



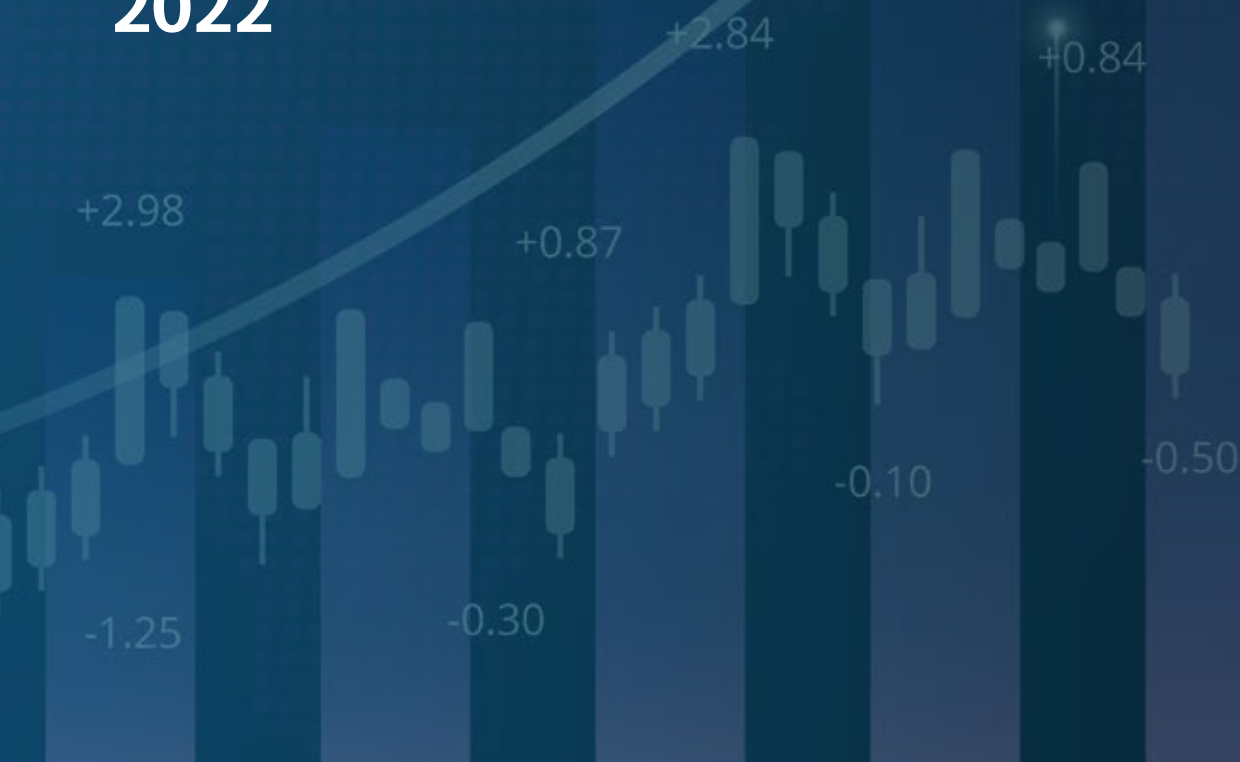
ABRACAM

Associação Brasileira de Câmbio

ABRACAM Compliance Seal

Annual Report

2022





The ABRACAM Seal is a self-regulatory effort that results in a safer and more reliable business environment for all participants in this market.

The second year of evaluation ended with very positive results, both due to the increase in certified institutions and the perceived improvement in programs to prevent money laundering and terrorist financing.



Kelly Cristina Gallego Massaro
CEO of ABRACAM

For some years, ABRACAM has been undertaking actions to strengthen the foreign exchange market, especially in relation to national and international AML/CFT good practices, defining Institutional Policies, creating a Shared Ombudsman Service, an independent Ethics Committee made available to members, External Whistleblower Channel, Professional Certification Program for employees and managers, in partnership with the Getúlio Vargas Foundation – FGV, in addition to a robust training and training program.

Despite all these efforts and investments, a way was still needed to demonstrate the effectiveness of these measures and to remove non-compliant agents. With this objective, the AML/CFT Compliance Seal for the foreign exchange market emerged, a project designed in partnership with associated banks and permanent dialogue with the Conduct Supervision Area of the Central Bank of Brazil, based on a requirements roadmap that was based on the rules of Circular No. 3,978/20, which are measured, uniformly and confidentially, by the independent audit firm Ernst & Young – EY, in this second cycle.

All these measures, associated with the joint work with the Regulator, within the scope of the Technical Cooperation Forum, which resulted in the creation of the Compliance Seal, provided conditions for an increase in the operational limit for the foreign exchange brokers.

It is with great satisfaction that, in only two evaluation cycles, we can present such significant results, indicated in this Report, attesting to the progress achieved and indicating that important improvements have been and need to continue to be implemented by institutions that are members of the foreign exchange market, always seeking excellence in their controls and in their AML/CFT practices.



José Augusto Varanda
Member of the Advisory Committee of ABRACAM

It was a great challenge for the ABRACAM team, which in just four months, and during the most acute phase of the Covid-19 pandemic, developed the work of creating, regulating and implementing the AML/CFT Compliance Seal for the foreign exchange market, in support of the decision of the associated banks that were part of the Forum constituted jointly with the Conduct Supervision Department of the Central Bank of Brazil, under the coordination of Gerson Luís Romantini.

An even greater challenge because, as is common in most innovative initiatives, there was no reference model in our country, so the process had to be fully designed internally. After many years of experience working at the Central Bank of Brazil and the Federal Government, facing complex challenges, I can assure you that if it were not for the dedication and excellence of the people involved in this project, it would not be possible to make it possible in such a short time.

Today the Seal is a consolidated action, although there is always room for improvements and expansion of scope, including to cover other business segments. An action that, with its positive effects in terms of mitigating LD/TF risks, has effectively contributed to the safety of institutions and their clients, and to the raising of the standard of mutual trust in the relations between agents operating in the foreign exchange market.

Frederico Ventriglia
Presidente EY Partner and Financial
Crime Leader for Brazil



I have been following the ABRACAM Compliance Seal since its launch in October/20, and having been responsible for the practice of Preventing Financial Crimes at EY for more than five years, I can say that it is undoubtedly one of the main initiatives to combat and prevent money laundering and terrorist financing in recent years.

It was a pleasure for EY to be the company chosen to conduct the evaluations of the second cycle of the Seal and, personally, a privilege to have led this project during 2022.

This year's results demonstrate the evolution of the Seal as an instrument for self-regulation and also for the dissemination of AML/CFT best practices, and I am convinced that this is only the beginning.

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A person in a dark suit and white shirt is pointing their right index finger at a tablet. The tablet screen displays a financial dashboard with a bar chart at the top, a world map in the center, and various data points and charts at the bottom. The background is a blurred office setting.

ABRACAM – Brazilian Exchange Association

About us

ABRACAM – Brazilian Exchange Association is a non-profit entity which represents financial institutions authorized to operate in the Brazilian foreign exchange market, their correspondents and companies supporting foreign exchange activities. For more than 21 years the Association has been working tirelessly to improve and strengthen the business environment in this market, through permanent, frank and participatory dialogue with regulatory and supervisory government authorities, in favor of the economic and social development of the country.

The Association promotes the synergistic debate of various topics of interest to the foreign exchange segment, in working groups, forums and events that count on the participation of associated institutions, government agencies and, eventually, other class associations of the financial market.

It also seeks to develop economic and technological strategies to reduce risks and possible bottlenecks, in order to provide greater security and better operability to the businesses of its associates, while providing them with a wide base of information and statistical data on the foreign exchange market.



Mission, Vision and Values

1 Our Mission



Foster the expansion and strengthening of the Brazilian foreign exchange market, on solid and secure competitive bases.

2 Our Vision



Eliminate unfair competition practices, strengthen fraud prevention, money laundering and terrorist financing, contributing to a competitive, healthy and fair market.

3 Our Values



Ethics, transparency and loyalty, especially in the relationship with associates, with the government agencies of the three powers – at the federal, state and municipal levels – in short, with Brazilian society as a whole.

Citizenship, professionalism, socio-environmental responsibility, and equality in the treatment given to members are also relevant values for the Association.



Governance

The governance pillars of the Association are: the **Administrative Council**, elected at a general meeting of associates, with a three-year term and composed of representatives of associated institutions; the **Professional Executive Management**, composed of executive presidency, board and administrative management, with exclusive and independent dedication; the **Advisory Committee**, composed of the director, the administrative manager and external consultants with proven experience in the area, which advises the executive presidency in its functions; and the **Ethics Committee**, composed of three effective members and two alternates, which acts independently, from an external Whistleblower Channel made available to all associates.

Pillars of governance



Administrative
Council



Advisory
Committee



Professional
Executive
Management



Ethics
Committee

Our performance



Support: Third party services provided to associates with cost reduction from the process of solidarity economy; Ombudsman; Ethics Committee and whistleblowing channel; Market monitoring; and Clarification of doubts about any of the Association's activities.



Research, Development and Information: Working groups; Impact studies; Statistics; Economic projections; and Weekly Newsletter.



Education: Training and qualification aimed at professionals from all areas of the foreign exchange market, both in person, online or on an EAD platform; Customized courses in company; and Professional certification at two levels, ABT1 and ABT2, aimed at professionals and managers who work in the areas of negotiation with clients, compliance, risk assessment, internal controls and backoffice.



Representation: Participation in working groups of the authorities aimed at discussing and defending the rights and interests of the segment, as well as seeking the necessary alignment to fulfill the regulatory objectives and strengthen the financial system and its relations with society.

A photograph of two men in business suits sitting at a table in a modern office. The man on the right is leaning forward, resting his chin on his hand, looking intently at the man on the left. The man on the left is holding a pen and looking down at a document. On the table are two cups of coffee, a laptop, and some papers. The background shows a blurred view of a city building.

The Compliance Seal

History



The ABRACAM Compliance Seal in AML/CFT for the foreign exchange market, or simply 'Seal', was created within the scope of a Forum constituted between ABRACAM and the Central Bank of Brazil (DECON), with the participation of associated institutions, based on the perception that the market, which had already been suffering difficulties and heavy sanctions by the Supervisor, would face an even greater challenge to adapt to the new AML/CFT rules of Circular No. 3,978/20, which evolved from a prescriptive format of the previous standard (Circular No. 3.461/09), to greater freedom and responsibility of financial institutions in defining their own AML/CFT policies, procedures and controls.

