

# The Use of Intermediaries in Corrupt Deals

Lessons from the Petrobrás Case  
for Compliance Officers

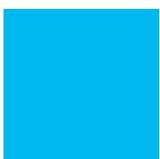
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## 1. Introduction

In the evening of 17 March 2014, agents of the Brazilian Federal Police arrest Alberto Youssef. He is in a hotel room in São Luís, the capital city of the State of Maranhão in northern Brazil. Authorities know Youssef already. He had been convicted for acting as a corruption intermediary several years before (Netto 2016, Prólogo). Once again, he is suspected of committing the same crime. At this moment, however, perhaps no one can predict that his arrest will decisively lead to the largest corruption investigation in the history of Brazil, the Operation Car Wash.

The so-called Operation Car Wash (“Operação Lava Jato”, in Portuguese) revealed a vast scheme of systemic corruption<sup>1</sup> that lasted for about ten years, during the governments of Presidents Luiz Inácio Lula da Silva (2003–2010), and Dilma Rousseff (2011–2016), both from the Workers’ Party. This ten-year period coincided, largely, with the dramatic rise in oil price, beginning in the year 2000, and with consequent investment in infrastructure by the state-owned “Brazilian Petroleum Corporation” (“Petróleo Brasileiro S.A.” or “Petrobrás”) (Folha de S. Paulo, 2014).

Petrobrás is a gigantic multinational firm in the oil and gas industry. In 2014, at the beginning of the Operation Car Wash, it had published revenues of about USD 140 billion, and was the world’s 28th largest company

(Fortune 2016). In the period, Petrobrás commissioned numerous capital-intensive projects, such as modernization of refineries, oil platforms, oil vessels, and gas pipelines (Azevedo, 2009).

The scheme that the Police investigate in the Operation Car Wash is quite common in both Brazil and abroad.<sup>2</sup> It involved the manipulation of the procurement processes in mega-projects as well as other connected offenses, such as bribery (kickbacks) and money laundering.

The Petrobrás corruption scheme functioned with three main parties: (a) construction firms, (b) high-ranking bureaucratic officials from Petrobrás, and (c) federal level politicians. They acted in concert to raid the Petrobrás coffers. In exchange for large kickbacks, a group of Petrobrás executives awarded large infrastructure projects to a group of construction firms. The firms were organized in a cartel to defraud the Petrobrás bidding processes through price fixing, market sharing, bid rotation, and cover pricing, with no opposition from the executives, who eventually signed

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<sup>1</sup> Systemic corruption is based on the development of coordination mechanisms, informal norms and sanctions, the attribution of roles and the distribution of benefits to key actors. It flourishes by building up protective barriers against the internal risks of defection and free riding and the external threat of judicial action and political reform (Vannucci, 2009, p.258).

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<sup>2</sup> According to OECD (2014), bribes were promised, offered, or given to employees of public enterprises (state-owned or controlled enterprises, SOEs), such as Petrobrás, in 27% of all 427 bribery cases reported by the signatory countries of the OECD Anti-Bribery Convention (1999–2014). The same report also informs the readers that in the majority of cases, bribes were paid to obtain public procurement contracts (57%). Moreover, the extractive sector (which includes oil and gas) and the construction sector (also involved in the Petrobrás case) are commonly vulnerable to corruption: 19% and 15% of all foreign bribery cases occur in these two sectors respectively (OECD). Therefore, the bribery scheme to be explored herein is typical in many aspects.

construction agreements with an overcharge of up to 3%. Portions of such overcharge were siphoned to both Petrobrás executives and politicians from the government, who had appointed the executives who awarded the construction contracts. The three parties of the scheme, mainly the firms and the executives, largely employed intermediaries.

The Petrobrás case has been considered one of the world's largest corruption scandals (The Guardian, 2017), involving more than USD 5 billion of illicit payments and entangling Brazil's political and business elite. At the time of writing (October 2017), more than 80 sitting Brazilian politicians were under investigation and more than 250 Petrobrás bureaucrats, politicians and businesspeople were indicted. Moreover, the scandal has spread to 16 countries in four different continents.

As an intermediary, Alberto Youssef used to assist bribe givers and bribe receivers in achieving their exchanges, including money laundering. According to the authorities, Youssef alone had conducted as many as 3,500 international fund remittances, which totalled USD 400 million, between 2011 and the moment of his arrest in March 2014 (Netto, 2016, Velhos Conhecidos). Youssef is only one of several business intermediaries investigated by the Operation Car Wash. At least 15 others were identified (Estadão, 2016).

