THE 2017-2018 ANNUAL REPORT
SUSTAINABLE TRANSFORMATION

AMLC
Anti-Money Laundering Council
PHILIPPINES
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 AMLC shall, without fear or favor, investigate and cause the prosecution of money laundering and terrorism financing offenses.

To protect and preserve the integrity and confidentiality of bank accounts

To ensure that the Philippines shall not be used as a money laundering site for proceeds of any unlawful activity

To extend cooperation in transnational investigation and prosecution of persons involved in money laundering activities, wherever committed
IN MEMORIAM

The Anti-Money Laundering Council (AMLC) and its Secretariat dedicate the 2017-2018 Annual Report to former AMLC Chairman and Bangko Sentral ng Pilipinas (BSP) Governor, Nestor A. Espenilla Jr.

Appointed head of the country’s central bank by President Rodrigo Roa Duterte on 3 July 2017, Chairman Espenilla was the ex officio Chairman of the AMLC, the Philippine International Convention Center (PICC), and the Financial Stability Coordination Council (FSCC).

Under Chairman Espenilla’s leadership, the AMLC saw the passage of Republic Act (RA) No.10927 or “An Act Designating Casinos as Covered Persons under RA No.9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA), as amended,” placing casinos as covered persons under the AMLA. Subsequently, the AMLC, together with the Philippine Amusement and Gaming Corporation (PAGCOR), the Aurora Pacific Economic Zone and Freeport (APECO), and the Cagayan Economic Zone Authority (CEZA), signed the Casino Implementing Rules and Regulations (CIRR) of RA No.10927, to prevent the Philippine casino industry from becoming a venue for money laundering (ML) and terrorism financing (TF).

As an experienced and learned policymaker, Chairman Espenilla oversaw the adoption of significant regulations, such as the AMLC Registration and Reporting Guidelines (ARRG) and its amendments as well as the ARRG for Casinos (ARRGC) to ensure proper and timely compliance with reporting procedures; the Guidelines on Digitization of Customer Records (DIGICUR Guidelines); the Anti-Money Laundering/Counter-Terrorism Financing (AML/CTF) Guidelines for Designated Non-Financial Businesses and Professions (DNFBP Guidelines); the Guidelines on Identifying Beneficial Ownership; and the 2018 Implementing Rules and Regulations (2018 IRR).

Other milestones under Chairman Espenilla’s guidance were the approval of the Second National Risk Assessment (NRA) Report, which evaluated the overall threat and effectiveness of the country’s AML/CTF regime, covering the years 2015 and 2016; and the approval of the National Anti-Money Laundering and Countering the Financing of Terrorism Strategy 2018-2022 (NACS). Largely driven by the Second NRA, the NACS lays out seven concrete objectives, ranging from the enhancement of Philippine laws and regulations; strengthening the AMLC’s investigations and prosecutions; coordination among government agencies; development of mechanisms to deter ML and TF; improved supervision of covered persons; international cooperation; and information dissemination to combat ML and TF.

As a visionary manager and leader with a fervent belief in leveraging technology, Chairman Espenilla also spearheaded the AMLC Secretariat’s administrative reorganization, which more than doubled the staff complement, and the acquisition and operationalization of a data-mining system, which improved the quality of data-gathering, retrieval, and analysis. These initiatives have enabled the AMLC to cope with the growing complexity and increasing number of financial transactions and crimes.

Chairman Espenilla passed away on 23 February 2019. He was 60 years old.

Leading by example, Chairman Espenilla serves as an inspiration to all civil servants, and to him, the AMLC and its Secretariat will always be grateful.
ACKNOWLEDGMENTS

Former Chairman Tetangco served as the third Governor of the BSP and ex officio Chairman of the AMLC for two consecutive six-year terms from 2005 to 2017. *Global Finance* magazine hailed him as one of the world’s top central bankers, having earned the “A” rating eight times. Prior to his appointment as Governor, he was the Deputy Governor in charge of the Banking Services Sector, Economic Research, and Treasury.

Before joining the then-Central Bank of the Philippines in 1974, he worked at the accounting firm, SGV & Co. Chairman Tetangco finished AB Economics at the Ateneo de Manila University, where he graduated cum laude. As a central bank scholar, he completed a Master of Arts degree in Public Policy and Administration at the University of Wisconsin-Madison, USA.

As the former Chairperson of the Securities and Exchange Commission (SEC), Atty. Herbosa served as a Member of the AMLC. With over 30 years of private law practice, she has implemented several significant projects at the SEC, including the automation of public services and its internal operations, since her appointment as Chairperson in 2011. Though her seven-year term ended on 11 March 2018, she continued to serve in a holdover capacity until June 2018.

Atty. Herbosa finished her Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines, graduating cum laude both times. She obtained her Master of Comparative Law degree from the University of Michigan Law School in Ann Arbor, Michigan, USA.
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Anti-Money Laundering Council
Governor
Bangko Sentral ng Pilipinas

Atty. Dennis B. Funa
Member
Anti-Money Laundering Council
Commissioner
Insurance Commission

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Atty. Emilio B. Aquino
Chairman
Anti-Money Laundering Council
Commissioner
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Atty. Mel Georgie B. Racela
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Glossary
Prior to his appointment as BSP Governor, Chairman Diokno has had extensive experience in implementing reforms in the public sector. He pursued an expansionary fiscal policy to finance investments in human capital development and public infrastructure as the Secretary of the Department of Budget and Management. His policy expertise and research contribution extend to various areas of public economics, such as the structure and scope of government, tax policies and reforms, public expenditure management analysis, fiscal decentralization, national budget, and public debt, among other topics.

Some of the major policy reform contributions of Chairman Diokno include providing technical assistance to the 1986 Tax Reform Program to simplify the income tax system and introduce the value-added tax; helping design the 1991 Local Government Code of the Philippines; initiating a What-You-See-Is-What-You-Get policy to streamline the release of funds; and sponsoring the Government Procurement Reform Act to modernize, regulate, and standardize government procurement activities in the Philippines.

Chairman Diokno, Professor Emeritus of the University of the Philippines-Diliman, taught various courses in economics for over 40 years. He also served as Fiscal Adviser to the Philippine Senate; Chairman and CEO of the Philippine National Oil Company; and Chairman of the Local Water Utilities Administration.

In December 2016, Atty. Funa was appointed Insurance Commissioner by President Duterte. Commissioner Funa was formerly the managing partner of a local law firm and a law professor at the De La Salle University College of Law and San Beda Alabang School of Law.

At age 28, he was the youngest presidential appointee of then President Fidel V. Ramos, upon being appointed Executive Director of the Videogram Regulatory Board. Commissioner Funa was commended by Kongreso ng Mamamayang Pilipino in 2001 for his socio-political contribution to the country.

In 1997, Commissioner Funa was a scholar at the London-based International Bar Association in its Biennial Conference in New Delhi, India; and in 1999, he was a scholar of the Association for Overseas Technical Scholarships in Tokyo, Japan.

He was a Commissioner in the Commission on Bar Discipline of the Integrated Bar of the Philippines (IBP), serving from 2002 to 2011. IBP named him the “Most Outstanding Commissioner.” He was the National Director for Bar Discipline of the Integrated Bar of the Philippines in 2012.

Commissioner Funa is a member of the Philippine Bar Association and the International Law Society of the Philippines, and he has authored 10 law books.
SEC Chairperson Aquino has a record of 14 years in progressively responsible positions of trust. Concurrently, he is the Chairperson of the government-owned Credit Information Corporation and Chairperson of the Microfinance NGO Regulatory Council.

SEC Chairperson Aquino has a proven history of success and integrity in the administrative management of two SEC Head Office Operating Departments, and two Regional Extension Offices (Davao and Zamboanga) and has been highly regarded for his fast output on critical concerns of the Commission.

He served as the Supervising Commissioner on Enforcement, Human Resources, and Administration; and as the youngest director of the SEC’s former Prosecution and Enforcement and Non-Traditional Securities and Instruments Departments. While practicing public accountancy and law, he also taught commercial law at Ateneo de Zamboanga University and Western Mindanao State University for over a decade.

In 1984, he graduated magna cum laude and valedictorian at the University of Zamboanga with a Bachelor of Science degree in Commerce, major in Accounting. He received a rating of 89.14% in the Certified Public Accountant (CPA) Licensure Examination. He completed his law studies at San Beda College and placed 16th in the 1992 bar exams.

As head of the operational arm of the AMLC, Executive Director Racela executed the Chairman’s vision and ensured that reforms are sustainable in the next generation of the Secretariat’s analysts, investigators, prosecutors, supervisors, and strong support staff. To institutionalize the reforms, he spearheaded the Quality Management System (QMS) in 2017.

Executive Director Racela led legislative and regulatory framework developments, which filled the critical gaps in the country’s AML/CTF defense, such as RA No.10927, otherwise known as “An Act Designating Casinos as Covered Persons under RA No.9160, as amended;” CIRR; Rules on the Imposition of Administrative Sanctions (RIAS) under RA No.9160, as amended; ARRG; ARRGC; DNFBP Guidelines; and DIGICUR Guidelines. Further, under his supervision were the approval of the Second NRA and the NACS.

Prior to his appointment as Executive Director of the Secretariat, Atty. Racela honed his leadership, management, and policy-making expertise as head of the Anti-Money Laundering Specialist Group of the Office of Supervisory Policy Development, Supervision and Examination Sector of the BSP.

He holds a Master of Laws degree in International Legal Studies from Georgetown University Law Center in Washington, DC, USA, where he graduated as a Dean’s Lister.
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 an ML site for the proceeds of any unlawful activity, the AMLC was created by virtue of RA No.9160, otherwise known as the AMLA, as amended.

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 (TFPSA). The AMLC is mandated to assist in transnational investigations and prosecutions of persons involved in ML and TF activities wherever committed.

The AMLC is composed of the Governor of the BSP as Chairman, and the Commissioner of the Insurance Commission (IC) and the Chairperson of the SEC as Members. The Chairman and Members act unanimously in the discharge of 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 transaction and other reports, it performs investigative, prosecutorial, and supervisory functions.

The AMLC is assisted by a Secretariat, which is headed by an Executive Director.

CORE FUNCTIONS

Financial Intelligence Analysis
Require and receive covered (CTRs) or suspicious transaction reports (STRs) from covered persons.

