

A 3D map of the Philippines is the central focus of the cover. The map is rendered in a dark grey color, with the islands of Luzon, Visayas, and Mindanao clearly visible. The map is set against a light blue background that represents the surrounding water. The map is slightly tilted, giving it a three-dimensional appearance. The colors of the Philippine flag are used to highlight different parts of the map: blue for Luzon, white with a yellow star for the Visayas, and red for Mindanao.

**AN ASSESSMENT OF THE PHILIPPINES' EXPOSURE  
TO EXTERNAL AND INTERNAL THREATS  
BASED ON SUSPICIOUS TRANSACTION REPORTS  
FOR 2018-2020**

# TABLE OF CONTENTS

SUMMARY .....	3
INTRODUCTION .....	4
PURPOSE .....	5
TERMS AND DEFINITIONS .....	5
METHODOLOGY AND LIMITATIONS .....	6
CAVEAT .....	9
DISCUSSION .....	9
<i>ILLEGAL DRUGS AND OTHER RELATED CRIMES</i> .....	10
<i>PLUNDER AND CORRUPTION-RELATED CRIMES</i> .....	12
<i>INVESTMENT SCAMS AND ESTAFA</i> .....	14
<i>SMUGGLING</i> .....	21
<i>VIOLATIONS OF INTELLECTUAL PROPERTY RIGHTS</i> .....	22
<i>ILLEGAL MANUFACTURE AND POSSESSION OF FIREARMS, AMMUNITION, AND EXPLOSIVES</i> ....	23
<i>VIOLATIONS OF ENVIRONMENTAL LAWS</i> .....	24
<i>WEB-RELATED CRIMES</i> .....	26
<i>TRAFFICKING IN PERSONS, CHILD EXPLOITATION, AND OTHER RELATED CRIMES</i> .....	29
<i>KIDNAPPING FOR RANSOM</i> .....	38
<i>FINANCING OF TERRORISM</i> .....	39
<i>TERRORISM AND CONSPIRACY TO COMMIT TERRORISM</i> .....	42
CONCLUSION .....	45

## EXECUTIVE SUMMARY

The Anti-Money Laundering Council (AMLC) conducted an assessment that aims to gain a deeper understanding of the country's risk and exposure to money laundering, terrorism financing, and different predicate offenses by gathering information on the generation, movement, and behavior of illicit funds and by evaluating the threats originating within and outside the country's jurisdiction. The study also intends to update the previous AMLC external threats study, covering the years 2013 to 2017.

The assessment involves performing a descriptive analysis of selected suspicious transaction reports (STRs) submitted by Bangko Sentral ng Pilipinas (BSP)-supervised financial institutions and non-bank financial institutions, covering the period 1 January 2018 to 31 December 2020. The selection criteria of the STRs covered in this study are based on the risk rating of the predicate crimes of the Second National Risk Assessment [NRA] (high and medium risk), as well as the nature and type of transaction (all consummated and attempted current account savings account [CASA] transactions and international remittance transactions). To facilitate analysis and comparability, the dataset are further categorized into the following: (1) illegal drugs and other related crimes; (2) plunder and corruption-related crimes; (3) investment scams and estafa; (4) smuggling; (5) violations of Intellectual Property Rights; (6) illegal manufacture and possession of firearms, ammunition, and explosives; (7) violations of Environmental Laws; (8) web-related crimes; (9) trafficking in persons; (10) kidnapping for ransom; (11) financing of terrorism; and (12) terrorism and conspiracy to commit terrorism. The assessment also takes into consideration the results of recent AMLC studies that involve transnational elements.

A total of 258,087 STRs, representing transactions with an aggregate amount of PhP50.574 billion, were covered in the study. This represents 30.70% of the total volume and 9.09% of the total value of STRs filed with the AMLC from 2018 to 2020.<sup>1</sup> Majority of the STRs in the dataset are found to be related to violations of the Securities Regulation Code [SRC] (39.19%), swindling (26.68%), and violations of the Special Protection of Children against Abuse, Exploitation and Discrimination Act (17.99%). Meanwhile, top contributors in terms of amount generated are swindling (70.82%); violations of the SRC (12.89%); and illegal drugs and other related crimes (6.91%).<sup>2</sup>

Based on the United Nations Office on Drugs and Crime (UNODC) figures, the yearly amount of money laundered globally is estimated between USD800 billion and USD2 trillion<sup>3</sup> (or around

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<sup>1</sup> From January 2018 to December 2020, a total of 840,556 STRs were filed by various covered persons with an aggregate value of PhP556,236,634,120.99, involving the selected predicate crimes used in the study. This excludes sixteen (16) generic coded STRs (ZSTRs), valued at PhP10.317 quadrillion, relating to issuances of fictitious documents, which are considered outliers. In addition, the identified outliers are excluded in the dataset in computing the percentage of STRs considered in this study.

<sup>2</sup> The outlier transaction, amounting to PhP29 billion, under swindling is included in the computation of the percentages. If the PhP29 billion amount were to be excluded from the aggregate peso value reported under swindling, the top contributors in terms of peso value will still be the same. The resulting ratio for the top predicate crimes, however, will be: (1) swindling at 31.60%; (2) SRC violations at 30.22%; and (3) drug-related activities at 16.19%.

<sup>3</sup> Based on <https://www.unodc.org/unodc/en/money-laundering/overview.html> (Accessed on 12 March 2021).

PhP41.088 trillion to PhP102.72 trillion<sup>4</sup>). With the assumption that the STRs in this study have possible linkage to a certain crime, the total amount of the STRs covered in this assessment accounts for 0.006% to 0.014% of the total global money laundered for 2018; 0.010% to 0.026% for 2019; and 0.033% to 0.083% for 2020. This is an indication that there is an increasing trend in the reported suspicious CASA and remittance transactions every year.

The study also indicates that proceeds from majority of the high-risk and medium-risk predicate crimes originated, circulated, and remained within the Philippine financial system with the exception of child exploitation and terrorism-related activities. For child exploitation and terrorism-related activities, illicit funds came from other countries with the Philippines being the destination of said funds.

In terms of transaction frequency, top countries that pose the highest threat to the Philippines for inflows are the United States of America [USA] (38%), Saudi Arabia (9%), and United Kingdom (8%); while USA (19%), Hong Kong (12%), and Kenya (7%) top the list for outflows. In terms of peso value, United Kingdom (32%), USA (23%), and Belgium (12%) are the top sources for inward remittances; while Hong Kong (29%), USA (16%), and China (14%) are the top destinations for outward remittances.

It was also noted that banks are the most common financial channels used by perpetrators and money launderers in moving criminal proceeds, especially transactions involving substantial amounts. For small-ticket transactions, money service businesses (MSBs) and pawnshops (with remittance capabilities) are also being utilized to move illicit funds.

## INTRODUCTION

Drug trafficking, corruption, fraud, and other unlawful activities can generate substantial amounts of proceeds. In fact, according to the UNODC,<sup>5</sup> the estimated amount of money laundered globally in a year is around 2% to 5% of the global Gross Domestic Product (GDP), which ranges from USD800 billion to USD2 trillion. The Basel Institute on Governance also issued a report dated 08 October 2018,<sup>6</sup> where they stated that the estimated amount of money laundered worldwide ranges from USD500 billion to USD1 trillion. Due to significant amounts involved, the goal of many criminal acts is to launder illicit proceeds by changing their form and disguising their source thus creating a sense of apparent legitimacy. The threat of money laundering can also be widespread as illicit proceeds can come, not only from the Philippines, but from any place around the globe. Moreover, illicit funds can be laundered from one country to another, using various mechanisms, such as, but not limited to, international remittances and electronic fund transfers.

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<sup>4</sup>Conversion to Peso (PhP) amount of USD was done by using the average annual rates from 2018 to 2020 as published in <https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx> (Accessed on 16 April 2021).

<sup>5</sup> <https://www.unodc.org/unodc/en/money-laundering/overview.html>

<sup>6</sup> [https://www.baselgovernance.org/sites/default/files/2019-02/basel\\_aml\\_index\\_10\\_09\\_2018.pdf](https://www.baselgovernance.org/sites/default/files/2019-02/basel_aml_index_10_09_2018.pdf)

## PURPOSE

The objectives of this assessment are:

- (1) To measure the exposure of the Philippines to money laundering, terrorism, terrorism financing, and different predicate offenses by evaluating the threats originating within and outside the country's jurisdiction;
- (2) To provide information on the generation, movement, and behavior of illicit funds related to the top predicate crimes in the country; and
- (3) To update the previous external threat assessment conducted by the AMLC for years 2013 to 2017.

## TERMS AND DEFINITIONS

**Threats** are defined as events or risks, occurring within or outside the jurisdiction (Philippines), that exploit or attempt to exploit the financial system in moving or facilitating proceeds associated or generated from illegal activities.

**External threats** refer to the possible occurrences of laundering of proceeds from offenses possibly committed abroad. They may either pertain to the laundering of proceeds of crime committed outside the jurisdiction or to the laundering of domestically generated proceeds of crime to other jurisdictions.<sup>7</sup>

**Internal threats** refer to the possible occurrences of laundering of proceeds from offenses possibly committed domestically.

**Suspicious transactions**, as defined under Republic Act No. (RA) 9160, otherwise known as the Anti-Money Laundering Act of 2001 (AMLA), as amended, refer to any transaction regardless of the amount, where any of the following circumstances exist:

- (1) There is no underlying legal or trade obligation, purpose, or economic justification;
- (2) The client is not properly identified;
- (3) The amount involved is not commensurate with the client's business or financial capacity;
- (4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
- (5) Any circumstance relating to the transaction that is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;
- (6) The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be, is being, or has been committed; or
- (7) Any transaction that is similar, analogous, or identical to any of the foregoing.

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<sup>7</sup> Definition of External and Internal Threats were derived from the National Risk Assessment Tool Guidance Manual issued by the World Bank (<http://documents1.worldbank.org/curated/en/753831593423608028/pdf/National-Risk-Assessment-Tool-Guidance-Manual-Module-1-Money-Laundering-Threat-Assessment.pdf>)

**Covered persons** refer to 1) BSP-supervised and/or regulated entities, namely banks, offshore banking units, quasi-banks, trust entities, non-stock savings and loan associations, pawnshops, foreign exchange dealers, money changers, remittance agents, electronic money issuers, and other financial institutions such as, but not limited to, virtual asset service providers (VASPs), which under special laws are subject to BSP supervision and/or regulation, including their subsidiaries and affiliates; 2) Insurance Commission (IC)-supervised and/or regulated entities, namely insurance companies, insurance agents, insurance brokers, professional reinsurers, reinsurance brokers, holding companies, holding company systems, pre-need companies, mutual benefit associations, and all other persons and entities supervised and/or regulated by the IC; and 3) Securities and Exchange Commission (SEC)-supervised and/or regulated entities, namely securities dealers, brokers, salesmen, investment houses, investment agents and consultants, trading advisors, and other entities managing securities or rendering similar services; mutual funds or open-end investment companies, close-end investment companies, common trust funds or issuers, and other similar entities; transfer companies and other similar entities; and 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.

**CASA** refers to “current account and savings account.” These accounts are used for daily operations/undertakings of the accountholder. They have lower interest rates than term deposits depending on the bank’s terms and conditions.<sup>8</sup>

**CASA transactions** refer to financial activities that are normally transacted in current and savings accounts. These include cash and check deposits, crediting of salaries/pensions, check-clearing, encashment, deposit through other local banks, purchases of manager’s check/cashier’s check/demand draft/traveller’s check through debit memos, inter-account transfers, withdrawals, and remittance transactions.

## **METHODOLOGY AND LIMITATIONS**

In view of the objectives, descriptive analysis was performed on selected STRs filed by BSP-supervised financial institutions and non-bank financial institutions, covering the period 01 January 2018 to 31 December 2020. In addition, the assessment takes into consideration the results of recent AMLC studies that involve transnational elements. To facilitate the analysis, the Philippine Peso (PhP) is used as reference currency in the entire study.

Initially, the dataset consists of all STRs under predicate crimes that had ratings of “high” and “medium” in the Second NRA. The STRs were then grouped based on predicate crimes or suspicious circumstances with related keywords as set by covered persons upon submission. The predicate offenses are further categorized as follows: (1) illegal drugs and other related crimes; (2) plunder and corruption-related crimes; (3) investment scams and estafa; (4) smuggling; (5) violation of Intellectual

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<sup>8</sup> <https://economictimes.indiatimes.com/definition/casa> (Accessed on 4/5/2021)

Property Rights; (6) illegal manufacture and possession of firearms, ammunition, and explosives; (7) violation of Environmental Laws; (8) web-related crimes; (9) trafficking in persons; (10) kidnapping for ransom; (11) financing of terrorism; and (12) terrorism and conspiracy to commit terrorism.<sup>9</sup> In cases where there are inconsistencies between the predicate crimes set by the covered persons and the information indicated in the narrative portion of the STRs and where said inconsistencies have a major impact on the dataset, the STRs were removed and were not considered in the analysis of said predicate crime.

STR data was also checked for completeness and consistency. Challenges posed by this method include lack of uniformity and completeness of the data submitted by different reporting entities to the AMLC. To specify, certain data fields in some of the international transactions, such as the beneficiary and counterparty addresses, are not mandatory to be disclosed to the AMLC.<sup>10</sup> In the absence of said data, the correspondent bank address was used to determine the illicit fund's potential country of source or destination. In cases where it is still not possible to identify the location, the word "UNKNOWN" was used.

Transaction data were then evaluated per predicate offense to establish the level of threat posed by different jurisdictions to the Philippines. Likewise, a breakdown of the STRs by year and by transaction flow were examined.

The different financial transactions as posted in the STRs are categorized into three (3) types:

1. **INFLOW (Inflow Transactions)** – These refer to various inward remittance transactions from different countries going into the Philippine financial system. Inward remittance transactions include, but not limited to, the following: direct credit to the beneficiary's account, for credit to another account, and advise and pay the beneficiary. This means that funds coming from illicit sources from different countries are transferred to the Philippines for money laundering purposes.
2. **OUTFLOW (Outflow Transactions)** – These refer to various outward remittance transactions from the Philippine financial system going to different countries. Outward remittance transactions include, but not limited to, the following: direct credit to another account, direct credit to the beneficiary's account, and advise and pay the beneficiary. This means that illicit funds from the Philippines are laundered outside the Philippine jurisdiction.
3. **WITHIN THE JURISDICTION** – These refer to various transactions in current/savings accounts where the funds are just circulating within the Philippine financial system. CASA transactions include deposits, withdrawals, check-clearing and encashment, inter-account transfers, debit

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<sup>9</sup> The predicate crime categories considered in this study are similar with the categories used in the previous External Threats Assessment (2013-2017). Under the trafficking in persons category, however, the AMLC included two (2) additional predicate crimes (violations of the Anti-Photo and Video Voyeurism Act of 2009 and violations of the Anti-Child Pornography Act of 2009), which had been part of another AMLC study that was also considered in this assessment.

<sup>10</sup> International remittance transactions where the beneficiary/counterparty address are not mandatory to be disclosed to the AMLC are: (1) inward remittances for credit to another account; (2) inward remittances – advise and pay the beneficiary.

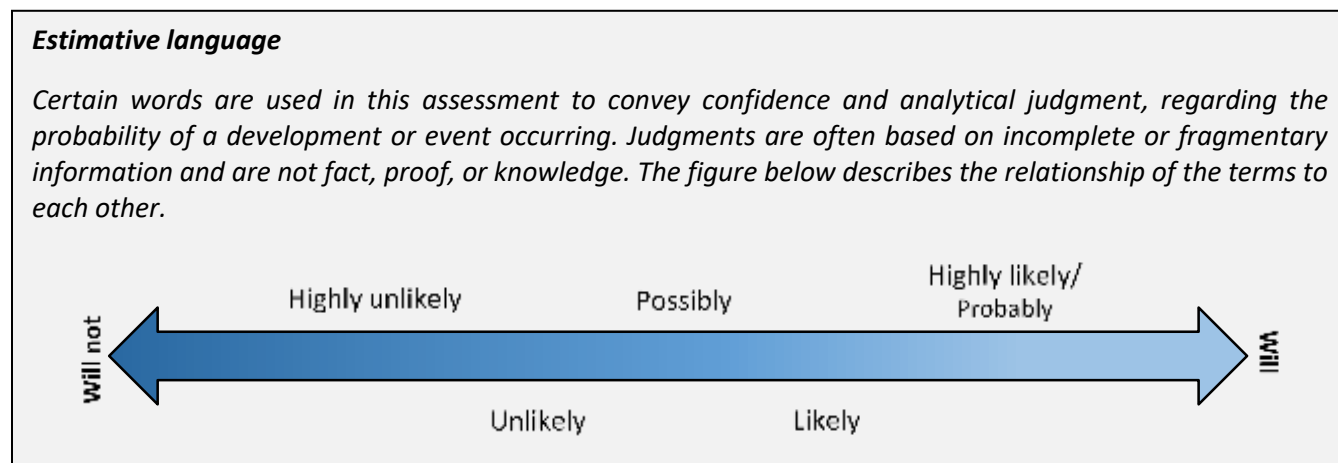
and credit memos, among others. This means that proceeds from various illegal activities in the Philippines are laundered within the Philippine jurisdiction and may pertain to the same money moving around the country.

Inflow and outflow transactions are further categorized into three (3):

1. IDENTIFIED – These refer to countries that are specifically indicated in the STRs. In particular, these are based on the beneficiary or counterparty addresses disclosed by the covered persons.
2. POTENTIAL – These refer to countries derived solely from the correspondent bank addresses indicated in the STRs. These are collected when the beneficiary or counterparty addresses were not disclosed by the covered persons.
3. UNKNOWN – Included in this category are locations tagged as “unknown,” where the source or destination of funds cannot be determined based on available information.

As a result, a total of 258,087 STRs, representing transactions involving international remittances and domestic CASA transactions with an aggregate amount of PhP50.574 billion, were covered in the study. The STRs in this study represent 30.70% of the total volume and 9.09% of the total value of STRs filed from 2018 to 2020.<sup>11</sup> Moreover, the study also considered all consummated and attempted CASA transactions reported to the AMLC.

The analysis is guided by the following estimative language usage and confidence level matrix:



<sup>11</sup> From January 2018 to December 2020, a total of 840,556 STRs were filed by various covered persons with an aggregate value of PhP556,236,634,120.99, involving the selected predicate crimes used in the study. This excludes sixteen (16) generic coded STRs (ZSTRs) valued at PhP10.317 quadrillion, relating to issuances of fictitious documents, which are considered outliers. In addition, the identified outliers are excluded in the dataset in computing the percentage of STRs considered in this study.



