH CREDIT CARDS

2.39.1. Economic Activities Used

- Credit Card Administrators.
- National Financial System.

2.39.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity or professional occupation and financial capacity.
- Operations which, given their regularity, amounts and form, may configure artifice to conceal the origin, destination, those involved and the end beneficiaries.
- Large amount deposits through electronic means or others to avoid direct contact.
- Habitual credit balances of expressive amounts.

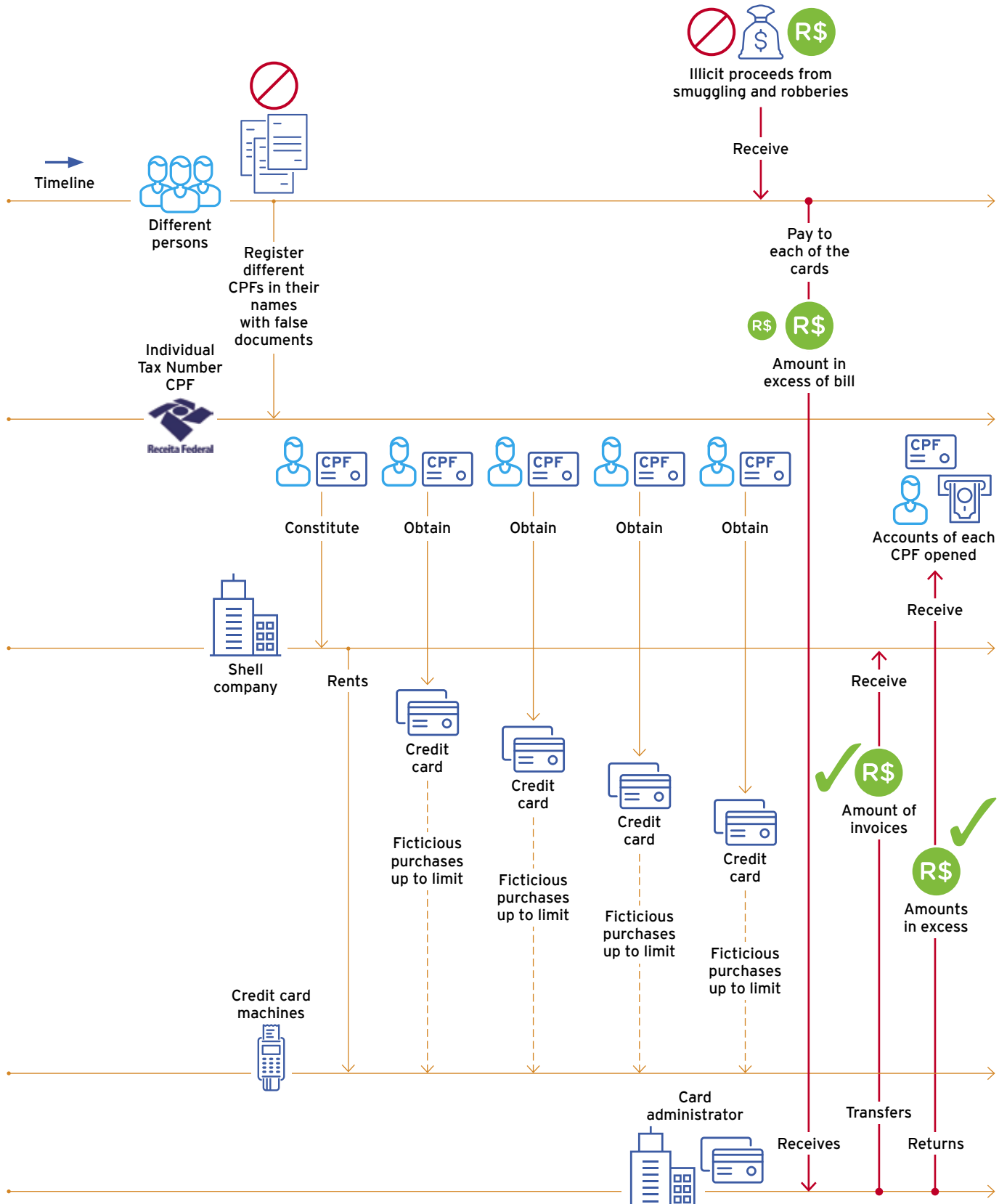
2.39.3. Case Description

Individuals register various Fiscal Identification Number (CPFs) in their names with the use of false documents. With a CPF they open a shell company in order to rent out credit card machines. With the other CPFs they obtain various credit cards whose limits are spent on alleged purchases from that shell company.

The bills of these cards are paid in excess of the amount due through bank payment slips, in cash originating from illicit activity, normally smuggling and theft. Since payments are made punctually and in excess, the credit card limits are quickly raised, increasing the flow of funds. The amounts overpaid are refunded by the credit card administrator.

Both the funds received through the credit cards and the differences refunded by the financial institution are deposited in the account of the shell company or in accounts linked to certain CPFs, which originate from the credit card administrator. The business justifies these credits as sales, but are actually fictitious and backed by fake invoices.

2.39.4. Graphic Representation of the Case



2.40. CAPITAL FLIGHT THROUGH BROKERAGE FIRMS.

2.40.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Market.

2.40.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits in company accounts with no apparent justification.
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity.
- Transfer of funds in benefit of third parties.

2.40.3. Case Description

A securities broker authorized by the Central Bank to operate on the exchange market signs a legitimate correspondent bank contract with foreign businesses in order to transfer funds from immigrants abroad to Brazil. In the financial transactions of the broker there is a significant financial flow between the broker and another business in the same group with a name very similar to that of the broker. However, the latter is not authorized by the Central Bank to engage in exchange operations.

The foreign companies collect foreign currency from those wanting to transfer funds to Brazil and, instead of transferring the amounts to the correspondent bank (the broker), transfer the amounts to accounts held by the broker abroad, mainly in fiscal havens.

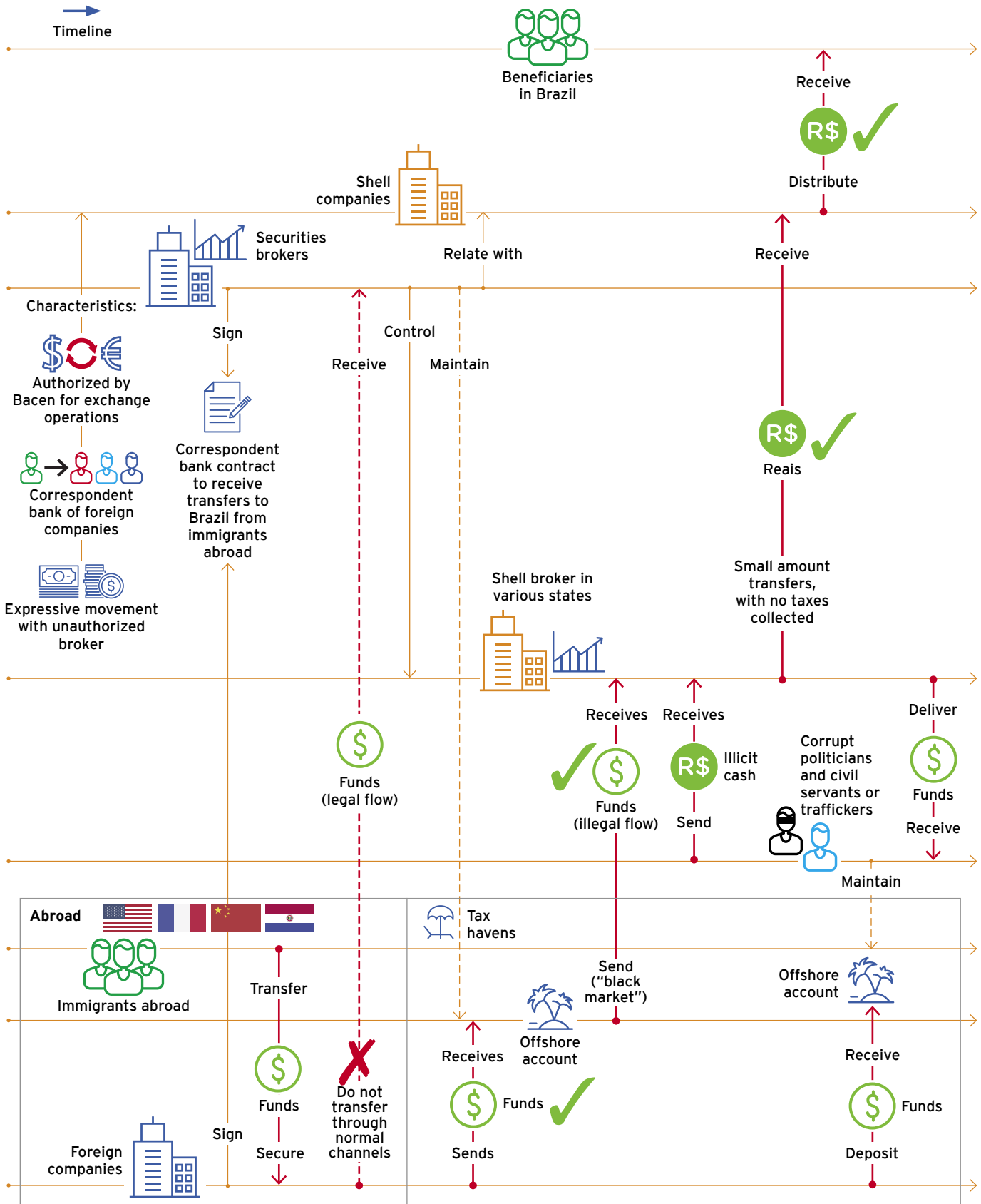
The broker, through its shell brokers, transfers the funds to beneficiaries in Brazil in reais, simulating and fractioning the operations into various stages. These exchange operations are not registered at the Central Bank because they take place on the parallel market, and the taxes due are not collected.

In the accounts of this shell broker a constant financial flow is detected to various companies that also have the characteristics of shell companies, such as not having registered employees. recently set up. small share capital (most under R\$ 200 thousand). have the same phone number and contact email. most of the partners do not have, in theory, the presumed financial capacity for the declared activity since most work in other companies with monthly salaries under R\$ 2 thousand, and. they are located at residential addresses or at small commercial offices that are not compatible with the volume of financial transactions, in addition to there being other companies registered at the same address. Amounts are transferred from these companies to a large number of individuals in various Brazilian states.

The origin of the reais used to make the transfers throughout the country are a series of illicit activities, particularly bribes paid by private companies to civil servants and politicians to fraudulently win tenders, and from traffickers wanting to transfer their proceeds abroad. The broker receives the illicit amounts in the country, generally in cash, uses these amounts to settle the amounts that persons abroad transfer to Brazil, and the amounts received abroad are transferred to the actual beneficiaries of the illicit amounts in Brazil.

The broker's account is only used for legitimate operations in order to conceal the scheme.

2.40.4. Graphic Representation of the Case



2.41. CAPITAL FLIGHT THROUGH SHELL COMPANIES AND REAL BUSINESSES

2.41.1. Economic Activities Used

- National Financial System.
- Parallel Exchange Market.
- Private Companies.

2.41.2. Financial Intelligence Alert Signals

- Cash transactions in border regions, with evidence of being atypical or incompatible with economic/financial capacity.
- Receipt of funds with immediate cash withdrawals.
- Transactions incompatible with assets, economic activity and financial capacity.
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity to justify the financial movement.
- Receipt of deposits from persons whose activity differs from that of the beneficiary, with no apparent commercial relation

2.41.3. Case Description

A criminal organization at a border town sets up a group of shell companies in various segments of activity registered in the names of front persons (“laranjas”), who, fully aware of the venture, lend their names for this purpose. The criminal organization, that controls the shell companies in Brazil, also controls a group of shell companies abroad, as well as real large companies in Brazil, which are used to dissimulate the illegal transfer of funds.

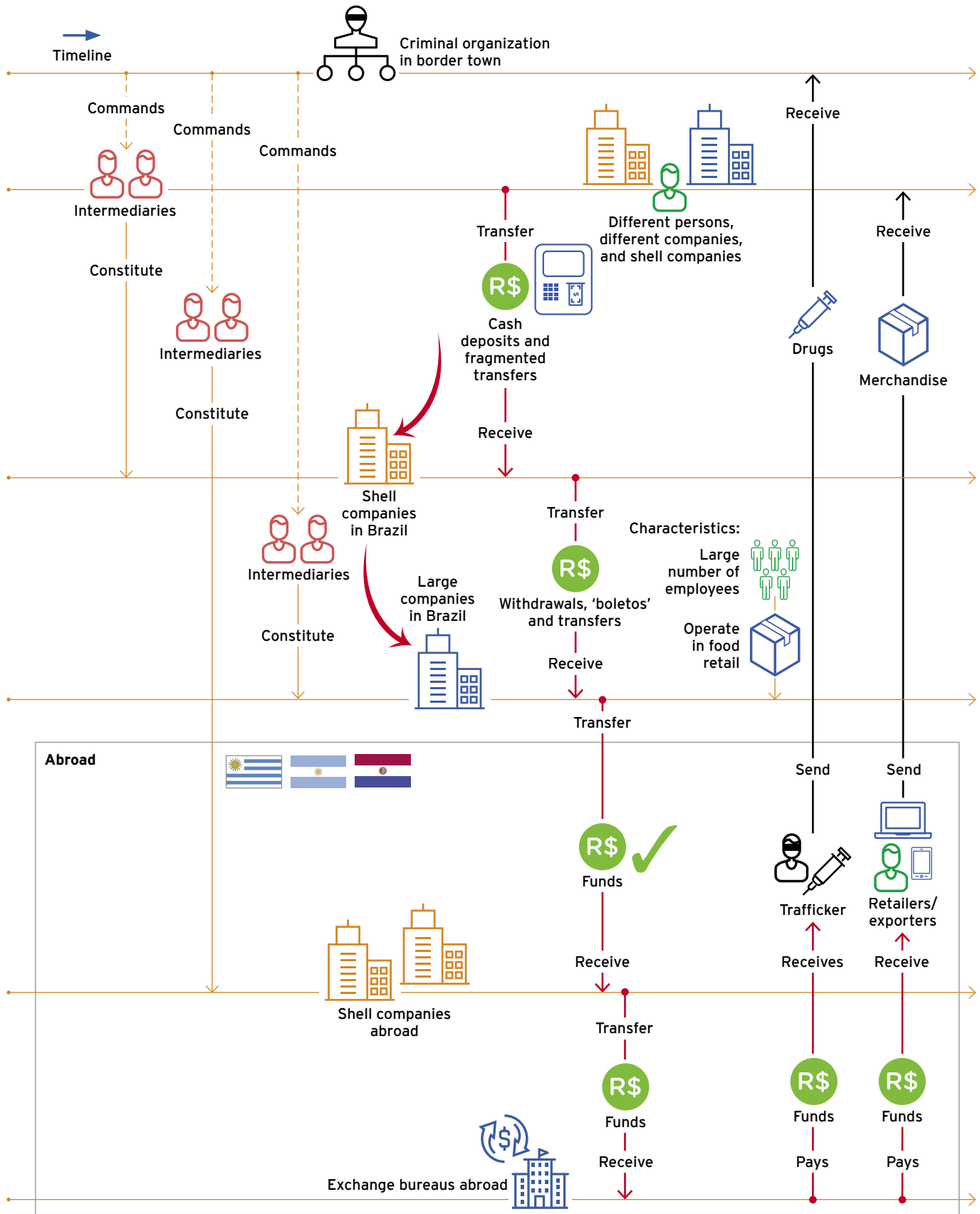
The financial transactions of the shell companies in Brazil reveal a large number of deposits in cash, made in various Brazilian states, and transfers from businesses in various lines of activity, in which IT predominates. The cash deposits are made in small amounts. These deposits and transfers, received by these front companies, are made by businesses and individuals interested in paying the foreign suppliers or simply in illegally depositing amounts outside Brazil.

The debits however are, on the most part, made in a large number of cash withdrawals, most greater than R\$ 100 thousand, but also through bank payment slips, and therefore no strong interest in concealing the destination. The amounts withdrawn and the paid slips are directed to two large Brazilian companies also controlled by the criminal organization. These are real companies that sell food products, with 150 employees on their payrolls, thus giving the operations greater credibility.

The amounts received by these companies – which are real, are transferred abroad to other companies of the group in the foreign country, many of which are shell companies.

As soon as the amounts are received abroad, they are transferred to exchange bureaus and, from these establishments, to store owners and traffickers located in the country the amounts were sent to, who then ultimately send the goods or drugs to the buyers.

2.41.4. Graphic Representation of the Case



2.42. MONEY LAUNDERING THROUGH PROTEST NOTARIES (DEBT COLLECTION)

2.42.1. Economic Activities Used

- Protest Notaries.
- Financial System.

2.42.2. Financial Intelligence Alert Signals

- Constant cash deposits.

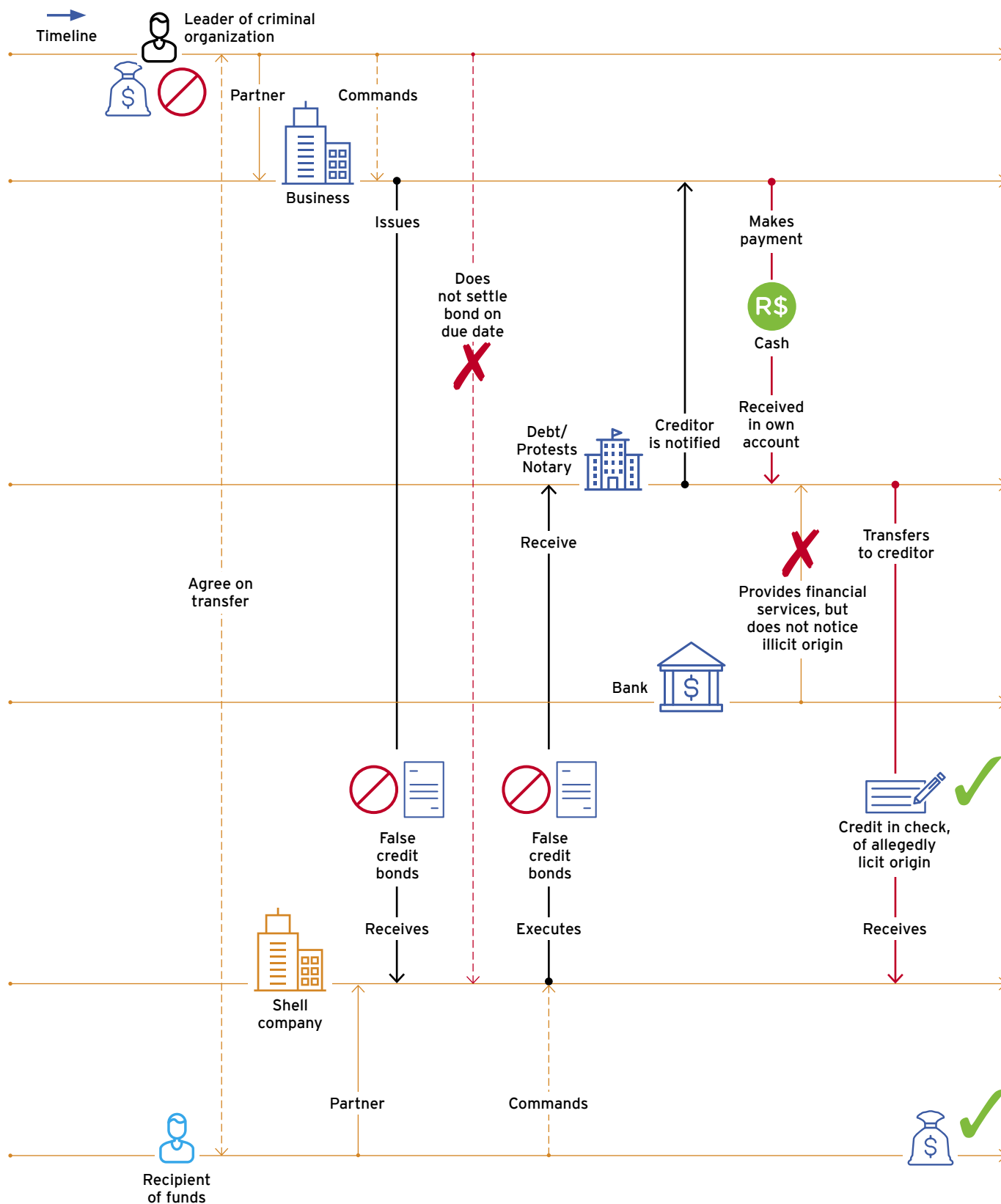
2.42.3. Case Description

The partner of the certain company is the leader of a criminal organization. In possession of funds of illicit origin, which the partner wants to launder, the partner of the company issues counterfeit bonds in favor of the individual receiving the money, who owns a shell company. The company issuing the bonds intentionally does not settle the debt on the date it is due, allowing the “creditor” to submit the bond to a protest notary (Brazilian debt collection notary).

When notified by the protest notary, the “debtor” settles the bond at the notary, using cash in almost all cases. The notary collects the money, does not question its origin and deposits the funds in its own account, which means that the financial institution will also not question the origin of the money, since the money came from the settlement of a debt at the notary.

Lastly, the protest notary credits the account of the “creditor” which, of course, justifies the origin of said funds. Thus, the simulated operation now appears to be legitimate and does not call the attention of the bank when the funds are placed in the financial system.

2.42.4. Graphic Representation of the Case



2.43. MONEY LAUNDERING THROUGH INFORMAL FACTORING AT GAS STATIONS

2.43.1. Economic Activities Used

- Gas stations.
- Factoring.

2.43.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity to justify the financial movement.
- Means of payment limitation.

2.43.3. Case Description

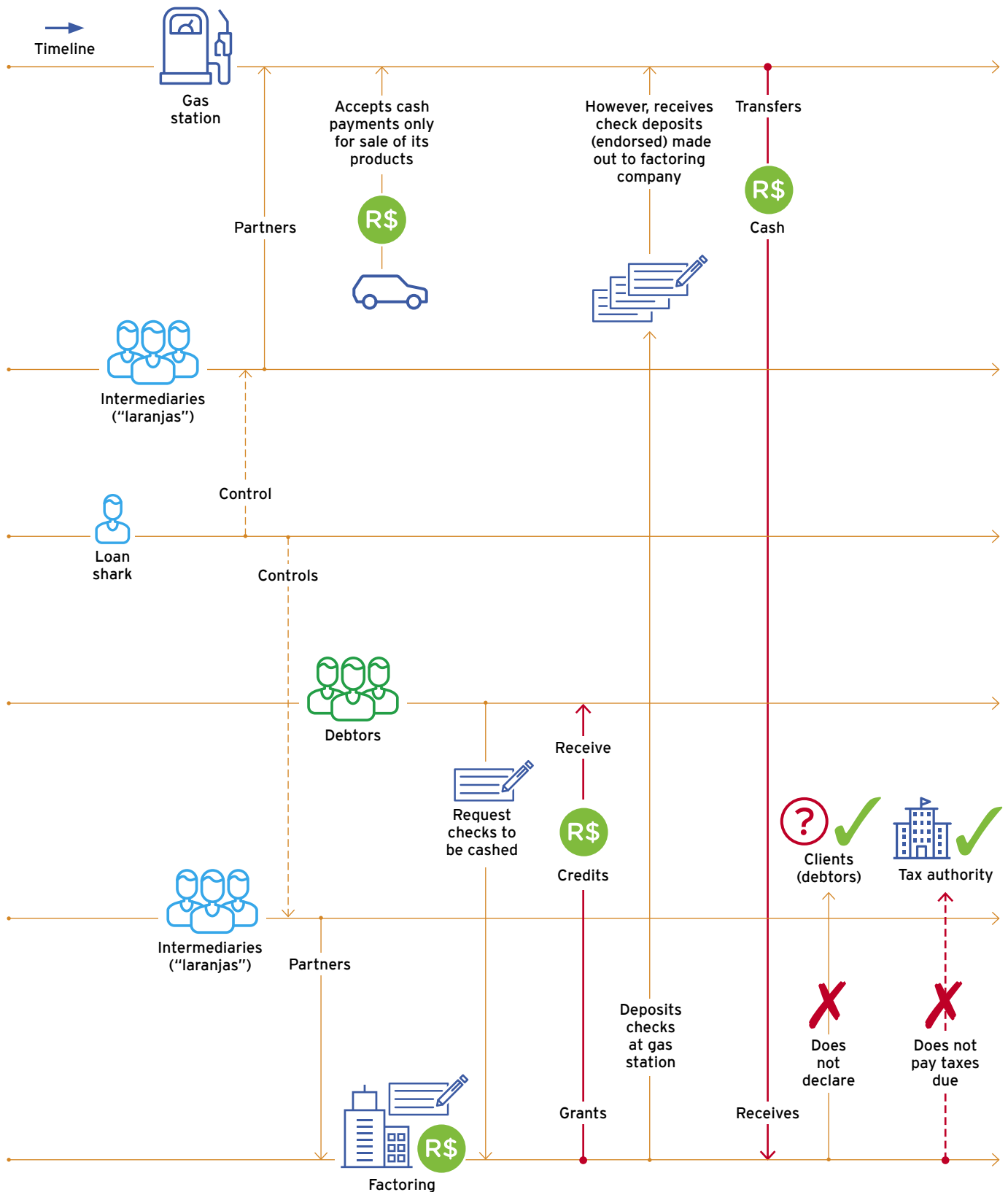
A certain gas station sells products in cash only, and does not accept credit card or checks, for example. However, all the deposits in its account are made in checks of different amounts, some of high sums, theoretically not compatible with the activities of the gas station.

The checks are made out to a factoring company and endorsed so that can be deposited in the account of the gas station. The amounts received in cash by the gas station are transferred to the factoring company to carry out its activities.

The factoring thus operates informally and uses the account of the gas station to transfer large amounts, which are not declared, nor are the legal obligations applying to this segment complied with, for example not having to identify the end beneficiaries of its operations.

After investigations, it was discovered that the partners of the gas station and the factoring company were fronts for a known loan shark in region where the companies were located.

2.43.4. Graphic Representation of the Case



2.44. FRAUDS AT VEHICLE RENTAL COMPANIES

2.44.1. Economic Activities Used

- National Financial System.
- Car rentals.

2.44.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Receipt of cash deposits.

2.44.3. Case Description

Vehicle rental companies located in regions with tax benefits purchase vehicles to rent at lower prices, benefited by the lower tax rates. To receive said benefit certain requirements must be met.

The financial activity of these companies reveals that the amounts received are from the municipal government and cash deposits originating from other states where there are no such tax benefits.

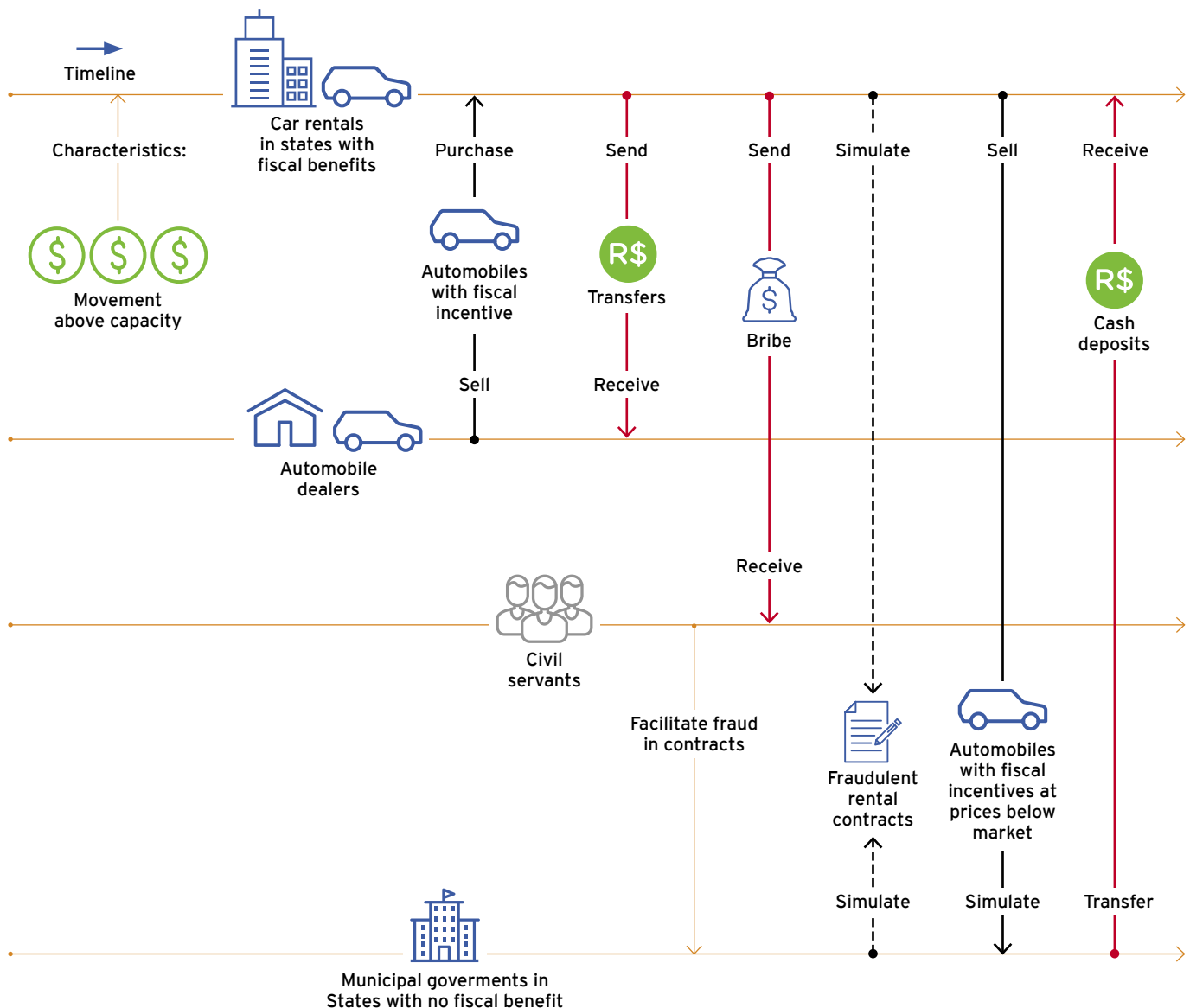
The debits are directed to the vehicle dealers and to certain civil servants. The transactions of these companies are well above those of businesses of the same size located elsewhere.

These companies purchase the vehicles with the tax benefits and, instead of using them for what they were purchased for, resell them to other states at prices below the market, which is unfair competition. These vehicles can only be sold after 3 years of use and can only circulate in areas where the tax benefits are in effect.

The companies purchasing the vehicles with the tax benefits simulate rentals in fraudulent contracts with the municipal governments of the respective state, paying bribes to politicians and civil servants. The amount paid for the vehicles by the companies receiving the benefits is 30% lower than the price the dealerships pay the suppliers of their vehicles.

This is how they are able to resell the vehicles at prices lower than the market. The vehicle ownership transfer documents remain in the name of the rental companies throughout the restriction period. The purchases are made privately, without the necessary registry.

2.44.4. Graphic Representation of the Case



2.45. MONEY LAUNDERING THROUGH THE ILLEGAL EXTRACTION AND SALE OF PRECIOUS METALS

2.45.1. Economic Activities Used

- National Financial System.
- Parallel Exchange Market.

2.45.2. Financial Intelligence Alert Signals

- Cash transactions in border regions, with evidence of being atypical or incompatible with the economic/financial capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Companies at residential addresses, with no registered employees, whose partners apparently have no capacity to justify the financial movement.
- Relations with businesses that operate on the parallel exchange market.

2.45.3. Case Description

A criminal organization buys and sells precious metals extracted from illegal mines located in border regions. Businesses and individuals belong to two groups that operate in the various stages of the illegal trade of precious metals.

The first group is comprised of businesses that act as intermediaries in the purchase of the precious metals and also sells foreign currency acquired from money changers in the region. The financial activity of the companies reveals the receipt of credits from other business persons trading in jewelry and gold in other states and from others intermediating the sale of gold (belonging to the second group).

The gold is purchased directly from the miners (individuals) with the funds received from the small amounts deposited in the various regions around the country or from transfers made most often at ATMs. There is no fiscal documentation tracing these operations. These are funds from exchange bureaus and securities brokers. There are also funds from a large number of cash deposits of over R\$ 100 thousand made by the securities brokers.

Payment to the miners or to their families is made with funds withdrawn in cash from the accounts of businesses of the first group, or in checks of small amounts or deposits in mostly individual accounts. Some of the recipients are known to be civil servants. These are bribes to avoid supervising the mines.

Part of the funds received by the businesses of this group remains in investment funds for the period of time between the deposits by the buyers and the withdrawals to pay the gold suppliers. These companies use the accounts of straw-persons ("laranjas") to transfer the funds so not to call attention.

The businesses of the first and second groups share the following characteristics:

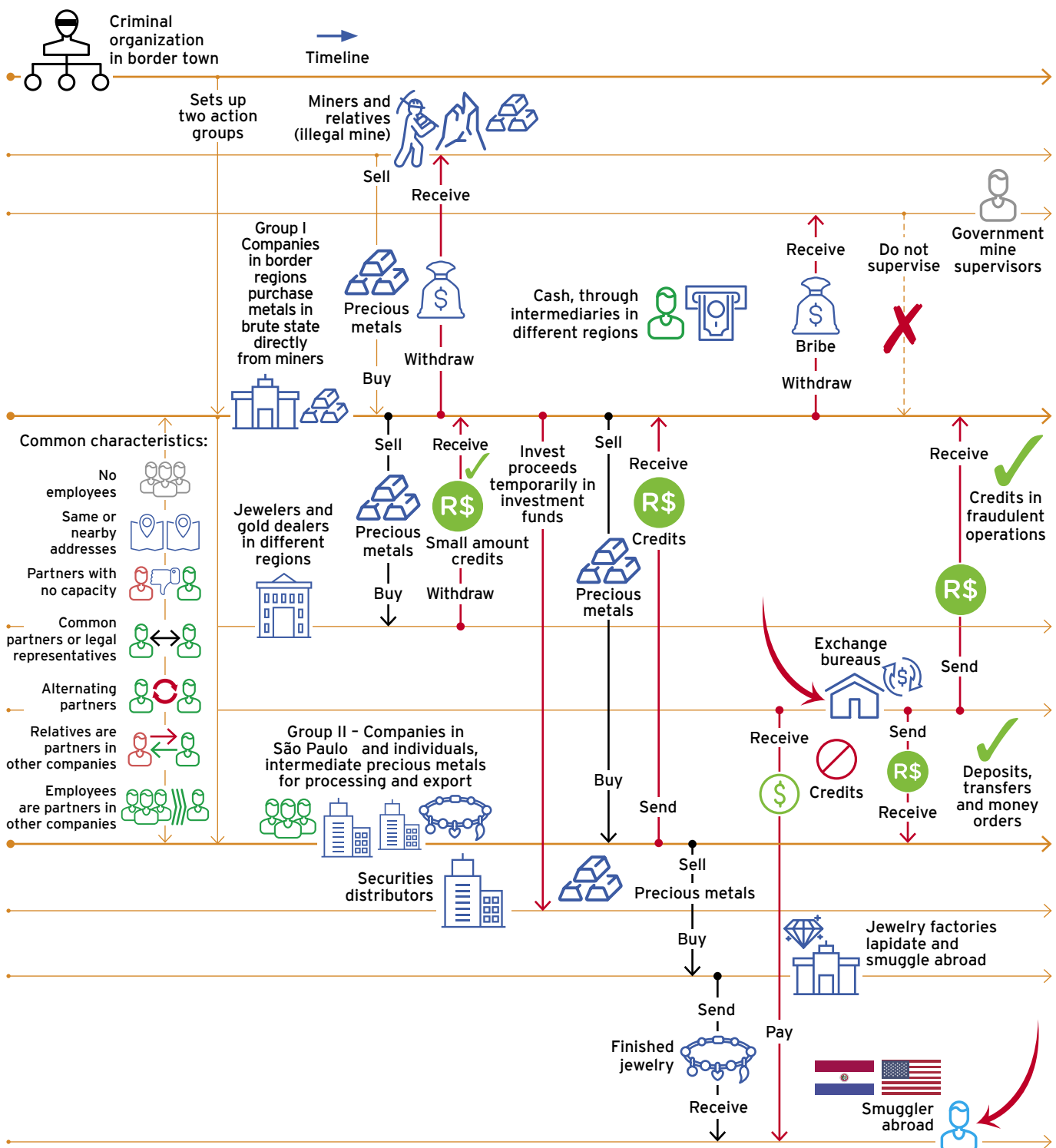
- Few or no employees registered in the National Social Information Registry (CNIS).
- Address registered at the Federal Revenue of Brazil (RFB), on the same street or at the same number or nearby numbers.
- Partners that do not demonstrate financial capacity compatible with the company's transactions (no property registered, employees registered in the CNIS but at third-party businesses with low salaries).
- Partners who alternate shareholdings in the companies of the group and whose tax domicile is the same address of the company.
- Some of the partners are employees at other companies of the group.
- The same legal representatives who are not formally shareholders of the companies.
- Partners of some of the businesses are relatives of partners of the other companies.

