

U.S. Expands Terrorism Designations to Brazil: Key Implications

June 1, 2026

On May 28, 2026, the U.S. State Department designated two Brazilian criminal organizations as Specially Designated Global Terrorists (“SDGTs”) and announced its intention to designate them as Foreign Terrorist Organizations (“FTOs”) effective June 5, 2026.¹ The designations of Comando Vermelho (“CV”) and Primeiro Comando da Capital (“PCC”) amplify U.S. law enforcement’s focus on organized criminal activity in Brazil, Latin America’s largest economy.

As discussed in our prior client alert,² SDGT and FTO designations of international drug cartels in Latin America—which often are deeply embedded in the local and regional economies—present significant risks for those operating in the region. In particular:

- U.S. persons must block and report property and interests in property of CV, PCC, and entities they own that are or come within a person’s possession or control.
- The designation of CV and PCC as FTOs, once effective, poses criminal risks under the material support statute, as well as potential civil consequences.
- Non-U.S. persons may face U.S. sanctions risks for certain dealings with CV and PCC, and both U.S. and non-U.S. issuers of securities that file reports with the U.S. Securities and Exchange Commission (the “SEC”) may have disclosure obligations regarding such dealings.

Given the new designations, companies with operations, counterparties, customers, vendors, logistics routes, financial flows, or investments connected to Brazil, or to the Latin American market generally, should assess their related risks and the robustness of their compliance processes and internal controls. Compliance may be particularly

¹ U.S. Dep’t of State, “Terrorist Designation of Comando Vermelho and Primeiro Comando da Capital” (May 28, 2026), [available here](#).

² Debevoise & Plimpton LLP, “Cartels as Foreign Terrorist Organizations: Key Implications for Multinational Companies” (Mar. 5, 2025), [available here](#).

challenging given that CV and PCC are not conventional corporate counterparties but, instead, diffuse criminal networks with a broad range of affiliates and agents.

Why the Designations Matter

SDGT Sanctions Implications—U.S. and Non-U.S. Persons

The SDGT designations immediately trigger U.S. blocking sanctions. Although CV is subject to U.S. blocking sanctions for the first time, PCC already was subject to blocking sanctions imposed by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC") and remains subject to those sanctions.³ Consequently, U.S. persons must block and report any property or interests in property of these organizations that are or come within their possession or control.⁴

In addition, companies will need to consider OFAC's so-called "50% Rule," which imposes blocking obligations with respect to any entity owned 50% or more by U.S.-sanctioned persons, whether or not the entity is itself designated by OFAC.⁵ Certain exemptions from sanctions prohibitions that are available under other sanctions programs (e.g., the so-called "travel exemption" and the exemption for information or informational materials) are not applicable to SDGTs.⁶

Although U.S. sanctions impose compliance obligations primarily on U.S. persons, non-U.S. persons may not cause U.S. persons to violate sanctions, such as by processing U.S. dollar transactions through the U.S. financial system.

Civil violations of U.S. sanctions are enforced by OFAC on a strict liability basis. Willful violations of U.S. sanctions imposed pursuant to the International Emergency Economic Powers Act (such as the SDGT sanctions) also raise criminal liability risks.

Additionally, the SDGT designations expose non-U.S. persons to the risk of being themselves targeted by so-called "secondary sanctions," which may be imposed by U.S. authorities on non-U.S. persons engaged in targeted activities, even when these activities are conducted entirely outside the United States and have no U.S. nexus. With respect to SDGTs, secondary sanctions authorize the imposition of blocking sanctions on non-U.S. persons determined to have materially assisted, sponsored, or provided

³ U.S. Dep't of the Treasury, "Treasury Uses New Sanctions Authority to Combat Global Illicit Drug Trade" (Dec. 15, 2021), [available here](#).

⁴ "U.S. person" for this purpose means any U.S. citizen, U.S. permanent resident alien, entity organized under the laws of the United States (including foreign branches), and person in the United States. 31 C.F.R. § 594.315.

⁵ *Id.* § 594.412 (reflecting the 50% Rule in the Global Terrorism Sanctions Regulations applicable to SDGTs).

⁶ See OFAC Frequently Asked Question 812.

financial, material, or technological support for, or goods or services to or in support of, an SDGT.⁷

Foreign financial institutions also may face restrictions on their ability to establish or maintain correspondent or payable-through accounts with U.S. financial institutions if they knowingly conduct or facilitate significant transactions for or on behalf of an SDGT.⁸

SEC Reporting Obligations—U.S. and Non-U.S. Issuers of Securities

Both U.S. and non-U.S. issuers of securities making quarterly or annual report filings under the U.S. Securities Exchange Act of 1934 may need to disclose in their periodic reports filed with SEC if the issuer or any of its affiliates knowingly engaged in any transaction or dealing with an SDGT. This disclosure obligation applies without a materiality threshold.⁹

Material Support of Terrorism

Once the FTO designations become effective on June 5, 2026, knowingly providing “material support or resources” to CV or PCC will become an offense that carries potential criminal penalties, civil forfeiture exposure, and civil liability under the Anti-Terrorism Act, in addition to the U.S. sanctions implications described above.¹⁰

Material support is construed broadly and covers not only cash payments but also financial services, transportation, lodging, equipment, expert assistance, facilities, and other tangible or intangible support.¹¹ The prohibition can expose entities to criminal liability for engaging with an FTO¹² and apply even where the conduct is commercial in

⁷ See 31 C.F.R. § 594.201(a)(3)(iii).

