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Article

Systemic Fiscal Risk from Chronic Tax Evasion: Regulatory Fragmentation and Public Financial Management Challenges

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Abstract

This article examines how large-scale fiscal–financial crime schemes in Brazil exploit legal and regulatory fragmentation, non-bank intermediation channels and institutional blind spots to generate systemic fiscal risk. Drawing on recent national operations in the fuel, logistics, beverage, retail and e-commerce sectors, it analyses how fintechs, payment institutions, investment funds, holding companies and shell entities have been used as parallel financial systems to sustain chronic tax evasion (devedores contumazes), money laundering and competitive distortions. Methodologically, the study adopts a qualitative, document-based approach, relying on official investigations, judicial records, government reports and regulatory documents. It integrates insights from financial regulation, public financial management, macro-supervision and organized crime to construct an analytical framework for understanding how fiscal–financial crime operates within the legal architecture of emerging markets. The findings show that fragmented supervisory mandates, gaps in the regulatory perimeter and limited data-sharing across tax, financial and sectoral authorities enabled criminal groups to operate at scale for long periods. These structures weakened state capacity, eroded public revenue and embedded illicit flows in key markets, thereby amplifying systemic vulnerabilities. The article contributes to the legal and regulatory literature by consolidating lessons from Brazil’s recent large-scale operations—such as Carbono Oculto, Poço de Lobato and Tank—into an integrated model of chronic tax evasion as a source of systemic fiscal risk. It concludes with a set of regulatory and public financial management recommendations that are relevant for both emerging markets and advanced jurisdictions facing similar legal and supervisory challenges.

Keywords: fiscal–financial crime; chronic tax evasion; non-bank financial intermediation; fintech regulation; regulatory fragmentation; money laundering; supervisory perimeter; Brazil; public financial management

1. Introduction

In recent years, Brazil has uncovered some of the largest and most sophisticated fiscal–financial crime schemes in its history. Investigations have revealed networks involving shell companies, complex holding structures, offshore vehicles, fintechs operating as parallel banks, investment funds used for asset shielding, and widespread tax evasion and money laundering across multiple sectors. These structures have infiltrated legitimate markets such as fuel distribution, logistics, food and beverages, retail and e-commerce, often blending organized crime, high-level financial engineering and large-scale fraud. The scale and complexity of these operations illustrate how rapidly criminal organizations have adapted to weaknesses in the supervisory and regulatory perimeter.

Despite progress in financial regulation since the 2008 global crisis, macro-supervisory frameworks in many countries remain primarily directed at banks. However, the Brazilian experience demonstrates that systemic vulnerabilities increasingly emerge outside traditional banking channels. Criminal networks exploited regulatory fragmentation among federal and state tax authorities, financial regulators and sector-specific agencies. They used fintechs and payment institutions to

move billions of reais through opaque structures, leveraged investment funds to conceal beneficial ownership, and created intricate chains of shell entities to avoid taxes and obscure money flows. These activities not only eroded public revenue but also distorted competition and posed risks to financial stability. (Levi & Reuter 2006; Unger et al. 2014)

The Brazilian case matters internationally because it reveals how fiscal and financial crime can converge within advanced non-bank intermediation ecosystems. Large-scale operations such as Carbono Oculto, Poço de Lobato and Tank unveiled mechanisms that combine tax evasion, illicit trade, financial opacity and regulatory arbitrage. Criminal groups took advantage of gaps between authorities responsible for taxation, financial supervision, corporate registry oversight and anti-money laundering enforcement. The absence of coordinated and unified oversight contributed to a permissive environment for long-term, high-volume schemes to operate undetected.

This article argues that these developments reflect structural vulnerabilities in the regulatory architecture. Fiscal–financial crime schemes flourished where supervisory mandates were fragmented, data sharing was limited, and oversight of non-bank intermediation remained incomplete. By examining these cases in depth, the paper provides insights into how emerging markets—and advanced economies facing similar threats—can strengthen their frameworks to prevent systemic abuse of financial and fiscal systems.

The study draws on official investigations, judicial records, policy reports and regulatory documents to analyse the institutional and economic dynamics that enabled these schemes. It places the Brazilian experience within a broader international context, showing how failures in perimeter governance, enforcement coordination and supervision of non-bank entities can undermine both fiscal integrity and financial stability. The paper concludes by outlining a regulatory blueprint designed to support more integrated, preventive and systemic responses to fiscal–financial crime.