Probe into suspicious transactions or covered transactions deemed suspicious

Investigation
Investigate ML and TF activities, and other violations of the AMLA, as amended

Enlist the assistance of any branch, department, bureau, office, agency, or instrumentality of the government, including government-owned and -controlled corporations, in undertaking AML/CTF operations

Examine any particular deposit or investment with any banking or non-bank financial institution, where probable cause exists that the deposits or investments are related to an unlawful activity

Identify properties, documents, and flow of financial transactions in relation to ML and TF

Prosecution
Institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General (OSG)

File complaints with the Department of Justice (DOJ) or the Office of the Ombudsman (OMB) for the prosecution of ML offenses

Supervision
Implement measures to counteract ML and TF

Ensure compliance of covered persons with the AMLA, as amended

Apply before the Court of Appeals (CA), ex parte, for the freezing of any monetary instrument or property alleged to be the proceeds of any unlawful activity as defined in the AMLA, as amended

Apply for bank inquiry and/or examination

Handle the disposition of administrative cases

Develop educational AML/CTF programs
AN OVERVIEW OF A HYBRID FIU

OVERARCHING

AS A FULLY FUNCTIONAL FIU
Receipt, analysis, and dissemination

AS AN EFFICIENT SUPERVISOR
Policies
AML/CTF awareness

AS A RELIABLE PARTNER IN LAW ENFORCEMENT, PROSECUTION, AND ASSET FORFEITURE
Investigation
Prosecution
Forfeiture

SUPPORT

SERVICES
**INVESTIGATION AND PROSECUTION**

- **148** investigation reports
- **31** applications for bank inquiry
- **Php 1,718,386,789** worth of frozen assets
  - **41** vehicles
  - **17** firearms
  - **insurance policies**
- **2** ML cases filed with the Regional Trial Court (RTC)

---

**FINANCIAL INTELLIGENCE ANALYSIS**

- **528** requests for information (RFIs) from law enforcement agencies (LEAs) and other sources
- **83 million** CTRs
- **569** reactive financial intelligence briefs
- **173** Egmont Secure Web (ESW) RFIs received
- **779 thousand** STRs
- **51** proactive financial intelligence reports
- **10** Mutual Legal Assistance (MLA) RFIs

---

**2017 2018 BY THE NUMBERS**

**TURNOVER OF FORFEITED ASSETS TO THE BUREAU OF TREASURY (BTR)**

- **Php 48.856 million** worth of cash and bank assets
- **7**-hectare land in Pangasinan

---

**INVESTIGATION AND PROSECUTION**

- **Php 1,009,116,707** worth of assets subject to civil forfeiture
  - **14** real properties
  - **5** watercrafts
  - **59** vehicles
  - **8** motorcycles
  - **25** firearms
  - **insurance policies**
- **10** ML complaints filed with DOJ and OMB

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**FINANCIAL INTELLIGENCE ANALYSIS**

- **83 million** CTRs
- **569** reactive financial intelligence briefs
- **173** Egmont Secure Web (ESW) RFIs received
- **779 thousand** STRs
- **51** proactive financial intelligence reports
- **10** Mutual Legal Assistance (MLA) RFIs
SUPERVISION

- 16 policies issued
- 31 registered designated non-financial businesses and professions (DNFBPs)
- 31 reports of compliance (ROCs) on banks for late filing of CTRs
- 4 AML/CTF manuals

CAPACITY-BUILDING

- 44 financial intelligence analysis and investigation trainings
- 13 technical assistance grants for AMLC officers
- 24 AML/CTF caravan lectures for covered persons
- 107 regulatory workshops

BUDGET UTILIZATION

- 0.53% ADVERTISING
- 3.18% TRAINING
- 2.00% SUBSCRIPTION (PERIODICALS, INTERNET)
- 58.91% INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)
- 20.57% OTHERS (LEGAL SERVICES, OFFICE EQUIPMENT, INSURANCE, UTILITIES, ETC.)
- 14.81% UNUTILIZED

THE ANTI-MONEY LAUNDERING COUNCIL

2017-2018 ANNUAL REPORT 13
The AMLA, as amended, authorized the AMLC to create a Secretariat to assist it in fulfilling its vision and mission and in undertaking its AML/CTF operations.

The AMLC shall appoint an Executive Director to head the Secretariat for a term of five years. The Executive Director must be a member of the Philippine Bar, at least 35 years of age, and of good moral character, unquestionable integrity, and known probity.

All members of the Secretariat hold full-time permanent positions at the BSP.

Also, they must have served for at least five years at the IC, SEC, or BSP.

To further strengthen a hybrid-type organizational structure and to adequately manage and monitor the level and direction of ML and TF risks in coordination with various stakeholders, the Secretariat underwent a two-phase reorganization in 2017 and 2018, constituting crucial units, such as the Compliance and Supervision Group, and employing more analysts, investigators, and lawyers. The Secretariat’s staff complement increased by 133%, that is, from 109 to 254 plantilla positions.

Commitments and Policy Group
- Maintains and monitors the country’s compliance with international AML/CTF standards
- Facilitates the execution and monitors the implementation of memoranda of understanding (MOUs) with foreign FIUs
- Manages the conduct of national risk assessments and monitors the status of the resulting action plans
- Develops and adopts AML/CTF policies, procedures, and guidance based on ML and TF trends and standards
- Conducts and manages AML/CTF public information and awareness programs

Counseling, Adjudication, and Mutual Legal Assistance Unit
- Renders legal opinion and legal advisory services, relating to the interpretation of the provisions of the AMLA, TFPSA, and other relevant laws and rules
- Handles MLA requests to and from foreign jurisdictions
- Adjudicates administrative/compliance cases against covered persons

DETECTION AND PREVENTION DEPARTMENT
- Collects, evaluates, and analyzes financial information on potential ML and TF; and disseminates the same to authorized end-users
- Provides financial intelligence to LEAs, foreign FIUs, and other AMLC Secretariat units to support and assist investigations
- Ensures compliance of covered persons with the AMLA, as amended, by conducting regular onsite examination of covered persons not under other supervising authorities; targeted onsite examination of covered persons with possible compliance violations; and offsite supervision of covered persons
- Supervises DNFBPs
Administrative, Financial, and IT Services Group

- Ensures compliance with relevant legislation, regulatory requirements, and internal policies on personnel, facilities, property, and supplies management
- Records, monitors, and controls the utilization of the approved annual AMLC budget
- Manages the integrity, capacity, performance, availability, administration, preventive maintenance, and utilization of the Secretariat’s data center and network infrastructure
- Manages the development, implementation, and maintenance of IT systems, modules, programs, and projects
- Manages and monitors centralized receiving and releasing of documents from and to various stakeholders and the general public

Office of the Executive Director

- Exercises general supervision and control of the operations and functions of the Secretariat
- Enforces and implements decisions made by the AMLC

Enterprise Security Staff

- Formulates relevant Information Technology (IT) security policies and implements IT security systems and controls
- Maintains the Security Operations Center to monitor, identify, and eradicate security risks and vulnerabilities.

Commitments and Policy Group

Investigation and Enforcement Department

- Investigates suspicious and covered transactions deemed suspicious
- Acts on requests for investigation and assistance
- Gathers evidence
- Institutes the filing of freeze order; bank inquiry; civil forfeiture; and ML and TF cases
- Prosecutes ML and TF
- Manages and monitors frozen and forfeited assets

Counseling and Legal Assistance Unit

Administrative, Financial, and IT Services Group

Detection and Prevention Department

Investigation and Enforcement Department

- Ensures compliance with relevant legislation, regulatory requirements, and internal policies on personnel, facilities, property, and supplies management
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- Manages and monitors centralized receiving and releasing of documents from and to various stakeholders and the general public
Quality Management System (QMS)

The QMS serves as a platform for the implementation of the AMLC's core processes to deliver its mandate pursuant to the AMLA, as amended. The AMLC QMS, as approved by the Council per AMLC Resolution No.131 dated 20 December 2017, is a knowledge-based system that outlines the policies and procedures necessary to improve and control various processes of AMLC that will ultimately lead to better operational performance. The QMS ensures consistency and improvement of working practices, which, in turn, provides services that satisfy customer requirements. The approved QMS is in accordance with the requirements of the international standard on QMS, ISO 9001, approved policies, and other pertinent laws, rules, and regulations.

GENDER AND DEVELOPMENT (GAD)

Through its GAD Focal Point System (GFPS), the AMLC takes on gender mainstreaming as a strategy to promote gender equality and sensitivity in its processes, systems, policies, operations, and procedures. The Philippine Constitution recognizes the fundamental equality before the law of women and men, as enshrined in the Magna Carta of Women (MCW) or RA No.9710 and in the provisions of the United Nations (UN) Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), to which the Philippines subscribed.

Executive Order (EO) No.273 (Approving and Adopting the Philippine Plan for Gender-Responsive Development [PPGD 1995-2025]) mandates agencies to incorporate and reflect GAD concerns in their agency performance commitment contracts, annual budget proposals, and work and financial plans. The AMLC then formulates its annual GAD Plan and Budget (GPB) within the context of its mandates and allots at least five percent of its national budget for the GPB implementation, pursuant to the MCW and the General Appropriations Act (GAA). The GFPS prepares the GPB, monitors its implementation, and reports its results.

GENDER AND DEVELOPMENT (GAD)

The AMLC then formulates its annual GAD Plan and Budget (GPB) within the context of its mandates and allots at least five percent of its national budget for the GPB implementation, pursuant to the MCW and the General Appropriations Act (GAA).

The GFPS prepares the GPB, monitors its implementation, and reports its results.

NATIONAL GOVERNMENT BUDGET UTILIZATION

2017 PhP119,963,195.71

- 2.12% SUBSCRIPTION (periodicals, Internet)
- 3.12% TRAINING
- 0.37% ADVERTISING
- 12.46% UNUTILIZED
- 16.08% OTHERS (legal services, office equipment, insurance, utilities, etc.)
- 65.84% ICT

MALE 56% FEMALE 44%

THE AMLC SECRETARIAT
TOTAL WORKFORCE: 123

- CPA: 14
- CPA/Forensic Accountant: 1
- CPA/IT Expert: 3
- CPA/Data Scientist: 8
- CPA/Lawyer: 2
- Data Scientist: 5
- IT Expert: 1
- Lawyer: 29
- Lawyer/IT Expert: 1
- Others: 3
- LEA: 38

- Subscription (periodicals, Internet): 1.82%
- Training: 3.28%
- Advertising: 0.78%
- Unutilized: 18.56%
- Others (legal services, office equipment, insurance, utilities, etc.): 27.74%
- ICT: 47.82%

2018 PhP75,057,000.00

2017-2018 ANNUAL REPORT
A FULLY FUNCTIONAL FIU

As an FIU, the AMLC requires and receives CTRs and STRs from covered persons. The AMLC collects, evaluates, and analyzes financial information, regarding potential ML and TF; and disseminates financial intelligence reports to LEAs, foreign FIUs, and other Secretariat units to support and assist investigations.

