

## MARKET BULLETIN

REF: Y4794

<b>Title</b>	Brazil – New Anti-Money Laundering Reporting Requirements for Managing Agents Writing Brazilian Business
<b>Purpose</b>	To update 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>	25 April 2014
<b>Deadline</b>	1 May 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. This Bulletin replaces previously issued guidance regarding Brazilian AML reporting requirements, issued in Bulletin 4764.

- ***Key change to Bulletin 4764***

From 1 May 2014, Lloyd's will be centrally reporting on behalf of the Market any Brazilian return premiums with a value equal to or in excess of BRL 50,000, which will replace the requirement for the Market to notify Lloyd's of any such return premium. **This does not remove the requirement for the Market to notify Lloyd's immediately of any Brazilian suspicious transactions.**

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 additional to 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.

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) and copy to [Rafaela.barreda@lloyds.com](mailto:Rafaela.barreda@lloyds.com).

### **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.

- ***Definition of 'Brazilian business'***

For the purposes of the reporting requirements in this bulletin, Brazilian business includes any risks where the reinsured is located in Brazil.

### **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 the Conselho de Controle de Atividades Financeiras ('COAF') or to the 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 copy to [Rafaela.barreda@lloyds.com](mailto:Rafaela.barreda@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> May 2014, Lloyd's will centrally report on any Brazilian return premium transactions written by the Market where the return premium amount is greater than or equal to BRL 50,000. This will remove the previous requirement on the Market to report these transactions separately to Lloyd's.

Circular 445 requires that all transactions which satisfy these criteria must include a risk assessment as to why the transaction was not deemed to be suspicious. In order to obtain this detail, Lloyd's will contact the managing agent who leads the placement to which the return premium relates requesting this risk assessment, and, if necessary, record this on the monthly report for COAF.

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:

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