The second group is comprised of businesses and individuals domiciled in the state of São Paulo that are also intermediaries in the purchase and sale of precious metals. They purchase the metals from companies in the first group located in border regions and sell them to the makers of jewelry and semi-jewelry in various regions in the country. The credits are made mainly through deposits (checks and cash) and transfers, in addition to payment orders from abroad issued by exchange bureaus. The debits, to pay for the metals, mainly go to the businesses of the first group or their partners.

The metals purchased illegally by the companies of the first group are transported in a clandestine manner to other states in bulk form.

The companies of the second group distribute the precious stones to other businesses to be lapidated and smuggled abroad. The proceeds from abroad reach the beneficiaries through exchange bureaus in simulated and fraudulent operations.

2.45.4. Graphic Representation of the Case



2.46. MONEY LAUNDERING ON THE ART MARKET

2.46.1. Economic Activities Used

- National Financial System.
- Art Market.
- Foreign Exchange Market.

2.46.2. Financial Intelligence Alert Signals

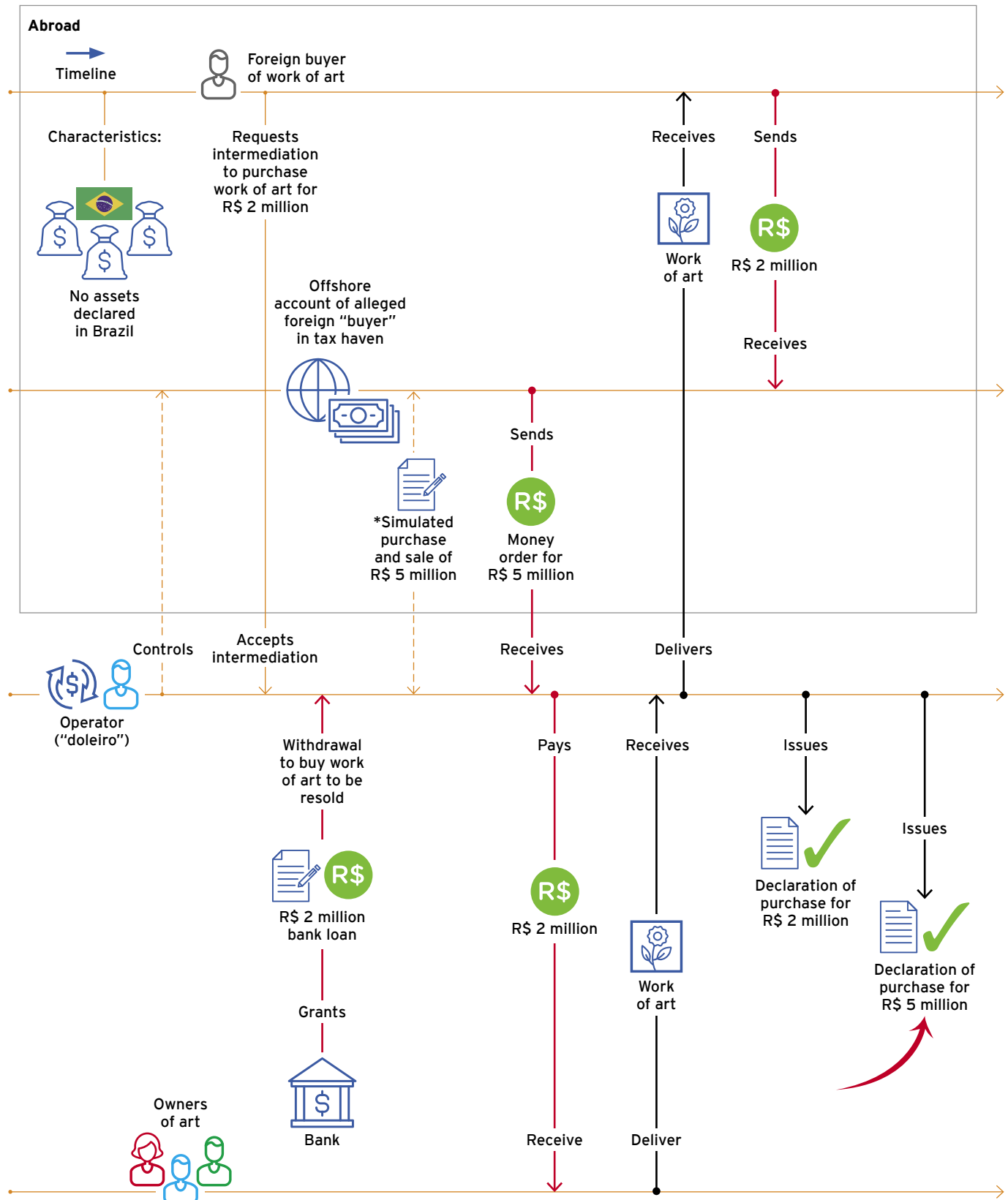
- Transactions incompatible with assets, economic activity and financial capacity.
- Receipt of exchange orders from tax havens abroad.

2.46.3. Case Description

A foreigner seeks to purchase a work of art in Brazil evaluated at nearly R\$ 2 million. However, this person does not want his or her name associated with this purchase in Brazil, because this person does not have enough money declared in Brazil to carry out the operation. The purchase is made through a black market foreign exchange operator, known in Brazil as a “doleiro”. This operator makes a bank loan for the amount of R\$ 2 million, and immediately withdraws this amount in cash declaring that this amount is to purchase a work of art which, according to him, is being sold at a price below its market value. Days later, he receives a payment order from a fiscal haven for the amount of R\$ 5 million, declaring that the amount is to pay for a work of art abroad at that price. Documents proving both transactions are presented. Outside the country, the work of art is transferred to the foreign national, who transfers the R\$ 2 million to the “doleiro”, depositing the amount in the account of the offshore company controlled by the “doleiro”. The same one that transferred the R\$ 5 million before.

The “doleiro” is the end beneficiary of the offshore company domiciled in the fiscal haven and takes advantage of the situation to bring the R\$ 5 million in illicit proceeds into the country. In order to repatriate the amounts, the work of art is purchased and a sale abroad is simulated at the higher price. The purchase is made by this person, who then resells the work of art at the actual price, which was approximately R\$ 2 million.

2.46.4. Graphic Representation of the Case



2.47. FACTORING COMPANIES USED IN DISGUISED PAYMENTS

2.47.1. Economic Activities Used

- National Financial System.
- Commercial Promotion Companies.
- Public Sector.
- Private Companies.

2.47.2. Financial Intelligence Alert Signals

- Transfer of funds in benefit of third parties.
- Receipts with immediate withdrawals in cash.
- Simulated loans.

2.47.3. Case Description

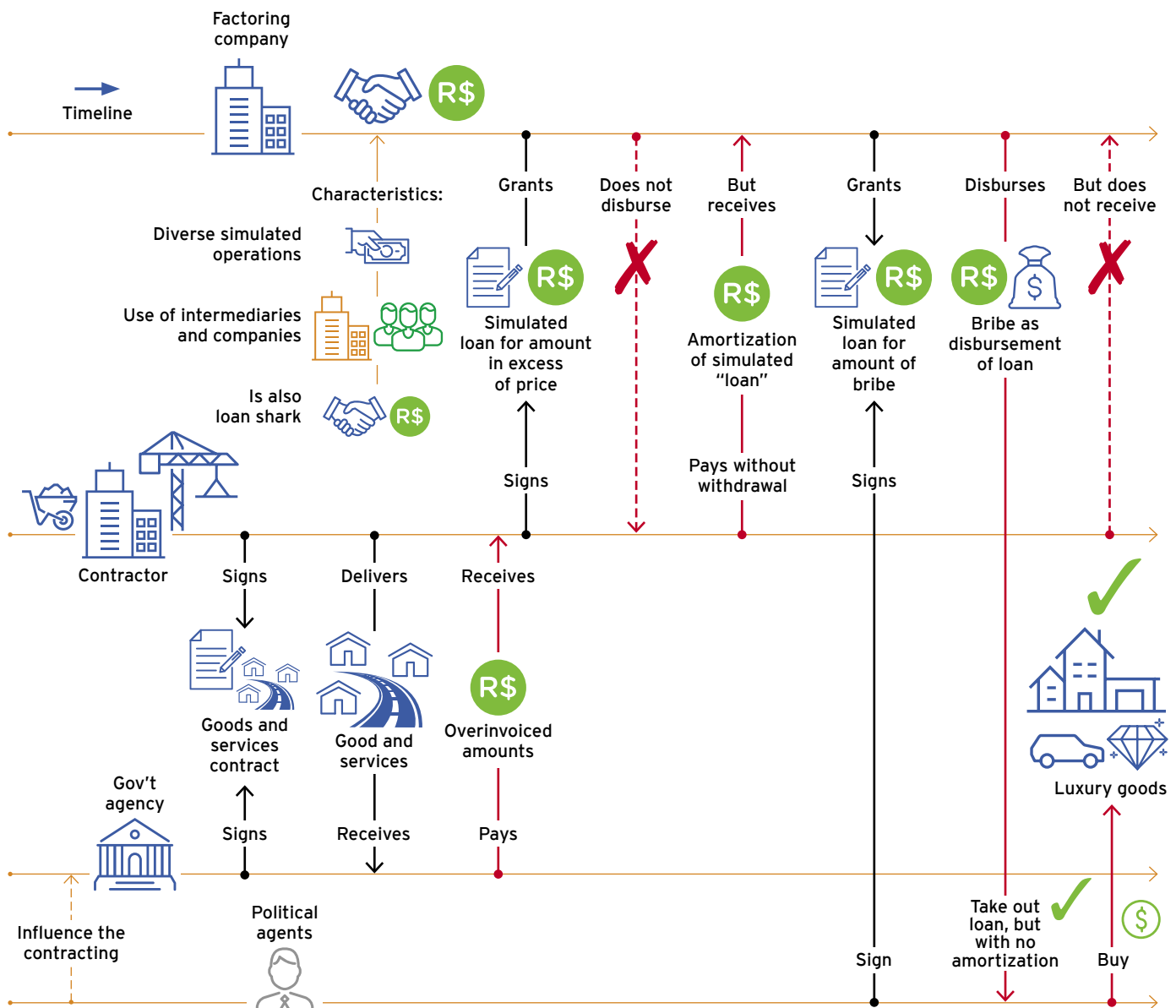
A factoring company helps criminal third parties conceal and disguise the proceeds from illicit activities. Developers hired by the government perform works and services that are over-invoiced and use the services of this illegal factoring company to pay bribes to local politicians.

The factoring company simulates a loan to a developer for the amount of the bribes to be paid. In practice, there is no disbursement and the developer pays the alleged loan with the over-invoiced proceeds. The developer claims that it had received the funds in cash and had used them in various expenditures, for example, the employee payroll. The financial transactions reveal the receipt of credits from the government agency and, among the debits, amounts that went to the factoring company. Most of the debits were operations in cash, so as to conceal their destination.

The beneficiaries of the bribes also take out loans from the factoring company. However, in other words, in an opposite manner received the agreed amounts and simulated the payments, normally in cash. The origin of the credits in their accounts were therefore amounts received from the factoring company, and the debits, withdrawn in cash, are justified as amortizations of their alleged loans. The funds are then used to purchase high-priced assets, such as property, luxury cars, and others.

The factoring company, in order to cover its operations, uses a chain of businesses set up under the names of intermediaries ("laranjas"), who simulate a series of factoring operations, such as the purchase of securities or other assets such as receivables and checks, which are proceeds from sales or the provision of services. Alternatively, it also operates as a loan shark lending funds to third parties at exorbitant rates reaching 10% a month.

2.47.4. Graphic Representation of the Case



2.48. “TIQUETEIROS” - MONEY LAUNDERING THROUGH THE ILLEGAL SALE OF FOOD/MEAL VOUCHERS

2.48.1. Economic Activities Used

- Companies in the Food Segment.
- Companies Issuing Food/Meal Vouchers and Cards.
- National Financial System.

2.48.2. Financial Intelligence Alert Signals

- Receipt of significant sums from companies issuing food/meal vouchers and cards.
- Companies with similar registration data, with no registered employees, whose partners apparently do not have the capacity to justify the financial movement.
- Alternation of the same persons in the shareholdings of companies related through suspicious communications.
- Cash withdrawals, which are atypical for the client’s economic activity or that are incompatible with the client’s capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Movement of significant amount through an account with no frequent previous use.
- Receipt of funds from companies investigated for misappropriation of government funds.
- Involvement of persons with criminal records.

2.48.3. Case Description

Recently created businesses, with no registered employees, registered as restaurants, snack bars, bars or similar establishments, start receiving sizable amounts from businesses that issue food/meal vouchers and tickets in their bank accounts.

These companies generally have partners or legal representatives in common that apparently do not have the economic/financial capacity to justify the amounts transacted in the ventures. At times, the partners are linked, directly or indirectly, to persons with criminal records. The characteristics of the transactions indicate that these businesses purchase, at a discount, the credits of the food/meal vouchers and tickets received by workers and that the funds used to make these purchases were

proceeds of illicit activities, particularly drug trafficking and the misappropriation of government funds.

After the purchase, the amounts for the vouchers and tickets are credited by the respected administrators in the bank accounts of the companies, from where they are withdrawn in cash, with no identification of the end beneficiaries.

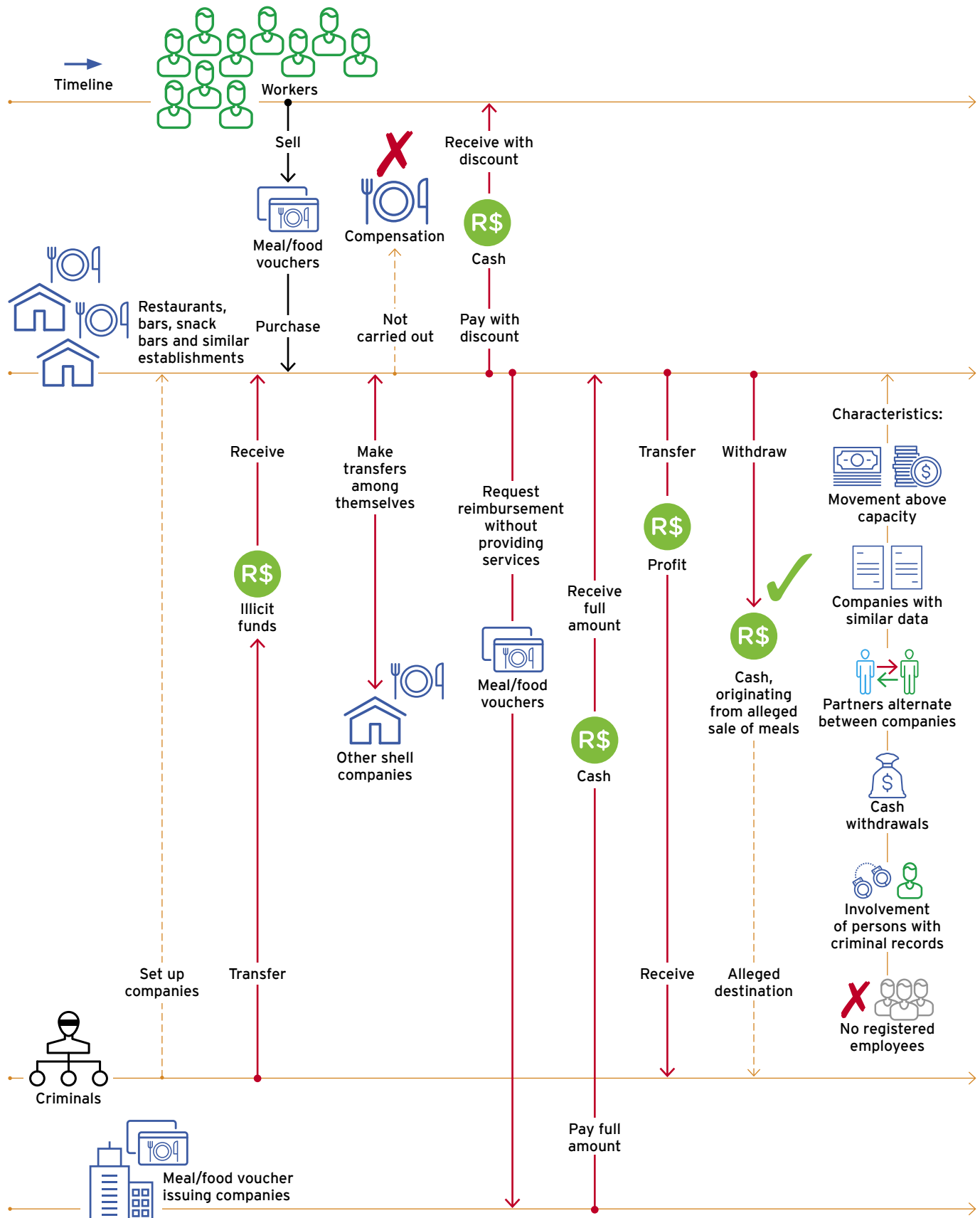
The businesses, often shell companies, are created specifically to purchase the credits of the food/meal vouchers and tickets aiming to generate revenue and, simultaneously, transfer the proceeds of other illegal activities.

In certain cases, instead of creating new businesses, the mentors of the scheme acquire existing commercial establishments and mix the “purchases” with the transactions of the operational activities of these establishments.

With these operations, the criminals are able, at the same time, to generate revenue (generally the credits are bought for 15% to 20% below the actual value) and, when making these purchases, inject the proceeds of the illicit activities in the economy, making it difficult to trace the transactions and to identify the perpetrators.



2.48.4. Graphic Representation of the Case



2.49. FISCAL FRAUD AND ADULTERATED FUEL

2.49.1. Economic Activities Used

- Manufacture and sale of paints, solvents and other chemical and petrochemical products.
- Gas stations.
- National Financial System.

2.49.2. Financial Intelligence Alert Signals

- Considerable amount of cash deposits.
- Movement by companies with no registered employees.
- Cash deposits made by companies, apparently shell companies, in successive periods, operating the fuel business.
- Credit from gas stations and fuel business owners with a criminal history of product tampering.
- Companies whose business partners apparently do not have the financial capacity to justify their transactions.
- Companies represented by the same legal representatives, who are not formally part of the shareholder structure.
- Involvement of people with a history of connections to organized crime.

2.49.3. Case Description

The transactions of companies that produce and sell chemical and petrochemical products, such as solvents and paints, have the following characteristics:

- They receive transfers and deposits in cash, from gas stations and business persons operating in the same sector. and
- Receive of a large volume of cash deposits made by other companies that also produce and sell chemical and petrochemical products.

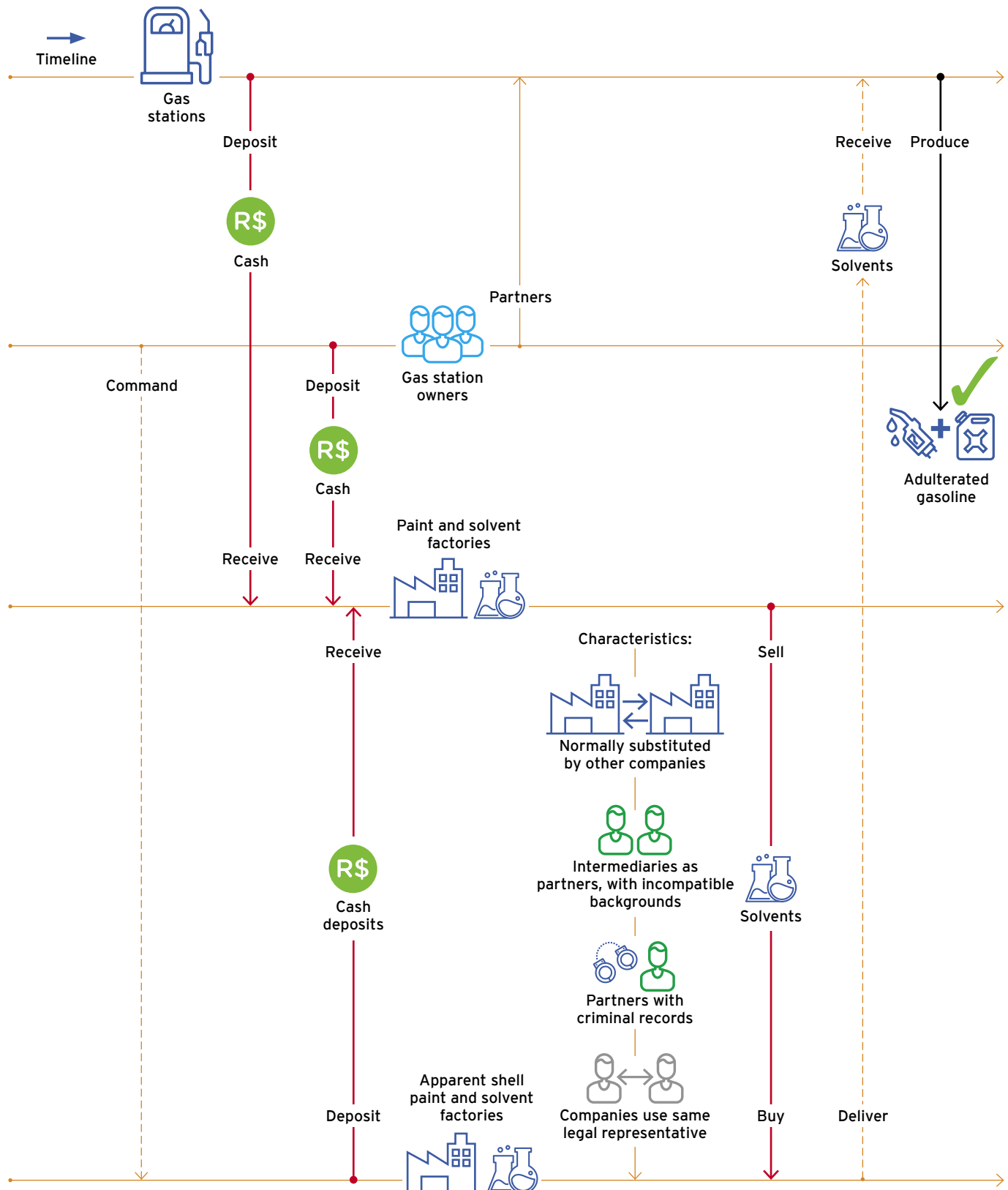
The companies that deposit these amounts generally do not have registered employees, are owned by partners who have employment links with other companies, and whose salary and transaction histories are incompatible with the amounts transacted. At times, the partners have criminal records involving the sale of adulterated fuel and tax evasion.

These businesses, apparently shell companies, make the deposits over a short period of time, and are then substituted by other companies with different shareholdings, but with the same characteristics.

The characteristics of the transactions indicate that the actual owners of the shell companies are probably the same owners of the gas stations, who use intermediaries to act as partners and use the businesses to purchase companies in the chemical and petrochemical sale and production sector, whose inputs (particularly solvents) are needed to adulterate the fuels.

The cash deposits made by the shell companies to purchase the inputs, as well as the systematic substitution of these businesses by others with different shareholdings, make it difficult to trace the origin of the funds and to identify the perpetrators of the criminal fuel adulteration scheme.

2.49.4. Graphic Representation of the Case



2.50. TAX EVASION IN THE ILLEGAL COMMERCE OF CHARCOAL

2.50.1. Economic Activities Used

- Steel Industry.
- Charcoal Extraction.
- National Financial System.
- Gas stations.

2.50.2. Financial Intelligence Alert Signals

- Cash withdrawals that are atypical for the economic activity or incompatible with the economic/financial capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Movement that does not demonstrate being the result of normal activities.
- Use of intermediaries.

2.50.3. Case Description

Companies operating in the extraction of wood and in the production and sale of vegetable charcoal are obligated to justify their operations in a Forest Origin Document (DOF), a mandatory license for the control of products and subproducts of native forests, including native vegetable charcoal, whose principal aim is to combat the illegal trade of these products.

By law, the DOF must accompany the transport of native forest product or subproduct, from its source to its final destination, on highways, by air, by train, on rivers or by sea. The DOF must contain information on the source of the material and detailed descriptions of the species, type of product, quantity, size of the load, and detailed transportation route.

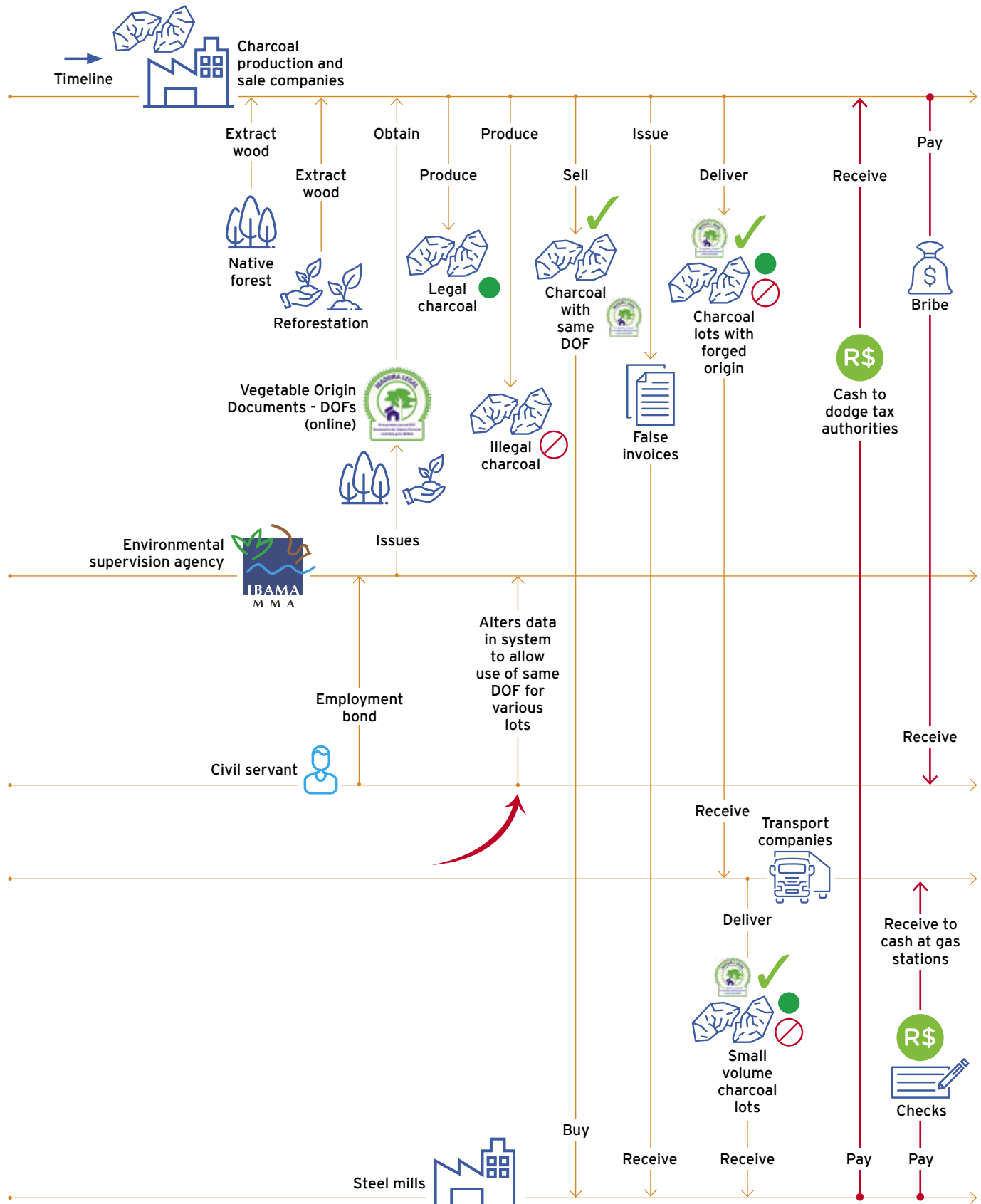
Aiming to facilitate the use of the DOF, the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) provides the DOF system, in which all the legal transactions involving lumber or any other forest product or subproduct in all their forms are registered. For example, in order to purchase a certain amount of these products, it is necessary to accept an offer made by a supplier through the DOF system. Thus, the entire process is controlled, from the cutting and felling to the final sale.

In order to circumvent the controls and to lower pig iron production costs, some steel mills illegally use the same DOF to justify the sale of various shipments of charcoal from different sources. The fraudulent operations are made possible with the use of fake invoices and by corrupting the civil servants that input false information in the DOF system.

In an attempt to evade taxation and to erase the traces of the illegal operations, the steel mills purchase the illegal charcoal in cash payments, which is why their transactions involve a large volume of sizable cash withdrawals. They also make various payments in check to the companies transporting the illegal products, who cash them at a discount at gas stations located in the same region.

The occurrence of the abovementioned phenomenon generally takes place at the same time there is an expressive increase in the volume and total amount of operations in cash in the region where the steel mills are located that resort to this illegal scheme.

2.50.4. Graphic Representation of the Case



2.51. CASH WITHDRAWALS AT THE END OF THE YEAR TO CONCEAL ASSETS IN TAX EVASION

2.51.1. Economic Activities Used

- National Financial System.

2.51.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Withdrawals in cash in through cashiers checks of sizable amounts in the month of December so as to leave a balance close to zero in the account.
- Deposit of cashiers check issued by the account holder him or herself in the month of January.

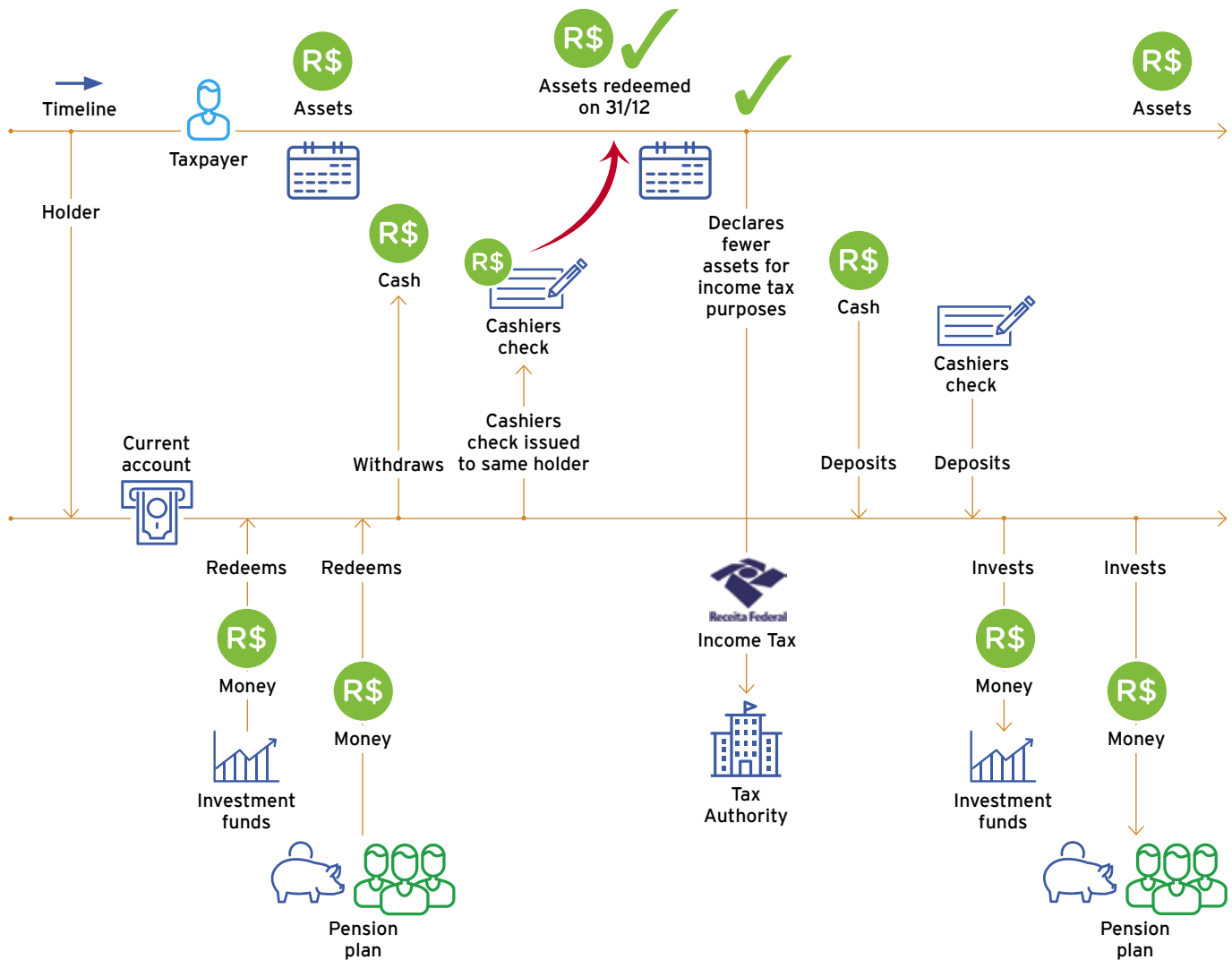
2.51.3. Case Description

In Income Tax declarations, all bank balances existing on the last day of the year must be informed, so that the Receita Federal may analyze the compatibility between a taxpayer's increase in assets and income.

Aiming to circumvent this obligation, and to conceal assets and avoid the collection of any taxes due, many taxpayers redeem part of their investments (investment funds, pension plans, certificates of deposit, etc..) on the last days of December, credit them to their accounts and subsequently withdraw the corresponding amounts in cash, or request the issuance of cashier's checks made out in their names, which are backed by debits in their accounts.

Thus, the amounts withdrawn from the accounts are omitted from the Income Tax declarations. In January of the following year, the amounts are returned to the taxpayers' accounts and once again placed in their original investments.

2.51.4. Graphic Representation of the Case



2.52. MONEY LAUNDERING THROUGH SMALL AMOUNT EXCHANGE OPERATIONS IN THE NAME OF INTERMEDIARIES

2.52.1. Economic Activities Used

- Exchange Bureau.
- Federal Public Administration.

2.52.2. Financial Intelligence Alert Signals

- Disproportionate increase in foreign currency sales – classified as international travel.
- Large number of buyers of foreign currency residing in low-income neighborhoods.

2.52.3. Case Description

The leader of a criminal organization, specialized in narcotics trafficking, needed to exchange R\$15,000.00, proceeds from illegal drug trade, into dollars, which would then be used to purchase more illicit substances.