OECD (2009, p.5) describes an intermediary as an individual or legal entity that is put in contact with or in between two or more trading parties. In the business context, an intermediary is a conduit for goods or services offered by a supplier to a customer. The intermediary can take part in legitimate economic exchanges, in illegitimate ones, or in a combination of both (OECD).

Intermediaries are widely employed in corrupt transactions worldwide. At least 71% of all 427 bribery cases reported by the signatory countries of the OECD Anti-Bribery Convention (1999–2014) involved an intermediary (OECD, 2014, p.29). More than 90% of all 240 United States Foreign Corrupt Practices Act (FCPA) cases (1977–mid-2017) also involved an intermediary (Stanford Law School and Sullivan & Cromwell LLP, 2017).

The present case study intends to investigate some of the reasons why intermediaries were so widely employed in the Petrobrás scheme to help understand this common international phenomenon. Intuitively one could assume that the bribe payer and the bribe receiver would be better off simply transacting directly. Should they avoid the intermediary, not only would they let fewer people know about their secret, but also would avoid the intermediary's fees on top of the bribe itself. However, neither the above-mentioned figures nor the Petrobrás case support such intuition. Corrupt parties do often use intermediaries to conduct their exchanges.

The frequent use of intermediaries is due to, inter alia, their assistance in the reduction of the costs of corrupt transactions. This paper will discuss three selected reasons for this phenomenon. They are related to the following corruption transaction costs: (i) management of the risk of being detected by law enforcement authorities; (ii) solving the communication problems that directly affect the initiation and the set-up of illegal transactions; and (iii) operation of complex money laundering schemes. Furthermore, the present paper intends to provide useful knowledge to practitioners in different areas, primarily compliance officers operating in companies that are exposed to the risk of engaging corrupt intermediaries, especially in public-works projects. Thus, several red flags that help identify risks will be listed and due

diligence references will be provided along with suggestions of contractual provisions and performance monitoring measures.

## 2. Methodology

Case studies permit the examination of factual phenomena to better comprehend how economic agents manage their problems. The examination of real-life cases can uncover the rules that the agents decide to follow, their strategies, how they coordinate their activities, etc. Thus, the case study methodology is most appropriate for investigating the mechanics of bribery deals.

Detractors of the case study bring up the impossibility of extrapolating the findings accurately. Such a limitation does exist. Nevertheless, this methodological option shows an exceptional opportunity to explore and understand a subject-matter, test a hypothesis, and help clarify the working of institutions in a given setting (Alston, 2008, p.121). Moreover, the Petrobrás swindle in particular displays several similarities to many other cases involving the oil and gas industry, construction companies, and public procurement of state-owned enterprises.<sup>3</sup>

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<sup>3</sup> A similar example is the Skanska case in Argentina. In 2004, the Argentine Ministry of Planning opened a bidding process for the construction of two natural gas pipelines and compressor stations. Skanska's initial bid for the projects was far above the cost estimate for the project. Regardless of that, Argentina's regulatory agency for the gas sector approved the cost increase and Skanska was awarded the contract. After construction began, a judicial investigation found Skanska had paid 118 fake invoices to at least 23 fictitious companies. Money reportedly went to bribe officials and assist the construction firm in evading taxes.

The facts being researched in this paper occurred between 2004 and 2014, approximately. As of October 2017, investigations are still ongoing. Although unlikely, with the future unfurling of examinations and trials, new data may either contradict or prompt different interpretations of the facts. This has to be taken into account by readers.

Nevertheless, the proximity in time between the disclosing of the facts and the moment of this study is not an important bias to be considered. The assumption that facts that have not gone through the filters of history are not observed precisely is rather distorted. Even after the passage of a long time, the examination of the same events will invariably be influenced by the historical moment of the research. Any investigation viewpoint is a consequence of its time.

Similarly, another apparent weakness of case studies is the subjectivity of the investigator, whose past experiences and individual circumstances may impact the observation of the facts. The author of this paper comes from the country where most of the facts occurred and has more than 15 years of experience in private firms involved in public works in Brazil and abroad. At the time of writing (October 2017), one of these firms stands implicated in the wrongdoings being discussed in this paper. Due to these facts, and although recognizing the potential impacts of researcher's bias, any interpretation of the reality whatsoever – especially where the goal is to make sense of

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Individuals suspected of accepting bribes have not been publicly identified, but several officials did face charges of fraud, unfaithful public management and bribery for choosing the more expensive Skanska bid. In 2011, however, an Argentinean federal court discontinued the trial for lack of evidence that the contract was overpriced. (Sayne et al., 2017, p.38).

human behaviour – is unavoidably influenced by the researcher's past experiences and individual circumstances. At the same time, the author's professional experience can bring in some useful insights into how business in public works is generally carried out as well as its player's stance, concerns, and strategies.