This study follows the perspective of public financial management by examining systemic fiscal risk derived from recurrent non-compliance, based exclusively on official documents and institutional regulations. The analysis focuses on how chronic tax evasion interacts with fiscal governance, enforcement capacity and regulatory fragmentation.

From a legal perspective, these developments reflect broader debates on regulatory fragmentation, institutional design and the allocation of supervisory mandates in complex financial systems. The Brazilian experience illustrates how the formal distribution of enforcement powers, reporting duties and oversight responsibilities across tax, financial and sectoral authorities can unintentionally create structural opportunities for chronic tax evasion and fiscal–financial crime. This article aligns these empirical dynamics with legal scholarship on supervisory perimeter governance, AML/CFT regulation and institutional coordination, situating the analysis within the broader literature on regulatory design in public law.

Such dynamics align with broader legal debates on the evolution of financial regulation in complex and fragmented supervisory environments (Avgouleas 2009; Coffee 2011; Brummer 2020).

Taken together, these elements position the Brazilian experience as an important case for comparative legal analysis, particularly for understanding how supervisory perimeter failures and institutional fragmentation affect the effectiveness of AML/CFT frameworks and financial regulatory design.

2. Materials and Methods

This study adopts a qualitative, document-based research design anchored in public law, financial regulation and public financial management. The analysis draws exclusively on primary and secondary official sources, including: (i) federal and state tax authority reports; (ii) judicial decisions and case files related to large-scale operations such as Carbono Oculto, Poço de Lobato, Tank, Quasar, Cana Caiada and Mercado de Pandora; (iii) official communications and technical notes issued by the Central Bank of Brazil, the Securities and Exchange Commission (CVM), the Financial Intelligence Unit (COAF), the Office of the Attorney General for the National Treasury (PGFN) and state-level enforcement bodies; and (iv) international reports by institutions such as the

IMF, OECD, World Bank, UNODC, the Financial Stability Board and European supervisory authorities.

These materials were examined through a structured documentary analysis focused on three dimensions: (a) the legal and regulatory framework governing taxation, non-bank financial intermediation and anti-money laundering; (b) the institutional allocation of supervisory and enforcement mandates across tax, financial and sectoral authorities; and (c) the concrete mechanisms used by criminal networks to exploit gaps in the regulatory perimeter and supervisory coordination. The Brazilian cases were then compared with documented vulnerabilities in other jurisdictions, allowing for an analytical generalization of how legal and regulatory fragmentation can generate systemic fiscal risk.

3. Regulatory Fragmentation and Institutional Blind Spots

The expansion of financial activity outside the traditional banking sector has exposed structural weaknesses in the legal and supervisory architectures of multiple jurisdictions. Regulatory frameworks and supervisory mandates were largely designed for a bank-centric model of intermediation and for traditional categories of financial institutions, while non-bank entities increasingly perform bank-like functions within the same legal system. Over the past decade, payment institutions, fintech platforms, investment funds, independent asset managers and opaque holding structures have gained systemic relevance, creating blind spots within fragmented regulatory regimes. (Brummer 2020; Avgouleas 2009)

In Brazil, regulatory fragmentation is rooted in the historical separation of tax enforcement, financial regulation and sectoral oversight. Federal and state tax administrations operate independently, with distinct enforcement mechanisms and limited information integration. Financial regulation is split among the Central Bank, the Securities and Exchange Commission (CVM), the Financial Intelligence Unit (COAF), and multiple supervisory bodies responsible for specific industries. This institutional architecture leaves gaps in the supervisory perimeter, especially in the oversight of non-bank entities capable of performing functions similar to financial intermediaries.