### **Analytic judgments and confidence levels**

*Financial Intelligence Unit (FIU) Intelligence Assessments use phrases such as “we judge,” “we assess,” or “indicates” to convey analytical inferences (conclusions). These assessments are not statements of fact or proof, and do not imply complete knowledge. Analytic judgments are often based on incomplete information of varying quality, consistency, and reliability. Analytic judgments are distinct from underlying facts and assumptions from which they are based and should be understood as definitive or without alternative explanation.*

*The AMLC assigns “high,” “moderate,” or “low” confidence levels to analytic judgments based on the variety, scope, and quality of information supporting that judgment.*

- **“High confidence”** generally indicates a judgment based on multiple, consistent, high-quality sources of information; and/or the nature of the issue makes it possible to render solid judgment.
- **“Moderate confidence”** generally means the information could be interpreted in various ways; we have alternative views; or the information is credible and plausible but not sufficiently corroborated to warrant a higher level of confidence.
- **“Low confidence”** generally means the information is scant, questionable, or very fragmented and it is difficult to make solid analytic inferences; or we have significant concerns or problems with the sources.

Based on the data scope and limitations, a moderate level of confidence is given on the analytical judgments presented in the succeeding discussions, pertaining to results of analysis.

### **CAVEAT**

It should be noted that the data provided in this report should not be interpreted as an assessment of the full amount of criminal proceeds that may have entered, circulated, and exited the Philippines. The actual volume and amount of illicit funds may be larger than represented in our sample. Moreover, the statements in the study are not conclusive but are more descriptive of what has been observed on the gathered STR data from 2018 to 2020. These STRs also need further verification and more in-depth investigation to substantiate likely linkage to a certain crime.

### **DISCUSSION**

This section intends to assess the threats posed by different jurisdictions per predicate crime. The table below presents the percentage of each predicate crime to the total STR volume and aggregate peso value covered in this study:

Predicate Crime	No. of STRs		Peso Value	
	Total	%	Total	%
ILLEGAL DRUGS AND OTHER RELATED CRIMES	9,385	3.64%	3,493,074,382	6.91%
PLUNDER AND CORRUPTION-RELATED CRIMES	2,172	0.84%	1,204,102,480	2.38%
VIOLATIONS OF THE SECURITIES REGULATION CODE	101,151	39.19%	6,519,449,218	12.89%
SWINDLING	68,850	26.68%	35,816,748,929*	70.82%

SMUGGLING	236	0.09%	167,160,959	0.33%
VIOLATIONS OF INTELLECTUAL PROPERTY RIGHTS	23	0.01%	76,798,095	0.15%
ILLEGAL MANUFACTURE AND POSSESSION OF FIREARMS, ETC.	55	0.02%	16,565,200	0.03%
VIOLATIONS OF ENVIRONMENTAL LAWS	211	0.08%	61,417,094	0.12%
WEB-RELATED CRIMES	23,140	8.97%	1,690,924,464	3.34%
VIOLATIONS OF THE SPECIAL PROTECTION OF CHILDREN	46,428	17.99%	190,551,696	0.38%
VIOLATIONS OF THE ANTI-TRAFFICKING IN PERSONS ACT	1,060	0.41%	574,059,807	1.14%
VIOLATIONS OF THE ANTI-PHOTO AND VIDEO VOYEURISM ACT	398	0.15%	343,664,431	0.68%
VIOLATION OF THE ANTI-CHILD PORNOGRAPHY ACT	3,079	1.19%	25,165,423	0.05%
KIDNAPPING FOR RANSOM	243	0.09%	16,724,623	0.03%
FINANCING OF TERRORISM	1,186	0.46%	324,864,596	0.64%
TERRORISM AND CONSPIRACY TO COMMIT TERRORISM	470	0.18%	52,705,047	0.10%
<b>TOTAL</b>	<b>258,087</b>	<b>100.00%</b>	<b>50,573,976,445</b>	<b>100.00%</b>

\*Includes an outlier, amounting to Php29 billion, which pertains to a single transaction involving the presentation of fictitious financial documents. Details are found in the discussion on investment scams and estafa.

Subsequent sections will show detailed analyses and statistics per predicate offense.

## I. ILLEGAL DRUGS AND OTHER RELATED CRIMES

Article II of RA 9165, otherwise known as the “Comprehensive Dangerous Drugs Act of 2002,” enumerates the various unlawful acts and penalties associated with various crimes related to drug trafficking. There were 9,385 STRs representing transactions, amounting to Php3.5 billion, that are linked to various drug trafficking offenses in the covered period. This corresponds to 3.64% and 6.91% of the total volume and peso amount, respectively, of STRs used in the study.

DRUG TRAFFICKING	2018		2019		2020		TOTAL		%	
	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE
<b>INFLOW</b>	<b>5</b>	<b>23,000</b>	<b>5</b>	<b>18,712,989</b>	<b>7</b>	<b>31,813,151</b>	<b>17</b>	<b>50,549,000</b>	<b>0.18%</b>	<b>1.45%</b>
<b>IDENTIFIED SOURCE</b>	<b>4</b>	<b>18,061</b>	<b>4</b>	<b>121,119</b>	<b>6</b>	<b>31,049,591</b>	<b>14</b>	<b>31,188,771</b>	<b>0.15%</b>	<b>0.89%</b>
JAPAN	0	0	0	0	1	13,866,593	1	13,866,593	0.01%	0.40%
SAUDI ARABIA	0	0	0	0	1	8,145,964	1	8,145,964	0.01%	0.23%
INDONESIA	0	0	0	0	2	7,531,123	2	7,531,123	0.02%	0.22%
CANADA	0	0	0	0	1	1,476,515	1	1,476,515	0.01%	0.04%
KUWAIT	0	0	1	101,480	0	0	1	101,480	0.01%	0.00%
THAILAND	0	0	0	0	1	29,396	1	29,396	0.01%	0.00%
AUSTRALIA	0	0	2	17,639	0	0	2	17,639	0.02%	0.00%
UNITED KINGDOM	1	7,616	0	0	0	0	1	7,616	0.01%	0.00%
SPAIN	1	5,929	0	0	0	0	1	5,929	0.01%	0.00%
USA	1	1,516	1	2,000	0	0	2	3,516	0.02%	0.00%
MALAYSIA	1	3,000	0	0	0	0	1	3,000	0.01%	0.00%
<b>POTENTIAL SOURCE</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>18,591,870</b>	<b>1</b>	<b>763,560</b>	<b>2</b>	<b>19,355,430</b>	<b>0.02%</b>	<b>0.55%</b>
SINGAPORE	0	0	1	18,591,870	0	0	1	18,591,870	0.01%	0.53%
USA	0	0	0	0	1	763,560	1	763,560	0.01%	0.02%
<b>UNKNOWN SOURCE</b>	<b>1</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>5,000</b>	<b>0.01%</b>	<b>0.00%</b>
<b>OUTFLOW</b>	<b>1</b>	<b>1,255,684</b>	<b>2</b>	<b>378,533</b>	<b>2</b>	<b>8,860,645</b>	<b>5</b>	<b>10,494,862</b>	<b>0.05%</b>	<b>0.30%</b>
<b>IDENTIFIED DESTINATION</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>378,533</b>	<b>2</b>	<b>8,860,645</b>	<b>4</b>	<b>9,239,178</b>	<b>0.04%</b>	<b>0.26%</b>
JAPAN	0	0	0	0	2	8,860,645	2	8,860,645	0.02%	0.25%
PAKISTAN	0	0	2	378,533	0	0	2	378,533	0.02%	0.01%
<b>POTENTIAL DESTINATION</b>	<b>1</b>	<b>1,255,684</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,255,684</b>	<b>0.01%</b>	<b>0.04%</b>
USA	1	1,255,684	0	0	0	0	1	1,255,684	0.01%	0.04%
<b>WITHIN THE JURISDICTION</b>	<b>5,241</b>	<b>2,305,744,000</b>	<b>2,648</b>	<b>672,753,410</b>	<b>1,474</b>	<b>453,533,527</b>	<b>9,363</b>	<b>3,432,031,000</b>	<b>99.77%</b>	<b>98.25%</b>
<b>Grand Total</b>	<b>5,247</b>	<b>2,307,022,563</b>	<b>2,655</b>	<b>691,844,933</b>	<b>1,483</b>	<b>494,207,323</b>	<b>9,385</b>	<b>3,493,074,819</b>	<b>100.00%</b>	<b>100.00%</b>

Table 1.1 Total number and peso value of STRs related to drug trafficking offenses from 2018 to 2020

Similar with observations from the previous assessment for the years 2013 to 2017, the bulk of the financial transactions associated with drug trafficking occurred within the Philippine jurisdiction. This accounts for 99.77% of the total number of STRs related to drug trafficking, comprising cash and check deposits (including on-us check deposit), inter-account transfers, check-clearing, encashment, credit of salaries/pensions, withdrawal, and remittance transactions. Likewise, the table above shows that the peso value involved in said domestic transactions also represent majority of the total amount of drug trafficking-related funds (at PhP3.4 billion or 98.25%).

### Inflow

For the covered period, there were seventeen (17) international inward remittances related to drug trafficking. Most of the source countries had only one transaction except for USA, Australia, and Indonesia. In terms of the peso value, Japan (from identified sources) and Singapore (from potential sources) had the largest amount of inward remittances to the Philippines. Said inward remittances are associated with transactions of perpetrators arrested in buy-bust operations; persons possibly involved in selling and possession of illegal drugs; persons allegedly involved in bringing drugs in jail facilities; or an alleged member of an African drug syndicate, among others. The current results deviate from the findings in the previous assessment covering the years 2013 to 2017, where the United Kingdom, USA, and Oman had the most number of transactions linked to drugs; while the United Arab Emirates (UAE), Oman, and USA had large amount of inward remittances to the Philippines during the said period.

### Outflow

Only five (5) international outward remittances are associated with drug trafficking for the covered period—four (4) transactions are identified to be headed for Japan and Pakistan and one (1) remittance may potentially be bound to USA. Said outflow transactions are connected to persons allegedly involved in drug trafficking, selling and possession of narcotics; or was identified as a possible member and financier of a drug group. Same with inward remittances, Japan also tops the list of destination countries of drug-linked funds in terms of amount. The current data is found to be different from the findings in the previous assessment for the years 2013 to 2017 that revealed Nigeria, USA, Malaysia, and Costa Rica as the top destination countries of drug-related funds in terms of transfer of value.

### Financial channel

CHANNELS USED	NO. of STRs		PESO VALUE (in millions)	
	COUNT	%	AMOUNT	%
BANKS	8,637	92.03%	3,479.839	99.62%
PAWNSHOPS	676	7.20%	11.610	0.33%
MONEY SERVICE BUSINESSES	47	0.50%	1.057	0.03%
ELECTRONIC MONEY ISSUERS	23	0.25%	0.558	0.02%
STOCK SAVINGS & LOAN ASSOCIATIONS	2	0.02%	0.010	0.00%
<b>Grand Total</b>	<b>9,385</b>	<b>100.00%</b>	<b>3,493.074</b>	<b>100.00%</b>

Table 1.2 Breakdown of drug-related STRs per financial channel from 2018 to 2020

Consistent with the results of the previous assessment for the years 2013 to 2017, majority of the drug-related financial activities were transacted through banks. As summarized in Table 1.2, this accounts for 92.03% of total STRs in terms of volume and 99.62% in terms of peso value for the years 2018 to 2020.

### Interpretation

Based on STRs submitted by various covered persons from 2018 to 2020, it was observed that majority of the illicit funds from drug trafficking remained within the Philippine jurisdiction and circulated around the financial system generally through banks. Of all foreign countries, Singapore and Japan had the largest amount of remittance transactions, while USA had the highest number.

## II. PLUNDER AND CORRUPTION-RELATED CRIMES

This section covers STRs linked to the following offenses: (1) graft and corrupt practices, as defined and elaborated under RA 3019, otherwise known as the Anti-Graft and Corrupt Practices Act; (2) plunder, as defined under RA 7080, as amended, otherwise known as the Act Defining and Penalizing the Crimes of Plunder; (3) malversation of public funds and property under Articles 217 and 222 of the Revised Penal Code, as amended; and (4) bribery and corruption of public officers under Articles 210, 211, 211-A, and 212 of the Revised Penal Code, as amended.

OFFENSES UNDER CORRUPTION-RELATED CRIMES	2018	2019	2020	TOTAL	%
GRAFT AND CORRUPT PRACTICES	548	881	595	2,024	93%
PLUNDER	42	17	5	64	3%
BRIBERY AND CORRUPTION OF PUBLIC OFFICERS	8	40	13	61	3%
MALVERSATION OF PUBLIC FUNDS AND PROPERTY	18	1	4	23	1%
<b>Grand Total</b>	<b>616</b>	<b>939</b>	<b>617</b>	<b>2,172</b>	<b>100%</b>

Table 2.1 Number of STRs per predicate crime related to corruption from 2018 to 2020

A total of 2,172 transactions, amounting to Php1.2 billion corruption-related crimes, were reported by covered persons from 2018 to 2020, as shown in table 2.1. This accounts for 0.84% and 2.38% of the total volume and peso value, respectively, of the STRs used in the study.

CORRUPTION - RELATED	2018		2019		2020		TOTAL		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>INFLOW</b>	<b>6</b>	<b>192,716</b>	<b>9</b>	<b>1,180,955</b>	<b>2</b>	<b>9,000</b>	<b>17</b>	<b>1,382,672</b>	<b>0.78%</b>	<b>0.11%</b>
<b>IDENTIFIED SOURCE</b>	<b>6</b>	<b>192,716</b>	<b>9</b>	<b>1,180,955</b>	<b>2</b>	<b>9,000</b>	<b>17</b>	<b>1,382,672</b>	<b>0.78%</b>	<b>0.11%</b>
CANADA	2	22,914	8	1,175,955	0	0	10	1,198,870	0.46%	0.10%
SINGAPORE	2	161,302	0	0	0	0	2	161,302	0.09%	0.01%
USA	2	8,500	1	5,000	1	3,000	4	16,500	0.18%	0.00%
UAE	0	0	0	0	1	6,000	1	6,000	0.05%	0.00%
<b>OUTFLOW</b>	<b>9</b>	<b>3,508,795</b>	<b>3</b>	<b>228,743</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>3,737,538</b>	<b>0.55%</b>	<b>0.31%</b>
<b>IDENTIFIED DESTINATION</b>	<b>5</b>	<b>3,108,795</b>	<b>3</b>	<b>228,743</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>3,337,538</b>	<b>0.37%</b>	<b>0.28%</b>
USA	4	3,001,511	0	0	0	0	4	3,001,511	0.18%	0.25%
JAPAN	1	107,284	3	228,743	0	0	4	336,027	0.18%	0.03%
<b>POTENTIAL DESTINATION</b>	<b>4</b>	<b>400,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>400,000</b>	<b>0.18%</b>	<b>0.03%</b>
USA	4	400,000	0	0	0	0	4	400,000	0.18%	0.03%
<b>WITHIN THE JURISDICTION</b>	<b>601</b>	<b>400,541,248</b>	<b>927</b>	<b>253,234,388</b>	<b>615</b>	<b>545,206,525</b>	<b>2,143</b>	<b>1,198,982,160</b>	<b>98.66%</b>	<b>99.57%</b>
<b>Grand Total</b>	<b>616</b>	<b>404,242,759</b>	<b>939</b>	<b>254,644,086</b>	<b>617</b>	<b>545,215,525</b>	<b>2,172</b>	<b>1,204,102,370</b>	<b>100%</b>	<b>100%</b>

Table 2.2 Total volume and peso value of corruption-related STRs from 2018 to 2020

Table 2.2 shows that majority of corruption-related transactions occurred within the Philippine jurisdiction, corresponding to 98.66% in terms of transaction volume and 99.57% in terms of peso value. This reiterates the observation from the previous assessment for the years 2013 to 2017 that majority of the transactions associated with graft and corrupt practices are domestic in nature. Recent transactions include cash and check (including on-us) deposits, check-clearing, encashment, inter-account transfers, purchase of MC/CC/DD/TC<sup>12</sup> through debit memo, credit of salaries/pensions, withdrawal, and domestic remittances.

### Inflow

The inflows represent only 0.78% of the total volume of STRs and 0.11% of the total peso value of transactions related to corruption. Among the seventeen (17) international inward remittances associated with corruption-related crimes, the bulk of the remittances came from Canada. Said inward transactions are attributed to various subjects found guilty of graft and direct bribery; and to a person administratively charged with serious irregularity in the performance of duty, dishonesty, and grave misconduct by a certain executive department in 2019.

It should be noted that in the previous assessment for years 2013 to 2017, the USA has been tagged as a potential source of inflows associated with corruption.

### Outflow

Same with the inflows, corruption-related international outward remittances are found to be minimal, representing only 0.55% of the total number and 0.31% of the total peso amount of STRs under this predicate offense category. Some of the remittances are transactions of persons with alleged connections to a case involving a fund scam; or a confirmed match with a politician who was charged with graft and malversation over alleged anomalous agriculture development programs.

For the current period, it was observed that the USA was the top destination country in terms of frequency and amount. In the previous assessment, the USA had likewise been identified as one of the recipients of corruption-related funds along with UAE and China.

### Financial channels

BY FINANCIAL CHANNELS	NO. OF STRs		PESO VALUE (in millions)	
	Count	%	Amount	%
BANKS	1,991	91.67%	1,167.699	96.98%
NON-STOCK SAVINGS & LOAN ASSOCIATION	33	1.52%	32.656	2.71%
PAWNSHOPS	146	6.72%	3.745	0.31%
ELECTRONIC MONEY ISSUER	1	0.05%	0.001	0.00%
MONEY SERVICE BUSINESSES	1	0.05%	0.001	0.00%
<b>Grand Total</b>	<b>2,172</b>	<b>100.00%</b>	<b>1,204.102</b>	<b>100.00%</b>

*Table 2.3 Total volume and breakdown of corruption-related STRs per financial channel from 2018 to 2020*

<sup>12</sup> MC/CC/DD/TC refers to manager's check/cashier's check/demand draft/traveller's check.

As in the previous assessment for the years 2013 to 2017, the current results show that the most used financial channel remains to be banks. As summarized in Table 2.3, 91.67% of the total number of STRs and 96.98% of the total peso value associated with corruption were transacted through banks.

