

**Anti-Money Laundering and Terrorism  
Financing Plan.**

**Brascompany Digital Solutions and Training Ltd**

**Elaboration:**

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## Summary

1. Objectives
2. Knowing the topic
3. History
4. Braiscompany Soluções Digitais e Treinamentos Ltda plan

## 1. OBJECTIVES

- Define the concept of money laundering and financing to terrorism.
- Identify the steps of money laundering.
- Distinguish the sectors most likely to be used in the money laundering.
- Give examples of instruments that can be used in Money laundering
- Describe the evolution of the criminalization of money Laundering.

### Money laundering

The crime of money laundering is characterized by a set of operations commercial or financial companies that seek incorporation into the economy, so transitory or permanent, of resources, goods, and values of illicit origin and that develop through a dynamic process that theoretically involves three independent steps that often occur simultaneously.

Most criminal acts aim to generate profits for the individual or for the group that carry them out. Money laundering is the processing of these profits, proceeds of crime, to disguise their illegal origin, allowing the criminals to enjoy these benefits without making their source public. This definition was given by the International Financial Action Group (GAFI, Financial Action Task Force – FATF).

When a criminal activity generates significant gains, it is necessary to find a way to justify so much money, without drawing attention to the crime being committed. And how do criminals do this? Disguise the origin of money, change its form, use other people's names, acquire goods, move them somewhere where they would attract less attention.

### IMPORTANT

In general terms, money laundering is giving the proceeds of crime a lawful appearance. Thus, money laundering allows traffickers, smugglers to weapons, terrorists, evaders, moneylenders, civil servants, deputies, mayors, senators, governors, councillors, and administration secretary's public, among others, try to legalize the proceeds of crime using techniques that do not draw the attention of tax authorities regardless of payment or not income tax.

### Terrorism Financing

Terrorist financing is the financial support, by any means, to terrorism or those who encourage, plan, or commit acts of terrorism.

Terrorist financing is intended to provide funds or capital for terrorist activities. This fundraising or capital can happen from various forms, including from legal sources, such as membership contributions, donations, or profits from various commercial activities as well as from sources criminal activities such as drug trafficking, arms smuggling, prostitution of goods and services improperly taken based on force, organized crime, fraud, kidnapping, extortion, etc.

The fight against the financing of terrorism is closely linked with the combating money laundering, as the techniques used to launder money are essentially the same ones used to hide the origin and destination of the terrorist financing, so that sources continue to send money without be identified.

## 2 - KNOWING THE TOPIC - Stages of the money laundering.

To disguise the illicit origin of the resources without compromising those involved, criminals basically use mechanisms that involve three steps independent, but which can occur simultaneously, seeking:

- **First**, the distancing of resources from their origin, avoiding their direct association with crime.
- **Second**, the disguise of their various movements to make it difficult to tracking of these resources.

• **Third**, making the money available again to criminals, after that it has been sufficiently moved in the wash cycle and can be considered “clean”.

Formally, the phases of this process are named as **placement, concealment, and integration**, as detailed below.

#### **PLACEMENT**

The first step in the process is placement the money obtained by means illegal acts in the formal economic system, that is, in companies and institutions that operate regularly. To distance the money from its illicit origin, the criminal seeks move money in countries with more permissive rules or in those that they have a financial system with less stringent controls.

Placement is carried out through deposits, purchase of negotiable instruments or purchase of goods. To make it difficult to identify the origin, the criminals apply sophisticated and increasingly dynamic techniques, such as the fractioning of the amounts that pass through the financial system and the use of commercial establishments that usually work with cash, like gas stations, laundries, restaurants.

#### **CONCEALMENT**

The second step in the process is to make it difficult to track the illicit resources. The objective is to break the chain of evidence before the possibility of conducting investigations into the origin of the money.

Criminals seek to move it electronically, transfer the assets for anonymous accounts - preferably, in countries covered by the law of bank secrecy - or make deposits in accounts opened in the name of “oranges, or even using fictitious or facade companies.