These issues are consistent with established findings in legal scholarship on financial regulation, which emphasizes that fragmented supervisory architectures and overlapping mandates tend to weaken enforcement effectiveness, increase compliance arbitrage and allow risks to migrate across institutional boundaries. Authors such as Avgouleas, Coffee and Arner have shown that regulatory gaps in supervisory perimeters, beneficial ownership oversight and AML/CFT frameworks create predictable vulnerabilities that criminal networks exploit. The Brazilian cases analysed here provide an applied illustration of these structural weaknesses. (Avgouleas 2009; Coffee 2011; Arner et al. 2019; Brummer 2020)

Fragmentation enables regulatory arbitrage. Criminal organizations leverage differences in reporting obligations, enforcement capabilities and data access across institutions. Until recently, for example, payment institutions were not required to submit financial movement reports to the federal tax authority, even though they processed volumes comparable to traditional banks. This gap allowed large criminal networks to move billions through digital wallets, pre-paid accounts and pooled settlement accounts without triggering automated tax intelligence systems. Similarly, investment funds, particularly closed vehicles with complex shareholding structures, offered a degree of opacity not found in bank deposits or conventional securities accounts.

Regulatory fragmentation also affects enforcement coordination. Attempts to tackle large-scale fraud often require the combined action of federal tax authorities, state tax administrations, prosecutors, financial regulators and police forces. Without integrated data, unified investigative protocols or shared risk assessments, these institutions act on partial information, allowing criminal schemes to operate across jurisdictions and regulatory fronts. In several high-profile Brazilian cases, enforcement only became viable after the formation of joint task forces with expanded legal powers, demonstrating the limitations of siloed action.

Non-bank intermediation plays a central role in enabling fiscal–financial crime within fragmented systems. Payment institutions can function as parallel banking structures when used for aggregation, mixing or rapid dispersion of funds. Investment funds can serve as vehicles for asset shielding, intra-group transfers, or simulated financial transactions designed to obscure the origin of resources. Shell companies and holding structures—often established through online registration mechanisms with minimal verification—provide the corporate base for long chains of fictitious commercial operations.

These features are not unique to Brazil. International experience shows that non-bank channels are especially vulnerable to exploitation when supervisory mandates are dispersed and oversight of beneficial ownership is weak. Distributed regulatory responsibilities hinder the detection of cross-border flows, layered transactions and complex ownership structures commonly used by criminal organizations. As non-bank intermediation expands, the cost of regulatory gaps increases, enabling schemes that combine fiscal evasion, laundering, market manipulation and competition distortions.

In this context, Brazil's recent operations reveal a pattern that is increasingly relevant globally: fiscal–financial crime thrives where regulatory fragmentation aligns with innovation in non-bank intermediation. The combination allows criminal networks to exploit speed, opacity and jurisdictional gaps in ways that traditional banking supervision was not designed to address. Understanding this interaction is essential to developing a more integrated and preventive regulatory model, which will be further explored in the subsequent sections.

4. Brazil's Fiscal–Financial Crime Architecture: A Systemic Case Study

Brazil's recent large-scale operations against fiscal–financial crime reveal an integrated criminal architecture that combines tax evasion, non-bank financial intermediation, investment fund structures, fintech laundering and sophisticated asset-shielding mechanisms. These schemes were not isolated events but components of a national ecosystem of illicit activity. This section synthesizes the findings of major federal and state operations—most notably Carbono Oculto, Poço de Lobato, Tank, Quasar, Cana Caiada and Mercado de Pandora—to illustrate how these schemes evolved, how they exploited regulatory weaknesses and how they generated systemic risk.

Legally, these schemes operated within a fragmented regulatory environment shaped by the distribution of powers under Brazilian public law. Tax enforcement derives from the Constitution, the National Tax Code (CTN) and state-level ICMS legislation, while financial supervision is allocated among the Central Bank (Law 4.595/1964 and subsequent reforms), the Securities and Exchange Commission (CVM), the Financial Intelligence Unit (COAF, Law 9.613/1998) and sectoral regulators such as ANP. The allocation of these mandates, combined with heterogeneous reporting requirements and limited interoperability among authorities, formed the legal backdrop that criminal networks exploited to sustain long-term fiscal–financial schemes.

The operations revealed a multilayered criminal structure operating across the fuel, logistics, beverage, retail and e-commerce sectors. A central feature was the use of shell companies and interposed legal entities to simulate economic activity and disperse liabilities. These entities typically accumulated substantial tax debts before being abandoned and replaced by new ones, enabling continuous evasion of ICMS and federal taxes. Criminal groups frequently combined these entities with holding companies, offshore structures and investment vehicles to hide beneficial ownership. The persistence of these schemes over many years indicates that the underlying structures were designed to outmaneuver the fragmented oversight of tax administrations, financial regulators and sectoral authorities.