In order to enable a prompt response to this challenge, the work of designing and implementing the initiative was developed by ABRACAM in a few months with the objective of making the Seal available to the foreign exchange market simultaneously with the validity of Circular No. 3,978, which occurred on October 1, 2020.

The process was conceived as a market self-regulatory initiative, and is based on a detailed assessment of the policy, structure, procedures (including KYC, KYE and KYP) and training of employees, in terms of AML/CFT, of each financial institution and its agents.

This evaluation is conducted by an independent auditing company, accredited by ABRACAM, following the regulation prepared by it and widely disclosed to the market. In the first cycle of the Seal (2021) the accredited company was Mazars Brasil and, from the second cycle, started in 2022, Ernst & Young – EY was accredited.

Thus, the audit process, which also involves some level of advice at affordable costs, in addition to providing greater robustness to the controls and procedures applied by financial institutions authorized to operate in foreign exchange, has as its central objective to promote full alignment with the AML/CFT standards of the Central Bank of Brazil, with a view to ensuring compliance, in order to mitigate the risks involved and provide greater security in relations between the agents of this market, gradually eliminating unfair competition that insists on using asymmetric practices.

Seal series



In order to make the process feasible, ABRACAM started from a gradualist, risk-oriented approach, which initially covered three main series, without prejudice to the future existence of others:

- **1000 Series:** For banks operating in the foreign exchange market.
- **2000 Series:** For foreign exchange brokers, brokerage houses, and securities dealers.
- **3000 Series:** For foreign exchange correspondents.

In the first cycle of the Seal, which covered the period from October 1, 2020 to December 31, 2021, implementation was gradual and started with the 2000 Series, followed by the 1000 Series and later by the 3000 Series. As a result, financial institutions and their correspondents had a total period of 360 days to obtain the Seal, counted from the date of implementation of the respective Series.

From the second cycle, in 2022, there was no longer a defined schedule for these three Series, and financial institutions and foreign exchange correspondents started to renew their Seals until the original due date, since the Certificate is valid for one year and must be renewed each cycle, following the same process.

The application for the Compliance Seal remains open to institutions, their correspondents and partners that, for any reason, have not yet obtained it.



The ABRACAM Compliance Seal is issued only for financial institutions or correspondents that meet the minimum requirements required in the regulation.

For each Seal Series, specific compliance requirements were defined, based on the requirements of Circular No. 3,978/20 , to be measured in order to prove the existence and adequacy of the AML/CFT policies, procedures and controls of the authorized institution or its correspondents, and compliance with the rules of the Central Bank of Brazil, strictly applied to foreign exchange operations.

Requirements (1000 and 2000 Series)	Requirements (3000 Series)
<div>1. AML/CFT policy.</div> <div>2. AML/CFT structure.</div> <div>3. AML/CFT Training and ABT1 and ABT2 Certifications.</div> <div>4. Internal risk assessment and Methodology.</div> <div>5. KYC procedures.</div> <div>6. MSAC procedures.</div> <div>7. KYE, KYS, KYP procedures.</div> <div>8. Internal Audit on AML/CFT and foreign exchange.</div> <div>9. Effectiveness assessment.</div> <div>10. Special control services.</div> <div>11. ABRACAM Seal Control.</div>	<div>1. Correspondent Agreement.</div> <div>2. Identification of ultimate beneficial owner (Corporate structure and administrators).</div> <div>3. AML/CFT training and ABT1 Certification.</div> <div>4. KYC procedures.</div> <div>5. Monitoring Procedures.</div> <div>6. Whistleblower Channel.</div>

Regulation



The assessment of compliance requirements is carried out by a single audit firm in order to ensure the lowest cost, uniformity of information collection and processing processes and the equality of evaluations.

From the results of the analysis of the compliance requirements, the audit firm assigns a grade from 1 to 10 to each requirement. In the final report, which is confidential and presented only to the financial institution, notes of improvement are made if the grade falls below the minimum standard established, grade 9, or higher.

The criteria for assigning the grades were developed by the audit firm and validated by ABRACAM.

The Seal is issued to institutions or foreign exchange correspondents whose sum of the grades of all evaluated requirements reaches the minimum standard.

If there are deficiencies that prevent obtaining the Seal in the first audit, the institutions or correspondents may resolve the notes and submit to a new audit, which will assess whether the adjustments were made and the minimum score reached.

The Seal is valid for one year, and must be renewed near the expiration date.

Evaluation process

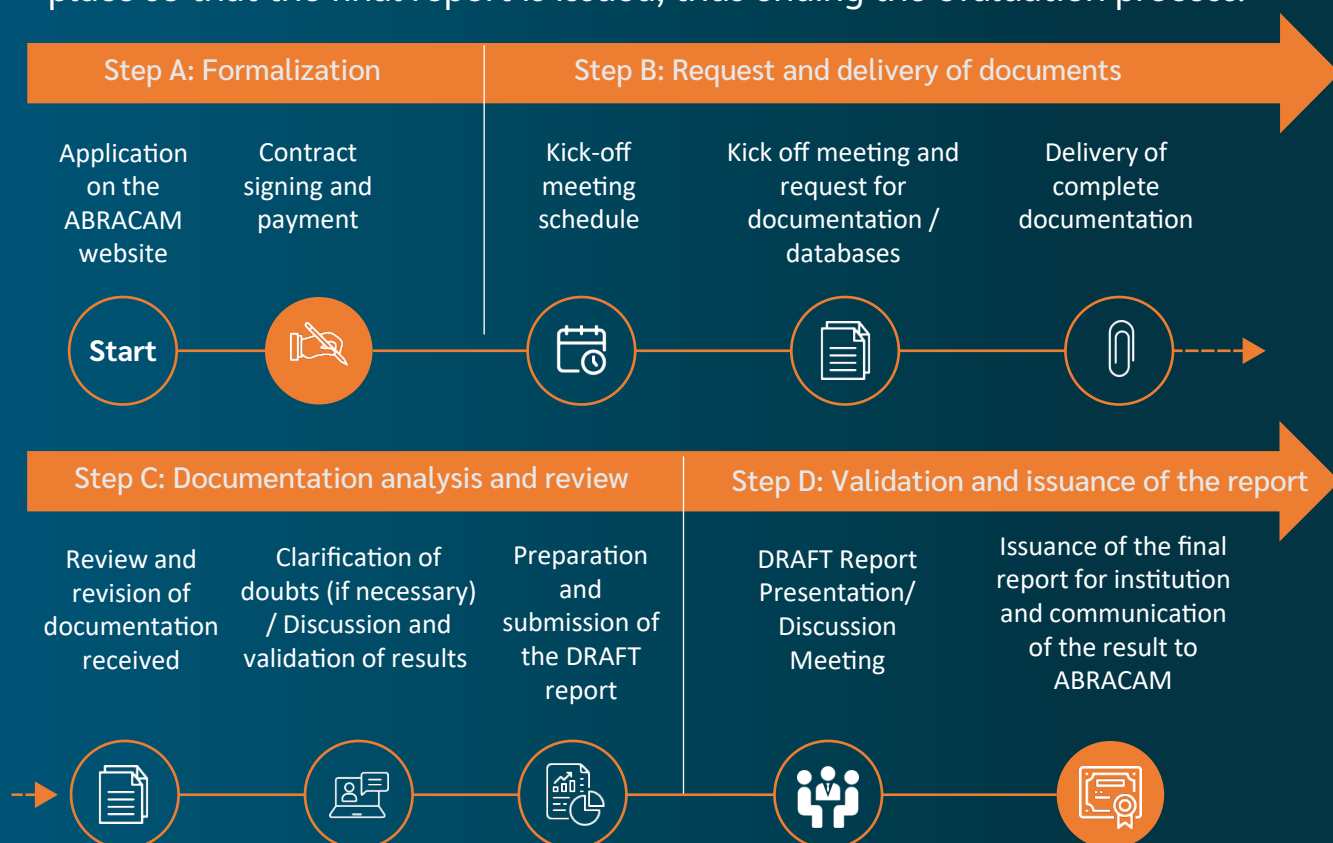


The evaluation process is currently divided into 4 stages, the first being initiated with the institution expressing interest in obtaining or renewing the Seal through the ABRACAM website. From this moment on, the formalization process begins with the Association and the audit firm is notified so that it already considers the institution in its planning.

In the next step, the audit firm holds the kickoff meeting, which is considered the assessment initial milestone. In this meeting, all the information and guidance on how the evaluation will work are passed and then the questionnaires and requests for information are sent.

Then, in possession of all necessary documents, the audit firm performs the analysis and evaluation of compliance with the requirements of the Seal, which are documented in a preliminary report.

In the final stage, the discussion and validation of the preliminary report takes place so that the final report is issued, thus ending the evaluation process.

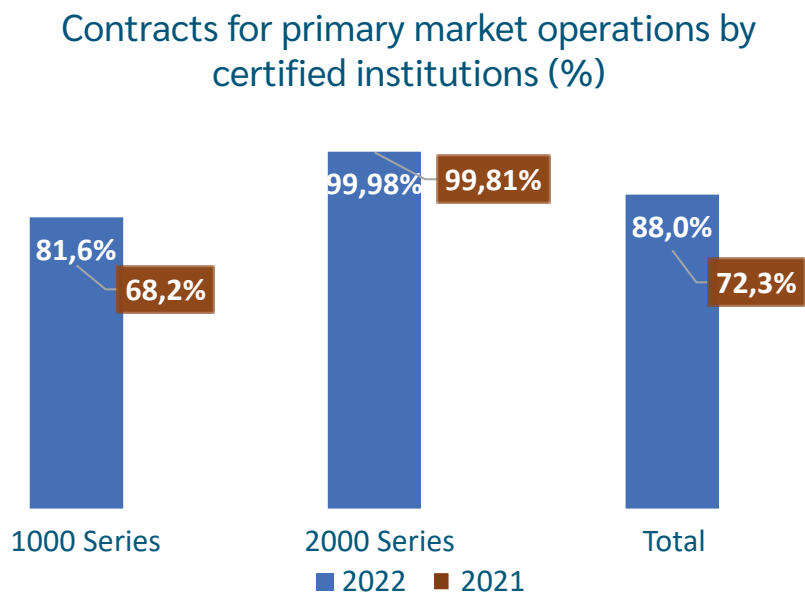
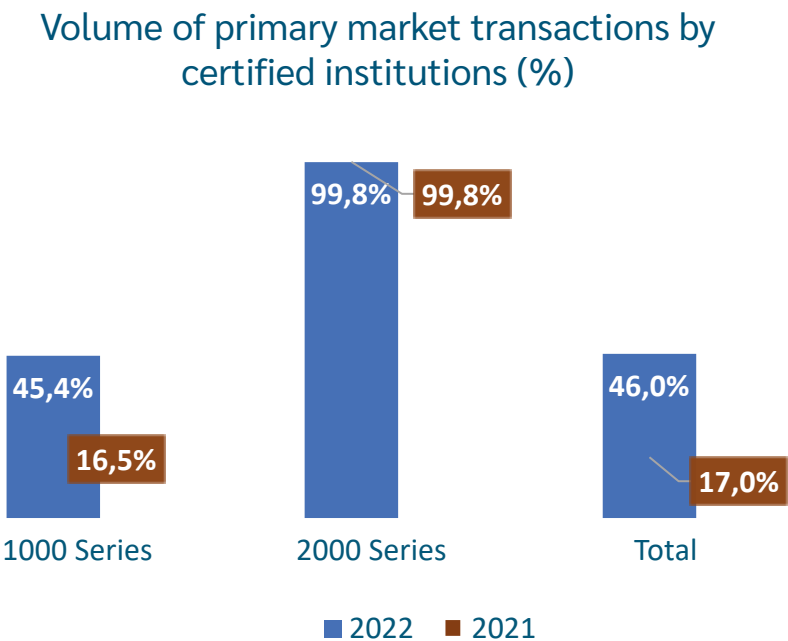


