



Anti-Money Laundering Council

ANNUAL REPORT 2016

To be a world-class financial intelligence unit that will help establish and maintain an internationally compliant and effective anti-money laundering regime, which will provide the Filipino people with a sound, dynamic, and strong financial system in an environment conducive to the promotion of social justice, political stability, and sustainable economic growth. Toward this goal, the Anti-Money Laundering Council shall, without fear or favor, investigate and cause the prosecution of money laundering offenses.

AMLC VISION

THE ANTI-MONEY LAUNDERING COUNCIL

In line with the policy of the State to protect and preserve the integrity and confidentiality of bank accounts, and to ensure that the Philippines shall not be used as a money laundering site for the proceeds of any unlawful activity, the Anti-Money Laundering Council (AMLC) was created by virtue of Republic Act (RA) No. 9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA).

The AMLC's main task is to implement the AMLA, as amended by RA Nos. 9194, 10167, 10365, 10927; and RA No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012. Consistent therewith, it is mandated to assist in transnational investigations and prosecutions of persons involved in money laundering activities and terrorism financing wherever committed.

The AMLC is composed of the Bangko Sentral ng Pilipinas Governor as Chairman, and the Insurance Commissioner and the Securities and Exchange Commission Chairperson as Members. The Chairman and Members act unanimously in the discharge of the AMLC's functions.

The AMLC is a hybrid-type of financial intelligence unit (FIU) because in addition to the core functions of an FIU (such as receipt, analysis, and dissemination of suspicious transactions and other reports), it performs investigative and prosecutorial functions for both money laundering and terrorism financing. It is assisted by a Secretariat, which is headed by an Executive Director. ■

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AMANDO M. TETANGCO, JR.
AMLC Chairman and
Bangko Sentral ng Pilipinas Governor

It has been 15 years since the passage of Republic Act No. 9160 or the Anti-Money Laundering Act of 2001 (AMLA), which created the Anti-Money Laundering Council (AMLC) to implement its provisions. With the AMLC's track record, the Filipino people can truly say that the AMLA has bequeathed the blessings of integrity to the financial system.

The AMLA's passage was, in fact, very timely. In the years that followed, the Philippines sustained its gross domestic product (GDP) growth. To this day, GDP growth shows no signs of abating; the country's economic performance has been very strong and has been among the best in the region in the last five years. This is a testament to sound economic fundamentals and to a financial system that draws its strength from the confidence reposed upon it by the public.

As a policymaker and law enforcer, the AMLC contributed significantly to strengthening public confidence in the financial system. It vigorously engaged financial institutions in improving its implementing rules and actively collaborated with law enforcement agencies in detecting both criminal acts and money laundering that led to prosecutions. Significantly, it has caused the seizure of proceeds of crimes that, if allowed to worm themselves deeper into the financial system, perpetuated the commission of crime.

The AMLC has also lobbied hard with Congress for vital amendments to the AMLA, which has seen three amendments since its enactment. At its own initiative and with the active

participation of stakeholders, the AMLC amended the implementing rules to keep it abreast with developments in the financial system. Another amendment to the rules is in the offing, which, hopefully, would be passed next year.

The AMLC—my predecessors and colleagues, and I—took on the criminal elements that have tried to sully public trust in the financial system. Prosecutions for money laundering have accelerated in recent years, and unlawful acts, upon which money laundering is based, have seen greater variation. Although fraud, kidnapping for ransom, and illegal drug trafficking are common predicate crimes in the Philippines, the AMLC has also caused prosecutions for money laundering based on graft and corruption, plunder, hacking, child abuse and pornography, and human trafficking.

On the international front, the AMLC has represented the Philippines in countless fora, conferences, and interactions with its foreign counterparts. Several times, it was the AMLC that rescued the country from the international financial community's blacklist, thereby preserving the country's international financial links.

As the Filipino nation envisions the future of the AMLC, they can rest assured that the AMLC will continue to uphold the integrity of the financial system and effectively implement the Philippines' AML/CFT regime, aided by a staff of a hundred men and women who have selflessly and bravely stood up to the numerous challenges of these changing times. ■

A wise man once said, “In a calm sea, every man is a pilot, but a calm sea does not make a skilled sailor.” In setting a positive perspective to the challenges in the past year, it is the sailing in rough seas, which stands to test our fortitude. The adversities we have faced, real or imagined, left us a lesson to avoid the calming effect of complacency—lest we become mere pilots and deteriorate. Rising to face the challenges and steering through the rough seas make us the seasoned sailors we ought to be. This we need in order to become wiser and better at performing our mandated tasks and mission as our country’s financial intelligence unit (FIU). Indeed, the rough patches had us realizing the volatility, uncertainty, complexity, and ambiguity of our operating environment. Yes, we have no control of the waters surrounding us, but we have control of the course we take on the way forward. It is high time we learn, unlearn, and relearn concepts. Indeed, we are defined by our attitude when we have nothing and our humility when we have everything.

Thus, with our 2016 accomplishments, we present the incoming years’ building blocks as we work forward to shaping, reshaping, and adapting our resources and tasks toward enhancing our FIU’s capabilities in the pursuit of our vision for world-class status as our one decisive aim with renewed vigor and determination. ■



ATTY. TERESITA J. HERBOSA
AMLC Member and Securities and
Exchange Commission Chairperson

Upon becoming Insurance Commissioner in 2011, I understood that the position carried another responsibility: membership in the Anti-Money Laundering Council (AMLC). Like a donkey, I had to carry two loads, one on each side of the back.

During my term as Insurance Commissioner, we at the Insurance Commission played an active role to reform the Insurance Code. This came to fruition in 2012 with the passage of Republic Act (RA) No. 10607, amending Presidential Decree No. 612, as amended. This paved the way for vital legal reforms to enable the insurance sector to respond to market and technological changes that have been accelerating in the last 30 years. These policy reforms have proven successful, as evidenced by the growth of the insurance sector since then. Upon leaving the Insurance Commission in late 2016, I am happy with the thought that I have made a significant contribution to the insurance sector.

My term as member of the AMLC was just as exciting. Legislative amendments to the Anti-Money Laundering Act of 2001 (AMLA) came with

the enactment of RA Nos. 10167 and 10365, which strengthened the AMLC's legal remedies against money laundering and expanded the list of covered persons under its authority. These amendments were matched by the growing public recognition of the AMLC's central role in ensuring a cleaner financial system and of its unique contribution to the improvement of public governance.

In the last five years, the AMLC has initiated financial investigations and has cooperated with various government agencies for the prosecution of suspected criminals. It has confiscated assets and secured convictions, true to its mandates. Indeed, if the AMLC could be likened to a creature, it would be a bee. It is a small agency with a sting. These developments have thrust the AMLC into the public consciousness despite our desire to pass unnoticed and work discreetly.

As I bid the AMLC and the AMLC Secretariat farewell and thank everyone for this opportunity to serve, I wish my successors all the best.

Let the fight against money laundering and terrorism financing continue. ■

ATTY. EMMANUEL F. DOOC
AMLC Member and
Insurance Commissioner





ATTY. JULIA C. BACAY-ABAD
Executive Director
AMLC Secretariat

The new AMLC seal marks the beginning of 2016. The stylized young Philippine eagle embodies strength and keen vision, soaring toward its goal despite the elements that attempt to thwart its flight.

The mettle of the AMLC and its Secretariat has been tested throughout the years, but we have rallied on, investigating and pursuing money laundering and terrorism financing cases across transnational borders and even into the virtual realm. Together with the concerted efforts among our local and global allies, our work has progressively expanded the tasks of the AMLC, strengthening the country's anti-money laundering and combating the financing of terrorism regime and sustaining comprehensive strategies.

On the home front, the AMLC has forged lasting alliances with different government and law enforcement agencies, as well as fostering indispensable collaboration with the banking, securities, and insurance industries. The steadfast commitment among the AMLC and the public and private sector has definitely aided in the vigorous deterrence, exposure, and investigation of money laundering offenses and the prosecution of offenders. The first Philippine National Risk Assessment (NRA), for one, identifies and analyzes the main sources and drivers in the money laundering and terrorism financing risks of the country. Drafting the report was a government-wide activity with the AMLC as lead agency.

Likewise, the AMLC has also cultivated ties with international agencies and foreign financial intelligence units through a secure mechanism on information-sharing and other forms of assistance.

Cooperation is key as money laundering and terrorism financing methods have become more complex, transcending physical barriers. But the public can rest assured that the men and women of the AMLC Secretariat will always work tirelessly toward having a strong, independent, and relevant Philippine financial intelligence unit. ■

THE AMLC SECRETARIAT

The Anti-Money Laundering Act of 2001, as amended, authorized the Anti-Money Laundering Council (AMLC) to create a Secretariat to assist the former in fulfilling its vision and mission and in undertaking any or all of its anti-money laundering operations.

Headed by an Executive Director, who has a term of five years and who must be a member of the Philippine Bar, the Secretariat is composed of a team of talented and dedicated professionals who are committed to support the AMLC perform its functions.