To do this, the trafficker calls on an old friend, who owns a foreign exchange bureau located in a state capital and, knowing of the illicit origin of the money, agrees to exchange the amount for dollars. However, this person is also aware that the R\$ 15,000.00 cannot be simply collected and the dollars sold to the trafficker, since the transaction needs to be registered through exchange slips, which may later be requested by the Central Bank of Brazil.

To solve this problem, the owner of the exchange bureau purchases, from a street vendor, a CD-ROM containing individual taxpayer information, such as names, telephone numbers and individual fiscal registry numbers (CPFs).

In possession of this CD, the owner of the exchange bureau orders one of the employees to fill out six exchange slips, each for R\$ 2,500.00, fractioning the amount to be paid and making any subsequent supervision difficult.

Each of the slips is filled out under a different name extracted from the data base, giving preference to intermediaries who are low income and who will probably not notice the improper use of their information. The signatures are forged by the same employee.

The exchange operations are thus carried out, concealing the true owner of the money and putting the reais of illicit origin in circulation in the formal market.



2.53. "TARJETAGEM" - FROM THE TERM 'TARJETA' (CARD) IN SPANISH

2.53.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Brokers Abroad.

2.53.2. Financial Intelligence Alert Signals

- Numerous and frequent cash deposits made by the account holder, in a border region, in amounts incompatible with his/her professional occupation.
- Frequent cash withdrawals, in foreign currencies, from ATMs located abroad.
- Cash transactions in municipalities in border regions, with evidence of being atypical or incompatible with the client's financial capacity.
- Cash transactions in foreign currencies or traveler's checks, atypical in relation to the client's economic activity or incompatible with his/her financial capacity.
- Transactions incompatible with assets, economic activity and financial capacity.
- Fragmentation of withdrawals, in cash, to conceal the total amount.
- Movement of significant amount of money through an account with no previous frequent use.

2.53.3. Case Description

The transactions in accounts of several people residing in the same border region involve amounts that are clearly not compatible with their assets, occupations and financial capacities.

The credits of these transactions mainly come from cash deposits made by the account holders themselves and, online transfers and deposits on a lesser scale. The debits are basically a large number of cash withdrawals in foreign currency made at ATMs outside the country, and also transfers but which only represent a small percentage (approximately 5%) of the funds leaving these accounts.

The amounts of the deposits and withdrawals of these accounts is clearly incompatible with the occupations and economic activity of the holders, and apparently do not reflect being the result of the normal activities or business.

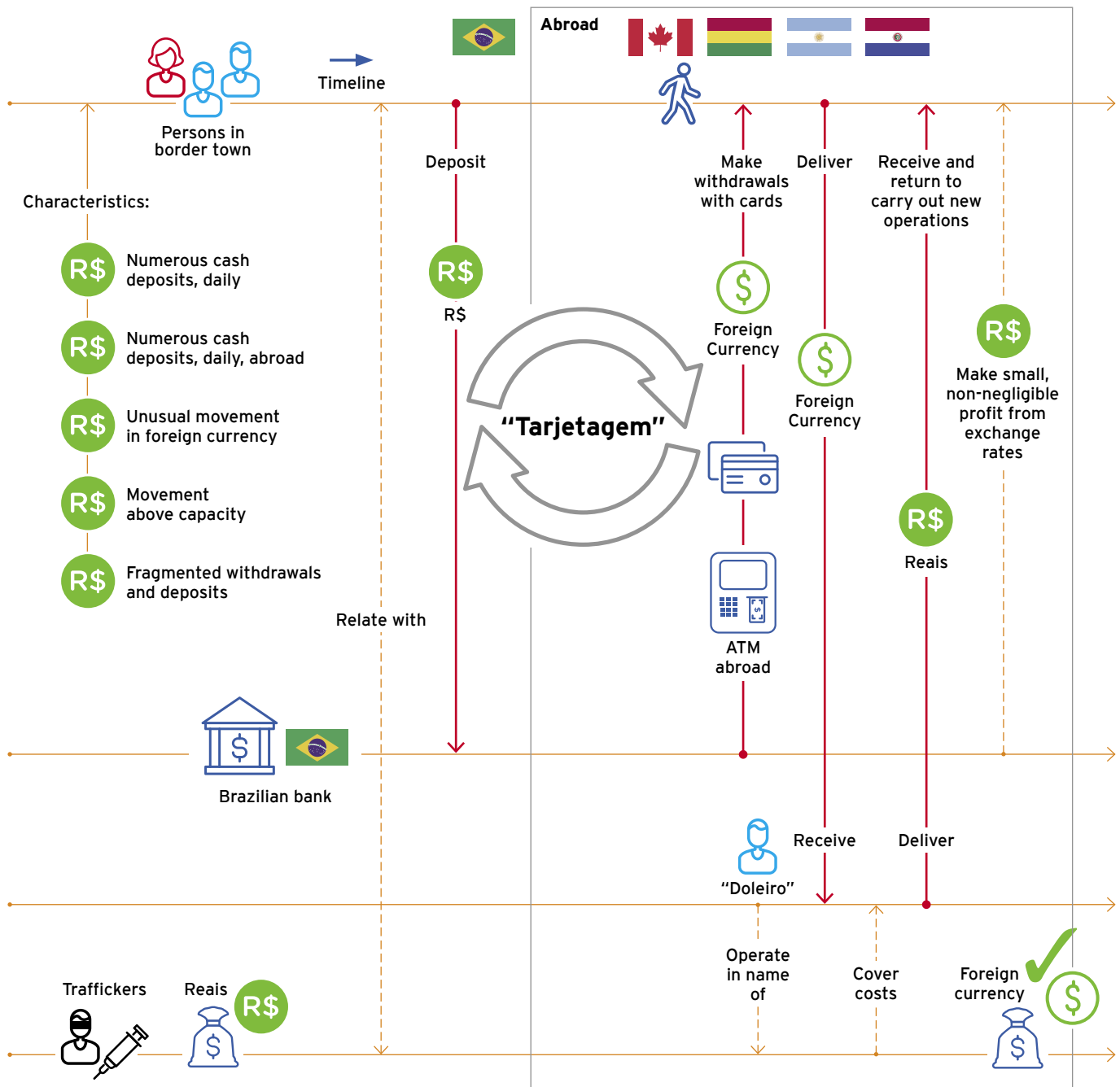
Information gathered by financial institutions indicate that the holders of these accounts carry out foreign exchange operations that are not authorized by the Central Bank of Brazil, making daily deposits in their accounts in Brazil, and subsequent foreign currency withdrawals outside the country. The proceeds are then once again exchanged for reais on the black market outside the country at attractive exchange rates by money changers or “doleiros” (black market dealers).

The amounts in reais are then again deposited in the accounts in Brazil, completing the cycle of the operation, which generates a small profit, but which is not negligible. The holders of these accounts repeat this cycle several times, crossing the border, and earn a profit of approximately 1 to 1.5% of the amount withdrawn in each operation.

These characteristics indicate that the holders of these accounts may be employed to make the withdrawals and then sell the foreign currency in the other country, obtaining in return the exchange spreads between the official and black market rates.

The available information indicate that this spread is financed by drug traffickers, or other types of criminals, who receive amounts in reais from their illegal activities and need to convert the funds into foreign currency and, to do this, are willing to pay more attractive exchange rates than those paid on the official market.

2.53.4. Graphic Representation of the Case



2.54. MONEY LAUNDERING OF DRUG TRAFFICKING PROCEEDS THROUGH LOTTERY HOUSES AND HOTELS

2.54.1. Economic Activities Used

- Lotteries Segment.
- Hotel Sector.

2.54.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits that are atypical for the economic activity or incompatible with the economic/financial capacity.
- Various lottery prizes.
- Cash deposits by apparent shell companies.

2.54.3. Case Description

A civil servant receives a sizable amount, over a 3-month period, for having won 18 lottery prizes of different types. With the amount received, the civil servant purchases a hotel, and large amounts start being transacted in the hotel's account, justified by the high occupation rate and by the high nightly rates charged.

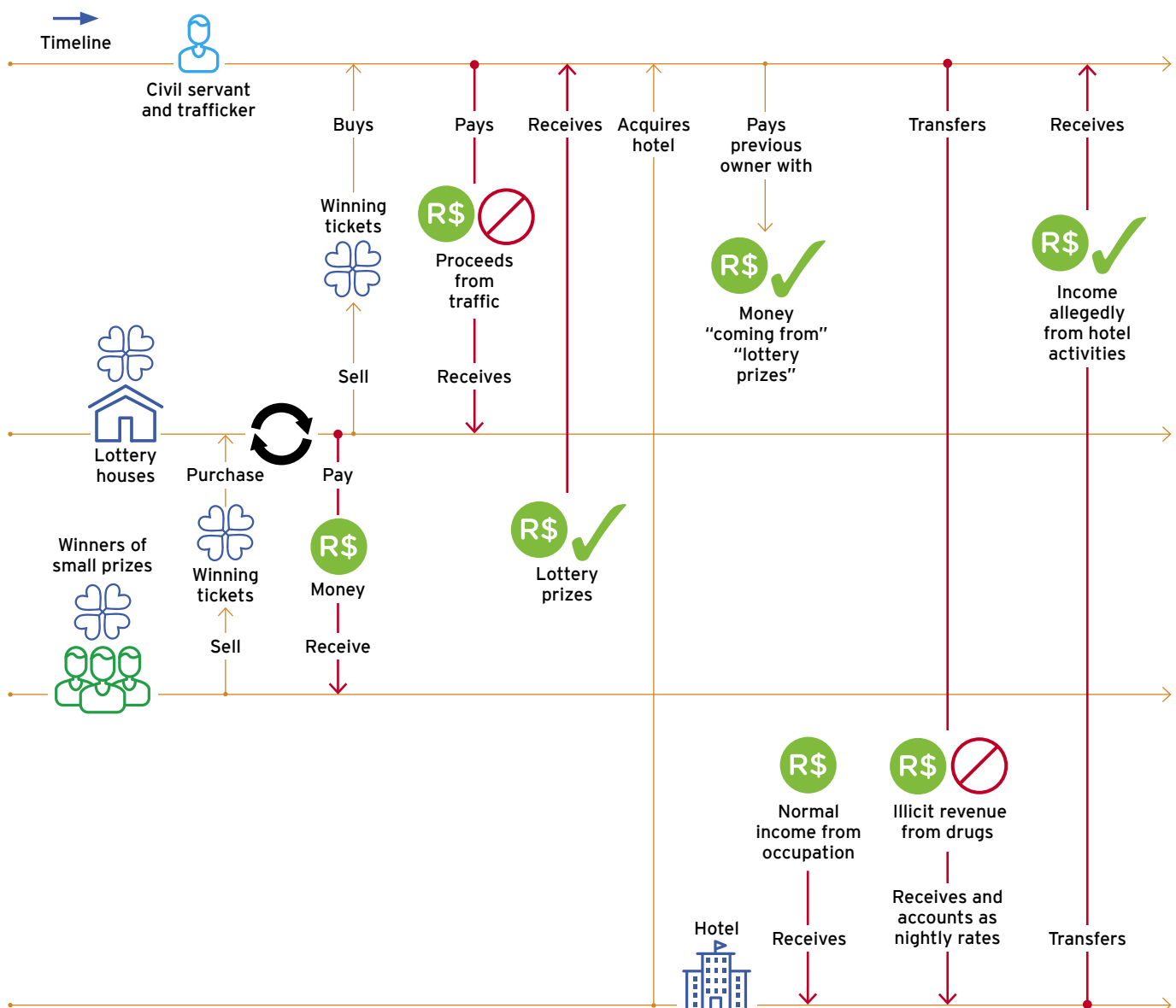
It is then discovered that this civil servant was frequently renting aircraft to fly to border regions in the North of the country. When one of these flights was intercepted, the authorities discovered that the aircraft was carrying more than half a ton of cocaine.

To initially "launder the money" of the illegal narcotic trafficking, the civil servant, who had links to certain lottery houses, purchased a series of low-amount prizes, for which the lottery houses have autonomy to make the respective payments, thus justifying the origin of the illicitly obtained funds.

With these funds, the civil servant “justified” the origin of the money used to purchase the hotel. The subjectivity involved in pricing the nightly rates and the facility to doctor the occupancy rate registries facilitates the creation of the “economic grounds” for the sizable transfer of funds by the hotel after being purchased by the civil servant.

Thus, with the purchase of the winning lottery tickets and the subsequent purchase of the legal venture, the civil servant found a way to “launder” the proceeds from the trafficking of narcotics.

2.54.4. Graphic Representation of the Case



2.55. FRAUD TO PURCHASE INPUTS FOR DRUG PRODUCTION

2.55.1. Economic Activities Used

- Chemical products.
- Foreign Trade.

2.55.2. Financial Intelligence Alert Signals

- Substantial increase in the volume of cash deposits, without apparent reason, subsequently transferred, over a short period of time, to destination not related to account holder.
- Transactions incompatible with assets, economic activity and financial capacity.
- Movement by recently set up companies, much greater than the presumed economic/financial capacity.

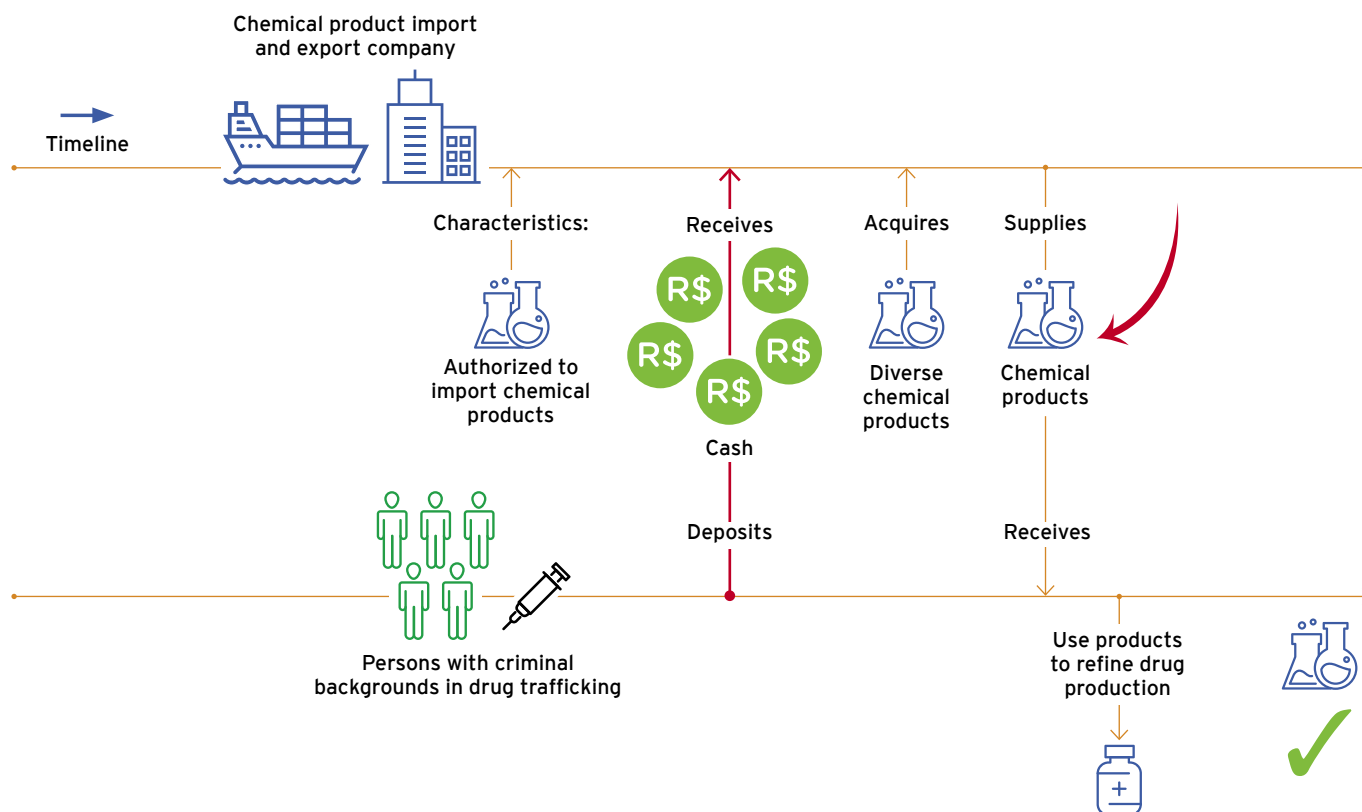
2.55.3. Case Description

A chemical product import and export company, with a strong presence on the international market receives in its account, in addition to the normal volume of transactions from its activities, large deposits in cash, made by individuals with criminal backgrounds related to drug trafficking.

Investigations reveal that this company is registered at the agency responsible for the control of certain regulated chemical substances, and is thus authorized to purchase ammonium hydroxide (ammonia solution), sodium hydroxide (solid), hydrogen peroxide, acetone and ethyl alcohol whose uses may include the production and mixing of illicit drugs.

The drug traffickers, in need of the chemical products to be used in the process to prepare the drug for sale to the public, use the company's authorization to purchase the products needed to refine the substance.

2.55.4. Graphic Representation of the Case



2.56. LAUNDERING OF DRUG TRAFFICKING PROCEEDS THROUGH TRANSACTIONS IN THE BANK ACCOUNTS OF STUDENTS

2.56.1. Economic Activities Used

- National Financial Sector

2.56.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and economic capacity.
- Cash deposits, atypical in relation to the activity or incompatible with the economic/financial capacity.
- Cash withdrawals.
- Fragmented cash deposits to avoid identifying the depositors.

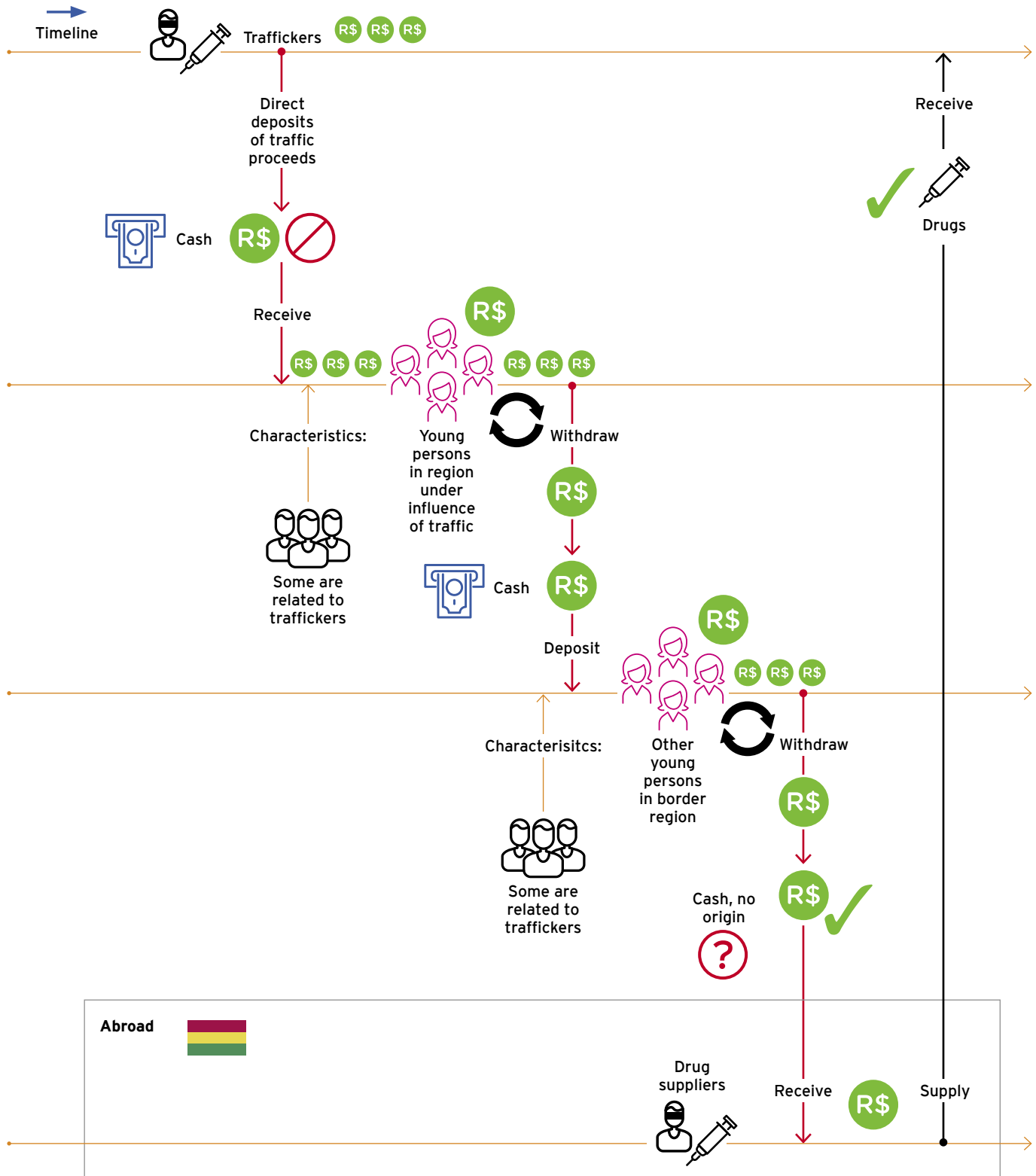
2.56.3. Case Description

Several young students with tax domiciles in regions where there is a strong influence of drug trafficking, with no criminal records, with no formal jobs, receive various cash deposits in their accounts, made at ATMs in various towns around the state, for amounts under R\$ 1 thousand and in small-denomination notes, thus making it impossible to identify the depositors. The amounts deposited in each individual account are not high, however the sum of all the accounts reaches a sizable amount.

The funds received are withdrawn in cash or transferred, also in small amounts, to persons with the same characteristics, residing in towns located in border areas, particularly in the city of Ponta Porã/MS. In these accounts, the amounts received are withdrawn in cash, also in small sums, so that the persons making the withdrawals cannot be identified.

A more detailed investigation of the young students reveals that some of them were linked to persons suspected of drug trafficking. This evidence indicates that the traffickers use these young students to transfer the proceeds of drug trafficking. The sums received in the accounts are proceeds from the sale of drugs on the retail market, while the transfers to towns located in border regions are used to pay the suppliers of the illicit drugs. The amounts withdrawn in cash are used, among other things, to remunerate the intermediaries of the operations.

2.56.4. Graphic Representation of the Case



2.57. MONEY LAUNDERING FROM DRUG TRAFFICKING VIA TRAVEL AGENCIES

2.57.1. Economic Activities Used

- Travel agencies.
- National Financial Sector.

2.57.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits that are atypical for the economic activity or incompatible with the economic/financial capacity.
- Cash withdrawals.
- Fragmented cash deposits to avoid identifying the depositors.

2.57.3. Case Description

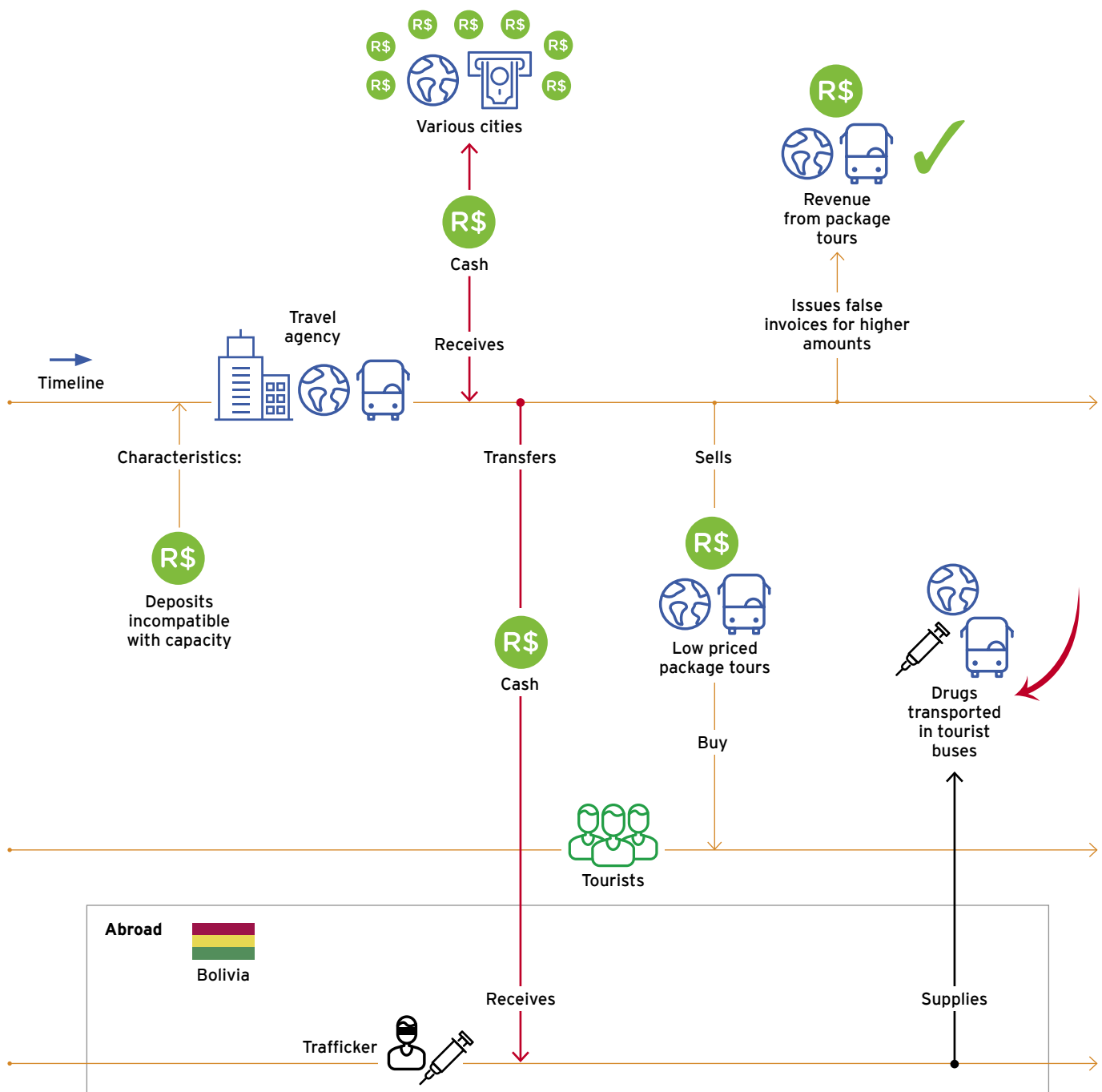
A travel agency, located near the border with Bolivia, receives several small amount cash deposits in its account coming from large cities around the country. Individually, the sums deposited are always below the limit for which operations of this nature need to be registered. The deposits received are made at ATMs at various bank branches. The amounts received are fully withdrawn in cash.

The amounts received are incompatible with the company's financial and economic capacity, which has few employees and modest installations. The package tours supposedly offered by the company include bus trips from the border towns to other Brazilian cities. The company claims that the amounts received in its account came from the payment of "package tours", and presents false accounting statements to the financial institution to justify the transactions.

The entire scheme is set up to justify the laundering of drug trafficking proceeds.

The sums received by the company are actually used to purchase illicit drugs from Bolivia. In possession of the drugs, the company sells package tours to drug destinations at discount prices, hiding the packages within the luggage of the passengers. Nearly 100 kg of cocaine paste were found in each bus.

2.57.4. Graphic Representation of the Case



2.58. FUNDING OF EXTREMIST GROUPS THROUGH CREDIT CARDS

2.58.1. Economic Activities Used

- National Financial System.
- Credit Cards.
- Clothing Company.

2.58.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Sizable cash and online deposits at different locations, by persons with no apparent relation, for small amounts, with evidence of fragmentation.
- Companies with similar registration data, with no registered employees, whose partners apparently do not have the economic capacity to justify the financial movement.
- Habitual and expressive positive balances on credit card bills.
- Deposits with immediate withdrawals.

2.58.3. Case Description

A small clothing business receives small amount cash deposits made at ATMs from various locations around the country every day, mainly from border towns. The justification is that the money is from clothes purchases made from around the country. The physical structure of the company and the accounting statements do not corroborate said activity and the volume of transactions.

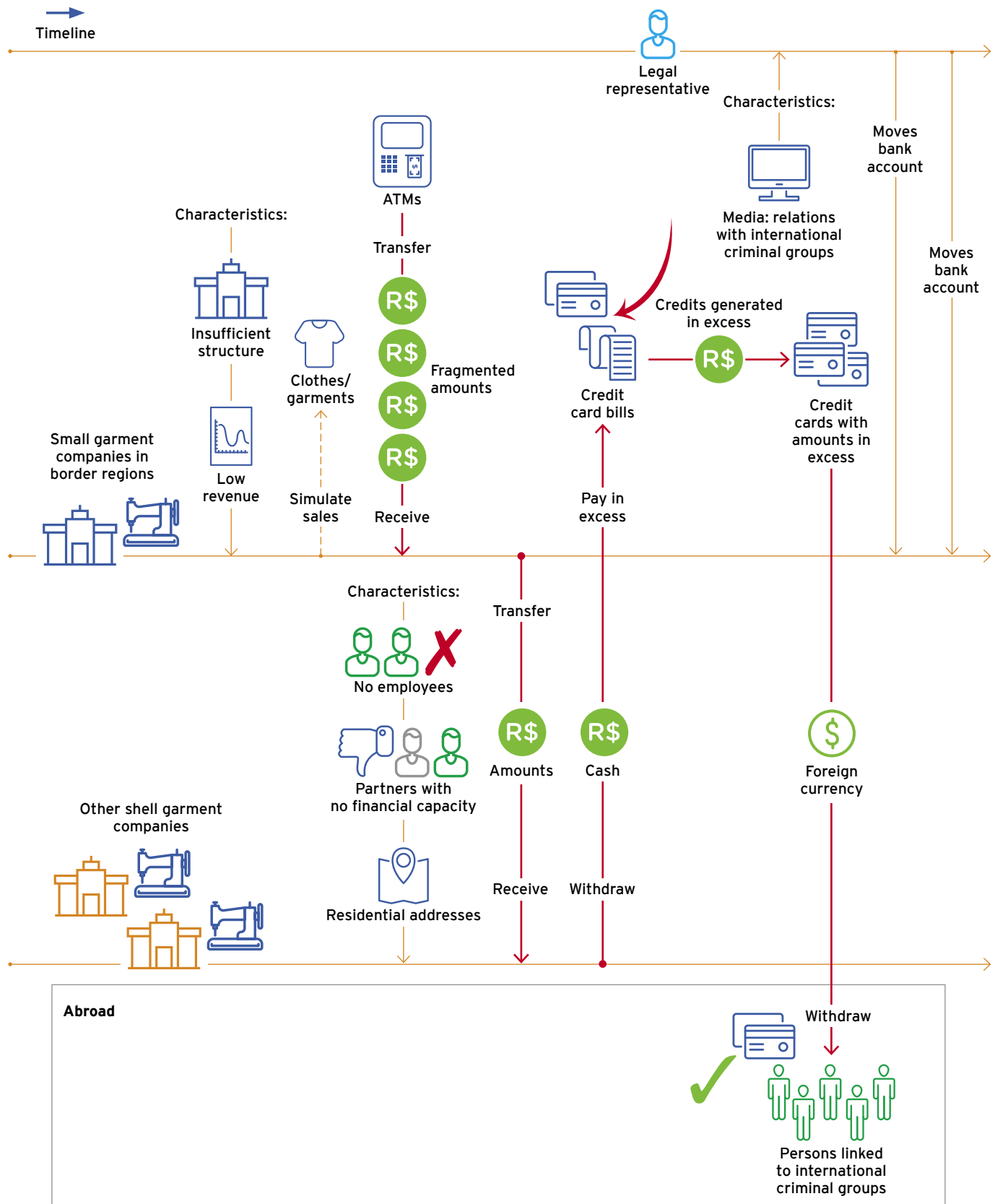
The debits go to other businesses in the clothing trade by way of transfers, but whose characteristics are typical of shell companies, since they do not have any employees, their partners do not have the needed financial capacity, and are located at residential addresses. These companies have a single legal representative to administer its accounts, who has appeared in the news because of alleged relations with criminal groups abroad.

Once the amounts are received, they are immediately withdrawn in cash or transferred abroad. The cash withdrawals go to 'over-pay' credit card bills, in other words, to pay the bills in amounts much higher than those actually due, leaving the outstanding balance on the card. These balances are withdrawn outside the country, generally in the country where there is a strong presence of criminal groups, with the use of additional cards.

The transfers abroad go to a series of individuals in the same regions where the withdrawals are made with the additional card for their maintenance abroad, in which it is not possible to identify the relation between these individuals and the senders.

Some of the beneficiaries who made the withdrawals with the additional cards are related to the international criminal groups.

2.58.4. Graphic Representation of the Case



2.59. DRUG TRAFFICKING PAYMENTS THROUGH REMESSA EXPRESSA TRANSFERS

2.59.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Brokers.

2.59.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Foreign exchange operations carried out by persons with no tradition.

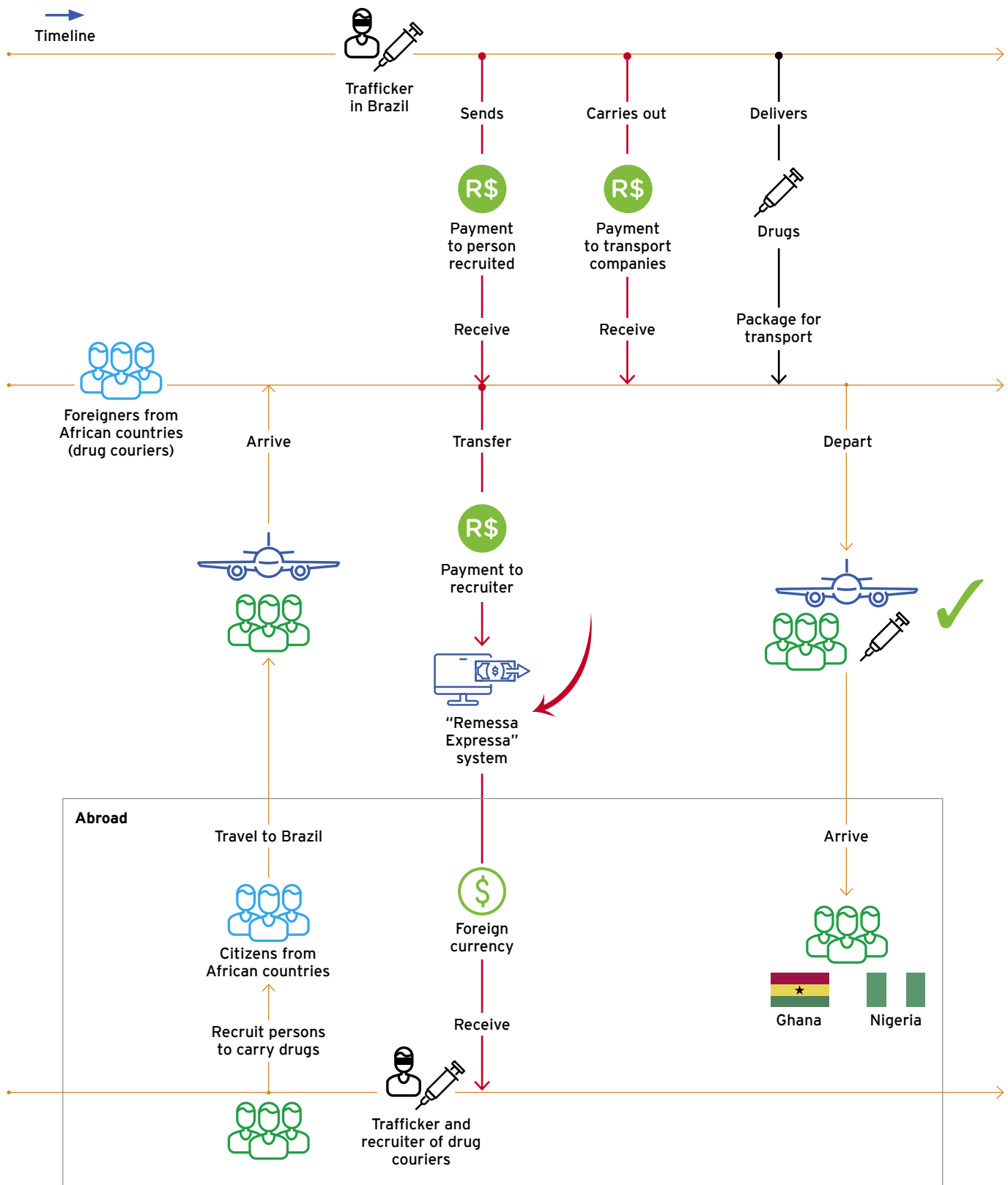
2.59.3. Case Description

Certain foreign nationals, from countries in Africa, arrive in Brazil with little money and make international wire transfers using the Remessa Expressa system. This system is more simple and less bureaucratic than traditional wire transfer systems. The limit is US\$3,000.00 per day, and there are monthly and annual limits as well.