⁸ Executive Order 13224, “Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism” (Sept. 23, 2001), as amended by Executive Order 13886, “Modernizing Sanctions To Combat Terrorism” (Sept. 9, 2019), § 1(b). The U.S. government also has used anti-money laundering authorities to target foreign financial institutions determined to be of primary money laundering concern in connection with illicit opioid trafficking by drug trafficking organizations. See Debevoise & Plimpton LLP, “U.S. Prohibits Transactions with Three Mexican Financial Institutions for Cartel-Linked Money Laundering” (June 30, 2025), [available here](#).

⁹ Debevoise & Plimpton LLP, “SEC Reporting Companies Must Disclose Certain Iran-Related Activities” (Jan. 15, 2013), [available here](#).

¹⁰ 18 U.S.C. § 2339B.

¹¹ *Id.* § 2339A(b).

¹² Financial institutions also may face risks in connection with any dealings with affiliates of FTOs. See *id.* § 2339B(a)(2); 31 C.F.R. § 597.201 (requiring U.S. financial institutions under OFAC’s regulations to block and report the property of FTOs and their agents); 31 C.F.R. § 597.301 (defining “agent” to include persons owned or controlled by or acting or purporting to act on behalf of FTOs, whether or not separately designated by OFAC); 31 C.F.R. § 597.307 (defining “U.S. financial institution” broadly for this purpose to include, among others, banks, securities and commodities brokers and dealers, investment companies, currency exchanges,

nature and not intended to advance or promote, in this case, drug trafficking or other criminal activity.

“Knowingly” also does not require actual knowledge. The standard is satisfied where one reasonably should have known the relevant facts based on the surrounding circumstances.

Significantly, the material support statute has extraterritorial reach. It can apply to conduct outside the United States, including by non-U.S. persons, where there is a sufficient U.S. nexus, including conduct occurring in whole or in part in the United States, an offender later being brought into or found in the United States, conspiracy with a U.S. person, or conduct occurring in or affecting interstate or foreign commerce. In practice, the U.S. government may point to routine cross-border commercial activity, U.S.-linked financial flows, or involvement by U.S. persons or entities as supporting that jurisdictional nexus.

In addition to criminal enforcement, allegations of material support of an FTO may expose persons to civil forfeiture, including with respect to assets derived from, involved in, or used or intended to be used to facilitate a material support violation. These designations also may create separate private civil litigation risk. Under the Anti-Terrorism Act (“ATA”), individuals harmed by acts of international terrorism can sue for damages not only against FTOs but also against companies that allegedly aided or supported an FTO. The Justice Against Sponsors of Terrorism Act expanded ATA liability to include secondary liability, allowing plaintiffs to pursue aiding-and-abetting or conspiracy claims against third parties.

Key Mitigation Steps

CV and PCC are not conventional corporate counterparties; they are dispersed criminal networks that may operate through direct and indirect channels, including local intermediaries and, in some cases, front or affiliated businesses. As a result, companies can face challenges identifying entities or individuals acting for, owned or controlled by, or otherwise affiliated with criminal organizations like CV and PCC. Especially given this inherent complexity, companies should consider the following practical steps:

- **Refresh Risk Assessments Focused on Brazil and the Region.** Companies with operations or counterparties in Brazil and neighboring countries should reassess exposure across customers, vendors, suppliers, distributors, logistics providers,

credit card system operators, insurance companies, travel agencies, money transmitters, businesses engaged in vehicle sales, persons involved in real estate closings and settlements, and casinos).

security providers, financial intermediaries, and other third parties, particularly in sectors or regions where organized crime's influence may be more acute.

- **Review and Enhance Sanctions and FTO-Related Policies and Procedures.** Companies should confirm that their policies prohibit dealings with designated organizations and persons owned or controlled by, or acting on behalf of, such organizations. Companies also should review and update as appropriate their third-party screening and monitoring processes. This includes refreshing sanctions-related questionnaires, supplementing list-based screening with risk-based due diligence where appropriate, and ensuring contractual protections adequately address cartel-related risks.
- **Train Relevant Personnel.** Employees in Brazil or Brazil-facing roles should be trained to understand the import of these designations and how to identify and escalate potentially problematic relationships or dealings.
- **Evaluate Payment and Extortion Scenarios.** The material support statute may create risk even where payments are made under pressure, coercion, or threat. Companies should consider whether relevant personnel have clear escalation procedures for such situations and whether mechanisms are in place for prompt legal and compliance review.
- **Assess Related Financial Controls.** Companies should consider whether controls over petty cash, expense reimbursements, vendor payments, security costs, facilitation payments, and other local disbursements are sufficient to detect and escalate potential payments to, or for the benefit of, CV, PCC, or affiliated persons. Companies also should consider whether such controls are subject to appropriate monitoring and testing, especially in higher-risk jurisdictions or business units.
- **Review Internal Reporting Channels and Investigative Procedures.** Companies should confirm that employees and relevant third parties have clear channels to report suspected dealings with, pressure from, or other exposure to CV, PCC, or their affiliated persons. Companies also should consider whether they have adequate procedures in place to promptly assess and investigate such reports, preserve relevant information, involve legal and compliance personnel as appropriate, and support timely decisions about remediation and other potential next steps.
- **Consider Disclosure and Reporting Obligations.** Securities issuers and regulated financial institutions should consider, as applicable, SEC, OFAC, suspicious activity reporting, and other obligations or risks associated with any identified transactions or dealings with the designated Brazilian organizations.

Looking Ahead

In addition to legal exposures, these SDGT and FTO designations may create political, reputational, and employee-security sensitivities in Brazil. These risks may be especially acute if diligence requests or terminations of relationships are perceived locally as allegations of cartel affiliation or as raising security concerns.

Companies should continue to monitor further U.S. designations and guidance, reassess their exposure to related risks in Brazil and Latin America more broadly, and examine and bolster their associated controls in order to mitigate these risks.

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Please do not hesitate to contact us with any questions.



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