The fuel sector illustrates this architecture particularly clearly. Operations Carbono Oculto and Poço de Lobato demonstrated how organized crime and large corporate groups infiltrated refining, distribution and retail fuel chains. In Carbono Oculto, authorities uncovered a nationwide network involving hundreds of companies—including distributors, transporters, fuel formulators, service stations, holdings and logistics operators—which collectively moved tens of billions of reais outside the formal system. Payment institutions functioned as parallel banks, processing opaque transactions

through omnibus accounts that mixed licit and illicit flows. These institutions allowed fuel distributors, transport companies, criminal groups and front entities to circulate funds without triggering routine supervisory alerts.

Poço de Lobato exposed a different facet of the same ecosystem. The operation targeted a major fuel conglomerate whose activities included simulated interstate operations, systematic non-payment of ICMS and large-scale concealment of assets. Investigators documented the use of multi-layered structures composed of holding companies, front shareholders and investment funds that owned logistics assets, real estate, industrial facilities and distribution terminals. These structures shielded assets from tax enforcement while enabling continued operation in the fuel market despite billions in outstanding tax liabilities. The group functioned as a *devedor contumaz*, using fragmentation between federal and state enforcement to avoid sanctions and continue expanding its economic activities.

The Tank and Quasar operations expanded the understanding of how criminal networks use fintechs and investment funds as laundering platforms. In Tank, deposits in cash were fragmented, routed through shell companies and processed by payment institutions to obscure the origin of funds derived from tax evasion and illicit sales. Omnibus accounts concentrated flows from these entities, enabling high-volume money movements without adequate reporting. In Quasar, investment funds were used to acquire and hold assets unrelated to their stated purposes, acting as shields for the proceeds of fraud. Administrators, fund managers or service providers facilitated the insertion of illicit capital into formal structures, leveraging gaps in supervisory coordination between CVM, COAF, Receita Federal and state tax agencies.

The beverage sector offered another variation of the same pattern. Investigations uncovered coordinated schemes in which large beverage producers or distributors used complex corporate networks to avoid ICMS, simulate interstate transactions and move inventory without proper documentation. These schemes involved *laranjas*, interposed legal entities, falsified invoices and coordinated accounting manipulation across multiple states. As with the fuel sector, the underlying strategies took advantage of differences in state enforcement capacity and the absence of integrated national oversight.

The retail and e-commerce sectors highlighted the digital dimension of these crimes. Operations such as Mercado de Pandora uncovered sophisticated use of online marketplaces to generate large volumes of sales through newly created shell companies that declared revenue without paying taxes. Once tax authorities detected abnormalities, the entities were abandoned and replaced by others, replicating the cycle. Criminal groups used this rapid turnover and the opacity of online platforms to obscure true transaction volumes and evade tax collection. Logistics operators and payment intermediaries played critical roles in routing funds and goods, demonstrating the interdependence between physical and digital layers of illicit activity.

Common to all these cases is the strategic use of non-bank financial intermediation. Fintechs allowed criminals to bypass traditional financial oversight. Investment funds and holding companies provided sophisticated mechanisms for hiding ownership and integrating illicit proceeds into formal markets. Shell companies enabled tax evasion by absorbing legal liabilities temporarily. Transport, logistics and distribution networks facilitated the physical flow of goods. And sectoral authorities—such as ANP in fuels or state-level tax inspectors—faced resource constraints or limited visibility into the full national picture.

The Brazilian cases also reveal the economic consequences of fiscal–financial crime. These schemes distorted market competition by allowing illicit actors to offer reduced prices, undermining lawful businesses. They contributed to revenue erosion at both federal and state levels, weakening public finances. And they created systemic vulnerabilities by embedding illicit flows within key markets—fuel, logistics, retail—that are integral to broader economic stability. The integration of criminal and legitimate economic activities made detection more difficult and amplified the potential for contagion.

These operations exposed the structural vulnerabilities of Brazil's regulatory and supervisory systems. Fragmentation among authorities created blind spots that criminal organizations systematically exploited. Limited data sharing, inconsistent enforcement and sector-specific oversight allowed illicit networks to operate with agility and resilience. The scale and sophistication of these schemes illustrate the need for a reconfigured regulatory framework capable of addressing fiscal-financial crime with the same breadth and integration displayed by the networks it seeks to dismantle.