There are six organizational units in the AMLC Secretariat that support the AMLC in the discharge of its functions: Office of the Executive Director (OED), Technical Services Staff (TSS), Administrative and Financial Services Division (AFSD), Legal Services Group (LSG), Compliance and Investigation Group (CIG), and Information Management and Analysis Group (IMAG).

The AMLC Secretariat has in its roster personnel with various academic backgrounds, extensive training, and professional experience. Its manpower complement of 96 as of 31 December 2016 is composed of IT experts (22%); certified public accountants (CPAs) (10%); lawyers (22%); CPA-lawyers (8%); former officers of the Philippine National Police, the Philippine Drug Enforcement Agency, and the National Bureau of Investigation (2%); and other professionals (36%). Moreover, personnel of the AMLC Secretariat have served the Bangko Sentral ng Pilipinas, the Insurance Commission, or the Securities and Exchange Commission for at least five years.

IMAG has the largest number of personnel with a staff of 28, followed by CIG with 22, AFSD with 19, LSG with 14, OED with eight, and TSS with five. ■

Collection and Analysis of Covered and Suspicious Transactions

In 2016, the Philippines culminated its National Risk Assessment (NRA) on Money Laundering and Terrorism Financing. The NRA has identified financial sectors supervised by the Securities and Exchange Commission (SEC) and Insurance Commission (IC) that are not yet registered with the Anti-Money Laundering Council (AMLC) for purposes of complying with the requirement to report covered (CTs) and suspicious transactions (STs). In an effort to enforce the mandate of the AMLC, the Financial Sector Liaison Committee - Technical Working Group (FSLC-TWG), headed by the AMLC Secretariat, conducted consultation meetings with the SEC and IC relative to the importance of registration of covered persons (CPs) with the AMLC vis-à-vis their obligation to report CTs/STs, setting the process for money service businesses (MSBs) to register with the AMLC. This is in consonance with Bangko Sentral ng Pilipinas (BSP) Memorandum Circular No. M-2016-004, reminding all banks to perform enhanced due diligence when dealing with MSBs, such as foreign exchange dealers, money changers, and remittance agents. Under the said Memorandum Circular, MSBs are required to register with the BSP and AMLC before establishing business relationships with banks and other CPs. Also, BSP Circular No. 942 requires MSBs to secure a certification of registration (COR) with BSP to register with the AMLC within 60 days, otherwise, the issued COR will be cancelled.

As a result of the abovementioned issuances and meetings, a total of 3,999 CPs have registered with the AMLC and 1,272 have been filing reports as of 31 December 2016, accounting for an increase of 49.04% and 4.61%, respectively. Newly registered CPs are mostly from the MSB and pawnshop industries, accounting for 82.47%.

Table 1. Covered persons (CPs) registered with AMLC

Supervising Authority	CPs Registered with AMLC			CPs Submitting Reports		
	2014	2015	2016	2014	2015	2016
BSP	1,855	1,901	3,188	930	957	1,006
IC	244	257	270	72	76	77
SEC	508	526	541	166	183	189
Total	2,607	2,684	3,999	1,168	1,216	1,272

Figure 1. Registered CPs

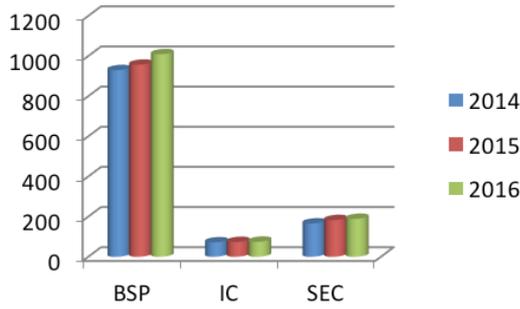


Figure 2. Reporting CPs

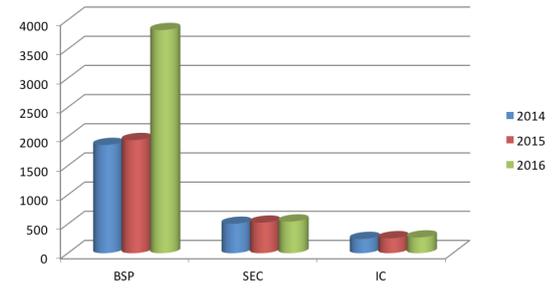


Table 2. Covered (CTRs) and suspicious transaction reports (STRs) per supervising agency (SA)

SA	2014		2015		2016	
	CTR	STR	CTR	STR	CTR	STR
BSP	43,804,450	94,483	35,657,724	145,861	36,187,391	129,678
IC	84,258	364	68,889	467	58,907	697
SEC	493,111	92	595,451	70	735,152	1,931
Total	44,381,819	94,939	36,322,064	146,398	36,981,450	132,306

In 2016, an increase of 1.49% and 23.46% in the number of covered transaction reports (CTRs) submitted by CPs supervised by BSP and SEC, respectively, was observed. The significant upturn of filed CTRs especially by SEC-supervised CPs may be associated with the lifting of AMLC Resolution No. 10-A, series of 2013, which requires CPs, specifically brokers, to report CTRs, regardless of the mode of payment used in settlement. On the other hand, the 14.49% decrease on filed CTRs by IC-supervised CPs may be a result of the full implementation of AMLC Resolution No. 10, series of 2013, which specifies transactions considered to be of no/low risk and thus, are deferred for reporting.

A huge increase, estimating 2,658% and 49%

in the number of suspicious transaction reports (STRs) submitted by CPs supervised by SEC and IC, respectively, were noted. For the SEC, the significant rise in the number of submitted STRs may be attributed to the submission of a financing company that is primarily responsible in lending to people with little or no credit history of loan-related transactions, while CPs under the IC reported entities possibly involved in graft and corruption, and illegal drug trafficking. Conversely, there was a significant drop of 91.14% in the number of reported STRs tagged under Fraudulent Practices and other Violations of the Securities Regulation Code of 2000, which may be the reason for the decrease of 11.09% in the total STRs filed by CPs supervised by the BSP in 2016.

Figure 3. CTRs

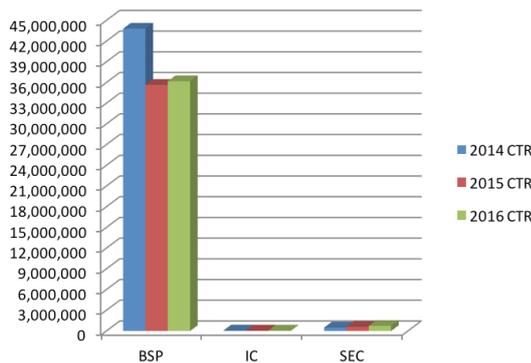


Figure 4. STRs

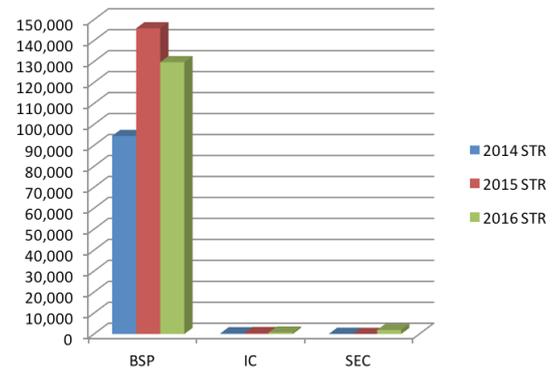


Table 3. Monthly CTRs and STRs

Month	2014			2015			2016		
	CTRs	STRs	Referred to CIG*	CTRs	STRs	Referred to CIG*	CTRs	STRs	Referred to CIG*
Jan	3,974,995	25,352	936	3,683,451	4,934	167	3,166,391	19,174	763
Feb	3,492,918	4,609	599	3,016,772	9,592	100	2,739,098	7,608	2,204
Mar	3,685,072	4,380	155	3,366,364	10,465	2,320	3,167,011	7,603	1,414
Apr	3,270,770	5,159	69,902	3,165,756	7,054	1,769	3,008,917	7,832	2,136
May	3,816,363	5,873	22,773	3,048,059	9,414	4,697	3,044,451	7,951	1,623
Jun	3,949,319	7,799	1,270	3,119,096	9,929	192	3,211,342	10,843	4,759
Jul	4,713,236	6,627	1,837	2,966,090	7,646	1,235	3,019,900	10,283	494
Aug	3,271,748	6,366	351	2,504,513	29,801	106	3,140,398	10,104	653
Sep	3,643,589	7,199	1,051	3,042,860	26,257	1,394	3,203,771	11,291	873
Oct	4,071,676	7,113	875	2,939,332	17,954	17,446	2,824,553	9,317	354
Nov	3,420,432	5,259	95	2,594,047	6,159	6,896	3,158,258	13,176	206
Dec	3,071,701	9,203	109	2,875,724	7,193	311	3,297,050	17,124	99
Total	44,381,819	94,939	99,953	36,322,064	146,398	36,633	36,981,140	132,306	15,578