### Interpretation

Based on the STRs submitted by various covered persons from 2018 to 2020, it is observed that majority of the illicit funds coming from corruption-related offenses were generated and circulated within the Philippine financial system mainly through banks. In relation to the volume and peso amount of STRs, both for incoming and outgoing transactions to/from the Philippines, Canada is identified as the top source country, while the USA is the top destination country.

## III. INVESTMENT SCAMS AND ESTAFA

This section covers STRs with the following unlawful activities: swindling under Article 315 of the Revised Penal Code; other forms of swindling under Article 316 of the Revised Penal Code (hereinafter referred to collectively as “swindling”); and violations of the SRC of 2000 under RA 8799. The table below shows the breakdown of the STRs by offense:

FRAUD-RELATED STRs	2018	2019	2020	Total	%
SECURITIES REGULATIONS CODE VIOLATION	53,997	34,065	13,089	101,151	59.50%
SWINDLING/OTHER FORMS OF SWINDLING	32,576	20,967	15,307	68,850	40.50%
<b>GRAND TOTAL</b>	<b>86,573</b>	<b>55,032</b>	<b>28,396</b>	<b>170,001</b>	<b>100.00%</b>

Table 3.1 Breakdown of fraud-related STRs by predicate crime from 2018 to 2020

A total of 170,001 fraud-related STRs, amounting to Php42.3 billion, were submitted by covered persons for the period 01 January 2018 to 31 December 2020. STRs on SRC violations account for 39.19% and 12.89% of the total volume and peso value, respectively; while STRs on swindling represent 26.68% and 70.82% of the total volume and peso value of the dataset. As shown above, the number of STRs categorized under SRC violations form a larger portion of the total transactions associated with fraud, which was also the case in the previous assessment that covers the period 2013 to 2017.

### A. Violations of the Securities Regulation Code (SRC)

SRC Violations	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
INFLOW	1,502	25,338,171	721	18,253,991	135	10,331,809	2,358	53,923,971	2.33%	0.83%
OUTFLOW	6	5,537	38	39,340,826	0	0	44	39,346,363	0.04%	0.60%
WITHIN THE JURISDICTION	52,489	833,430,744	33,306	5,072,788,922	12,954	519,959,219	98,749	6,426,178,885	97.63%	98.57%
<b>Grand Total</b>	<b>53,997</b>	<b>858,774,452</b>	<b>34,065</b>	<b>5,130,383,739</b>	<b>13,089</b>	<b>530,291,028</b>	<b>101,151</b>	<b>6,519,449,218</b>	<b>100%</b>	<b>100%</b>

Table 3.2 Overview of transactions related to SRC violations from 2018 to 2020

Similar with the findings in the previous assessment, current data shows that majority of the reported CASA transactions under SRC violations occurred within the Philippine jurisdiction. Reported

domestic financial transactions include cash/check deposit transactions, check-clearing, encashments, inter-account transfers, and remittances, which are mostly associated with unauthorized investment-taking activities.

### Inflow

Incoming transactions are only 2.33% of the total financial transactions related to SRC violations. Table 3.3 lists down the volume and peso value of cash inflows per country.<sup>13</sup>

INFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>IDENTIFIED SOURCE</b>	<b>40</b>	<b>12,926,225</b>	<b>113</b>	<b>15,349,916</b>	<b>86</b>	<b>9,480,755</b>	<b>239</b>	<b>37,756,896</b>	<b>10.14%</b>	<b>70.02%</b>
UNITED KINGDOM	7	4,605,001	4	99,000	14	6,651,689	25	11,355,690	1.06%	21.059%
SOUTH AFRICA	0	0	3	6,519,163	0	0	3	6,519,163	0.13%	12.090%
HONG KONG	3	2,723,096	4	2,812,540	2	23,006	9	5,558,642	0.38%	10.308%
ITALY	6	4,078,046	3	55,538	0	0	9	4,133,583	0.38%	7.666%
UNITED ARAB EMIRATES	4	73,250	31	1,010,416	41	1,797,259	76	2,880,926	3.22%	5.343%
CANADA	0	0	14	1,714,300	0	0	14	1,714,300	0.59%	3.179%
POLAND	0	0	1	1,036,938	0	0	1	1,036,938	0.04%	1.923%
SCOTLAND	1	669,159	0	0	0	0	1	669,159	0.04%	1.241%
SINGAPORE	0	0	5	616,200	0	0	5	616,200	0.21%	1.143%
UNITED STATES OF AMERICA	10	58,771	6	399,395	4	71,311	20	529,477	0.85%	0.982%
OTHER COUNTRIES	9	718,902	42	1,086,426	25	937,490	76	2,742,817	3.22%	5.086%
<b>POTENTIAL SOURCE</b>	<b>1161</b>	<b>9,815,232</b>	<b>450</b>	<b>1,833,956</b>	<b>28</b>	<b>307,034</b>	<b>1639</b>	<b>11,956,222</b>	<b>69.51%</b>	<b>22.17%</b>
HONG KONG	442	1,036,282	183	648,373	5	25,900	630	1,710,555	26.72%	3.17%
UNITED STATES OF AMERICA	261	2,799,231	91	532,292	8	172,134	360	3,503,657	15.27%	6.50%
MALAYSIA	151	870,249	79	322,398	9	88,391	239	1,281,038	10.14%	2.38%
UNITED KINGDOM	138	3,283,558	41	133,091	0	0	179	3,416,649	7.59%	6.34%
UNITED ARAB EMIRATES	112	288,269	33	77,422	4	18,229	149	383,920	6.32%	0.71%
SAUDI ARABIA	22	1,131,899	7	33,701	2	2,380	31	1,167,980	1.31%	2.17%
SINGAPORE	13	200,909	8	30,023	0	0	21	230,932	0.89%	0.43%
OTHER COUNTRIES	22	204,835	8	56,656	0	0	30	261,491	1.27%	0.48%
<b>UNKNOWN SOURCE</b>	<b>301</b>	<b>2,596,714</b>	<b>158</b>	<b>1,070,119</b>	<b>21</b>	<b>544,019</b>	<b>480</b>	<b>4,210,853</b>	<b>20.36%</b>	<b>7.81%</b>
<b>Grand Total</b>	<b>1502</b>	<b>25,338,171</b>	<b>721</b>	<b>18,253,991</b>	<b>135</b>	<b>10,331,809</b>	<b>2358</b>	<b>53,923,971</b>	<b>100%</b>	<b>100%</b>

Table 3.3 Overview of transactions related to SRC violations from 2018 to 2020

Current data shows that incoming transactions from potential sources make up the majority of STRs related to inflows. While Hong Kong, USA, Malaysia, and United Kingdom are identified as the top potential countries having the highest number of remittances to the Philippines, the peso value of said remittances appear to be nominal (only ranging from 2.38% to 6.50% of total inflows).

On the other hand, for identified sources, the United Kingdom, South Africa, and Hong Kong had a small number of inward remittances, but the related peso value represents a substantial portion of the aggregate amount that entered the Philippines. Inflows from the above-mentioned countries

<sup>13</sup> Jurisdictions categorized under “Other Countries - Identified Source” comprise seventeen (17) countries mostly located in the Asia-Pacific Region. Jurisdictions categorized under “Other Countries - Potential Source” comprise six (6) countries largely located in the Asia-Pacific Region.

represent proceeds coming from victims of investment scams, such as those involving cryptocurrencies, Ponzi schemes or pyramiding schemes, and boiler room operations.

In the previous assessment covering the period 2013 to 2017, United Kingdom and Australia were identified as the top source countries in terms of transaction frequency and peso value, respectively. Based on current data, it can be noted that the United Kingdom continues to be a major source of funds associated with SRC violations (investment scams). Thus, from years 2013 to 2020, it can be noted that possible victims of investment scams are generally from the United Kingdom.

### Outflow

Outgoing transactions are only 0.04% of the total financial transactions related to SRC violations. Table 3.4 shows the volume and peso value of cash outflows per country.

OUTFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>IDENTIFIED DESTINATION</b>	<b>6</b>	<b>5,537</b>	<b>38</b>	<b>39,340,826</b>	<b>0</b>	<b>0.00</b>	<b>44</b>	<b>39,346,363</b>	<b>100.00%</b>	<b>100.00%</b>
HONG KONG	0	0	8	1,367	0	0.00	8	1,367	18.18%	0.003%
MALAYSIA	0	0	8	3,407	0	0.00	8	3,407	18.18%	0.009%
CHILE	0	0	6	3,774	0	0.00	6	3,774	13.64%	0.010%
TAIWAN	0	0	6	15,708	0	0.00	6	15,708	13.64%	0.040%
UNITED STATES OF AMERICA	1	300	4	39,301,600	0	0.00	5	39,301,900	11.36%	99.887%
UNITED ARAB EMIRATES	4	3,914	0	0	0	0.00	4	3,914	9.09%	0.010%
JAPAN	1	1,323	2	3,850	0	0.00	3	5,173	6.82%	0.013%
SAUDI ARABIA	0	0	2	8,000	0	0.00	2	8,000	4.55%	0.020%
UNITED KINGDOM	0	0	2	3,120	0	0.00	2	3,120	4.55%	0.008%
<b>Grand Total</b>	<b>6</b>	<b>5,537</b>	<b>38</b>	<b>39,340,826</b>	<b>0</b>	<b>0.00</b>	<b>44</b>	<b>39,346,363</b>	<b>100.00%</b>	<b>100.00%</b>

Table 3.4 Breakdown of cash outflows related to SRC violations by country from 2018 to 2020

Based on the data presented in the table above, Hong Kong and Malaysia have high percentages based on STR volume. In terms of the aggregate reported amount, however, the country that pose the greatest threat to the Philippines is the USA, accounting for 99.88% of the aggregated reported value of outflows. This high amount is attributable to one (1) single remittance transaction worth Php39.29 million that is associated with one of the biggest Ponzi scheme operations in the country. Said amount was intended to be a down payment for a franchise that the perpetrators were interested in acquiring.

### Financial Channel

Table 3.5 below summarizes the financial channels used by the perpetrators in moving the proceeds of fraud:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	SUM PESO	%
PAWNSHOPS	59,814	59.13%	149,067,028	2.29%
BANKS	27,904	27.59%	6,163,375,691	94.54%
ELECTRONIC MONEY ISSUER	8,076	7.98%	112,045,342	1.72%
MONEY SERVICE BUSINESSES	5,357	5.30%	94,961,156	1.46%
<b>Grand Total</b>	<b>101,151</b>	<b>100.00%</b>	<b>6,519,449,218</b>	<b>100.00%</b>

Table 3.5 Breakdown of STRs under SRC violations per financial channel from 2018 to 2020



Based on the previous assessment covering the period 2013 to 2017, banks were generally used by perpetrators in moving the fraudulent proceeds. For years 2018 to 2020, however, present figures indicate that pawnshops are the most widely used channel in terms of frequency, whereas banks are generally involved in the highest transfer of peso value.

### Interpretation

The Philippines has been the main source of proceeds of fraud that mostly circulated and remained within the Philippine financial system. Although violators commonly use pawnshops in moving the criminal proceeds, a very substantial amount of the illicit funds is still channeled through banks.

For inflows, Hong Kong, USA, Malaysia, and United Kingdom are the top sources of funds related to SRC violations, in terms of frequency; while United Kingdom, South Africa, and Hong Kong pose the highest threat to the country in terms of high remittance amounts. For outflows, there is a high volume of remittances with minimal amounts headed for Hong Kong and Malaysia, but the USA received a considerable amount in terms of peso value.

## **B. Swindling**

As presented in Table 3.1, the volume of STRs categorized under swindling account for 40.21% of the total STRs associated with fraud. In detail, there are about 68,850 STRs under swindling that were filed by covered persons, relative, but not limited, to the following illegal activities:<sup>14</sup> 1) advance fee fraud (package/product scams); 2) investment scams; 3) phishing, hacking, and account takeover; 4) boiler room operations; 5) forgery and counterfeiting of checks; 6) lottery scams; 7) charity scams; and 8) other types of scams.

Table 3.6 shows the transaction flow overview of swindling activities reported to the AMLC.

SWINDLING	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
INFLOW	1,231	200,684,751	1,012	183,347,587	851	29,364,795,359	3,094	29,748,827,696	4.49%	83.06%
OUTFLOW	11	13,428,239	22	61,152,112	19	27,860,538	52	102,440,889	0.08%	0.29%
WITHIN THE JURISDICTION	31,334	1,095,105,476	19,933	3,003,834,136	14,437	1,866,540,732	65,704	5,965,480,344	95.43%	16.66%
<b>Grand Total</b>	<b>32,576</b>	<b>1,309,218,466</b>	<b>20,967</b>	<b>3,248,333,834</b>	<b>15,307</b>	<b>31,259,196,629</b>	<b>68,850</b>	<b>35,816,748,929</b>	<b>100.00%</b>	<b>100.00%</b>

Table 3.6 Overview of transactions related to swindling from 2018 to 2020

In terms of STR volume, current statistics reveal a high percentage of domestic financial transactions with small peso amounts. In terms of peso value, proceeds coming from inflows show a significant amount of PhP29.75 billion, which represents 83.06% of the total fraudulent proceeds. It should be noted, however, that PhP29.0 billion (or EUR500 million) of the peso value of inflows is attributable to one (1) STR that was filed in September 2020 on a certain individual, representing a Scotland-based company, who attempted to victimize a domestic corporation by issuing a spurious

<sup>14</sup> Covered persons interchangeably use the predicate crimes “swindling” and “SRC violation” for some fraudulent schemes, such as investment scams, Ponzi scams, pyramiding schemes, and boiler room operations.

document. Said spike resulted from the reporting by the covered person of the value of the spurious document as the transaction amount of the STR.

For reference, data from years 2013 to 2017 also showed a high volume of domestic transactions as compared to the frequency of inflows and outflows. The related peso value of said domestic remittances, however, were found to be greater than the incoming and outgoing proceeds.

### Inflow

Based on STR volume, incoming transactions represent only 4.49% of the total financial transactions related to fraud and estafa. Table 3.7 lists down the volume and peso value of cash inflows per country.<sup>15</sup>

INFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>POTENTIAL SOURCE</b>	<b>132</b>	<b>19,410,828</b>	<b>125</b>	<b>36,512,847</b>	<b>202</b>	<b>297,960,297</b>	<b>459</b>	<b>353,883,972</b>	<b>14.84%</b>	<b>1.19%</b>
UNITED STATES OF AMERICA	97	18,312,043	91	34,473,524	177	10,689,664	365	63,475,231	11.80%	0.21%
UNITED KINGDOM	18	219,670	7	84,932	3	284,855,732	28	285,160,334	0.90%	0.96%
HONG KONG	8	48,450	7	773,950	2	34,750	17	857,150	0.55%	0.00%
OTHER COUNTRIES	9	830,665	20	1,180,441	20	2,380,151	49	4,391,257	1.58%	0.01%
<b>IDENTIFIED SOURCE</b>	<b>1049</b>	<b>180,652,589</b>	<b>805</b>	<b>136,874,959</b>	<b>417</b>	<b>29,062,457,453</b>	<b>2271</b>	<b>29,379,985,002</b>	<b>73.40%</b>	<b>98.76%</b>
SCOTLAND	0	0	7	322,000	1	29,000,000,000	8	29,000,322,000	0.26%	97.48%
UNITED STATES OF AMERICA	614	53,970,582	307	16,918,992	147	20,702,271	1068	91,591,845	34.52%	0.31%
AUSTRALIA	85	60,698,962	123	13,499,056	54	3,834,934	262	78,032,952	8.47%	0.26%
UNITED KINGDOM	59	45,339,390	95	35,763,340	33	13,200,383	187	94,303,114	6.04%	0.32%
CANADA	55	517,071	52	584,480	21	3,042,335	128	4,143,887	4.14%	0.01%
UNITED ARAB EMIRATES	67	4,954,341	20	334,667	16	417,484	103	5,706,493	3.33%	0.02%
HONG KONG	42	3,564,509	24	1,728,723	11	3,030,037	77	8,323,269	2.49%	0.03%
SINGAPORE	15	370,599	31	40,394,582	14	1,933,132	60	42,698,313	1.94%	0.14%
SAUDI ARABIA	13	357,470	24	1,275,590	10	185,282	47	1,818,341	1.52%	0.01%
NORWAY	6	2,326,553	2	55,978	19	1,143,360	27	3,525,891	0.87%	0.01%
OTHER COUNTRIES	93	8,553,111	120	25,997,551	91	14,968,234	304	49,518,897	9.83%	0.17%
<b>UNKNOWN SOURCE</b>	<b>50</b>	<b>621,333</b>	<b>82</b>	<b>9,959,781</b>	<b>232</b>	<b>4,377,608</b>	<b>364</b>	<b>14,958,723</b>	<b>11.76%</b>	<b>0.05%</b>
<b>GRAND TOTAL</b>	<b>1231</b>	<b>200,684,751</b>	<b>1012</b>	<b>183,347,587</b>	<b>851</b>	<b>29,364,795,359</b>	<b>3094</b>	<b>29,748,827,696</b>	<b>100%</b>	<b>100%</b>

Table 3.7 Breakdown of cash inflows related to swindling by country from 2018 to 2020

From 2018 to 2020, transactions from identified sources account for majority of the total volume and peso value of inflows, measured at 73.40% and 98.76%, respectively. As previously mentioned, however, the peso value includes an outlier in the amount of PhP29 billion that pertains to the value of the spurious document allegedly issued by a certain individual representing a Scotland-based company.

Consistent with earlier findings from the assessment covering the years 2013 to 2017, the USA still has the greatest number of remittances sent to the Philippines, despite having a relatively small aggregate peso value. The inflows determined to be from the USA (both identified and potential) represent proceeds of different cases of fraud, such as advance fee fraud, boiler room operations,

<sup>15</sup> Jurisdictions categorized under “Other Countries - Potential Source” comprise eleven (11) countries largely located in the Asia-Pacific region. Jurisdictions categorized under “Other Countries - Identified Source” comprise forty-seven (47) countries that are mostly in the Asia-Pacific and European regions.

phishing/hacking, issuances of falsified financial documents, pyramiding schemes, and different kinds of scams (package, romance, inheritance, etc.).

Aside from the USA, other countries that also topped the list for incoming fraud-related remittances are Australia and United Kingdom. It was also observed that the value of inflows for United Kingdom categorized under potential source (PhP285.16 million or EUR5 million) appears to be substantial compared to other jurisdictions. Said amount is related to an incident where the subject presented a falsified document with a value of PhP284.83 million, which was reported by the covered person as the transaction amount of the STR.