#### **INTEGRATION**

In this last step, the assets, which already appear to originate from businesses lawful, are formally incorporated into the economic system. The criminal organizations seek to invest in ventures that facilitate their activities, such companies may provide services to each other. Once the link is formed, it becomes easier and easier to legitimize illegal money.

#### **Sectors most susceptible to use in money laundering**

Studies on the subject demonstrate the predilection of criminals for some economic segments in money laundering transactions. Such preference is given due to the particularities of these activities that, without due care, can facilitate placement, concealment, and integration of the criminal asset into the economic system. In addition to specific activities to launder money, offenders also have preferences for some countries to conceal laundered money, taking advantage of different tax regimes, international cooperation, and law enforcement.

Real estate market, games and sweepstakes, e-commerce, stock market traditional, stock exchange and counter and now **cryptocurrencies**.

#### **EXAMPLES OF INSTRUMENTS THAT CAN BE USED**

##### **Facade Company**

A legally constituted entity that participates in legitimate commerce is used to account for resources arising from illegal activities. In some cases, the company mixes illicit resources with resources from its own activity.

##### **Fictitious company**

The company incorporated only by means of documents (paper only). Unlike the facade company, the fictitious company has no economic activity and is used to account for proceeds from crime.

## "Orange"

The intermediary agent that performs on your behalf, by order of third parties, commercial or financial transactions, concealing the identity of the real agent or recipient. In some cases, "orange" is aware that it is being used and it is even remunerated for the "provision of services". In others, innocent people, most of the time with little education and low purchasing power, are used as "oranges", unknowingly ("lend" your name to open accounts, issue powers of attorney to open facade companies, for example). Documents lost or stolen are also tools used by criminals the creation of "oranges".

### **Fraudulent Imports - Overbill**

Import invoices are issued with a value higher than the transaction. The difference is paid with amounts of illegal origin. The supposed import operation covers up resources of criminal origin, enabling the sending of illicit resources abroad, as payment for imported products.

### **Fraudulent Exports - Overbill**

Export invoices are issued with a value higher than the transaction. The difference is paid with amounts of illegal origin. The supposed export operation covers up resources of criminal origin, enabling the receipt of resources from the exterior (resources to be "washed", or integration of resources already "washed").

### **Structuring**

Fractionation of money from crime in amounts below the limit established by Organs regulatory bodies for the communication of the operation.

### **Fraudulent Real Estate Sale**

Properties are purchased with resources of illicit origin, for values officially lower than the amounts actually paid. The difference between the value of the transaction and the officially declared amount is paid in cash. At next, the property is sold at market value and the profit apparently generated is used to justify the origin of the money.

### **Use of Insurance Products**

A person acquires goods with illicit money and takes out insurance for a certain amount, normally paying the insurance premiums (monthly fees). Sometimes, the insured amount is increased through policy endorsement. Posteriorly a claim is simulated, and the insurer pays the amount for which the asset was insured. The insurance beneficiary receives payment from the insurer (lawful origin), mix this value with other values of illicit origin and justifies the origin of the money the receipt the claim.

### **Cape Dollar**

Transfer of resources "from" and "to" abroad, by companies and/or persons not authorized by the Central Bank to carry out exchange and/or foreign exchange transactions official registration and control mechanisms.

### **Purchase of Assets or Monetary Instruments**

Tangible assets - such as cars, boats, aircraft, real estate, precious metals – or monetary instruments – money orders, postal orders, administrative checks, traveller's checks, shares - are purchased upon payment with cash, obtained through criminal activities.

### **Currency Smuggling**

Cash is physically transported to other countries through artifices that allow its concealment, for example, accommodation in secret bags or compartments in the means of transport used; mix with resources transported in armoured cars; concealment in exported goods (stoves, refrigerators, microwave ovens etc.).

### **Blend**

Illicit resources are mixed, merged, with resources of legitimate origin of a company. The total volume is presented because of the operational billing.

### **Electronic Transfers**

Illicit resources are transferred, within the country or abroad, through electronic transactions available on the banking network. Electronic transfers allow you, easily and quickly, to transfer large sums of money for one or multiple holders.