Everything taken into account, the case study is a suitable methodology to investigate corrupt transactions. Despite the aforementioned bias admonitions – which ought to be considered by compliance officers and other analysts when drawing conclusions – this study should offer helpful insights into the mechanics of corruption and into how to properly handle corruption.

### 3. Research Methods

In addition to Brazilian and foreign daily newspapers, and documents from the court proceedings, the present paper is mainly based on depositions, in Portuguese, from 32 people implicated in the Petrobrás swindle in almost 40 court sessions.<sup>4</sup> These deponents were businesspeople, bureaucrats, politicians, and intermediaries. The sessions were video-recorded by the Court of Justice and made accessible on the Internet. They add up to around 40 hours.

Although most of the deponents were then engaged in their own defense, which may have led to either biased or false accounts of the facts, they were acting under Cooperation Agreements they had signed with the Prosecutor's Office. According to these agreements, the deponents would be entitled to a penalty reduction if they truthfully disclose relevant details and provide evidence

to the authorities. Therefore, the manipulation of the facts by the deponents was strongly disincentivized. All in all, the video recordings are a rare chance to learn about the mechanics of corruption that would otherwise remain unknown to the society at large. It is uncommon that researchers can have contact with first-hand accounts of grand corruption.

### 4. Reasons for the use of intermediaries in the Petrobrás case

Uncertainty is a ubiquitous element of economic exchanges. The corruption business in particular displays a set of uncertainties that often make transactions costly to carry out. As opposed to production costs, transaction costs entail, for instance, all costs incurred in the transfer and capture of rights that are crucial to the functioning of an economic system (Allen, 1999, p.893; North, 1992, p.6). They relate to the cost to access information and to reduce uncertainty.

The people implicated in the Petrobrás case knew fairly well the challenges that they had to overcome. They took several measures to manage them, from simple behaviour adaptations to more complex collaboration. Otávio Azevedo, CEO of the construction firm Andrade Gutierrez, used to have 7 cell phones (Macedo & Coutinho, 2016) to put the police off the scent in case it were tapping one of his lines. Another simple behaviour change observed in the Petrobrás case was the extensive use of nicknames. Dwarf, Barbie, Friend, Crab, Decrepit, and Rasputin are some of the nicknames of bribe recipients that Odebrecht, another construction

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<sup>4</sup> See Annex 1.

company, secretly used in its records<sup>5</sup> (G1, 2017). The use of multiple cell phones and nicknames were only elementary precautions taken to hide identities and connections between people, reducing the transaction costs of the illegal activity.

In addition to those, the parties used intermediaries, a more elaborate strategy to reduce some of the uncertainties of bribery exchanges. Such a method of collaboration had (or at least seemed to have) a particular effect on the cost reduction of the transactions. The corrupt parties frequently experience high costs in (i) managing the risk of being detected by law enforcement authorities; (ii) overcoming the communication constraints that directly affect the initiation and the set-up of the illegal transactions; and (iii) operating an often-complex money laundering apparatus. Those are only a few concerns that corrupt actors have to deal with to conclude their activities successfully.<sup>6</sup> Each of the three will be explored further below.

#### 4.1 Managing the risk of being detected

The corrupt parties in the Petrobrás case used to employ intermediaries at least to mitigate the cost of avoiding detection by law enforcement authorities, media, etc. Confidentiality and identity protection are imperative factors in a bribery transaction due to its unlawfulness. The demand side, in particular, was mindful of the risk of being

caught in the act of committing a crime.<sup>7</sup> Although they were usually informed about the identity of their counterparties, bribe takers and businesspeople would seldom convene, especially until the corruption became systemic. The intermediary would meet them separately to make their connection harder to track. Some of the companies would never have gained access to a public official without the intermediaries (Soares, 2015; Youssef, 2015).