*STRs referred to the Compliance and Investigation Group of the AMLC Secretariat

Figure 5. Monthly trend of CTRs

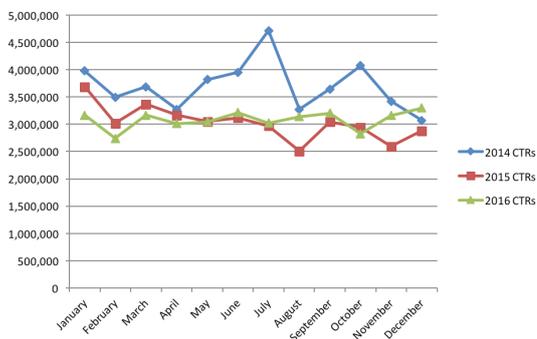


Figure 6. Monthly trend of STRs

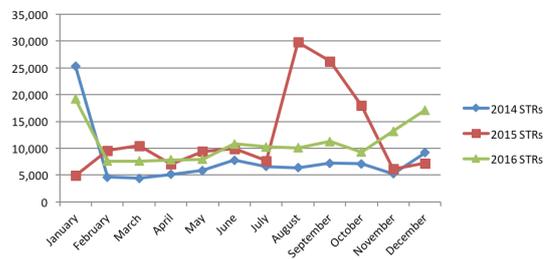
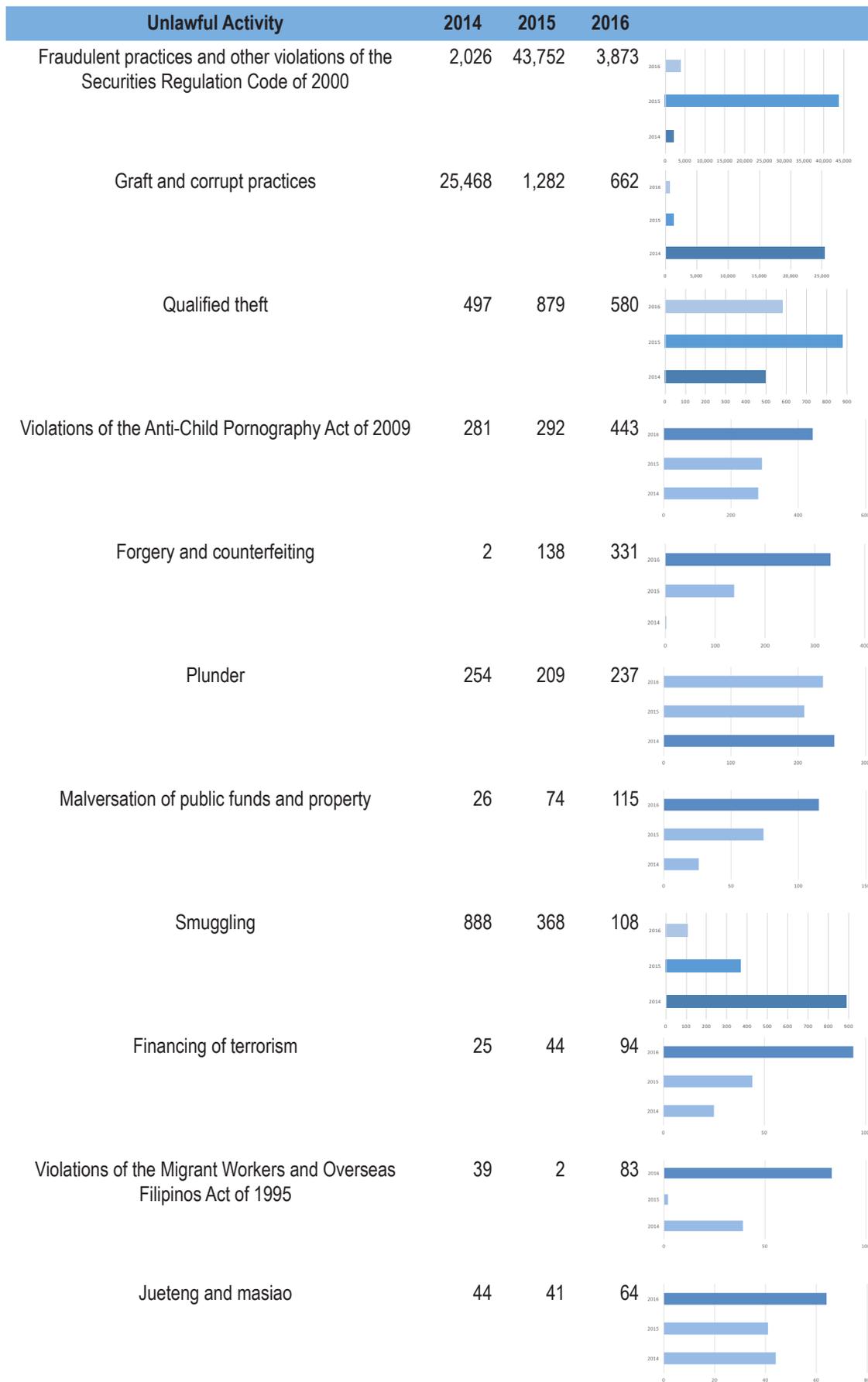


Table 4. Summary of STRs categorized by unlawful activity

Unlawful Activity	2014	2015	2016
Swindling	31,488	47,346	29,979
Violations of the Electronic Commerce Act of 2000	3,799	6,513	24,777
Drug trafficking and related offenses	906	572	7,008



Unlawful Activity	2014	2015	2016
Violations of the Anti-Trafficking in Persons Act of 2003	189	62	57
Terrorism and conspiracy to commit terrorism/acts of terrorism	13	11	37
Kidnapping for ransom	69	62	36
Robbery and extortion	53	75	36
Felonies or offenses of a similar nature that are punishable under the penal laws of other countries	191	160	31
Violations of Special Protection of Children Against Abuse, Exploitation, and Discrimination Act	0	1	18
Violations of the Intellectual Property Code of the Philippines	2	61	13
Violations of the Philippine Mining Act of 1995	6	19	10
Violations of Anti-Fencing Law	4	0	9
Violations of the Anti-Photo and Video Voyeurism Act of 2009	0	0	6
Violations of the Decree Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing in, Acquisition, or Disposition of Firearms, Ammunition, or Explosives	3	3	5

Unlawful Activity	2014	2015	2016
Bribery and corruption of public officers	69	15	4
Fraud and illegal exactions	0	98	4
Hijacking and other violations under Republic Act No. 6235; Destructive Arson and Murder	0	2	0
Violations of the Revised Forestry Code of the Philippines	2	23	2
Violations of the Anti-Carnapping Act of 2002	6	686	1
Violations of the National Caves and Cave Resources Management Protection Act	1	0	1
Violations of the Wildlife Resources Conservation and Protection Act	0	0	1

For 2016, the total number of STRs received by AMLC was 132,306, which is 9.6% less than the previous year.

Swindling remains as the top predicate crime, accounting for 22.6% of the total STRs received by the AMLC. The huge increase in STRs tagged under Violations of the Electronic Commerce Act of 2000, Drug Trafficking, and Terrorism/Terrorism Financing with an increase of 279.9%, 1,125%, and 138%, respectively, may be attributed to the increased awareness in credit card fraud and the all-out campaign of the government against illegal drugs and terrorism.

STRATEGIC ANALYSIS FUNCTION OF THE FINANCIAL INTELLIGENCE ANALYSIS STAFF (FIAS)
Pursuant to Section 7 (7) of the Anti-Money

Laundering Act of 2001 (AMLA), as amended and Financial Action Task Force (FATF) Recommendation 29, the FIAS submitted the Terms of Reference for the Strategic Analysis Report on Illegal Drug Trade in the Philippines on 26 September 2016. The study will employ statistical analysis on drug-related CTs and STs under investigation for the period of 1 January 2012 to 31 December 2016. The FIAS will use statistical correlation and descriptive research in determining the magnitude of drug trafficking in the Philippines and laundering of the proceeds thereof for the given period. The documented analysis of illegal drug trade, particularly from a money laundering perspective, including the patterns and typologies identified based on the cases encountered by the AMLC, shall be submitted to the Council for proper dissemination. ■

Compliance, Investigation, and Enforcement

MONEY LAUNDERING AND TERRORISM FINANCING (ML/TF) INVESTIGATION

Republic Act (RA) No. 9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA), as amended, and RA No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012 authorize the AMLC to, among others, perform the following acts in relation to the investigation of ML/TF activities:

- Investigate suspicious transactions (STs), covered transactions (CTs) deemed suspicious, ML activities, and other violations of the AMLA, as amended
- Investigate TF activities and other violations of RA No. 10168
- Act on requests for investigation or requests for information from domestic law enforcement and other agencies of the government as well as requests for assistance of other jurisdictions and international organizations
- Gather evidence for the purpose of establishing probable cause required in the filing of petitions for freeze orders, applications for bank inquiry, civil forfeiture cases, and criminal complaints for ML
- Conduct administrative investigation on violations by covered persons (CPs) of the AMLA, as amended, and its Revised Implementing Rules and Regulations

Thus, apart from performing the traditional functions of a financial intelligence unit (FIU), namely, receiving, analyzing, and disseminating financial intelligence, the AMLC also investigates ML/TF activities. The AMLC, in its Resolution No. 6, series of 2006, delegated this authority to the AMLC Secretariat.