At a Brazilian brokerage, every day a group of foreign nationals carries out operations of this nature with amounts close to the daily limits, all of which are sent to the same beneficiary. A few days later, the foreigners return to Nigeria and Ghana, their countries of origin.

The foreign nationals were recruited abroad by the beneficiary of the wire transfers. The amount transferred is the payment by the Brazilian trafficker to the recruiter to send the drug couriers, known as “mules” (name given to persons used to transport illegal drugs). The couriers receive their payments in cash and leave for Brazil with the amounts received, around US\$ 500.00 to US\$ 1,500.00, depending on the quantity of drugs to be carried. On the return trip, they do what were recruited to do, i.e., carry narcotic substances in various manners: in false luggage bottoms, by ingestion, fixed to their bodies, in fake bellies, among other methods.

2.59.4. Graphic Representation of the Case



2.60. DRUG TRAFFICKING PROCEEDS TRANSFERRED ABROAD THROUGH BLACK MARKET MONEY CHANGERS ('DOLEIROS')

2.60.1. Economic Activities Used

- National Financial System.
- Shell Companies.
- Foreign Exchange Market.

2.60.2. Financial Intelligence Alert Signals

- Reluctance to provide information to start a relationship or to update registry data at a financial institution.
- Deposits, withdrawals, withdrawal provisioning requests or other cash transfers which are unusual in relation to the economic activity or incompatible with the financial capacity.
- Regular transfer of large sums, in benefit of third parties.
- Transfer of funds incompatible with assets.
- Funds received with immediate payments or transfers to third parties, without any justifiable reason.
- Deposits from several sources, without any substantiation, especially from distant regions.
- Receipt of values from several Brazilian states.
- Fragmented deposits made by several apparently unrelated several individuals or businesses.

2.60.3. Case Description

A certain company set up with little share capital, located in a small commercial office, presents complex financial transactions which are incompatible with its presumed economic and financial capacity. The partners, civil construction employees with monthly remunerations of a minimum salary, are apparently not capable of managing a company with said level of complexity and finances. They demonstrate having no knowledge of basic business aspects: billing, main clients, information on the previous owner, reasons for doing business with companies that are not part of their line of business. Its representative shows up at the bank branch office when signatures are collected. At the physical address, located on the 2nd floor

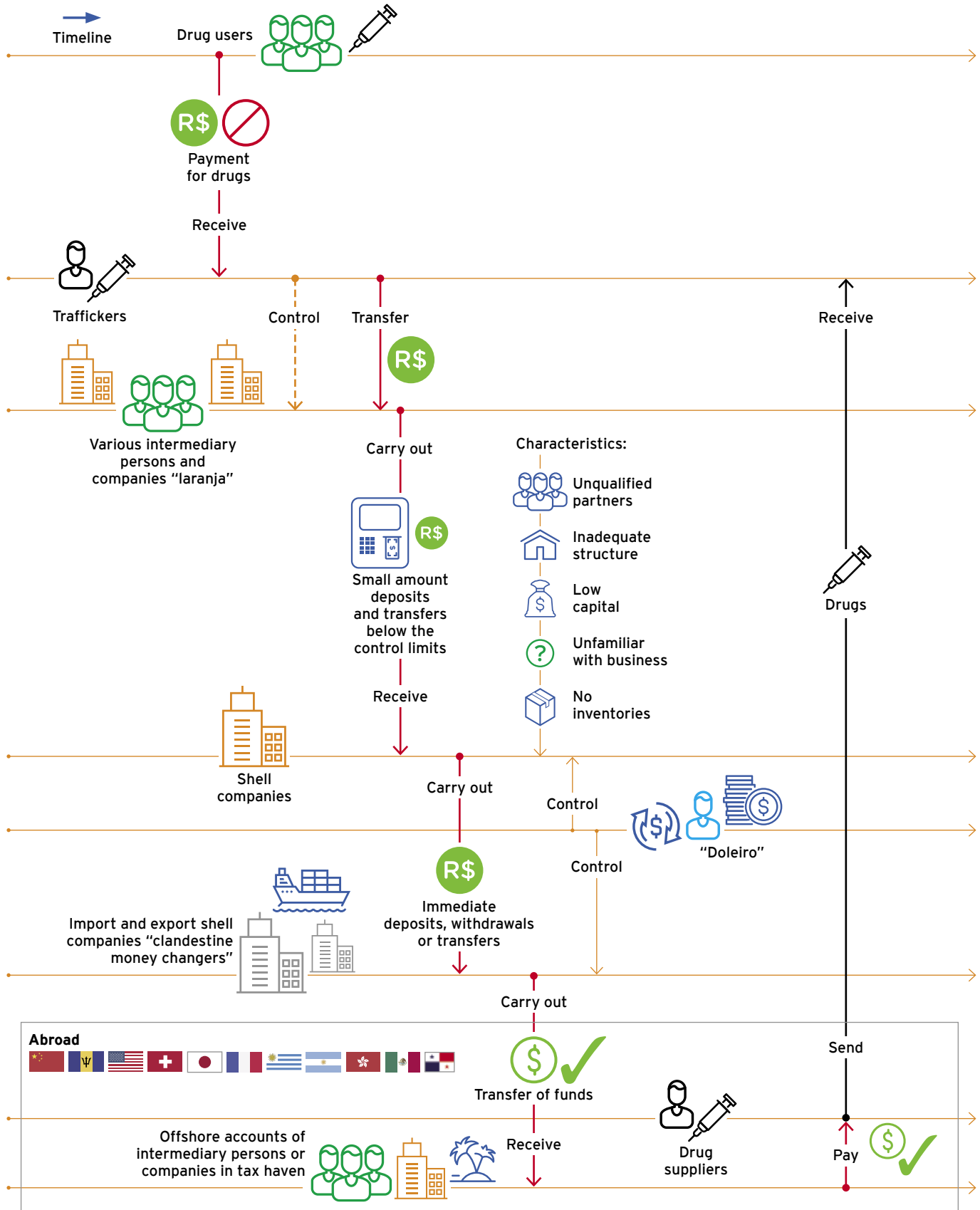
of a commercial building that is difficult to access and with the door locked and the need for prior authorization, there is only one person answering for the business, carrying badge with a different logo on it. There are no stocks of material nor evidence of procedures typical of businesses of this type, such as banks slips and credit cards.

Said company receives deposits from persons and companies of various origins, relevant part in cash, some made by persons related to drug trafficking, from a region controlled by a criminal organization. All the credits are fractioned into amounts that are lower than the control limits of the Central Bank of Brazil. The amounts are immediately withdrawn to be transferred to import and export companies, controlled by “doleiros”, also with characteristics of shell companies.

The ‘doleiros’ operate as ‘clandestine foreign exchange bureaus’. The transfer funds to designated accounts abroad, normally under the name of an offshore company, or of intermediaries (“laranjas”). The accounts are most often located in tax havens, controlled by the actual beneficiary who is concealed by private documents. The ‘doleiro’ contributes to the money laundering process as an intermediary in an attempt to give the funds legal backing.

The sums received by the company are proceeds from the sale of illegal drugs in cities such as São Paulo and Rio de Janeiro. The sums received are transferred to companies controlled by the ‘doleiros’ so that they may transfer the proceeds of the traffickers outside the country, and make the payments for the illicit drugs to suppliers located abroad.

2.60.4. Graphic Representation of the Case



2.61. INTERNATIONAL TRAFFICKING IN PERSONS

2.61.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Market.

2.61.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Receipt of international money orders from persons related to crimes.

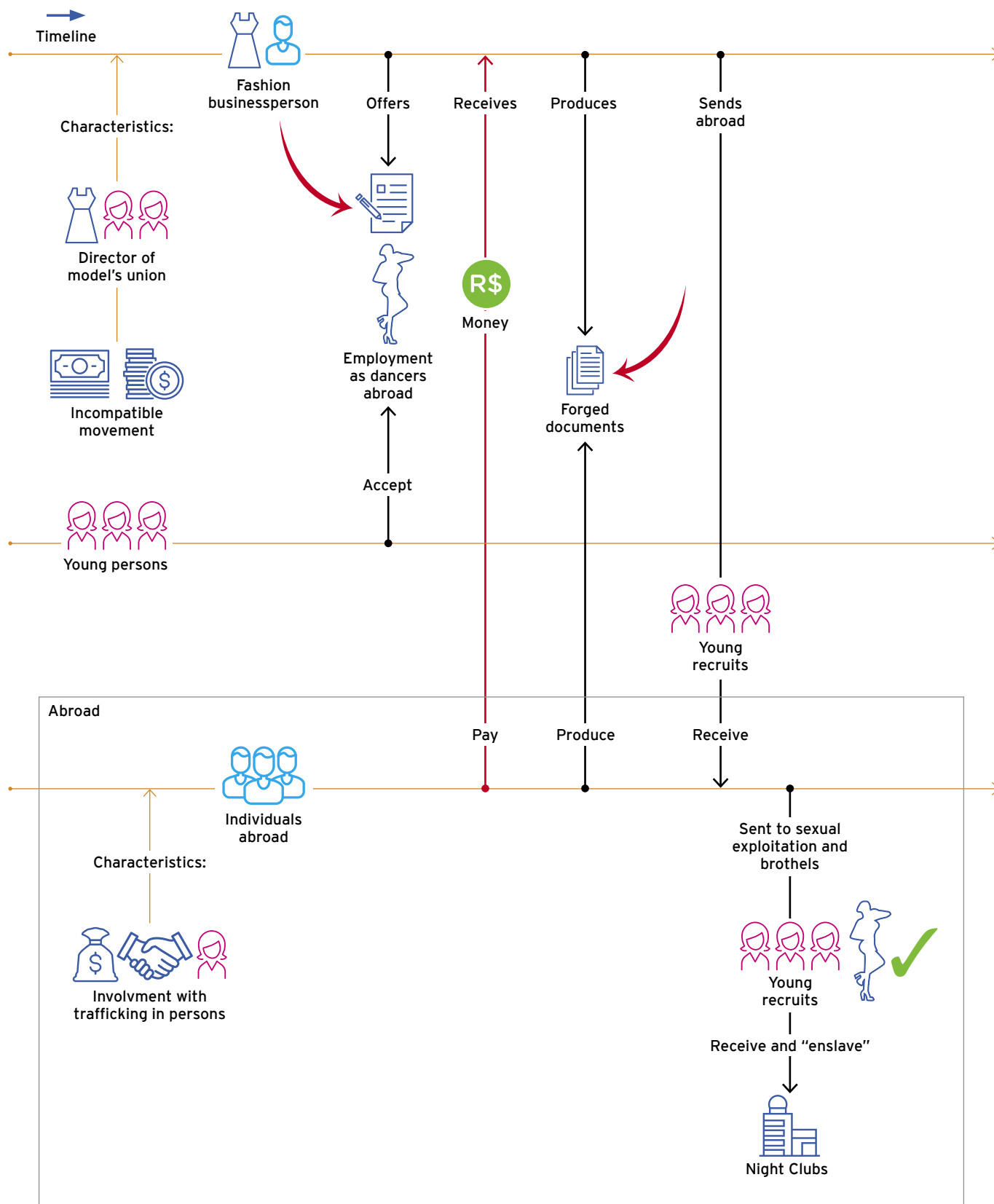
2.61.3. Case Description

A Brazilian business person in the fashion segment, who is also director of the models' labor union in the region, engages in transactions that are not compatible with the presumed economic and financial capacity. These transactions include the receipt of several payment orders from abroad sent by foreign nationals, justified as commercial activities. Some of the foreigners sending the amounts have records in their countries of origin related to international trafficking of women for sexual exploitation.

The Brazilian business person, using the position held in the labor union, recruits women promising employment as dancers abroad, in addition to providing all the documentation needed to obtain a work visa. When they arrive in the foreign country, the models discover that the activities they will carry out are sexual exploitation and prostitution in night clubs. Various fake documents are used to obtain the visas.

The amounts that are received in the person's account in Brazil are mostly the proceeds from the sexual exploitation of the trafficked Brazilians at the night clubs. In these countries, the girls live in conditions analogous to slavery.

2.61.4. Graphic Representation of the Case



2.62. FOREIGN EXCHANGES

2.62.1. Economic Activities Used

- Crypto-assets Exchanges.
- Payment Institutions.

2.62.2. Financial Intelligence Alert Signals

- Unjustified deposits in the bank accounts of payment facilitators related to the crypto-asset market.

2.62.3. Case Description

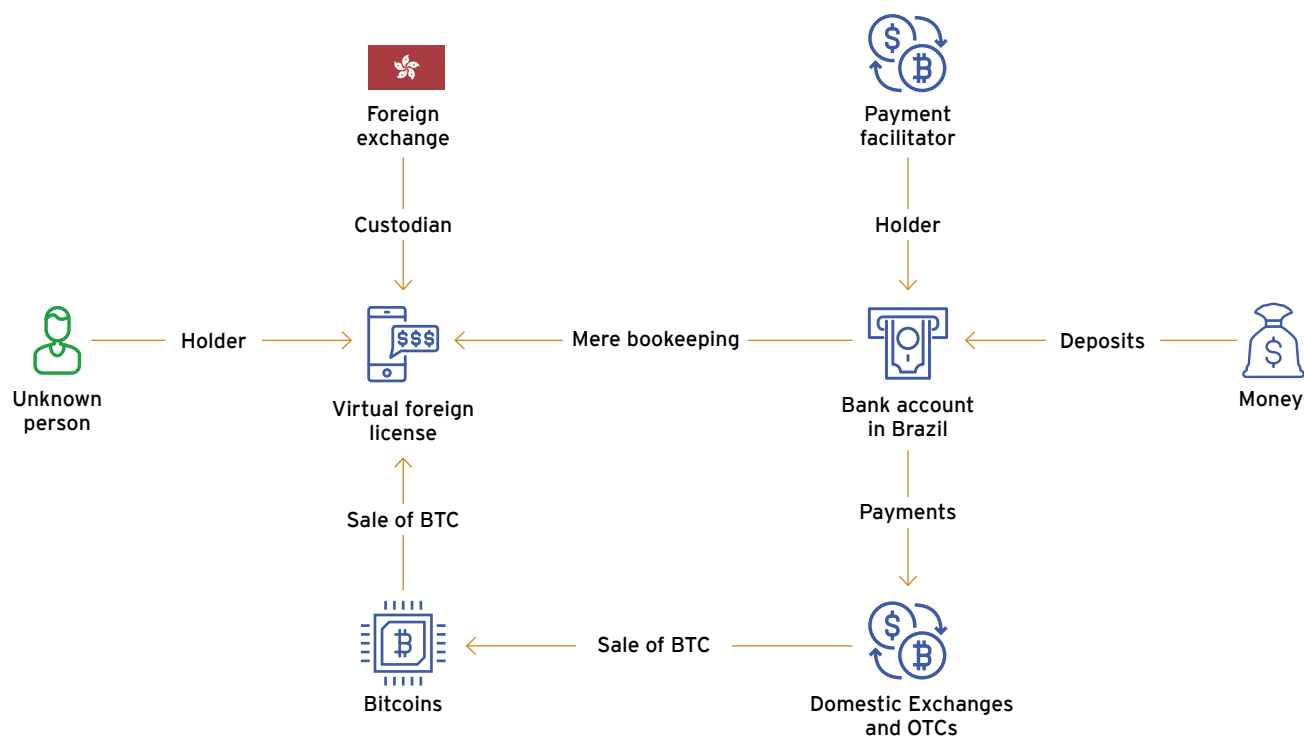
A crypto-asset exchange received more than R\$ 100 million in cash deposits over a period of a few months between the end of 2018 and the beginning of 2019. Persons with no economic capacity carried bags with money in cash to bank branches to make said deposits.

An investigation conducted at the alleged exchange revealed that this entity no longer declares itself as an exchange, but only as a facilitator of payment for exchange located abroad, using the same model of businesses that offer local payment methods for purchases from international sites. The difference is that the methods would be used to receive deposits of clients of the crypto-asset exchange located abroad.

In practice, the scheme allows payments in reais, through the National Financial System, for crypto-asset operations carried out at the foreign exchange, thus avoiding having to meet the accessory obligations (declaration) which exchanges located in Brazil must comply with, or other controls that may subsequently be created by national institutions.

Currently, there are no legal provisions in Brazil that require foreign exchanges to submit data related to crypto-asset operations carried out by them, even if the operations involve Brazilians.

2.62.4. Graphic Representation of the Case



2.63. ILLEGAL FINANCIAL FLOWS VIA TRADE MISINVOICING

2.63.1. Economic Activities Used

- Foreign Trade.
- Financial System Offshore.
- Tax Havens or Privileged Fiscal Regimes.
- Trading Companies.
- Controlled or affiliated companies (related parties).

2.63.2. Financial Intelligence Alert Signals

- Systemic use of triangulation or intermediation of foreign trade operations by offshore companies, located in tax havens or under privileged tax regimes, that are legally established, but actually inexistent. They do not have a physical structure and their address is generally a P.O. Box. They also do not have an actual operational staff or compatible with the volume of operations. The goods

intermediated by them are always forwarded directly from Brazil to the country of final destination (for exports) or forwarded directly from the foreign producing country to Brazil (for imports).

- The intermediary offshore companies are directly or indirectly controlled by the Brazilian import or export company.
- Concealment of the actual buyer of the exports, of the real buyer of the imports or of the person responsible for the operation through the offshore intermediary and manipulation of the foreign trade operation prices. The exports are under-invoiced and the imports are over-invoiced so as to transfer funds abroad in a fraudulent manner.
- Confusing sales negotiations between the head office and the offshore subsidiary, with contracts signed by employees at the head office in Brazil, who alternate between being sellers and buyers.
- The legal structure used – form- is not adequate and does not correspond to the concrete reality – substance. There is a simulation of the intermediation operation for the export or for the import (simulated legal business transaction). There is no business justification to explain why the intermediary is in a tax haven or under a privileged fiscal regime.

2.63.3. Case Description (concrete supervised case, represented in the flow chart)

A company with strong foreign trade presence exports to its offshore subsidiary located in “Tax Haven A”. The offshore intermediary re-invoices and exports the goods to the foreign importer located in the “Country of the Foreign Importer”. The goods are then remitted directly to Brazil to the final destination in the “Country of the Foreign Importer”.

In light of the fact that the subsidiary located in “Tax Haven A” has no employees or physical structure since the address informed on the invoice is only a P.O. Box, there was a suspicion that said subsidiary was a shell company and the commercial transactions had been simulated and the prices manipulated so as to illegally transfer undeclared funds to the subsidiary located “Tax Haven A”.

Through international cooperation with the government of the country of the foreign importer it was possible to identify that the commercial negotiations had taken place directly between the foreign importer and the Brazilian export company (EXPO S.A. – see flowchart) and that the prices had been manipulated (trade misinvoicing) so as to create a financial flow from the “Country of the Foreign Importer” to a bank account “Tax Haven A” where the alleged controlled subsidiary is located.

Thus, by under-invoicing the Brazilian exports to the shell company in “Tax Haven A”, the Brazilian export company (EXPO S.A.) accrued undeclared funds at its shell subsidiary located in “Tax Haven A”.

The executives of the Brazilian export company (EXPO S.A.) confessed having planned this fraudulent scheme to direct financial flows to shell companies abroad to receive commissions for intermediating exports or imports and thus create offshore off-book accounting (“caixa 2”) to pay bribes to politicians and political parties.

They also confessed that another 3 layers of shell companies had been used to simulate other contracts for the purchase and sale of goods and services so that the amounts accrued at “Tax Haven A” are directed to other offshore accounts so as to reach their final destination: accounts controlled by political parties. This sophisticated simulated export intermediation mechanism also resulted in tax evasion in Brazil.

2.63.4. Description of the money laundering scheme, in theory:

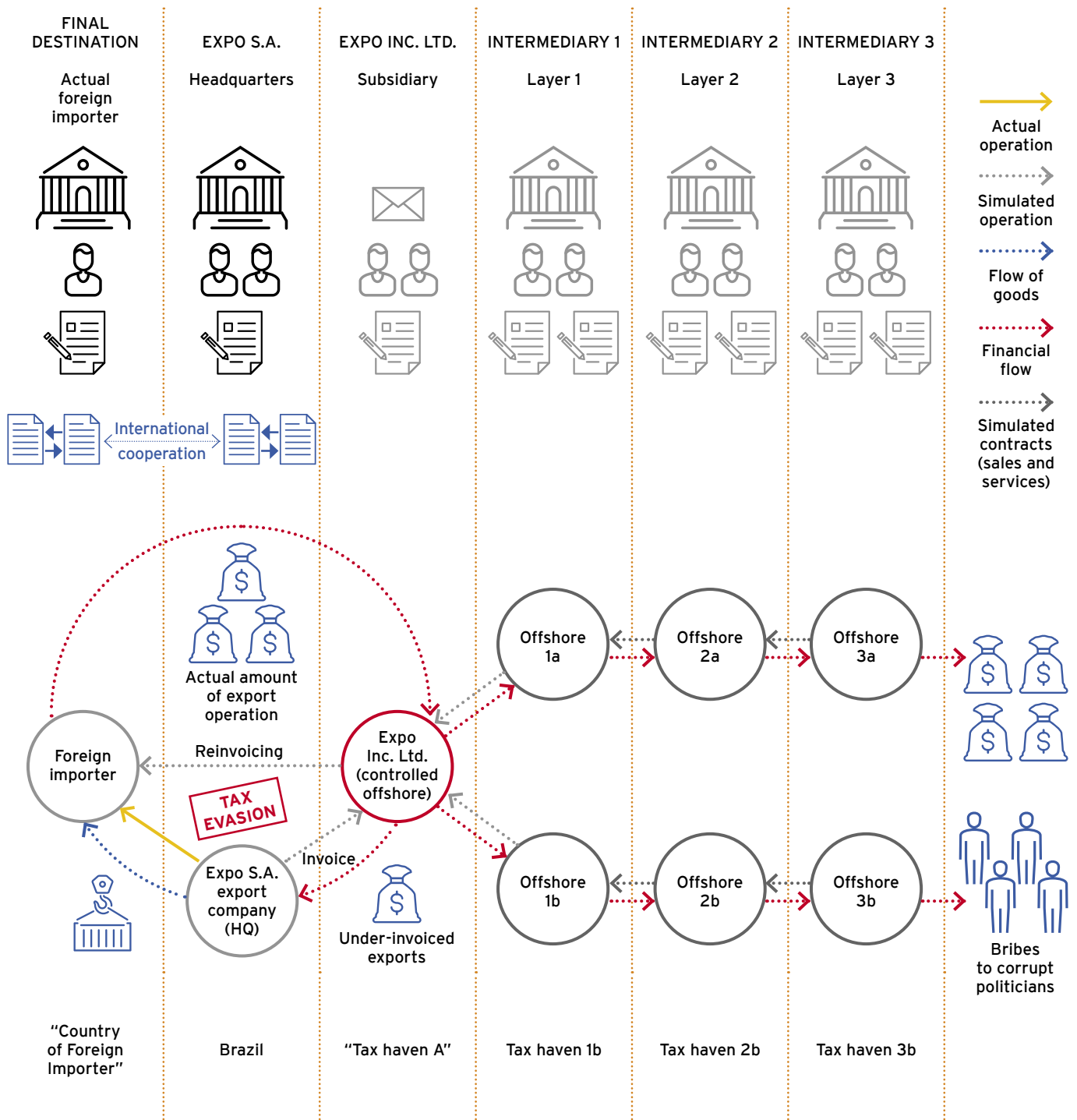
A company with strong presence in foreign trade uses an offshore front subsidiary (a related or controlled shell company, with no employees or physical structure), located in a tax haven or under a privileged fiscal regime, to simulate intermediation of their export or import operations (simulate indirect foreign trade operations). In order to transfer the funds of illicit origin abroad to create off-book accounting in offshore bank accounts, the prices of the goods as well as other invoice information is manipulated or falsified (trade misinvoicing).

This way, the financial flows of the foreign trade operations are diverted to the offshore financial system (tax havens), i.e., the receipts (from exports) and the payments (of imports) take place through an offshore bank account or a re-invoicing center (a shell “offshore trading intermediary”). For the exports, the Brazilian company issues a false invoice, with under-invoiced amounts, to the “offshore trading intermediary” (fictitious foreign buyer or importer), and this entity then reinvoices the transaction to the actual foreign buyer and importer. For the imports, the shell “offshore trading intermediary” (P.O. Box) issues an invoice with over-invoiced values to the Brazilian importer who then transfers the funds to the bank account abroad.

The flow of goods normally corresponds to the actual foreign trade operation. On the export side, the goods are shipped from Brazil directly to the final destination country, where the actual foreign importer is located (country of the foreign importer). On the import side, the goods are shipped directly from the country of the foreign producer to Brazil.

The offshore shell intermediary (or offshore off-book bank account) then makes payments to other offshore shell companies, which have no shareholding links with the Brazilian export or import company, and the funds received by these offshore shell companies are transferred, through fictitious contracts, to other shell companies whose bank accounts are controlled by the end beneficiaries of the bribes: political parties.

2.63.5. Graphic Representation of the Case



2.64. LAUNDERING OF ASSETS OBTAINED FROM ENVIRONMENTAL CRIME

2.64.1. Economic Activities Used

- Agribusiness.

2.64.2. Financial Intelligence Alert Signals

- Shell companies.
- Rural activities.
- Assets with no financial backing.

2.64.3. Case Description

Investigation conducted by a task force comprised of the Brazilian Federal Prosecution Office, the Receita Federal do Brasil (Federal Internal Revenue), the Brazilian Institute of the Environment and Renewable Natural Resources (IBAMA) and the Federal Police ascertained the involvement of a criminal organization in illegal deforestation (a crime under Art. 50-A of Law 9.605/98), and the respective illegal occupation of federal public lands in the state of Pará, whose ultimate aim is the development of agricultural and livestock raising activities and the leasing of occupied lands.

It was verified that the criminal organization operated through intermediaries who, in addition to being front persons, assumed the deforestation carried out by the leader of the organization and also appeared in forged public and private documents. The total area destroyed (over 30,000 hectares = 300 km²) approximately equal to the territory of the cities of RECIFE-PE (217 Km²), FORTALEZA-CE (313.14 Km²), BELO HORIZONTE (331 Km²) or three times the area of the city of VITÓRIA-ES (93.381 Km²).

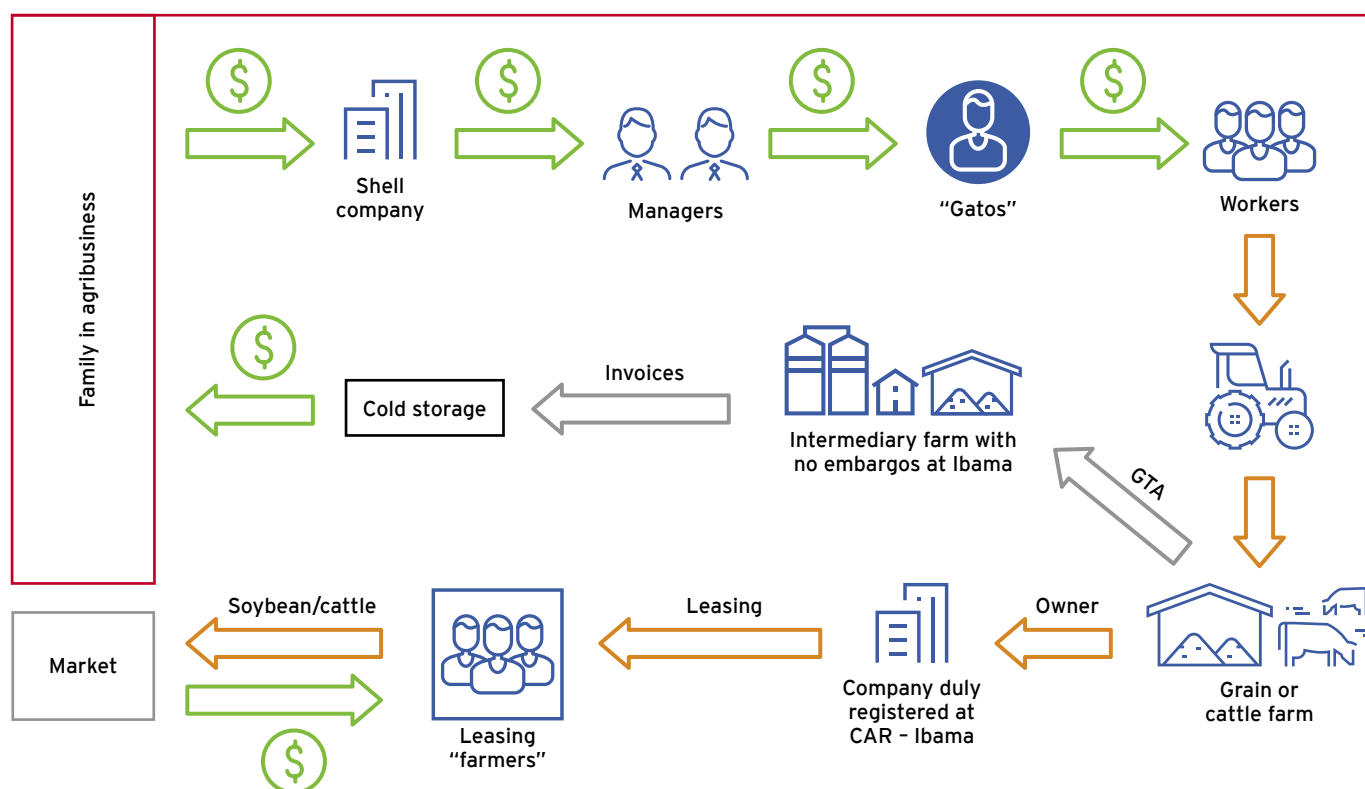
In summary, the scheme operated as follows: the front persons were responsible for the deforestation (contracting manual labor and supplies for said illegal activity) and for raising the cattle in the deforested areas embargoed by IBAMA. In order to circumvent the embargo and sell the cattle raised on the deforested areas, the animals were transferred to an intermediary farm where the cattle were held temporarily until they were sold (with the issuance of Animal Transport Licenses – GTA).

The leaders of the criminal organization funded the illegal activities through shell companies which were used in the illegal occupation of public lands, deforestation, cattle raising and grazing, document preparation, the leasing of said lands to other persons, and in providing financial support to the “gatos” responsible for recruiting manual labor.

The shell companies were also used to conceal family assets, hampering the levying of taxes and the collection of fines by IBAMA.

The persons investigated were indicted for the crime set forth in Art. 1º of Law 9.613/98, for concealing the origin, location and ownership of goods (cattle) directly originating from the criminal offense of illegal deforestation, Art. 50-A of Law 9.605/98.

2.64.4. Graphic Representation of the Case



2.65. LAUNDERING OF CASH ORIGINATING FROM CORRUPTION THROUGH PURCHASE OF AUTOMOBILES

2.65.1. Economic Activities Used

- Public Sector.
- Consulting and Services Firms.
- Vehicle Dealerships.

2.65.2. Financial Intelligence Alert Signals

- Purchase of automobiles in cash.
- Provision of services to car dealerships by companies belonging to politicians.
- Issuance of false invoices.

2.65.3. Case Description

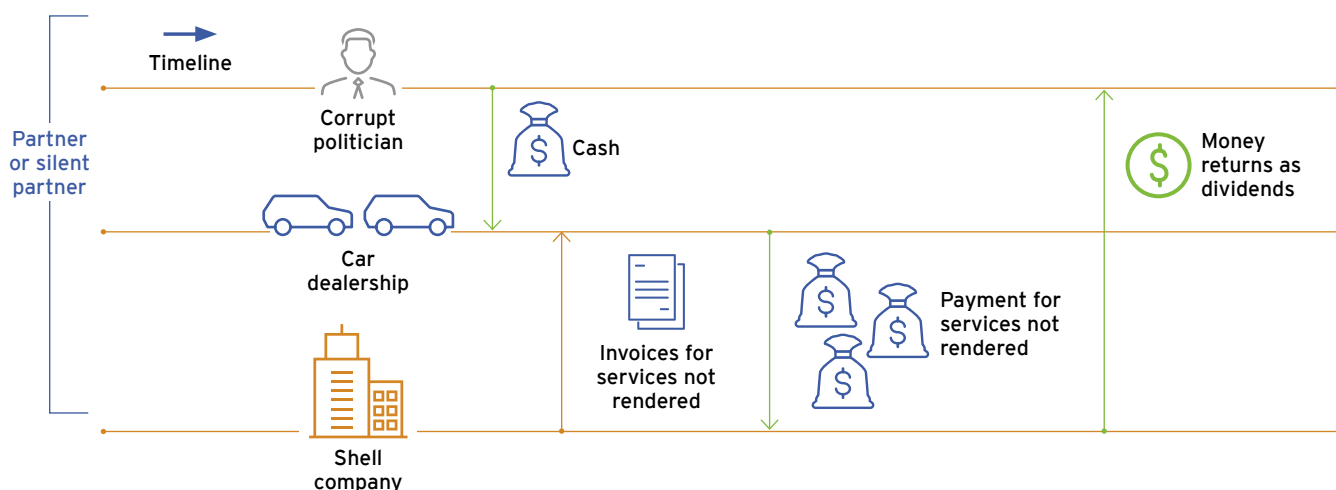
A corrupt politician received a bribe in cash. In order to launder these illegally obtained funds, he asks a automobile dealership that need his political favors to deposit these funds in a bank account held by the dealership.

The corrupt politician then issues an invoice to the dealership for services provided by a company owned by said politician, whose partners are front persons linked to him.

Subsequently, the corrupt politician asks the dealership to transfer funds to the bank account held by the company providing the services, which is justified as payment for the provision of services to the dealership. The total amount of the payments is equal to the amount of the bribe paid in cash to the corrupt politician and handed over to the dealership to be deposited in a bank account held by the dealership.

The company providing the services pays out the funds received as dividends to the corrupt politician or to intermediaries linked to him, who are partners in the business.

2.65.4. Graphic Representation of the Case



2.66. MONEY LAUNDERING FROM THE UNACCOUNTED REVENUE OF MUSIC BANDS

2.66.1. Economic Activities Used

- Music Bands.
- Real Estate Market.
- Vehicle Dealerships.
- National Financial System.

2.66.2. Financial Intelligence Alert Signals

- Omission of revenue in the income declarations of music bands.
- Under-invoicing of property purchase operations.
- Fraudulent intermediations in the purchase of movable assets, particularly automobiles.
- Payments in cash for automobile purchases.