It should also be noted that in the previous assessment, the origin of a sizeable number of inward remittances was unknown. For the current assessment covering the period 01 January 2018 to 31 December 2020, however, transactions from unknown jurisdictions only account for 11.76%, implying a possible improvement in the quality of fraud-related STRs submitted to the AMLC.

### Outflow

Outgoing transactions constitute only 0.08% of the total financial transactions related to fraud and swindling. Table 3.8 lists down the volume and peso value of cash outflows per country.

OUTFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>IDENTIFIED DESTINATION</b>	<b>7</b>	<b>12,884,426</b>	<b>21</b>	<b>61,121,542</b>	<b>11</b>	<b>27,434,638</b>	<b>39</b>	<b>101,440,606</b>	<b>75.00%</b>	<b>99.02%</b>
NIGERIA	5	239,862	3	75,771	1	148,563	9	464,196	17.31%	0.45%
ISRAEL	0	0	6	2,485	0	0	6	2,485	11.54%	0.00%
CHINA	0	0	4	10,371,373	1	6,294,425	5	16,665,797	9.62%	16.27%
POLAND	0	0	0	0	4	7,056,186	4	7,056,186	7.69%	6.89%
UNITED KINGDOM	0	0	3	3,914,474	1	65,250	4	3,979,724	7.69%	3.88%
SINGAPORE	0	0	1	634,222	2	7,795,301	3	8,429,523	5.77%	8.23%
HONG KONG	0	0	2	36,632,396	0	0	2	36,632,396	3.85%	35.76%
INDONESIA	0	0	0	0	1	19,730	1	19,730	1.92%	0.02%
JAPAN	1	12,462,991	0	0	0	0	1	12,462,991	1.92%	12.17%
PAKISTAN	1	181,574	0	0	0	0	1	181,574	1.92%	0.18%
SPAIN	0	0	1	6,175,218	0	0	1	6,175,218	1.92%	6.03%
MALAYSIA	0	0	0	0	1	6,055,183	1	6,055,183	1.92%	5.91%
UNITED STATES OF AMERICA	0	0	1	3,315,603	0	0	1	3,315,603	1.92%	3.24%
<b>POTENTIAL DESTINATION</b>	<b>4</b>	<b>543,813</b>	<b>1</b>	<b>30,570</b>	<b>4</b>	<b>342,900</b>	<b>9</b>	<b>917,283</b>	<b>17.31%</b>	<b>0.90%</b>
UNITED STATES OF AMERICA	1	424,800	1	30,570	4	342,900	6	798,270	11.54%	0.78%
NIGERIA	2	18,713	0	0	0	0	2	18,713	3.85%	0.02%
DOMINICAN REPUBLIC	1	100,300	0	0	0	0	1	100,300	1.92%	0.10%
<b>UNKNOWN DESTINATION</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>83,000</b>	<b>4</b>	<b>83,000</b>	<b>7.69%</b>	<b>0.08%</b>
<b>Grand Total</b>	<b>11</b>	<b>13,428,239</b>	<b>22</b>	<b>61,152,112</b>	<b>19</b>	<b>27,860,538</b>	<b>52</b>	<b>102,440,889</b>	<b>100.00%</b>	<b>100.00%</b>

Table 3.8 Breakdown of cash outflows by country from 2018 to 2020

As presented in Table 3.8, Nigeria emerges as the top destination of funds (volume-wise), representing proceeds of different types of fraud, such as investment scams, romance scams, and counterfeiting of financial documents. The peso value of said remittances, however, is only minimal, amounting to 0.45% of the total value of outflows. In the previous assessment for years 2013 to 2017, Nigeria was among the top two (2) destinations of illicit proceeds, next to USA, in terms of frequency.

Aside from Nigeria, other top identified destinations of illicit funds based on STR volume are Israel and China, at 11.54% and 9.62%, respectively. Transactions reported under Israel (six [6] STRs), however, appear to be doubled, since there are two (2) covered persons (a payment platform and its partner electronic money issuer) reporting the same set of transactions. Meanwhile, all transactions reported under China are cases relative to e-mail hacking. It was also noted that USA, as a potential destination of proceeds of fraud, covers a sizable percentage (11.54%) of the total outflows. The activities associated with the USA involves consumer fraud, e-mail hacking, and employment scams.

In terms of peso value, the top three (3) destination countries for proceeds of fraud are Hong Kong (35.76%), China (16.27%), and Japan (12.17%), which are all related to cases of e-mail hacking. For comparison purposes, the previous assessment covering 2013 to 2017 showed a different ranking. Lebanon was previously identified as the country with the highest aggregate amount of remittances, followed by Turkey and Hong Kong.

### Financial channel

Table 3.9 below summarizes the financial channels used by perpetrators in moving proceeds of fraud.

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	TOTAL AMOUNT	%
BANKS	24,792	36.01%	35,315,893,578	98.84%
ELECTRONIC MONEY ISSUER	17,861	25.94%	172,904,141	0.48%
MONEY SERVICE BUSINESSES	21,985	31.93%	2,333,542	0.01%
PAWNSHOPS	4,159	6.04%	130,000	0.00%
STOCK SAVINGS & LOAN ASSOCIATIONS	53	0.08%	238,402,177	0.67%
<b>Grand Total</b>	<b>68,850</b>	<b>100.00%</b>	<b>35,729,663,438</b>	<b>100.00%</b>

*Table 3.9 Breakdown of STRs under swindling per financial channel from 2018 to 2020*

Consistent with the earlier findings from years 2013 to 2017, current figures show that banks are still the most used channel in moving fraud-related proceeds. In addition, it was also observed that MSBs also have a substantial number of transactions for small-ticket items.

### Interpretation

Based on the STRs submitted by various covered persons for the period January 2018 to December 2020, it was observed that the Philippines has been the pre-dominant source of proceeds of fraud that mostly circulated and remained within the Philippine financial system. Although violators also use MSBs in moving the criminal proceeds, banks remain as the primary financial channel used, both in volume (52.66%) and peso value (98.84%) of fraud-related STRs.

For inflows, USA, Australia, and United Kingdom have the greatest number of remittances sent to the Philippines, representing proceeds of fraud. For outflows, Nigeria and China are the top destinations of illicit funds from the Philippines (volume-wise), while Hong Kong, China, and Japan pose the highest threat to the country in terms of value of remittances.

#### IV. SMUGGLING

Smuggling, under RA 455 and RA 1937, as amended, otherwise known as the Tariff and Customs Code of the Philippines, is considered a predicate offense or an unlawful activity under the AMLA, as amended.

Table 4.1 below shows the volume and peso equivalent of smuggling-related STRs submitted by covered persons from 2018 to 2020.

SMUGGLING	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
INFLOW	0	0	0	0	0	0	0	0	0.00%	0.00%
OUTFLOW	0	0	0	0	0	0	0	0	0.00%	0.00%
WITHIN THE JURISDICTION	55	31,275,321	48	7,142,793	133	128,742,840	236	167,160,955	100.00%	100.00%
<b>Grand Total</b>	<b>55</b>	<b>31,275,321</b>	<b>48</b>	<b>7,142,793</b>	<b>133</b>	<b>128,742,840</b>	<b>236</b>	<b>167,160,955</b>	<b>100%</b>	<b>100%</b>

*Table 4.1 Total volume and peso value of STRs related to smuggling from 2018 to 2020*

The above table shows that all 236 transactions, amounting to PhP167 million, related to smuggling occurred within the Philippine jurisdiction. This accounts for 0.09% and 0.33% of the total volume and peso value, respectively, of the STRs used in the study. Based on the above data, a decreasing trend is noted from 2018 to 2019, while there is a sudden increase in 2020. This can be attributed to one (1) STR with a peso value of PhP122.958 million (73.56% of the total peso value), representing an attempted check deposit, which was rejected and reported by the covered person due to violation of RA 11203 (otherwise known as the Rice Tariffication Law) and Section 3 of RA 10845 or the Anti-Agricultural Smuggling Act of 2016. As indicated in the report, violations of RA 10845 also falls under smuggling per RA 1937, as amended.

Most of the domestic transactions are generally linked to smuggling of carrots, cigarettes, rice, used clothing (colloquially known as “ukay-ukay”), sugar, jewelry, luxury vehicles, and medical supplies. Also included are transactions reportedly involving tithes and donations from members of a church, whose founder was featured in the news for alleged USD smuggling and gunrunning. It should be noted that there is a difference in the current findings compared with the previous assessment for the years 2013 to 2017. While majority of smuggling-related transactions were transacted within the jurisdiction, the Philippines was also previously identified as the source country of illicit funding going to the USA in relation to smuggling.

#### Financial channel

CHANNELS USED	NO. of STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
BANKS	192	81.36%	166,836,694	99.81%
ELECTRONIC MONEY ISSUER	9	3.81%	124,000	0.07%
MONEY SERVICE BUSINESSES	10	4.24%	154,565	0.09%
PAWNSHOPS	25	10.59%	45,700	0.03%
<b>Grand Total</b>	<b>236</b>	<b>100%</b>	<b>167,160,959</b>	<b>100%</b>

*Table 4.2 Breakdown of smuggling-related STRs per financial channel from 2018 to 2020*

Though the previous assessment for the years 2013 to 2017 revealed that most of the funds were coursed through MSBs, the recent assessment shows that banks are primarily used for smuggling-related transactions from 2018 to 2020.

Interpretation

Based on the STRs submitted by various covered persons from 2018 to 2020, it is observed that all transactions related to smuggling occurred within the Philippines. These were generally transacted through banks. Majority of the STRs associated with smuggling pertain to importation of cigarettes, sugar, carrots, used clothing, medical supplies, cash-smuggling, rice smuggling, and gunrunning.

**V. VIOLATIONS OF INTELLECTUAL PROPERTY (IP) RIGHTS**

One of the unlawful activities listed under the AMLA, as amended, is the Violation of RA 8293, otherwise known as the Intellectual Property Code of the Philippines, as amended. From 2018 to 2020 there were only twenty-three (23) CASA-related STRs in relation to IP rights violation, amounting to PhP76.8 million, representing 0.01% and 0.15% of total volume and peso value, respectively, of the STRs used in the study. The STRs on IP rights violations involve the following illegal activities: 1) distribution and sale of counterfeit merchandise and goods; and 2) copyright infringement. Table 5.1 shows the breakdown of said STRs by transaction flow.

VIOLATION OF IP RIGHTS	2018		2019		TOTAL		%	
	STRs	PESO VALUE	STRs	PESO VALUE	STRs	PESO VALUE	STRs	VALUE
INFLOW - POTENTIAL SOURCE	4	20,003,627	0	0	4	20,003,627	17.39%	26.05%
HONG KONG	4	20,003,627	0	0	4	20,003,627	17.39%	26.05%
WITHIN THE JURISDICTION	18	56,764,320	1	30,148	19	56,794,468	82.61%	73.95%
<b>Grand Total</b>	<b>22</b>	<b>76,767,947</b>	<b>1</b>	<b>30,148</b>	<b>23</b>	<b>76,798,095</b>	<b>100%</b>	<b>100%</b>

*Table 5.1 Total number of STRs related to IP Rights violations from 2018 to 2020*

As gleaned from the table above, majority of the financial transactions associated with IP rights violations occurred within the Philippines. Domestic financial transactions include inter-account transfers, cash and check deposits, purchase of MC/CC/DD/TC through debit memo, and a returned inward remittance. This supports the observation from the previous assessment for the years 2013 to 2017 that revealed that the bulk of financial transactions associated with IP rights violation occurred within the country.

Current data also reveals that there were four (4) international inward remittances potentially coming from Hong Kong, amounting to PhP20 million or USD376,000.

## Financial channel

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
BANKS	19	82.61%	76,797,695.05	100%
ELECTRONIC MONEY ISSUER	2	8.70%	200.00	0%
MONEY SERVICE BUSINESSES	2	8.70%	200.00	0%
<b>TOTAL</b>	<b>23</b>	<b>100%</b>	<b>76,798,095</b>	<b>100%</b>

Table 5.2 Breakdown of STRs related to IP Rights violations per financial channel used from 2018 to 2020

Similar with the results of the previous assessment for the years 2013 to 2017, the most used financial channel are banks. Based on the table above, 82.61% of the STRs related to IP rights violations were coursed through banks, accounting for almost 100% of the total peso value.

## Interpretation

It is observed that while there was an inflow of transactions potentially from Hong Kong, accounting for 26% of the illicit funds associated with IP rights violations, majority of the transactions were still transacted in the Philippines. In addition, the bulk of illicit funds were circulated via banks. The activities reported by covered persons under this predicate offense include the distribution and sale of counterfeit merchandise and goods as well as copyright infringement.

## **VI. ILLEGAL MANUFACTURE AND POSSESSION OF FIREARMS, AMMUNITION, AND EXPLOSIVES**

Violations of Sections 1, 3, and 5 of Presidential Decree No. (PD) 1866, as amended, otherwise known as the decree “Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives” is one of the predicate offenses listed under the AMLA, as amended. From January 2018 to December 2020, only fifty-five (55) CASA-related STRs were filed under this predicate offense, amounting to PhP16.6 million, representing 0.02% and 0.03% of the total volume and peso value, respectively, of the STRs used in the study.

Table 6.1 shows the breakdown of the STRs by transaction flow.

Illegal Manufacture & Possession of Firearms, Ammunition, and Explosives	2018		2019		Total	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
INFLOW	0	0	0	0	0	0
OUTFLOW	0	0	0	0	0	0
WITHIN THE JURISDICTION	37	11,985,379	18	4,579,821	55	16,565,200

Table 6.1 Summary of STRs related to illegal manufacture and possession of firearms, ammunition, and explosives from 2018 to 2020

Consistent with the findings in the previous assessment covering the period 2013 to 2017, all STRs associated with illegal manufacturing and possession of firearms, ammunition, and explosives occurred within the Philippine jurisdiction. Recent suspicious transactions comprised cash/check

deposits, check-clearing, and domestic remittances. It is also observed that most of the STR subjects are linked to different terrorist groups.

### Financial channel

The mostly used financial channel under this predicate crime remains to be unchanged based on the findings in the previous assessment. It is observed that majority of the transactions associated with illegal manufacturing and possession of firearms, ammunition, and explosives are still being coursed through banks, as shown in the table below.

Financial Channels Used	No. of STRs	%	Peso Value	%
BANKS	42	76.36%	16,514,875.25	99.70%
PAWNSHOPS	13	23.64%	50,325.00	0.30%
<b>Grand Total</b>	<b>55</b>	<b>100.00%</b>	<b>16,565,200.25</b>	<b>100.00%</b>

Table 6.2 Breakdown of STRs related to illegal firearms per financial channels used from 2018 to 2020

### Interpretation

All reported financial activities associated with illegal manufacturing and possession of firearms, ammunitions, and explosives from years 2018 to 2020 occurred within the Philippine jurisdiction. In addition, it is noted that banks are the most widely used financial channel for this predicate offense.

## VII. VIOLATION OF ENVIRONMENTAL LAWS

Environmental crimes comprise five (5) predicate offenses, namely: (1) violations of Sections 78 to 79 of the Revised Forestry Code of the Philippines, as amended (PD 705); (2) violations of Sections 101 to 107, and 110 of the Philippine Mining Act of 1995 (RA 7942); (3) violations of Sections 27 (c), (e), (f), (g), and (i) of the Wildlife Resources Conservation and Protection Act (RA 9147); (4) violations of Section 7 (b) of the National Caves and Cave Resources Management Protection Act (RA 9072); and (5) violations of Sections 86 to 106 of the Philippine Fisheries Code of 1998 (RA 8550). Said unlawful activities became official predicate offenses to money laundering in 2013. From years 2018 to 2020, a total of 211 STRs, amounting to Php61.4 million, relate to environmental crimes. This represents 0.08% and 0.12% of the total volume and peso value, respectively, of the STRs used in the study. Table 7.1 shows the number of CASA-related STRs per predicate crimes from 2018 to 2020.

Environmental Crimes	2018	2019	2020	Grand Total	%
VIOLATIONS OF THE WILDLIFE RESOURCES CONVERSATION AND PROTECTION ACT	18	137	1	156	73.93%
VIOLATIONS OF THE PHILIPPINE FISHERIES CODE OF 1998	0	37	0	37	17.54%
VIOLATIONS OF THE PHILIPPINE MINING ACT OF 1995	13	3	0	16	7.58%
VIOLATIONS OF THE REVISED FORESTRY CODE OF THE PHILIPPINES	2	0	0	2	0.95%
VIOLATIONS OF THE NATIONAL CAVES AND CAVE RESOURCES MANAGEMENT ACT	0	0	0	0	0.00%
<b>Grand Total</b>	<b>33</b>	<b>177</b>	<b>1</b>	<b>211</b>	<b>100.00%</b>

Table 7.1 Total number of STRs per specific environmental crime from 2018 to 2020



As presented above, majority of the STRs under environmental crimes are related to violations of the Wildlife Resources Conservation and Protection Act (73.93% of the total transactions). STRs under this top category are mainly attributable to the illegal exportation of a critically endangered wood and smuggling of live gliders, cockatoos, and birds of paradise. It should be noted that in the previous assessment covering the period 2013 to 2017, violations of the Wildlife Resources Conservation and Protection Act was likewise identified as the top environmental crime, due to illegal exportation of wildlife resources.

Table 7.2 shows the breakdown of the STRs by transaction flow.