STR AND CTR COLLECTION
Covered persons submit CTRs and STRs to the AMLC electronically. Files are encrypted and uploaded through a secure portal. Then the files are decrypted, checked, and validated before being saved in the AMLC database. The facility has also been enhanced to require timestamps on STRs and CTRs.
The AMLC leverages on ICT to improve operational efficiency, transparency, and security. Confidentiality, integrity, and availability of AMLC information are checked, controlled, and maintained through security controls and policies.

To ensure protection against security attacks that occur beyond office hours, the AMLC security team operates 24 hours, seven days a week. This enables immediate response to security threats and guarantee continuous optimal performance of the security system.

The AMLC also monitors its compliance with various government regulations on ICT security and privacy, especially those issued by the Department of Information and Communications Technology (DICT) and the National Privacy Commission (NPC).

**24/7 Security System**

**The AMLC**

**DOCUMENT MANAGEMENT SYSTEM (DMS)**

The document management and tracking system with a case management system is a computer software. It stores and tracks electronic documents and images of paper-based information captured through a scanner. Documents of the AMLC are then organized into electronic folders for intelligence, investigation, and litigation cases. The DMS also has a facility that enables collaboration among users.
**Financial Intelligence Analysis Group**

**Standard Operating Procedure Guidelines (FIAG SOP)**

The FIAG SOP provides guidance to analysts for the execution of their duties in accordance with AML/CTF laws. The manual outlines the process for operational and strategic analysis, dealing with the receipt of reports; case prioritization; data collection and analysis; and sharing of intelligence reports.

**FINANCIAL INTELLIGENCE ANALYSIS**

<table>
<thead>
<tr>
<th>Year</th>
<th>LEAs and Government Agencies (GAs)</th>
<th>Other Triggers (confidential informants, covered persons, the public, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>214</td>
<td>46</td>
</tr>
<tr>
<td>2018</td>
<td>268</td>
<td></td>
</tr>
</tbody>
</table>

**Sources of Financial Transaction Information**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total CTRs</th>
<th>Total STRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>39.9 million</td>
<td>287,265</td>
</tr>
<tr>
<td>2018</td>
<td>43.1 million</td>
<td>491,717</td>
</tr>
</tbody>
</table>

**Know-Your-Customer (KYC) Documents Upload Facility**

Covered persons upload KYC documents electronically for use by intelligence analysts as well as handling lawyers and investigators of the AMLC.
The AMLC has portals for sharing documents with LEAs and appropriate government agencies (AGAs); and with covered persons for intelligence purposes. The portals have facilities to provide feedback on shared information. The portals are accessible to LEAs with existing MOAs with the AMLC; and to covered persons with existing an ISP Agreement with the AMLC.

Memorandum of Agreement (MOA)
As of December 2018, the AMLC has 28 MOAs with domestic LEAs and GAs. The MOA outlines the conditions in the sharing of intelligence.

### Information used in Financial Intelligence

<table>
<thead>
<tr>
<th>Year</th>
<th>Reactive CTRs</th>
<th>Reactive STRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>2,170,635</td>
<td>21,203</td>
</tr>
<tr>
<td>2018</td>
<td>984,032</td>
<td>6,275</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Proactive CTRs</th>
<th>Proactive STRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>506</td>
<td>106</td>
</tr>
<tr>
<td>2018</td>
<td>33,361</td>
<td>2,340</td>
</tr>
</tbody>
</table>

### No. of Financial Intelligence Reports Produced

<table>
<thead>
<tr>
<th>Year</th>
<th>Reactive</th>
<th>Proactive</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>411</td>
<td>8</td>
</tr>
<tr>
<td>2018</td>
<td>158</td>
<td>43</td>
</tr>
</tbody>
</table>
MLA Case Study on the Freezing of Bank Accounts in Relation to Money Laundering

On 25 September 2017, the DOJ referred to the AMLC an MLA request from the Netherlands to freeze and eventually confiscate the funds of Mr. HOV and Ms. CDL, Dutch and Taiwanese citizens, respectively. The Dutch authorities were conducting an investigation on Mr. HOV and Ms. CDL for ML, among other offenses.

The AMLC then secured a freeze order from the CA, amounting to USD401,800 and PhP134,700. In 2018, the AMLC filed a petition for civil forfeiture against the real properties and accounts of Mr. HOV and Ms. CDL. The funds are now subject of an asset preservation order, while the case is pending.

Memorandum of Understanding (MOU)

As of December 2018, the AMLC has 43 MOUs with foreign FIUs and counterparts. The MOU conforms with the model MOU of the Egmont Group and consistent with its Principles for Information Exchange between FIUs.

MUTUAL LEGAL ASSISTANCE (MLA)

The MLA refers to the formal method of cooperation between two jurisdictions for purposes of seeking assistance in the production of documents, asset freezing and forfeiture, extradition, enforcement of foreign judgment, and other kinds of legal assistance in criminal matters.

The AMLC enlists the assistance of any branch, department, bureau, office, agency, or instrumentality of the government, including government-owned and -controlled corporations, in undertaking any and all AML/CTF operations.

EGMONT SECURE WEB (ESW) RFIs

The ESW of the Egmont Group is a secure communication system that allows encrypted sharing of, among member FIUs, financial intelligence and other information of interest to members. The ESW system allows Egmont members to access documents, contact information, and case typologies.

RISK ASSESSMENTS

Risk Assessment of the Non-Profit Organization (NPO) Sector (2018)

What
The study is a separate evaluation of ML and TF threats of the NPO sector in the Philippines.

How
Following the Financial Action Task Force’s (FATF) “Best Practices: Combating the Abuse of Non-Profit Organizations (Recommendation 8),” risk was determined as a function of criminal threat and vulnerability. ML and TF threats were gauged based on investigations and cases, involving NPOs; STR analysis; and inputs from sector representatives.
# Recommendations*

- Sustain outreach to the NPO sector and regulators
- Communicate results to stakeholders
- Create or amend risk-based regulations and supervision for NPOs at risk for ML/TF
- Revise classification system of SEC-registered NPOs to accurately capture the type and purpose of the NPO
- Encourage formalization of coordination mechanisms

---

## Findings

<table>
<thead>
<tr>
<th>ML threat</th>
<th>Medium</th>
<th>NPOs exploited are those involving charitable, agricultural, educational, and livelihood activities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF threat</td>
<td>High-Low</td>
<td>NPOs at risk are those involving charitable, social development, humanitarian disaster relief, and educational activities.</td>
</tr>
<tr>
<td>ML/TF vulnerability</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>AML/CTF understanding of NPOs</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Controls in place</td>
<td>Generally Effective</td>
<td></td>
</tr>
<tr>
<td>Regulated financial channels</td>
<td>Generally Utilized</td>
<td></td>
</tr>
<tr>
<td>Overall NPO risk to ML</td>
<td>Medium</td>
<td></td>
</tr>
<tr>
<td>Overall NPO risk to TF</td>
<td>Low Medium</td>
<td></td>
</tr>
</tbody>
</table>

## A Risk Assessment on the Philippines’ Exposure to External Threats based on Submitted Suspicious Transaction Reports (2018)

What

Relative to the NRA, the study evaluates the exposure of the...
Philippines to threats, originating within and outside its jurisdiction; and provides information on the generation, movement, and behavior of illicit funds related to the top predicate crimes in the country.

How
The study analyzes STRs submitted by BSP-supervised institutions, such as banks and money service businesses (MSBs), with a total of 161,650 transactions executed from 1 January 2013 to 31 December 2017 and with a combined value of PhP17.895 trillion.

Findings
- Illicit funds from environmental crimes, illegal trafficking of persons, kidnapping for ransom, and terrorism have entered the country.
- Illicit funds from smuggling have originated from the country.
- 68% of the incoming proceeds were coursed through banks in the United Kingdom.
- 29% of the illicit funds flowing out of the country were received by Hong Kong.

Recommendations
- Promote immediate referral of various STRs to the appropriate LEAs, supervisory authorities, AMLC Public-Private Program partners, and other jurisdictions through their respective FIUs
- Seek additional STR information from appropriate agencies and partners

STRATEGIC STUDIES

What
The study distinguishes inadequate STRs from acceptable ones to improve the quality of STRs of covered persons.

How
The study applies descriptive and analytical techniques to determine the quality level of 132,306 STRs submitted by 149 covered persons to the AMLC in 2016. Among the information evaluated are the accountholder details, subject of suspicion, transaction type, reason for suspicion, predicate crime described in the narrative, and place of transaction.

Findings
- 53.09% of the 2016 STRs provide substantial information.
- 46.91% of the 2016 STRs do not have sufficient information to warrant further analysis and investigation.

Recommendation
- Reinforce the ARRG, specifically on how to properly narrate details of circumstances, leading to the suspicion

What
On the back of BSP Circular No. 944 (Guidelines for Virtual Currency [VC] Exchanges) in 2017, the study assesses the transaction profiles of accredited VC exchanges in relation to suspicious transactions, clients suspected of links to illicit activities, and big-ticket transactions.

How
The study performs a descriptive analysis on 1,086 CTRs and 21,280 STRs received from BSP-accredited VC exchanges from 6 March 2017 to 10 April 2018, involving transactions executed on their platforms from 28 April 2014 to 6 April 2018 with a combined value of PhP3.1 billion.

Findings
- 41.9% of the total STRs were tagged as deviations from the clients’ profile and/or transaction history, including transaction amounts not commensurate with one’s financial capacity.
- Other most frequently cited reasons for suspicion are participation in investment schemes, swindling, and fraudulent practices and other violations under the Securities Regulations Code of 2000.
- In terms of total volume, 59.4% of the total STRs are outward remittances to domestic beneficiaries, while in terms of total value, cash deposits form 58.5%.
- In terms of total volume, 55.4% of the total CTRs are outward remittances to domestic beneficiaries, while in terms of total value, cash deposits form 59.1%.
- The regulatory framework for VC exchanges enables a more comprehensive monitoring of the financial behavior of individuals and entities possibly connected to illicit activities; and closer coordination and information-sharing among covered persons in the conduct of AML surveillance.