The intermediaries caused the parties to perceive themselves far off from the illicit agreements. The utilization of the intermediary did shield the main parties for a while. However, several intermediaries acting in Petrobrás eventually disappointed their “clients” by becoming key collaborators of the enforcement authorities and disclosing the case mechanisms after their arrest. Due to their role, intermediaries did provide a wealth of evidence that eventually led to the detention of many bribe givers and bribe takers. Therefore, the cognitive capabilities (North, 1981; Dosi & Egidi, 1991, p.145) of the parties proved unsound as the use of intermediaries was not optimal to eliminate the risk of being caught.

#### 4.2 Overcoming the communication constraints

In addition to the risk described above, the corrupt parties had to develop economic exchanges in an environment with severe restrictions on communication, especially due

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<sup>5</sup> The nicknamed bribe recipients were not aware of the epithets, which were often ironic, offensive, or sexist.

<sup>6</sup> The efforts endeavoured to avoid detection were only some of the numerous transaction costs involved in a corruption deal. A bribery transaction also includes the cost of access to information (which is often scarce), the cost of deal enforcement, the cost of preventing betrayal by a counterparty, etc.

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<sup>7</sup> An extreme parallel can be drawn with the case of Alexei Ulyukayev, former minister for economic development of Russian Federation. He was detained while leaving a meeting with the CEO of Russia’s largest oil company, Rosneft, with USD 2 million in bribes in a bag. He was caught in a sting operation and his defense will struggle to dissociate him from the wrongdoing (Reuters, 2017).

to the confidential nature of the deals. There again, some of those challenges were either eliminated or mitigated by the use of intermediaries. The communication constraints affected mainly the initiation and the set-up of the corrupt agreements.

First, a party who intended to either give a bribe to or take a bribe from new counterparties, had to find a safe way to initiate conversations to check their disposition to deal. The intermediaries were usually in charge of bridging such a gap. They were influential individuals having access to privileged information (Soares, 2015; Youssef, 2015). They had been in the business for a long time. They had a trust relationship with both sides. The intermediaries often refer to the bribe recipients, in particular, as “friends” as they knew each other’s families, they used to spend time together on the seaside and to play golf together; they were even partners in other legitimate businesses (Soares; Barusco, 2015; Góes, 2015; Youssef). Therefore, the future briber and bribee could rely on the intermediaries to approach each other and structure a new deal. Moreover, due to the repetition of the scheme throughout the years, the intermediaries mastered its functioning, which was not obvious to newcomers (Rose-Ackerman & Palifka, 2016, VII. Agents and Middlemen).

Setting up a corrupt deal was an even more problematic challenge for the parties. The terms and conditions of the bribery deal could not be negotiated, written down, and signed as they usually are in legitimate contracts. The transacting individuals needed to negotiate complicated terms and conditions avoiding both the involvement of people that could be of assistance (but who would become aware of the secret), and phone calls and meetings (that could leave traces of their activities). The use of intermediaries was one of the measures to

mitigate these problems. They were used to manage the communication during the negotiation phase. Zwi Skornicki, for example, had a privileged contact with Pedro Barusco, one of the Petrobrás high-level executives. He intermediated the relationship between Barusco and the Singapore-based shipyard Keppel Fels. The foreign company paid kickbacks that amounted to 1% of the price of a drilling vessels contract (Skornicki, 2016). The intermediary played an important role in bringing the two parties together.

### 4.3 Laundering the proceeds of bribery

In addition to the risk of being detected and the communication complications faced by the corrupt parties, there was another problem to which intermediaries were practically indispensable: the laundering of the proceeds of crime.

The Petrobrás case is one of systemic corruption that lasted for about 10 years. Not only were the amounts of money significant, but also they were repeatedly remitted. The Brazilian Public Prosecutor’s Office estimates that bribes paid in connection with the Petrobrás amounted to USD 2.8 billion in total (Villela, 2015). The source, reason, and recipients of such payments had to be hidden by intricate financial maneuvers. The intermediaries used to take care of most of the work. Normally, the kickbacks used to be paid in instalments, roughly following the payment milestones of the Petrobrás project contracts (Skornicki, 2016).

Basically, the challenges were to operate a complex infrastructure to convert large amounts of bribes into ready-to-use money and make it reach the recipient’s pocket without traces. The proceeds of crime used to reach their final recipients via both cash delivery and deposits in foreign bank accounts (Barusco, 2015; Youssef, 2015). The construction firms used to sign mock

agreements with Brazilian shell companies owned by the intermediaries. The firms used to transfer the bribes as if paying for legitimate services. The intermediaries then withdrew a portion of the payment and distributed it by employing cash-delivery agents (Soares, 2015). Complementarily, the intermediaries transferred some of the money to other shell companies owned by them overseas (often in Switzerland). They used fake import contracts, for instance, to justify the transfer between the two shell companies (Youssef, 2015). To hamper tracing, the intermediaries used successive money transfers through various shell companies, employing the layering strategy extensively (Barusco, 2015; Youssef, 2015). There were variations to this basic scheme. Sometimes, for example, the supply side would make payments directly to a foreign shell company of the intermediary. However, the above described procedure was the basic one to accomplish the frequent transfers of large sums of dirty money.