Environmental Crimes	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>INFLOW</b>	<b>8</b>	<b>1,808,882</b>	<b>22</b>	<b>4,857,463</b>	<b>0</b>	<b>0.00</b>	<b>30</b>	<b>6,666,345</b>	<b>14.22%</b>	<b>10.85%</b>
<b>IDENTIFIED</b>	<b>1</b>	<b>8,332</b>	<b>22</b>	<b>4,857,463</b>	<b>0</b>	<b>0.00</b>	<b>23</b>	<b>4,865,795</b>	<b>10.90%</b>	<b>7.92%</b>
MALAYSIA	0	0.00	21	4,466,953	0	0.00	21	4,466,953	9.95%	7.27%
GERMANY	1	8,332	0	0.00	0	0.00	1	8,332	0.47%	0.01%
HONG KONG	0	0.00	1	390,510	0	0.00	1	390,510	0.47%	0.64%
<b>POTENTIAL - UNITED ARAB EMIRATES</b>	<b>7</b>	<b>1,800,550</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>7</b>	<b>1,800,550</b>	<b>3.32%</b>	<b>2.93%</b>
<b>WITHIN THE JURISDICTION</b>	<b>25</b>	<b>9,512,400</b>	<b>155</b>	<b>45,238,250</b>	<b>1</b>	<b>100.00</b>	<b>181</b>	<b>54,750,750</b>	<b>85.78%</b>	<b>89.15%</b>
<b>Grand Total</b>	<b>33</b>	<b>11,321,282</b>	<b>177</b>	<b>50,095,712</b>	<b>1</b>	<b>100</b>	<b>211</b>	<b>61,417,094</b>	<b>100%</b>	<b>100%</b>

Table 7.2 Breakdown of STRs related to all environmental crimes from 2018 to 2020

It is observed that most financial transactions and criminal proceeds from environmental crimes originated and circulated within the Philippine jurisdiction. The high STR volume and peso value of the domestic financial transactions for the current period, which is measured at 85.78% and 89.15%, respectively, are mainly attributable to the domestic transactions of a subject involved in illegal agarwood exportation. This is contrary to what had been noted in the previous study covering the years 2013 to 2017, where the Philippines was identified as the destination of illicit funds generated from various violations of environmental laws.

### Inflows and outflows

While there are no cash outflows associated with environmental crimes, its cash inflows account for 14.29% of the total STRs. For identified sources, Malaysia has the most significant number of inward remittances (measured at 70% of the total inflows), which appears to represent the payment for illegally exported wood to Malaysia.

It should be noted that in the previous assessment covering 2013 to 2017, USA had the greatest number of remittances to the Philippines in relation to wildlife smuggling, while Hong Kong sent the largest amount of remittances in relation to illegal mining.

### Financial channel

Table 7.3 below summarizes the financial channels used by the perpetrators in moving suspected criminal proceeds.

Financial Channels Used	No. of STRs	%	Peso Value	%
BANKS	207	98.57%	61,407,262	99.98%
MONEY SERVICE BUSINESSES	2	0.95%	9,032	0.01%
ELECTRONIC MONEY ISSUER	2	0.48%	800	0.00%
<b>Grand Total</b>	<b>211</b>	<b>100.00%</b>	<b>61,417,094</b>	<b>100.00%</b>

Table 7.3 Financial channels used to move illicit proceeds from environmental crimes from 2018 to 2020

In the previous assessment covering the period 2013 to 2017, MSBs were generally used by perpetrators in moving the criminal proceeds. Based on the recent assessment as shown in table above, however, banks are most widely used in moving illicit proceeds from environmental crimes, accounting for 98.57% of the total STRs and 99.98% of the total criminal proceeds.

### Interpretation

Current data shows that majority of the financial activities associated with environmental crimes occurred within the Philippine jurisdiction. It is also noted that majority of the related illicit funds were coursed through banks.

While there are no cash outflows associated with environmental crimes, the related cash inflows mostly came from Malaysia.

## VIII. WEB-RELATED CRIMES

RA 8792, otherwise known as the Electronic Commerce Act of 2000, provides for the recognition and use of electronic commercial and non-commercial transactions and documents, penalties for unlawful use thereof and for other purposes. From 2018 to 2020, there were 23,140 STRs, amounting to Php1.69 billion filed by covered persons in relation to violations of RA 8972. This represents 8.97% and 3.34% of the total volume and peso value, respectively, of the STRs used in the study. Table 8.1 shows the volume and peso value of STRs on unlawful web-related activities by transaction flow.

E-COMMERCE VIOLATIONS	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
INFLOW	216	16,986,907	171	34,896,074	108	10,890,619	495	62,773,600	2.14%	3.71%
OUTFLOW	48	139,812,883	28	106,971,221	21	55,739,344	97	302,523,448	0.42%	17.89%
WITHIN THE JURISDICTION	4,475	227,511,681	7,058	183,694,223	11,015	914,421,512	22,548	1,325,627,416	97.44%	78.40%
<b>Grand Total</b>	<b>4,739</b>	<b>384,311,471</b>	<b>7,257</b>	<b>325,561,518</b>	<b>11,144</b>	<b>981,051,475</b>	<b>23,140</b>	<b>1,690,924,464.020</b>	<b>100%</b>	<b>100%</b>

Table 8.1 Volume and peso value of STRs under violations of the E-Commerce Act per category from 2018 to 2020

Similar with the results of the previous assessment for the years 2013 to 2017, majority of the reported transactions are within the Philippine jurisdiction. For the years 2018 to 2020, transactions within the jurisdiction accounts for 78.40% of total peso value and 97.44% of the total volume of STRs. These include the following transactions: cash and check deposits, check-clearing, check encashment, inter-account transfers, withdrawals, credit of salaries/pensions, and remittances. Some of the

transactions usually involve online scams, particularly, illegal solicitation of investments<sup>16</sup> in the guise of marketing perfumes and cosmetics, Internet fraud (Facebook-hacking), unauthorized fund transfer as well as withdrawal and ATM card-skimming, among others. On the other hand, the total peso value of international inward and outward remittances only amounts to PhP62.8 million (3.71% of total peso value) with 495 STRs (2.14% of the total volume) and PhP302.5 million (17.89% of total peso value) with only 97 STRs, respectively.

### Inflow<sup>17</sup>

E-COMMERCE VIOLATIONS	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>IDENTIFIED SOURCE</b>	<b>202</b>	<b>16,445,687</b>	<b>153</b>	<b>21,773,687</b>	<b>89</b>	<b>10,000,541</b>	<b>444</b>	<b>48,219,915</b>	<b>89.70%</b>	<b>76.82%</b>
USA	67	1,784,007	53	10,795,718	26	3,316,168	146	15,895,893	29.49%	25.32%
UNITED KINGDOM	10	8,230,422	17	5,678,157	6	690,351	33	14,598,930	6.67%	23.26%
AUSTRALIA	29	4,392,010	27	650,386	13	886,625	69	5,929,021	13.94%	9.45%
GERMANY	0	0	6	561,649	15	2,225,987	21	2,787,636	4.24%	4.44%
KUWAIT	0	0	0	0	14	1,344,947	14	1,344,947	2.83%	2.14%
SINGAPORE	45	472,043	13	498,026	2	127,399	60	1,097,468	12.12%	1.75%
CANADA	17	352,946	24	392,985	5	75,883	46	821,815	9.29%	1.31%
ITALY	25	282,080	0	0	0	0	25	282,080	5.05%	0.45%
OTHER COUNTRIES	9	932,179	13	3,196,766	8	1,333,181	30	5,462,126	6.06%	8.70%
<b>POTENTIAL SOURCE</b>	<b>14</b>	<b>541,220</b>	<b>16</b>	<b>13,002,679</b>	<b>2</b>	<b>99,474</b>	<b>32</b>	<b>13,643,373</b>	<b>6.46%</b>	<b>21.73%</b>
USA	12	494,048	8	11,733,022	0	0	20	12,227,070	4.04%	19.48%
AUSTRALIA	0	0	8	1,269,656	0	0	8	1,269,656	1.62%	2.02%
KUWAIT	0	0	0	0	2	99,474	2	99,474	0.40%	0.16%
CANADA	1	38,715	0	0	0	0	1	38,715	0.20%	0.06%
UAE	1	8,457	0	0	0	0	1	8,457	0.20%	0.01%
<b>UNKNOWN SOURCE</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>119,708</b>	<b>17</b>	<b>790,604</b>	<b>19</b>	<b>910,312</b>	<b>3.84%</b>	<b>1.45%</b>
<b>Grand Total</b>	<b>216</b>	<b>16,986,907</b>	<b>171</b>	<b>34,896,074</b>	<b>108</b>	<b>10,890,619</b>	<b>495</b>	<b>62,773,600</b>	<b>100%</b>	<b>100%</b>

Table 8.2 Breakdown of cash inflows by country from 2018 to 2020 in relation to violations of the E-Commerce Act

International inward remittances from other countries account for only 495 transactions or 2.14% of the total number of STRs associated with E-Commerce Act violations. It was noted that only nineteen (19) of these transactions are from unknown source with two (2) transactions being reported based on information received by a covered person that the customer’s account was on sale in the dark web, where the account was likely used as a drop account utilized by fraudsters to receive payments for stolen credentials and sold items.

The highest volume of remittances from 2018 to 2020 comes from the USA with 146 transactions from identified sources and 20 transactions from potential sources. Likewise, the USA is the top source of remittances, in terms of peso equivalent, amounting to PhP15.9 million from identified sources and PhP12.2 million from potential sources. This corresponds to the observation in the previous assessment covering 2013 to 2017, where transactions originating from the USA account for majority of the total volume and peso value of cash inflows.

<sup>16</sup> Covered persons interchangeably use the predicate crimes “violation of Electronic Commerce Act,” “swindling,” and “SRC violation” for some fraudulent schemes, such as investment scams.

<sup>17</sup> Jurisdictions categorized under “Other Countries - Identified Source” comprise thirteen (13) countries mostly located in Asia-Pacific and Europe.

For years 2018 to 2020, most of the international inward remittances associated with E-Commerce Act violations from both identified and potential sources pertain to fraud (e.g., romance/online relationship scams, emergency scams).

### Outflow<sup>18</sup>

E-COMMERCE VIOLATIONS	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>IDENTIFIED DESTINATION</b>	<b>46</b>	<b>138,353,643</b>	<b>28</b>	<b>106,971,221</b>	<b>20</b>	<b>45,069,294</b>	<b>94</b>	<b>290,394,158</b>	<b>96.91%</b>	<b>95.99%</b>
HONG KONG	7	7,326,308	6	60,662,150	9	31,987,521	22	99,975,979	22.68%	33.05%
CHINA	6	26,416,067	4	17,488,857	3	4,060,280	13	47,965,203	13.40%	15.86%
PORTUGAL	1	33,655,324	0	0	0	0	1	33,655,324	1.03%	11.12%
JAPAN	3	18,621,247	0	0	2	3,884,498	5	22,505,745	5.15%	7.44%
USA	5	10,019,236	4	3,335,256	2	1,611,836	11	14,966,327	11.34%	4.95%
MEXICO	0	0	1	14,305,739	1	356,720	2	14,662,459	2.06%	4.85%
TURKEY	1	11,364,200	0	0	0	0	1	11,364,200	1.03%	3.76%
AUSTRALIA	6	9,585,687	0	0	0	0	6	9,585,687	6.19%	3.17%
MALAYSIA	2	4,820,540	1	1,531,348	0	0	3	6,351,888	3.09%	2.10%
GERMANY	3	3,883,102	1	1,165,233	0	0	4	5,048,335	4.12%	1.67%
THAILAND	2	324,707	4	2,411,023	0	0	6	2,735,730	6.19%	0.90%
SINGAPORE	1	684,280	2	1,478,920	0	0	3	2,163,200	3.09%	0.72%
OTHER COUNTRIES	9	11,652,946	5	4,592,697	3	3,168,439	17	19,414,082	17.53%	6.42%
<b>POTENTIAL DESTINATION</b>	<b>2</b>	<b>1,459,240</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>10,670,051</b>	<b>3</b>	<b>12,129,290</b>	<b>3.09%</b>	<b>4.01%</b>
USA	1	807,466	0	0	1	10,670,051	2	11,477,516	2.06%	3.79%
UNITED KINGDOM	1	651,774	0	0	0	0	1	651,774	1.03%	0.22%
<b>Grand Total</b>	<b>48</b>	<b>139,812,883</b>	<b>28</b>	<b>106,971,221</b>	<b>21</b>	<b>55,739,344</b>	<b>97</b>	<b>302,523,448</b>	<b>100%</b>	<b>100%</b>

Table 8.3 Breakdown of cash outflows by country from 2018 to 2020 in relation to violations of the E-Commerce Act

The number of transaction outflows heading to another country is lower compared with the number of transaction inflows. From 2018 to 2020, there were only 97 transactions equivalent to 0.42% of the total number of web-related STRs. Hong Kong had the highest number of transactions with 22 STRs, amounting to PhP99.98 million or 5.91% of the total peso value. Likewise, in the previous assessment for the years 2013 to 2017, Hong Kong, China, and USA were among the top countries receiving proceeds and/or remittances from the Philippines.

Majority of the international outward remittances associated with E-Commerce Act violations for the years 2018 to 2020 involve hacking or alleged hacking of an e-mail account or hotline; payment to unauthorized beneficiary; instructions from a fictitious e-mail; and business e-mail compromise.

### Financial channel

CHANNELS USED	NO. of STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
BANKS	22,654	97.90%	1,679,164,905	99.30%
MONEY SERVICE BUSINESSES	348	1.50%	6,185,497	0.37%
ELECTRONIC MONEY ISSUER	21	0.09%	35,480	0.00%
PAWNSHOPS	117	0.51%	5,538,582	0.33%
<b>Grand Total</b>	<b>23,140</b>	<b>100.00%</b>	<b>1,690,924,464</b>	<b>100.00%</b>

Table 8.4 Breakdown of STRs under violations of the E-Commerce Act per financial channel from 2018 to 2020

<sup>18</sup> Jurisdictions categorized under “Other Countries - Identified Source” consist of thirteen (13) countries mostly located in Asia-Pacific and Europe.

As shown in Table 8.4, banks are mainly used in transacting illicit funds, amounting to PhP1.7 billion (97.90% in terms of total peso amount) with 22,654 STRs (99.30% in terms of volume of STRs). This is consistent with the findings in the previous assessment covering the years 2013 to 2017.

Interpretation

Based on the STRs submitted by various covered persons from 2018 to 2020, majority of the volume of transactions and value of illicit funds circulated in the Philippines and remained within the Philippine financial system. Banks are primarily used in transacting the criminal proceeds obtained from this unlawful activity, including but not limited to the following: 1) online scams; 2) atm card skimming; 3) unauthorized fund transfers and withdrawals; 4) and other unauthorized online investment-taking activities.

For inward remittances, the USA, both in terms of STR volume and peso value, is identified as the top source country. While for outward remittances, Hong Kong is the top destination of proceeds obtained from fraudulent transactions relating to violations of the E-Commerce Act of 2000, mostly due to e-mail hacking.

**IX. TRAFFICKING IN PERSONS, CHILD EXPLOITATION, AND OTHER RELATED CRIMES**

This section covers STRs under the following predicate offenses: (1) violations of Sections 4 to 6 of RA 9208, otherwise known as the Anti-Trafficking in Persons Act of 2003, as amended by RA 10364; (2) violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12, and 14 of RA 7610, otherwise known as the Special Protection of Children, Against Abuse, Exploitation, and Discrimination; (3) violations of Section 4 of RA 9995, otherwise known as the Anti-Photo and Video Voyeurism Act of 2009; and (4) violations of Section 4 of RA 9775, otherwise known as the Anti-Child Pornography Act of 2009. A total of 50,965 STRs, amounting to PhP1.1 billion, in relation to trafficking in persons, child exploitation, child pornography, and photo and video voyeurism were submitted by the covered persons from 2018 to 2020. Collectively, these account for 19.74% and 2.25% of the total STRs volume and peso value, respectively, used in the study. The table below shows the breakdown of the STRs by predicate offense:

PREDICATE OFFENSE	2018	2019	2020	TOTAL	%
TRAFFICKING IN PERSONS	413	515	132	1,060	2.08%
CHILD EXPLOITATION	3,563	10,465	32,400	46,428	91.10%
CHILD PORNOGRAPHY	703	610	1,766	3,079	6.04%
PHOTO AND VIDEO VOYEURISM	69	120	209	398	0.78%
<b>TOTAL</b>	<b>4,748</b>	<b>11,710</b>	<b>34,507</b>	<b>50,965</b>	<b>100%</b>

Table 9.1 Total number of STRs per predicate offense from 2018 to 2020

Based on the table above, STRs related to child exploitation account for the majority or 91.10% of the total transactions, followed by child pornography at 6.04%, trafficking in persons at 2.08%, and photo and video voyeurism at only 0.78%.

PREDICATE OFFENSE	Inflows	Outflows	Within the Jurisdiction	TOTAL
TRAFFICKING IN PERSONS	144	0	916	1,060
CHILD EXPLOITATION	44,104	49	2,275	46,428
CHILD PORNOGRAPHY	2,434	0	645	3,079
PHOTO AND VIDEO VOYEURISM	178	0	220	398
<b>TOTAL</b>	<b>46,860</b>	<b>49</b>	<b>4,056</b>	<b>50,965</b>
<b>PERCENTAGE</b>	<b>91.95%</b>	<b>0.10%</b>	<b>7.96%</b>	<b>100%</b>

Table 9.2 Total number of STRs per predicate offense per transaction flow from 2018 to 2020

Based on Table 9.2, majority or 91.95% of the STRs associated with these unlawful activities are cash inflows from other countries. This strengthens the observations noted in the recent AMLC study titled “Child Pornography in the Philippines: Post 2019 Study using STR Data,”<sup>19</sup> which noted that STRs involving international remittances imply that child pornography in the country is predominantly cross-border in nature.

#### A. Violations of the Special Protection of Children against Abuse, Exploitation, and Discrimination Act

Table 9.3 shows the summary of the STRs related to violations of the Special Protection of Children against Abuse, Exploitation, and Discrimination Act.

CHILD EXPLOITATION	2018		2019		2020		Total		%	
	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE	NO. OF STRs	PESO VALUE
INFLOW	3,021	21,319,636	9,704	42,915,697	31,379	114,676,202	44,104	178,911,536	94.99%	93.89%
OUTFLOW	28	645,918	8	281,614	13	385,405	49	1,312,937	0.11%	0.69%
WITHIN THE JURISDICTION	514	4,121,775	753	3,010,528	1,008	3,194,921	2,275	10,327,224	4.90%	5.42%
<b>Grand Total</b>	<b>3,563</b>	<b>26,087,329</b>	<b>10,465</b>	<b>46,207,840</b>	<b>32,400</b>	<b>118,256,528</b>	<b>46,428</b>	<b>190,551,696</b>	<b>100%</b>	<b>100%</b>

Table 9.3 Overview of STRs related to violations of the Special Protection of Children against Abuse, Exploitation, and Discrimination from 2018 to 2020

As seen from the table above, there is an increasing trend in the transactions associated with this unlawful activity covering 2018 to 2020. The total number of STRs submitted during the covered period is 46,428, representing transactions amounting to PHP190.55 million. This accounts for 17.99% and 0.38% of the total volume and peso value, respectively, of the STRs used in the study.