Recommendations
- Reduce the prevalence of fraudulent activities, using VC exchanges, by imposing:
  - Lower thresholds for the amount, volume, and/or frequency of transactions in an account
  - More stringent KYC procedures
  - Stricter requirements for increasing an account’s transaction thresholds
  - Release of constant advisories and reminders to accountholders on prohibited activities and possible penalties
  - More rigid AML/due diligence standards for VC exchanges’ payment partners, such as remittance centers or mobile payment systems
- Raise the level of the country’s financial literacy and educate the public in performing their own due diligence, especially in assessing investment opportunities
- Pass the National Identification System Bill and the SIM Card Registration Bill that may aid in curbing the anonymity exploited by criminals

What
In view of the development in the regulatory and operational environment of the pawnshop and MSB industry, following the Bangladesh Bank Cyberheist in 2016, the study examines how the industry’s compliance with AML reporting standards has evolved.

How
The study performs a descriptive analysis on CTRs and STRs submitted from January 2013 to August 2018 by BSP-accredited pawnshops and MSBs, operating in the parallel market, that is, not affiliated with the formal banking sector.

Findings
- CTR and STR submissions increased after the Bangladesh Bank Cyberheist and after the issuance of BSP Circular Nos.938 and 942.
- Timeliness of CTR submissions improved.
- Majority of the bases for suspicion emanated from the institutions’ own monitoring of their customers rather than reactive reporting to news articles or government agencies’ RFIs.
- Data analysis provided substantial basis to confirm broadening AML awareness, reporting, and compliance within the industry.

Recommendations
- Strengthen partnerships through the Public-Private Partnership Program (PPPP)
- Capitalize emerging regulatory technology solutions
- Establish industry associations
- Encourage sector consolidation to lessen industry fragmentation
- Conduct further capacity enhancements
- Include the industry among financial agents under BSP’s supervisory authority, should the BSP Charter be amended, to safeguard against unscrupulous business practices that may taint the integrity of the financial system
PROACTIVE REPORTS

2017 Data Mining Reports on Patterns Related to Drug Trafficking and Investment Scam

To ensure the quality of tactical and strategic studies of CTRs and STRs, the AMLC invests in data-mining tools and analysis systems.

Data mining in pattern-based queries, searches, or other analyses of the AMLC database is used to detect predictive patterns or anomalies that may indicate terrorist or money laundering activity. Since 2014, the AMLC has been producing boiler room fraud/investment scam reports, the latest of which was in 2017 with potential leads to an investment scam and illegal drugs.

COOPERATION AND COLLABORATION

Financial Intelligence Consultative Group (FICG)

The FICG aims to develop a mechanism for regional financial intelligence analyst exchanges among the ASEAN and close partner FIUs by providing regular and informal means of communication for FIU heads; facilitating proactive information-sharing and alignment of operational AML/CTF; and assisting FIU critical incident responses for timely information-sharing. The FICG has several working groups, namely, the NPO Red Flags Assessment Project, the CTF Summit Secretariat, the International Community of Experts, and the Southeast Asia Counter-Terrorism Financing Working Group.

CAPACITY BUILDING

Analyst Exchange Program (AEP)

19 to 30 June 2017
Sydney, Australia

10 to 21 July 2017
Manila, Philippines

Since 2009, the AMLC and the Australian Transaction Reports and Analysis Centre (AUSTRAC) have collaborated on a number of AML/CTF capacity-building programs. In 2017, the AMLC and AUSTRAC launched the AEP to pursue intelligence-sharing in combating ML and TF between the two countries. AMLC and AUSTRAC analysts gathered and developed intelligence on an agreed case and facilitated the disclosure of this intelligence between these agencies. The focus of the AEP

A FULLY FUNCTIONAL FIU

2017-2018 ANNUAL REPORT 27
used, and previously unknown financiers and facilitators, who helped finance high-profile terrorist groups in Southern Philippines.

Analysis has pinpointed, for example, certain financial transactions of an individual that funded the travel of suspected foreign terrorist fighters. The exchange of information coursed through formal and informal mechanisms between AMLC and its partner agencies validated information that foreign terrorist fighters traveled from Indonesia to join the siege in Marawi. This has established a relationship and trust system, thereby improving the validation process and timeliness component in the conduct of TF investigations.

The MAEP findings have been shared among participating FIUs and their respective law enforcement and domestic partner agencies; and have been presented by the AMLC at the Counter-ISIS Finance Group meeting in Warsaw, Poland.

Regional Financial Intelligence Analysis Course (FIAC)

Developed by AUSTRAC in 2017 and first held at the 2018 Counter-Terrorism Summit in Brunei, the Regional FIAC is a shared approach among ASEAN FIUs, including the AMLC, to build financial intelligence skills, capability, and tradecraft to understand, detect, prevent, and disrupt financial crime.

The course also offers perspectives and insights from the global academe and LEAs on ML, serious and organized crime.
crime, and TF threats and risks. It promotes cross-jurisdiction collaboration and relationship-building among representatives of the ASEAN FIUs.

UNODC Advanced CFT Training
16 to 19 July 2018
Makati City, Philippines

UNODC CFT and Proliferation Financing Training
20 to 22 June 2018

Australia-Asia Program to Combat Trafficking in Persons
11 June 2018

AUSTRAC Financial Intelligence Course
16 to 23 May 2018
Manila, Philippines

UNODC Basic CFT Training
10 to 13 April 2018
Makati City, Philippines

APG Regional Workshop: The Exploitation of NPOs for Terrorist Financing
23 to 26 November 2017
Malaysia

2017 APG Typologies Workshop
13 to 16 November 2017
South Korea

IMF-STI Workshop on Risk-Based Approaches to AML/CFT Supervision
23 to 27 October 2017
Singapore

APG Assessor Training
26 August to 3 September 2017
Australia

PCOO eFOI Training
25 August 2017
Manila, Philippines

FATF Standard Training Course
23 to 29 July 2017
South Korea

DOJ-OOC and UNODC Training on Cryptocurrencies Investigation
13 July 2017
Makati City, Philippines

Intelligence Analysis Seminar-Workshop
15 to 19 May 2017
Cagayan de Oro City, Misamis Oriental, Philippines

APG Assessor Training
1 to 5 May 2017
Australia

FBI ASEAN CTF Training
24 to 28 April 2017
Thailand

ASEAN Regional Risk Assessment Workshop, and AML/CFT Training Program, FATF Training and Research Institute
27 to 30 March 2017
South Korea

Intelligence Analysis Workshop
6 to 10 February 2017
Clark, Pampanga, Philippines

Strategic Intelligence Orientation Workshop
Quezon City, Philippines

Regional Workshop in preparation for the 3rd CTF Summit
The AMLC investigates suspicious transactions, covered transactions deemed suspicious, ML and TF activities, and violations of the AMLA, as amended and the TFPSA. It acts on requests for investigation from domestic law enforcement and other agencies of the government, and requests for assistance from other jurisdictions and international organizations.

The AMLC also gathers evidence to establish probable cause required in the filing of applications for bank inquiry, petitions for freeze orders, civil forfeiture cases, and criminal complaints for ML. The AMLC has held 10 case conferences with relevant GAs to synthesize efforts in the investigations of ML, its related predicate offenses, and TF. The AMLC also adjudicates administrative and compliance cases against covered persons.

In 2018, the AMLC adopted an asset preservation system on the management and preservation of assets and properties that are subject of asset preservation order and judgment of forfeiture. This allows the AMLC to ensure that during the pendency of cases and after their forfeiture, the assets do not diminish in value, including perishable assets converted into cash before remittance to the National Treasury or, in appropriate cases, to the requesting State.

Through timely use of provisional and confiscation measures, criminals are deprived of the proceeds and instrumentalities of their illegal activities. Ultimately, this makes lawlessness unprofitable and reduces both predicate crimes and ML.
Investigation and Disruption Tools

**eReturns Upload Facility**
Registered covered persons upload returns (in compliance with the freeze order) electronically for the use of intelligence analysts as well as handling lawyers and investigators of the AMLC.

**Financial Crimes Investigation Manual**
Financial investigation is an inquiry into a subject’s financial matters, money, property, expenditure, business, and finance of any kind. Because it is important to have a tool in detecting ML, TF, and other related serious offenses, the AMLC standardized its operations in financial investigation. It revolves around the collection, collation, and analysis of a variety of financial documents, which include, but not limited to, bank and other financial account information and records, investments, commercial documents, real estate, and motor vehicle records. The collected data are used to identify associations and links to subjects as well as evidence and leads to the discovery of assets for forfeiture.

<table>
<thead>
<tr>
<th>Civil Forfeiture</th>
<th>Estimated Value of Forfeited Assets (PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Civil Forfeiture Cases</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No. of Applications for Bank Inquiry</th>
<th>Freeze Order</th>
<th>Estimated Value of Frozen Assets (PhP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>2018</td>
<td>15</td>
<td>11</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Prosecution</th>
<th>ML/TF Complaints</th>
<th>ML Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>2018</td>
<td>9</td>
<td>-</td>
</tr>
</tbody>
</table>
DOMESTIC MEMBERSHIPS

National Law Enforcement Coordinating Committee (NALECC)

Created on 11 September 1982 by virtue of EO No.829 and reorganized by EO Nos.41 and 41-A, the NALECC serves as a forum for dialogue and coordination among GAs/entities engaged in the enforcement of general and special laws.

Functions
- Coordinate policies/procedures to facilitate cooperation and integration of efforts among member-agencies and ensure a unified direction in the suppression of activities
- Identify priority areas for coordinated/joint law enforcement activities
- Prepare and submit to the committee chairman for consideration/implementation of basic strategies/plans, which outline the law enforcement facet of the peace and order campaign; and delineate policies and thrusts in the effective implementation of law enforcement functions

NALECC has 59 members and 16 sub-committees, and the AMLC is a regular member.

The AMLC participates in the following NALECC sub-committees:
- Dangerous Drugs and Controlled Chemicals
- Intelligence Coordination
- International Law Enforcement Cooperation
- Organized Crime

NALECC Sub-Committee on AML/CFT (NALECC SCAML/CFT)

Created by virtue of NALECC Resolution No.10-2003 on 15 August 2003, NALECC SCAML/CFT serves as an effective coordinating mechanism for LEAs and GAs, performing vital roles in combating ML and TF.

The Executive Director of the AMLC Secretariat serves as the Chairperson of the NALECC SCAML/CFT. To date, the sub-committee consists of 35 member-agencies, including the three financial supervisors, various LEAs, intelligence agencies, prosecutors, and other GAs.

During the meetings, results of AMLC strategic and intelligence studies are shared with relevant participating LEAs, and AML/CTF matters, including latest developments, typologies, and actions, are discussed.

