

## MARKET BULLETIN

REF: Y4764

<b>Title</b>	Brazil – New Anti-Money Laundering Reporting Requirements for Managing Agents Writing Brazilian Business
<b>Purpose</b>	To advise the Market of reporting requirements for Anti-Money Laundering purposes applicable to Brazilian business.
<b>Type</b>	Event
<b>From</b>	Marco Castro Lloyd's General Representative & Managing Director, Lloyd's Brazil  Andy Wragg Senior Manager, Lloyd's International Regulatory Affairs
<b>Date</b>	27 January 2014
<b>Deadline</b>	28 February 2014
<b>Related links</b>	SUSEP Circular Letter Nr. 445 English: <a href="http://crystal.lloyds.com/~media/0C5CED4C433948BF94DE6DC894A3F5E5.ashx">http://crystal.lloyds.com/~media/0C5CED4C433948BF94DE6DC894A3F5E5.ashx</a> Portuguese: <a href="http://crystal.lloyds.com/~media/33435DFB746F461181CB6ABBCCADFD2C.ashx">http://crystal.lloyds.com/~media/33435DFB746F461181CB6ABBCCADFD2C.ashx</a>

**Executive Summary**

This bulletin is of relevance to all managing agents writing Brazilian business, and requires additional monitoring and reporting for the purposes of anti-money laundering ('AML') compliance.

Under UK regulatory requirements, managing agents will already have appropriate controls in place for the monitoring and reporting of suspicious transactions, and these procedures are over and above the requirements of the Superintendence of Private Insurance ('SUSEP'). However, SUSEP Circular Letter Nr. 445 of 2<sup>nd</sup> July 2012 ('Circular 445') requires the completion of additional specific reporting, which managing agents writing Brazilian business must comply with.

From 1<sup>st</sup> February 2014, managing agents must:

- Notify both the Lloyd's International Regulatory Risk ('IRR') Team and Lloyd's Brazil immediately when a suspicious transaction relating to Brazilian business is identified. This notification should be made via e-mail to both of the following e-mail addresses: [regulatoryrisk@lloyds.com](mailto:regulatoryrisk@lloyds.com) and [marco.castro@lloyds.com](mailto:marco.castro@lloyds.com);
- Provide Lloyd's with a report at the end of each month showing any Brazilian return premium transactions with a value equal to or in excess of BRL 50,000 (approximately GBP 12,500) which were not immediately notified to Lloyd's Brazil (having not being deemed suspicious and therefore not having required separate notification to the Counsel of Control of Financial Activities ('COAF'));
- This report must identify the individual or legal entity involved in the transaction, specify the business undertaken, its values and monthly amount, and include a risk assessment identifying why the transaction was deemed not suspicious.
- The report must be provided to both the IRR Team and Lloyd's Brazil, via both of the e-mail addresses given above;
- Reporting for the previous month should be made by the 5<sup>th</sup> of the following month – for example, any reportable transactions for the month of February 2014 must be made by 5<sup>th</sup> March 2014.

### **Background**

Circular 455 introduces enhanced AML requirements applicable to Brazilian insurance companies, local and admitted reinsurers, as well as branches and subsidiaries of foreign companies in Brazil. As Lloyd's is an admitted reinsurer in Brazil, these requirements are applicable to Lloyd's managing agents writing Brazilian business.

### **Reporting Requirements**

Under Circular 445, managing agents are required to report transactions in the following circumstances:

#### **A- Immediate Reporting of Suspicious Transactions**

There is an obligation to report suspicious transactions to COAF or to the Superintendence of Private Insurance ('SUSEP') within 24 hours. Suspicious transactions are defined in Article 13, 'II' of Circular 445, by reference to a list of criteria which should trigger a suspicion of potential money laundering. These triggers align with the anti-money laundering red flags to which managing agents should already be attentive under the U.K's Proceeds of Crime Act 2002. Transactions of this nature (and indicators of which managing agents should particularly take heed) will be characterised by:

- unnecessarily complex networks of brokers;

- A high frequency of claims under the reporting limit (but cumulatively in excess of the limit);
- Reluctance to provide full information regarding the transaction, and any transaction which does not fit in with the socioeconomic profile of the client, or the market conditions in general.

A referral must be made within 24 hours of suspicion being aroused and should be made to both Marco Castro, Lloyd's Brazil MLRO, at [marco.castro@lloyds.com](mailto:marco.castro@lloyds.com) and the IRR Team, at [regulatoryrisk@lloyds.com](mailto:regulatoryrisk@lloyds.com). Lloyd's Brazil will then organise for the required report to be made to COAF/SUSEP on behalf of the managing agent.

### **B- Monthly Reporting of Certain Above-Threshold Transactions**

From 1<sup>st</sup> February 2014, managing agents writing Brazilian business must file with Lloyd's at the end of every month any return premium transaction which is greater than or equal to BRL 50,000. Managing agents should ensure that they identify the individual or legal entity involved in the transaction, specify the business done, its values and monthly amount, and include risk assessment as to why, based on the parameters previously indicated by the MLRO, it was clear that the transaction was not suspicious and therefore did not require notification to COAF.

Each transaction which satisfies these criteria must be included in a monthly report, submitted to both Lloyd's Brazil [marco.castro@lloyds.com](mailto:marco.castro@lloyds.com) and the IRR Team at [regulatoryrisk@lloyds.com](mailto:regulatoryrisk@lloyds.com). This report should be filed by the 5<sup>th</sup> day of the subsequent month.

Lloyd's Brazil will then collate the monthly reports submitted by managing agents, and will keep them on file. Lloyd's Brazil is required to file with the regulator a nil return by the deadline of the 20<sup>th</sup> of each month.

For the purposes of compliance with Circular 445, Marco Castro is the MLRO for Lloyd's Brazil.

### **Further Information**

Should managing agents require further information, please contact:

Lloyd's International Trading Advice

Lloyd's Brazil