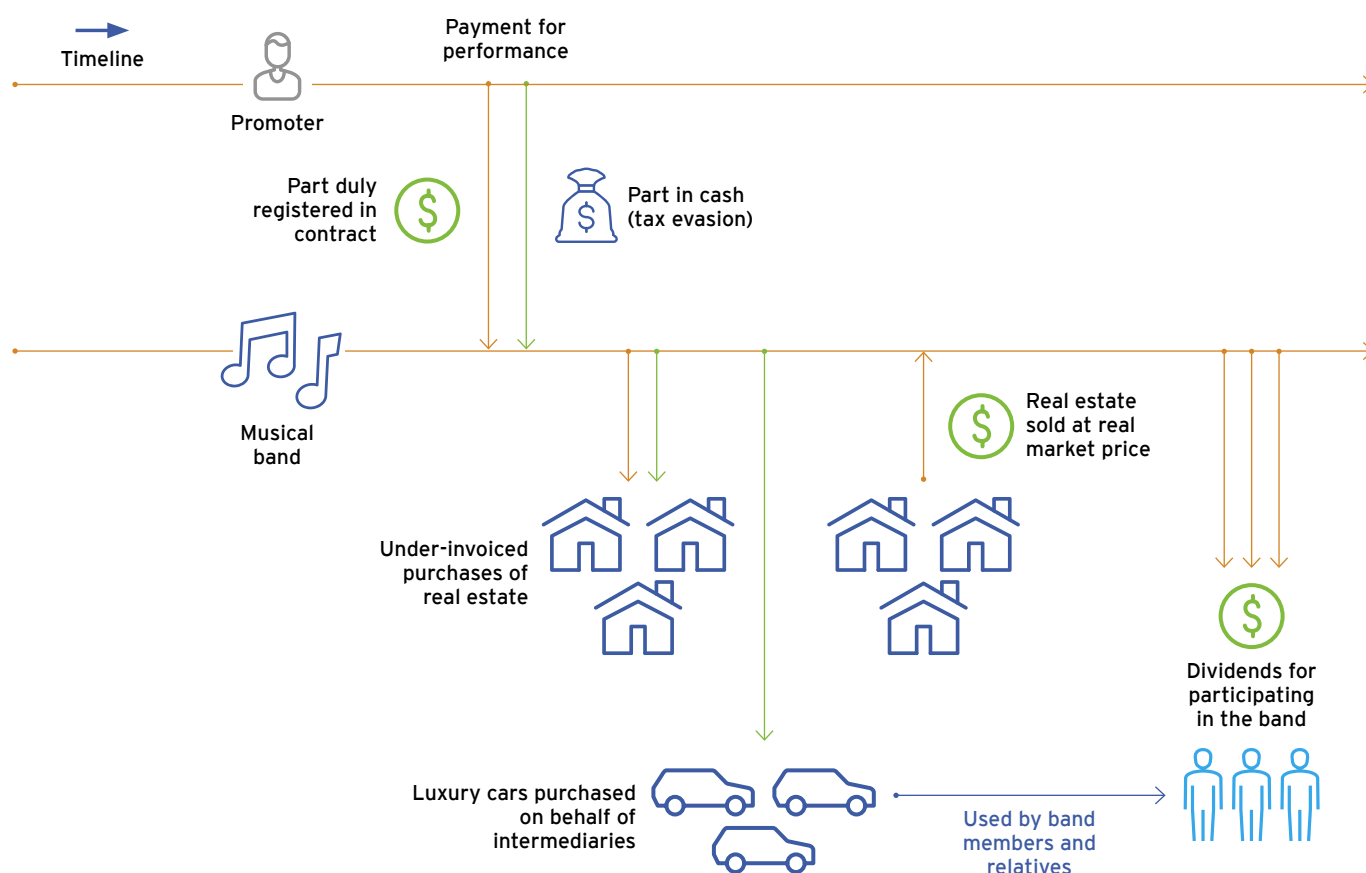
2.66.3. Case Description

Music bands receive payment for their performances divided in two parts: i) one part official, registered in a contract and duly accounted for, and. ii) another part that is unaccounted (tax evasion), received in cash.

In order to launder the unaccounted revenue paid in cash, the formal partners of the music band use the funds to purchase underpriced real estate. The purchase is notarized for the underpriced amount, and the payment of the official amount is made with the dividends officially distributed by the bands to the partners. The payment of the amount in excess (market value – underpriced value) is made with the unaccounted amount in cash, originally received by the bands, subsequently distributed to their partners. Part of the purchased real estate remains in possession of the partners for future sale and part was sold, some months later at market prices, which are much higher than the underpriced purchase value.

The unaccounted sums in cash were also laundered a second way: the partner of the bands used them to purchase luxury vehicles in the name of front persons ('laranjas'). However, the automobiles were actually used by the partners and their relatives.

2.66.4. Graphic Representation of the Case



2.67. ILLEGAL TRANSFER OF FUNDS VIA BANK PAYMENT SLIPS AND IMPORT OPERATIONS

2.67.1. Economic Activities Use

- National Financial System.
- Foreign Trade.
- Foreign Exchange Market.
- Import Companies.

2.67.2. Financial Intelligence Alert Signals

- Issuing of bank payment slips whose beneficiaries are deceased individuals or shell companies.
- Issuing of bank payment slips for the supposed payment of imported goods on the same day of registration of each "DI" (Import Declaration), before customs clearance (nationalization of the goods).
- Issuing of invoices whose recipient addresses informed are different from the addresses registered in the CPF or CNPJ registries.
- Issuing of sales invoices on the same day of the customs clearance of the corresponding goods, or on near dates, having as recipients several individuals and businesses.
- Closing of currency exchange contracts on dates close to those of the sales invoices on the domestic market, with practically identical values in some cases.
- Financial transactions that are incompatible with the person's assets, business activity or professional occupation and financial capacity,
- International money transfers without any clear indication of the origin of the funds involved.
- Absence of profit and dividend statements from partners of companies with high sales revenue.
- Existence of accounting entries that do not reflect the actual operations.
- Absence of accounting entries in the inventory and customer receivables accounts in the accounting books of a company whose main activity is the trade of goods.

2.67.3. Case Description

An import company issues bank payment slips (boletos) to be paid by various individuals and businesses. Later, the company issues invoices, for the same amounts of the bank slips, to the same individuals and businesses, whose addresses informed on the invoices are located in various states around Brazil. These slips are paid in cash at bank branch offices in various states around the country.

Once the slips are paid, the import company draws up foreign exchange contracts to pay for goods imported from a company located in a neighboring country which, upon receipt of the sums, transfers them to bank accounts in the neighboring country indicated by a black market exchange dealer ("doleiro").

During the investigations, the following scheme was discovered: a "doleiro" wanted to transfer funds to a neighboring country, outside the exchange and financial control systems. To do this, the "doleiro" requested the import company to issue bank payment slips in name of individuals and businesses that are supposedly clients of the "doleiro". The import company also issues false sale invoices, for the same amounts as the bank slips, to justify their issuance and payment. The bank slips were paid in cash by intermediaries working for the "doleiro", at various bank branches in Brazil, located at the addresses informed on the corresponding false invoices. Subsequently, in order to settle the import foreign exchange contracts, the import company transferred the funds to the company located in the neighboring country. It was later verified that the foreign company was linked to the Brazilian importer (they had the same partners) and that it transferred the sums from its bank account to those of the "doleiro".

Inconsistencies were revealed during the investigations:

- The Brazilian importer, over a 6-year period, imported textile products from the neighboring country reaching the approximate amount of R\$ 110,000,000.00. Therefore, the importer had a structure allowing it to transfer large sums to the neighboring country.
- The partners of the import company were civil servants.
- The import company was notified by COAF of suspicious operations in its transactions which were considered, in all cases, incompatible with its assets, economic activity or professional occupation and financial capacity, as well as of

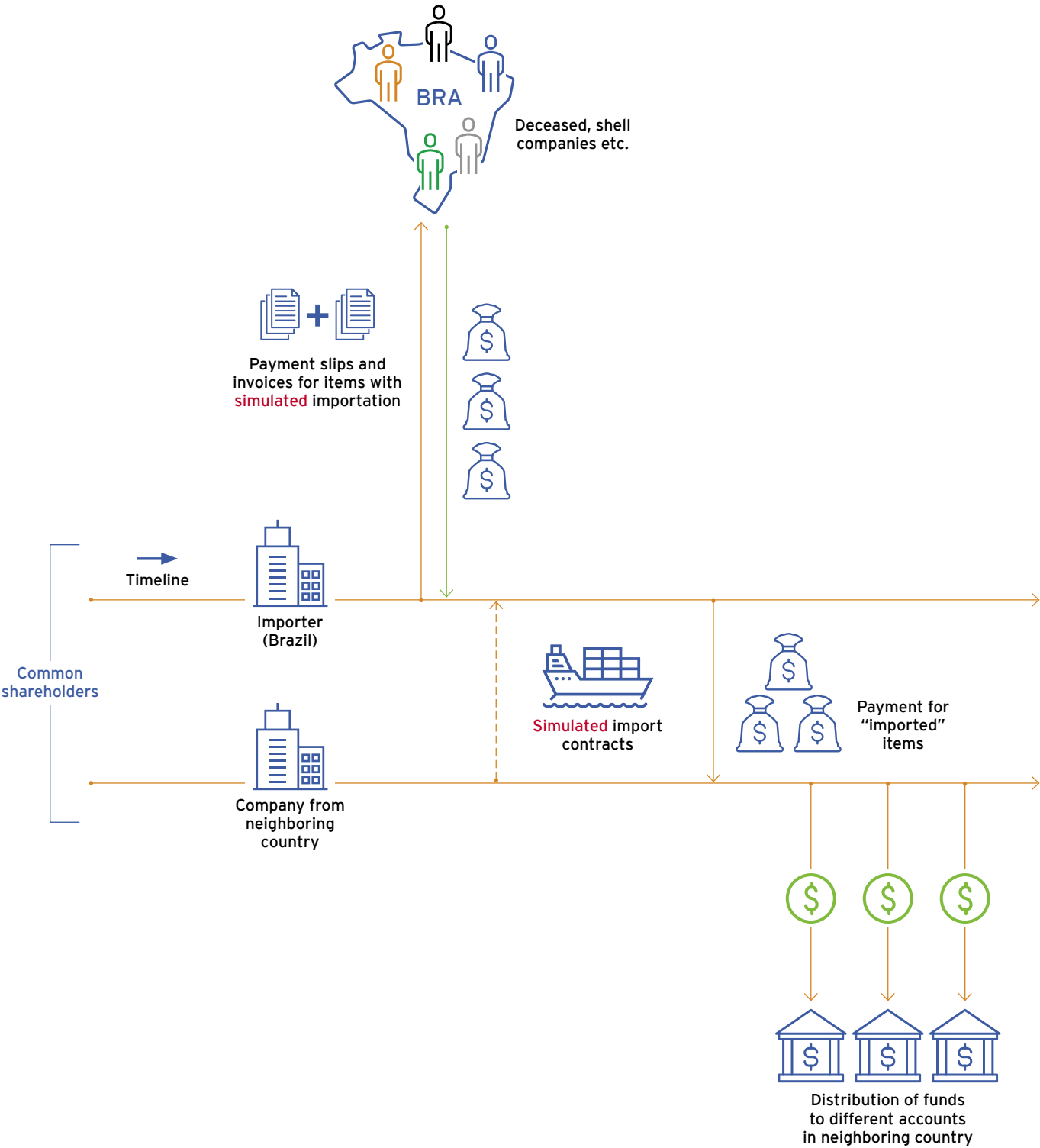
International transfers for which there were no clear origin of the funds involved. Operations in cash related to suspicious deposits were also identified.

- There was no declaration by the partners of the import company regarding the distribution of profits during the 6-year period under investigation.
- The existence of the several accounting entries that did not reflect the actual operations of the import company, indicating that the accounting was subject to manipulation, so as to conceal information that the company did not want to become known, such as the origins of the funds used for the imports. Furthermore, there were no entries in the inventory and receivables accounts (since there were no registries of credit rights for clients, the hypothesis arose that the company did not actually control the receipts of sales made on the national market).
- The company registered all its imports as their own. There was no mention of imports from orders or requests. In spite of this, the importer usually issued sales invoices on the same day or on adjacent dates the goods cleared customs, whose recipients were various individuals or businesses. It was possible to associate a respective payment slip or “boleto” (the “boletos” had the same values as the respective sales invoices, and also had the same recipients) to each of the sales invoices. The relevant fact is that the payment slips were issued on the same day each Import Declaration was registered. In other words, before the clearance (entry of goods in the country) and the alleged “sale”, which takes place with the issuance of the invoices (the slips were issued before the respective invoice which should be related to it).
- The importer closed exchange contracts on dates adjacent to those of the domestic sales invoices. Thus, there was the following chronologic situation: the payment slips were issued before the import sales invoices were issued to the clients and before the textile products even entered the country. The time needed to process the payment slips (between their issuance in the system and their settlement) was no more than 3 business days. The funds received from the slips entered the account of the importer who, shortly after, transferred the amount to the neighboring country, settling the import exchange contract. The amounts received from the sale on the domestic market were very close to the amounts transferred abroad (practically identical in some cases), reflecting a profit margin which was incompatible with the amount transacted, being another indicator that the company was more interested in supporting a criminal activity, namely transferring funds abroad, than making a profit from its activities.

- In the first two-thirds of the investigation period, most of the supposed clients of the import company were individuals. However, in the last one-third of the period, there was a greater number of businesses. In the initial one-third of the investigation period, there were more than 50 deceased persons designated as clients (in some cases, the death certificates had been issued 20 years before the date of issuance of the invoice), in whose names the invoices were issued, reaching a global amount of over 1.5 million reais. In the last one-third of the period, once again various CPFs (individual fiscal identification numbers) of deceased persons were detected among the largest clients of the import company.
- Absence of financial capacity of the alleged clients of the import company, confirmed by the absence of taxable income declarations in Income Tax returns, in spite of invoices reaching hundreds of thousands of reais having been issued in their names.
- High percentage of businesses declared inapt or terminated by voluntary liquidation among the major clients of the import company. Additionally, most of the businesses had been set up shortly before the import company began issuing the invoices, were registered as recipients of the invoices for only a few months or even a few days (for high sums), but never presented any bookkeeping or declaration to the Receita Federal.
- Evaluation of the alleged clients of the import company revealed that the invoices issued were addressed to various Brazilian states, different than the one where the import company was located. However, in practically all these cases, the addresses of the supposed clients registered at the RFB did not coincide with the addresses on the respective invoices (not even the same state). Instead, the RFB records indicated that all these alleged clients were addressed in the same state where the import company was located. There were also no records at the Receita Federal that the alleged clients had, at any time, resided in the states of the addresses on the invoices. In several cases, the same “client” had invoices issued to 5 different addresses, in 5 different states.

The above evidence demonstrates that the individual recipients of the invoices issued by the import company were not the actual purchasers of the imported goods, and that the invoices represented just one additional layer of concealment of the actual beneficiaries of the imports.

2.67.4. Graphic Representation of the Case



2.68. ILLEGAL DOLLAR WIRE TRANSFERS (DÓLAR-CABO) THROUGH TRANSBORDER TRADE

2.68.1. Economic Activities Used

- Financial institutions.
- Transborder commerce.

2.68.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with the assets, economic activity and financial capacity of investigated businesses.

2.68.3. Case Description

A transnational criminal organization operating in the border region with Paraguay committed the crimes of tax evasion and money laundering.

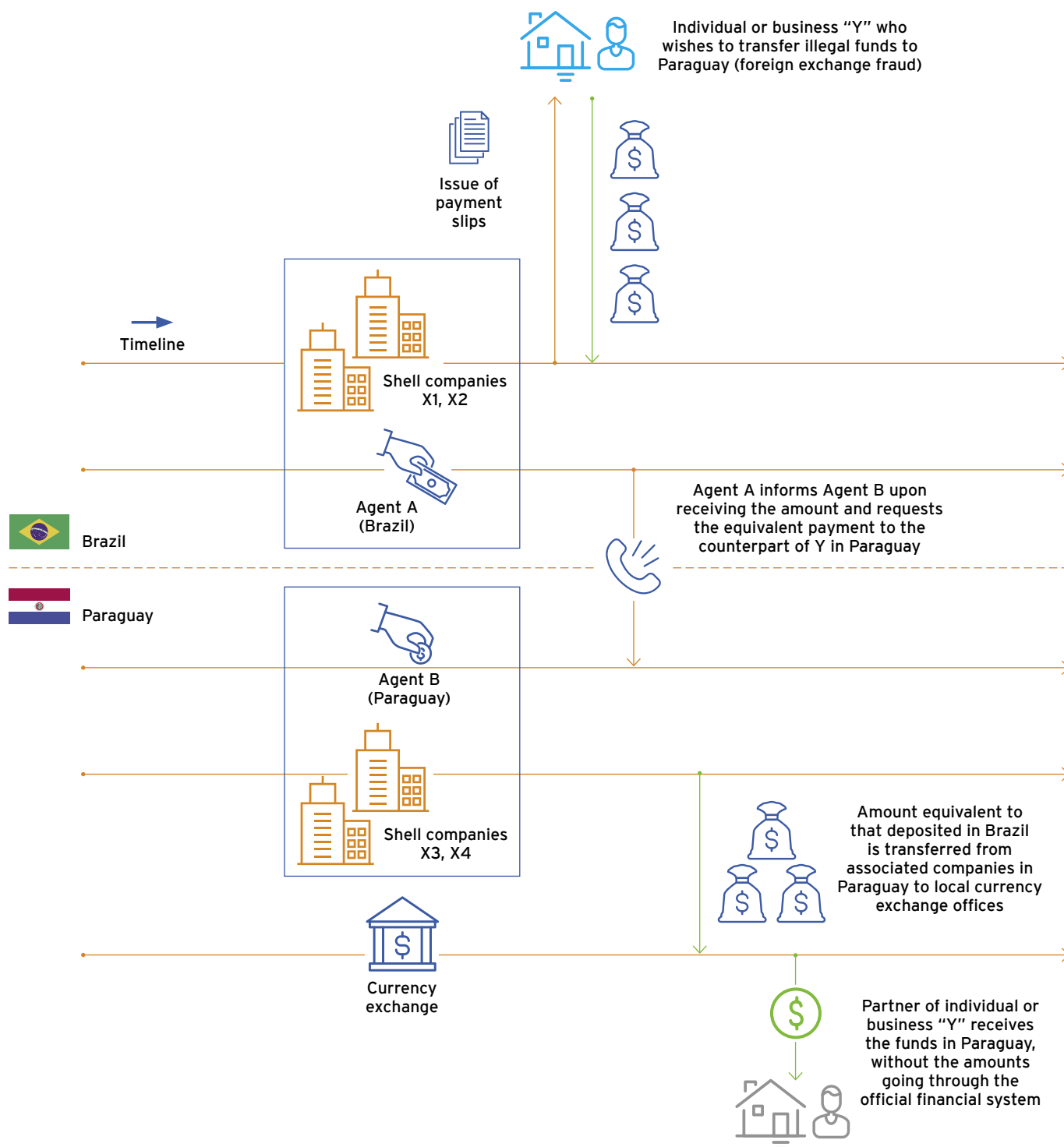
The criminal organization had the support of employees of financial institutions in Foz do Iguaçu/PR, and of dozens of individuals who, in exchange for payment, consciously lent their names to set up nearly 46 shell companies which, in a short period of time, transferred more than R\$ 300 million in illicit funds in the state of Paraná.

Part of these sums was passed on to narcotics traffickers and shop owners in Paraguay, through an illegal wire transfer scheme known as “dólar-cabo”, to pay for goods and drugs sent to Brazil.

In this “dólar-cabo” operation, various individuals and businesses transferred sizable amounts of money to companies controlled by a black market foreign exchange operator, known as a “doleiro” (responsible for the capital flight), with the intention of transferring these funds to Paraguay. The “doleiro”, with the support of third parties, carried out the following actions:

- (a) For several weeks, from Monday to Friday, the person would go to the headquarters of COMPANY X1 to collect bank payment slips (boletos) of various amounts, in which COMPANY X1 and COMPANY X2, both located in Brazil, were named payers. The amounts of the slips, added up, were converted into units called “caixinhas” (R\$ 10 thousand = 1 caixinha, R\$ 20 thousand = 2 caixinhas, R\$ 30 thousand = 3 caixinhas...), to facilitate communication among the perpetrators of the scheme without raising suspicion.
- (b) After collecting the slips, the “doleiro” and/or his assistants go to one or more bank branch offices to pay them.
- (c) The slips were paid with funds existing in the bank accounts of the shell companies controlled by the “doleiro”.
- (d) After paying the slips, the “doleiro” informs COMPANY X1 and COMPANY X2 the quantity of “caixinhas” that he was able to pay.
- (e) Immediately afterwards, COMPANY X1 and COMPANY X2 made available the equivalent in dollars or guaranis in Paraguay to the “doleiro”.
- (f) The funds were initially made available at COMPANY X3 (headquartered in Paraguay and actually an extension of COMPANY X1 and COMPANY X2), and subsequently were forwarded to exchange bureaus in Paraguay: BUREAU K, BUREAU Y, BUREAU W.
- (g) From the bureaus, the funds were transferred to the end recipients (suppliers of drugs and imported goods).

2.68.4. Graphic Representation of the Case



2.69. TAX EVASION IN THE BEVERAGE INDUSTRY

2.69.1. Economic Activities Used

- Beverage industries.
- National Industrial Property Institute.
- Factorings.

2.69.2. Financial Intelligence Alert Signals

- Companies de facto inexistent.
- Use of intermediaries.
- Financial movement incompatible with economic activity.

2.69.3. Case Description

In the beverage industry, there is a tax substitution system in which the Industrialized Product Tax – IPI of the entire beverage marketing chain is collected by the industry at the moment of sale to the wholesaler.

The fraud consists of the sale of the product by the industry to de facto inexistent wholesale businesses, at prices below the market, thus reducing the IPI due and all the taxes levied on the revenue of the industry.

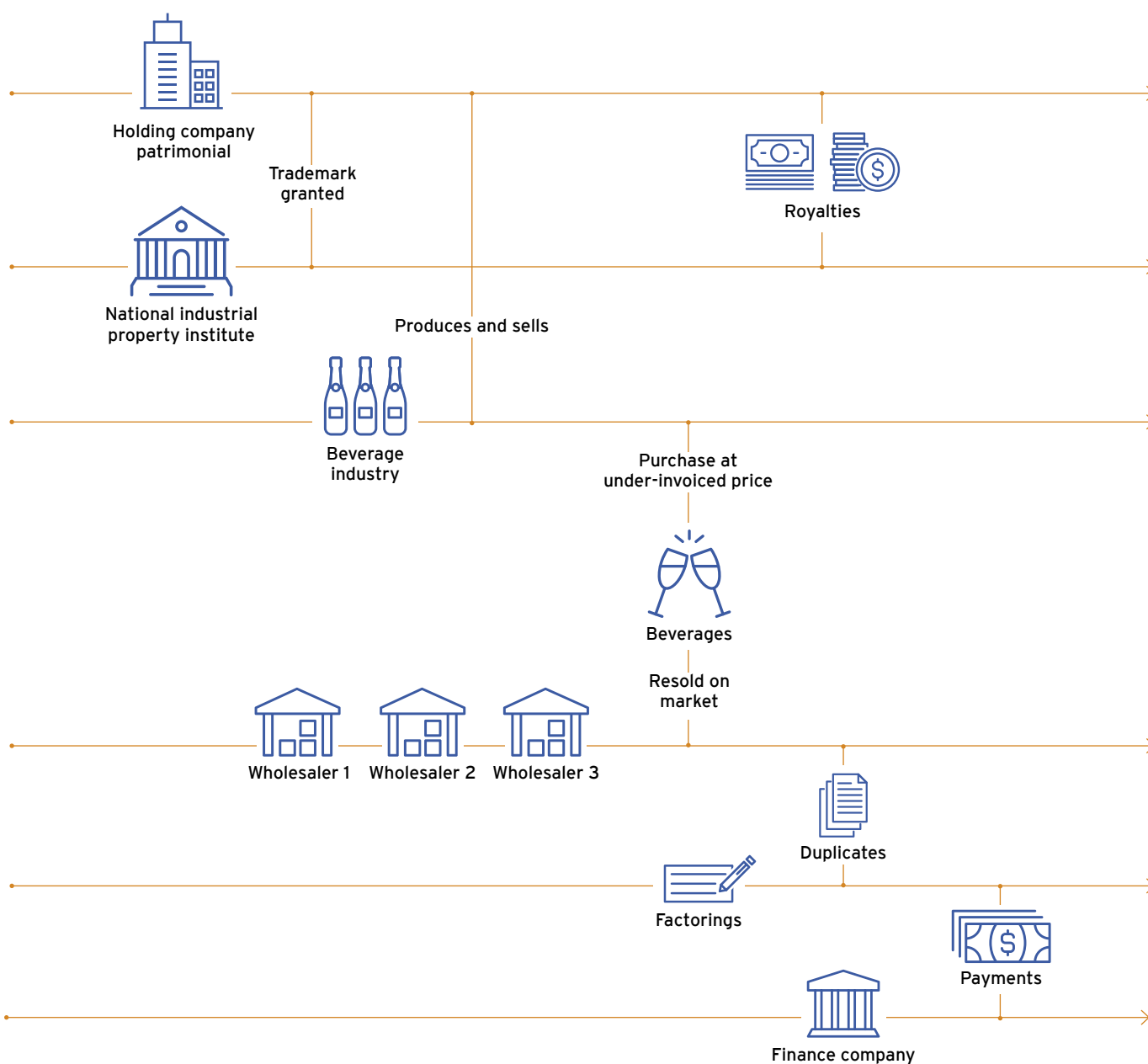
In order to carry out the evasion, the businessperson sets up a holding company, and registers all the brands of beverage to be sold at the National Industrial Property Institute.

Subsequently, a beverage industry is created under the responsibility of intermediaries. The industry does not own the brands. It only holds the license to produce and sell the brands.

The third act is the setting up of wholesale companies in the name of intermediaries which are de facto inexistent. These companies purchase the underpriced product for resale on the market. Since they are de facto inexistent, they do not pay the taxes due.

The financial flow returns in part to the holding company, owner of the brands, as royalty payments. Another part of the funds goes to factoring businesses, from where they are passed on to another de facto inexistent company of the group, with no commercial relations with the others, acting as a finance company.

2.69.4. Graphic Representation of the Case



2.70. USE OF OVER-INVANCED EXPORTS TO A FOREIGN STATE ENTERPRISE THROUGH CORRUPTION IN A FOREIGN JURISDICTION

2.70.1. Economic Activities Used

- Industrial Sector.
- Foreign Trade.

2.70.2. Financial Intelligence Alert Signals

- Atypical financial transactions.
- Significant increase in gross revenue.
- Expressive expenses in relation to accounted results.

2.70.3. Case Description

Manufacturers of machinery and equipment in Brazil who exported at market prices directly to the foreign state enterprise, began exporting at over-invoiced prices, through an intermediating company (trading company) linked to a former director of one of the machinery and equipment manufacturing companies.

The trading company used part of the over-invoiced export revenue to pay for services allegedly provided by a consulting firm linked to an individual with ample access to the foreign state company. It was later discovered that said services were simulated, and that the payments were simply a way of disguising the transfer of funds to beneficiaries linked to the consulting firm.

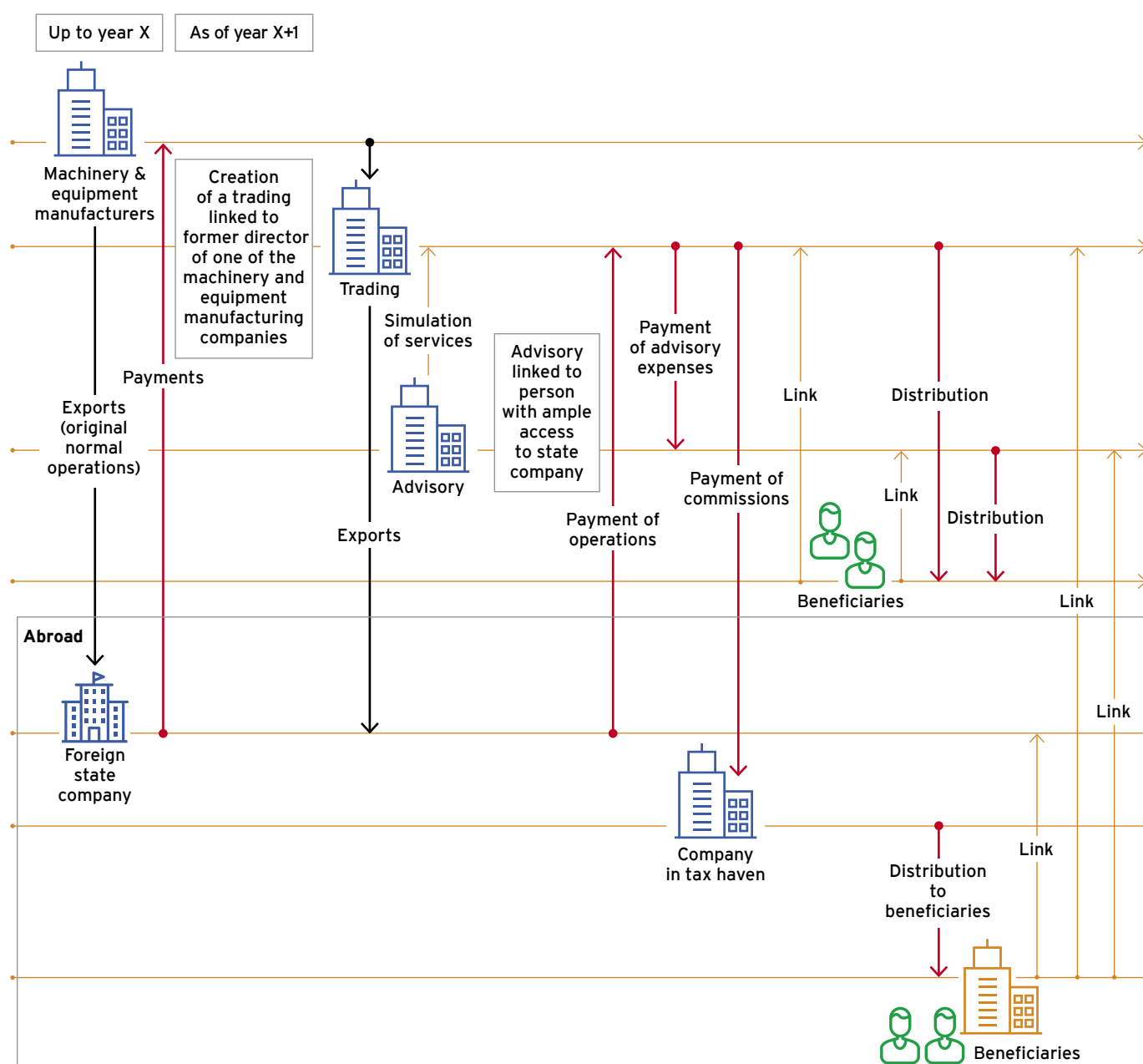
The trading company also used part of the overpriced export revenue to pay sales commissions to a company located in a tax haven, which would then distribute the funds to beneficiaries linked to the trading company, to the consulting firm and to the foreign state company. In a similar fashion, it was later discovered that these payments had no economic backing, and were made to camouflage the transfer of funds to the beneficiaries.

The above facts describe the use of intermediating companies – a trading company and a consultancy firm – to over-invoice the exports of machinery and equipment to a foreign state company, and to subsequently distribute part of this revenue to

beneficiaries in Brazil and abroad, through the payment of sales commissions and consultancy fees with no actual economic backing. The beneficiaries were individuals linked to the trading company, to the consultancy firms and to the foreign state company, including employees of the foreign state company.

The investigation originated from an inspection of the involved trading company, for presenting very high operational costs in the payment of sales commissions and consultancy fees.

2.70.4. Graphic Representation of the Case



2.71. CRIME OF USURY (LOAN-SHARKING)

2.71.1. Economic Activities Used

- Private Companies.
- National Financial System.
- Individuals.

2.71.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Companies headquartered at residential addresses, with no registered employees, whose partners have no apparent economic capacity to justify the financial movement.
- Financial movement from various locations.
- Movement of deposits in check, with a significant amount of checks returned.
- Large volume of cash withdrawals.
- Large volume of endorsed or “pre-dated” checks.
- Transfer of funds to companies or individuals who have credit restrictions.

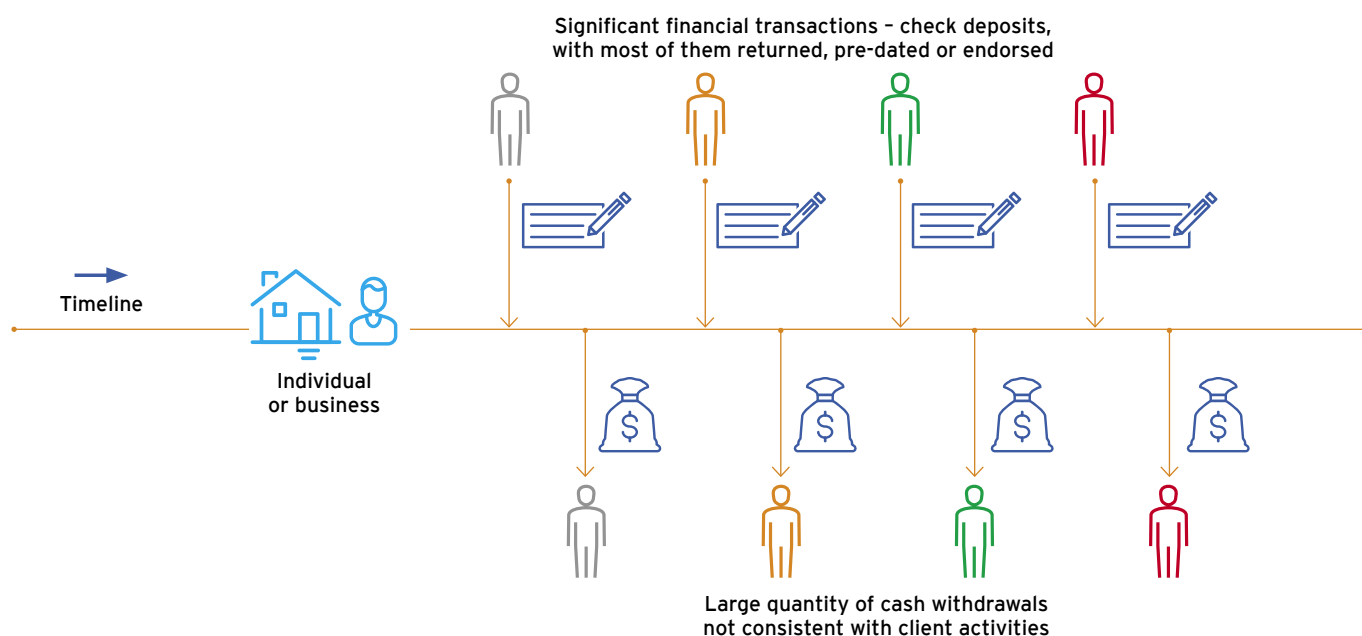
2.71.3. Case Description

Situations were identified for individuals and businesses involved in the crime of usury, commonly known as loan-sharking, loans to third parties, check exchanging, loans at interest, who do not present registry/authorization to engage in said activities

Expressive financial movement was identified related to the depositing of checks, a large number of which are returned, are pre-dated or endorsed, in addition to a large number of cash withdrawals incompatible with the activity of the client.

It was also verified that the client made loans to third parties which are not Obligated Persons (entities obliged to store and analyze all information regarding users and services, according to Art. 9 of Law 9.613/98, in the case of businesses.