The background image shows a person's hands working at a desk. One hand is holding a pen over a laptop keyboard, while the other is holding a pen over a document. The document features a pie chart and several bar charts. The entire scene is overlaid with a semi-transparent blue filter.

Results in 2022

Executive summary

By the end of the second cycle, it was possible to verify an increase in adherence to the Seal, especially by banks, a greater awareness of the market regarding the relevance of the Seal and an evolution in the level of maturity of the AML/CFT programs of the institutions.



COMPLIANCE (*)

18 Banks

67 Brokers

~400 Correspondents

COVERAGE

At the end of 2022, about **46% of primary foreign exchange market operations** were conducted by **certified institutions and agents**.

VISIBILITY

The positive effects of the Seal are felt and reported not only by financial institutions, but also by the supervisory area of the Central Bank of Brazil.

(*) Institutions with valid seal or in the evaluation process

Executive summary



46% of the total volume of foreign exchange transactions recorded were carried out by institutions with ABRACAM SEAL, representing a growth of **270%** compared to the first year.

AML/CFT Policy and Structure

81% 1000 Series

56% 2000 Series

Training and ABT1/ABT2 Certifications

50% 1000 Series

73% 2000 Series

96% 3000 Series

Internal risk assessment

86% 1000 Series

55% 2000 Series

KYC

Qualification

75% 1000 Series

66% 2000 Series

94% 3000 Series

It is important to emphasize that institutions must adopt reinforced management and mitigation controls for situations of higher risk and the adoption of simplified controls in situations of lower risk supported by their IRA methodologies.

MSAC

94% 1000 Series

95% 2000 Series

It is important to highlight the recommendation to adopt a continuous monitoring strategy to ensure that the expected results continue to be achieved. This strategy should include aspects to detect possible process failures (data or systemic) in time, as well as possible trend identification. These aspects should serve as triggers for impact analysis and possible action taken to mitigate, remediate or solve identified problems.

Effectiveness Report

75% 1000 Series

53% 2000 Series

Audit

94% 1000 Series

91% 2000 Series

Whistleblower Channel and Monitoring

99%

3000 Series

1000 and 2000 series – Main aspects observed

The compliance requirements for obtaining the 1000 and 2000 Series Seal were evaluated based on a pre-established roadmap that covers all aspects provided for in regulation.

1. AML/CFT policy <ul style="list-style-type: none"> • Policy existence. • Policy approval.. • Policy Disclosure. • Sufficiency of policy. 	5. KYC procedures <ul style="list-style-type: none"> • KYC manual. • Adequacy of the KYC manual. • Procedures application. 	8. Internal audit on AML/CFT and exchange <ul style="list-style-type: none"> • Internal Audit Plan. • Internal Audit Reports. • IA’s findings regularization process.
2. AML/CFT structure <ul style="list-style-type: none"> • Governance structure. • AML/CFT Director. • Conflict of interest. 	6. MSAC procedures <ul style="list-style-type: none"> • MSAC manual. • MSAC manual update. • MSAC manual approval. • Adequacy of the MSAC manual. • MSAC information. • Procedures application. 	9. Effectiveness assessment <ul style="list-style-type: none"> • Existence and adequacy of the Effectiveness Assessment report. • Effectiveness Assessment Report report. • Effectiveness Assessment Notes. • Effectiveness Assessment’s findings regularization process.
3. AML/CFT Training and ABT1 and ABT2 certifications <ul style="list-style-type: none"> • Existence of training - planning and material. • Training sessions. • Training of AML/CFT and foreign exchange employees. • ABT1 Certification. • ABT2 Certification. • Training of foreign exchange correspondents. • Certification of foreign exchange correspondents. 	7. KYE, KYS, KYP procedures <ul style="list-style-type: none"> • KYE manual. • KYE manual approval. • Adequacy of the KYE manual. • KYS manual. • KYS manual approval. • Adequacy of the KYS manual. • KYP manual. • KYP manual approval. • Adequacy of the KYP manual. • Manual of procedures for Knowing Your Foreign Exchange Correspondent. • Foreign exchange correspondent risk rating. • Procedures for monitoring the operations of foreign exchange correspondents. • Procedures application. 	10. Special control services <ul style="list-style-type: none"> • Adherence to special control services. • Communication of the results of the special services to senior management. • Camera monitoring service. • Inclusion of problems identified in the Effectiveness Report. 11. ABRACAM Seal control <ul style="list-style-type: none"> • Transaction with institutions or correspondents not holding the ABRACAM Seal.
4. Internal risk assessment and Methodology <ul style="list-style-type: none"> • IRA Manual. • IRA Approval. • IRA methodology adequacy. • Risk Categories. 		

AML/CFT policy and structure

As the first theme addressed in Circular No. 3,978/20, the AML/CFT policy and its governance hold a special place of convergence of the various AML/CFT topics to be analyzed.

The AML/CFT policy is the document that must include all the guidelines used by the institution in defining its procedures and controls aimed at preventing the use of its environment for money laundering and terrorist financing.

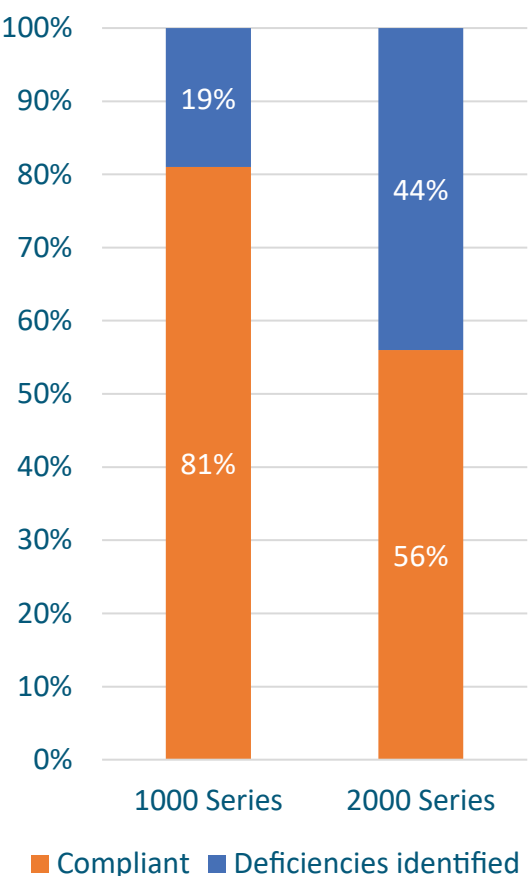
This policy must concurrently reconcile three elements that will be integrated into the way the institution's procedures and processes will be formulated, namely:

- Reconcile the risk profile of all identified risk sources.
- Be subsidized by the Internal Risk Assessment prepared by the institution.
- Its guidelines are issued and reinforced by the Senior Management and/or Executive Board of the institutions themselves.

As a way to complement the fundamental role of the AML/CFT Policy, the institution's AML/CFT structure is also evaluated in the Compliance Seal process, focusing mainly on the appointment and performance of the director responsible for this extremely crucial topic.

As identified during the work, the market is aware of the importance of the Policy as a beacon of the other necessary procedures, as it is possible to identify in the graph on the side.

Within the analysis of the 2000 Series Seal, the main factor leading to the percentage of deficiencies identified concerns the possibility of conflicts of interest in the functions performed by the AML/CFT Director with other first line of defense activities. However, this is often due to a lean structure on the part of the institutions which must carry out formal appointments to many functions by virtue of legislation.



AML/CFT training and ABT1 and ABT2 Certifications

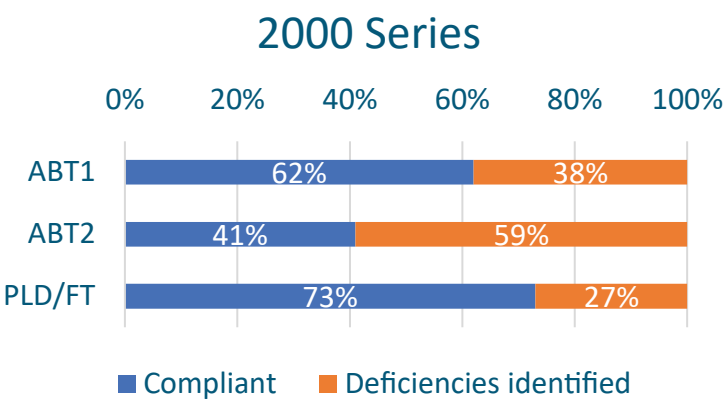
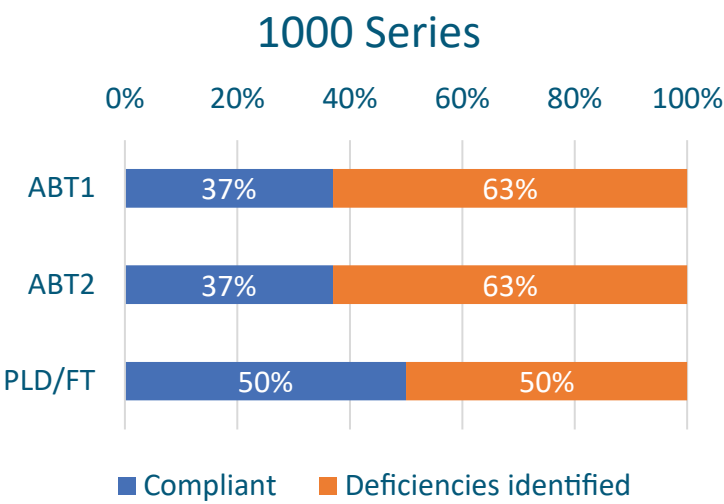
The periodic training procedures of employees, collaborators and other third parties, commonly known as training, related to the theme of Prevention of Money Laundering and Financing of Terrorism, are one of the few essential pillars of the legislation on the subject that has a differentiated flexibility regarding its applicability and monitoring by the institutions.