RA No. 10365, which took effect on 8 March

Table 5. Referrals and requests

Particulars	2016
Referrals from Philippine law enforcement and other government agencies	201
Requests from other financial intelligence units and foreign government agencies	100
Total	301

2013, was enacted by the Philippine Congress to amend the AMLA and make it more compliant with the Financial Action Task Force on Money Laundering (FATF) Recommendations, that is, international standards on combating ML/TF. The said law amended the AMLA by, among others, increasing the number of unlawful activities or predicate crimes to ML from 14 to 34. The additional unlawful activities that include trafficking in persons, bribery, malversation, violation of environmental laws, violation of intellectual property laws, and TF contributed to the growing number of referrals from other Philippine law enforcement and government agencies, as well as requests for assistance from other FIUs and foreign government agencies, which require appropriate action by the AMLC.

Most of the referrals from Philippine law enforcement and other government agencies involve requests for investigation of the ML activity or the possible freezing and confiscation of proceeds of an unlawful activity. On the other hand, most of the requests from FIUs and foreign government agencies relate to requests for financial information as well as other available data on persons or entities subject of their own ML investigation. As such, providing assistance to these referrals and requests ranges from simply providing the requested information to conducting full-blown ML investigations.

To ensure that the AMLC, as well as its investigators in the AMLC Secretariat, is not exposed to undue influence and pressure from people, who are subject of its investigations, the AMLC has sufficient operational independence and legal autonomy under the AMLA, as amended. Tasked to supervise or examine CPs, the AMLC is structured as a tripartite agency whose members come from three different agencies, namely, the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), and the Insurance Commission (IC). Notwithstanding the fact that its composition consists of members from the three different agencies, the AMLC acts independently of those agencies. In support of such structure, the AMLA mandated the creation of a Secretariat

headed by an executive director appointed by the members of the AMLC for a term of five years. Further, the AMLA, as amended, requires that all members of the secretariat must have served for at least five years in the BSP, SEC, or IC, and shall hold full-time permanent positions within the BSP.

To date, neither the AMLC nor its Secretariat has been investigated, much less indicted, for committing acts, which undermine their integrity and professionalism in performing their functions. The integrity of the AMLC and its investigators have been instrumental in the exceptional reputation of the AMLC among its domestic and international law enforcement partners, foreign FIUs, banking associations, government agencies, justice officials, courts, and the Philippine legislature.

MONEY LAUNDERING AND TERRORISM FINANCING TYPOLOGIES

Laundering the proceeds of cyberheists through banks, remittance agents, and casinos

Case description

The Y Bank heist is one of the biggest and most publicized ML cases in recent history. It is also a case where the AMLC took action even before any case on the predicate offense had been filed.

The matter has attracted public interest because of the alleged involvement of a major bank in the Philippines, casinos, and certain known personalities in the banking and casino industries. No less than the Senate of the Philippines conducted an investigation with its hearings covered by local and foreign media.

The Senate hearings and the cooperation extended by relevant government agencies yielded initial positive results and hastened the conduct of the investigation and filing of appropriate criminal and civil forfeiture cases against the persons responsible.

Moreover, this case highlights the importance of placing the casino industry under the AMLA of the Philippines, so that certain transactions are monitored and reported accordingly.

Introduction

The Y Bank heist involves the following institutions

and personalities:

- Y Bank is the central bank of Country Y from which funds were diverted through unauthorized payment instructions (PIs) to its depository bank.
- PINET is a communication network that facilitates 24-hour secure international exchange of PIs between banks and central banks.
- U Bank is the depository bank of Country Y located in Country U.
- Intermediary Banks 1 to 5 are intermediary banks in Country U through which funds diverted from Y Bank passed.
- NH Bank is the beneficiary bank in the Philippines, which received and processed four unauthorized PIs from Y Bank, amounting to approximately USD100 million.
- V Bank is the beneficiary bank in Country V, which received and eventually rejected one unauthorized PI from Y Bank, amounting to USD20 million.
- ABC, DEF, GHI, and JKL are the beneficiaries of the four PIs, amounting to approximately USD100 million received by NH Bank. Investigations later revealed that these beneficiaries are fictitious and do not exist.
- “S Charties” is the beneficiary of the lone PI sent to V Bank in Country V. Investigations later revealed that the reference to “S Charties” was actually a typographical error and should have read, “S Charities.”
- VY is the branch manager of NH Bank-JBC Branch, where the fictitious accounts of ABC, DEF, GHI, and JKL were opened and maintained, and where funds diverted from Y Bank, amounting to approximately USD100 million were actually processed
- PQR is the beneficiary of approximately USD66 million transferred from the accounts of ABC, DEF, GHI, and JKL maintained at NH Bank-JBC Branch. PQR is the former owner of a chain of membership groceries in Metro Manila

and currently the owner of C Tex, a company engaged in the importation of garments with international brands. PQR vehemently denied opening an account in NH Bank-JBC Branch, as well as all the transactions in said account.

- BC Corporation (BC Corp.) is the remittance agent that received approximately USD100 million from the questionable accounts of PQR and JKL. Eventually, BC Corp. converted the said amount into Philippine pesos and remitted proceeds, amounting to an equivalent of USD60 million to TVT Resort and Hotels (TVTRH) and AJ Leisure Corporation (AJLC). BC Corp. also claimed to have delivered approximately USD30 million in cash to WX, allegedly a Chinese player in L Casino.
- TVTRH is a publicly listed holding company, which owns L Casino.
- L Casino is an integrated casino, hotel, and entertainment complex in Manila.
- AJLC is a company owned by QH, who owns a casino and resort in Northern Philippines.
- QH is the president and general manager of AJLC. QH is a junket operator, who received funds from BC Corp. and who eventually turned over the said funds to the AMLC for repatriation to Country Y.
- EX Currency Exchange (EXCE) is the foreign currency exchange company used by BC Corp. to convert USD10 million into Philippine pesos
- FL Currency Exchange (FLCE) is the foreign currency exchange company used by BC Corp. to convert USD3 million into Philippine pesos

On 6 February 2016 (Saturday), Y Bank discovered various unauthorized PIs sent to U Bank via PINET, as well as two PINET messages dated 4 February 2016 from U Bank, indicating that it received “doubtful” PIs. A total of 35 PIs was sent to U Bank, involving a total amount of USD990 million. U Bank did not execute 30 of the 35 PIs, amounting to approximately USD890 million, due to lack of beneficiary details.

The remaining five PIs, however, were cleared in favor of the following beneficiaries:

Table 6.

Beneficiary	Amount	Intermediary Bank	Beneficiary Bank
ABC	USD20,000,000.00	I Bank 1	NH Bank (Philippines)
DEF	USD20,000,000.00	I Bank 2	NH Bank (Philippines)
GHI	USD40,000,000.00	I Bank 3	NH Bank (Philippines)
JKL	USD20,000,000.00	I Bank 4	NH Bank (Philippines)
S Charties	USD30,000,000.00	I Bank 5	V Bank (Country V)

On 8 February 2016, Y Bank sent stop payment requests via PINET to Intermediary Banks 1 to 5, V Bank (Country V), and NH Bank, a Philippine bank.

The release of the funds in V Bank was placed on hold due to a discrepancy in the beneficiary’s name: “S Charties” instead of “S Charities.” The USD30 million involved in this remittance was later returned to U Bank.

On the other hand, the PIs for NH Bank were processed in the total amount of USD100 million.

The AMLC and the Senate investigated where the funds that were transferred through NH Bank went, who benefited from the illegal proceeds, and how the funds may be returned to Y Bank, the central bank of Country Y.

Evolution of the case

Initial detection

The AMLC began its investigation on the Y Bank heist on 11 February 2016, when Y Bank requested assistance from the AMLC in the investigation and recovery of the USD100 million stolen from Y Bank and Country Y.

The AMLC searched its database and found covered transaction reports (CTRs) [i.e., transactions in cash or monetary instruments in excess of PhP500,000.00 (approximately

USD10,000.00)] for inward fund transfers consistent with the information relayed by Y Bank.

The initial discreet inquiries by the AMLC Secretariat on these transactions also triggered the submission by the concerned banks of suspicious transaction reports (STRs) within the period required under the AMLA. The analysis conducted on the subsequent transactions of the stolen money showed certain links with other individuals and entities.

Investigation and role of the AMLC

Investigation initially revealed five bank accounts involved in the heist. Four of these accounts were opened on 15 May 2015, more than eight months prior to the heist. The identities of the aforementioned accountholders were verified to be fictitious.