Joint Terrorism Financial Investigation Group (JTFIG)

JTFIG is an inter-agency coordination composed of law enforcement units that work on providing intelligence and information to probe and uncover terrorist financial networks. The AMLC is a member along with the Anti-Terrorism Council-Program Management Center (ATC-PMC), Armed Forces of the Philippines (AFP), Bureau of Immigration (BI), National Bureau of Investigation (NBI), Philippine Center on Transnational Crime (PCTC), Philippine National Police (PNP) Anti-Cybercrime Group, PNP Anti-Kidnapping Group, PNP Aviation Security Group, PNP Directorate for Intelligence, PNP Special Action Force, PNP Intelligence Group, and the US Federal Bureau of Investigation (FBI).
Inter-Agency Committee against Drugs (ICAD)

ICAD ensures that each member agency shall implement and comply with all policies, laws, and issuances pertaining to the government’s anti-illegal drug campaign in an integrated and synchronized manner.

Inter-Agency Council against Trafficking (IACAT)

Section 140 of the Revised Rules and Regulations Implementing RA No.9208, as amended by RA No.10364 imposes obligations on relevant government agencies to integrate human trafficking issues in their strategy and program formulation. The AMLC, as participating agency, is required to:

- Assist IACAT and LEAs in the financial investigation of trafficking-in-persons cases as an ML predicate offense
- Act on requests of IACAT and LEAs for issuance of freeze orders and institution of civil forfeiture proceedings against the assets of the traffickers

Anti-Terrorism Council (ATC)

Section 53 of the RA No.9372 created the ATC, responsible for the proper and effective implementation of the anti-terrorism policy of the country. The National Intelligence Coordinating Agency (NICA) serves as the ATC Secretariat, while the AMLC, NBI, BI, Office of Civil Defense, the Intelligence Service of the Armed Forces of the Philippines (ISAFP), PCTC, and PNP intelligence and investigative groups serve as support agencies for the ATC.

Presidential Legislative Liaison Office (PLLO)

PLLO is tasked to orchestrate the formulation of the Executive-Legislative Agenda and all other concerns of the Executive Department having to do with legislation and see these concerns through the various processes. It is mandated to promote the presidential legislative initiatives and other administration-sponsored priority policy reforms and development programs through a strategic information dissemination campaign and sustained day-to-day collaboration with the two Chambers of Congress (at both personal and institutional levels), as well as with other interest groups and generate maximum support for the President.

The AMLC participates in the following PLLO clusters:

- Security, Justice, and Peace
- Economic Development
- Good Governance Cluster

In the past, the AMLC has utilized the PLLO in pushing the prioritization of bills, including casinos as covered persons under the AMLA, as amended.

Philippine Anti-Drugs Strategy (PADS)

On 29 October 2018, EO No.66 institutionalized the implementation of PADS by all government agencies. The strategy envisions that by 2022, Filipino communities will be drug-free “through supply reduction efforts, involving strong law enforcement with consistent and adherence to and observance of human rights, coupled with comprehensive demand reduction initiatives and supported by strong international ties.”
AMLC action plans

- Strengthen the implementation of drug-free policies and programs in the workplace (Work Place Preventive Drug Education Program)
- Provide access for employees to various drug prevention services and programs in the workplace (Work Place Preventive Drug Education Program)
- Heighten community awareness on the government’s drug supply and reduction programs and policies through:
  - Expansion of outreach activities to different sectors
  - Development of AML/CTF training modules, which will include the government’s drug supply and reduction programs and policies
- Amend legislation, policies, and programs on drug supply and demand reduction
- Strengthen intelligence and investigation in ML activities predicated on drug trafficking

Asset Preservation System

The AMLC manages and preserves assets and properties that are subjects of asset preservation orders and judgements of forfeiture.

In 2018, the AMLC turned over the title of a seven-hectare property in Anda, Pangasinan to the BTr, the Republic’s custodian of acquired assets. It was a forfeited land based on a decision promulgated by the Manila Regional Trial Court (RTC) in an AMLC case and in favor of the government, giving custody of the transfer certificate of title to the AMLC Secretariat.

A turnover, however, is not a mere mechanical and bureaucratic procedure, but one laden with meaning. It represents the culmination of the AMLC’s efforts to run after proceeds of crimes and ML, which must be confiscated in favor of the government. Crime does not pay, and turnovers are intended to convey a strong message to would-be money launderers.

As of 2018, the AMLC has forfeited and remitted almost PhP49 million to the Philippine government.

Case Study

NXTZ Company Case

Investigation triggers
On 13 September 2017, the Philippine Drug Enforcement Agency (PDEA) requested the AMLC to conduct a financial investigation on Mr. YCT, who was arrested during a buy-bust operation of PDEA on 28 February 2017.

An estimated amount of one kilo of methamphetamine hydrochloride (shabu) worth PhP2,000,000 was seized from Mr. YCT. In addition, financial documents, including handwritten notes, checkbooks, and deposit slips to nine individuals, including NXTZ Company, were recovered during the buy-bust operation.

Mr. YCT was subsequently charged with the violation of RA No.9165 or the Comprehensive Dangerous Drugs Act of 2002, as amended.
## Freeze Orders on Cases Predicated on Drug Trafficking

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Petitions</th>
<th>Estimated Value of Cash and Other Valuated Assets (PhP)</th>
<th>Estimated Value of Real Property (PhP)</th>
<th>Other Assets Subject of Freeze Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6</td>
<td>713,173,902.75</td>
<td>1 vehicle 1 motorcycle</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>8</td>
<td>839,637,358.12</td>
<td>41 vehicles 17 firearms insurance policies</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>14</td>
<td>1,552,811,260.87</td>
<td>24,477,781.06</td>
<td></td>
</tr>
</tbody>
</table>

## Assets Subject of Civil Forfeiture Related to Drug Trafficking

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Cases</th>
<th>Estimated Value of Cash and Other Valuated Assets (PhP)</th>
<th>Estimated Value of Real Property (PhP)</th>
<th>Estimated Value of Vehicles (PhP)</th>
<th>Other Assets Subject of Freeze Order</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>6</td>
<td>819,198,158.22</td>
<td>13 real properties 22 vehicles 5 motorcycles 5 watercrafts 1 condo unit 8 units of firearms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>3</td>
<td>36,310,777.97</td>
<td>26,789,145.81</td>
<td>855,000.00</td>
<td>37 vehicles 1 motorcycle 17 units of firearms insurance policies</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9</td>
<td>855,508,936.20</td>
<td>26,789,145.81</td>
<td>855,000.00</td>
<td></td>
</tr>
</tbody>
</table>
The AMLC received similar requests for information and financial investigation from other LEAs, such as Bureau of Jail Management and Penology (BJMP), ISAFP, and the PNP Criminal Investigation and Detection Group, pertaining to the individuals subject of the investigation.

Coordination
Domestic coordination due to RFIs from:
- BJMP
- Intelligence Service AFP
- PNP Criminal Investigation and Detection Group
- Land Registration Authority (LRA)
- Land Transportation Office (LTO)
- NBI
- Department of Trade and Industry (DTI)
- SEC

International coordination due to RFIs to:
- Macau
- China
- Hong Kong

Findings
Based on the AMLC’s initial financial investigation, there were numerous large denominated transactions of the subjects with no underlying legal or trade obligation, purpose, or economic justification because subject persons failed to substantiate the veracity of their transactions with financial documents.

There were abrupt increases in the number of transactions made to the different bank accounts of subject persons and entities, beginning 2016. Moreover, the nature of the businesses owned by the subjects could not justify the sudden increase in the amounts transacted and the volume of transactions to the accounts of subject persons.

Consequently, several STRs were filed with the AMLC, pertaining to the transactions of the subject persons and entities. Investigations conducted by the banks revealed that said transactions were not commensurate to the respective financial capacities of the subjects.

There were identified transfers of funds with no established relationship between the parties to the transfers. Transfers of funds were also noted with persons and entities who are respondents to civil forfeiture cases, relating to the violation of RA No.9165, as amended, filed by the AMLC with various courts. Thus, this further taints the accounts with proceeds of illegal drug activities.

Proceeds
On 9 May 2018, the AMLC issued Resolution No.64-A, authorizing its Secretariat to inquire into the bank accounts of the subjects. Subsequently, the CA, in its resolution dated 4 July 2018, issued a freeze order against those bank accounts.

As of 23 October 2018, there are 643 frozen bank accounts in 15 financial institutions, involving PhP670,011,425.44 of funds in the accounts.

The AMLC is in the process of its bank inquiry into the subject bank accounts for the filing of petition for civil forfeiture on the funds, if warranted, and the filing of an ML case against the subjects.

Initial investigation disclosed that the proceeds of funds were channeled to a sole proprietorship engaged in the online selling of luxury bags. Observed were numerous large denominated cash/check deposits and local fund transfers among the subjects, who mostly originated from Fujian, China.
Financing of terrorism through kidnapping for ransom and use of ATMs (AMLC Annual Report 2016)

On 26 March 2016, the Abu Sayyaf Group (ASG) abducted 10 ship crew members of Country I off the waters of Southern Philippines. The ASG demanded a ransom of PhP50,000,000 with an initial payment of PhP1,000,000, deposited into a bank account owned by spouses, JJ and AJ, from Jolo, Sulu.

Upon the release of the 10 crew members and after several withdrawals of the ransom money, the AMLC and Philippine intelligence and law enforcement agencies agreed to freeze the ATM account to prevent further dissipation of funds, while continuing the surveillance on JJ and other suspected members of the ASG.

A total of PhP498,653.68 (approximately USD9,970) from the said account is now subject of indefinite freeze by virtue of the AMLC TF resolution. In 2018, the AMLC filed a petition for civil forfeiture on the assets of JJ and AJ.

A TF case was also filed against JJ and AJ in October 2018 for the violation of Section 8 of RA No. 10168 for receiving funds intended for a UN-designated terrorist organization.

Laundering the proceeds of cyberheists through banks, remittance agents, and casinos (AMLC Annual Report 2016)

In 2016, over USD80 million was stolen from the account of Y Bank at its depository bank in Country U. The money was then electronically transferred to accounts registered under fictitious names at a branch of NH Bank in the Philippines. The said funds were withdrawn by suspects who used them to play in casinos. Around USD15 million of the stolen funds have so far been returned to Country Y.

Investigations and further probing on assets and financial documents as well as domestic and international coordination led to the filing of petitions for civil forfeiture on assets of QRS and TUV, who are officers of AJ Leisure Corporation, a casino involved in the case, in February 2017. An asset preservation order (APO) was eventually issued in March 2017.

In April 2018, an APO was issued against the assets of XB and ZB, owners of BC Corporation, a remittance company.

AMLC filed criminal complaints for ML on VY and other officers of the NH Bank before the DOJ.