As required in Circular No. 3,978/20, institutions must periodically train their employees and third parties acting on their behalf on the AML/CFT subject. Approvals are also verified in the specific certifications provided by ABRACAM that address AML/CFT and foreign exchange, which deal with legal and regulatory issues in order to encourage participants to consolidate their understanding of the National Financial System, the Brazilian foreign exchange market and the national AML/CFT system.

The ABT1 and ABT2 certifications are a way of conferring a certificate of specialization in the area of foreign exchange and AML/CFT, the first being intended for professionals who operate foreign exchange, correspondents and people who want to enter the foreign exchange market, and the second for managers and directors of institutions.

The market as a whole demonstrates a good adherence to training controls and is making efforts to certify its teams (ABT1) and managers and directors (ABT2).

There was a noticeable improvement between the first and the second cycles in adherence to certification requirements.



Internal risk assessment

Internal risk assessment is the basis of an AML/CFT Program because it is through it that the institution will assess the risk of using its products and services in money laundering and terrorist financing practices. This assessment must consider several risk profiles, as illustrated in the figure below, and for each one risk categories must be defined that will serve to adopt the Risk-Based Approach.



IRA should also use as a subsidy the result of the National Risk Assessment of ML/TF Risks (NRA), which was coordinated by the Council for Financial Activities Control (COAF) and which had the participation of the Central Bank of Brazil (BCB) and the Ministry of Justice and Public Security.

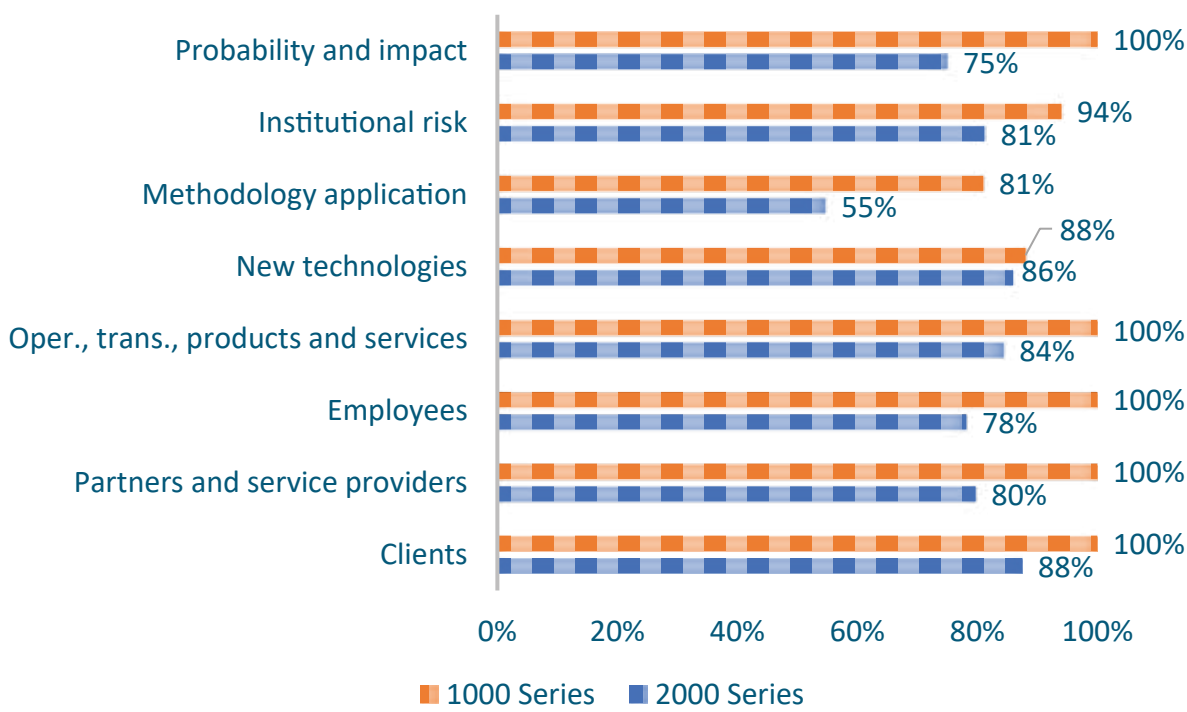
As part of the methodology adopted in the NRA, the existing threats and vulnerabilities in the required sectors were evaluated through the Sectoral Risk Assessment (SRA). The SRA for banking and non-banking financial institutions sector was prepared by the BCB with the participation of the Brazilian Exchange Association (ABRACAM), the Brazilian Association of Banks (ABBC) and the Brazilian Federation of Banks (FEBRABAN).

The result of the SRA indicated that the Foreign Exchange Segment, which purchase and sale of foreign currency ('manual exchange' - foreign currency exchange in fiat/traveler's checks - or prepaid card in foreign currency); the international remittance, either at the exit or at the entrance; import payment; the import of national currency; the receipt of exports; available funds abroad; the financial exchange and the current account in foreign currency (CCME), have a high vulnerability, which reinforces the relevance of the use of NRA results in IRA.

It is important to highlight that from the result of IRA, the institution must update its policies, procedures and controls, which must follow the Risk-Based Approach (RBA).

Internal risk assessment

Below is the level of compliance with the items required in IRA.



Some of the main deficiencies identified are described below.

Methodology application	Proportional controls	Probability and impact
As a result of the application of the methodology, the institution is expected to prepare a summary of the quantitative results and percentages of each risk profile. In 19% of the institutions evaluated in the 1000 Series and 45% of the institutions in the 2000 Series, the summary of results was not prepared.	IRA is the basis for adopting the Risk-Based Approach, where reinforced or simplified controls will be established according to the level of risk. In this cycle, it was identified that in 20% of the institutions evaluated in the 2000 Series, the controls are not aligned with the level of risk.	<p>It is expected that IRA contemplates the evaluation of probability of occurrence and the financial, legal, reputational and socio-environmental impacts of the risks.</p> <p>This evaluation was not identified 25% of the institutions evaluated in the 2000 Series.</p>

KYC procedures

The KYC (Know Your Client) procedures include actions of the first line of defense against the actions of individuals or companies that intend to use the institution for the practice of ML/TF.

Know Your Client procedures are a practice that has been adopted by financial institutions for a long time. However, with the advent of Circular No. 3,978/20 issued by the Central Bank of Brazil, these procedures gained new contours with the use of the Risk-Based Approach (ABR) by institutions.

The use of RBA allows the risk classification of clients at different levels, enabling the adoption of different procedures and diligences, according to such classification.

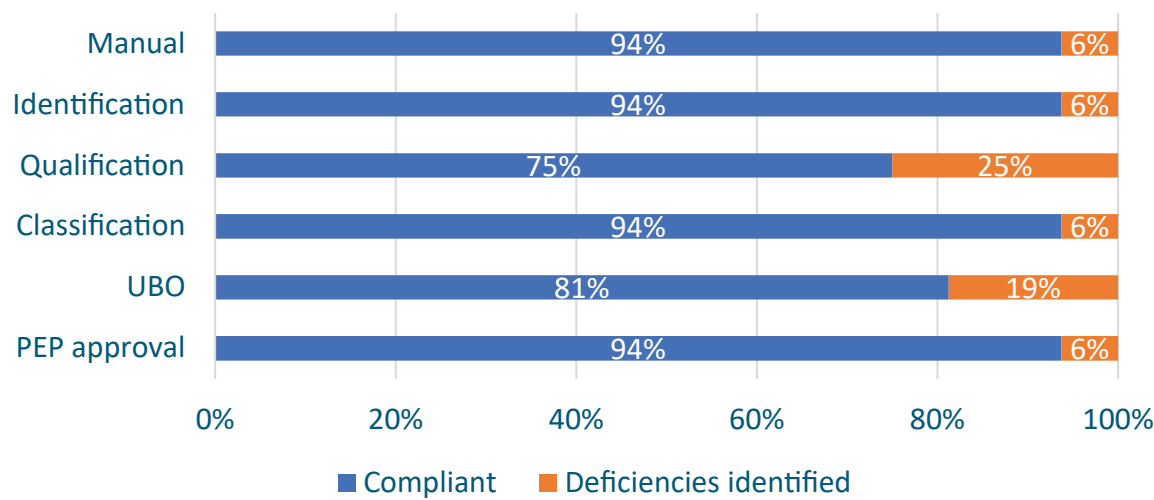


KYC procedures

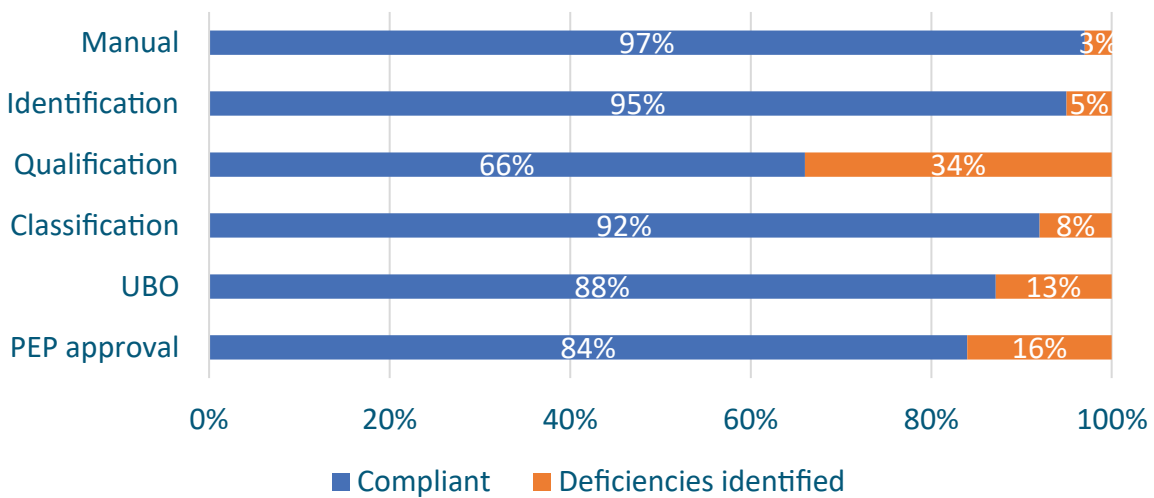
Circular No. 3,978/20 determines that, for each client, at least three different processes must be carried out, regardless of their risk category, namely: Identification, Qualification and Classification.