The illicit funds from this unlawful activity are mostly international inward remittances (cash inflow), representing 94.99% of the total number and 93.89% of the total peso value of STRs. While international outward remittances (cash outflow) only correspond to 0.11% of the total number of STRs and 0.69% of the STRs’ total peso value. On the other hand, 4.90% of the total number and 5.42% of the total peso value of STRs related to child exploitation occurred within the jurisdiction. This assessment, however, deviates from the result of the previous assessment covering 2013 to 2017, where it was noted that illicit funds from this unlawful activity mostly circulated within the Philippine jurisdiction. Nonetheless, this supports the observation in “Child Pornography in the Philippines: Post 2019 Study using STR Data,” where it was noted that the number of international remittances related to child pornography is higher than the number of domestic remittances.

<sup>19</sup><http://www.amlc.gov.ph/images/PDFs/2020%20DEC%20CHILD%20PORNOGRAPHY%20IN%20THE%20PHILIPPINES%20POST-2019%20STUDY%20USING%20STR%20DATA.pdf> (Accessed on 19 April 2021)

INFLOW	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>IDENTIFIED SOURCE</b>	<b>2,067</b>	<b>16,698,064</b>	<b>8,988</b>	<b>40,282,365</b>	<b>31,006</b>	<b>113,270,000</b>	<b>42,061</b>	<b>170,250,430</b>	<b>95.37%</b>	<b>95.16%</b>
USA	858	5,814,035	3,410	14,684,154	11,396	41,714,109	15,664	62,212,298	35.52%	34.77%
SAUDI ARABIA	7	52,735	675	2,054,040	3,664	12,391,850	4,346	14,498,625	9.85%	8.10%
CANADA	128	1,135,815	597	3,184,342	2,133	8,261,167	2,858	12,581,325	6.48%	7.03%
AUSTRALIA	179	1,458,379	590	2,337,356	2,079	7,343,912	2,848	11,139,648	6.46%	6.23%
UNITED KINGDOM	241	1,605,231	517	2,237,033	1,540	4,823,115	2,298	8,665,380	5.21%	4.84%
JAPAN	105	1,812,764	253	1,967,088	675	3,798,880	1,033	7,578,732	2.34%	4.24%
GERMANY	95	1,293,659	237	1,896,949	622	2,795,588	954	5,986,196	2.16%	3.35%
SINGAPORE	8	29,295	228	855,664	682	2,279,668	918	3,164,627	2.08%	1.77%
ITALY	7	20,508	206	767,859	693	2,251,515	906	3,039,882	2.05%	1.70%
UAE	11	141,600	261	1,134,410	599	2,241,486	871	3,517,496	1.97%	1.97%
SOUTH KOREA	7	168,845	57	438,071	746	3,304,437	810	3,911,353	1.84%	2.19%
QATAR	25	411,467	130	942,929	599	2,388,950	754	3,743,345	1.71%	2.09%
OTHER COUNTRIES	396	2,753,730	1,827	7,782,471	5,578	19,675,324	7,801	30,211,525	17.69%	16.89%
<b>POTENTIAL SOURCE</b>	<b>845</b>	<b>4,078,670</b>	<b>623</b>	<b>2,306,450</b>	<b>329</b>	<b>1,242,947</b>	<b>1,797</b>	<b>7,628,067</b>	<b>4.07%</b>	<b>4.26%</b>
USA	286	2,214,514	210	911,367	103	376,488	599	3,502,369	1.36%	1.96%
UNITED KINGDOM	500	1,468,198	330	1,046,249	149	585,119	979	3,099,566	2.22%	1.73%
OTHER COUNTRIES	59	395,958	83	348,834	77	281,340	219	1,026,132	0.50%	0.57%
<b>UNKNOWN SOURCE</b>	<b>109</b>	<b>542,902</b>	<b>93</b>	<b>326,882</b>	<b>44</b>	<b>163,255</b>	<b>246</b>	<b>1,033,039</b>	<b>0.56%</b>	<b>0.58%</b>
<b>Grand Total</b>	<b>3,021</b>	<b>21,319,636</b>	<b>9,704</b>	<b>42,915,697</b>	<b>31,379</b>	<b>114,676,202</b>	<b>44,104</b>	<b>178,911,536</b>	<b>100%</b>	<b>100%</b>

Table 9.4 Summary of transactions inflow related to child exploitation from 2018 to 2020

The top source country of remittances from identified sources is the USA, representing 35.52% of the total number and 34.77% of the total peso value of inflows related to child exploitation. Further, for potential sources, USA remitted 1.36% and 1.96% of the total number and peso value, respectively, of inflows associated with child exploitation. This is consistent with the observations in “Child Pornography in the Philippines: Post 2019 Study using STR Data,” where the USA, Kingdom of Saudi Arabia, Australia, Canada, and the United Kingdom are the top five (5) sender-countries, both in volume and in value of STRs, with the USA as the constant top-sending country.<sup>21</sup> On the other hand, the previous external threat assessment covering 2013 to 2017 noted a single inflow transaction from Israel in 2014.

Outflow

OUTFLOW	2018		2019		2020		Total		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>IDENTIFIED SOURCE</b>	<b>28</b>	<b>645,918</b>	<b>8</b>	<b>281,614</b>	<b>13</b>	<b>385,405</b>	<b>49</b>	<b>1,312,937</b>	<b>100.00%</b>	<b>100.00%</b>
USA	4	14,655	5	187,375	10	337,933	19	539,962	38.78%	41.13%
NETHERLANDS	4	456,462	0	0	0	0	4	456,462	8.16%	34.77%
KENYA	19	165,798	0	0	0	0	19	165,798	38.78%	12.63%
UAE	0	0	1	45,868	2	42,972	3	88,840	6.12%	6.77%
TURKEY	0	0	1	27,928	0	0	1	27,928	2.04%	2.13%
HONG KONG	0	0	1	20,442	0	0	1	20,442	2.04%	1.56%
INDIA	1	9,004	0	0	0	0	1	9,004	2.04%	0.69%
AUSTRALIA	0	0	0	0	1	4,500	1	4,500	2.04%	0.34%
<b>Grand Total</b>	<b>28</b>	<b>645,918</b>	<b>8</b>	<b>281,614</b>	<b>13</b>	<b>385,405</b>	<b>49</b>	<b>1,312,937</b>	<b>100.00%</b>	<b>100.00%</b>

Table 9.5 Summary of transactions outflow related to child exploitation from 2018 to 2020

<sup>20</sup> Jurisdictions categorized under “Other Countries - Identified Source” include twenty-one (21) countries in Africa, thirty-one (31) countries in Asia, thirty-three (33) countries in Europe, twelve (12) countries in Oceania, and twenty-six (26) countries in the Western region. Jurisdictions categorized under “Other Countries - Potential Source” include ten (10) countries mostly located in the Asia-Pacific region.

<sup>21</sup> Ibid. footnote 16 (specifically on page 8)

There were forty-nine (49) international outward remittances, amounting to Php1.3 million related to child exploitation. In terms of volume, Kenya and USA are the top destinations, both with 38.78% (19 STRs). While for the peso value, the USA received the largest amount, representing 41.13% of the total outflows related to child exploitation, followed by the Netherlands with 34.77%. It should be noted that there was no reported cash outflow in the previous assessment covering the years 2013 to 2017.

Financial channel

CHANNELS USED	NO. of STRs		PESO VALUE	
	Count	%	Amount	%
MONEY SERVICE BUSINESSES	43,124	92.88%	173,865,245	91.24%
PAWNSHOPS	3,251	7.00%	13,702,964	7.19%
ELECTRONIC MONEY ISSUER	30	0.06%	380,581	0.20%
BANKS	22	0.05%	2,602,307	1.37%
STOCK SAVINGS & LOAN ASSOCIATIONS	1	0.00%	600	0.00%
<b>GRAND TOTAL</b>	<b>46,428</b>	<b>100.00%</b>	<b>190,551,696</b>	<b>100.00%</b>

*Table 9.6 Summary of STRs related to child exploitation per financial channel from 2018 to 2020*

Transactions associated with child exploitation were largely reported by MSBs, accounting for 92.88% of the total number of STRs, followed by pawnshops estimated at 7%. The same trend is observed on the peso value of the STRs; MSBs generated Php173.9 million or 91.24%, followed by pawnshops with Php13.7 million or 7.19%. Likewise, “Child Pornography in the Philippines: Post 2019 Study using STR Data” observed that majority of the funds linked to child pornography are channeled through MSBs; while the previous external threat assessment covering 2013 to 2017 noted that majority of transactions were reported by MSBs.

Interpretation

On child exploitation, majority of the STRs pertain to inward remittances, reported primarily by MSBs. The USA was identified as the top source country of illicit funds associated with child exploitation. For outward remittances, in terms of volume, the USA shares the spot with Kenya as top destination countries with the USA generating the largest amount of remittance transactions, followed by the Netherlands. Given that most of the STRs pertain to inward remittances, individuals from the source countries are possibly remitting payments on child sexual exploitation materials to the Philippines. Hence, the Philippines is the apparent source of child exploitation materials.

**B. Violations of the Anti-Trafficking in Persons Act of 2003**

Table 9.7 summarizes the volume and peso value of STRs relative to violations of the Anti-Trafficking in Persons Act of 2003.



HUMAN TRAFFICKING	2018		2019		2020		TOTAL		%	
	NO. of STRs	PESO VALUE*	NO. of STRs	PESO VALUE *	NO. of STRs	PESO VALUE*	NO. of STRs	PESO VALUE *	NO. of STRs	PESO VALUE
<b>INFLOW</b>	<b>54</b>	<b>6.825</b>	<b>40</b>	<b>12.270</b>	<b>50</b>	<b>11.273</b>	<b>144</b>	<b>30.368</b>	<b>13.58%</b>	<b>5.29%</b>
<b>IDENTIFIED SOURCE</b>	<b>9</b>	<b>5.421</b>	<b>40</b>	<b>12.270</b>	<b>50</b>	<b>11.273</b>	<b>99</b>	<b>28.963</b>	<b>9.34%</b>	<b>5.05%</b>
USA	5	5.325	38	12.252	48	11.197	91	28.774	8.58%	5.01%
AUSTRALIA	4	0.096	1	0.015	0	0.000	5	0.111	0.47%	0.02%
KOREA	0	0.000	0	0.000	1	0.013	1	0.013	0.09%	0.00%
NORWAY	0	0.000	1	0.002	0	0.000	1	0.002	0.09%	0.00%
SWEDEN	0	0.000	0	0.000	1	0.063	1	0.063	0.09%	0.01%
<b>POTENTIAL SOURCE</b>	<b>13</b>	<b>1.295</b>	<b>0</b>	<b>0.000</b>	<b>0</b>	<b>0.000</b>	<b>13</b>	<b>1.295</b>	<b>1.23%</b>	<b>0.23%</b>
USA	8	0.045	0	0.000	0	0.000	8	0.045	0.75%	0.01%
GERMANY	4	1.248	0	0.000	0	0.000	4	1.248	0.38%	0.22%
SINGAPORE	1	0.002	0	0.000	0	0.000	1	0.002	0.09%	0.00%
<b>UNKNOWN SOURCE</b>	<b>32</b>	<b>0.109</b>	<b>0</b>	<b>0.000</b>	<b>0</b>	<b>0.000</b>	<b>32</b>	<b>0.109</b>	<b>3.02%</b>	<b>0.02%</b>
<b>WITHIN THE JURISDICTION</b>	<b>359</b>	<b>57.234</b>	<b>475</b>	<b>436.68</b>	<b>82</b>	<b>49.780</b>	<b>916</b>	<b>543.692</b>	<b>86.42%</b>	<b>94.71%</b>
<b>Grand Total</b>	<b>413</b>	<b>64.059</b>	<b>515</b>	<b>448.948</b>	<b>132</b>	<b>61.053</b>	<b>1,060</b>	<b>574.060</b>	<b>100%</b>	<b>100%</b>

Table 9.7 Summary of STRs related to human trafficking by transaction flow from 2018 to 2020  
\*peso value in millions

As can be seen in the table above, covered persons submitted a total of 1,060 STRs, amounting to PhP574 million, representing 0.41% and 1.14% of the total volume and peso value, respectively, of the STRs used in the study.

Most of the financial activities linked to human trafficking from 2018 to 2020 transpired in the Philippines. A total of 916 STRs, representing 86.42% of the total volume and 94.71% (PhP543.7 million) of the total peso value, were transacted domestically. These transactions include cash and check deposits, inter-account transfers, withdrawals, purchase of MC/CC/DD/TC through debit memo, and remittances. Majority of these transactions are linked to cyber and child pornography (including online child exploitation activities),<sup>22</sup> facilitation of prostitution, and illegal smuggling of people from the Philippines or trafficking in persons. In contrast, the previous assessment for the years 2013 to 2017 showed that the bulk of the financial activities linked to human trafficking were inflows from other jurisdictions.

### Inflow

As seen in Table 9.7, inflows from identified sources originated from the following countries: (1) USA, (2) Australia, (3) Korea, (4) Norway, and (5) Sweden. Inflows from potential sources emanated from (1) USA, (2) Germany, and (3) Singapore. The USA has the largest amount of inward remittances, amounting to PhP28.8 million or 5.01% of the total value of STRs related to human trafficking. There were 32 inflows coming from unknown sources. Majority of said inflows are linked to cyber and child pornography, and other violations of the Anti-Trafficking in Persons Act of 2003. Similar with the previous assessment for the years 2013 to 2017, the USA remains to be one of the top source countries.

<sup>22</sup> Covered persons interchangeably use the predicate crimes “violation of the Anti-Trafficking in Persons Act of 2003,” “violation of Anti-Child Pornography,” and “violation of the Special Protection of Children against Abuse, Exploitation, and Discrimination Act” in filing STRs relating to cyber and child pornography.

## Financial channel

Majority of the STRs connected to Violations of the Anti-Trafficking in Persons Act of 2003 comes from banks (39.91%) and pawnshops (34.53%). Banks also top the list of financial channels used in moving the proceeds of crime, which is estimated at PhP570 million or 99.29% of the total proceeds associated with human trafficking covering 2018 to 2020.

CHANNELS USED	NO. of STRs		PESO AMOUNT	
	Count	%	Amount	%
BANKS	423	39.91%	569,963,768.65	99.29%
PAWNSHOPS	366	34.53%	1,518,167.74	0.26%
MONEY SERVICE BUSINESSES	183	17.26%	1,762,703.49	0.31%
ELECTRONIC MONEY ISSUER	88	8.30%	815,167.09	0.14%
<b>Grand Total</b>	<b>1,060</b>	<b>100%</b>	<b>574,059,806.97</b>	<b>100%</b>

Table 9.8 Summary of STRs related to human trafficking per financial channels from 2018 to 2020

## Interpretation

Based on the STRs submitted by various covered persons from 2018 to 2020, it was observed that volume-wise, the bulk of the reported transactions associated with trafficking in persons occurred within the Philippine jurisdiction. Majority were coursed through banks (39.91%) and pawnshops (34.53%), while in terms of peso value, banks dominated the share, accounting for 99.29%. The USA is identified as the top source country for inward remittances. Unlawful activities reported under human trafficking are mainly associated with cyber and child pornography, facilitation of prostitution, and illegal smuggling of people from the Philippines.

## C. Violations of the Anti-Photo and Video Voyeurism Act of 2009

Table 9.9 summarizes the volume and peso value of STRs relative to violation of the Anti-Photo and Video Voyeurism Act of 2009.

PHOTO and VIDEO VOYEURISM	2018		2019		2020		TOTAL		%	
	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE	NO. of STRs	PESO VALUE
<b>INFLOW</b>	<b>64</b>	<b>128,228,779</b>	<b>99</b>	<b>1,105,124</b>	<b>15</b>	<b>204,681</b>	<b>178</b>	<b>129,538,583</b>	<b>44.72%</b>	<b>37.69%</b>
<b>IDENTIFIED SOURCES</b>	<b>55</b>	<b>582,072</b>	<b>92</b>	<b>1,083,592</b>	<b>12</b>	<b>184,939</b>	<b>159</b>	<b>1,850,604</b>	<b>39.95%</b>	<b>0.54%</b>
AUSTRALIA	38	241,430	84	947,823	3	30,982	125	1,220,235	31.41%	0.36%
CANADA	5	111,347	0	0	0	0	5	111,347	1.26%	0.03%
GERMANY	2	29,504	0	0	0	0	2	29,504	0.50%	0.01%
IRELAND	1	9,055	0	0	0	0	1	9,055	0.25%	0.00%
MALAYSIA	1	366	0	0	0	0	1	366	0.25%	0.00%
POLAND	2	17,241	0	0	0	0	2	17,241	0.50%	0.01%
ROMANIA	1	11,256	0	0	0	0	1	11,256	0.25%	0.00%
SWITZERLAND	4	132,128	8	135,769	9	153,957	21	421,854	5.28%	0.12%
TURKEY	1	29,746	0	0	0	0	1	29,746	0.25%	0.01%
<b>POTENTIAL SOURCES</b>	<b>9</b>	<b>127,646,707</b>	<b>7</b>	<b>21,531</b>	<b>3</b>	<b>19,742</b>	<b>19</b>	<b>127,687,979</b>	<b>4.77%</b>	<b>37.15%</b>
AUSTRALIA	2	8,493	5	14,000	2	8,000	9	30,493	2.26%	0.01%
BELGIUM	2	127,590,190	0	0	0	0	2	127,590,190	0.50%	37.13%
USA	5	48,024	2	7,531	1	11,742	8	67,297	2.01%	0.02%
<b>WITHIN THE JURISDICTION</b>	<b>5</b>	<b>82,007,600</b>	<b>21</b>	<b>131,919,543</b>	<b>194</b>	<b>198,705</b>	<b>220</b>	<b>214,125,848</b>	<b>55.28%</b>	<b>62.31%</b>
<b>Grand Total</b>	<b>69</b>	<b>210,236,379</b>	<b>120</b>	<b>133,024,666</b>	<b>209</b>	<b>403,386</b>	<b>398</b>	<b>343,664,431</b>	<b>100%</b>	<b>100%</b>

Table 9.9 Summary of STRs related to photo and video voyeurism by transaction flow from 2018 to 2020

A total of 398 STRs, representing an amount of Php343.7 million, was submitted by covered persons from 2018 to 2020. This accounts for 0.15% and 0.68% of the total volume and peso value, respectively, of the STRs used in the study.