2.71.4. Graphic Representation of the Case



2.72. EVIDENCE OF TAX EVASION WITH THE USE OF AN ACCOUNT HELD BY PARTNERS, LEGAL REPRESENTATIVES OR THIRD PARTIES

2.72.1. Economic Activities Used

- Private Companies.
- National Financial System.
- Individuals.

2.72.2. Financial Intelligence Alert Signals

- Movement incompatible with financial capacity.
- Reluctancy to provide the necessary information for registry updates.
- Counterparts involved in the movements who engage in lines of activity correlated with the activity of the company.
- Companies with irregularities at the Receita Federal.
- Judicial asset freeze.

2.72.3. Case Description

Identification of movement belonging to businesses, through the use of an account held by the partners, legal representatives or third parties.

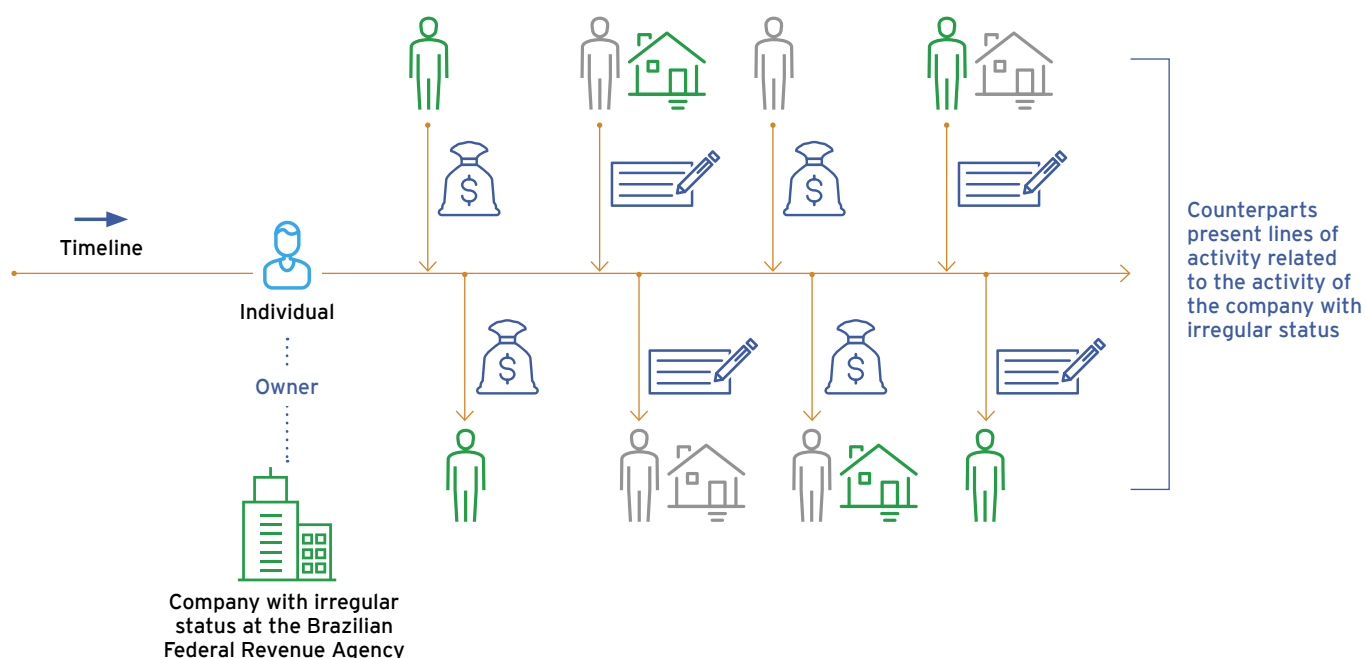
Individuals present volumes of movements that are incompatible with the declared financial capacity and allege that said movement originates from business activity. They allege that this takes place because it is practical. However, many situations have been identified of accounts frozen by judicial order, of irregular CNPJ (corporate tax number) at the Receita Federal or of transactions above the allowed tax regime.

When questioned about said practices, a wide varieties are justifications are presented, such as:

- Accountant advice.
- Part of the products sold by the business do not have invoices issued.
- The business' transactions are distributed between the individual (PF) and the corporate (PJ) accounts, and the movement of the PF account involves the undeclared amounts.
- Omissions in the Income Tax declaration, of the revenue from the PJ.

However, these justifications are evasive, and great discomfort was observed in the client when requested to provide more details.

2.72.4. Graphic Representation of the Case



2.73. INFORMAL ACTIVITIES

2.73.1. Economic Activities Used

- National Financial System.
- Individuals.

2.73.2. Financial Intelligence Alert Signals

- Movement incompatible with the financial capacity.
- Reluctancy to provide the necessary information for registry updates.
- Counterparts involved in the movement, who present a line of activity similar to the activity declared by the client.
- Unincorporated companies.
- No income tax declaration.

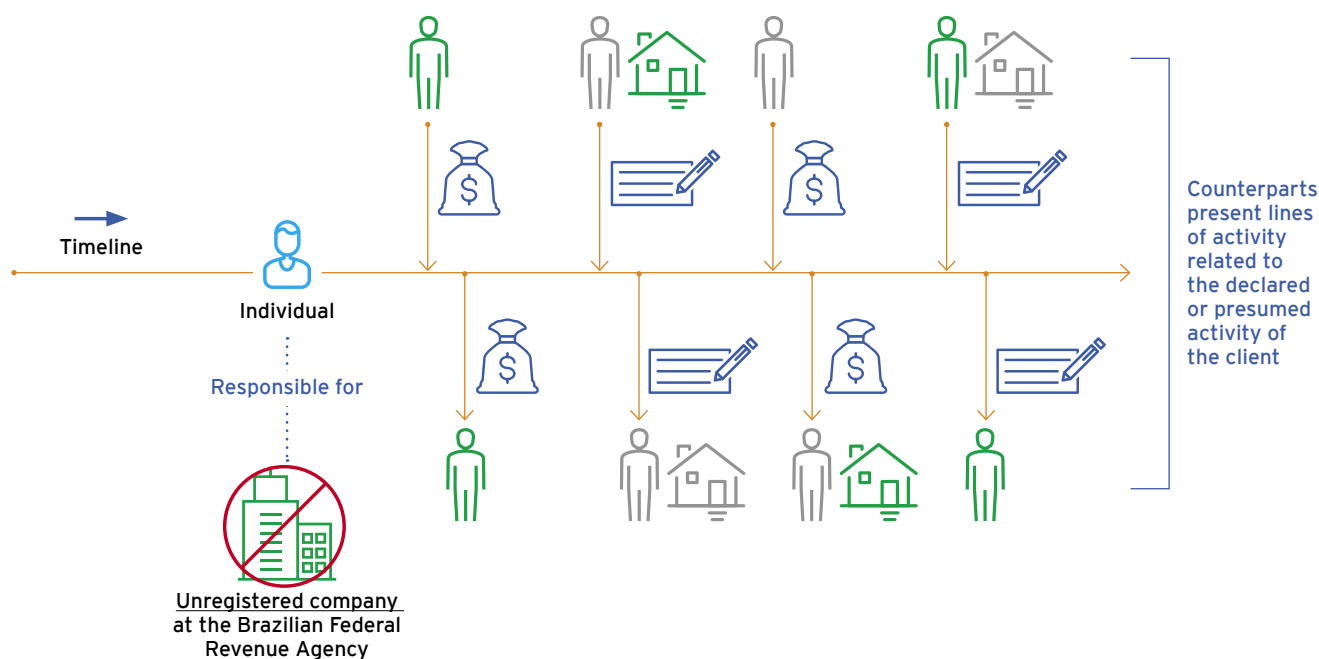
2.73.3. Case Description

Identification of transactions involving informal activities of the client, with the use of an individual account.

Individuals present a volume of transactions that are not compatible with the declared financial capacity, and allege that these transactions originated from informal activities. They allege doing this for practical reasons.

An expressive volume of transactions involving cash and check deposits was identified, coming from locations distant from the individual's geographic location and with characteristics of commercial activity.

2.73.4. Graphic Representation of the Case



2.74. FINANCIAL PYRAMID

2.74.1. Economic Activities Used

- Private Companies.
- National Financial System.
- Individuals.

2.74.2. Financial Intelligence Alert Signals

- Evidence of movements related to illicit gains from fraudulent operations known as “financial pyramids”, “snowballs”, “chains”, “pichardismo” and other equivalent schemes.

2.74.3. Case Description

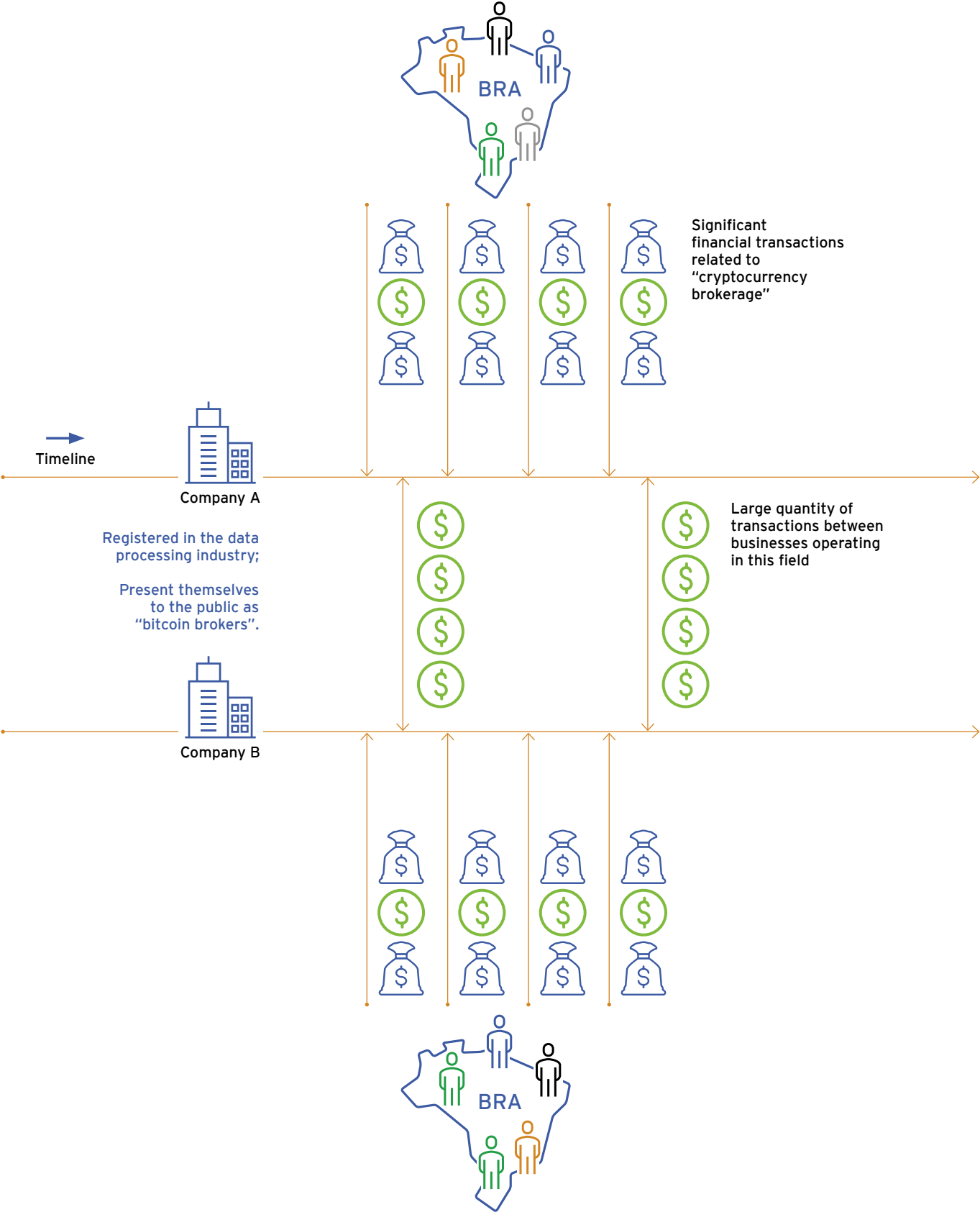
In certain corporate accounts, sizable transactions were detected related to “crypto asset brokerage”.

Upon analysis, it is discovered that the clients declared being businesses at the Receita Federal, generally using CNAEs (National Classification of Economic Activities) related to the informatics sector, but were actually operating with “crypto asset brokerage”. They were clients that were reluctant to provide information or who declared facts that are difficult to investigate.

“Crypto asset brokerage” is identified by the expressive amount of funds transacted, which are way above the declared financial capacity, and that have none of the characteristics of the registered sector of activity.

Another typical aspect is the large volume of transactions between businesses operating in this sector. Counterpart individuals and businesses were also identified, whose installations are not compatible with the amounts transacted, whose income/revenue are incompatible, and who receive small-amount deposits from various locations.

2.74.4. Graphic Representation of the Case



2.75. FRAUD IN PURCHASING GOODS AT AUCTIONS

2.75.1. Economic Activities Used

- Private Companies.
- National Financial System.
- Individuals.

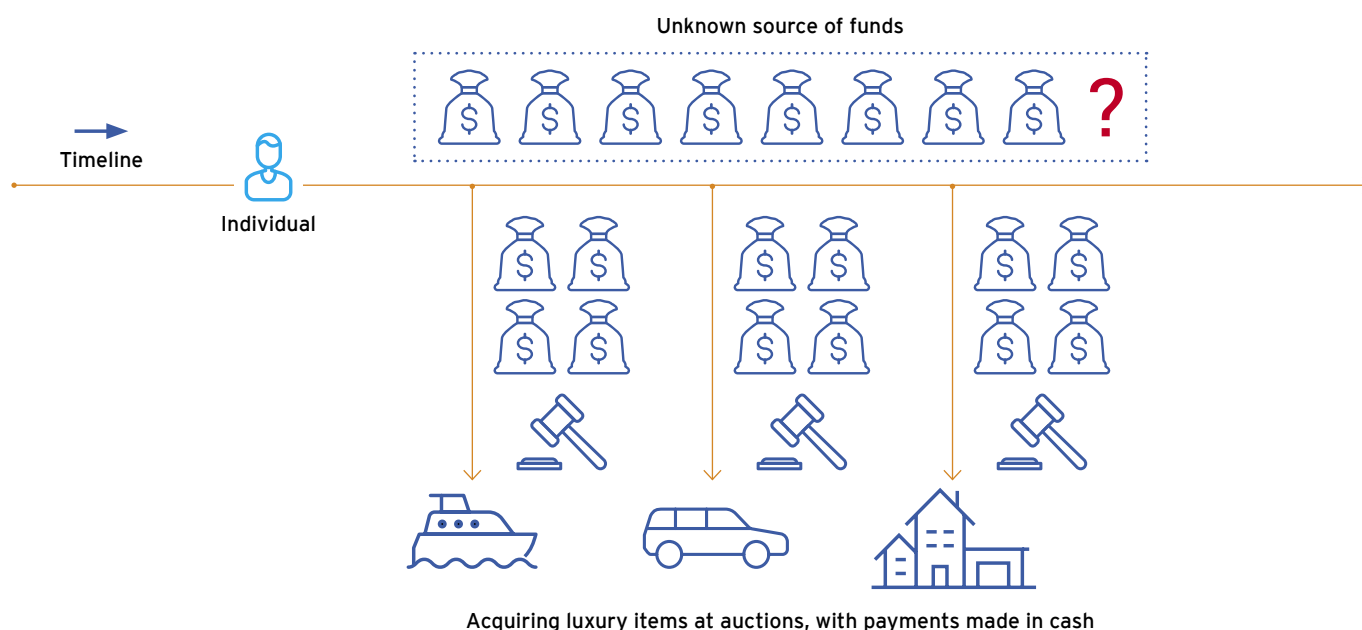
2.75.2. Financial Intelligence Alert Signals

- Evidence of the purchase of high-value or luxury goods, such as works of art, real estate, boats, jewelry, automobiles or aircraft, incompatible with the financial capacity.
- Payments in cash.
- Frequent acquisition of goods.

2.75.3. Case Description

Businesses or individuals acquire luxury or high-value goods at auctions but do not present the financial capacity, refuse to provide clarifications, or settle the payments in cash without plausible justification, mainly if the purchase of goods at auctions takes place on a regular basis.

2.75.4. Graphic Representation of the Case



2.76. COOPERATIVE FRACTIONING

2.76.1. Economic Activities Used

- National Financial System.

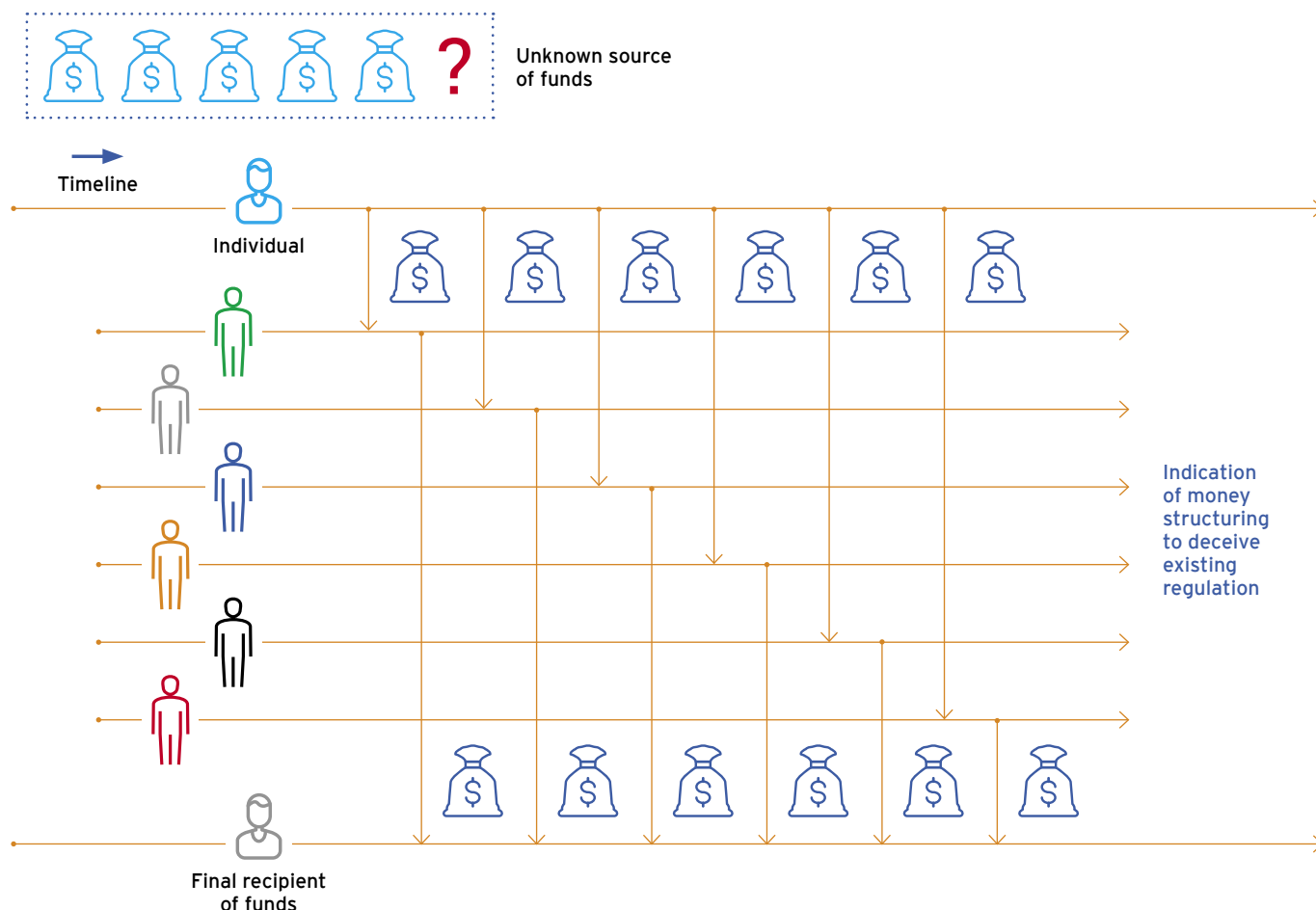
2.76.2. Financial Intelligence Alert Signals

- Use of intermediaries.
- Forming of “chains” – i.e., sequential transfers between accounts for the same amount and date – through which the money transits until it reaches the end beneficiary.
- Transactions of cash amounts below those for which identification is required.

2.76.3. Case Description

In order to circumvent the cash transaction controls, the owner of the cash funds fragments the deposits into sums below the limit stipulated for compulsory reporting and carries out the operation in various accounts. The holders of these accounts transfer these sums, generally on the same day and for the same sums, to a single destination account, held by the true end beneficiary of the funds.

2.76.4. Graphic Representation of the Case



2.77. ILLEGAL TRANSFER OF FUNDS THROUGH CRYPTOCURRENCIES

2.77.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Market.
- Shell companies.

2.77.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits, atypical for the economic activity or incompatible with the economic/ financial capacity.
- Cash withdrawals.

- Cash deposits, fragmented so as to conceal the identity of the depositors.
- Companies that are recently set up and that have high turnover.
- Cash deposits, fragmented so as to avoid notification to the FIU.

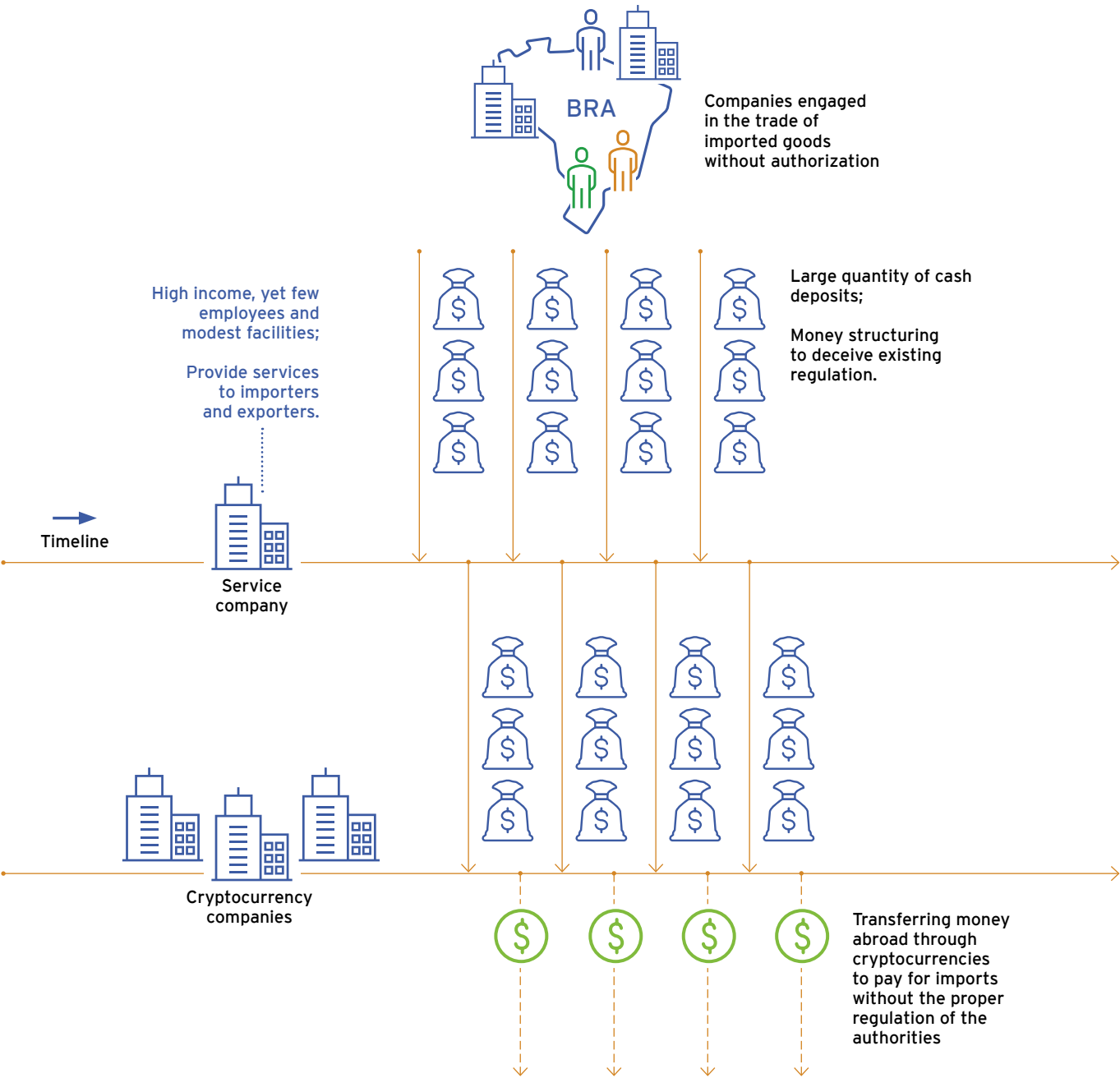
2.77.3. Case Description

A services company, located in a region known for the commerce of products from smuggling and duty evasion, which was recently set up, opens an account with high revenue and declares the provision of services to companies in the export/import sector. Once the account is opened, the account begins receiving cash deposits from around the country, many of which for sums very close to the Financial Intelligence Unit declaration limits, in addition to various others below the legal limit for depositor identification.

Albeit the high annual revenue being within the legal limits, duly attested by an accountant, the sums received are incompatible of the company's economic/financial capacity, which has just a few employees and modest installations. The amounts received originated from various regions around the country, and those that were identified came from various companies operating with imported products, many of which were not authorized by Siscomex to engage in foreign trade.

All the credits received were transferred to cryptocurrency companies, with no relevant debits from other companies or even from financial institutions for foreign exchange operations. In other words, the company was apparently importing fraudulently and was transferring the sums abroad through crypto-currencies to pay for the imported products, with no registry at the Brazilian control agencies.

2.77.4. Graphic Representation of the Case



2.78. TRAFFICKING IN PERSONS

2.78.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Market.
- Shell companies.

2.78.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits, atypical in relation to the economic activity or incompatible with the economic/financial capacity.
- Transfers received from abroad without justification.

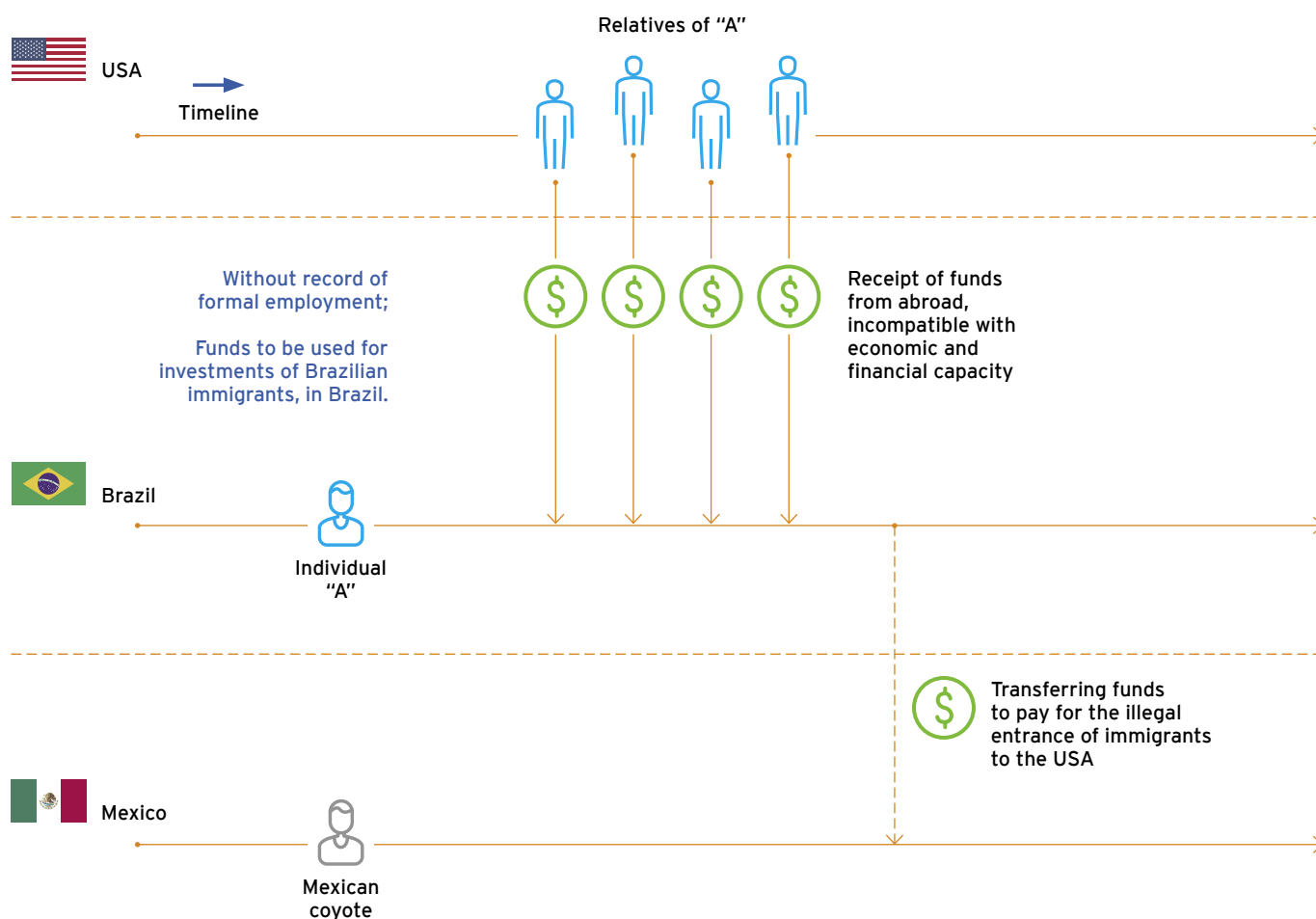
2.78.3. Case Description

An individual, with no formal employment, declares that his/her income comes from the purchase and sale of vehicles and real estate, presenting movement that is incompatible with his/her presumed economic/financial capacity. In this person's personal transactions there are receipts of various money orders from abroad sent by Brazilian individuals living abroad, particularly the United States, claiming that the amounts received were investments in real estate made by Brazilians living abroad. The amounts received from the various persons were quite close to each other and were generally transferred just once.

It was reported that this person had links to a Mexican drug dealer known for transporting persons illegally across the Mexican-US border, known as 'coyotes'.

After investigating and identifying the senders, it was found that they were relatives of persons travelling abroad aiming to enter the US illegally, and that the amounts received were payments for services provided by the 'coyotes' on Mexican soil.

2.78.4. Graphic Representation of the Case



2.79. ARMS TRAFFICKING

2.79.1. Economic Activities Used

- National Financial System.
- Foreign Exchange Market.
- Firearms Trade.

2.79.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity.
- Cash deposits, atypical in relation to the economic activity or incompatible with the economic/financial capacity.
- Use of a pre-paid card incompatible with the presumed financial capacity.

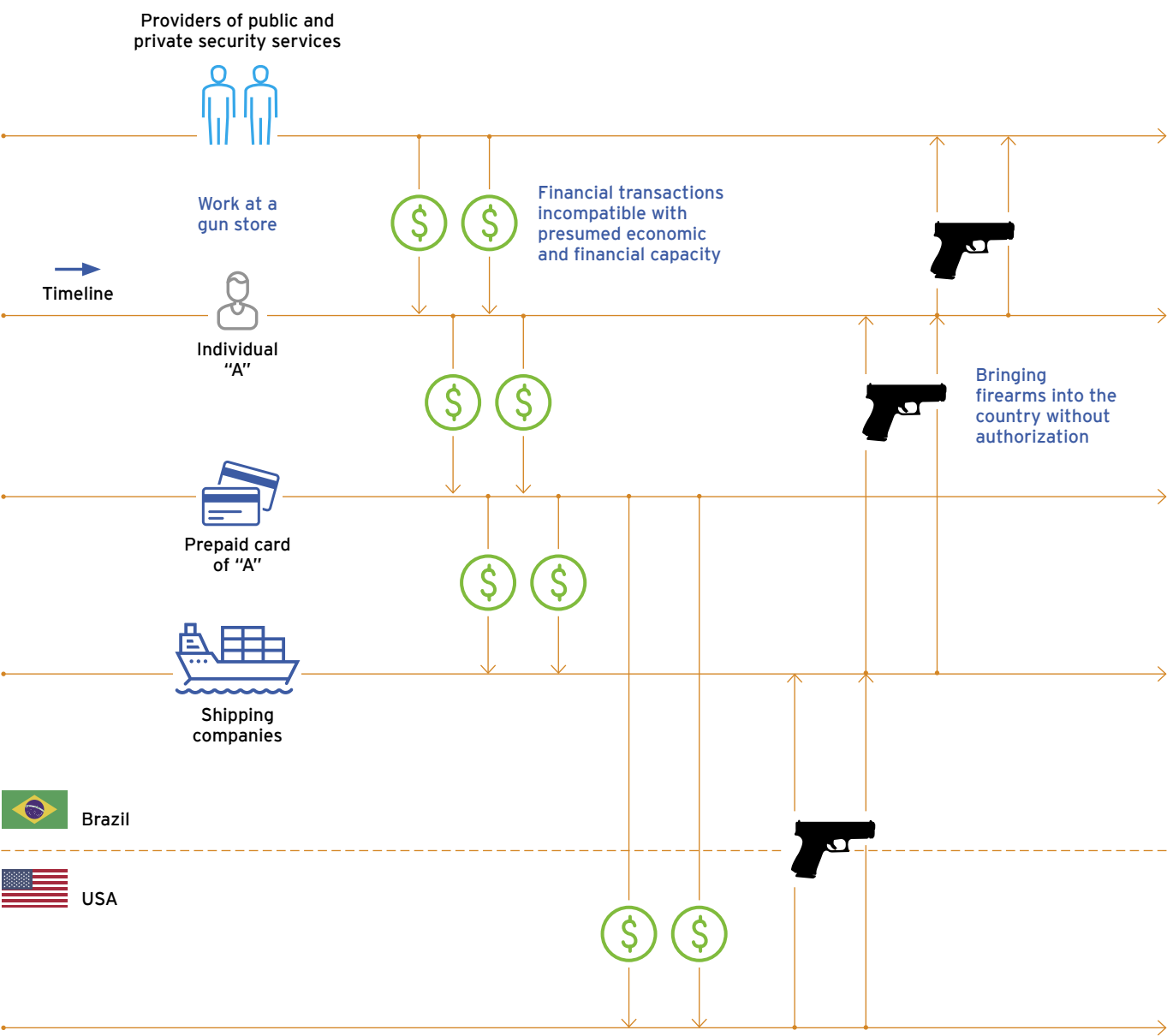
2.79.3. Case Description

An individual, working for a company selling firearms, presents movement incompatible with the presumed economic/financial capacity. In the person's personal transactions, amounts are received by several individuals, with no apparent justification. Most of the senders worked in public and private security services.

Nearly 90% of the amounts received from the various individuals, on the same date of the credit, went to a pre-paid card of the individual. On the same day of the credit, purchases were made at a firearms store, and the pre-paid card was used for payment. There was also the transfer of amounts to shipping companies.

This individual had no authorization to engage in the commerce of firearms and used his/her personal account through pre-paid cards to bring firearms illegally into the country with no registry at the competent authorities.

2.79.4. Graphic Representation of the Case



2.80. ELECTORAL DONATIONS BY BUSINESSES

2.80.1. Economic Activities Used

- Government.
- National Financial System.

