



Central Bank enhances regulation on prevention of money laundering and terrorism financing

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The Central Bank of Brazil improved the regulation regarding the framework to be adopted by the Supervised Entities (SEs) (<https://www3.bcb.gov.br/gmn/visualizacao/listarDocumentosManualPublico.do?method=visualizarDocumentoInicial&itemManualId=9464>) in order to prevent the use of the National Financial System (S FN) for the practice of crimes of money laundering or concealment of assets, rights, and values; as well as the financing of terrorism (BCB Circular No. 3,978/2020).

Proportional risk-based approach

The improvements aim at introducing greater efficiency and effectiveness to the procedures applied in anti-money laundering and counter terrorist financing (AML/CFT), by increasing the adoption of a risk-based approach—allowing the application of reinforced controls for situations of greater risk and streamlined controls in lower risk situations. To this end, SEs must carry out specific internal risk assessments, as a means of identifying and measuring the risk of using their products/services in the practice of money laundering and terrorism financing.

Comprehensive monitoring

The procedures for building the overall customer's profile were also enhanced. The customer's identification, qualification and classification procedures must be performed through the collection, verification and validation of information—in line with the client's risk profile, the nature of the business relationship, the SEs' AML/CTF policy, and the SEs' internal risk assessment. Notably, these procedures must be permanently reassessed according to the evolution of the business relationship and the client's risk profile.

The client's qualification procedures must also include the verification of the client's condition as a Politically Exposed Person (PEP), such condition also encompasses the PEP's representatives, family members or close collaborators. The new regulation expanded the list of PEPs among the three government branches (Executive, Legislative, and Judiciary), public prosecution service and state-owned companies—in the scope of all government spheres (Union, States and Municipalities).

Furthermore, the AML/CFT identification and qualification procedures implemented by SEs must consider also the risk profile of their employees, partners and outsourced service providers.

Mandatory registry of operations

The registry of operations became mandatory for all products and services provided by the SEs, regardless of value. The records must provide the identification of the parties involved in the operation—including the origin and destination of the funds for transactions relating to payments, receipts and transfers of funds by any means.

Reporting to Coaf

The reporting of suspicious transactions to the Council for Financial Activities Control (Coaf)—the Brazilian financial intelligence agency—must comply with specific formats and closing dates for its phases: monitoring and selection (up to 45 days), and analysis and communication (up to 45 days). This arrangement will enable greater efficiency in the use of reported information in Coaf's financial intelligence work.

The AML/CTF policy periodic review

The SEs must establish monitoring mechanisms in order to ensure the implementation and adequacy of their AML/CFT policy, procedures and internal control. To this end, SEs will periodically reassess the effectiveness of their AML/CFT framework and establish an action plan aimed at solving any identified deficiencies.

The BCB [Circular No. 3,978 \(only in Portuguese\)](#) will come into force on July 1, 2020.