In the case of corporate clients, the identification and qualification procedures must be extended to the ultimate beneficial owners, administrators and representatives of these companies, subject to the specificities and exceptions provided for in the regulations themselves.

1000 Series



2000 Series



KYC procedures

In this cycle it was possible to verify an improvement of institutions in relation to client identification procedures. However, it is noted that there are situations where the information contained in the operational manuals does not differentiate the procedures according to the client's risk level or differ from the procedures performed in practice.

“Institutions [...] must adopt procedures that allow the qualification of their clients through the collection, verification and validation of information, compatible with the client's risk profile and with the nature of the business relationship.”

CIRCULAR No. 3,978, OF JANUARY 23, 2020

Regarding the client's qualification process, some institutions presented deficiencies as they conditioned the collection, validation and verification of address and financial capacity information to the value of the operation, thus not adhering to what is required by the regulations.

Some institutions presented a deficiency in relation to obtaining prior authorization, from higher levels, for the establishment of a business relationship or for the continuation of existing relationships with clients identified as PEP (Politically exposed person). Specifically in relation to the aspect of identifying PEP clients, it is important that institutions also take into account self-declaration, since the available lists do not consider family, close collaborator and foreign PEPs.

In the case of corporate clients, it was found that some institutions were not following the minimum reference value of the equity interest to identify the ultimate beneficial owner, either by the risk or by the limit established in the regulations.



KYE, KYS and KYP procedures

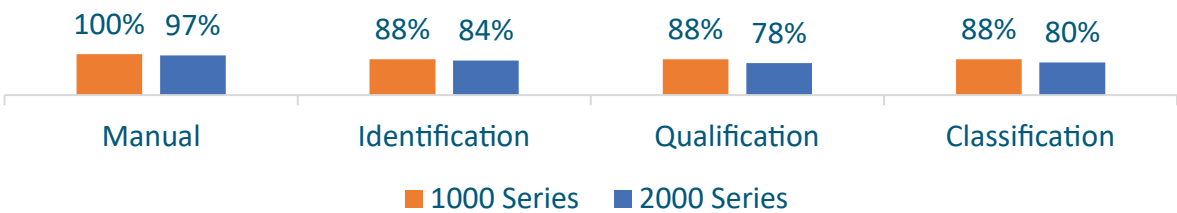
In line with KYC practices, already more mature in financial institutions, Circular No. 3,978/20 reinforced the need for procedures and controls related to employees (KYE), partners (KYP) and outsourced service providers (KYS).

Similar to KYC procedures, institutions must adopt procedures that allow them to identify, qualify and classify the risk of every individual or company with whom they wish to enter into a business or labor relationship.

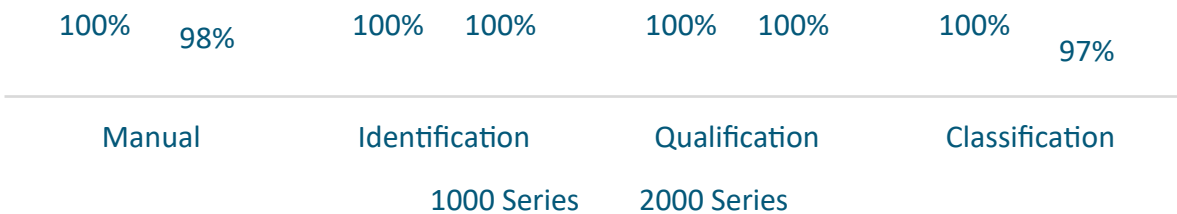
These procedures must be guided in accordance with the institution's AML/CFT Policy and with the Internal Risk Assessment prepared in accordance with the Risk-Based Approach adopted.

Banks have a higher level of compliance than exchange brokers, securities brokers and dealers, especially in KYE and KYP where qualification and risk rating still needs to be improved.

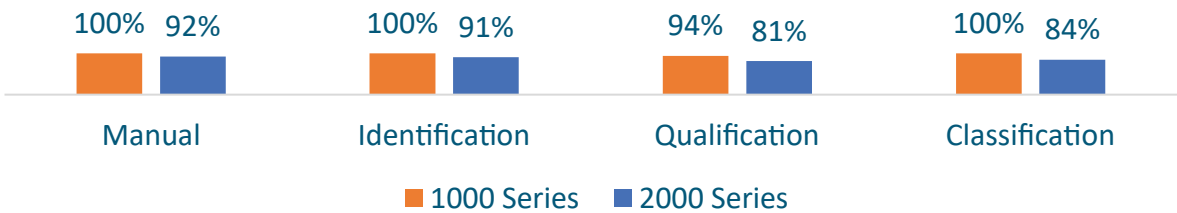
Compliance index – KYE



Compliance index – KYS



Compliance index – KYP

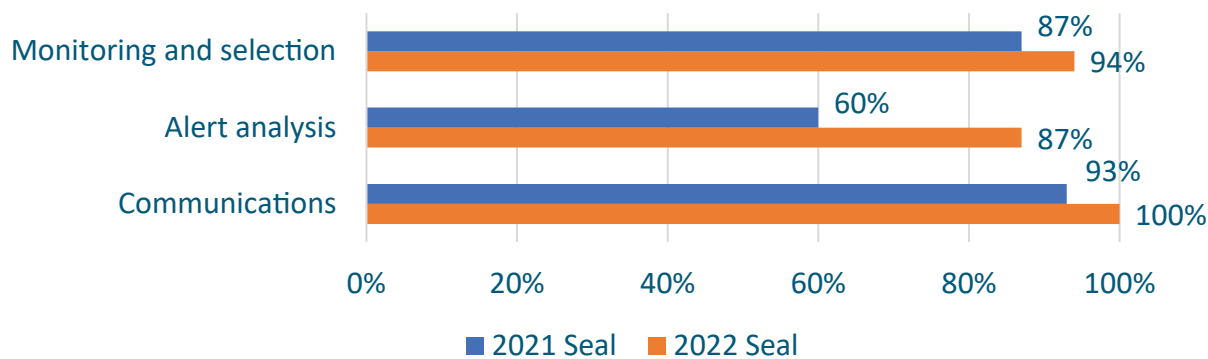


MSAC procedures

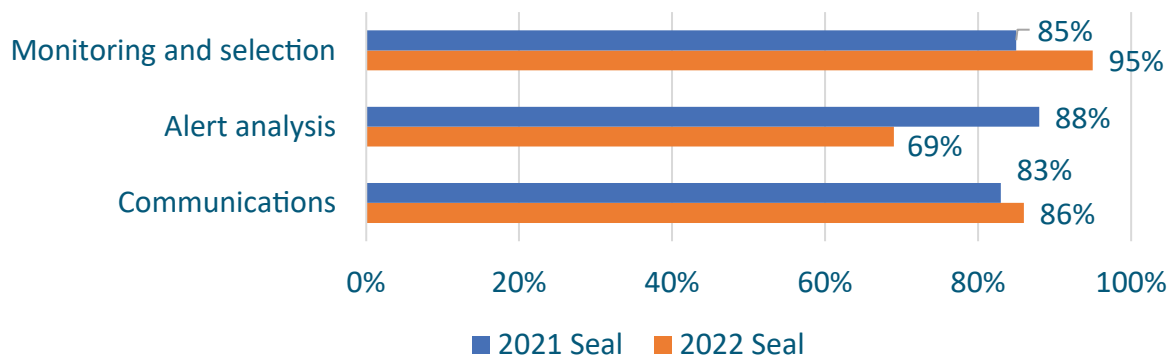
The Monitoring, Selection, Analysis and Communication (MSAC) procedures of suspicious operations and situations is a fundamental part of the AML/CFT Program and in this Second cycle it was possible to notice a maturation of institutions in relation to the previous cycle.

The main deficiency, which permeated several institutions evaluated, refers to the detailed documentation of parameters, variables, rules and scenarios used in the monitoring and selection of suspicious operations and situations. The rate of nonconformities in relation to this requirement was 31% in the 1000 Series institutions and 41% in the 2000 Series institutions.

1000 Series – Compliance index



2000 Series – Compliance index



The manual must include the parameters, variables, rules and scenarios used in the monitoring and selection for the different types of operations and suspicious situations listed in the regulations, as well as controls and indicators that allow the evaluation of the effectiveness of the parameters implemented and the quality of the data that impact the AML/CFT program.

Internal Audit on AML/CFT and foreign exchange

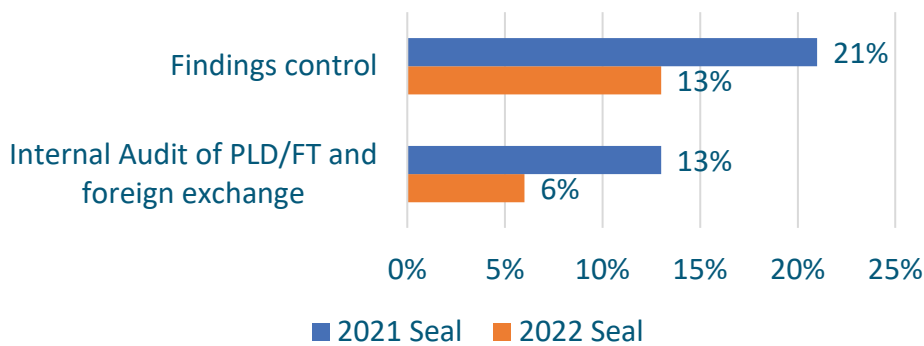
Internal Audit, as the third line of defense, plays a crucial role in evaluating and in reporting the effectiveness of the institution's governance, risk management and control processes. Thus, in line with Circular No. 3,978/20 and best practices, the Seal Regulation establishes the evaluation of three aspects in these requirements:



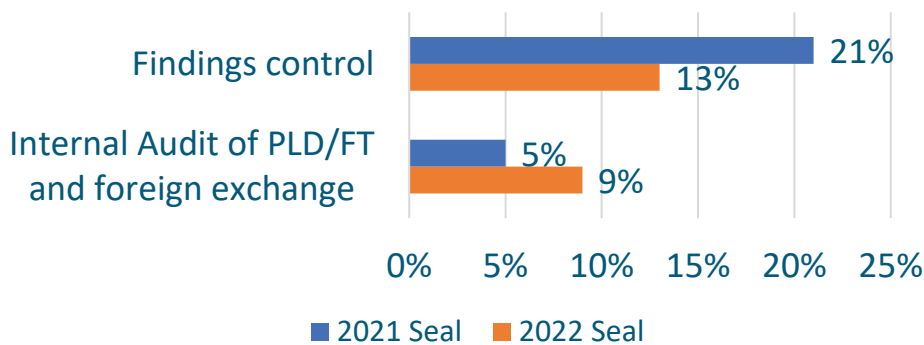
The adequacy of the institutions' internal audit plan and its execution were mainly analyzed, as well as the reports related to AML/CFT and foreign exchange reviews.

