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Compliance Update

Potential US Designation of Brazilian Criminal Networks as Terrorist Organizations: Compliance Risks for Companies

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Brazilian and other multinational companies with operations in Latin America can no longer be focused exclusively on exposure to Mexican cartels when considering the risks associated with foreign terrorist organizations (FTOs). Recent news coverage indicates that the U.S. government is likely to soon designate two of Brazil's largest criminal organizations — Primeiro Comando da Capital (PCC) and Comando Vermelho (CV) — as FTOs. Even more recently, on April 20, *The Wall Street Journal* published an in-depth investigation into the PCC's expanding activities, calling it "one of the world's biggest criminal organizations" with some 40,000 members and a vast network of affiliates operating in approximately 30 countries.

The designation would be the latest in a series of actions the current administration has taken against cartels and organized criminal networks across Latin America this year. Taken together, these moves reflect a sustained and intensifying focus in Washington on transnational organized crime and a corresponding increase in litigation and regulatory risk for companies with operations in Brazil and the broader region.

An FTO designation for Brazilian criminal organizations like the PCC or CV creates significant risks for Brazilian and other companies operating in Brazil, as well as companies operating in other areas with PCC operations (e.g., parts of Europe). Under U.S. law, providing "material support" to an FTO exposes companies to significant criminal and civil liability. Because the definition of material support is broad, companies that conduct business with entities that are owned or controlled by an FTO, like the PCC, face the risk of criminal sanctions from U.S. law enforcement, civil lawsuits from victims of gang-related terrorism and other negative consequences. Brazil's government has tried to fend off this designation, recently entering into an information-sharing agreement with the U.S. to improve cooperation in the fight against drug and arms trafficking.

PCC's Sprawling and Diversified Global Operations

Recent events laid bare the scale of the organization's infiltration of legitimate business. In August 2025, the Brazilian Federal Police conducted the largest search and seizure operation in Brazil's history throughout the country following findings that PCC money flowed through gas stations, real-estate funds, construction firms and investment funds. In another example, São Paulo police arrested the operator of a multimillion-dollar fintech that investigators believe financed municipal electoral campaigns in 2024 to

secure garbage-collection contracts, bus concessions and fuel-supply deals, illustrating how deeply PCC influence has penetrated the formal economy.

The group's reach extends well beyond Brazil's borders. In 2024, the U.S. sanctioned a Brazilian financier who laundered approximately \$240 million for the PCC according to the São Paulo Court of Justice and continued directing its financial operations even after being jailed in Brazil. U.S. law enforcement has identified PCC-affiliated individuals in Florida, New York, New Jersey, Connecticut and Tennessee, and last year the U.S. Attorney's Office in Massachusetts charged 18 Brazilians allegedly linked to the PCC with trafficking firearms and fentanyl. Brazil's *Veja* magazine reported in September 2025 that the PCC has an alliance with and acquired weapons from Venezuela's Tren de Aragua cartel, which the current administration designated as an FTO in February 2025. The PCC network stretches to Europe as well, where the ports of Antwerp, Rotterdam and Hamburg have become key entry points for PCC-linked shipments. Multinational and Brazilian companies with supply chain, logistics or financial exposure to these corridors may face heightened risk of PCC exposure.

PCC's Current US Legal Status

The U.S. added the PCC to the Office of Foreign Assets Control's (OFAC's) Specially Designated Nationals (SDN) List under Executive Order 14059 in 2021, concurrent with the executive order's issuance. Accordingly, U.S. persons (or persons otherwise subject to U.S. jurisdiction, such as those located in the United States) are prohibited from dealing in any property interest of PCC or any entity it majority-owns, directly or indirectly — effectively prohibiting any transactions with the PCC. Foreign companies, including those with U.S. operations, may similarly be subject to OFAC rules when the transactions at issue involve a U.S. nexus, including by being routed through the U.S. financial system or involving a U.S. person.

Implications of PCC as an FTO

While designation of the PCC as an FTO would not be specifically targeted at Brazilian companies or companies operating in Brazil, such companies could easily find themselves in the crosshairs of U.S. authorities given the extent to which the PCC has infiltrated legitimate businesses. As the recent reporting by Brazil's *G1* and *Estadão* as well as *The Wall Street Journal* makes clear, the PCC's operations extend well beyond drug trafficking. The organization has embedded itself across a range of legitimate business sectors, including fintechs, real estate funds, gas stations, car dealerships and construction firms, making it increasingly difficult for many Brazilian companies to identify and avoid PCC-connected counterparties. Companies operating in Brazil across all sectors that provide goods, services, financing or other support to PCC-owned or -controlled entities could face substantial exposure and other significant legal consequences under U.S. law.