2.80.2. Financial Intelligence Alert Signals

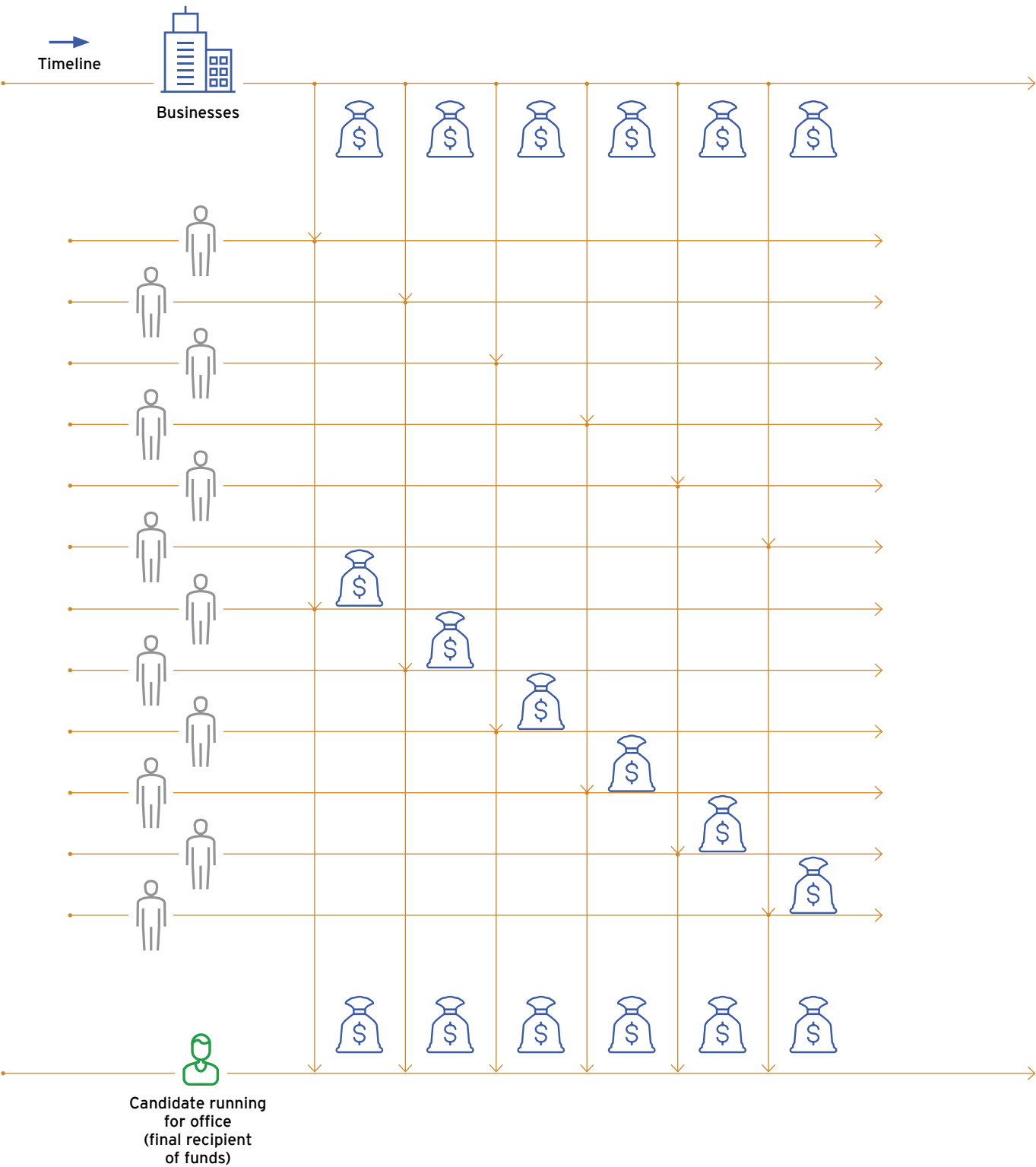
- Use of intermediaries.
- Forming of “chains” - i.e., sequential transfers between accounts on the same date and for the same amounts.

2.80.3. Case Description

In 2016, a change was introduced by the Electoral Reform (Law n° 13.165/2015) that eliminated the possibility of businesses making donations to electoral campaigns. Some businesses, aiming to circumvent these rules, used the accounts of intermediaries in order to make donations to candidates.

The transfers begin from corporate accounts to various individual accounts. Subsequently, generally on the same date and for the same amount, the sums are transferred to the accounts of other persons, in a consecutive manner, until the sums reach the electoral account (end beneficiary of the sums).

2.80.4. Graphic Representation of the Case



2.81. FRAUD BY CIVIL SERVANTS

2.81.1. Economic Activities Used

- Government.
- National Financial System.

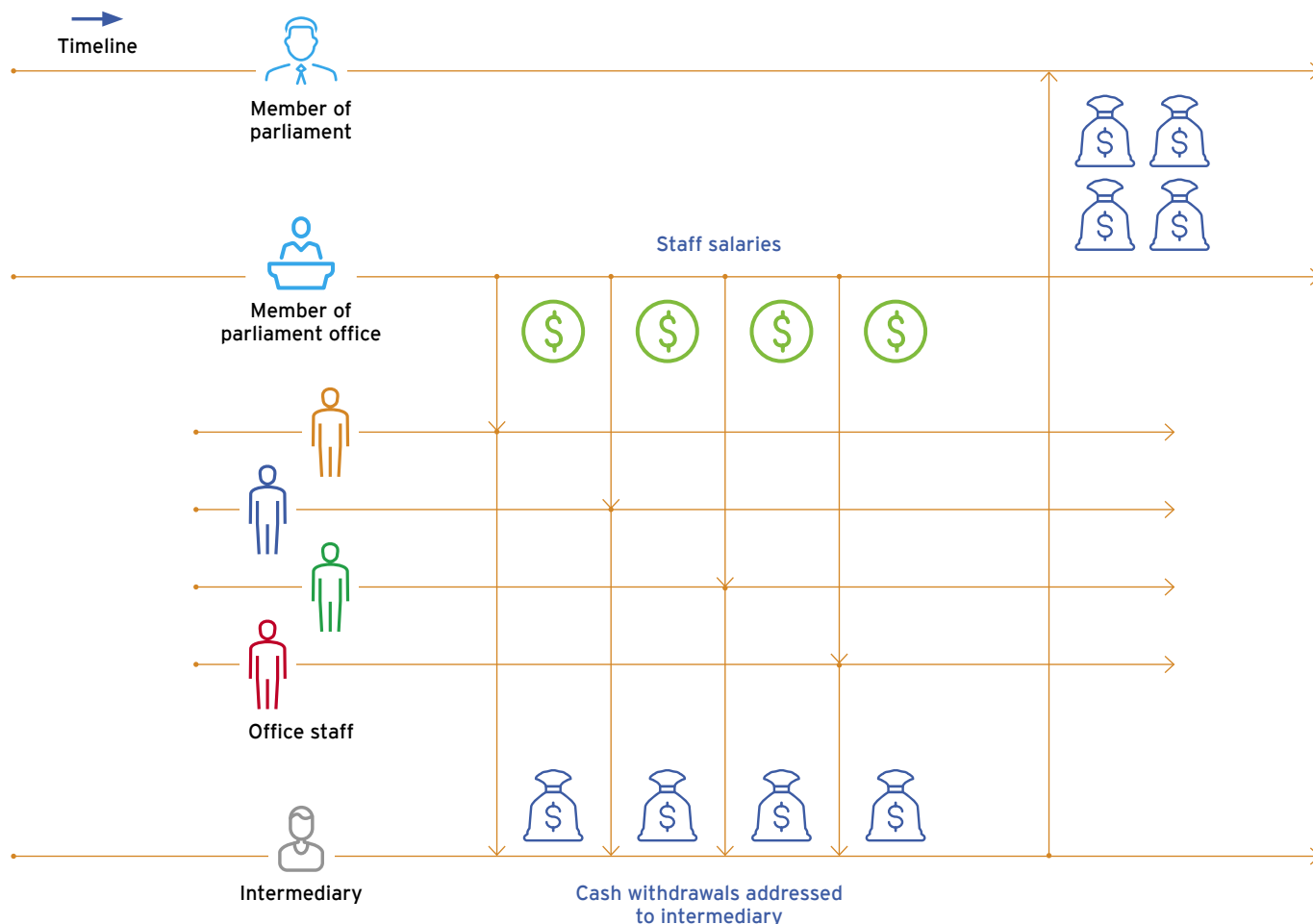
2.81.2. Financial Intelligence Alert Signals

- Use of intermediaries.
- Forming of “chains” - i.e., sequential transfers between accounts made on the same date and for the same amounts- through which the money transits until it reaches the end beneficiary.
- Cash deposits and withdrawals incompatible with the activities carried out
- Incompatibility between movement and financial capacity.
- Payments in benefit of third parties.

2.81.3. Case Description

Civil servants hired to work as parliamentary advisors transfer part of their salaries to the person hiring, generally a politically exposed person (PEP), through a scheme popularly known as “rachadinha”. The movement of the accounts of these servants reflect the creation of “chains” benefiting an intermediary who is generally associated with the PEP or with a close collaborator of the person, in addition to sizable cash transactions with no apparent justification, possibly to make it difficult to trace the amounts.

2.81.4. Graphic Representation of the Case



2.82. ELECTRONIC BANK FRAUD (VIA INTERNET)

2.82.1. Economic Activities Used

- National Financial System.

2.82.2. Financial Intelligence Alert Signals

- Fraudulent transfer of funds between bank accounts.
- Transfer of funds to accounts at so-called "Bitcoin exchanges".
- Use and creation of "commercial establishments" for acquirers and sub-acquirers as a way to launder proceeds from illicit activities.

2.82.3. Case Description

In recent years, elaborate and sophisticated financial concealment mechanisms used to conceal financial gains obtained from electronic bank fraud, most often apparently legal transactions made through electronic commerce solutions and platforms used by individuals and businesses, end up making it difficult to detect illegal practices and trace the assets, and consequently the enforcement of the law.

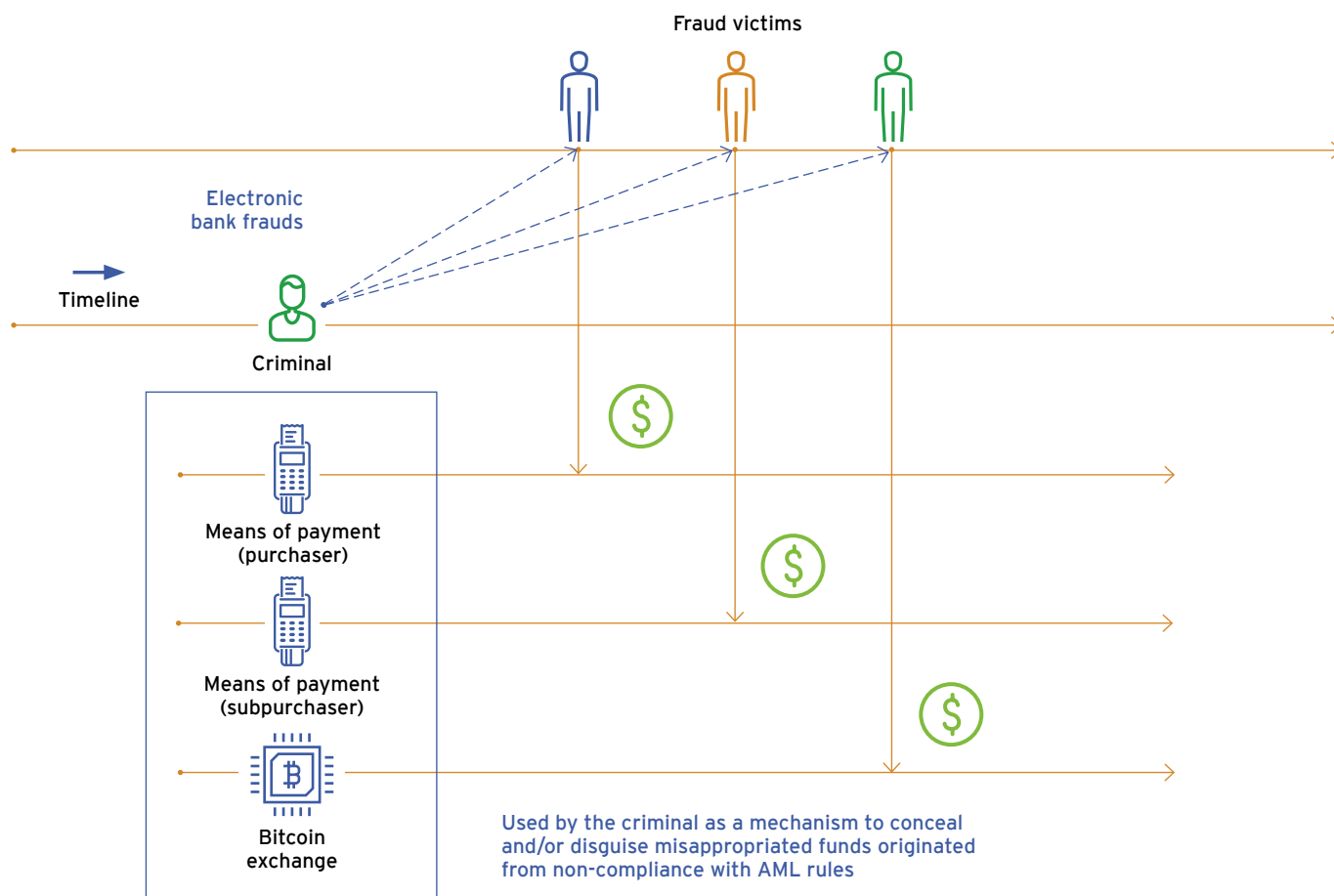
It is also important to highlight how easy it is to open bank account at the so-called digital banks which have become facilitators for the receipt of financial gains obtained from frauds committed on the internet.

In this regard, COAF is not being notified, particularly by the banking institutions receiving fraudulent credits from electronic frauds of third-party institutions.

In this context, there have been various fraudulent transfers directly to the bank accounts of so-called “Bitcoin Exchanges”, transforming crypto-currencies into funds obtained legally, which is clearly an attempt to conceal the funds.

Furthermore, the creation of “commercial establishments” at payment institutions (acquirers, sub acquirers and other facilitators), many times without control or compliance with minimum documentation presented upon the contracting of the service or even with the MLP rules, has been used as a mechanism to conceal and/or disguise proceeds from all types of criminal conduct.

2.82.4. Graphic Representation of the Case



2.83. FINANCIAL PYRAMID BASED ON SUPPOSED VIRTUAL CURRENCY NEGOTIATIONS

2.83.1. Economic Activities Used

- Financial institutions.
- Insurance and pension funds.
- Technology companies.
- Business intermediation company.
- Individuals or businesses in general.

2.83.2. Financial Intelligence Alert Signals

- Transactions incompatible with financial capacity, activities or assets.
- Significant financial movement in benefit of third parties.
- Receipts with immediate transfers to third parties.
- Cash operations that are not characteristic for the client's occupation or line of activity.
- Incompatibility between the informed economic activity or revenue and the standard presented by clients with the same profile.
- Financial movement incompatible for companies recently set up.
- Partners with no apparent financial capacity and with no previous background in the activity carried out.
- Companies with the same address registered at Receita Federal do Brasil (RFB), on same street or at the same number or nearby numbers.

2.83.3. Case Description

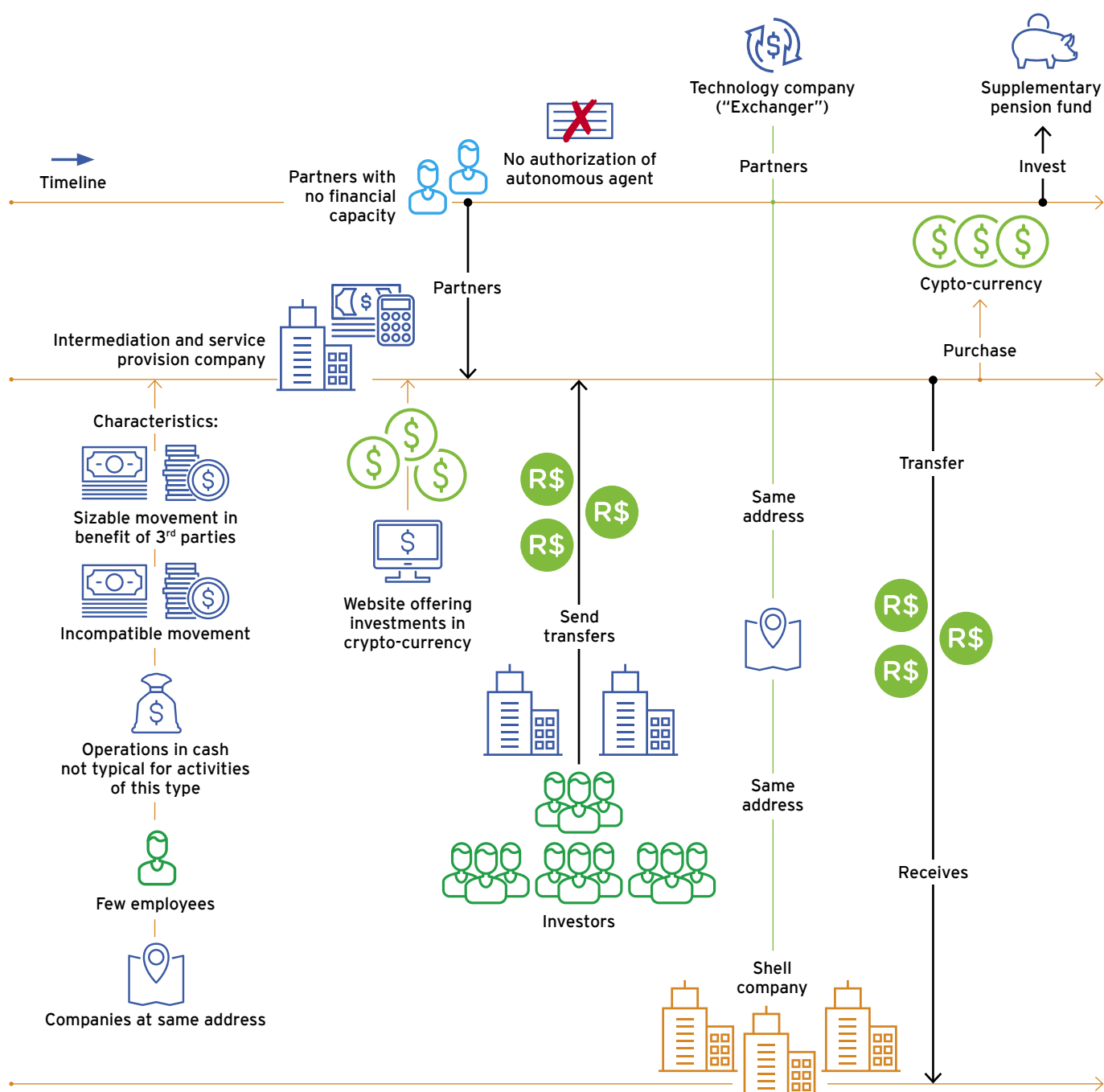
A business recently registered in the service agency and intermediation sector begins moving amounts that are incompatible with its financial capacity. Upon investigation, it is discovered that the partners, of nearly 20 years, were last formally employed as a gas station attendant and packer, respectively.

According to the business' website, it managed an investment fund with yields in virtual currency. The businesses apparently signed financial consulting contracts with individuals and companies in various sectors, who received guidance on how to manage their funds. In return, the business received payment for the consultancy, in addition to a percentage on the volatility of the price of the virtual currency. No authorization was found in name of the partners to operate in the capital market as independence agents.

The yields offered by the business were greater than 30% a month (over 2,400% a year), which would be considered totally incompatible with the percentages practiced on the market. There were reports on the internet of investors requesting their respective yields according to the terms of the consulting contract but who were not able to collect their funds.

The business' financial movement was greater than R\$30 million in 3 months, characterized by the receipt of transfers from various individuals and companies, as well as cash and check deposits. The debits were sent to various persons, mainly to companies belonging to a single partner, with characteristics of being a shell company, as well as to investments in private pension fund in name of the partners.

2.83.4. Graphic Representation of the Case



2.84. MONEY LAUNDERING OF DRUG TRAFFICKING PROCEEDS THROUGH VIRTUAL CURRENCIES

2.84.1. Economic Activities Used

- Financial institutions.
- Technology company.
- Food supplement company.
- Individuals or businesses in general.

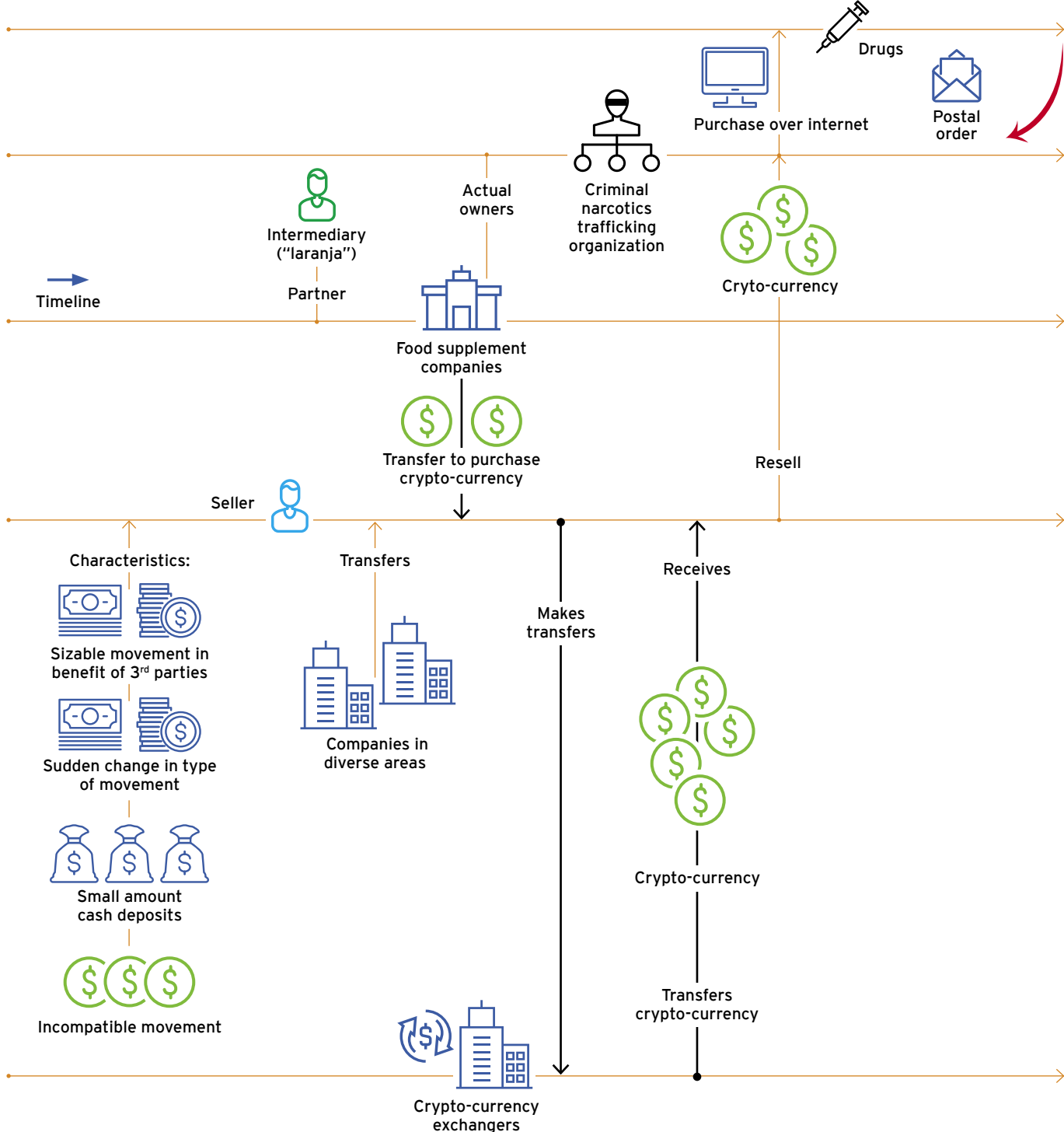
2.84.2. Financial Intelligence Alert Signals

- Transactions incompatible with financial capacity, activities or assets.
- Sudden change in the method movement.
- Significant financial movement in benefit of third parties.
- Fragmentation of deposits in cash, so as to disguise the total amount of the movement.
- Receipts with immediate transfer to third parties.
- Use of fund transfer instruments not normally used in the client's occupation or line of activity.
- Receipt of funds from persons with criminal records.

2.84.3. Case Description

An individual registered at a financial institution as a salesperson, began moving sizable amounts in his personal account. The funds were cash deposits made at various locations, as well as transfers from various companies, particularly in the technology sector. Almost all the sums received were immediately transferred to bitcoin exchange companies.

After due diligence, the financial institution discovers that the holder of the account began engaging in the purchase and sale of virtual currencies. It was also discovered that one of the main senders of the funds was a food supplement company belonging to a person under investigation for having received a package in the mail containing a large amount of LSD and MD, supposedly for resale in the interior of a large Brazilian state.



2.85. NARCOTICS TRAFFICKING PAYMENTS THROUGH THE PURCHASE OF ILLEGAL GOLD

2.85.1. Economic Activities Used

- Recyclers.
- National Financial System.
- Mineral extraction.

2.85.2. Financial Intelligence Alert Signals

- Transactions incompatible with assets, economic activity and financial capacity of the companies.
- Receipt of transfers from persons with no apparent economic/financial justification.
- Operations which are atypical in municipalities located in mineral extraction regions.
- Fractioning of operations in cash.

2.85.3. Case Description

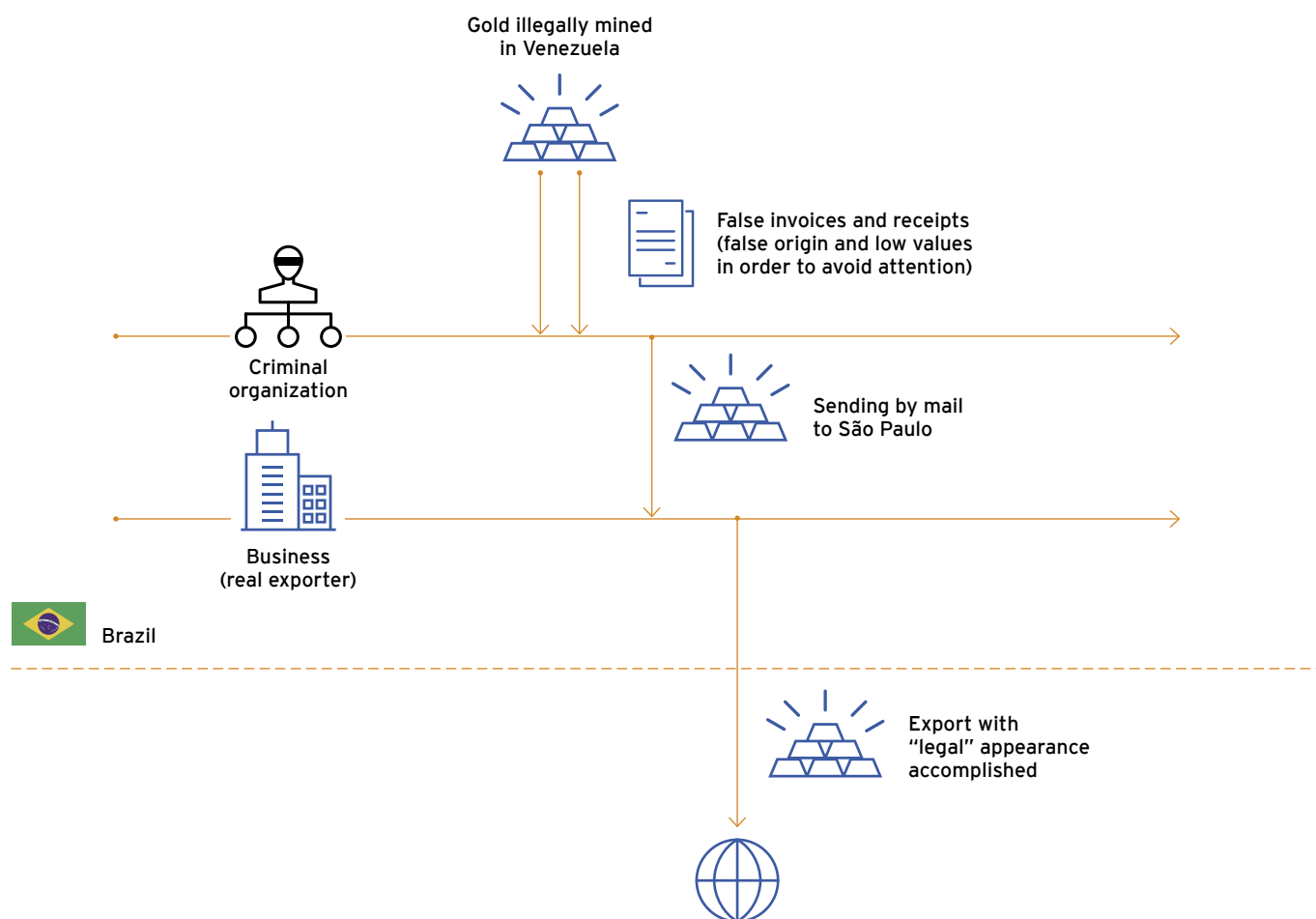
An investigation discovered that a criminal organization had been clandestinely purchasing large quantities of gold extracted from illegal mines in Venezuela and Brazil, for subsequent apparent licit export to the United Arab Emirates and India.

Investigations were initiated, and it was discovered that a woman was shipping gold to São Paulo through an air transport company and, when questions about this, revealed that her father bought and sold gold jewelry in the city of Pacaraima – RR and shipped the material to São Paulo to be exported. She also declared that she shipped gold regularly to São Paulo twice a week.

During the investigations, it was discovered that the business of the man reported was not authorized to extract or exploit gold, nor to operate as a financial institution, and was only authorized to extract and sell mineral water in the city of Macaíba/RN.

The modus operandi of said criminal organization was as follows: the persons reported purchased the gold from Venezuela as a way to intermediate the payment of food products going to the neighboring country, without collecting the taxes due and, aiming to conceal the origin of the gold, issued various fake entry invoices in name of the investigated company and false receipts to simulate the origin of the gold as being from the purchase of small quantities of scrap gold, always for amounts under R\$ 10.000,00, so as not to raise suspicion regarding the criminal activity.

2.85.4. Graphic Representation of the Case



2.86. PAYMENT OF NARCOTICS TRAFFICKING THROUGH THE PURCHASE OF ILLEGAL GOLD (2)

2.86.1. Economic Activities Used

- Civil Construction.
- Retail fuel commerce.

2.86.2. Financial Intelligence Alert Signals

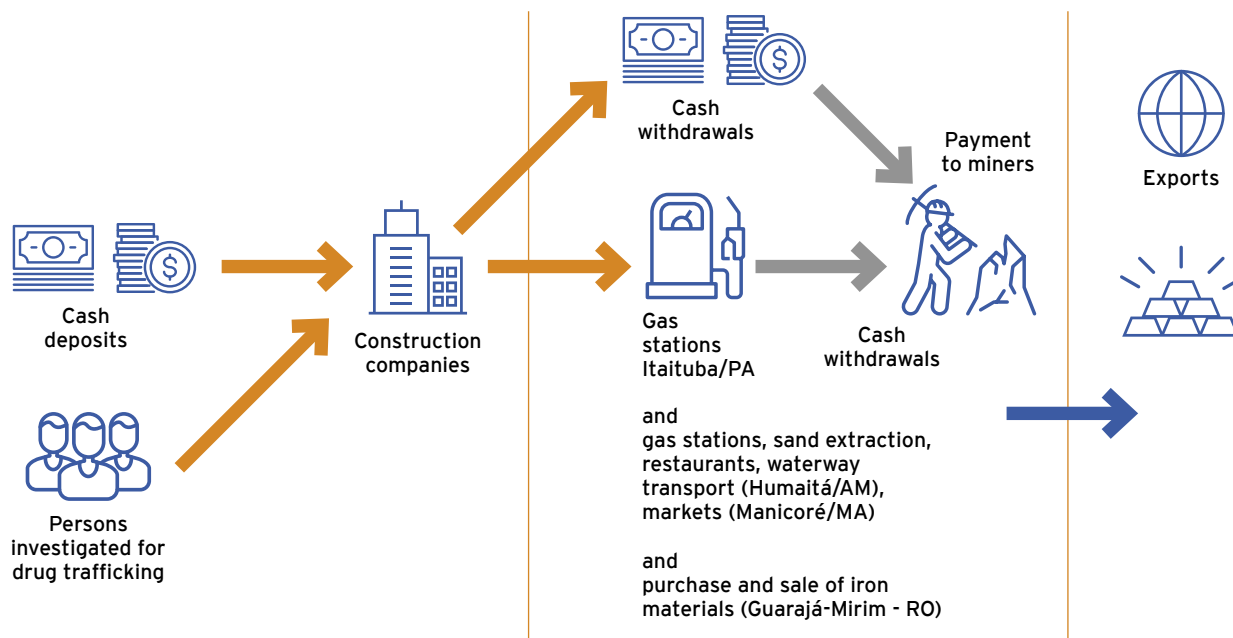
- Transactions incompatible with assets, economic activity and financial capacity of the companies.
- Habitual payments to suppliers or beneficiaries that have no relation with the activity or business of the company.
- Operations which are atypical in municipalities located in mineral extraction regions.
- Receipt of cash deposits from locations distant from the main office of the company with no economic justification.

2.86.3. Case Description

Companies registered as civil construction enterprises received a large volume of cash deposits from various locations in Brazil. Some of the depositors were identified as persons investigated for narcotics trafficking. The sums received were immediately transferred to natural persons and businesses located in a mineral extraction municipality in the North of the country.

Part of the sums were withdrawn in cash by the recipients and justified as gold purchases. The businesses receiving the sums belong to an economic group of gas stations. These gas stations receive gold from miners as payment for products and services and allegedly resell the gold to drug traffickers. This gold extracted illegally from the mining areas is then smuggled to border countries and supposedly used to pay the drug suppliers.

2.86.4. Graphic Representation of the Case



2.87. MONEY LAUNDERING THROUGH FOREIGN TRADE INVOLVING THE PAYMENT OF SERVICES

2.87.1. Economic Activities Used

- Consultancy.
- Commerce of agri-industrial equipment.
- Biofuels.

2.87.2. Financial Intelligence Alert Signals

- Payment of commissions for amounts outside those paid by the market.
- Expressive increase in the gross revenue and high expenses in relation to the results found.
- Commissions in escrow account, with payment of agent directly abroad.
- Use of accounts in tax havens to receive commissions.
- Use of intermediary company with no justification.
- Transactions incompatible with assets, economic activity and financial capacity.
- Sudden change in the export negotiation method.

2.87.3. Case Description

In order to misappropriate sums from a foreign state company to pay bribes to foreign civil servants, a scheme was set up to intermediate the export of agricultural machinery, which was previously done directly by the Brazilian suppliers.

A trading company was set up in Brazil to act as the exporter of the machinery. This way, the equipment was still supplied by the same manufacturers, but the negotiation and exports were now controlled by the intermediary. It must be highlighted that the trading company was created by a former director of one of the manufacturers that supplied the equipment to the state company for many years.

Another company (buyer) was set up in the importing country to purchase the products abroad and intermediate the imports. To complete the scheme, a consulting firm was also set up in Brazil that was in charge of prospecting suppliers to deliver to the buying company.

At a bank located in a country with favorable taxation an account was opened with a line of credit of a few million dollars. The payments for the imports passed through this account.