Some institutions did not present work conducted by the Internal Audit in the AML/CFT and Exchange processes in the last 12 months. In addition, some institutions do not have adequate control to monitor the regularization of findings.

1000 Series – Non-compliance index



2000 Series – Non-compliance index

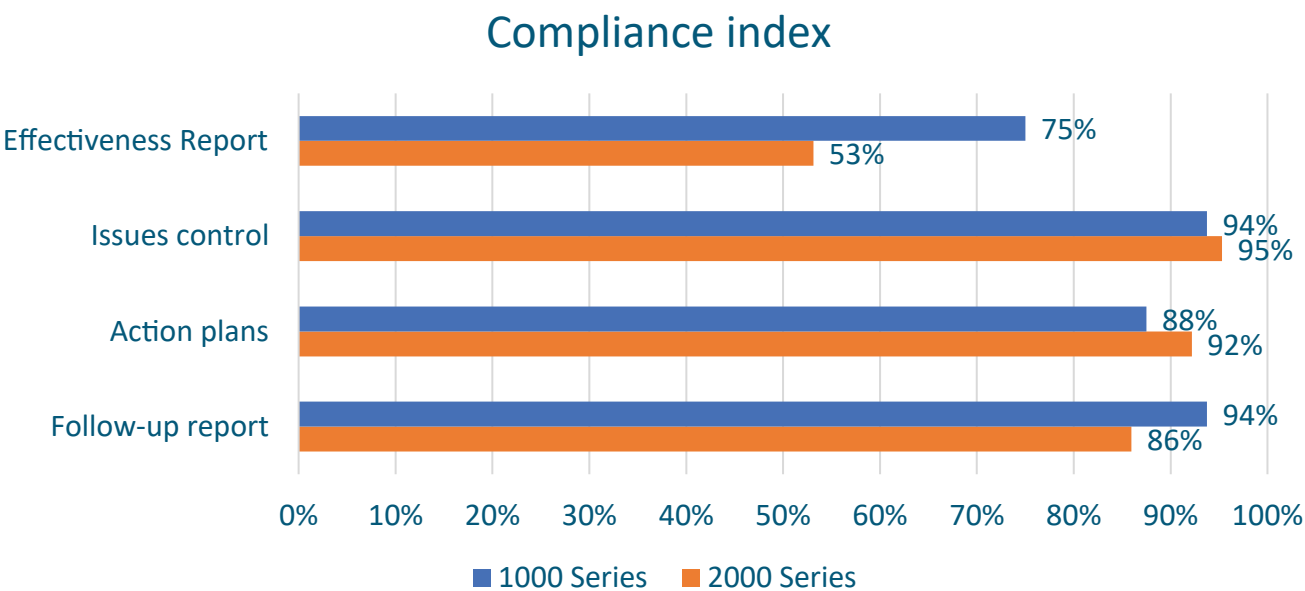


Effectiveness assessment

With the entry into force of Circular No. 3,978/20, the requirement of the Effectiveness assessment report as we know it today emerged. Under the Seal, the assessment is based entirely on what the Circular determines as minimally necessary components of the assessment and structure of the report itself.

As this is the second year of issuance of the Effectiveness Report, it was possible to observe a significant improvement in the reports presented.

The results, divided between the four pillars, are presented in the graph below:



The main deficiencies identified in the Effectiveness Reports are related to the coverage of the minimum topics required by the regulation, especially in terms of methodology, detail and conclusion on the tests applied and in the evaluation of the effectiveness of the parameters and selection of operations and suspicious situations.

Weaknesses are also noted in the preparation and presentation of the Monitoring Report of the action plans developed for the notes, which must be submitted for awareness and evaluation by the Executive Board and Board of Directors and Audit Committee (if any).

It is worth mentioning that the regulator's expectation is that this Effectiveness Report contemplates all the weaknesses identified by the institution, and that it already starts corrective actions. Also based on the results of the effectiveness assessment, the institution should, if necessary, revisit its policies, methodologies, procedures and controls, in order to ensure the effectiveness of its money laundering prevention programs.

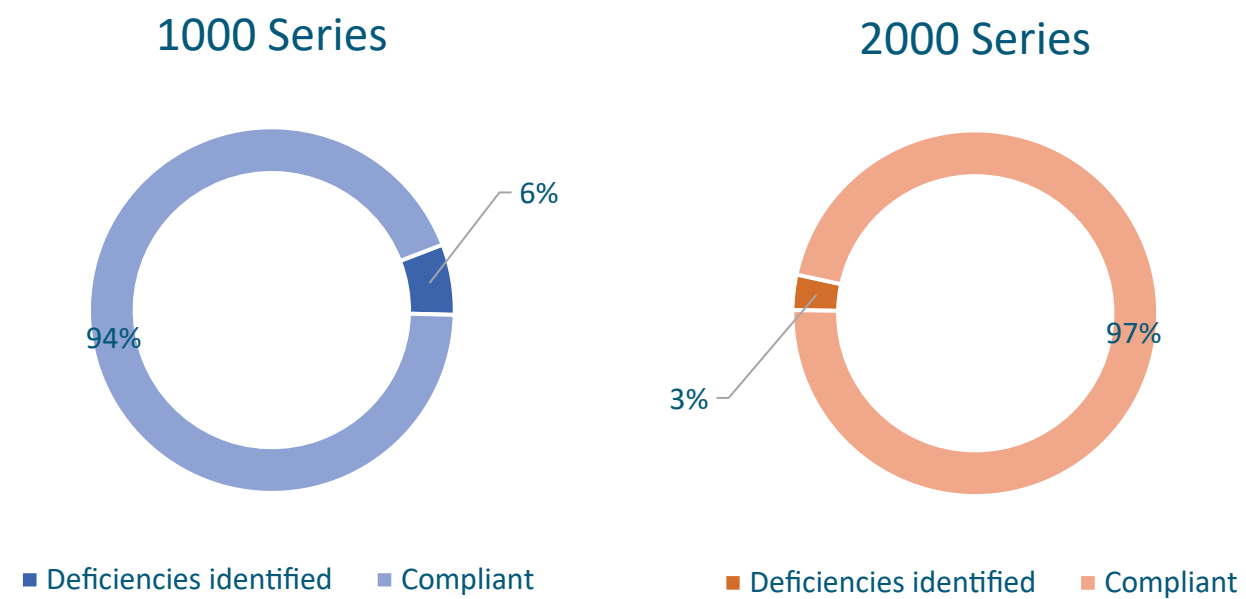
ABRACAM Seal control

In the 2022 cycle, the ABRACAM Seal control referred to foreign currency purchase and sale operations, access to CCME and interbank operations carried out by institutions seeking to obtain the ABRACAM Compliance Seal.

The deficiencies identified during the analysis of such class of operations are those carried out with institutions that do not have the ABRACAM Compliance Seal.

As detailed in the graph below, we identified institutions that transacted with other institutions or foreign exchange correspondents without a seal, and as a consequence had their valuations impacted. All identified cases were treated in a timely manner by the institutions that presented deficiencies.

Institutions must implement control in order to ensure that the institutions or foreign exchange correspondents with which they transact have the valid ABRACAM Seal or have a Declaration of Participation in the revision of the valid ABRACAM Seal.



3000 Series – Main aspects observed

The compliance requirements for obtaining the 3000 Series Seal were evaluated based on a pre-established roadmap that covers all aspects provided for in regulation.

1. Correspondent agreement

- Financial settlements.
- Timely communication to the contracting institution.
- Correspondent Agreement.
- Public disclosure of correspondent's relationship with the contracting institution.
- Formalization of the employment relationship

2. Identification of ultimate beneficial owner (Corporate structure and administrators)

- Identification of ultimate beneficial owner (Corporate structure and administrators).
- Information of the correspondent's ultimate beneficial owner to the contracting institution.

3. AML/CFT training and ABT1 Certification

- Certification in foreign exchange (ABT1).
- Training.

4. KYC procedures

- KYC applicability.

5. Monitoring procedures

- Camera monitoring system.

6. Whistleblower channel

- Knowledge and access to the internal whistleblowing channel of the contracting institution.

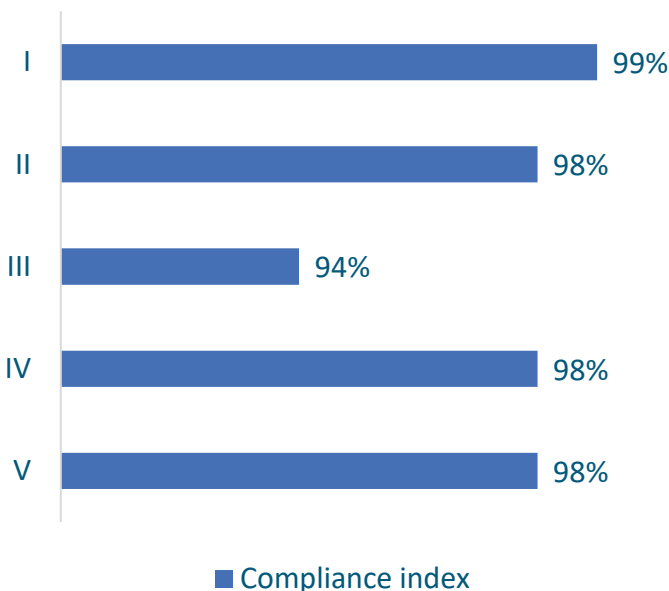
Correspondent agreement

The correspondent agreement is the instrument by which the contracting of correspondents by financial institutions and other institutions authorized to operate by the Central Bank of Brazil is formalized, which must follow what is established in Resolution No. 4,935/21.