It was revealed during the Senate Blue-Ribbon Committee hearings that VY, branch manager of NH Bank-JBC Branch, personally attended to the opening of these fictitious accounts in her branch. An individual named QH referred to VY a certain GS, a Chinese casino player in L Casino and a junket agent in M Casino. According to VY, it was GS who introduced her to the account holders. She met the account holders on 14 May 2015 in L Casino and gave them account-opening forms to fill out. VY allegedly left the account holders to complete the forms after she was invited by QH to eat at a nearby restaurant. Thereafter, she collected the completed forms and brought them to NH Bank-JBC Branch to process the account-opening. The initial deposit was only USD500 per account, and these were sent to NH Bank-JBC Branch only on the following day, 15 May 2015.

Investigation revealed that there was also a fake account under the name of an individual named PQR, which was used in the heist. It was made to appear that this account was opened on 1 February 2016 in the account-opening form, but other bank records showed that it was actually opened on 5 February 2016, a day after the USD100 million from Y Bank’s account in LACB were transferred to NH Bank. PQR is the former owner of a chain of membership groceries in Metro Manila and

currently the owner of C Tex, a company engaged in the importation of garments with international brands. PQR vehemently denied having anything to do with the opening of the questionable account under his name, much less, in the transactions made therein.

From 5 to 9 February 2016, a total of USD75 million was transferred from the accounts of the following individuals to the fictitious account of PQR:

Table 7.

Source of the Transfer	Amount	Date
ABC	USD6,000,000.00	9 February 2016
DEF	USD23,000,000.00	5 February 2016
DEF	USD7,000,000.00	9 February 2016
GHI	USD20,000,000.00	9 February 2016
JKL	USD10,000,000.00	9 February 2016

Aside from transferring USD10 million to the account of PQR on 9 February 2016, JKL also transferred USD15 million directly to the account of BC Corp., a company owned by spouses XB and ZB, who have been engaged in the remittance business since 1988.

From the fictitious PQR account, the amount of USD13 million was transferred to EXCE on 9 February 2016. On the same day, EXCE transferred USD3 million to FLCE. On 11 February 2016, USD10 million (out of the USD13 million) from EXCE, and the USD3 million transferred to FLCE, were both transferred to BC Corp. In addition, the following transfers were made from PQR to BC Corp.:

Table 8.

Amount	Date
USD500,000.00	5 February 2016
USD14,200,000.00	5 February 2016
USD20,000,000.00	9 February 2016
USD17,968,664.37	10 February 2016

Thus, BC Corp. received a total of USD100 million from these fund transfers, including the USD13 million that passed through EXCE and FLCE, and the USD15 million from JKL.

BC Corp. reported the transactions to the AMLC through its letter dated 17 February 2016. The report was not in the required STR format because BC Corp. was not yet registered with the AMLC reporting portal.

BC Corp. claims that it remitted the entire USD100 million through:

- Remittances, totaling USD29 million on 5 and 10 February 2016 to TVTRH for L Casino
- Remittances, totaling USD21,245,500.00 on 10 and 11 February 2016 to AJLC
- Cash deliveries, totaling more than USD30 million on 5 to 13 February 2016 to a certain WX at L Casino

TVTRH is a holder of a Casino Gaming License issued by the Philippine Amusement and Gaming Corporation (PAGCOR), the casino regulator in the Philippines. L Casino is the brand name of TVTRH. AJLC is a registered junket operator owned by QH. According to BC Corp., WX is a Chinese player in L Casino. TVTRH, however, clarified that its records do not show any WX either as a player in L Casino or as guest in its hotel.

AMLC's examination of pertinent bank records confirmed the fund transfers made by PS Corp. to TVTRH (USD40 million) and AJLC (USD21+ million). TVTRH asserted that the money that went to its account was utilized to purchase an equal amount of premium non-negotiable playing chips at L Casino, which were eventually gambled by a group of Chinese players led by an individual named GG. When the news on the Y Bank heist first came out on 10 March 2016, however, TVTRH confiscated PhP108 million worth of playing chips, which remained in the gaming accounts of the group of GG in S Casino. TVTRH also confiscated cash in various denominations in the possession of these Chinese players, amounting to PhP1 million.

On the other hand, AJLC alleged that part of the money it received was used as payment for a previous debt incurred by GG, while the rest were exchanged for non-negotiable chips in M Casino,

which were also gambled by GG and his group. Nevertheless, a total of PhP38 million worth of non-negotiable chips were left by GG and his group in M Casino.

As proof of the alleged cash deliveries, BC Corp. presented to the AMLC mere acknowledgement receipts (ARs) purportedly signed by WX, covering the entire amount of USD30+ million. The genuineness of these ARs is highly questionable as they cannot be validated. WX never surfaced to explain his participation on the matter. Moreover, these alleged deliveries were inconsistent with the admission of QH that he personally collected cash from BC Corp., totaling USD13+ million. QH also asserted that BC Corp. is still keeping around USD20 million of the stolen funds.

QH eventually turned over to the AMLC the total amount of USD20 million, which he alleged to be part of the money abandoned by GG and his group in QH's junket operation in S Casino and M Casino. On 10 November 2016, the said amount was returned to Country Y through Y Bank's account in LACB.

Evidence gathered by AMLC during the investigation also showed that certain officials of NH Bank had either knowledge of the illegal source of the funds; or the opportunity to stop the transactions but chose to ignore the red flags, constituting willful ignorance or constructive knowledge that the funds transacted were related to a predicate offense.

Domestic cooperation

The investigation of the Y Bank case highlights the crucial role of constant and close coordination between relevant governmental agencies to achieve a common goal. While the AMLC served as the main agency, others contributed much to what had been accomplished thus far.

The hearings of the Blue-Ribbon Committee of the Senate of the Philippines brought to the fore the names of certain key actors and personalities involved in the Y Bank heist from the banking industry, the casinos, and their regulators. These hearings have led QH to commit to returning a portion of the proceeds of the stolen funds that was allegedly abandoned by the Chinese casino

players. The Department of Foreign Affairs served as a very efficient channel in the exchange of information, documents, and actions between the Philippines and Country Y. The Department of Justice assisted Country B before Philippine courts for the repatriation of the money returned by QH. The Office of the Solicitor General ably assisted the AMLC in the cases filed for bank inquiry, freezing, and forfeiture of respondents' bank accounts and other assets. The National Bureau of Investigation likewise assisted the AMLC in conducting background investigations of the suspects and other persons of interest (POIs). The Philippine National Police through Interpol-Manila served as one of the useful channels of communication between the Philippines and Country Y. The Bureau of Immigration gave relevant information on the travel history of the POIs. The Land Transportation Office and the Land Registration Authority provided information on respondents' motor vehicles and other property holdings, which were included in the civil forfeiture case filed by the AMLC to recover as much property to compensate Country Y for the funds taken from its account in LACB.

International cooperation

In view of the transnational nature of this case, collaborations with relevant government agencies in Country Y and other international law enforcement agencies and bodies were initiated.

From 29 May to 1 June 2016, the AMLC hosted the "First Operation High Rollers \$101 Bank Heist Case Coordination Meeting" upon the request of the Interpol-Lyon, France. This meeting was attended by police officials from Interpol-Lyon, Country Y, China, Japan, Singapore, and representatives from various Philippine law enforcement agencies. All representatives mutually agreed to work together to trace the movements and freeze the assets of the suspects.

Likewise, the AMLC met with representatives from the United States Department of Justice. Commitments were given by both parties to look into other aspects of the case, which may need to be addressed.

Representatives from Y Bank, Country

Y's FIU, and the Embassy of Country Y in the Philippines have been regularly meeting with the AMLC for updates on the case.

Cases filed

In February 2016, the AMLC filed before the Court of Appeals (CA), petitions for the issuance of a freeze order against the bank accounts and other assets of the beneficiaries of the fraudulent PIs from Y Bank, including PQR and QH. Prior to the expiry of the said freeze order, the AMLC filed a petition for civil forfeiture to confiscate the funds and properties subject of the freeze order, including the USD15+ million, which was turned over by QH to the AMLC and which was eventually returned to Country Y on 10 November 2016.

The AMLC also filed a petition to freeze the bank account of TVTRH (L Casino) on 10 March 2016. The CA initially granted the petition of the AMLC on 15 March 2016 but subsequently lifted the freeze order on 21 March 2016. The AMLC filed a petition for review on certiorari with the Supreme Court, and the AMLC was able to secure a temporary restraining order. On 8 February 2017, the Supreme Court issued a resolution, giving due course to AMLC's petition for review.

Civil forfeiture cases were filed against the bank accounts of QW and DNX, individuals who were found by AMLC to have been used as conduits for the stolen funds from Country Y.

The AMLC also filed criminal cases against certain personalities involved in the laundering of the money from Y Bank:

- John Does a.k.a. ABC, DEF, GHI, and VY
- QH and WX
- Spouses XB and ZB (owners of BC Corp.) and AP (compliance officer of BC Corp.)
- Several high-ranking officials of NH Bank

VY and high-ranking officials of NH Bank were specifically charged by the AMLC for facilitating the laundering of the money stolen from Y Bank.