## 5. Recommendations to compliance officers

In the Petrobrás case, the public-works companies (or at least their highest management) were aware of the activities of the intermediaries. In other corruption schemes it can be different. In any case, the companies are often held accountable for the actions taken on their behalf by third parties.<sup>8</sup>

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<sup>8</sup> Although there is substantial cross-country variation in legislation, bribery statutes in many countries criminalize payments to intermediaries (Rose-Ackerman & Palifka, 2016, VII. Agents and Middlemen).

The compliance apparatus of potential bribe payers and bribe recipients, as well as law enforcement authorities should act together to bar corrupt intermediaries. Compliance officers of potential bribe payers, i.e. companies, in particular, are in a critical position to help block such offenders. Companies can treat the problem in several different ways. Certain general initiatives that are a must in any compliance program, such as tone from the top, clear policies and procedures, empowered compliance officers, training, etc., can undeniably help restrain corrupt intermediaries. However, recommendations that are more specific and largely based on the Petrobrás experience will be considered below.

Companies should prevent corruption in three phases of the relationship with the intermediary. In the first phase, companies should properly identify red flags and carry on due diligence. In the second phase, companies should make sure that the intermediaries agree to adequate contractual provisions. Finally, in the third phase, companies' contract managers and compliance officers should oversee the performance of the intermediary.

### 5.1 Identifying red flags and conducting due diligence

Red flags are signs that may cause suspicion of corruption. Concerning intermediaries, several red flags can help compliance officers identify risks and determine the scope of the due diligence they should then execute. The red flags related to the three abovementioned reasons why intermediaries are employed will be presented below.

The fear of being detected by law enforcement authorities usually causes the parties, mainly the bribe receivers, to avoid direct contact with the counterparty and to only accept contact with the relevant

intermediary. Therefore, some of the warning signs that corporate compliance officers and other members of the staff should be attentive to are:

- the intermediary informs that the company cannot directly deal with the government official; or
- the intermediary insists that the company should keep confidentiality about his/her identity, or about the identity of their interlocutor within the government body, or about the existence of the deal.

Moreover, as illustrated above, intermediaries are also employed to manage the communication between the bribe giver and the bribe taker, especially to start a deal and to set up its terms. Very often it is only possible because the intermediary has a trust relationship with the public official that is due to a pre-existing connection. Therefore, the clues that should trigger further analysis are:

- the selection of the intermediary was based on a recommendation from a public official, or it was grounded in a political, social, familial, or business ties to an official, particularly one connected to the business at issue (Sayne et al., 2017, p.32; The Wolfsberg Group, 2011, p.9); or
- the intermediary promises to arrange meetings with decision-makers in the government or other types of access that the company competitors cannot.

Finally, money laundering was the main activity of the intermediaries in the Petrobrás case. When it comes to that, a number of elements can help the companies identify riskier intermediaries and then investigate further. The main red flags are:

- the intermediary does not have the technical expertise, experience, staff,

- and facilities to perform the service being contracted (Iyer, 2016); or
- the intermediary is in a different line of business and lacks track records with product, service field or industry (Ellis, 2014); or
- the intermediary is operating under a shell company or under any other non-transparent structure; or
- the description of the scope of work in the contract is vague or does not correspond to a tangible service; or
- the intermediary's commissions and fees are extremely high; or
- the intermediary requests split payments (Price, 2006, p.122) or a payment in a foreign jurisdiction that has nothing to do with the services, especially if the jurisdiction is a financial center (Ellis); or
- the intermediary requests the use of a third party bank account; or
- the intermediary is not supposed to perform any substantive work (Sayne et al., 2017, p.32).

The identification and analysis of preliminary red flags are the first steps towards planning and conducting an efficient due diligence. Compliance programmes should focus specifically on due diligence with respect to intermediaries involved in the transaction (OECD, 2014). The process entails the deeper investigation of their corporate, commercial, criminal, and financial records, in addition to the circumstances surrounding the particular engagement. Therefore, the scope of the due diligence depends on the preliminary red flags.