Majority or 55.28% in terms of volume and 62.31% in terms of peso value of transactions linked to photo and video voyeurism were done in the Philippine jurisdiction. These transactions include cash and check deposits, inter-account transfers, purchase of MC/CC/DD/TC through debit memo, and remittances. Most of these transactions are linked to selling pornographic videos. Also, there are nine (9) transactions, which correspond to Php212.7 million or 62% of the total peso value, that was reported due to the adverse news that the client allegedly threatened to leak sex videos of his former girlfriend.

Inflow

Based on Table 9.9, there are 159 transaction inflows from identified sources, amounting to Php1.85 million. Australia has the highest number (31.41% of the total volume) and the largest amount of remittances (0.36% of the total peso value). These transactions came from a lone sender from Australia and represent payments for an unlawful transaction online. The location is also identified as a hotspot of cyberporn. In addition, there are 19 transaction inflows, amounting to Php127.69 million from potential sources, where Australia also has the highest number of remittances (2.26% of the total volume), while Belgium has the largest amount of remittances (37.13% of the total peso value). The two (2) transactions potentially coming from Belgium were also transactions of a client that were reported due to the adverse news of an alleged threat to leak sex videos.

Financial channel

In terms of volume of transactions, majority of the STRs connected to violations of Anti-Photo and Video Voyeurism Act of 2009 were coursed through electronic money issuers [EMIs] (50.75%) and MSBs (45.48%), while in terms of peso value, banks (99.37%) emerge as the top channel.

CHANNELS USED	NO. of STRs		PESO AMOUNT	
	Count	%	Amount	%
ELECTRONIC MONEY ISSUERS	202	50.75%	216,774.94	0.06%
MONEY SERVICE BUSINESSES	181	45.48%	1,951,684.97	0.57%
BANKS	15	3.77%	341,495,970.74	99.37%
<b>Grand Total</b>	<b>398</b>	<b>100%</b>	<b>343,664,430.65</b>	<b>100%</b>

Table 9.10 Summary of STRs related to photo and video voyeurism per financial channel from 2018 to 2020

Interpretation

Based on STRs submitted by various covered persons from 2018 to 2020, it was observed that majority of the illicit funds from photo and video voyeurism occurred within the Philippines. Majority of the transactions, in terms of volume, were coursed through EMIs and MSBs, while in terms of peso value, bulk of the reported transactions were coursed through banks. In terms of volume of

transactions, Australia is identified as the top source country for inward remittances while remittances potentially coming from Belgium posted the largest amount.

#### **D. Violations of the Anti-Child Pornography Act of 2009**

Table 9.11 shows the volume and peso value of STRs relative to violation of the Anti-Child Pornography Act of 2009.

CHILD PORNOGRAPHY	2018		2019		2020		TOTAL		%	
	STRs	PESO VALUE	STRs	PESO VALUE	STRs	PESO VALUE	STRs	PESO VALUE	STRs	PESO VALUE
<b>INFLOW</b>	<b>500</b>	<b>3,136,137</b>	<b>367</b>	<b>5,588,536</b>	<b>1,567</b>	<b>8,071,938</b>	<b>2,434</b>	<b>16,796,611</b>	<b>79.05%</b>	<b>66.74%</b>
<b>POTENTIAL SOURCE</b>	<b>146</b>	<b>934,438</b>	<b>191</b>	<b>1,162,859</b>	<b>63</b>	<b>467,753</b>	<b>400</b>	<b>2,565,050</b>	<b>12.99%</b>	<b>10.19%</b>
UNITED KINGDOM	53	331,387	110	641,703	51	361,977	214	1,335,067	6.95%	5.31%
USA	84	503,559	71	442,188	12	105,776	167	1,051,523	5.42%	4.18%
NORWAY	4	82,728	2	59,168	0	0	6	141,896	0.19%	0.56%
HONG KONG	1	3,500	7	14,800	0	0	8	18,300	0.26%	0.07%
SINGAPORE	3	9,104	0	0	0	0	3	9,104	0.10%	0.04%
JORDAN	0	0	1	5,000	0	0	1	5,000	0.03%	0.02%
MALAYSIA	1	4,160	0	0	0	0	1	4,160	0.03%	0.02%
<b>IDENTIFIED SOURCE</b>	<b>328</b>	<b>1,722,555</b>	<b>168</b>	<b>4,395,695</b>	<b>1,502</b>	<b>7,602,685</b>	<b>1,998</b>	<b>13,720,935</b>	<b>64.89%</b>	<b>54.52%</b>
USA	192	741,917	91	3,840,072	1,141	5,986,231	1,424	10,568,219	46.25%	41.99%
AUSTRALIA	35	119,426	17	94,960	83	413,376	135	627,761	4.38%	2.49%
NORWAY	34	420,609	13	107,840	5	51,210	52	579,659	1.69%	2.30%
UNITED KINGDOM	9	93,864	2	7,278	155	439,459	166	540,601	5.39%	2.15%
CANADA	2	15,572	6	35,656	34	185,453	42	236,682	1.36%	0.94%
KUWAIT	6	72,347	7	136,408	1	1,584	14	210,338	0.45%	0.84%
ROMANIA	0	0	0	0	30	181,910	30	181,910	0.97%	0.72%
SINGAPORE	19	106,453	6	26,146	3	8,212	28	140,811	0.91%	0.56%
SWITZERLAND	2	21,185	8	81,327	2	23,530	12	126,042	0.39%	0.50%
GERMANY	7	54,444	0	0	11	58,212	18	112,656	0.58%	0.45%
OTHER COUNTRIES	22	76,740	18	66,007	37	253,509	77	396,256	2.50%	1.57%
<b>UNKNOWN SOURCE</b>	<b>26</b>	<b>479,143</b>	<b>8</b>	<b>29,983</b>	<b>2</b>	<b>1,500</b>	<b>36</b>	<b>510,626</b>	<b>1.17%</b>	<b>2.03%</b>
<b>WITHIN THE JURISDICTION</b>	<b>203</b>	<b>7,056,655</b>	<b>243</b>	<b>827,833</b>	<b>199</b>	<b>484,325</b>	<b>645</b>	<b>8,368,812</b>	<b>20.95%</b>	<b>33.26%</b>
<b>Grand Total</b>	<b>703</b>	<b>10,192,791</b>	<b>610</b>	<b>6,416,369</b>	<b>1,766</b>	<b>8,556,262</b>	<b>3,079</b>	<b>25,165,423</b>	<b>100%</b>	<b>100%</b>

Table 9.11 Summary of STRs related to child pornography from 2018 to 2020<sup>23</sup>

A total of 3,079 STRs, representing an amount of Php25.2 million, were submitted by covered persons for the period 2018 to 2020. This accounts for 1.19% and 0.05% of the total volume and peso value, respectively, of the STRs used in the study.

In terms of volume and peso value of transactions, majority of the STRs linked to child pornography are cash inflows from other countries represented at 79.05% and 66.74%, respectively. While transactions within the Philippine jurisdiction accounts for 20.95%, volume-wise, and 33.26%, in terms of total peso value. About 12% of the total volume or 446 transactions were reported on a subject that was mentioned in the study on child pornography cases in the Philippines that was conducted by the AMLC.

<sup>23</sup> Jurisdictions categorized under "Other Countries - Identified Source" include fifteen (15) countries that are mostly located in the Asia-Pacific and European region.

## Inflow

As seen in Table 9.11, there are 1,998 transaction inflows from identified sources, amounting to PhP13.7 million. The USA has the highest volume (46.25%) and largest amount of remittances (41.99%) for identified sources. Majority of the transactions (1,080 STRs, amounting to PhP4.98 million) were reported as a result of an in-depth review conducted on consumers, who were identified based on a transaction pattern related to possible child exploitation. The activities were identified as suspicious due to possible child exploitation concerns, possible intention to mask activity and avoid detection of multiple transactions for similar dollar amounts and multiple geographical locations to one or many receivers in the Philippines within the same day or consecutive days. Also, inward remittances from the USA include transactions of a client (30 STRs, amounting to PhP3.9 million), who was identified by the branch as an exact match with one of the employees of a company, who was arrested for allegedly engaging in online dating and cyber pornography-related activities. In addition, there were 400 transaction inflows, amounting to PhP2.6 million, from potential sources, where the United Kingdom (6.95% in terms of volume and 5.31% in terms of peso value) and USA (5.42% in terms of volume and 4.18% in terms of peso value) are the top sender countries. All 214 transactions likely coming from the United Kingdom are related to subjects, who are possibly involved in child pornography, based on the study conducted by AMLC. Further, there are 36 STRs coming from unknown sources, where some of the transactions were reported due to a negative media report on a client, who was arrested for allegedly being behind the operation of a pornographic site or involvement in online child exploitation activities.

## Financial channel

In terms of volume of transactions, majority of the transactions were coursed through MSBs (64.53%) and pawnshops (27.35%), while in terms of peso value, the bulk of the suspicious transactions were transacted in banks (45.04%) and MSBs (39.84%).

CHANNELS USED	NO. of STRs		PESO VALUE	
	Count	%	Amount	%
BANKS	129	4.19%	11,335,450	45.04%
ELECTRONIC MONEY ISSUERS	121	3.93%	185,131	0.74%
MONEY SERVICE BUSINESSES	1987	64.53%	10,027,014	39.84%
PAWNSHOPS	842	27.35%	3,617,828	14.38%
<b>GRAND TOTAL</b>	<b>3,079</b>	<b>100.00%</b>	<b>25,165,423</b>	<b>100.00%</b>

*Table 9.12 Summary of STRs related to child pornography per financial channels from 2018 to 2020*

## Interpretation

Based on STRs submitted by various covered persons from 2018 to 2020, it is observed that majority of the illicit funds from child pornography came from sender-countries abroad. The USA was identified as the top source country for inward remittances. In terms of peso value, majority were coursed through banks and MSBs, while volume-wise, bulk of the suspicious proceeds were transacted in MSBs and pawnshops.

## X. KIDNAPPING FOR RANSOM

Kidnapping and serious illegal detention as defined under Article 267 of RA 3815, otherwise known as the Revised Penal Code, as amended, is considered as a predicate offense or an unlawful activity under the AMLA, as amended. A total of 243 STRs, amounting to PhP16.7 million, were submitted by covered persons from 2018 to 2020. This accounts for 0.09% and 0.03% of the total volume and peso value, respectively, of the STRs used in the study.

Based on the previous assessment covering 2013 to 2017, there were only two (2) CASA-related STRs filed under kidnapping for ransom (KFR). For the period under evaluation, however, there is a significant increase in the number of CASA-related suspicious transactions reported to the AMLC. Tables 10.1 and 10.2 show the summary of the transactions reported from years 2018 to 2020 that are linked to KFR.

Kidnapping For Ransom	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>INFLOW</b>	<b>11</b>	<b>54,309</b>	<b>6</b>	<b>757,293</b>	<b>11</b>	<b>313,743</b>	<b>28</b>	<b>1,125,345</b>	<b>11.52%</b>	<b>6.73%</b>
<b>IDENTIFIED</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>746,042</b>	<b>1</b>	<b>10,057</b>	<b>5</b>	<b>756,099</b>	<b>2.06%</b>	<b>4.52%</b>
UNITED KINGDOM	0	0	3	673,946	0	0	3	673,946	1.23%	4.03%
DUBAI	0	0	1	72,096	0	0	1	72,096	0.41%	0.43%
UNITED ARAB EMIRATES	0	0	0	0	1	10,057	1	10,057	0.41%	0.06%
<b>POTENTIAL</b>	<b>4</b>	<b>25,238</b>	<b>1</b>	<b>10,197</b>	<b>10</b>	<b>303,686</b>	<b>15</b>	<b>339,121</b>	<b>6.17%</b>	<b>2.03%</b>
UNITED STATES OF AMERICA	2	5,426	1	10,197	10	303,686	13	319,309	5.35%	1.91%
MALAYSIA	2	19,812	0	0	0	0	2	19,812	0.82%	0.12%
<b>UNKNOWN</b>	<b>7</b>	<b>29,071</b>	<b>1</b>	<b>1,054</b>	<b>0</b>	<b>0</b>	<b>8</b>	<b>30,125</b>	<b>3.29%</b>	<b>0.18%</b>
<b>WITHIN THE JURISDICTION</b>	<b>172</b>	<b>9,507,801</b>	<b>26</b>	<b>3,345,477</b>	<b>17</b>	<b>2,746,000</b>	<b>215</b>	<b>15,599,278</b>	<b>88.48%</b>	<b>93.27%</b>
<b>Grand Total</b>	<b>183</b>	<b>9,562,110</b>	<b>32</b>	<b>4,102,770</b>	<b>28</b>	<b>3,059,743</b>	<b>243</b>	<b>16,724,623</b>	<b>100.00%</b>	<b>100.00%</b>

Table 10.1 Breakdown of STRs related to kidnapping for ransom from 2018 to 2020

As shown in the table above, majority of the financial transactions associated with KFR occurred within the Philippine jurisdiction, accounting for 88.48% of the total STRs. Likewise, the peso value involved in the said domestic transactions also represent the bulk of the total amount of criminal proceeds estimated at PhP15.6 million or 93.27%.

### Inflows and outflows

While there are no cash outflows associated with KFR, its cash inflows account for 11.52% of the total STRs. For identified sources, the United Kingdom had the greatest number of inward remittances (measured at 10.7% of the total inflows). Likewise, the corresponding peso amount of said remittances also constitute 59.89% of the total incoming ransom money. Consistent with the observation in the previous assessment for years 2013 to 2017, the USA is also identified as a potential source of ransom money. The absence of cash outflows in relation to KFR activities suggests that the Philippines is more a perpetrator rather than a victim of kidnapping.

## Financial channel

Table 10.2 below summarizes the financial channels used by the perpetrators in moving the ransom money

Channels Used	No. of STRs	%	Peso Value	%
BANKS	177	72.84%	16,080,082	96.15%
PAWNSHOPS	65	26.75%	624,541	3.73%
MONEY SERVICE BUSINESSES	1	0.41%	20,000	0.12%
<b>Grand Total</b>	<b>243</b>	<b>100.00%</b>	<b>16,724,623.07</b>	<b>100.00%</b>

*Table 10.2 Financial channels used to move illicit proceeds based on STRS from 2018 to 2020*

The mostly used financial channel under this predicate crime remains unchanged based on the findings in the previous assessment. As shown above, perpetrators primarily use banks to move the ransom money, accounting for 72.84% of the total STRs and 96.15% of the total criminal proceeds related to KFR.

## Interpretation

For the years 2018 to 2020, it was observed that illicit funds associated with KFR were mostly transacted and remained within the Philippine financial system. Majority of the said funds were transacted via banks.

The cash inflows only represent a minor percentage of the total STRs, with United Kingdom (identified source) having the greatest number of inward remittances sent to the Philippines. There are no cash outflows in relation to KFR activities, which may indicate that the country is more an offender rather than a victim of kidnapping.

## **XI. FINANCING OF TERRORISM**

Considered as one of the predicate offenses listed under the AMLA, as amended, counter-terrorism financing was further strengthened by the enactment of RA 10168 or the Terrorist Financing Prevention and Suppression Act of 2012, penalizing terrorism financing (TF) as a stand-alone offense.<sup>24</sup>

For the period January 2018 to December 2020, covered persons submitted 1,186 suspicious CASA transactions in relation to TF, amounting to Php324.9 million. This represents 0.46% and 0.64% of the total volume and peso value, respectively, of the STRs used in the study. The 2018 to 2020 figures show a substantial increase from the previous assessment (396 STRs, covering 2013 to 2017). It was observed, however, that majority (82.21%) of the total STRs on TF represent reactive STRs or those reports that were only filed by covered persons as a result of the AMLC's inquiry or probe on the persons of interests.

<sup>24</sup> National Anti-Money Laundering and Countering the Financing of Terrorism Strategy 2018-2022

Table 11.1 below shows the breakdown of TF-related STRs by transaction flow.

FINANCING OF TERRORISM	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
INFLOW	101	1,369,028	90	1,152,399	10	97,557	201	2,618,984	16.95%	0.81%
OUTFLOW	7	703,402	0	-	0	-	7	703,402	0.59%	0.22%
WITHIN THE JURISDICTION	336	75,815,722	469	244,913,979	173	812,509	978	321,542,210	82.46%	98.98%
<b>Grand Total</b>	<b>444</b>	<b>77,888,153</b>	<b>559</b>	<b>246,066,378</b>	<b>183</b>	<b>910,066</b>	<b>1186</b>	<b>324,864,596</b>	<b>100.00%</b>	<b>100.00%</b>

Table 11.1 Overview of transactions related to terrorism financing from 2018 to 2020

Analogous to the findings in the previous assessment covering the period 2013 to 2017, majority of TF-related transactions from 2018 to 2020 originated, circulated, and remained within the Philippine financial system (measured at 82.46%). The corresponding peso value of said domestic transactions also represent a substantial amount of funds with alleged links to TF, measured at Php321.5 million or 98.98%. The types of the domestic financial transactions reported to the AMLC include cash/check deposit transactions, check-clearing, inter-account transfers, inward/outward remittances, which are directly credited to beneficiary's account, inward/outward remittances through advise and pay, and ATM withdrawals.