In the next section, the Brazilian experience is placed in comparative perspective to show how similar vulnerabilities have appeared in other jurisdictions and how lessons from these cases can inform broader strategies to combat fiscal-financial crime.

5. International Perspectives on Non-Bank Intermediation and Fiscal-Financial Crime

The Brazilian experience reflects a broader global pattern in which fiscal-financial crime exploits non-bank financial channels, regulatory fragmentation and limitations in perimeter governance. Similar dynamics have been observed in advanced and emerging jurisdictions, showing that the vulnerabilities exposed in Brazil are not isolated phenomena but part of a larger structural challenge in contemporary financial systems. This section situates the Brazilian cases within an international context, drawing parallels with documented weaknesses in the United States, the United Kingdom and the European Union.

In the United States, fragmented regulation has long been a defining characteristic of financial oversight. Multiple agencies share responsibility for different segments of the financial system, including the Securities and Exchange Commission (SEC), the Commodity Futures Trading Commission (CFTC), the Federal Reserve, the Financial Crimes Enforcement Network (FinCEN), and state-level authorities. While each agency's mandate is clear, systemic supervision remains dispersed. This fragmentation has been repeatedly highlighted as a structural impediment to combating financial crime and non-bank risk. High-profile events such as the collapse of Archegos Capital Management illustrated how non-bank leveraged positions accumulated outside the visibility of prudential regulators, despite involving major global banks. Archegos operated through derivatives and prime brokerage relationships distributed across multiple institutions, exploiting gaps in transparency and reporting requirements. Regulators had no consolidated view of its exposures, enabling hidden leverage to grow to systemic proportions. Although Archegos was not a tax crime case, it exemplifies how opacity in non-bank channels can generate risks that surpass the boundaries of traditional regulatory frameworks. (SEC 2022; GAO 2016)

In the United Kingdom, regulatory fragmentation manifests not through a multiplicity of agencies but through the functional split between prudential supervision and conduct oversight under the "twin peaks" model. The Financial Conduct Authority (FCA) is responsible for market conduct, while the Prudential Regulation Authority (PRA) focuses on the stability of systemically important institutions. While this model was designed to enhance specialization and clarity of mandates, it has exposed vulnerabilities in areas involving non-bank actors. The liability-driven investment (LDI) crisis of 2022 demonstrated the systemic consequences of insufficient oversight of leveraged derivative strategies among pension funds. Although pension funds did not operate as traditional financial intermediaries, their use of derivatives created leverage and liquidity risks with macrofinancial implications. The fragmented oversight between conduct, prudential and pension regulators impeded early detection of vulnerabilities. The UK experience shows that even well-structured regulatory architectures may struggle when non-bank activities evolve faster than supervisory mandates. (FCA 2023; ESRB 2023)

Within the European Union, the challenge lies in coordination across countries and sectors. While the European Central Bank (ECB) exercises prudential supervision over major banks in the euro area, non-bank financial entities remain largely under national jurisdiction. Investment funds, insurance firms and payment institutions are supervised at the member state level, while EU-level

authorities such as the European Securities and Markets Authority (ESMA) provide guidance and conduct risk assessments. Efforts to harmonize anti-money laundering frameworks, including through the creation of a centralized EU AML authority, seek to address gaps in cross-border supervision. However, fiscal crimes remain predominantly national matters, and coordination between tax authorities across member states varies significantly. Criminal networks have taken advantage of differences in enforcement rigor, regulatory standards and information-sharing across the bloc. Notable examples include VAT carousel frauds, cross-border substance abuse in corporate structures, and the use of EU-based payment institutions to facilitate movement of illicit funds through lightly regulated channels. (ESMA 2024; ESRB 2023)

Beyond the advanced economies, emerging markets have also experienced challenges linked to non-bank financial intermediation and regulatory blind spots. Several jurisdictions in Latin America, Eastern Europe and Southeast Asia have reported rising use of fintechs and digital payment platforms in tax evasion and money laundering schemes. In some cases, regulatory frameworks designed to promote financial inclusion inadvertently created openings for criminal exploitation. Payment institutions and digital wallet providers often operated under simplified reporting regimes that limited the visibility of financial flows. (FinCEN 2024; Unger et al. 2014; Brummer 2020)

Additionally, offshore centers and secrecy jurisdictions continue to play a pivotal role in global fiscal–financial crime, enabling criminals to obscure beneficial ownership and shift assets away from scrutiny. The internationalization of criminal networks has deepened these risks, with cross-border structures facilitating rapid movement of capital beyond the reach of domestic authorities.