The evaluation of the adequacy of the contract includes the following aspects:

- I. The existence of the exclusivity clause: it is important to mention that this requirement applies only to correspondents who carry out the activity of buying and selling foreign currency in cash, check or traveler's check, as well as loading foreign currency on a prepaid card, as provided for in article 13, item four.
- II. The disclosure to the public, by the correspondent, of their condition as a service provider to the contracting institution.
- III. Compliance with the regulatory deadline provided for the realization of financial settlements.
- IV. The employment relationship or contractual relationship of another kind, of the natural persons that make up the correspondent's team, involved in serving clients and users.
- V. The communication of registration changes by correspondents to contractors.

As this is the main instrument that governs the relationship between the institution and the correspondent, a compliance rate of 100% is expected, however, in some situations nonconformities were identified, which were promptly communicated to the correspondents for regularization with their contractors.



■ Compliance index

Identification of ultimate beneficial owner

This requirement aims to assess whether the final beneficiary of the correspondent has been duly informed to the contracting institution.

From the perspective of the contracting institution, this identification must be made as part of its KYP process, in addition to being important for compliance with Resolution No. 4,935/21.

It is important, from the perspective of AML/CFT, to contribute to the mitigation of risk in relation to current and/or future partners, which may eventually bring risk to the institution, its clients or the financial system.

When evaluating the results of this cycle, as shown in the graph below, a high compliance index is noted by foreign exchange correspondents, and very specific deficiencies were identified that were quickly addressed.



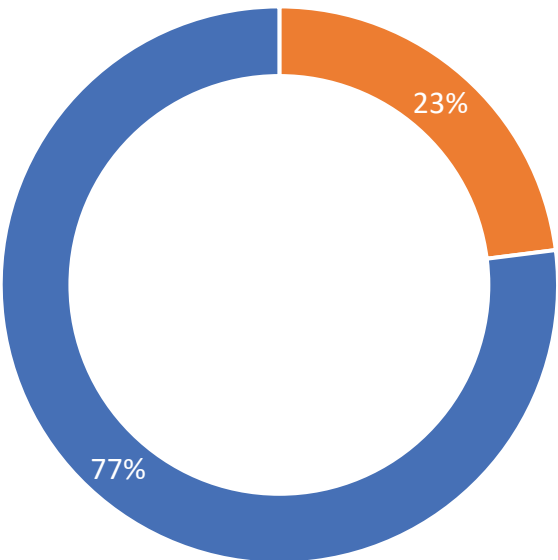
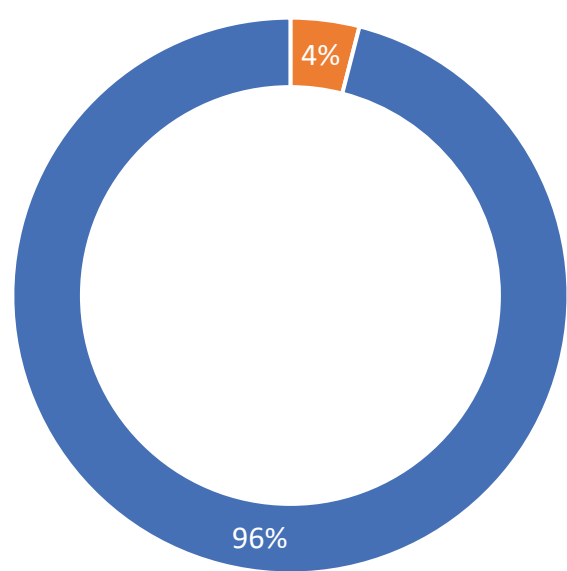
AML/CFT training and ABT1 Certification

As required by the contracting institutions, according to the Seal Regulation for 1000 and 2000 Series, correspondents must also ensure that the person responsible for operations and employees who are directly involved in exchange operations are properly trained and informed about the AML/CFT policies, procedures and controls adopted by the contracting institution and that the person responsible for operations has certification issued by ABRACAM, level ABT1.

It is noted that the correspondents have a higher level of adherence than that verified in the contracting institutions, especially in relation to AML/CFT training.

AML/CFT training and policies, procedures and controls of the contracting institution

ABT1 Certification



■ Deficiencies identified ■ Compliant

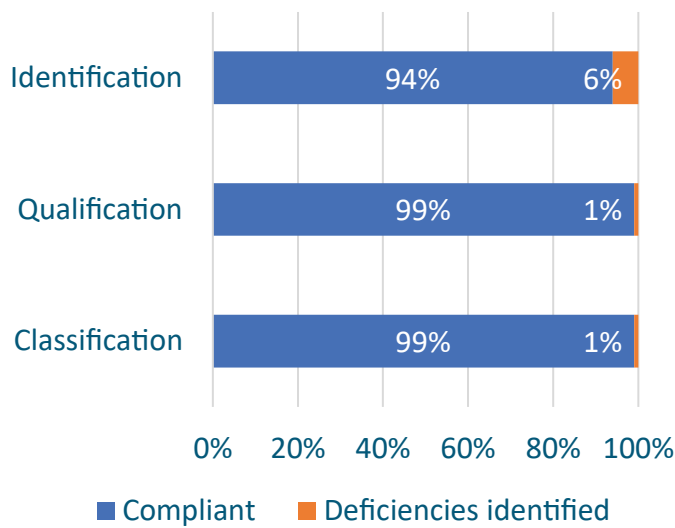
KYC Procedures

This requirement aims to assess whether the correspondent follows the procedures intended to know the client, including carrying out procedures that ensure due diligence in the identification, qualification and classification of the client or its representative, as determined by the contracting institution and in line with Circular No. 3,978/20.

Due to the correspondents following the KYC procedures established by the contracting institutions, the level of compliance found was very positive.

Some specific deficiencies were identified in some correspondents, which are related to the following aspects:

- Failure to conduct PEP research for foreign clients.
- Failure to carry out identification and qualification procedures for administrators and representatives of corporate clients.
- Absence of client risk classification.
- Absence of collection of identification document from clients.

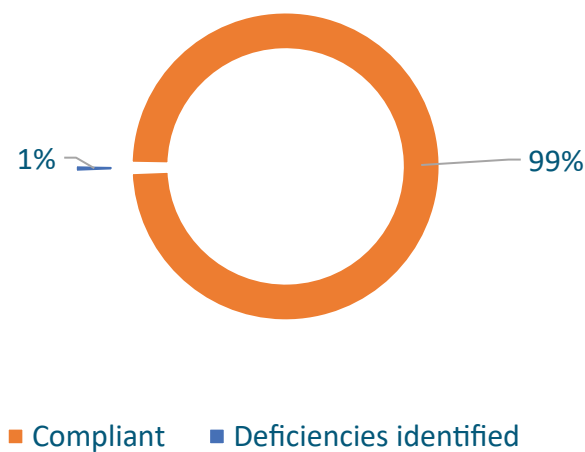


Camera monitoring

Camera monitoring is required for correspondents who carry out the activity of buying and selling foreign currency in cash, check or traveler's check, as well as loading foreign currency on a prepaid card.

The results of this cycle demonstrate the adherence of the majority percentage of correspondents, having identified very specific deficiencies that were promptly treated.

Compliant institutions

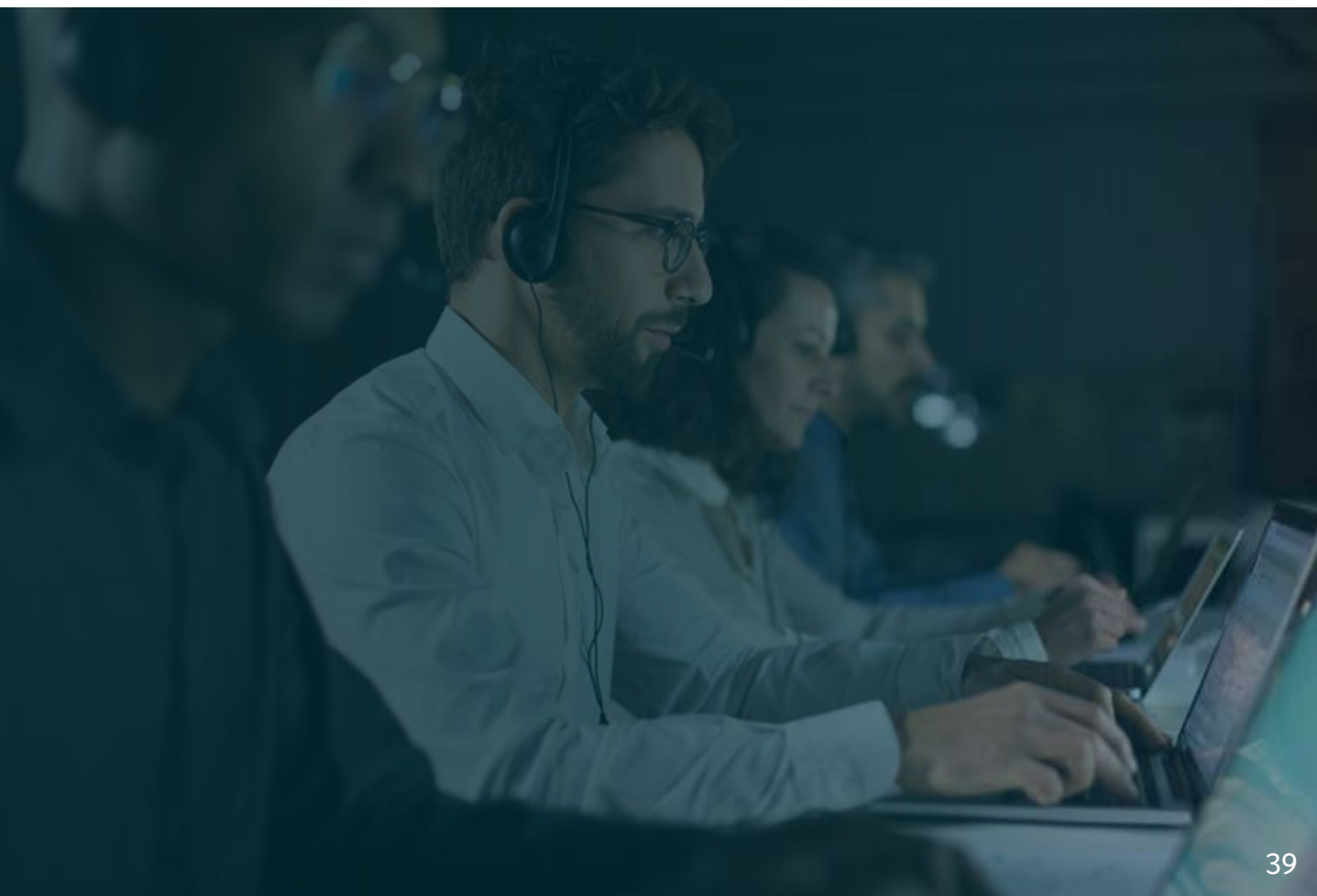
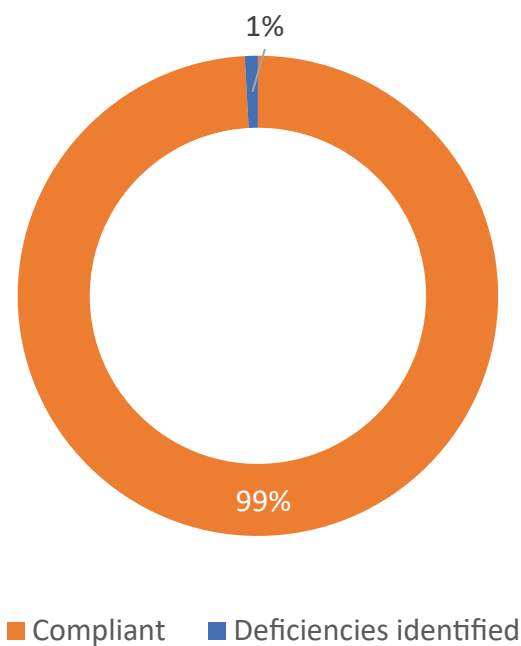


