

# Brazil's Narco-Terrorists: What the U.S. Designation of the PCC and CV Cartels Means for Companies Operating in Latin America

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For years, one of Brazil's most powerful criminal organizations had been sanctioned under counter-narcotics authorities but not labeled a terrorist. That changed on May 28, 2026, when the U.S. State Department designated Primeiro Comando da Capital ("**PCC**"), along with another criminal organization which had not previously been designated, Comando Vermelho ("**CV**"), as **Specially Designated Global Terrorists** ("**SDGTs**") and announced it intends to designate both as **Foreign Terrorist Organizations** ("**FTOs**"), effective June 5, 2026.<sup>1</sup> The move transforms the compliance landscape for any company with a Brazilian footprint. Where once the risk was

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<sup>1</sup> The State Department took action pursuant to section 219 of the Immigration and Nationality Act and Executive Order ("**E.O.**") 13224. See *Terrorist Designation of Comando Vermelho and Primeiro Comando da Capital*, U.S. Dep't of State (May 28, 2026), <https://www.state.gov/releases/office-of-the-spokesperson/2026/05/terrorist-designation-of-comando-vermelho-and-primeiro-comando-da-capital/>.

principally one of U.S. sanctions exposure, it now extends to criminal material support liability, private civil terrorism lawsuits, and a dramatically expanded enforcement toolkit in the hands of federal prosecutors.<sup>2</sup>

The terrorist designations are not an isolated event. They represent the latest salvo in a broader Trump administration campaign to weaponize FTO designations against organized crime groups across Latin America, following similar designations of Venezuela’s Tren de Aragua, the Jalisco New Generation Cartel, and the Sinaloa Cartel.<sup>3</sup> The pattern is clear: Washington is systematically reframing transnational organized crime through a counterterrorism lens, and with it, importing the full weight of U.S. anti-terrorism law into regions where these groups operate.

The practical consequences for companies are immediate and far-reaching. The two designations result in heightened criminal and civil legal risks for Brazilian companies and non-U.S. companies that work with or in Brazil. As detailed below, companies that may be exposed to CV and PCC should understand the consequences of these designations and take prompt action to assess and mitigate their exposure.

**A. Key Legal Consequences of the FTO Designations**

The designation of an organization as an FTO carries significant criminal and civil liability. The key legal consequences can be divided into three main categories, as detailed in the chart below.

<b>Liability</b>	<b>Description of Liability</b>	<b>Consequences</b>
<b><i>Criminal material support liability under 18 U.S.C. § 2339B</i></b>	It is a federal crime to knowingly provide “material support” to an FTO, which broadly encompasses services, personnel, logistics, financing, and other resources. The defendant must know that the organization is a designated FTO or engages in terrorist activity, but need not have intended to further any specific	Violators may face criminal liability via a fine (max \$250,000 or \$500,000 for an organizational defendant); imprisonment (max 20 years); or both.

<sup>2</sup> PCC was previously added to the U.S. Department of the Treasury’s Office of Foreign Assets Control’s (“OFAC”) Specially Designated Nationals and Blocked Persons List (the “SDN List”) under E.O. 14059 on December 15, 2021, as part of counter-narcotics authorities. See *Issuance of Executive Order Imposing Sanctions on Foreign Persons Involved in the Global Illicit Drug Trade; Counter Narcotics Designations and Designations Updates*, OFAC (Dec. 15, 2021), <https://ofac.treasury.gov/recent-actions/20211215>. CV was not added to the SDN List until after the State Department’s designation. See *Counter Terrorism Designations; Issuance of Amended Iran-related Frequently Asked Question*, OFAC (May 29, 2026), <https://ofac.treasury.gov/recent-actions/20260529>.

<sup>3</sup> For additional details on the impact of these designations, see our past client alert on this topic: [Rising Cross-Border Enforcement Risk for Companies Operating in Latin America](#).

Liability	Description of Liability	Consequences
	<p>terrorist act. The statute provides for extraterritorial application, allowing prosecutions in the United States even for conduct occurring wholly outside the country.</p>	
<p><b><i>Civil liability under the Anti-Terrorism Act (“ATA”)</i></b></p>	<p>Under the ATA, U.S. nationals injured by an act of international terrorism committed, planned, or authorized by a designated FTO may bring civil claims against those directly liable as well as those who aided and abetted the act by knowingly providing substantial assistance. Successful plaintiffs may be awarded treble damages and attorneys’ fees.</p>	<p>Civil lawsuits by victims of terrorist acts. Treble damages and attorneys’ fees are available. There is no statutory cap on civil liability under the ATA.</p>
<p><b><i>OFAC sanctions (preexisting)</i></b></p>	<p>As PCC was already on the SDN List, all property and interests in property of PCC or entities 50%+ owned by it that are in the possession or control of U.S. persons are blocked and cannot be dealt with. Sanctions violations are enforced on a strict liability basis. CV was added to the SDN List as a result of the SDGT designation.</p>	<p>OFAC civil penalties vary, based on OFAC’s analysis of the violation and whether it is considered egregious and whether it was voluntarily self-disclosed, among other pertinent factors.</p>

## B. Impact on Brazilian Companies and Recommended Next Steps

The challenge for companies operating in Brazil is not merely that CV and PCC are now designated terrorists but that these organizations have burrowed deep into the legitimate economy, making inadvertent contact a realistic and pervasive risk rather than a remote hypothetical. Enhanced diligence will be required, including when dealing with customers and counterparties in sectors not typically susceptible to drug trafficking.