Conclusion

This case illustrates the borderless nature of ML offenses, which is further enhanced by recent hacking activities and technological advancements. Thus, there is a need for firm commitment and active involvement of relevant international and

domestic law enforcement and other government agencies for the investigation and prosecution of such ML case. This case also emphasizes the importance of constant, clear, and open lines of communication between such agencies to achieve success in any ML investigation.

The AMLA of the Philippines authorizes the AMLC to file a petition for civil forfeiture to confiscate funds and properties, which are proceeds of a specified unlawful activity (i.e., predicate offense). A civil forfeiture case under the AMLA empowers the AMLC to recover such proceeds through a non-conviction-based forfeiture case in behalf of the victims of the predicate offense or in favor of the State in the event that such victims are not specifically identified. In this case, the AMLC has indubitably established that the funds and properties subject of the forfeiture action belong to the people of Country Y. The AMLC stands firm on its commitment to assist the people of Country Y in recovering the proceeds of the crime and remains resolute in its mandate to fight ML with the full cooperation and assistance from both relevant local and foreign government agencies.

Financing of terrorism through kidnapping for ransom and use of ATMs

Case description

This case illustrates the power of the AMLC to act swiftly for the monitoring and freezing of funds involved in TF under RA No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012. The case stems from the investigation and close coordination of the AMLC with law enforcement and other government agencies in relation to an individual named JJ, an officer of the Abu Sayyaf Group (ASG), a major terrorist organization based in the Southern portion of the Philippines. The ASG is notorious for carrying out illegal activities, such as bombings, kidnappings, assassinations, rape, extortion, and drug trafficking. The freezing of the bank account of JJ prevents additional funds from being used by the ASG in their nefarious operations and, in the process, helps save Filipino lives.

In spite of the fact that bank secrecy laws and jurisprudence provide limited access to

bank records for law enforcement agencies, this case highlights the vital role of the AMLC as the Philippines' FIU in tracing, freezing, and seizing funds related to TF.

Introduction

The ASG is a designated entity listed under entry no. QDe.001 of the United Nations Security Council Resolution (UNSCR) 1267/1989 (otherwise known as the Al-Qaida Sanctions List), covering individuals and entities associated with Al-Qaida.

The ASG was listed in the Al-Qaida Sanctions List on 6 October 2001 for participating in the financing, planning, facilitating, preparing, or perpetrating acts or activities in the name or in support of, or otherwise supporting the acts or activities of Al-Qaida. ASG members have been trained by Al-Qaida (QDe.004) and Jemaah Islamiyah in guerilla warfare, military operations, and bomb-making.

RA No. 10168 was enacted by Philippine Congress to reinforce the fight against terrorist organizations like the ASG by criminalizing the financing of terrorism and its related offenses and by preventing and suppressing the commission of said offenses through the freezing and forfeiture funds of and properties.

Under RA No. 10168, the AMLC is authorized to investigate the financing of terrorism and issue an ex parte (without notice) order to freeze property or funds related to financing of terrorism. Pursuant to the said authority, the AMLC issued Resolution No. TF-01 dated 19 September 2012, which directs all covered institutions and relevant government agencies to freeze and preserve, without delay, property or funds, including related accounts, that are maintained or registered with, possessed or controlled by them, if any, belonging to any of the persons, organizations, associations, or groups named in the Al Qaida Sanctions List of the UN Security Council.

Evolution of the case

Initial detection

On the evening of 26 March 2016, 10 crew members of a tugboat were abducted off the waters of southern Philippines. The crew members were citizens of Country I, and the tugboat had been

sailing from Country I's SK Province en route to a coal port in the province of Batangas in the Philippines when the incident occurred.

Information from intelligence sources disclosed that the kidnappers were allegedly members of the ASG and demanded PhP50,000,000.00 (approximately USD1 million) ransom money to be deposited to an account in P Bank in the Philippines.

Intelligence authorities from Country I requested assistance through informal channels from Philippine intelligence and law enforcement agencies, which, in turn, requested the AMLC to monitor the deposit account at P Bank that allegedly belonged to the kidnappers of the crew members of the tugboat.

Investigation and role of the AMLC

AMLC investigation disclosed that the deposit account at P Bank is an automated teller machine (ATM) joint savings account, opened on 22 March 2001 in the names of JJ and AJ, individuals believed to be members of ASG, residing in Jolo, Sulu, Philippines. Pursuant to the authority of the AMLC to issue orders to CPs to determine the true identity of any monetary instrument or property under the AMLA, the AMLC obtained the identification documents used by JJ and AJ to open their account. The AMLC also obtained information that JJ has been sighted operating in Sulu and Zamboanga City, although AJ is believed to have left the Philippines several years ago.

Investigation revealed that on 4 April 2016, the amount of PhP1,007,468.40 (approximately USD20,150.00) was credited to the subject deposit account through an inward remittance, originating from Country I. Philippine intelligence authorities were able to determine that the amount was a "postponement fee" paid by the owner of the tugboat to delay the beheading of the 10 hostages, which was originally scheduled to take place on 8 April 2016. The said "postponement fee" was also an initial payment for the PhP50 million ransom demanded by the ASG.

On 6 April 2016, PhP50,000.00 (approximately USD1,000.00) was withdrawn from the account through an ATM machine located in P Bank's Jolo,

Sulu branch. Under Philippine banking regulations, PhP50,000.00 is the maximum amount that may be withdrawn from ATM machines located in the country. On 11 April 2016, AMLC investigators obtained closed circuit television (CCTV) footages from P Bank, capturing the image of a person, other than the owner of the ATM account (i.e., AJ and JJ), who withdrew the amount from the said ATM. A withdrawal, amounting to PhP20,000.00, was also made from the account via ATM machine on 16 April 2016.

The AMLC continued to coordinate with Philippine intelligence and law enforcement agencies, as well as P Bank, to trace the movement of the ransom money, which was coursed through the account. Another withdrawal in the amount of PhP50,000.00 was made on 27 April 2016 from the same branch of P Bank in Jolo, Sulu. Unlike previous withdrawals, however, this was made by JJ himself based on the CCTV footage obtained by the AMLC from P Bank.

Under Section 11 of the Terrorism Financing Prevention and Suppression Act of 2012 or RA No. 10168, property or funds of UNSCR-designated groups such as the ASG are subject to a freeze order to be issued by the AMLC. Pursuant to the said provision, the AMLC previously issued Resolution No. TF-01 dated 19 September 2012, directing all CPs and relevant government agencies to freeze and preserve without delay, property or funds, including related accounts, that are maintained or registered with, possessed or controlled by them, if any, belonging to any of the persons, organizations, associations, or groups named in the Al-Qaida Sanctions List until the basis for the issuance of the freeze order has been lifted. Thus, there is a continuing mandate or order from the AMLC for CPs to freeze any fund or property of a designated person or terrorist organization found to be deposited or maintained in the said CP.

Based on the recommendation of Philippine intelligence and law enforcement agencies, however, the AMLC issued a resolution dated 29 April 2016, directing P Bank to continue monitoring the ATM account and defer freezing the account until further notice from the AMLC.

On 1 May 2016, JJ withdrew another

PhP50,000.00 from the subject account, this time in one of P Bank's branches in Zamboanga City. The 10 kidnapped crew members were released by the ASG on the same day. The following day, 2 May 2016, JJ again withdrew PhP50,000.00 from another branch of P Bank in Zamboanga City. Thereafter, daily withdrawals, amounting to PhP50,000.00 each time, were made in different ATMs of P Bank located in Zamboanga City.

Due to the increased withdrawal activity from the deposit account and the release of kidnapped crew members, the AMLC and Philippine intelligence and law enforcement agencies agreed on 10 May 2016 to freeze the ATM account to prevent further dissipation of funds while continuing the surveillance on JJ and other suspected members of the ASG.

In a resolution dated 13 May 2016, the AMLC directed P Bank to freeze the remaining balance in the ATM account of AJ and JJ, since the said account belongs to or is controlled by the ASG, a UN-designated terrorist organization. A total of PhP498,653.68 (approximately USD9,970.00) from the said account is now subject of indefinite freeze by virtue of the said AMLC resolution. The AMLC continues to gather additional evidence for the filing of a civil forfeiture case against the said funds for its formal turnover to the government of Country I.

Domestic Cooperation and International Coordination

In view of the transnational nature of the case, the AMLC has been in close coordination with Philippine intelligence and law enforcement agencies, as well as intelligence authorities from Country I, since the start of its financial investigation. Information and documents indispensable in establishing the movement of the ransom money paid were shared with the said agencies in the course of their collaboration. Regular updates were also provided to the relevant intelligence and law enforcement agencies through the meetings of the Joint Terrorist Financing Investigation Group of which the AMLC is a member. The AMLC also furnished Philippine intelligence authorities pertinent bank documents relative to their investigation of the movement of JJ and the terrorism activities of the ASG.