### Internal Agent Complicity

Employees of financial or business institutions are enticed to facilitate the execution of transactions with resources of illegal origin. In general, the accomplice employee performs operations not allowed by the institution or, when otherwise, it fails to comply with security procedures determined by the institution and/or by law, such as, for example, identifying the depositor or communicating the evidence of money laundering to the competent authorities.

### 3 - EVOLUTION OF CRIMINALIZATION OF WASHING MONEY

#### THE CHINESE ARRESTED JIAMIN ZHANG, THE CHINESE FROM MARCH 25 IN SÃO PAULO

The reports show that, at the first ringing of the bell by the team from Federal Police, started the commotion in the apartment of Chinese Jiamin Zhang, in Mooca, downtown São Paulo, on that morning of November 19, 2018.

As the police insisted on entering, they heard shouts in Mandarin, agitated footsteps a door slamming inside the property. By breaking into the entrance of the apartment, delegates and agents found five Chinese, all relatives. Zhang – he would be arrested moments later at another address in the city of São Paulo. At the motionless, while one of the Chinese hid cellphones in the barbecue on the balcony, a woman had just dropped dozens of wads of money into the washing machine, a total of 330 thousand dollars, 10 thousand euros and 57 thousand reais.

The irony of the situation came to the attention of police officers, as Jiamin Zhang was accused of operating a gigantic money laundering from trafficking cocaine. The Chinese used strategies already known in the field, such as the use of the cable dollar and facade companies, but also bet on a new method for money laundering: cryptocurrencies.

Investing in digital assets is not a crime in Brazil, however, the ease of buying and selling on international exchanges can facilitate money laundering and terrorist financing.

Basically, cryptocurrency serves so much to hide original illicit money as to move it around the world, in transactions that are being nicknamed bitcoin-cape: in Brazil, the money changer deposits a certain amount in reais into an exchange's account, which converts the amount into bitcoin, and deposits it into a portfolio, being possible to withdraw the equivalent amount in dollar or euro through another exchange abroad. Money is transferred without Central Bank control, much fewer paying taxes, this is a clear case of laundering money and foreign exchange evasion.

At the address on Avenida Cassandoca, in Mooca, named by the Federal Police of "Chinese Head Office", several calendars and worksheets were seized. Computer with most of Jiamin Zhang's washing schemes. The material served for the Federal Police to open a new investigation, this time in São Paulo, in charge of by delegate Valdemar Latance Neto. The PF set up an extensive organizational chart with 74 companies, all with common oranges or accountants, headquartered in São Paulo and in Limeira, in the inland of São Paulo. Later, Latance Neto obtained it from Coaf (Council of Financial Activities Control) reports of suspicious financial transactions of these companies between 2015 and 2020, in a total of 33 billion reais (at this point, the delegate emphasizes that there is probably a repetition of transactions between reports).

"The fact that all these companies were facade companies was noteworthy, and, in name of oranges, and there was no justification for such a move large amount of money," Latance told to Piauí magazine.

Of the set of companies, three concentrate the most atypical transactions: Global, WFQ and SJ Business Intermediation. The address of the three matches with a hotel in Brás, in São Paulo, whose owner is also Chinese. Latance Neto began to analyze the path of money moved by the three companies based on suspicious transactions identified by Coaf and found that only between February and April 2019, Global and SJ deposited 111.4 million reais in accounts

from Bitseller Serviços Digitais, a cryptocurrency broker based in Aparecida of Goiânia, Goiás.

Recently, another report published by SBT News reports new activity carried out by criminal organizations commanded by the same Chinese, <https://www.sbtnews.com.br/noticia/brasil/168642-crime> office-operated-by Chinese-and-investigate-by-pf that used cryptocurrencies to wash money and make it difficult to identify criminals.

So, knowing that people can use Braiscompany to wash money, as in the case above, we present:

#### **4 - BRAISCOMPANY PLAN AGAINST THE WASHING OF MONEY**

Inspired by the company's values, this plan serves as a guide for conduct that should be adopted, in the daily activities, applying to everyone, at all operating levels.