Non-U.S. companies in Brazil and beyond may be subject to U.S. jurisdiction when transactions are routed through the U.S. financial system, involve U.S. persons, or touch U.S. assets. Notably, the material support statute at 18 U.S.C. § 2339B is not limited to U.S. persons or U.S.-dollar transactions and has been used to prosecute those who support FTOs abroad with minimal connection to the United States. And the U.S. Department of Justice (“DOJ”) has already set a precedent for imposing significant penalties on companies that were found to have materially supported FTOs.<sup>4</sup> Given the Trump administration's heavy focus on eliminating FTOs, the Justice Department will likely build off of these precedents; indeed, DOJ leadership has stated that material support by corporations to FTOs, including recently designated organizations, is an enforcement priority.<sup>5</sup>

Given the severity of the penalties for materially supporting or otherwise dealing with an FTO, Brazilian and other non-U.S. companies should not delay reacting to the designations of CV and PCC as FTOs and SDGTs. Recommended steps companies should consider in response to the designations include:

- Immediately conduct a risk assessment of potential touchpoints to CV and PCC.
  - Companies should review their existing customers and counterparties and reassess their risk in accordance with the designations. Keep in mind where CV and PCC may be more likely to operate, both geographically and in terms of sector. If any actors appear to be higher risk, conduct additional diligence and continue to monitor that actor's risk more frequently.
- Conduct an overall compliance program review to ensure the company's program can meet the heightened need for reviewing transactions, customers, and counterparties.
  - Companies will likely need to conduct enhanced due diligence and screening on both existing and prospective customers, including beneficial ownership investigations to identify the natural persons behind opaque corporate structures.

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<sup>4</sup> See *Lafarge Pleads Guilty to Conspiring to Provide Material Support to Foreign Terrorist Organizations*, U.S. Dep't of Just. (Oct. 18, 2022), <https://www.justice.gov/archives/opa/pr/lafarge-pleads-guilty-conspiring-provide-material-support-foreign-terrorist-organizations>; *Chiquita Brands International Pleads Guilty to Making Payments to a Designated Terrorist Organization And Agrees to Pay \$25 Million Fine*, U.S. Dep't of Just. (Mar. 19, 2007), [https://www.justice.gov/archive/opa/pr/2007/March/07\\_nsd\\_161.html](https://www.justice.gov/archive/opa/pr/2007/March/07_nsd_161.html).

<sup>5</sup> Memorandum from Matthew R. Galeotti to All U.S. Dep't of Just. Crim. Div. Pers. (May 12, 2025), <https://www.justice.gov/criminal/media/1400046/dl?inline>.

- Transaction monitoring and other financial control policies should be reviewed to ensure they are adequate in detecting whether transactions are suspicious or follow typical patterns used by drug trafficking organizations.
- Contracts with third parties should incorporate protections to address potential FTO exposure.
- FTO-related considerations should be incorporated into M&A and investment-specific diligence.
- Identify additional compliance considerations when there is a U.S. nexus.
  - Because the U.S. government has pursued fraud charges against non-U.S. companies based upon alleged misrepresentations to U.S. counterparties,<sup>6</sup> non-U.S. companies should thoroughly review any representations made to U.S. partners or counterparties to ensure they are accurate. Further, non-U.S. companies should consider any potential disclosure obligations to the U.S. Securities and Exchange Commission.
- Develop a crisis management playbook and internal escalation procedures.
  - Companies should develop protocols focused on the actions to be taken in the event of discovering FTO infiltration in a business partner, receiving extortion demands, or identifying other FTO-related exposure.
  - Companies should also create or review policies instructing employees on how to react to extortion requests, as payments made for “protection” or under duress could still be interpreted as material support for terrorism.

June 5 is only days away. The compliance steps outlined above should be implemented without delay because the enforcement machinery is already in motion. DOJ has retooled its white-collar prosecutors to focus on cartel-related material support cases; OFAC has signaled heightened vigilance; and plaintiffs’ lawyers are undoubtedly evaluating ATA claims against companies operating in Brazil. Companies that demonstrate credible compliance infrastructure before enforcement pressure arrives, rather than assembling it in haste afterward, will be best positioned to manage the legal, financial, and reputational risks that follow.

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<sup>6</sup> See *Chinese Telecommunications Conglomerate Huawei and Huawei CFO Wanzhou Meng Charged With Financial Fraud*, U.S. Dep’t of Just. (Jan. 28, 2019), <https://www.justice.gov/archives/opa/pr/chinese-telecommunications-conglomerate-huawei-and-huawei-cfo-wanzhou-meng-charged-financial>.

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