The main purpose of the due diligence is to assess the risks of a transaction or of a counterparty providing the company with adequate elements for an informed decision. During such process, and depending on its focus, the company should check, for instance:

- if the intermediary has been charged or convicted of any corruption-related crime (Price, 2006, p.122-123); or
  - if the intermediary makes large political contributions (Ellis, 2014); or
  - if financial references express any reservations regarding the financial probity of the intermediary (Price, 2006); or
  - if media searches reveal potentially damaging information regarding the intermediary (Price, 2006); or
  - if research reveals undisclosed associations with politicians, bureaucrats, or criminals.
- the company should be entitled to perform audits at its own discretion over intermediary's relevant businesses and accounts (Iyer, 2016); and/or
  - the intermediary should explicitly agree not to pay bribes and it should be possible to terminate the contract early if a bribe is ever paid (The Wolfsberg Group, 2011, p.8); and/or
  - the intermediary should not interface with public officials on behalf of the company without prior consent of the latter.

After scanning the records of the intermediary and the circumstances of the deal, the company may make informed decisions about whether to engage the intermediary or not, and, if it decides to proceed with the engagement, under what terms and conditions.

## 5.2 Contract negotiation

The negotiation and drafting of the appropriate terms and conditions of the contract between the intermediary and the company shall take into consideration the results of the due diligence. The contract documents may include provisions about the following rights and obligations:

- the intermediary should follow the code of business conduct of the company and collect written consent of his/her relevant subcontractors (if any) to their equal adherence to the code (Iyer, 2016); and/or
- the intermediary should participate in integrity training offered by the company (Iyer, 2016); and/or
- the intermediary should deliver detailed reports on the activities during contract execution (Iyer, 2016); and/or

Moreover, in parallel, the intermediary should disclose in writing any relevant – either existing or potential – conflict of interest situations in which he/she might be in (Iyer, 2016).

The above provisions can help the company monitor the intermediaries' activities during the contract execution phase.

## 5.3 Monitoring: contract management

In the third phase of the relationship between the company and the intermediary, i.e. after the signing of the agreement, the prevention of corruption is mainly based on performance oversight. Such oversight may entail the active participation of the compliance officer.

During the oversight phase, the company should monitor the compliance with the terms and conditions of all contract documents, which include the company's code of business conduct. In addition to the topics mentioned in section 5.2 above, in this phase, the invoices should be of particular concern. Certain attitudes or responses may suggest that the intermediary is conducting illicit financial operations. So, if the invoices are unclear, contain inaccuracies, discrepancies, or are accompanied by confusing documents, those responsible for the contract management should take action.

During this phase, with certain special intermediaries, the compliance officer may decide to ostensibly monitor the correspondence between the company and the intermediary. The intervention of the compliance officer should break the possible trust between a corrupt intermediary and his/her contact within the company, as the compliance officer should have the authority to suspend payment, terminate the contract, etc., if any deviation from the contract documents occurs.

## 6. Conclusion

The study of the Petrobrás corruption case is a useful way to understand the mechanics of bribery in real terms. The Car Wash investigations revealed that, on the one hand, public-works companies, and, on the other hand, politicians and Petrobrás executives were involved in numerous bribery exchanges for about 10 years. Intermediaries were of essential assistance to the corrupt parties.

They were extensively used to reduce the transaction costs of bribery. In this paper, the costs of three activities in particular were selected and further analyzed: (i) the management of the risk of being detected by law enforcement authorities; (ii) the overcoming of the communication constraints; and (iii) the operation of the money laundering apparatus.

The example of Petrobrás, despite its particularities, follows a common pattern of corruption involving state-controlled companies, construction firms, public procurement, and the oil and gas industry. Therefore, its observation can be of interest to compliance officers working for potential bribe payers who may engage intermediaries to commit wrongdoing.

Thus, recommendations inspired by the Petrobrás experience were presented. They are separated in the three phases of the relationship between the companies and the intermediaries: (i) identification of red flags and conducting due diligence, (ii) contract negotiation, and (iii) monitoring of contract performance.

The active obstructing and monitoring of corrupt intermediaries by private companies and their compliance officers is an effective way of reducing and tackling the risks of corruption schemes such as the one seen in the Petrobrás case.

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## Annex I

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*Most of the hearing sessions were divided in videos of approximately 30 min each. Some of the entries above indicate only the first video of each series.*



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