Whistleblower channel

In this pillar, it is evaluated whether the correspondent's employees have knowledge and access to the internal communication channel for complaints from the contracting institution, according to the legal requirements provided for in Resolution No. 4,859/20.

We can note the adherence of the majority percentage that the contracting institution has an internal communication channel for complaints, provided for in Resolution No. 4,859/20, and that this channel has been informed and is available to the employees of the correspondent.

Compliant institutions





Institutions in compliance (*)

(*) Institutions with valid seal or in the evaluation process

Institutions in compliance (1)

1000 Series – Banks

BANCO BRADESCO S.A.

BANCO BS2 S.A.

BANCO DAYCOVAL S.A.

BANCO DE INVESTIMENTOS CREDIT SUISSE (BRASIL) S.A.

BANCO DO BRASIL S.A.

BANCO FIBRA S.A.

BANCO MASTER S.A.

BANCO OURINVEST S.A.

BANCO RENDIMENTO S.A.

BANCO SANTANDER (BRASIL) S.A. ⁽²⁾

BANCO SEMEAR S.A. ⁽²⁾

BANCO TOPÁZIO S.A.

BANCO WESTERN UNION DO BRASIL S.A.

BEXS BANCO DE CâMBIO S.A.

ITAÚ UNIBANCO S.A. ⁽²⁾

MONEYCORP BANCO DE CâMBIO S.A. ⁽²⁾

MS BANK S.A. BANCO DE CâMBIO

TRAVELEX BANCO DE CâMBIO S.A.

(1) Institutions with a valid seal or in the evaluation process

(2) Institution that was in the evaluation process on 12/31/2022



Institutions in compliance (1)

2000 Series – Foreign exchange brokers, brokers and securities dealers

ADVANCED CORRETORA DE CâMBIO LTDA.

AGK CORRETORA DE CâMBIO S.A.

AMARIL FRANKLIN CORRETORA DE TÍTULOS E VALORES LTDA.

AMAZÔNIA CORRETORA DE CâMBIO LTDA.

ARC CORRETORA DE CâMBIO, ASSOCIADOS GOUVEIA, CAMPEDELLI S.A.

AVIPAM CORRETORA DE CâMBIO LTDA.⁽²⁾

AVS CORRETORA DE CâMBIO LTDA.

B&T CORRETORA DE CâMBIO LTDA.

BOA VIAGEM SOCIEDADE CORRETORA DE CâMBIO LTDA.

BRADERCO KIRTON CORRETORA DE CâMBIO S.A.

BROKER BRASIL CORRETORA DE CâMBIO LTDA.

BRX CORRETORA DE CâMBIO LTDA.

CAMBIONET CORRETORA DE CâMBIO LTDA.

CODEPE CORRETORA DE VALORES E CâMBIO S.A.

COLUNA S.A. DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS

CONECTA CORRETORA DE CâMBIO LTDA.

CONEXION CORRETORA DE CâMBIO LTDA.

CONFIDENCE CORRETORA DE CâMBIO S.A.

CONSEGTUR CORRETORA DE CâMBIO LTDA. ⁽²⁾

CORREPARTI CORRETORA DE CâMBIO LTDA

CORRETORA DE CâMBIO AÇORIANA LIMITADA.

COTACAO DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS S.A

DASCAM CORRETORA DE CâMBIO LTDA

DEBONI DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA

DIBRAN DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.

DOURADA CORRETORA DE CâMBIO LTDA. ⁽²⁾

(1) Institutions with a valid seal or in the evaluation process

(2) Institution that was in the evaluation process on 12/31/2022



Institutions in compliance (1)

2000 Series – Foreign exchange brokers, brokers and securities dealers (cont.)

EFX CORRETORA DE CÂMBIO LTDA.

EXECUTIVE CORRETORA DE CÂMBIO LTDA.

EXIM CORRETORA DE CÂMBIO LTDA.

FAIR CORRETORA DE CÂMBIO S.A.

FOURTRADE CORRETORA DE CÂMBIO LTDA.

FRAM CAPITAL DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS S.A.

FRENTE CORRETORA DE CÂMBIO LTDA.

GET MONEY CORRETORA DE CÂMBIO S.A.

GLOBAL EXCHANGE DO BRASIL SOCIEDADE CORRETORA DE CÂMBIO LTDA.

GOOD CORRETORA DE CÂMBIO LTDA

GUITTA CORRETORA DE CÂMBIO LTDA.

H H PICCHIONI S.A. CORRETORA DE CÂMBIO E VALORES MOBILIÁRIOS

IB CORRETORA DE CÂMBIO, TÍTULOS E VALORES MOBILIÁRIOS S.A.

INTERCAM CORRETORA DE CÂMBIO LTDA.

INVEST CORRETORA DE CÂMBIO LTDA.

LABOR SOCIEDADE CORRETORA DE CÂMBIO LTDA.

LASTRO RDV DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.

LEVYCAM - CORRETORA DE CÂMBIO E VALORES LTDA.

LÚMINA CORRETORA DE CÂMBIO LTDA. ⁽²⁾

MEGA CORRETORA DE CÂMBIO LTDA.

MIRAE ASSET WEALTH MANAGEMENT (BRAZIL) CORRETORA DE CÂMBIO, TÍTULOS E VALORES MOBILIÁRIOS LTDA.

MONOPÓLIO CORRETORA DE CÂMBIO LTDA.

NUMATUR CORRETORA DE CÂMBIO LTDA.

NUMBER ONE SOCIEDADE CORRETORA DE CÂMBIO LTDA.

OM DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.

(1) Institutions with a valid seal or in the evaluation process

(2) Institution that was in the evaluation process on 12/31/2022



Institutions in compliance (1)

2000 Series – Foreign exchange brokers, brokers and securities dealers (cont.)

PACIFIC INVEST DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.⁽²⁾

PARMETAL DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.

PATACÃO DISTRIBUIDORA DE TÍTULOS E VALORES MOBILIÁRIOS LTDA.

PLANNER CORRETORA DE VALORES S.A.

PROSEFTUR CORRETORA DE CâMBIO S.A

SADOC SOCIEDADE CORRETORA DE CâMBIO LTDA.

SAGITUR CORRETORA DE CâMBIO S.A. ⁽²⁾

SINGRATUR CORRETORA DE CâMBIO LTDA.

SOL CORRETORA DE CâMBIO LTDA.

TREVISO CORRETORA DE CâMBIO S.A.

TURCâMBIO - CORRETORA DE CâMBIO LTDA.

TURMA CORRETORA DE CâMBIO LTDA.

VIP'S CORRETORA DE CâMBIO LTDA.

VISION S.A. CORRETORA DE CâMBIO

WESTERN UNION CORRETORA DE CâMBIO S.A.

WISE BRASIL CORRETORA DE CâMBIO LTDA.⁽²⁾

(1) Institutions with a valid seal or in the evaluation process

(2) Institution that was in the evaluation process on 12/31/2022



Glossary

ABRACAM	- Brazilian Exchange Association
AML/CFT	- Anti-Money Laundering and Countering the Financing of Terrorism
RBA	- Risk-Based Approach
NRA	- ML/TF National Risk Assessment
SRA	- Sectoral Risk Assessment
ABT1	- Intended for professionals who work or intend to work in institutions authorized by the BCB to operate in foreign exchange and for the employees of their correspondents. In foreign exchange correspondents, managers and a minimum number of employees, depending on the total quantity, must be certified at ABT1 level. In authorized financial institutions, all professionals in the finalistic areas (exchange rate, compliance, risk assessment, internal controls and backoffice) that are directly involved in operations must also have the ABT1 certificate.
ABT2	- More demanding than ABT1, the ABT2 certificate is intended for directors and managers responsible for the final areas (exchange rate, compliance, risk assessment, internal controls and backoffice) of institutions authorized to operate in foreign exchange by the Central Bank of Brazil.
BACEN/BCB	- Central Bank of Brazil
CCME	- Foreign currency checking account
COAF	- Council for Financial Activities Control (Brazilian financial intelligence unit - FIU)
FATF	- Financial Action Task Force
IA	- Internal Audit
IRA	- Internal Risk Assessment
KYC	- Know Your Client
KYE	- Know Your Employee
KYP/S	- Know Your Partner/Supplier - Know Your Partner/Service Provider
MSAC	- Monitoring, Selection, Analysis and Communication of operations
PEP	- Politically Exposed Person

Acknowledgements

ABRACAM takes the opportunity to present special thanks for the invaluable collaboration of all those who made it feasible, and contributed to the success of this important initiative of the AML/CFT Compliance Seal for the foreign exchange market, whether they are the members participating in the Forum with the Central Bank of Brazil, our employees – that have spared no effort since its conception and implementation and, now, for its consolidation – to Ernst & Young for the partnership and permanent willingness to support its improvement, and to the institutions and entities, associated or not, that joined the process and obtained the Seal, and that are contributing to the achievement of the desired objectives.



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