First, it is a crime to knowingly provide "material support" to a designated terrorist organization. Under U.S. law, "material support" extends well beyond financial contributions. The term encompasses the provision of any services, personnel, logistics and other resources, even if such "material support" is provided without knowledge of the connections to an FTO. Further, the criminal statute provides for broad extraterritorial application of the law to allow prosecutions in the United States even for conduct occurring wholly outside of the country, and prosecutors have broad and powerful tools at their disposal to investigate FTOs.¹

The risk of criminal and civil liability for material support is not hypothetical. For example, in 2022, a French building materials manufacturer pleaded guilty to conspiring to provide material support to certain FTOs. Specifically, the company paid about \$6 million for permission to operate a cement plant in Syria in 2013-14, which enabled it to obtain approximately \$70 million in revenue. The resulting criminal fines and forfeiture totaled \$777.78 million. On April 13, a French court found the company's former CEO and three other executives guilty of financing terrorism for the same conduct.

Second, the Treasury Secretary is authorized to freeze and block any assets in which an FTO or its agents have an interest if they are located in a U.S. financial institution. Moreover, existing laws already allow the U.S. to seize and forfeit those funds if they are found to be the proceeds of narcotics money laundering.² Because Brazilian companies often have accounts with U.S. banks and/or assets located in U.S. financial institutions, they are vulnerable to having those assets frozen if U.S. authorities determine that a Brazilian cartel has an interest in those assets.

Third, under the U.S. Anti-Terrorism Act (ATA), companies providing material support to businesses owned or controlled by an FTO could face civil lawsuits from victims of terroristic acts carried out by the FTO. Such lawsuits have previously been brought against, for example, banks accused of providing financial services to more traditional terrorist organizations, such as Hezbollah or ISIS, when the terrorist organization carried out violent attacks.

Further, a company that is accused of providing material support to an FTO like PCC could suffer other negative consequences separate and apart from criminal or civil sanctions, including significant reputational consequences, which could lead U.S. banks, partners and counterparties to sever business relationships with the accused company. Brazilian companies and other Latin American or multinational companies with operations in Brazil could also garner increased attention from U.S. law enforcement and financial regulators. Given the extra focus placed on terrorism matters, this could lead to heightened scrutiny of the company's other activities and potentially lead to other enforcement actions against the company.

Key Takeaways

Given recent news reports, the U.S. appears likely to soon designate the PCC as an FTO. As explained above, these designations carry increased risks of criminal and civil sanctions and other negative consequences for Brazilian companies or companies with Brazilian operations. It would be a mistake, however, to look at these designations in isolation.

The U.S. has consistently prioritized enforcement actions against non-U.S. companies for their role in facilitating narcotics trafficking, money laundering and related criminal activity. Recent criminal and civil enforcement actions make clear that U.S. authorities will continue to target foreign companies that fail to implement adequate measures to prevent violations of U.S. law, regardless of where those companies are domiciled or whether their conduct occurred within U.S. borders. A designation of the PCC as an FTO would be another step signaling the U.S. government's aggressive approach to combatting drug trafficking organizations and, more importantly, pursuing companies, including non-U.S. entities, that support or facilitate their operations.

Companies in Brazil and elsewhere in Latin America should immediately consider taking steps to minimize the risks of conducting business with companies that are owned or controlled by the PCC and any other FTOs. Specifically, they should:

- Conduct an enterprise-wide risk assessment to evaluate the compliance risks associated with the company's customer and counterparty base, taking into account the business profiles, geographic footprint and sectoral exposure of relevant relationships. If heightened risk factors are present, such as a counterparty operating in a region with a significant PCC presence or in a sector known to be vulnerable to PCC infiltration, companies should consider implementing enhanced due diligence and ongoing monitoring measures.
- Review and revise existing compliance policies, procedures and training programs to ensure they are appropriately calibrated to address PCC-related risk, including the risk of inadvertent exposure through third-party and counterparty relationships.

- Review know-your-customer (KYC) policies and procedures to ensure that they are sufficient to uncover potential connections between customers and FTOs, and when appropriate, conduct additional KYC and enhanced due diligence.
- Review transaction monitoring policies and procedures to ensure that they are sufficient to detect suspicious patterns that suggest illegal activity connected to drug trafficking and potentially designated FTOs, especially when transactions occur within areas known to be connected to drug trafficking activity.
- Review internal whistleblower policies to ensure that they encourage employees to report issues and not make reports directly to U.S. authorities, which is now a more attractive option given the potential for increased monetary awards.
- Brazilian companies should ensure that representations made to U.S. partners and counterparties regarding their compliance programs and risk exposure remain accurate and current. Material changes to a company's business model or customer base that affect existing U.S. relationships should be disclosed proactively. U.S. law enforcement has used alleged misrepresentations to U.S. counterparties as a basis for charging non-U.S. companies with fraud, and Brazilian companies face similar exposure.
- Monitor closely all U.S. regulatory, policy and enforcement developments related to the designation of Brazilian criminal organizations like the PCC as FTOs.

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¹ 18 U.S.C. § 2339B(d) (setting forth bases for extraterritorial jurisdiction).

² 8 U.S.C. § 1189(a)(2)(C).