- The DOJ, in its resolution in 2017, found probable cause for the filing of ML charges against VY and other officers of NH Bank.
- In 2018, DOJ also filed information against the five executives of NH Bank for ML under Section 4(f) of the AMLA, as amended.
Large-scale corruption through the use of non-government organizations (NGOs), dummy corporations, and foreign exchange dealers (*AMLC Annual Report 2014*)

In an alleged misuse of the Priority Development Assistance Fund (PDAF) or pork barrel by several members of Congress, the scam involved the funding of agricultural "ghost projects," using the PDAF of participating lawmakers. Funds would be processed through fake foundations and NGOs established under the holding company of Ms. N. Each foundation or NGO served as an official recipient of a particular legislator’s PDAF funds for the supposed implementation of these projects. The funds, however, would be withdrawn and split among Ms. N, the lawmaker, the facilitator of the fund transfers, and the local mayor or governor.

Some of Ms. N’s employees eventually became whistleblowers, agreeing to expose the scam and testify against her.

International Cooperation

Investigations revealed that Ms. N and members of her family transferred money to the USA. Through the ESW, the AMLC sought the assistance of the Financial Crimes Enforcement Network (FinCen), the FIU of the US, yielding positive results. Material information showed how the money was transferred and established how money changers acted as conduits.

In 2018, the AMLC, NBI, and OMB acted on the MLAT request from the US for the production of documents in relation to the seizure and eventual forfeiture of the properties of Ms. N and members of her immediate family in the said jurisdiction, which were acquired during the pork barrel scam.

Civil Forfeiture and ML cases resulting from the MLAT

Close coordination with US authorities have resulted to the filing of a civil forfeiture case against the assets of Ms. N found in the US, amounting to around USD12.5 million.

On 1 August 2018, a US federal grand jury indicted Ms. N and her cohorts, for conspiring to funnel in and out of the US some USD20 million of Philippine public funds obtained through a multi-year bribery and fraud scheme.

**CAPACITY BUILDING**

Law enforcement agencies and AMLC Secretariat personnel

**American Bar Association AML/ CFT trainings for Investigators and Prosecutors**

10 to 14 September 2018

**AML/CTF Trainings for Investigators and Prosecutors with PDEA**

30 July to 3 August 2018

Davao City, Philippines

**Financial Investigation Training with NICA**

7 to 8 June 2018

**Financial Investigation Training with ISAFP**

27 April 2018

**Financial Investigation Training with NBI**

13 March 2018

Baguio City, Philippines
Financial Investigation Training with PDEA
12 March 2018
Cavite, Philippines

26 April 2018

Financial Investigation Training with PNP
15 February 2018
Quezon City, Philippines

AMLC-NBI Workshop
27 to 29 November 2017
Clark, Pampanga, Philippines

AMLC-PDEA Workshop
21 to 22 November 2017
Puerto Princesa City, Palawan, Philippines

4th Asset Recovery Interagency Network-Asia Pacific (ARIN-AP)
Asset Recovery Training
16 to 25 November 2017
South Korea

Cross-Regional Workshop on the Investigation, Prosecution, and Adjudication of Foreign Terrorist Fighter Cases
7 to 9 November 2017

Countering the Financing of Terrorism and Proliferation of Weapons of Mass Destruction through Effective Asset-Freezing
18 to 19 October 2017
Makati City, Philippines

Financial Investigative Techniques
25 to 29 September 2017
Thailand

Workshop on the Amendment of HSA at the ATC
17 to 18 August 2017
Manila, Philippines

Workshop on HSA
16 August 2017
Manila, Philippines

AML, as amended, 2016 RIRR, Financial Investigation, Legal Remedies for CIDG
10 to 11 August 2017
Manila, Philippines

Countering Transnational Organized Crime
5 to 27 August 2017
Germany

AMLC-OMB Workshop
27 to 28 July 2017

Financial Investigation for Public Corruption Course
9 to 15 July 2017
Thailand

Operational Workshop on Cross-Border Financial Investigation Training
19 to 23 June 2017
Pasay City, Philippines

Financial Investigation Workshop
19 to 22 June 2017

Export Control (Weapons-Smuggling) Workshop
22 to 24 March 2017
Manila, Philippines

CTF Investigators Workshop
6 to 9 March 2017
Indonesia

42nd Asia Region Law Enforcement Management Program (ARLEMP)
14 February to 3 March 2017
Vietnam

Export Control and Related Border Security Training Counter Proliferation Investigations Course
6 to 9 February 2017
Manila, Philippines

6 to 10 March 2017
Cebu City, Philippines

22 to 25 August 2017
Manila, Philippines
AN EFFICIENT SUPERVISOR

RA No.10927, otherwise known as “An Act Designating Casinos as Covered Persons under the RA No. 9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA), as amended”

Effective 29 July 2017

On 21 June 2013, the FATF removed the Philippines from the list of vulnerable jurisdictions (“grey list”) but enjoined the Philippines to “work with the [Asia Pacific Group on Money Laundering] APG as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation (ME) Report, in particular, regulating the casino sector in the Philippines for AML/CFT purposes and making it subject to AML/CFT requirements.”

On 14 July 2017, President Rodrigo Roa Duterte signed RA No.10927, which places casinos as covered persons under the AMLA, as amended. Casinos are thus required to perform the following obligations:

- Conduct KYC procedures and perform the necessary customer due diligence
- Report suspicious transactions
- Report covered cash transactions exceeding PhP5,000,000
- Keep records of transactions

With the passage of RA No.10927, the Philippines was removed from the APG membership action.

The AMLC undertakes studies on ML and TF trends and standards for the adoption of necessary policies, procedures, and guidance. Then the AMLC ensures compliance of covered persons with the AMLA, as amended, and its other rules and regulations by conducting regular and targeted onsite examination; and offsite supervision of covered persons.

KEY AML/CTF POLICY ISSUANCES

Casino Implementing Rules and Regulations (CIRR) of RA No.10927, An Act Designating Casinos as Covered Persons Under RA No.9160, Otherwise Known as the Anti-Money Laundering Act of 2001, as amended”

Council approval 11 October 2017
Effective 4 November 2017

Similar to banks and other financial institutions, casinos undertake high-volume and high-speed financial activities but in the gaming context. Casinos are generally large cash-based businesses, competitive in its growth and susceptible to criminal activity. Internet-based casinos, casino junket operations, and reduced transparency of high-rollers, which usually make up a majority of casino turnover yet only a minority of casino patrons, raise substantial challenges. Vulnerabilities are noted with identifying sources and movements of funds.

The CIRR provides for three institutional layers of prevention to minimize the exposure of casinos to ML and TF:

- First, casinos, as primary layer, should ensure that they have established AML/CTF standards in their respective Money Laundering/Terrorism Financing Prevention Program (MLTFPPs) with adequate board and senior management oversight and internal controls.
- Second, AGAs, namely PAGCOR, CEZA, and APECO, with respect to their casino operations and licensees, supervise these casinos’ compliance with their MLTFPPs.
- Third, the AMLC ensures that the AGAs, as the supervising authorities, as well as covered persons comply with their duties over casinos on AML/CTF matters.

As the first institutional layer, casinos should ensure that the three lines of defense are in place:

- Operations business units that deal and transact directly with customers
- Casino compliance functions for officers that ensure the day-to-day compliance with AML/CTF obligations
- An audit function that conducts post-assessment reviews of casinos’ compliance with AML/CTF obligations

With the passage of RA No.10927, the Philippines was removed from the APG membership action.
Amendments to the AMLC Registration and Reporting Guidelines (ARRG)
AMLC Regulatory Issuance (A) No.1, Series of 2018
Council approval 21 February 2018
Effective 11 May 2018

The four-part ARRG is the AMLC’s comprehensive effort to provide the legal and policy framework for registration by covered persons into the AMLC’s online system, and to ensure proper and timely compliance with reporting procedures.

Salient changes include:
- Revisions in the definition of terms and data elements
- Modified procedures in transferring files
- Additional guidelines for CT/ST reporting
- Revision of data elements
- Inclusion of transaction codes and their mandatory fields

Amendments to the Online Registration System of the ARRG
AMLC Regulatory Issuance (A and B) No.3
Council approval 23 November 2018
Effective 9 January 2019

Salient changes are:
- Pending BSP issuance of institution codes for MSBs, the AMLC will issue a provisional certificate of registration (PCOR) to registering MSBs and pawnshops.

ARRG for Casinos (ARRGC)
AMLC Regulatory Issuance (C) No.1, Series of 2018
Council approval 20 February 2018
Effective 19 May 2018

The ARRGC requires casinos to register with the AMLC’s electronic reporting system to be able to file CTRs and STRs.

The ARRGC includes, among others:
- Alerts and red flags for suspicious transactions
- Requirement of a reporting chain
- Time and manner of report submissions
- Quality of reports
- Guide to registering in the AMLC system and reporting CTRs and STRs

The AMLC then requires compliance with and completion of all other requirements within six months from the approval of the PCOR, otherwise the PCOR will be cancelled.

The data collection system of the AMLC was modified to enable the casino industry to register and submit reports in accordance with the ARRGC.
Guidelines on Digitization of Customer Records (DIGICUR Guidelines)
AMLCC Regulatory Issuance (A, B, and C) No.2, Series of 2018

Council approval 11 September 2018
Effective 13 October 2018

The guidelines require covered persons, including banks, to store digitized records of their customers in their own central database. Compliance officers or other duly authorized officers may then retrieve customer records quickly, and, upon request or order, upload these records to the AMLC’s portal without having to request said records from branches on a per need basis.

Salient features include:

- Reiteration of the policy that revealing ongoing AMLC investigations is inimical to the public interest
- Imposition upon the board of directors, partners, or proprietors the obligation to ensure awareness among personnel of their responsibilities in maintaining confidentiality of financial investigations
- Digitization of customer records and creation of a central and secure database of customer records
- Updating of AML/CTF manuals
- Compliance-checking by the AMLC, along with supervising and regulating authorities
- A reasonable period for compliance

Anti-Money Laundering/Counter-Terrorism Financing Guidelines for Designated Non-Financial Businesses and Professions (DNFBP Guidelines)
AMLCC Regulatory Issuance (B) No.1, Series of 2018

Council approval 9 May 2018
Effective 29 June 2018

The guidelines are based on RA No.10365, which includes as covered persons, jewelry dealers in precious stones and metals; company service providers who provide fund/securities management services for other persons; and persons and entities who, as a business, provide services to organize, create, and manage companies and arrangements.

Under the guidelines, the AMLC oversees compliance by DNFBPs with the provisions of the AMLA, as amended. The guidelines require DNFBPs to register with the AMLC, and, attendant to registration, submit deeds of undertaking to comply with the provisions of the AMLA, and to attend regular AML/CTF trainings.