Moreover, the close coordination with domestic

intelligence and law enforcement agencies was crucial in the tactical decision of the AMLC to continue monitoring the ATM account of JJ and AJ and defer freezing the said account in order to ascertain the other individuals involved in the kidnapping, their possible links to the ASG, and the disposition of the ransom money, which was coursed through the account. When the decision to freeze the ATM account of JJ and AJ was eventually made, these government agencies committed to continue the surveillance and investigation of JJ and other suspected ASG members parallel to the financial investigation of the AMLC. Additional information to be gathered from the said government agencies is also essential for the filing of a civil forfeiture case against the funds in the account of JJ and AJ.

In the course of the investigation, through Egmont Secure Web, the FIU of Country I requested from the AMLC financial information on JJ and monitoring of his ATM account. The AMLC immediately furnished Country I's FIU with JJ's profile and the details of his joint ATM account with AJ.

Conclusion

The Terrorism Financing Prevention and Suppression Act of 2012 or RA No. 10168 represents the firm commitment of the Philippines to fight terrorism and its financing. The said law embodies the policy of the State to protect life, liberty, and property from acts of terrorism through the criminalization of financing of terrorism as a crime against the Filipino people, humanity, and the law of nations. This case highlights the importance of RA No. 10168 in criminalizing TF in the Philippines and seizing funds that may be used to carry out devastating terrorist attacks.

The results of the AMLC investigation underscore the importance of the compliance and monitoring system of banks and other financial institutions in the detection, monitoring, and prevention of TF. Further, close cooperation with relevant intelligence and law enforcement agencies is essential in order to trace, seize, and forfeit funds used or to be used for TF, and hurdle impediments, such as bank secrecy laws to ensure successful prosecution of the said crime. ■

Prosecution of Money Laundering and Related Cases

Under the Anti-Money Laundering Act of 2001 (AMLA), as amended, the AMLC is authorized to institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General and to cause the filing of complaints with the Department of Justice (DOJ) or the Office of the Ombudsman, as the case may be, for the prosecution of money laundering (ML) offenses.

There were a total of 42 cases filed in 2016: 18 applications for bank inquiry; 13 petitions for freeze order; six petitions for civil forfeiture; and five criminal complaints for ML.

As of 31 December 2016, the AMLC had 159 active or pending cases. The bulk of the pending cases were civil forfeiture cases, consisting of 66 petitions filed before the Regional Trial Court (RTC).

The second highest number of pending cases, totaling 36, was ML cases before the RTC.

Meanwhile, there were 22 complaints filed before the DOJ, 24 applications for bank inquiry before the RTC, 10 petitions for freeze order before the Court of Appeals (CA), and one case before the Sandiganbayan.

APPLICATION FOR BANK INQUIRY

Bank inquiry is one of the investigative tools being used by the AMLC in gathering evidence, which may be used for prosecuting both ML and its predicate crimes. It is indispensable in following money trails as relevant documents provide the AMLC investigators with potential leads in their investigation.

At present, the AMLC may inquire into or examine any particular deposits or investment by virtue of an order of the CA upon an ex parte application in cases of violations of the AMLA, as amended. In cases where the predicate offense

involves kidnapping for ransom, drug-related cases, terrorism-related cases, hijacking, destructive arson, and murder, a court order is not necessary, since an AMLC resolution will suffice.

The current inquiry process was brought about by Republic Act (RA) No. 10167, which amended Section 11 of the AMLA. The amendment now allows the filing of ex parte application for bank inquiry thereby abrogating the Supreme Court ruling in Republic vs. Eugenio (GR No. 174629, 14 February 2008) that required “notice and hearing” in applications for bank inquiry.

Section 11 of the AMLA, as amended, also requires the CA to act on the application for bank inquiry within 24 hours from the filing of the application.

In 2016, there were a total of 18 bank inquiries conducted by the AMLC.

PETITION FOR FREEZE ORDER

Under Section 10 of the AMLA, as amended by RA No. 10365, the CA is mandated to act on the petition for freeze order within 24 hours from its filing. Pursuant thereto, the CA may issue a freeze order which shall be effective immediately but not to exceed six months, depending upon the circumstances of the case. With this amendment, suspected money launderers will not be able to surreptitiously dispose of criminal proceeds, pending completion of the investigation being conducted by the AMLC. In the case of terrorism financing, this amendment will ensure that funding for terrorism is immediately stopped in its tracks.

The law prohibits any court, except the Supreme Court, from issuing a temporary restraining order

or a writ of preliminary injunction against any freeze order.

PETITION FOR CIVIL FORFEITURE

Under Section 12 of the AMLA, as amended by RA No. 10365, the AMLC may seek the forfeiture of any assets the value of which is equal to the proceeds of an unlawful activity. This measure greatly enhances the asset recovery efforts of the AMLC by allowing it to forfeit any monetary instrument or property in the event that the assets deemed to be proceeds of an unlawful activity or a ML offense cannot be located, or has been substantially altered, destroyed, concealed, removed, converted, transferred, or is located outside the Philippines or commingled with other monetary instrument or property.

With this amendment, the unavailability of the assets deemed proceeds of an unlawful activity or ML offense due to the aforementioned circumstances does not preclude the government from pursuing the forfeiture case.

The AMLC and its Secretariat continue to be guided by the Rules of Procedure in Cases of Civil Forfeiture, Asset Preservation, and Freezing of Monetary Instrument, Property, or Proceeds Representing, Involving, or Relating to an Unlawful Activity or Money Laundering Offense under RA No. 9160, as amended, under Supreme Court Administrative Matter No. 05-11-04-SC.

The assets frozen by the AMLC in 2016 include cash and monetary instruments. Likewise, the bulk of the amount subject of pending civil forfeiture cases involves cash and monetary instruments and real properties. ■

Domestic and International Cooperation

FIRST PHILIPPINE NATIONAL RISK ASSESSMENT (NRA) ON MONEY LAUNDERING AND TERRORISM FINANCING

The NRA is a comprehensive process of identifying and analyzing the main sources and drivers of the money laundering (ML) and terrorism financing (TF) risk in the country. The purpose of the NRA is to develop risk-based anti-money laundering and combating the financing of terrorism (AML/CFT) actions and facilitate allocation of available resources in the most effective way to control, mitigate and eliminate the identified risks. The scope of the first NRA is from 2011 to 2014.

The NRA Project is a government-wide activity, with the AMLC as the lead agency. The NRA is divided into eight sub-working groups (SWGs), which are tasked to identify, assess, and understand the ML/TF risks in particular sectors:

- Threat Assessment SWG
- National Vulnerability SWG
- Banking Sector Vulnerability SWG
- Securities Sector Vulnerability SWG
- Insurance Sector Vulnerability SWG
- Other Financial Institutions Vulnerability SWG
- Designated Non-Financial Businesses and Professions Vulnerability SWG
- Financial Inclusion Products Risk Assessment SWG

Stakeholders representing key government and private sector institutions constituted the different SWGs within the process.

From 11 to 12 May 2016, the NRA final workshop was conducted, where the different SWGs, representing different sectors, presented the results of their assessments and their proposed action plans to the entire working group and stakeholders. The main purpose of the final workshop is to finalize the draft report and the action plan for follow-up work, including developing risk-based approaches to address the threats and vulnerabilities identified

in the risk assessment.

On 13 May 2016, the NRA working group presented the assessment results, as well as the action plans to the senior policymakers of concerned government agencies.

On 20 July 2016, the AMLC through AMLC Resolution No. 63 approved the NRA Report for release to the public.

DOMESTIC COORDINATION

National Law Enforcement Coordinating Committee's (NALECC) Sub-Committee on AML/CFT

For 2016, the NALECC Sub-Committee on AML/CFT, chaired by the AMLC Secretariat executive director, held 11 meetings to further enhance domestic cooperation and coordination mechanism among the AML/CFT stakeholders. Briefings and lectures on the following topics were conducted during the meetings:

- Presentation on the 2015 Significant Activities and Accomplishments of the Sub-Committee on AML/CFT, 28 January 2016, Intellectual Property Office of the Philippines, Taguig City
- Briefing by the Insurance Commission (IC), 24 February 2016, IC, Manila
- Briefing on the Department of Social Welfare and Development's (DSWD) Mandate and DSWD's Standards Bureau, 30 March 2016, DSWD, Manila
- Briefing on Significant Accomplishments of the Inter-Agency Anti-Graft Coordinating Council, 26 April 2016, Office of the Ombudsman, Quezon City
- Briefing by the Philippine Postal Corporation (PHLPost), 24 May 2016, PHLPost, Manila
- Briefing on the Executive Order No. 608, series of 2007, and Memorandum Circular No. 196, series of 1968, 24 May 2016, PhilPost, Manila

