COUNCIL FOR FINANCIAL ACTIVITIES CONTROL (COAF)

Brazil
COAF

Council for Financial Activities Control

Marcelo S. Pontes
Advisor to the Brazilian FIU - COAF
Analysis Department
Brazil

MAIN TOPICS

- COAF - The Brazilian F.I.U.
- COAF and the International Cooperation on AML
- COAF as a Recipient in the CICAD Project
- COAF as a Provider in the CICAD Project
- COAF – Present and Future Needs

COAF
Inside COAF
Council for Financial Activities Control

Legal Basis

Law No. 9.613, of March 3, 1998

This Law addresses:

- crimes related to money laundering;
- measures to prevent money laundering; and
- creation of the Council for Financial Activities Control (COAF) – the Brazilian FIU
**Legal Basis**

### Art. 1 – Money Laundering Definition

To conceal or disguise the true nature, origin, location, disposition, movement, ownership of assets, rights and valuables that result directly or indirectly from the following crimes:

I – drug trafficking;
II – terrorism;
III – smuggling or trafficking in weapons, ammunitions or materials used for their production;
IV – extortion through kidnapping;
V – acts against the public administration (corruption);
VI – acts against the Brazilian Financial System;
VII – acts committed by criminal organization;
VIII – acts committed by individuals against foreign public administrations.

---

**Law 9.613/1998**
Art. 14 – Creation of COAF

This Law creates the Council for Financial Activities Control (COAF), under the jurisdiction of the Ministry of Finance, for the purpose of regulating, applying administrative sanctions, receiving pertinent information, examining and identifying any suspicious occurrence of illicit activities defined in this Law.

The actions of COAF shall not conflict with the jurisdiction of other agencies.

Art. 15 - Notification

COAF shall notify the competent authorities whenever it finds evidence of the crimes defined in this Law or of any other illicit activity, so as to enable such authorities to take the appropriate legal measures.
I - REGULATORY AGENCY

- Residual Jurisdiction (Art. 11, §3 & Art. 14, §1)
- Administrative Sanctions (Art. 12 & Art. 14)
  - Warning
  - Monetary fine
  - Temporary prohibition to manage entities
  - Cancellation of the authorization to operate

II - FINANCIAL INTELLIGENCE AGENCY

- Receives STR´s & CTR´s (Art. 14);
- May request for further information (Art. 14, §3)
- International cooperation (Art. 8)
- Report to investigative authorities (Art. 15)
  - Public Prosecutor & Federal Police Dept.
COAF as Regulatory Agency

- Real Estate
- Factoring
- Jewelry, Precious stones & metals
- Lotteries
- Credit Cards
- Antiques & Works of Art
- Commodities Exchanges & their Brokers
- Money Services Businesses

Suspicious & Currency Transactions Reports Flow

STRA/CTR STATISTICS BY SECTOR

<table>
<thead>
<tr>
<th>STR and CTR Received</th>
<th>1998-2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Suspicious Transaction Reports</td>
<td>1998-2002</td>
<td>2003</td>
<td>2004</td>
<td>2005</td>
<td>Total</td>
</tr>
<tr>
<td>Bingo</td>
<td>2,454</td>
<td>19</td>
<td>7</td>
<td>0</td>
<td>2,480</td>
</tr>
<tr>
<td>Real Estate</td>
<td>2,287</td>
<td>619</td>
<td>630</td>
<td>863</td>
<td>4,199</td>
</tr>
<tr>
<td>Factoring</td>
<td>84</td>
<td>1</td>
<td>27</td>
<td>12,137</td>
<td>12,249</td>
</tr>
<tr>
<td>Jewelry, Precious stones &amp; metals</td>
<td>9</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Lotteries</td>
<td>382</td>
<td>140</td>
<td>84</td>
<td>94</td>
<td>700</td>
</tr>
<tr>
<td>Objetos de Arte e Antiguidades</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Subtotal COAF</td>
<td>5,217</td>
<td>780</td>
<td>751</td>
<td>12,894</td>
<td>19,642</td>
</tr>
<tr>
<td>Subtotal 1.2 – Sectors with monitoring bodies</td>
<td>12,198</td>
<td>5,494</td>
<td>7,090</td>
<td>11,492</td>
<td>36,274</td>
</tr>
<tr>
<td>Financial System (Central Bank - BACEN)</td>
<td>12,198</td>
<td>5,494</td>
<td>7,090</td>
<td>11,492</td>
<td>36,274</td>
</tr>
<tr>
<td>Insurance (SUSEP)</td>
<td>275</td>
<td>879</td>
<td>1,169</td>
<td>2,364</td>
<td>4,887</td>
</tr>
<tr>
<td>Stock Market (CVM)</td>
<td>20</td>
<td>13</td>
<td>12</td>
<td>178</td>
<td>223</td>
</tr>
<tr>
<td>Private pension funds of closed entities (SPC)</td>
<td>9</td>
<td>2</td>
<td>28</td>
<td>73</td>
<td>112</td>
</tr>
<tr>
<td>Subtotal</td>
<td>12,502</td>
<td>6,388</td>
<td>8,299</td>
<td>14,107</td>
<td>41,296</td>
</tr>
<tr>
<td>Total STR’s (1.1 + 1.2)</td>
<td>17,719</td>
<td>7,168</td>
<td>9,030</td>
<td>27,001</td>
<td>60,938</td>
</tr>
<tr>
<td>2 – Currency Transactions Report</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 – Sectors with monitoring bodies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial System (Central Bank - BACEN)</td>
<td>0</td>
<td>33,358</td>
<td>76,102</td>
<td>113,450</td>
<td>222,910</td>
</tr>
<tr>
<td>Total (1+2)</td>
<td>17,719</td>
<td>40,526</td>
<td>85,152</td>
<td>140,451</td>
<td>283,848</td>
</tr>
</tbody>
</table>
STRs RECEIVED