Guidelines on Identifying Beneficial Ownership
AMLCC Regulatory Issuance (A, B, and C) No.3, Series of 2018

Council approval 22 November 2018
Effective 27 November 2018

The guidelines require covered persons to identify beneficial owners and to validate information if customers and beneficial owners pose a high risk for ML or TF. “Beneficial owners” refer to those individuals or natural persons, who ultimately own or control the
customer, or those for whom another person conducts a transaction.

Covered persons must conduct assessments on the risks posed by customers and beneficial owners. The guidelines therefore promote transparency and dissuade criminal elements, and would-be money launderers and terrorists from hiding their identities.

2018 Implementing Rules and Regulations (2018 IRR) of RA No.9160, otherwise known as the Anti-Money Laundering Act of 2001, as amended

Council approval 22 November 2018
Effective 27 November 2018

An update of the 2016 Revised IRR (RIRR), the 2018 IRR incorporates the amendments under RA No.10927, which includes casinos as covered persons. The CIRR, however, continues to govern the AMLA implementation of the casinos.

The 2018 IRR features new rules on the AMLC’s cooperation and coordination with LEAs; beneficial ownership; customer due diligence; AMLC supervision and compliance-checking; and national risk management and assessment.

Rules on the Imposition of Administrative Sanctions (RIAS) under RA No.9160, as amended

Council approval 24 May 2017
Effective 9 August 2017

To ensure that covered persons comply with the AMLA, as amended, its implementing rules and regulations, and all issuances of the AMLC and to deter commission of ML and other violations of the law, the AMLC issued the RIAS.

Administrative sanctions range from a simple reprimand to a PhP500,000-fine per violation. The imposition of appropriate administrative sanctions depends on the following:

- Asset size of the covered person
- Gravity of violation
- Nature of violation
- Existence of mitigating or aggravating circumstances

2016 Revised Implementing Rules and Regulations of RA No.9160, as amended

Council approval 21 September 2016
Effective 9 August 2017

Salient features include

- Use of biometrics as additional customer due diligence (CDD) requirement for individual and corporate signatories
- Passport or alien certificate of registration as default identification document for foreign nationals
- Deferred face-to-face for low-risk customers
- Filing of STRs if the covered person reasonably believes that the conduct of enhanced due diligence will tip-off the customer
The Adjudication Manual serves to assist hearing officers in adjudicating administrative cases and in the day-to-day performance of their duties. It was drafted to implement the provisions of the RIAS. The manual further aims to show how the adjudication process can be conducted in a fair and professional manner in accordance with administrative due process. It also sets working processes that will strengthen the integrity of the hearing officer’s function. The manual is a developing document, and it is designed to be revised and updated as the need arises.

The Compliance and Supervision Manual (CSM) is a systematic approach in conducting a risk-based assessment of covered persons. Its procedures are based on acceptable standards and international best practices that are consistent with relevant domestic laws and regulations. The CSM is divided into five sections that evaluate the overall compliance of covered persons with their respective AML/CFT frameworks:

- Registration and reporting
- Onsite Assessment
- Offsite Assessment
- Special Assessments
- DNFBPs Risk Rating System

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ENFORCEMENT OF AML/CTF RULES AND REGULATIONS

**Reports of compliance (ROCs)**
In 2018, the AMLC’s Compliance and Supervision Group (CSG) filed with its Legal and Evaluation Group (LEG) ROCs against 31 banks for late submissions of CTRs. The LEG then assessed the ROCs to determine if formal administrative charges against covered persons must be filed.

**Compliance-checking**
The AMLC and PAGCOR conducted a joint onsite examination of one of the major casinos in the country. Compliance with AML/CTF policies was checked, focusing on the assessment of the adequacy and effectiveness of:
- Board of directors and senior management oversight
- MLTFPP
- Internal control and audit
- Customer identification and due diligence processes
- Oversight of casino marketing arrangement (junket operation)
- Risk assessment/profiling, ongoing monitoring of customers’ accounts and casino transactions
- Monitoring and reporting of covered and suspicious transactions
- Recordkeeping management
- Compliance with the continuing education and training program

COOPERATION AND COLLABORATION

**Supervising agencies**
Asian Development Bank (ADB) Customer Due Diligence Workshop
19 to 20 March 2018
Tagaytay City, Philippines

With support from ADB, the AMLC facilitated the harmonization workshop of the AML guidelines for the BSP, SEC, and IC, resulting to enhancements of and commitments to the guidelines.

**Covered persons**
Quarterly meetings with the Association of Bank Compliance Officers, Inc. (ABCOMP) and representatives of MSBs

Through regular meetings, the AMLC gleans insights from the ABCOMP and representatives of MSBs that could help enhance policies, rules, and regulations, which would further prevent the country from becoming a covert for laundering proceeds from unlawful activities and for terrorist financing.

In turn, policy compliance and awareness are encouraged as issuances by the AMLC and other supervising agencies are discussed and clarified during these meetings.
CAPACITY BUILDING

Supervising agencies
Regulatory Exchange Program (REP)
19 to 23 February 2018
Sydney, Australia

19 to 23 March 2018
Manila, Philippines

An initiative under the AAPP, the REP focuses on bilateral knowledge-sharing and in-depth consideration on casino regulatory issues of mutual priority, including:

- Risk-based supervision models, including development of sectoral/thematic risk assessments
- Regulation of the gaming sector in each respective jurisdiction
- Consideration of relevant and appropriate legislation and regulation of relevant services

Training on the AMLA, as amended; 2016 RIRR; Financial Investigation; and Legal Remedies for SEC conducted by the AMLC Secretariat
13 to 15 September 2017
Manila, Philippines

Training on the AMLA, as amended; and the Casino IRR for PAGCOR, CEZA, and APECO conducted by the AMLC Secretariat
23 to 25 October 2017
Manila, Philippines

Study Tour at the Casino Regulatory Authority of Singapore
19 January 2017
Singapore

In drafting the Philippines’ AML/CTF policies for casinos, the AMLC Secretariat looked into Singapore’s supervision of casinos and implementation of relevant regulations.

Covered persons
AML/CTF Lecture Caravan

The AMLC conducted nationwide AML/CTF trainings for banks and MSBs.

ADB AML/CTF trainings for MSBs

With technical assistance from ADB Office of Anti-Corruption and Integrity, AMLC conducted training on the AMLA and BSP regulations for MSBs.

AMLC Secretariat personnel
OCC AMLC School for Foreign Bank Supervision (AML/CTF Course)
6 to 19 July 2017
Washington DC, USA

Training CIRR-Casino AML/CTF
23 to 25 October 2017
Manila, Philippines
The Philippine NRA is a government-wide evaluation of the overall exposure of the country to ML and its related predicate offenses, terrorism, and TF. As lead agency, the AMLC steered various government offices, LEAs, and private organizations through the Second NRA, identifying ML/TF risks within the realm of the LEAs, supervised sectors, financial institutions, and covered persons and entities under the AMLA, as amended. Approved in November 2017, the Second NRA covers the period 2015 to 2016.

**Recommendation 1 of the FATF 40 Forty Recommendations**
Assessing risks and applying a risk-based approach, where countries should identify, assess, and understand their ML/TF risks; designate an authority or mechanism to coordinate actions to assess risks, and apply resources to mitigate these risks; apply a risk-based approach to ensure that measures to prevent or mitigate ML and TF are commensurate with the risks identified; and require financial institutions and DNFBPs to identify, assess, and take effective action to mitigate their ML/TF risks.

**Components of the Assessment**

- **National ML/TF Threat**
  - Analyze generation, flows, and patterns of proceeds of crimes from different sector perspectives in the country

- **National ML/TF Vulnerability**
  - Consider sectoral vulnerability and national AML and CTF defense mechanisms in place

**2nd NRA Results**

- **High**
- **Medium**
- **Medium High**

**Level of ML/TF Risk**
Gauge the ML/TF risk of financial inclusion (effective access and wide range of financial services)
Modified World Bank Tools
- Assess the overall threat and effectiveness of the AML mechanisms in place
- Identify the gaps within the existing AML systems of the sectors
- Assess the impact of a certain sector to the overall sectoral ML vulnerability
- Assess the ability of the sectors to address cross-border threats
- Require OFIs and DNFBPs to use the World Bank tools to assess specific AML controls similar to that of the banking, securities, and insurance sectors
- Assess the overall threat and vulnerability of jurisdiction to terrorism and TF

Quantitative Research
- Statistics from periodical reports and submissions of LEAs, GAs, private entities, association, and covered persons
- AMLC and other government databases

Qualitative Research
- Purposive sampling, where respondents are selected on the basis of knowledge, connection, and judgment in relation to ML/TF assessment
- Survey across financial institutions
- Interviews with different sectors

Action Plans
- Obtain commitment of relevant GAs to collect data on proceeds of crimes involved in their respective agencies
- Conduct frequent bilateral coordination workshop between AMLC and other relevant LEAs
- Require covered persons to conduct enhanced profiling of clients focused on beneficial ownership and legal existence; transaction patterns in the same account and in various related accounts; and financial capacity and relations of parties to transactions, involving huge amounts of funds
- Require covered persons to monitor and conduct enhanced due diligence on account holders who use their bank accounts as a temporary repository of huge amounts of funds or as pass-thru accounts; and who deposit and immediately withdraw huge amounts of funds in cash
- Provide a venue for covered persons and supervising authorities to share ML trends and typologies
- Facilitate sharing of client information among covered persons across different sectors, subject to prevailing rules on confidentiality
- Conduct an in-depth study on the ML/TF vulnerability of the NPO sector
SECTORAL VULNERABILITY
MEDIUM HIGH

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>1ST NRA 2011-2014</th>
<th>2ND NRA 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANKING</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>SECURITIES</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>OTHER FINANCIAL INSTITUTIONS</td>
<td>MEDIUM (assessed based on products)</td>
<td>MEDIUM HIGH</td>
</tr>
<tr>
<td>MSBs</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Pawnshops</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>NSSLAs</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Lending and Finance</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>E-money Issuers</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>DNFBPs</td>
<td>MEDIUM LOW assessed under banking</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Casino</td>
<td>VERY HIGH</td>
<td>HIGH</td>
</tr>
<tr>
<td>Real Estate</td>
<td>MEDIUM HIGH</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Dealers in Precious Metals</td>
<td>MEDIUM HIGH</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Lawyers, Notaries</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Accountants</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Trusts</td>
<td>MEDIUM</td>
<td>MEDIUM LOW</td>
</tr>
<tr>
<td>Company Service Providers</td>
<td>MEDIUM</td>
<td>MEDIUM</td>
</tr>
<tr>
<td>Car Dealers</td>
<td>MEDIUM HIGH</td>
<td>MEDIUM</td>
</tr>
</tbody>
</table>

NATIONAL ML VULNERABILITY
MEDIUM

Priority National Vulnerability
AML controls
- National AML policy and strategy
- CDD framework
- Capacity and resources for financial investigators and prosecutors
- Capacity and resources for judicial processes
- Quality of customs and border controls

Action Plans
- Develop NACS
- Conduct trainings on financial investigation techniques, ML trends and typologies, and asset forfeiture
- Strengthen effective and timely coordination with LEAs, GAs, and covered persons
- Strengthen border controls
- Conduct trainings on AML/CTF and ML/TF cross-border typologies
- Revisit customs laws and regulations
- Set financial inclusion as a strategic objective
- Propose the inclusion of tax evasion and other tax-related crimes as predicate offenses to ML under the AMLA, as amended, pursuant to the recommendation of the FATF

FINANCIAL INCLUSION PRODUCTS

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>ML RISK</th>
<th>TF RISK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance Loans</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Microdeposits</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Microinsurance</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Electronic Money</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Pawning</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Remittance thru pawnshops</td>
<td>Low to Medium</td>
<td>Low to Medium</td>
</tr>
</tbody>
</table>
OVERALL TERRORISM AND TERRORIST FINANCING THREAT

HIGH

1,039 incidents were committed by terrorists/threat groups from 2014 to 2016

Identified hotspots are mostly in Southern Philippines.