- Briefing on the Prevention of ML and TF in the Banking System, 27 June 2016, Bangko Sentral ng Pilipinas (BSP), Manila
- Briefing by the Bureau of Jail Management and Penology, 27 June 2016, Bangko Sentral ng Pilipinas (BSP), Manila
- Briefing on the Manila International Airport Authority's (MIAA) AML/CFT Initiatives and Airport Security System, 26 July 2016, MIAA, Pasay City
- Briefing on the Philippine National Risk Assessment on ML and TF, 31 August 2016, National Intelligence Coordinating Agency (NICA), Quezon City
- Briefing on the NICA's AML/CFT Efforts, 31 August 2016, NICA, Quezon City
- Agency Briefing on the Powers and Functions of the Philippine National Police (PNP) Directorate for Investigation and Detective Management, 31 August 2016, NICA, Quezon City
- Briefing on Combating the Proliferation of Weapons of Mass Destruction and its Financing, 10 October 2016, Philippine Ports Authority (PPA), Manila
- Briefing on the MV Jin Teng Case, 10 October 2016, PPA, Manila
- Briefing on Safety Tips on Ports, October 2016, PPA, Manila
- Briefing on Passport Issuance to Filipino Muslims and Update on the 177 Apprehended Indonesian Nationals, 10 November 2016, Camp Rafael T. Crame (Camp Crame), Quezon City
- Briefing on Republic Act No. 10697, titled "Strategic Trade Management Act" and Functions of the Anti-Terrorism Council – Program Management Center, 10 November 2016, Camp Crame, Quezon City
- Briefing on the Powers and Functions of the Presidential Anti-Organized Crime Commission, 10 November 2016, Camp Crame, Quezon City
- Briefing on United Nations Security Council Resolution No. 2321, 15 December 2016, Bayview Park Hotel Manila

Memorandum of Agreement on Information Sharing

On 10 August 2016, the AMLC executed a Memorandum of Agreement (MOA) with the Commission on Audit. As of 31 December 2016, the AMLC has signed a total of 24 MOAs with different government agencies.

Requests for Information/Assistance from Law Enforcement Agencies and Other Relevant Government Agencies

In 2016, the AMLC received 197 requests for information and/or assistance from other government agencies.

Joint Terrorist Financing Investigations Group (JTFIG)

The AMLC Secretariat hosted four coordination meetings of the JTFIG, a task force composed of the PNP Intelligence Group, Directorate for Intelligence, Anti-Kidnapping Group, Anti-Cybercrime Group, Special Action Force, the National Bureau of Investigation (NBI), the Philippine Center for Transnational Crime (PCTC)/Interpol, and AMLCS.

BSP Gawad Gantimpala Awardees

Three bank officers of the AMLC Secretariat were instrumental in the investigation that exposed certain perpetrators of the Priority Development Assistance Fund Scam.

Moreover, two bank officers and a legal officer of the Secretariat played vital roles in the

investigation that exposed certain government officials involved in the overpriced construction of two public buildings.

INTERNATIONAL COOPERATION AND ASSISTANCE

APG High-Level Visit

From 17 to 18 November 2016, a high-level delegation of the Asia Pacific Group (APG) on Money Laundering met with members of the Senate and the House of Representatives, the AMLC, and senior officials of the Philippine Amusement and Gaming Corporation (PAGCOR). The purpose of the visit was to impress upon the lawmakers and PAGCOR officials the importance of enacting the casino bills currently pending before Congress.

Requests for Information from other Financial Intelligence Units

In 2016, the AMLC received 84 requests for information from the Egmont member-FIUs.

AML/CFT Assessors for the Mutual Evaluation (ME)

- Officers from the Secretariat's Compliance and Investigation Group and Legal Services Group (LSG) participated as ME assessor experts in the 2015 ME of Macao, China and Thailand.

- An officer of LSG participated as legal expert for the 2015 ME of Bhutan. The ME Report of Bhutan was discussed and adopted during the 2016 APG Plenary Meeting in Bangladesh.

Hosting of International Meetings/Study Tours

- From 14 to 18 March 2016, a study tour program for the Nepal financial intelligence unit (FIU) was conducted and attended by representatives from the Nepal Rastra Bank, Department of Money Laundering Investigation, Ministry of Law, Justice and Parliamentary Affairs, Finance Ministry, Insurance Board, and Securities

Board of Nepal. Through the program, the Nepal FIU and other relevant agencies learned about the Philippine experience, particularly on the legal regulatory framework and investigative and prosecutorial tools.

The Nepalese officials also visited law enforcement and government agencies and officials that have helped the AMLC in the discharge of its functions. These include the BSP; Insurance Commission; Department of Justice; PNP Anti-Kidnapping Group, Criminal Investigation and Detection Group and Intelligence Group; PCTC; Philippine Drug Enforcement Agency; Office of the Ombudsman; Office of the Solicitor General; and Securities and Exchange Commission.

- The AMLC Secretariat conducted a briefing on the Philippines' response to ML and TF to the delegation from the Department of Special Investigation, Ministry of Justice of the Kingdom of Thailand on 10 May 2016 at BSP.

- The AMLC Secretariat and the PCTC, the Interpol National Central Bureau Manila Secretariat, co-hosted the Interpol's operational meeting on the stolen funds of Bangladesh Bank from 31 May 2016 to 1 June 2016 at BSP. The operational meeting was attended by investigators from Egypt, Bangladesh, Singapore, Hong Kong, China, Macau, Sri Lanka, Japan, India, USA, and Interpol, including representatives from the AMLC and the NBI.

- The AMLC Secretariat, in coordination with the Australia's FIU, hosted the Regional Risk Assessment Workshop on Terrorist Financing from 27 to 28 June 2016 at BSP. The said regional workshop was attended by representatives from Australia, Thailand, Indonesia, Malaysia, and Philippines. ■

Lectures and Workshops

Educational and Public Information Programs

The AMLC Secretariat conducted a total of 461 lectures and seminars from January to December 2016, with a total of 20,531 participants from various stakeholders, law enforcement agencies, the academe, private sector, and other covered persons (CPs). The topics of these seminars included the following:

- The Anti-Money Laundering Act (AMLA), as amended, and its Revised Implementing Rules and Regulations
- Reporting Procedures
- Terrorism Financing Prevention and Suppression Act of 2012
- Rule on Civil Forfeiture, Asset Preservation, and Freeze
- Financial Investigation and Money Laundering and Terrorism Financing (ML/TF) Typologies
- Bangko Sentral ng Pilipinas (BSP) Circular No. 706 (updated Anti-Money Laundering [AML] Rules and Regulations)
- AML Risk Rating System
- ML/TF Prevention Program

On 13 October 2016, the AMLC Secretariat conducted an information campaign for banks and other financial institutions at the BSP Institute.

FINANCIAL INVESTIGATION TRAINING

From 2 to 4 March and 6 to 8 April 2016, the AMLC conducted financial investigation training courses with the Office of the Ombudsman. The training course focused on the financial investigation process and the conduct of financial analysis based on AML and Combating the Financing of Terrorism (CFT) tools and techniques. This could help the prosecutors of the Office of the Ombudsman in the presentation of financial evidence for graft and corruption cases.

ANTI-MONEY LAUNDERING FINANCIAL INVESTIGATION AND SUPERVISION COURSE

From 6 to 7 October 2016, the AMLC Secretariat conducted financial investigation and supervision training courses for the AML Division personnel and examiners of the Insurance Commission. The training course focused on the financial investigation process and the AML/CFT

supervisory framework and the risk rating system of CPs.

AML SEMINAR AND WORKSHOP FOR MONEY SERVICE BUSINESSES (MSBS), SPONSORED BY THE ASIAN DEVELOPMENT BANK (ADB)

On October 2016, the ADB's Office of Anti-Corruption and Integrity agreed to support the AMLC in providing AML/CFT training to MSBs. It was noted that issues and gaps on AML/CFT and customer due diligence usher in the phenomenon of de-risking, whereby financial institutions terminate or severely restrict business relationships with clients perceived to carry high ML risk, such as MSBs to avoid, instead of managing, risk.

Thus, from 12 to 13 January 2017 and from 16 to 17 March 2017, the AMLC Secretariat conducted a workshop in Pampanga and Cebu, respectively, for MSBs in the Central Luzon and the Visayas regions. The objective of the workshop is to assist MSBs in complying with AML/CFT obligations under the AMLA, as amended, and related BSP regulations. ■

2016 SEMINARS/TRAININGS WITH AML/CFT STAKEHOLDERS

Transnational Investigative Cooperation Program Malacca, Malaysia	Regional Counter-Terrorism Workshop Bangkok, Thailand
Regional Counter-Terrorism Workshop Denpasar, Indonesia	Second APG Regional Workshop – Combating the Financing of Proliferation of Weapons of Mass Destruction Seoul, Korea
Casino Crimes Investigations Course Bangkok, Thailand	Regional Counter-Terrorism Workshop Kuala Lumpur, Malaysia
APG Workshop on Implementing Targeted Financial Sanctions Against Proliferation of Weapon of Mass Destruction Kuala Lumpur, Malaysia	Basic Level Training Course on CFT Yangon, Myanmar
International Monetary Fund - Singapore Regional Training Institute (IMF-STI) Implementing the International AML/CFT Standards Course Singapore	Financial Investigations Course at International Law Enforcement Academy Bangkok, Thailand
AML/CFT Course Washington D.C., USA	Seminar on Combating ML Frankfurt, Germany
	IMF-STI Implementing the International AML/CFT Singapore

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