We understand that the main obligation that Braiscompany has to avoid the Crime of Money Laundering and Terrorism Financing is KNOWING YOUR CLIENT is a natural or legal person, behold, the company can be used, inadvertently, as an intermediary, in some process of concealment the true source of funds from criminal activities, especially in the second phase of the money laundering process, in which the objective is to "break" the chain of evidence of the origin of the money (traceability), also known as a process of concealment.

In this sense, in addition to the obligation to complete the REGISTRATION, the main control adopted by Braiscompany is the requirement of its LESSORS to that every contract and opening of Exchange accounts be made, exclusively, through transfers of the same ownership, thus restraining the possibility of using this company in the first stage of the money laundering, or from financing terrorist activities.

#### **LESSOR IDENTIFICATION**

The LESSOR's initial registration must be formalized with the area of registration and approved before the first contract, with documents and information needed.

Braiscompany accepts foreign LESSOR as long as it has CPF issued by the Federal Revenue of Brazil and that negotiation be done by National Exchange and must be especially careful with investors from border regions.

In order to obtain an adequate identification of LESSORS, all information listed below are requested, which are analyzed by the area of register as follows:

#### **PHYSICAL PERSON**

- The register form and duly signed Terms/Contracts
- Origin of the resources that will be invested.
- Copies of RG, CPF and proof of residence.
- Income Tax Return Delivery Receipt
- What is the business purpose with Braiscompany.

In cases where there is a power of attorney, the original power of attorney must be sent drawn up and recognized in a notary's office, as well as the term of inclusion of the attorney. Also, send the attorney's document (follow the same definitions as LESSOR for identification document).

Powers of attorney that are non-standard must be analyzed and approved by the legal department, or by a registry analyst who has the expertise to approve this kind of document.

#### **LEGAL PERSON**

- Registration Form and Terms/Contracts duly signed by the legal representatives,
- Directors or administrators.
- Copy of the Articles of Incorporation and/or the Last Consolidated and registered Amendment.
- Identification document of the partner(s), representative(s), attorney(s), according to the identification document of the Individual.
- Copy of the Balance Sheet and DRE duly signed by the accountant and legal representative (until May of the current year, balance sheets and DREs of the last or penultimate fiscal year, after May of the current year, it will only be accepted the balance sheet and income statement for the previous year. If not, send a statement stating the net worth and average monthly billing, signed by the company's accountant and legal

representative.

## **REGISTRATION**

It is the responsibility of the Registration area:

- 1) Perform identification routines, validation of registration data, and verification of the LESSOR's status as a Person Politically Exposed.
- 2) Correct and timely filling of the Registration Form.
- 3) Identification and proof of data of the LESSOR and representatives legal (name, profession, identification document, full address, telephone, and reference sources, among others).
- 4) Identification of partners, directors, representatives, and final beneficiaries of the amounts to be transacted upon opening the relationship and their respective percentage distribution (%) among the composition of their ownership structure.
- 5) Research on the LESSOR's professional activities (in Brazil and abroad).
- 6) Update of the Registration in a period not exceeding the period required by the regulation.
- 7) Check the registration signatures.
- 8) Consultations with Compliance when there is evidence of irregularity or doubt as to the procedure to be adopted in case of any irregularity.

## **LESSOR ACCEPTANCE**

Only if all information is validated and approved by the LESSOR will be accepted. In case of non-acceptance by the LESSOR, the LESSOR will receive communication from the registration sector.

Upon signing the contract, the LESSOR will receive information necessary to fulfil the contract, as well as the regulations that regulate operations of digital assets, from the obligation to declare the asset as "asset" in the income tax form of the Income Tax Declaration and its income as taxable.

Only after this information will the LESSOR be instructed to open the account on the national Exchange and, after transferring the asset to Braiscompany, the contract will start.

## **OBLIGATIONS OF INTERMEDIATOR**

It is the obligation of all Intermediaries and the Registration Area to participate of training and seminars on actions and programs for the Prevention in money laundry and Combating Terrorism.