Across jurisdictions, the common denominator is the expanding role of non-bank intermediaries in both legitimate financial markets and criminal operations. Regulatory frameworks historically built around the banking system have not fully adapted to the diversification of financial channels. Criminal networks, in turn, have been agile in exploiting these gaps, integrating fiscal crimes with financial market structures. The Brazilian cases, while extreme in scale and operational complexity, illustrate vulnerabilities that are present in many countries. They demonstrate how tax crimes, illicit trade, financial opacity and non-bank intermediation converge in a manner that challenges traditional regulatory categories. As governments worldwide confront similar risks, lessons from the Brazilian experience can inform efforts to reinforce supervisory perimeters, promote inter-agency coordination and enhance transparency across financial ecosystems.

The international comparison highlights three main structural issues: first, regulatory fragmentation weakens oversight of activities that cut across traditional categories; second, data gaps and reporting asymmetries hinder early detection of complex schemes; and third, the rapid evolution of non-bank financial channels outpaces the capacity of regulators to adapt. These insights underscore the need for a more integrated and forward-looking macro-supervisory approach that accounts for cross-sectoral and cross-border risks. The next section outlines a policy framework that addresses these challenges and proposes measures capable of strengthening the resilience of financial systems against fiscal–financial crime.

6. Policy and Regulatory Recommendations

The Brazilian experience demonstrates that fiscal–financial crime has evolved into an integrated phenomenon that requires equally integrated regulatory and supervisory responses. The schemes uncovered in recent operations reveal an ecosystem in which tax evasion, money laundering, illicit trade and non-bank financial intermediation converge. Addressing these risks demands a framework capable of bridging institutional boundaries, strengthening the regulatory perimeter and improving the capacity of the state to detect and respond to systemic illicit activity. This section proposes a set of regulatory and policy measures grounded in the evidence presented in this study. (IMF 2020; OECD 2021; World Bank 2019)

A first priority is the creation of a comprehensive and unified supervisory perimeter that encompasses all relevant forms of non-bank intermediation. Criminal networks have demonstrated the ability to migrate between regulatory domains, exploiting differences in oversight between banks,

payment institutions, investment funds, holding companies and sector-specific regulators. A more integrated approach should expand reporting obligations, enhance beneficial ownership transparency and ensure that fintechs and payment institutions are subject to the same information-sharing requirements as traditional financial intermediaries. Regulatory mandates should move toward an activity-based orientation, ensuring that similar financial functions face comparable levels of monitoring regardless of the entity performing them.

Second, authorities must strengthen mechanisms for inter-agency cooperation. The fragmented responsibilities among federal tax authorities, state tax administrations, financial regulators, securities supervisors and anti-money laundering units create blind spots that criminal organizations exploit with precision. Although targeted task forces such as the interinstitutional asset recovery committees have produced significant results, these models need to be institutionalized at the national level. A permanent coordination mechanism should be established to facilitate real-time information exchange, joint risk assessments and coordinated enforcement among Receita Federal, PGFN, state tax agencies, Central Bank, CVM, COAF, ANP and law enforcement bodies. Effective cooperation must be supported by shared databases, integrated analytics and secure communication channels.

Third, data architecture and analytical capabilities require substantial investment. The schemes analyzed in this study relied on the absence of comprehensive financial and corporate data that could reveal abnormal patterns. Supervisory authorities should expand access to transactional data from payment institutions, apply advanced analytics to detect multi-layered corporate structures and enhance the capacity to track cross-border financial flows. Beneficial ownership registries must be accurate, up to date and accessible to all relevant authorities. System-wide risk dashboards, integrating information from tax systems, financial regulators and law enforcement agencies, would improve early identification of suspicious structures and facilitate preventive interventions.