Suspicious Transactions Reports Received

<table>
<thead>
<tr>
<th>Year</th>
<th>1998-2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>STRs</td>
<td>17.719</td>
<td>7.168</td>
<td>9.050</td>
<td>27.001</td>
<td>60.938</td>
</tr>
</tbody>
</table>

Ref. Date: 11/30/2005

WORKFLOW & PRIMARY SOURCES

FOREIGN FIUs, JUDGES, PROSECUTORS, POLICE, GOVERNMENTAL ENTITIES

EXCHANGE OF INFORMATION

REPORTING ENTITIES

STRs & CTRs

PUBLIC IN GENERAL

DENUNCIATION

SISCOAF

NOTIFICATIONS

INVESTIGATIVE AUTHORITIES
WITHIN SISCOAF:
- Real estate, vehicles and weapons ownership
- Shareholders and companies data
- Taxpayers identification (National ID number)
- Civil Servants data – Federal Executive Branch

OTHER SOURCES:
- Criminal records (Federal and State Levels)
- Foreign trade records by company...
- and ... THE INTERNET

Exchange Information System

Allows exchange of information among COAF and the authorities in charge of investigations on money laundering in a Safe and Fast Way.
### NOTIFICATIONS STATISTICS

<table>
<thead>
<tr>
<th>Country</th>
<th>Total STRs</th>
<th>Notifications to Authorities</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canadá (+)</td>
<td>20,915</td>
<td>103</td>
<td>0.49%</td>
</tr>
<tr>
<td>United States (+)</td>
<td>523,193</td>
<td>5,000</td>
<td>0.96%</td>
</tr>
<tr>
<td>France</td>
<td>6,896</td>
<td>291</td>
<td>4.22%</td>
</tr>
<tr>
<td>Brasil</td>
<td>7,008</td>
<td>139</td>
<td>1.98%</td>
</tr>
<tr>
<td><strong>BRASIL</strong></td>
<td>27,001</td>
<td>664</td>
<td>2.46%</td>
</tr>
<tr>
<td><strong>BRASIL up to Nov/2005</strong></td>
<td><strong>27,001</strong></td>
<td><strong>664</strong></td>
<td><strong>2.46%</strong></td>
</tr>
</tbody>
</table>

(+ Estimates

### INTERNATIONAL COOPERATION ON ANTI-MONEY LAUNDERING

- **International cooperation** *(Law 9.613 – Art.8, §1)*:
  - based on reciprocity; or
  - agreement, if required by other Party
  - MoU with 13 countries (4 within CICAD members)
  - 6 MoU’s under negotiation (1 CICAD member)

- **Egmont Group**:
  - Fast and secure network for information exchange among FIU’s;
  - Brazil is member - and COAF is the representative - since 1999.

- **Expertise exchanges sponsored by Brazil**
  - Indonesia – Nov/2004
  - Portugal – Nov/2005
  - PALOP (portuguese speaking african countries) - 2006
**INTERNATIONAL INFORMATION EXCHANGE**

<table>
<thead>
<tr>
<th>INFORMATION EXCHANGE WITH OTHER FIU’s &amp; FOREIGN AUTHORITIES</th>
<th>Ref. Date: 11/30/2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Inward Requests for Information and Denunciations</td>
<td>22</td>
</tr>
<tr>
<td>Outward Requests for Information and Denunciations</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>26</td>
</tr>
</tbody>
</table>

**CICAD PROJECT**

**COAF AS A RECIPIENT**

- **Technological updating - hardware & software:**
  - approx. 25 workstations
  - 4 notebooks
  - 3 scanners
  - 1 fax-scanner
  - 1 laser printer
  - Visual Links (3 licenses)

- **Capacity building:**
  - Colombian FIU - 2004
  - FinCEN / USA – Nov/2004
  - Tracfin / France – Apr/2005
  - CICAD/CICTE “Training of Trainers” Program – Nov/2005
Transfer of technology – systems & procedures:

- Argentinian FIU – 2004
- Chilean FIU – Sep/2005
- Colombian FIU – Nov/2005

Present & Future Needs

- Postgraduate studies and training on AML/CFT
- Permanent expertise exchange among FIU’s
- Technological updating plus training
- Improvement of physical security measures
Thank You for your attention!

Marcelo S. Pontes
Advisor
Analysis Dep.

Add.: SAS – Qd. 3 – Bl. O – 7th floor – Ministry of Finance ZIP: 70.070-100 – Brasília/DF - BRAZIL
Phone: (55 61) 3412-4746 Fax: (55 61) 3226-0641 Site: http://www.fazenda.gov.br/coaf E-mail: coaf@fazenda.gov.br