Both the Intermediaries and the Registration Area must pay special attention to LESSORS classified as politically exposed.

In addition to taking care of the registration of LESSORS, any employee should note the following:

No employee of Braiscompany can receive any deposit in their personal account when this deposit is to be converted into a digital asset and subsequent transfer to a Braiscompany account.

1) Every employee must submit their Income Tax Declaration Individual or Legal Entity to the Compliance sector of Braiscompany, containing information about your assets and income.

2) All income from Braiscompany must be strictly declared by the treasury authorities. Any irregularities found in their declarations will be given a period for regularity of information, in which case, not proceeded with the regularization, the relationship of the same with Braiscompany, at any title will be closed.

## **POLITICALLY EXPOSED PEOPLE "PPE"**

According to resolution number 16 in article 1 – Paragraph 1 of the Board of Control of Financial Activities (Coaf), "they consider themselves politically exposed the public agents who perform or have performed, in the five previous years, in Brazil or in foreign countries, territories and dependencies, positions, relevant jobs or public functions, as well as their representatives, family members, and close collaborators".

We list four impacts that a company can suffer when dealing with a PPE:

- 1) Criminal lawsuit.
- 2) Deprivation of new business opportunities and partnerships.
- 3) Reduction in revenue due to the payment of fines and decrease of new businesses.
- 4) Bad reputation of the company or brand.

Punishments for corruption, fraud and money laundering activities are increasingly severe. Thus, it is essential that employees protect and protect themselves from these risks.

We highlight two main risks that Braiscompany runs if doing business with a politically exposed person:

- 1) Risks involving tax information, such as the omission of records and property, in addition to possible fraud related to taxation.
- 2) Risks involving financial information, mainly because of transactions with a large volumes of money, the origin of which is unknown.

These risks are eliminated from Braiscompany's preventive actions provided by the registration and compliance sector.

Upon registration, every LESSOR of Braiscompany is obliged to declare whether if he is or not a Politically Exposed Person.

All politically exposed LESSORS are defined by the system as high risk.

Compliance analyzes the data of occurrences generated by the system of Prevention of Money Laundering if atypicalities described in the regulation in force.

The REGISTRATION is responsible for communicating to regulatory bodies, respecting the operational flow as we will deal in this document.

It is mandatory to obtain authorization from the higher authorities for the establishment of the classified business relationships or for the continuation of existing relationships when the person or operation falls under this quality.

#### **CONCLUSION**

Braiscompany can be used, inadvertently, as an intermediary, in some process of concealment from the true source of funds coming from criminal activities, especially in the second phase of the money laundering process, in which the objective is to "break" the chain of evidence of the origin of the money (traceability), also known as the concealment process.

In this sense, the main control adopted by Braiscompany is the requirement to its LESSORS that all contribution and redemption of financial values are made exclusively through transfers of the same ownership, preventing thus, the possibility of using this company, in the first phase of the process of money laundering, or financing terrorist activities.

Involvement, even if unintentionally in illegal activity or criminal offences such as money laundering and terrorist financing is the reason of great concern for the company, therefore, in line with the philosophy and corporate values of its directors, is established as a policy, the most rigid and careful controls to prevent and combat money laundering and financing of terrorist activities.

In order to ensure that Braiscompany is not used as a channel for illegal resources, collaborators must apply all possible efforts to determine the identity of all LESSORS requesting the products and/or services of Braiscompany.

Commercial transactions with LESSORS are strictly prohibited who fail to provide proof of identity or any other document and relevant information required by the company for its registration.

In case of doubts or demands for clarification about the content of this Manual or on its application in relation to a specific matter, the Internal Controls & Compliance area should be consulted.

Adherence to this PLAN is mandatory for all collaborators of Braiscompany.

Failure to comply with the precepts contained in this PLAN and non-adherence, except when applicable and justified, it may lead to sanctions to be defined by the Compliance Board.

It should be noted that this PLAN was produced by Compliance and is not definitive, is always updated in accordance with the rules of procedures or laws that affect the matter.  
Campina Grande-PB August 30, 2021

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