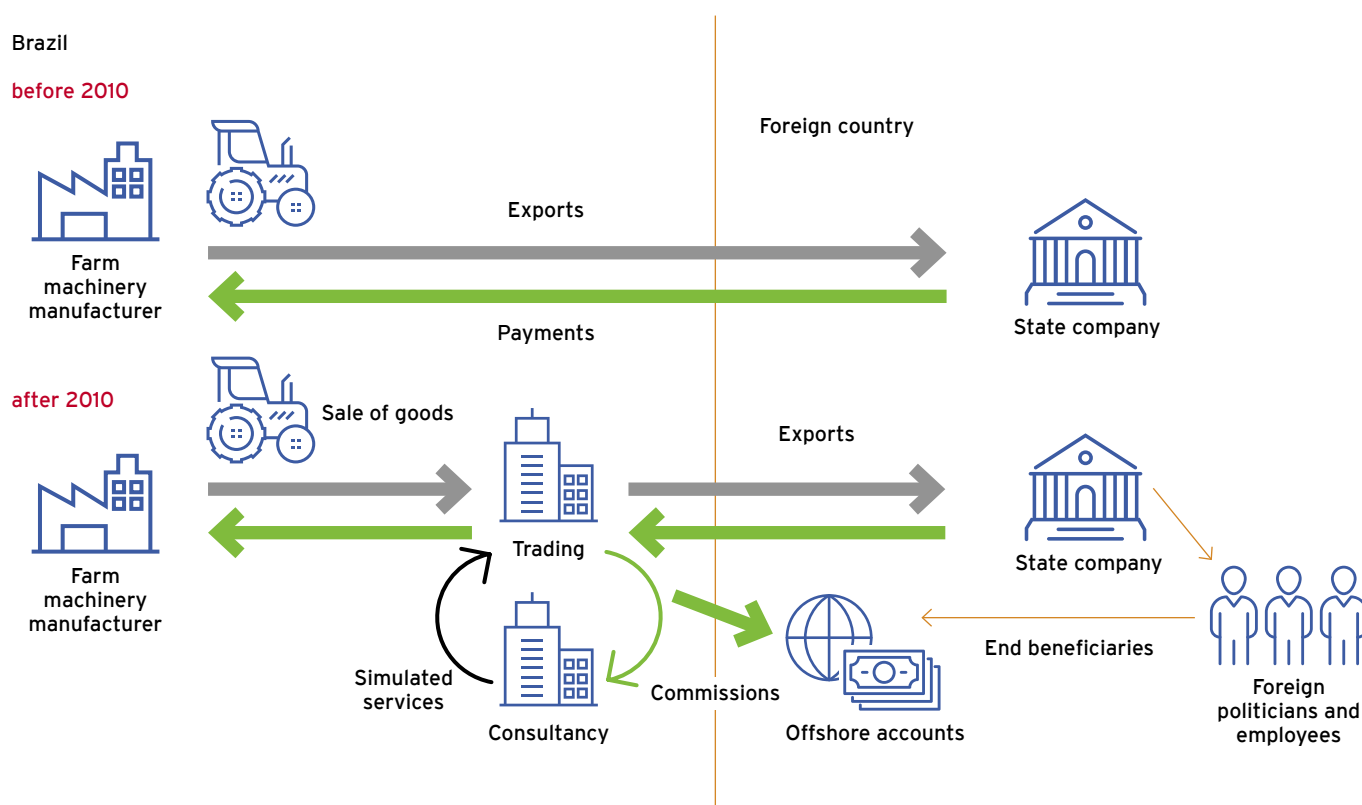
The amounts of the exports were over-invoiced given the unusually high sums paid in commissions for sales and for the supplier prospection consulting services, much above the market rates, between 30 and 40% of the price of the equipment. Financial tracing identified sizable payments over a short period of time: three exchange contracts for 50 million reais were paid with no amounts of this total being paid to the suppliers.

The operations was apparently licit, with payments in exchange contracts. The money entered the account of the trading company and was then transferred to various accounts, in Brazil and abroad, to allegedly pay for the commissions and consultancy fees. With the payments made abroad, the funds were then transferred to individual and corporate accounts in the US and Switzerland. The investigation demonstrated that these accounts belonged to employees of the foreign state company.

The investigation arose from an inspection carried out at the trading company, that detected that this company registered substantial operational expenses regarding the payment of sales commissions and consulting fees for the export of agricultural machines and implements from Brazil to a foreign biofuel state enterprise.

These sums we added in full to the final price paid by the purchasing state enterprise, thus consisting of a way to misappropriate funds through over-invoicing. According to the assessment conducted by the RFB, it was verified that the taxpayer had not effectively proven the payment of the expenses, and therefore the taxable profit had been unduly lowered, which in turn generated the registry of taxes on unduly lowered profit.

2.87.4. Graphic Representation of the Case



3. FINANCING OF TERRORISM TYPOLOGIES

3.1. FINANCING OF EXTREMISTS GROUPS IN TWIN-CITIES

3.1.1. Economic Activities Used

- Foreign Exchange Market.
- Parallel Foreign Exchange Market.
- Religious, Educational and Cultural Institutions.
- Private Companies.
- Duty Free Shops.
- Shell companies.

3.1.2. Financial Intelligence Alert Signals

- Operations that make it difficult to identify the origin of the funds.
- Use of intermediaries.
- Transfer of funds in benefit of third parties.
- Transactions incompatible with assets, economic activity and financial capacity.

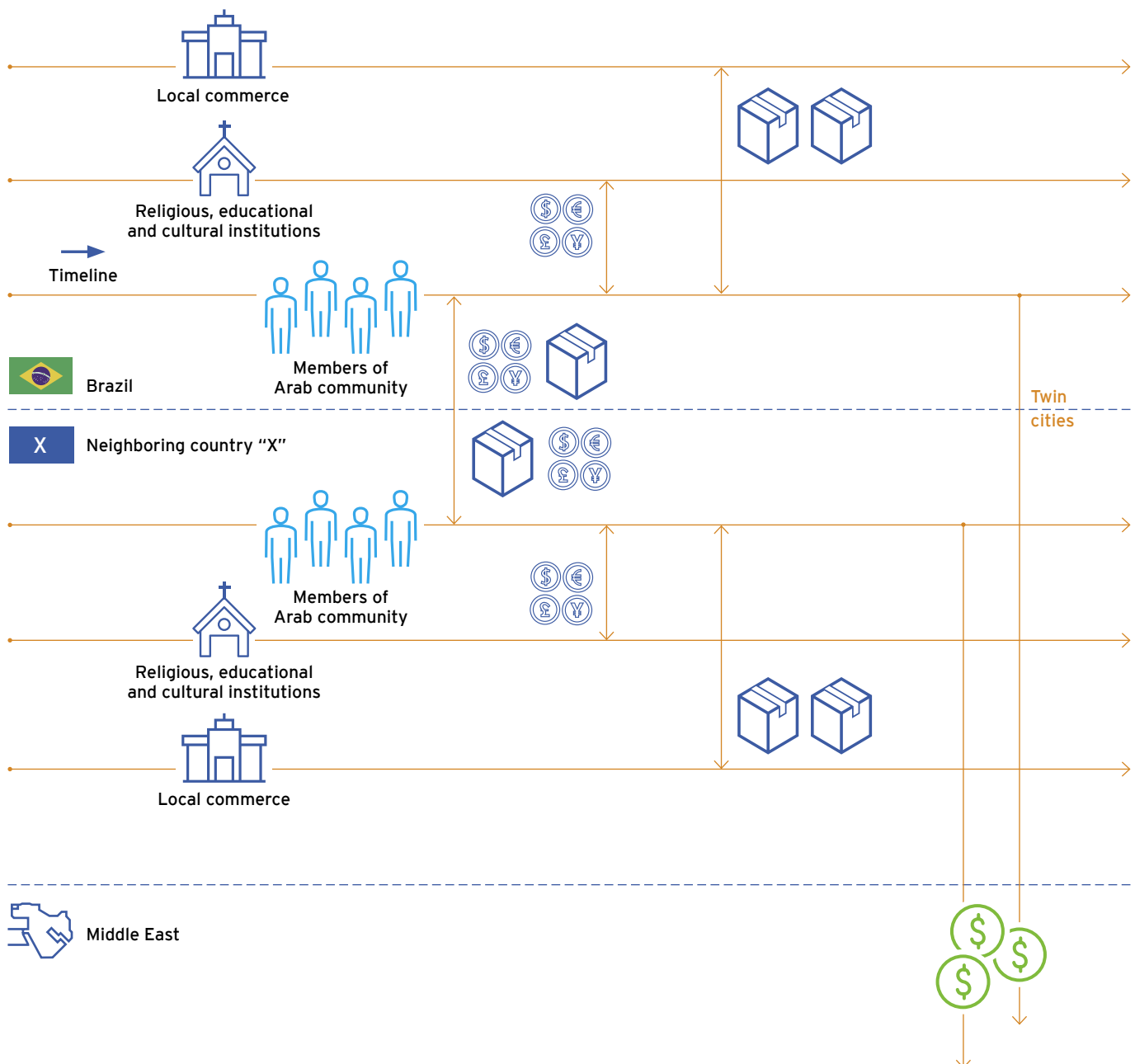
3.1.3. Case Description

Members of the Arab communities located in twin cities take advantage of their proximity on the border to engage in commercial activities, investments and business in general, both licit and illicit, in both border countries.

The involvement of members of the Arab community was identified in recurrent seizures of large amounts of local and foreign currency that was not declared to the tax authorities and with no proven origin, indicating money laundering, illegal exchange and capital flight schemes. Also identified was the illegal commerce of goods brought into Brazil through duty free establishments by members of said community. Religious, educational and cultural institutes, with transborder activities, were also being used in the money laundering schemes. Among those involved were individuals with multiple individuals fiscal identification numbers (CPFs), registered under variations in the order of the person's names.

These illegal activities are related to the antecedent crimes of smuggling, duty evasion, tax evasion, narcotics trafficking, and arms smuggling. It is possible that the proceeds of these crimes are being used to finance extremist organizations abroad.

3.1.4. Graphic Representation of the Case



3.2. FINANCING OF SUNNI EXTREMIST GROUP ABROAD

3.2.1. Economic Activities Used

- National Financial System.
- Parallel Foreign Exchange Market.
- Foreign Exchange Market.
- Shell companies.

3.2.2. Financial Intelligence Alert Signals

- Fragmentation of deposits in cash, so as to disguise the total amount of the movement.
- Operations that make it difficult to identify the origin of the funds.
- Use of intermediaries (“laranjas”).
- Expressive receipt of cash deposits with no apparent relation to the account holder.
- Atypical bank account movement, incompatible with monthly income.
- Withdrawals made abroad by persons who were in Brazil.

3.2.3. Case Description

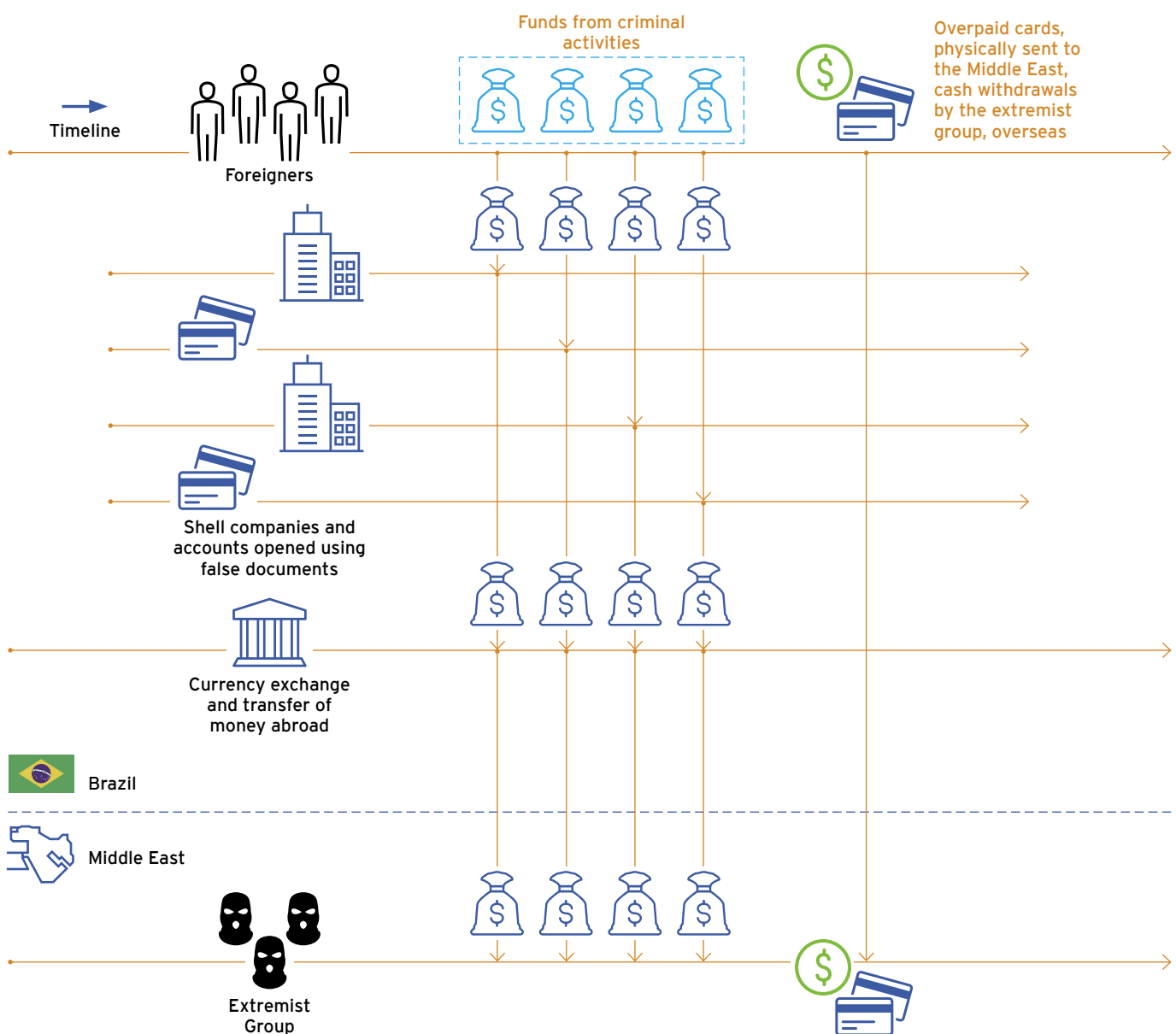
A network of shell companies and false CPFs was identified that was set up by foreign nationals in Brazil to transfer funds outside the country, possibly to a Sunni extremist group. False documents were used to open accounts, request credit cards and carry out foreign exchange operations and fund transfers abroad.

Through a brokerage specialized in money transfers, located in São Paulo/SP, the group in Brazil transferred amount less than R\$ 10 thousand to a group of recurrent recipients in the Middle East identified by only their first names. The origin of the money were swindles, overdrawn checks and fraudulent loans. Another technique used was the over-paying of credit card bills in Brazil, with the amounts in excess withdrawn in the Middle East.

The group also transferred money to the Middle East through bank account withdrawals. The money was deposited in the bank accounts in Brazil, held by intermediaries, the money was withdrawn abroad with credit cards. The withdrawals were made while the account holders were in Brazil.

The scheme resorted to money laundering and false documents to create non-existent individuals and businesses ("ghosts"), mainly in the garment and retail clothes sector in São Paulo. The individuals involved held multiple individual fiscal identification numbers (CPFs), registered under variations in the order of the names of the holder.

3.2.4. Graphic Representation of the Case



3.3. FUNDING OF AN EXTREMIST GROUP THROUGH AGRIBUSINESS AND FOREIGN TRADE

3.3.1. Economic Activities Used

- Foreign Trade.
- National Financial System.
- Agribusiness Sector.
- Parallel Exchange Market.
- Accounting Firms.
- Agricultural Cooperatives.
- Shell companies.

3.3.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with assets, economic activity or presumed financial capacity.
- Fragmentation of deposits in cash, so as to disguise the total amount of the transactions.
- Substantial increase in deposits, without apparent cause, subsequently transferred to a destination unrelated to the customer, in a short period of time.
- Accounts that do not appear to be the result of normal activities, as they are used to receive or pay significant amounts of money without a clear indication of purpose or relationship to the account holder or his/her business.
- Operations that make it difficult to identify the origin of the financial resources.
- Use of intermediaries ("laranjas").
- Companies with partners that apparently do not have the economic capacity to justify the financial transactions.
- Financial transactions of companies that do not appear to be the result of normal activities or business.
- Alternation of the same persons in the shareholdings of companies related by suspicious communications.
- Apparently fictitious exports or imports.
- Cash transfers, in municipalities located in border regions, with evidence of being atypical or incompatible with economic/financial capacity.

- Incompatible transactions of individuals and businesses – in a city with a large presence of immigrants – that do not seem to be the result of normal activities. and
- Deposits from several locations, including border regions, with immediate withdrawals or transfers to third parties.

3.3.3. Case Description

The first stage is the internalization of funds in Brazil by an international extremist group. To achieve that, several means are put into practice, such as lawfully authorized imports. By using this kind of procedure, members of the group overseas pay for goods purchased in China that are later shipped to a country bordering Brazil. At the destination, the merchandise is sold to a reliable businessman, who then transfers the payment to a representative of the extremist group from the local community. And so, the use of the official financial system is bypassed, making it difficult for the authorities from involved countries to detect these transactions. Following that, the money is physically transported to Brazil, using split and individual cargos.

Another way used by individuals linked to the group to transfer funds internationally is the informal value transfer system (hawala). Using the system, money is transferred informally without leaving trails in the international financial system, making it difficult for government authorities to trace these transactions. Based on the trust between the client and the operator, a bank transfer no longer takes place, and instead a payment is delivered by another agent at the destination.

Once the money is available in Brazil, the group carries out a series financial transactions, with several bank transfers between accounts of group members and intermediaries – individuals or businesses with legal existence and regulated activities or shell companies. The financial transactions are carried out through cash deposits or bank transfers.

The second stage, in which rural properties are purchased with money coming from these financial transactions, then begins. The declarations of acquisition of the farms in official records are under-invoiced and, by doing so, buyers and sellers pay lower taxes and conceal the income incompatibility of the individuals linked to the group with the purpose of carrying out those transactions of substantially higher amounts.

The payment for the purchase of the farms includes a down payment in cash and a few bank transfers made directly by the buyers to the owners. However, most of the payment to the sellers involves informal value transfer agents, the same individuals involved in the internalization of financial funds from overseas, having the support of a network formed by straw persons whose bank accounts are controlled by the agents themselves.

The farms purchased by the group do not have any agricultural production. Nevertheless, the individuals involved create agricultural enterprises that regularly issue invoices for the sale of substantial amounts of soy and corn. By doing so, the extremist group simulates the sale of soy and corn, and thus allowing itself to launder large amounts of money and justifying it to the tax authorities as profit from agricultural activity, in addition to having a reduced income tax rate.

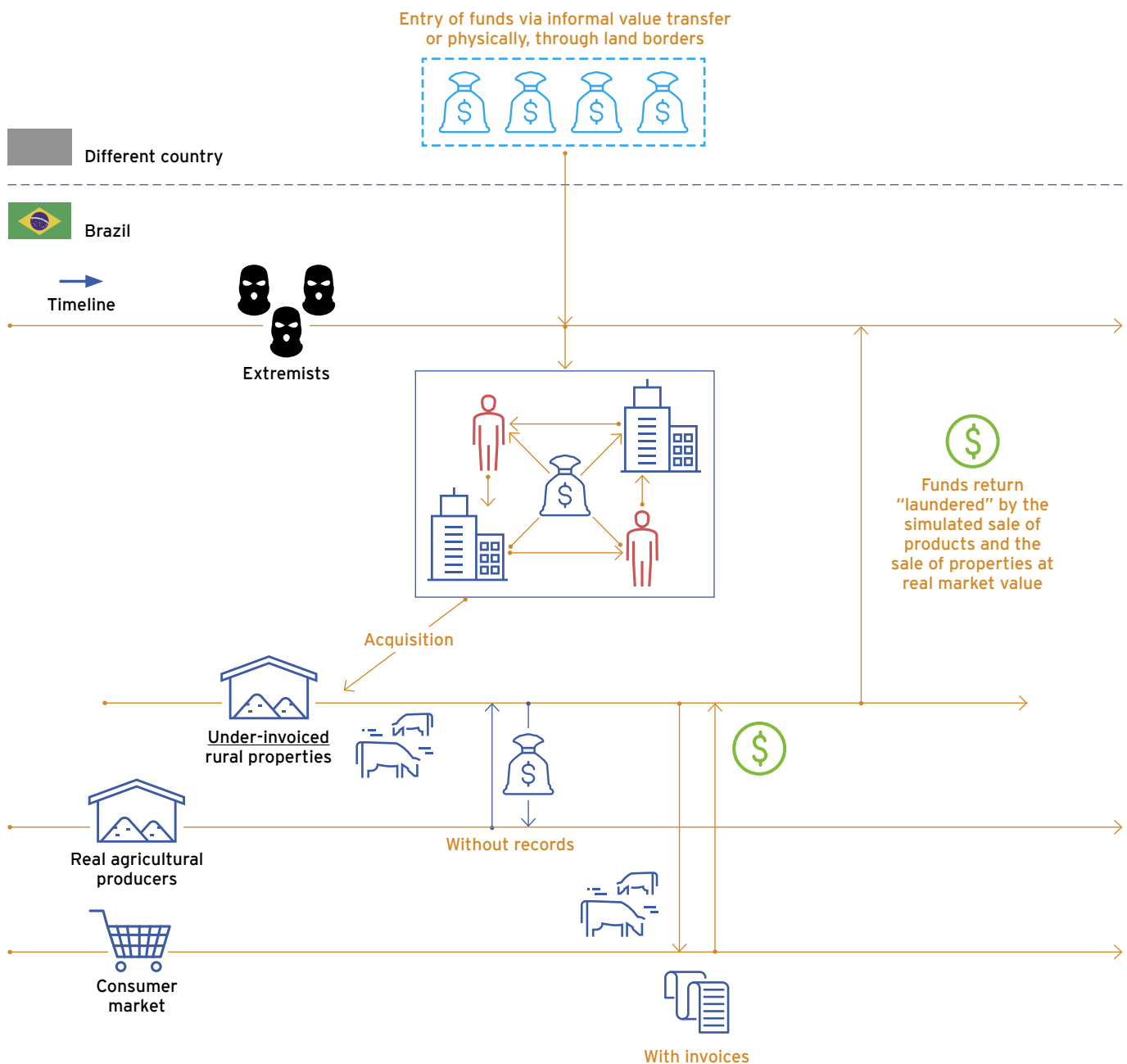
Invoices for sales from the unproductive farms are forged through a criminal mechanism that is used to support agricultural producers who wish to commit tax evasion. This scheme is run by a businessman and a grain brokerage that intermediate between agricultural producers, genuine buyers and the issuers of fake invoices.

The trade of soy and corn actually exists, but the identity of the real producer is concealed in the invoices that instead show the names of the agricultural enterprises without any production, created by the extremist group. Mutual interests appear in these circumstances: the real producers sell their products without paying taxes, while the individuals linked to the group justify their financial profits to the Brazilian authorities by presenting invoices for the sale of grain. Then, a commission for the services is paid to those running the scheme.

The third stage is the sale of some rural properties belonging to the group. The incentive for that sale could arise from two combined possibilities: obtaining a financial return for funds invested by the individuals and/or the dissolution of an unprofitable agrarian society.

As for the time of the sale, unlike earlier, group members officially register the market price in public records, the same price at which the farms are being sold. As a result, the price difference between the under-invoiced purchases of the farms and the sale at market value completes the Money Laundering cycle, justifying the fact that the individuals come into possession of a very substantial amount of money, which would be presented to the financial authorities as profit from the increase in price index of the sold rural properties.

3.3.4. Graphic Representation of the Case



3.4. FINANCING OF EXTREMIST GROUPS/INDIVIDUALS THROUGH CELLS OUTSIDE THE COUNTRY

3.4.1. Economic Activities Used

- National Financial System
- Parallel Foreign Exchange Market.

3.4.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with assets, economic activity or financial capacity.
- Sizable cash and online deposits from different locations, by persons with no apparent link, in small amounts, with evidence of fragmentation.
- Expressive and habitual credit balance on credit card bills.
- Immediate cash withdrawals.
- Transfers of money abroad.

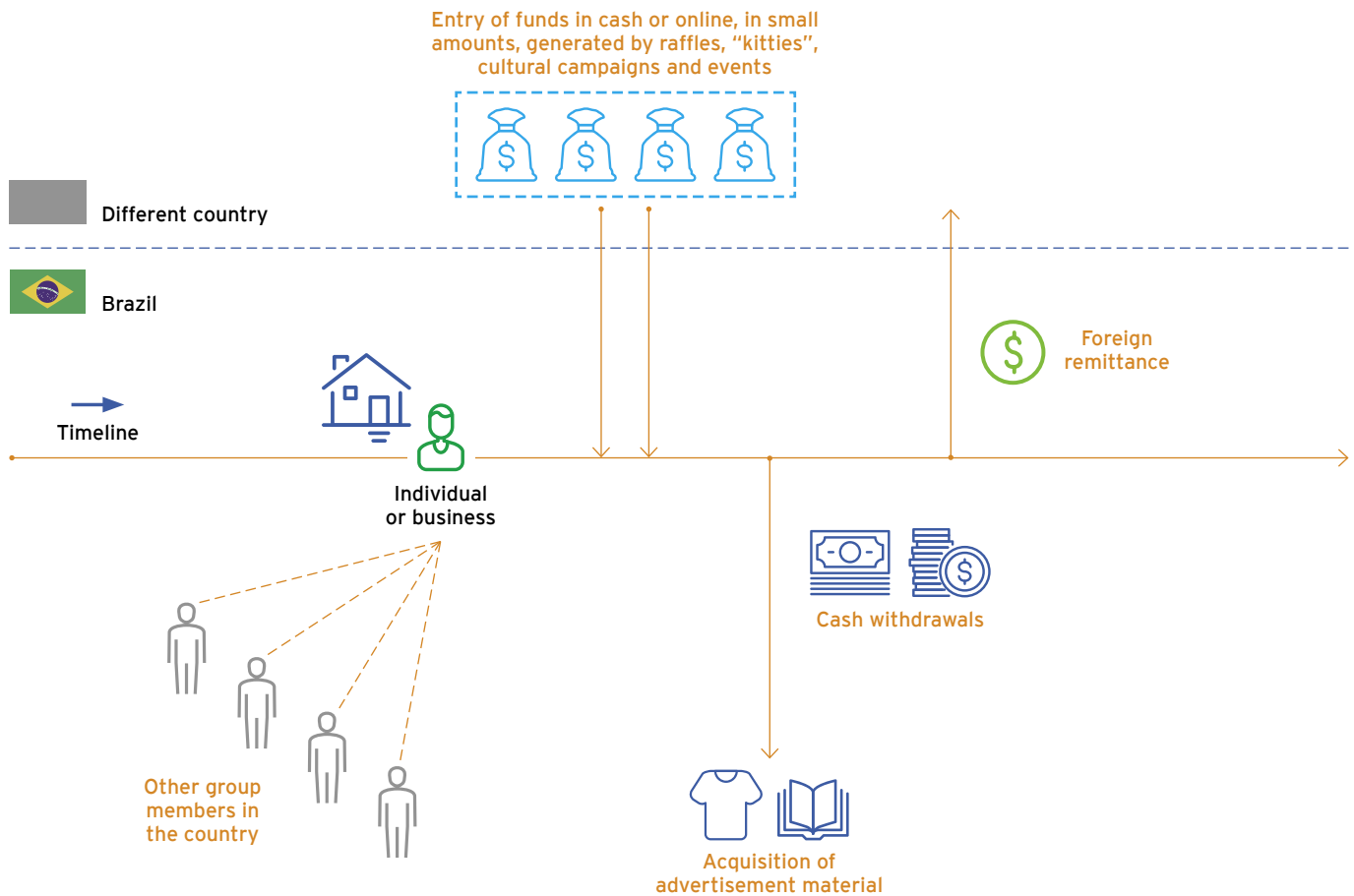
3.4.3. Case Description

A certain individual receives via remittance an amount incompatible with his assets, economic activity and financial capacity, possibly intended for money laundering in Brazil. The origin of this money is unknown or coming from overseas. The money is received in cash or online, in small amounts, often generated by raffles, “vaquinhas”, cultural campaigns and events.

The funds are sent to a single individual or may be shared with members of the same group. Those transfers are usually made in cash or as deposits to the accounts of individuals or businesses, such as non-profit organizations and associations.

As soon as these amounts are received, they are withdrawn in cash or remitted overseas. The cash withdrawals are intended for the acquisition of advertisement material, such as books and t-shirts advertising the activities of the extremist group in Brazil. Some remittance recipients have links to international criminal groups.

3.4.4. Graphic Representation of the Case



3.5. FINANCING OF EXTREMIST GROUPS/INDIVIDUALS THROUGH "INVERTED" 'DÓLAR-CABO' TRANSACTIONS

3.5.1. Economic Activities Used

- National Financial System.
- Parallel Foreign Exchange Market.
- Foreign Trade.
- Agricultural and Livestock Sector.

3.5.2. Financial Intelligence Alert Signals

- Financial transactions incompatible with assets, economic activity or financial capacity.
- Transfers of money from abroad by way of “inverted” ‘dólar-cabo’ transactions.
- Operations that make it difficult to identify the origin of the funds.
- Companies whose partners apparently do not have the economic capacity financial movement.
- Potentially fictitious export and imports.

3.5.3. Case Description

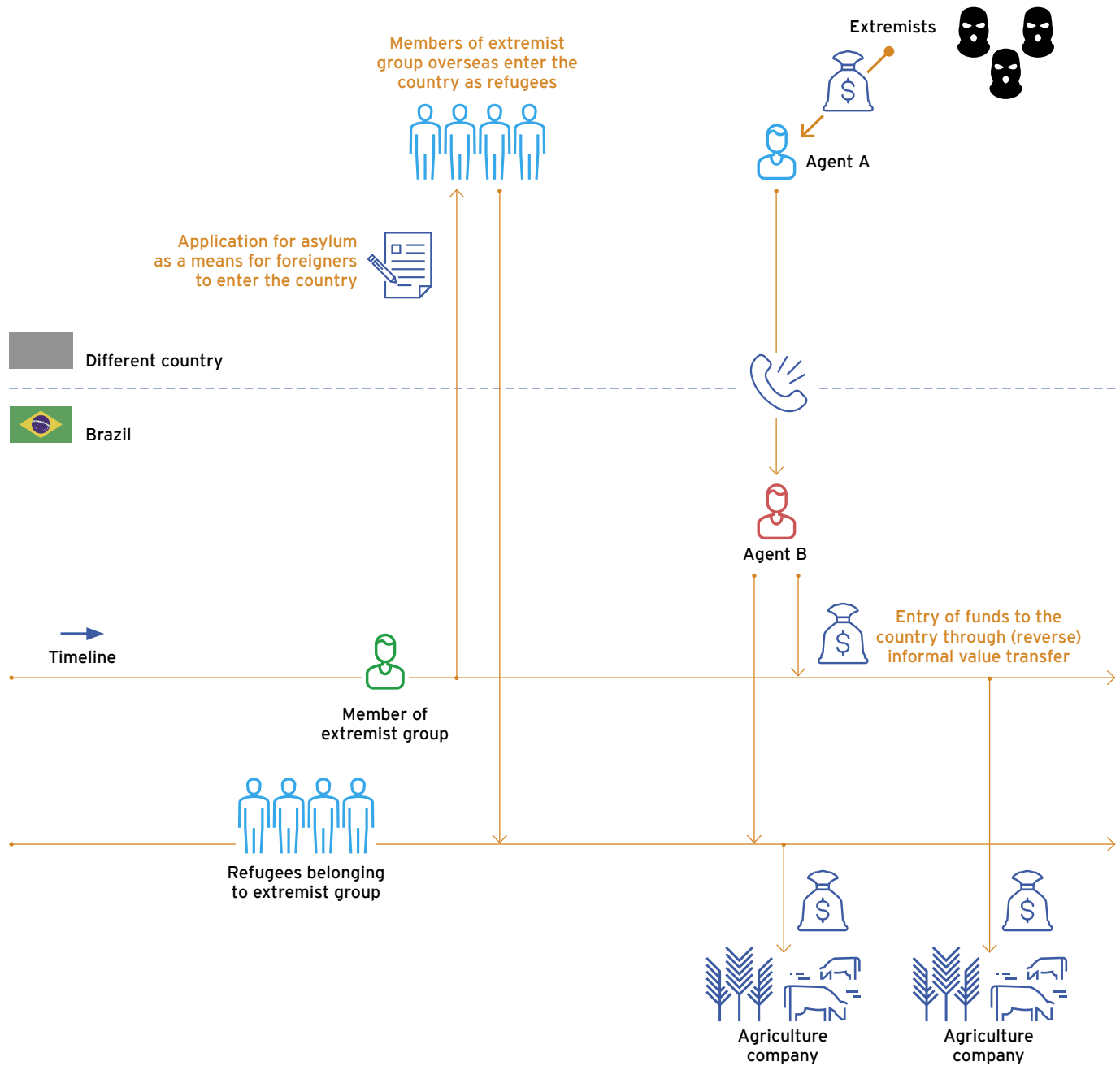
A certain foreign national, mentioned on international lists as a member of a terrorist group, uses asylum applications in accordance with current legislation, in addition to permanent resident visa applications through marriage and having a child with a Brazilian national, in order to bring into the country other members of the terrorist organization associated with him.

The internalization of funds from overseas also takes place, possibly intended for money laundering in Brazil through “reverse” informal value transfer system, in which funds coming from overseas are transferred through a parallel foreign exchange market.

In Brazil, the acquisition and leasing of rural properties, as well as small and medium-sized enterprises is carried out by individuals, most of them entering the country recently and having no compatible financial conditions.

The establishing of the agricultural businesses, including those interested in the export of commodities such as sugar and poultry, is probably carried out using funds from overseas in order to make the financial transactions appear legal, and also to target new possibilities to illegal foreign currencies.

3.5.4. Graphic Representation of the Case



3.6. FUNDING OF EXTREMIST GROUPS WITH THE USE OF SHELL COMPANIES

3.6.1. Economic Activities Used

- National Financial System.
- Foreign Trade.
- Shell companies.

3.6.2. Financial Intelligence Alert Signals

- Over- and under-invoicing of imports.
- Potentially fictitious exports and imports.
- Forged description of the imported goods.
- Invoices settled by third parties.
- Fraudulent representation of counterparts in commercial transactions, with the provision of false third-party data.

3.6.3. Case Description

A group of Syrian and Lebanese citizens residing in São Paulo used several shell companies to transfer money overseas. The criminal organizations has transferred about R\$ 50 million in five years. The investigated individuals were supporters of an extremist group of Sunni origin, according to information gathered on social media.

These individuals were officially registered as shareholders of retail companies in the textile industry in São Paulo.

Parceled cash deposits to their personal bank accounts were later transferred or deposited in cash to shell companies that allegedly provided management, transportation or customs services. The companies had front persons as shareholders, many of them with the same address and/or phone number.

Large quantity of cash deposits to the accounts were made daily in different cities in the country. These deposits were justified as payments for the transport of goods between ports and different regions of Brazil.

These amounts were then transferred to financial institutions that operated as currency exchange offices in order to settle exchange contracts for payments, false imports or shipping services.

Payments for the imports were made to suppliers mainly located in China, Hong Kong and the USA. These suppliers did not present import declarations, customs clearances or any other documents proving the actual shipment of imported goods. Some of the documents presented had fraudulent features, such as identical values for different invoices, giving the impression they had been “copied and pasted”, values well above actual market prices, names of ships that do not exist or had not taken the declared shipping route, in addition to sequential serial numbers on containers.

The financial transactions identified in the accounts of those involved were considered incompatible with the financial capacity presented, in addition to on-site inspections, revealing that the facilities of the alleged shell companies were not compatible with the financial activity presented.

3.6.4. Graphic Representation of the Case