Fourth, stronger oversight of investment funds and asset managers is essential. Criminal networks have used multilayered fund structures to obscure asset ownership and circulate illicit capital. Regulatory frameworks should impose stricter due diligence requirements on fund administrators and managers, ensure greater transparency in cross-holdings and related-party transactions and reinforce obligations to report unusual activities. The regulatory perimeter should capture both domestic and offshore fund vehicles that hold significant assets or interact with Brazilian markets.

Fifth, payment institutions and fintechs must be integrated into the anti-money laundering and countering financial crime framework. These entities have grown rapidly and now process substantial financial flows. However, their supervisory requirements historically lagged behind those applied to banks. Authorities should ensure full alignment between payment institutions and financial institutions in terms of transaction reporting, customer due diligence and risk-based supervision. Enhanced scrutiny of omnibus accounts and consolidated payment flows is critical to preventing their misuse as anonymization tools.

Finally, reforms must address the economic incentives that sustain fiscal-financial crime. Persistent tax evasion and the emergence of *devedor contumaz* schemes reflect weaknesses in deterrence and enforcement. Measures such as automatic restrictions on companies classified as chronic tax evaders, enhanced asset freezing procedures, real-time monitoring of high-risk sectors and coordinated criminal and civil sanctions can shift the cost-benefit calculus for illicit actors. Policymakers should prioritize transparency, predictability and enforcement consistency to reduce opportunities for regulatory arbitrage and ensure that illicit activity is neither profitable nor sustainable over time.

The policy framework proposed here emphasizes the importance of integrated regulation, unified supervisory architectures and coordinated enforcement. By adopting these measures, jurisdictions can strengthen their capacity to confront complex fiscal-financial crime networks and reduce the systemic vulnerabilities that arise from fragmented oversight and incomplete regulatory

perimeters. The following conclusion synthesizes the broader implications of the Brazilian experience and underscores its relevance for international debates on financial regulation and crime prevention.

7. Conclusion

The Brazilian experience offers a clear demonstration of how fiscal–financial crime has evolved into a structurally integrated, multi-layered phenomenon that challenges traditional regulatory assumptions. The schemes uncovered in recent national operations reveal criminal networks capable of combining tax evasion, illicit trade, financial opacity and non-bank intermediation in ways that exploit regulatory fragmentation and institutional blind spots. These networks leveraged fintechs, investment funds, holding companies, shell entities and logistics infrastructures to build parallel financial systems that operated for years beyond the reach of supervisory authorities.

The analysis presented in this article shows that these schemes did not arise in isolation but reflected systemic weaknesses in the regulatory and supervisory architecture. Fragmented mandates, inconsistent enforcement across federal and state jurisdictions, gaps in the oversight of non-bank financial entities and limited data integration all contributed to an environment in which fiscal–financial crime could scale. Criminal networks were agile in identifying and exploiting these weaknesses, embedding illicit flows within legitimate markets and undermining both fiscal integrity and financial stability.

At the same time, the Brazilian cases provide valuable lessons for other jurisdictions confronting similar risks. The convergence of non-bank intermediation and financial crime is not unique to Brazil; it is part of a broader global evolution in which criminals leverage modern financial technologies and complex corporate structures to evade detection. The vulnerabilities identified—perimeter gaps, fragmented oversight, insufficient data sharing and inconsistent regulatory standards—are present in many countries. Recognizing this, policymakers can draw from the Brazilian experience to strengthen supervisory perimeters, modernize enforcement strategies and enhance cooperation among tax, financial and law enforcement authorities.

Effective responses to fiscal–financial crime require integrated frameworks that bridge institutional boundaries. The policy recommendations outlined in this study emphasize the need for unified oversight, expanded reporting obligations, enhanced beneficial ownership transparency, reinforced supervision of non-bank intermediaries and permanently institutionalized inter-agency cooperation. These measures are essential to preventing the emergence of parallel financial systems that erode public revenue, distort competition and threaten the integrity of financial markets.

The findings underscore a broader imperative: financial regulation and fiscal enforcement must evolve in tandem with the changing architecture of illicit activity. As criminals adapt to new technologies, regulatory gaps and institutional asymmetries, authorities must respond with equal agility, leveraging data, coordination and systemic oversight. By doing so, jurisdictions can improve their resilience against complex fiscal–financial crime networks and strengthen the foundations of economic governance.

Future research may further explore how regulatory architecture can be redesigned to prevent the emergence of parallel financial systems in both advanced and emerging economies.

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