Sources of funds

- Predominantly from illegal means, such as kidnap for ransom.
- Legitimate means through the use of NPOs, family funding, and legitimate business fronts.
- Funding from external terrorist groups.

Use of funds

- Operational purposes, such as purchase of arms and vehicles.
- Support for the communities, where they operate, as the groups provide the basic needs, livelihood support, and even educational opportunities for these communities, and, in turn, the communities shield them from government forces even if they know the nature and source of funds.

Channels/modes of transactions

- Bulk cash transactions.
- Remittance agencies.

Vulnerabilities

- Low STRs
- Geographic factors
- Adequacy of resources
On 12 Nov 2018, the Office of the President issued EO No. 68, approving the NACS, a result of collaborative efforts of key AML/CTF agencies, including those who participated in the first and second NRA. The NACS is a coordinated approach for the government and the private sector in combating ML and TF in the country. It has seven strategic objectives to address the risks identified under the NRA.

The adoption of the NACS is also part of the country’s compliance with the FATF 40 Recommendations, particularly Recommendation 2, and Immediate Outcome 1 of the FATF Methodology.

Different GAs identified action plans, which include the amendment and passage of laws, enhancement of supervisory frameworks, strengthening ML/TF investigation and prosecution, and campaigns to increase public awareness. The NACS also provides action items to address proliferation financing as set out under the FATF Standards.

National AML/CFT Coordinating Committee (NACC)
EO No. 68 provides for the creation of the NACC, a body tasked to oversee the implementation of the NACS and its action plans. The AMLC is designated as the committee’s Secretariat, responsible for monitoring the duties and responsibilities of the NACC and the sub-committees, which will be the primary implementers of the strategic objectives and action plans of the NACS.

NACC Subcommittees
- Financial Intelligence, Law Enforcement, and Prosecution
- Supervision of Financial Institutions
- Supervision of DNFBPs
- TF and Proliferation Financing
- AML/CTF Awareness

Recommendation 2 of the FATF 40 Recommendations
National Cooperation and Coordination, where countries should have national AML/CTF policies, designate an authority, and have coordination mechanisms for effective coordination and cooperation among policymakers, FIUs, LEAs, supervisors, and other competent authorities.

Immediate Outcome 1 of the FATF Methodology
ML/TF Risk and Understanding, where countries should have understood their ML/TF risks and have domestically coordinated actions to combat ML, TF, and proliferation financing.
7 STRATEGIC OBJECTIVES

1. Enhance the Philippine AML/CFT legal framework to address the country’s ML/TF risks and the deficiencies in the country’s compliance with international standards.

2. Strengthen the AMLC and its capacity for ML/TF intelligence-gathering, investigations, and prosecutions.

3. Improve capacity and collaboration among the FIU, LEAs, and prosecutors for the effective investigation and prosecution of, as well as the confiscation of proceeds relating to ML, its predicate offenses, terrorism, and TF.

4. Enhance AML/CFT regulation and supervision framework to ensure an effective and robust AML/CFT system in supervised institutions.

5. Develop and strengthen mechanisms to prevent, disrupt, and combat terrorism, TF, and proliferation financing.

6. Strengthen domestic and international cooperation mechanisms for the effective exchange of information; facilitate actions against criminals and their assets; and assist in the capacity building of relevant GAs.

7. Promote AML/CFT awareness of GAs, covered persons and the general public.

2018 TO 2022 AML/CFT CAPACITY BUILDING ROADMAP (ACBR)

Council approval 15 August 2018

In line with strategic objectives 2, 3, 6, and 7 of the NACS, the ACBR aims to develop AML/CFT regulators and practitioners and to strengthen covered persons and institutions tasked to ensure that the country is not used as an ML, TF, and proliferation financing site.

TRAINING NEEDS ANALYSIS

To identify potential training interventions for the AMLC’s investigators, intelligence officers, and compliance personnel to address gaps noted in the NRA, which require immediate attention.

MULTI-PRONGED APPROACH

MANPOWER COMPLEMENT + SKILLS ENHANCEMENT + TOOLS REINFORCEMENT = IMPROVED AML/CFT CAPACITY
The Philippines is undergoing the third round of ME to gauge the country’s levels of technical compliance with international AML/CTF standards; and effectiveness of the country’s existing AML/CTF system. The country, along with 12 other jurisdictions, is a founding member of the APG, created in 1997 in Bangkok, Thailand. To date, the APG, an autonomous and collaborative international organization, has 41 members, who all commit to a mutual peer review system.

In a Memorandum dated 22 February 2018, the Executive Secretary, Office of the President of the Philippines, designated the AMLC, as the lead agency for the 2018 ME and enjoined all departments, bureaus, offices, and agencies of the Executive Branch, including government financial institutions and government-owned or -controlled corporations, to be identified by the AMLC to actively participate and extend the necessary assistance in the conduct of the ME.

Pursuant to the authority from the Office of the President, the AMLC issued the ME Operational Guidelines, creating working and sub-working groups; identifying the functions and obligations of member-agencies with respect to the ME process; outlining the ME process; providing timelines; enumerating the effects of a “non-compliant” or “poor” ME; and laying down the framework toward the adoption of the NACS.

The results of the third ME will be deliberated upon and published in 2019.
ME Support
To equip the country for the third ME, AUSTRAC, Australia’s financial intelligence agency, held workshops, allowing participants from government offices, LEAs, and private stakeholders to work together to prepare, address gaps, and collect information.

**ACTIVITY** | **DATES**
---|---
Mutual Evaluation Workshop | 24 to 26 April 2017
Pre-ME Workshop (joint with APG) | 7 to 9 March 2018
Mock Onsite Interviews | 28 to 31 August 2018, 17 to 21 September 2018, 23 to 25 October 2018
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AAPP</td>
<td>AMLC-AUSTRAC Partnership Program</td>
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<tr>
<td>ABCOMP</td>
<td>Association of Bank Compliance Officers, Inc.</td>
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<tr>
<td>ACBR</td>
<td>AMLC Capacity Building Roadmap</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
</tr>
<tr>
<td>AEP</td>
<td>Analyst Exchange Program</td>
</tr>
<tr>
<td>AFP</td>
<td>Armed Forces of the Philippines</td>
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<tr>
<td>AGA</td>
<td>Appropriate Government Agency</td>
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<td>AML</td>
<td>Anti-Money Laundering</td>
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<td>AMLA</td>
<td>Anti-Money Laundering Act</td>
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<td>AMLC</td>
<td>Anti-Money Laundering Council</td>
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<td>APECO</td>
<td>Aurora Pacific Economic Zone and Freeport Authority</td>
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<td>APG</td>
<td>Asia/Pacific Group on Money Laundering</td>
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<td>APO</td>
<td>Asset Preservation Order</td>
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<td>VC</td>
<td>Virtual Currency</td>
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</table>
Covered Persons

(1) Banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities, and all other persons and their subsidiaries and affiliates supervised or regulated by the BSP;

(2) Insurance companies, pre-need companies, and all other persons supervised or regulated by the IC;

(3) (i) Securities dealers, brokers, salesmen, investment houses, and other similar persons managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, close-end investment companies, common trust funds, and other similar persons, and (iii) other entities administering or otherwise dealing in currency, commodities, or financial derivatives based thereon, valuable objects, cash substitutes, and other similar monetary instruments or property supervised or regulated by the SEC;

(4) Jewelry dealers in precious metals, who, as a business, trade in precious metals for transactions in excess of PHP1,000,000;

(5) Jewelry dealers in precious stones, who, as a business, trade in precious stones for transactions in excess of PhP1,000,000;

(6) Company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership, or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and

(7) Persons who provide any of the following services:

(i) Managing of client money, securities, or other assets;

(ii) Management of bank, savings, or securities accounts;

(iii) Organization of contributions for the creation, operation, or management of companies; and

(iv) Creation, operation, or management of juridical persons or arrangements, and buying and selling business entities.

Covered Transaction

(1) A transaction in cash or other equivalent monetary instrument exceeding PhP500,000;

(2) A transaction with or involving jewelry dealers, dealers in precious metals, and dealers in precious stones in cash or other equivalent monetary instrument, exceeding PhP1,000,000; and

(3) A casino cash transaction, exceeding PhP5,000,000, or its equivalent in other currency.

Suspicious Transaction

A transaction, regardless of amount, where any of the following suspicious circumstances, is determined, based on suspicion or, if available, reasonable grounds, to be existing:

• There is no underlying legal or trade obligation, purpose, or economic justification.

• Client is not properly identified.

• Amount involved is not commensurate with the business or financial capacity of the client.

• It may be perceived that the client’s transaction is structured to avoid being the subject of reporting requirements under the AMLA.

• Any circumstance relating to the transaction deviates from the profile of the client and/or the client’s past transactions with the covered institution.

• The transaction is in any way related to an unlawful activity or offense under the AMLA that is about to be, is being, or has been committed.

• The transaction is similar or analogous to any of the foregoing.

Threats

Scale and characteristics of the proceeds of criminal activities or terrorism financing in the jurisdiction.

Vulnerabilities

Weaknesses or gaps in a jurisdiction’s defenses against ML and TF.