### Inflow

Based on STR volume, incoming transactions only represent 16.95% of the total transactions related to TF. Table 11.2 lists down the volume and peso value of cash inflows per country.<sup>25</sup>

INFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>POTENTIAL SOURCE</b>	<b>19</b>	<b>75,079</b>	<b>28</b>	<b>135,564</b>	<b>2</b>	<b>14,860</b>	<b>49</b>	<b>225,503</b>	<b>24.38%</b>	<b>8.61%</b>
SINGAPORE	7	17,222	20	71,935	0	0	27	89,157	13.43%	3.40%
UNITED STATES OF AMERICA	6	23,362	5	46,065	2	14,860	13	84,287	6.47%	3.22%
DUBAI	3	28,617	0	0	0	0	3	28,617	1.49%	1.09%
SAUDI ARABIA	0	0	3	17,564	0	0	3	17,564	1.49%	0.67%
MALAYSIA	2	3,378	0	0	0	0	2	3,378	1.00%	0.13%
UNITED KINGDOM	1	2,500	0	0	0	0	1	2,500	0.50%	0.10%
<b>IDENTIFIED SOURCE</b>	<b>75</b>	<b>1,201,583</b>	<b>54</b>	<b>956,863</b>	<b>8</b>	<b>82,697</b>	<b>137</b>	<b>2,241,143</b>	<b>68.16%</b>	<b>85.57%</b>
UNITED STATES OF AMERICA	6	83,288	6	640,439	1	50,853	13	774,580	6.47%	29.576%
QATAR	7	313,761	1	7,532	0	0	8	321,293	3.98%	12.268%
INDONESIA	5	315,039	0	0	0	0	5	315,039	2.49%	12.029%
SAUDI ARABIA	16	144,204	11	97,461	0	0	27	241,665	13.43%	9.227%
MALAYSIA	23	47,082	22	67,754	5	11,488	50	126,324	24.88%	4.823%
ISRAEL	1	15,495	3	81,473	1	14,953	5	111,921	2.49%	4.273%
RUSSIA	1	104,270	0	0	0	0	1	104,270	0.50%	3.981%
CANADA	4	64,198	0	0	0	0	4	64,198	1.99%	2.451%
LEBANON	2	5,217	6	41,170	0	0	8	46,387	3.98%	1.771%
UNITED ARAB EMIRATES	3	22,314	0	0	1	5,403	4	27,717	1.99%	1.058%
JORDAN	3	21,704	0	0	0	0	3	21,704	1.49%	0.829%
OTHER COUNTRIES	4	65,011	5	21,035	0	0	9	86,045	4.48%	3.285%
<b>UNKNOWN SOURCE</b>	<b>7</b>	<b>92,366</b>	<b>8</b>	<b>59,972</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>152,338</b>	<b>7.46%</b>	<b>5.82%</b>
<b>GRAND TOTAL</b>	<b>101</b>	<b>1,369,028</b>	<b>90</b>	<b>1,152,399</b>	<b>10</b>	<b>97,557</b>	<b>201</b>	<b>2,618,984</b>	<b>100%</b>	<b>100%</b>

Table 11.2 Breakdown of cash inflows related to terrorism financing by country from 2018 to 2020

<sup>25</sup> Jurisdictions categorized under "Other Countries - Identified Source" include seven (7) countries located in Europe and Asia.



Based on current figures as shown in the table above, Malaysia and Saudi Arabia are identified as the top sources of inward remittances, respectively accounting for 24.88% and 13.43% of the total volume of inflows. In terms of peso value, however, inflows from the USA, Qatar, and Indonesia represent the highest aggregate amount among all listed countries, respectively measuring at 29.58% (PhP774,580), 12.27% (PhP321,293), and 12.03% (PhP 315,039).

It should be noted that the identified top source country (Myanmar), in terms of aggregate amount of remittance, in the previous assessment covering 2013 to 2017 is no longer present in the current dataset.

### Outflow

Outgoing transactions are only 0.59% of the total financial transactions related to TF. Table 11.3 lists down the volume and peso value of cash outflows per country.

OUTFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>POTENTIAL</b>	<b>7</b>	<b>703,402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>703,402</b>	<b>100.00%</b>	<b>100.00%</b>
UNITED KINGDOM	6	652,617	0	0	0	0	6	652,617	85.71%	92.78%
NETHERLANDS	1	50,785	0	0	0	0	1	50,785	14.29%	7.22%
<b>Grand Total</b>	<b>7</b>	<b>703,402</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>703,402</b>	<b>100.00%</b>	<b>100.00%</b>

Table 11.3 Breakdown of cash outflows related to terrorism financing by country from 2018 to 2020

As gleaned from the table above, the potential destination of funds associated with TF are United Kingdom and Netherlands, respectively, generating 85.71% and 14.29% of the total volume of outflows.

### Financial channel

Table 11.4 below summarizes the financial channels used by the perpetrators in moving proceeds with suspected links to TF:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	SUM PESO	%
PAWNSHOPS	922	77.74%	5,426,627	1.67%
BANKS	212	17.88%	318,197,860	97.95%
MONEY SERVICE BUSINESSES	40	3.37%	921,096	0.28%
ELECTRONIC MONEY ISSUER	12	1.01%	319,013	0.10%
<b>Grand Total</b>	<b>1,186</b>	<b>100.00%</b>	<b>324,864,596</b>	<b>100.00%</b>

Table 11.4 Breakdown of STRs under terrorism financing per financial channel from 2018 to 2020

Current data shows that pawnshops are primarily used in transacting funds associated with TF (via domestic remittances) as compared with the data in the previous assessment, where transactions with alleged links to TF were mostly coursed through MSBs. Since the characteristic of financing of terrorism involves frequent sending of funds in small amounts, it is apparent that pawnshops and

MSBs are being utilized because of their ubiquity and affordable services. The related peso value passing through pawnshops and MSBs, however, are only minimal compared with the aggregate amount that passed through banks. The previous and current assessment share similar findings, both identifying banks as the top financial channel used in terms of aggregated peso value.

### Interpretation

It was observed that funds with alleged links to TF mostly circulated and remained within the Philippine financial system. Although alleged perpetrators commonly use pawnshops in moving the criminal proceeds, a very substantial amount of the illicit funds is still channeled through banks.

For volume of inflows, Malaysia and Saudi Arabia are the top sources of funds with alleged links to TF, while the USA, Qatar, and Indonesia pose the highest threat to the country in terms of peso value of remittances. For outflows, the United Kingdom top the list for potential destination of funds related to TF.

## XII. TERRORISM

Terrorism is defined as acts punishable under specified provisions of the Revised Penal Code and other special penal laws, committed for the purpose of sowing and creating a condition of widespread and extraordinary fear and panic among the populace, in order to coerce the government to give in to an unlawful demand. Acts of terrorism are criminalized in the Philippines with the passage of Republic Act No. 9372 or the Human Security Act of 2007 (HSA). The HSA was recently repealed by RA 11479 or the Anti-Terrorism Act of 2020, which was signed into law on 3 July 2020.<sup>26</sup>

A total of 470 suspicious CASA transactions, amounting to PhP52.7 million, were filed by covered persons covering a three (3)-year period (2018 to 2020) in relation to terrorism. This accounts for 0.18% and 0.10% of the total volume and peso value, respectively, of the STRs used in the study. The table below shows the breakdown of the STRs related to terrorism by flow of transaction.

Terrorism	2018		2019		2020		Total		Percentage	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
INFLOW	66	1,165,523	42	27,638,769	10	162,134	118	28,966,426	25.11%	54.96%
OUTFLOW	7	95,355	3	8,307,950	1	4,136	11	8,407,441	2.34%	15.95%
WITHIN THE JURISDICTION	178	981,467	137	14,108,350	26	241,363	341	15,331,180	72.55%	29.09%
<b>Grand Total</b>	<b>251</b>	<b>2,242,345</b>	<b>182</b>	<b>50,055,069</b>	<b>37</b>	<b>407,633</b>	<b>470</b>	<b>52,705,047</b>	<b>100.00%</b>	<b>100.00%</b>

*Table 12.1 Overview of transaction related to terrorism from 2018 to 2020*

Majority of the financial transactions associated with acts of terrorism occurred within the Philippine jurisdiction, accounting for 72.55% of the total terrorism-related STRs. The corresponding peso value of said domestic transactions, however, only account for PhP15.33 million or 29.09% of the total reported amount. Inflows generated a very substantial share of 54.96% (PhP28.97 million),

<sup>26</sup> <https://www.officialgazette.gov.ph/downloads/2020/06jun/20200703-RA-11479-RRD.pdf>

which may imply that the country is still at risk of being a recipient of terrorism-related funds. The nature of the domestic financial transactions include cash/check deposit transactions, check-clearing, inter-account transfers, inward/outward remittances through advice and pay, outward remittances, which are directly credited to beneficiary's account and ATM withdrawals.

The reverse was observed in the previous assessment covering the years 2013 to 2017, where inflows topped the chart in terms of volume, while transactions within the jurisdiction gathered the most share in terms of peso value.

### Inflow

Based on STR volume, incoming transactions merely generated 25.11% of the total transactions related to terrorism, while its equivalent peso value represent majority of the aggregate reported amounts (measuring at PhP28.97 million or 54.96%). Table 12.2 lists down the volume and peso value of cash inflows per source country.

INFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>IDENTIFIED</b>	<b>50</b>	<b>794,743</b>	<b>40</b>	<b>27,620,228</b>	<b>10</b>	<b>162,134</b>	<b>100</b>	<b>28,577,105</b>	<b>84.75%</b>	<b>98.66%</b>
UNITED STATES OF AMERICA	12	298,158	18	304,554	4	102,199	34	704,911	28.81%	2.43%
MALAYSIA	6	78,820	11	76,772	1	17,739	18	173,331	15.25%	0.60%
BRUNEI	10	40,243	1	8,229	0	0	11	48,471	9.32%	0.17%
LEBANON	11	123,975	0	0	0	0	11	123,975	9.32%	0.43%
SAUDI ARABIA	2	49,551	0	0	4	31,209	6	80,760	5.08%	0.28%
CANADA	4	24,335	1	51,719	0	0	5	76,054	4.24%	0.26%
BELGIUM	0	0	3	26,965,043	0	0	3	26,965,043	2.54%	93.09%
KUWAIT	0	0	3	113,791	0	0	3	113,791	2.54%	0.39%
QATAR	2	59,558	1	6,678	0	0	3	66,236	2.54%	0.23%
RUSSIA	1	40,220	1	77,377	0	0	2	117,597	1.69%	0.41%
UNITED KINGDOM	1	2,633	1	16,066	0	0	2	18,699	1.69%	0.06%
EGYPT	1	77,250	0	0	0	0	1	77,250	0.85%	0.27%
INDONESIA	0	0	0	0	1	10,986	1	10,986	0.85%	0.04%
<b>POTENTIAL</b>	<b>14</b>	<b>360,768</b>	<b>1</b>	<b>4,980</b>	<b>0</b>	<b>0</b>	<b>15</b>	<b>365,748</b>	<b>12.71%</b>	<b>1.26%</b>
UNITED STATES OF AMERICA	6	53,145	0	0	0	0	6	53,145	5.08%	0.18%
INDONESIA	4	261,019	0	0	0	0	4	261,019	3.39%	0.90%
MALAYSIA	2	11,220	0	0	0	0	2	11,220	1.69%	0.04%
KUWAIT	0	0	1	4,980	0	0	1	4,980	0.85%	0.02%
QATAR	1	29,384	0	0	0	0	1	29,384	0.85%	0.10%
UNITED ARAB EMIRATES	1	6,000	0	0	0	0	1	6,000	0.85%	0.02%
<b>UNKNOWN</b>	<b>2</b>	<b>10,012</b>	<b>1</b>	<b>13,561</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>23,573</b>	<b>2.54%</b>	<b>0.08%</b>
<b>Grand Total</b>	<b>66</b>	<b>1,165,523</b>	<b>42</b>	<b>27,638,769</b>	<b>10</b>	<b>162,134</b>	<b>118</b>	<b>28,966,426</b>	<b>100.00%</b>	<b>100.00%</b>

Table 12.2 Breakdown of cash inflows related to terrorism by country from 2018 to 2020

In the previous study, Malaysia was identified as the top source of funds with alleged links to terrorism both in volume and peso value. In the current dataset, it is observed that the USA and Malaysia have the highest volume of remittances sent to the country (respectively at 28.81% and 15.25% of the total inflows). The peso value equivalent of said remittances, however, were only minimal. The country that pose the highest threat to the Philippines in terms of peso value is Belgium. The amount of its remittances sums up to PhP26.97 million, which represents a very significant

portion of the total amount that entered the Philippines in relation to terrorism (at 93.10% of total reported value of inflows). The three (3) inward remittances from Belgium represent the subsidy given to a non-profit organization, allegedly associated with a designated domestic terrorist group, from an intergovernmental organization based in Belgium.

### Outflow

Outgoing transactions are only 2.37% of the total volume of financial transactions related to terrorism. Table 12.3 lists down the volume and peso value of cash outflows per country.

OUTFLOWS	2018		2019		2020		Total		%	
	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value	No. of STRs	Peso Value
<b>IDENTIFIED</b>	<b>7</b>	<b>95,355</b>	<b>3</b>	<b>8,307,950</b>	<b>1</b>	<b>4,136</b>	<b>11</b>	<b>8,407,441</b>	<b>100.00%</b>	<b>100.00%</b>
SINGAPORE	3	45,000	0	0	0	0	3	45,000	27.27%	0.54%
EGYPT	2	15,000	0	0	0	0	2	15,000	18.18%	0.18%
PERU	0	0	1	4,288,478	0	0	1	4,288,478	9.09%	51.01%
NEPAL	0	0	1	3,995,829	0	0	1	3,995,829	9.09%	47.53%
SAUDI ARABIA	1	32,355	0	0	0	0	1	32,355	9.09%	0.38%
CANADA	0	0	1	23,642	0	0	1	23,642	9.09%	0.28%
CAMEROON	0	0	0	0	1	4,136	1	4,136	9.09%	0.05%
MALAYSIA	1	3,000	0	0	0	0	1	3,000	9.09%	0.04%
<b>Grand Total</b>	<b>7</b>	<b>95,355</b>	<b>3</b>	<b>8,307,950</b>	<b>1</b>	<b>4,136</b>	<b>11</b>	<b>8,407,441</b>	<b>100.00%</b>	<b>100.00%</b>

*Table 12.3 Breakdown of cash outflows related to terrorism by country from 2018 to 2020*

Current data shows that based on STR volume, Singapore and Egypt top the list of destination countries of proceeds and/or remittances from the Philippines, respectively gathering 27.27% and 18.18%. In terms of the aggregate reported amount, however, Peru and Nepal emerge at the top spots with 51.01% and 47.53%, respectively.

The current findings deviate from the previous assessment covering 2013 to 2017, where Malaysia was identified as the top destination country in terms of volume, and London (*sic*) or United Kingdom in terms of peso value.

### Financial channel

Table 12.4 below summarizes the financial channels used by the perpetrators in transacting proceeds with alleged links to terrorism

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	SUM PESO	%
BANKS	177	37.66%	50,101,505	95.06%
PAWNSHOPS	172	36.60%	847,124	1.61%
MONEY SERVICE BUSINESSES	91	19.36%	1,680,446	3.19%
ELECTRONIC MONEY ISSUER	30	6.38%	75,973	0.14%
<b>Grand Total</b>	<b>470</b>	<b>100.00%</b>	<b>52,705,047</b>	<b>100.00%</b>

*Table 12.4 Breakdown of STRs under terrorism per financial channel from 2018 to 2020*

Based on the table above, perpetrators generally use both banks and pawnshops in transacting criminal proceeds, respectively gathering 37.66% and 36.60% of the total STR volume. The amount of funds channeled through banks, however, are significantly higher compared with pawnshops.

In the previous assessment covering the period 2013 to 2017, MSBs were found to be the most widely used financial channel in terms of transaction frequency, which deviates from the findings in the current study. The emergence of banks as the main channel in terms of peso value, however, remain consistent in both assessments.

### Interpretation

Most financial transactions associated with terrorism occurred within the Philippines. These domestic transactions, however, only represent a small fraction of the total reported value of STRs. A significant portion of the total reported amount came from inflows. Based on STR volume, the USA and Malaysia have the greatest number of inward remittances. In terms of peso value, Belgium pose the greatest threat to the country due to its high-valued remittances. Meanwhile, for outflows, the top two (2) destination of terrorism-related funds are Peru and Nepal. The illicit funds associated with terrorism are generally channeled through banks.

## CONCLUSION

Based on the assessment of CASA-related STRs submitted by various covered persons from 2018 to 2020, the study concludes the following:

- Based on the UNODC figures, the yearly amount of money laundered globally is estimated between USD800 billion and USD2 trillion (or around PhP41.088 trillion to PhP102.72 trillion<sup>27</sup>). With the assumption that the STRs in this study have possible linkage to a certain crime, the total amount of the STRs covered in this assessment accounts for 0.006% to 0.014% of the total global money laundered for 2018; 0.010% to 0.026% for 2019; and 0.033% to 0.083% for 2020. This is an indication that there is an increasing trend in the reported suspicious CASA transactions every year.
- In terms of transaction frequency, predicate crimes which constitute majority of the total STRs covered in this study are as follows: (1) SRC violations at 39.19%; (2) swindling at 26.68%; and (3) child exploitation activities at 17.99%.

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<sup>27</sup>Conversion to Peso (PhP) amount of USD was done by using the average annual rates from 2018 to 2020 as published in <https://www.bsp.gov.ph/sitepages/statistics/exchangerate.aspx> (Accessed on 16 April 2021).

- For the aggregate peso value of all STRs considered in this study, top contributors are as follows: (1) swindling at 70.82%; (2) SRC violations at 12.89%; and (3) drug-related activities at 6.91%.<sup>28</sup>
- Proceeds from majority of the high-risk and medium-risk predicate crimes have originated, circulated, and remained within the Philippine financial system except for child exploitation, child pornography, and terrorism-related activities. For child exploitation, child pornography, and terrorism-related activities, illicit funds came from other countries with the Philippines being the destination of said funds.
- For proceeds which originated, circulated, and remained within the Philippines, the top contributors in terms of amount generated are SRC Violations (PhP6.43 billion), swindling (PhP5.96 billion), drug trafficking (PhP3.43 billion), E-Commerce Act violations (PhP1.33 billion), and corruption-related crimes (PhP1.2 billion).
- For inflows, a total of 52,022 international inward remittances from potential and identified sources are considered. From this figure, the top countries that pose the highest threat to the Philippines include the following:<sup>29</sup>

In terms of volume of STRs:

- 1) United States of America (USA) has the highest volume of STRs for inflows, accounting for 38% of the total number of identified and potential international inward remittances; and is the top source of inflows relative to drug-related crimes, swindling, web-related crimes, child exploitation activities, anti-trafficking of persons, child pornography, kidnapping for ransom, and terrorism-related activities.
- 2) Saudi Arabia ranks second with 9% of the total number of identified and potential international inward remittances; and is among the top in the list relative to child exploitation activities and financing of terrorism.
- 3) United Kingdom ranks third with 8% of the total number of identified and potential inflows; and is among the top in the list relative to SRC violations, swindling, child exploitation activities, child pornography and kidnapping for ransom.

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<sup>28</sup> The outlier transaction, amounting to PhP29 billion under swindling was included in the computation of the percentages. If the PhP29 billion amount were to be excluded from the aggregate peso value reported under swindling, the top contributors in terms of peso value will remain the same. The resulting ratio for the top predicate crimes, however, will be: (1) swindling at 31.60%; (2) SRC violations at 30.22%; and (3) drug-related activities at 16.19%.

<sup>29</sup> Both identified and potential sources were considered in the identification of countries with the highest threat to the Philippines. The amount and volume of transactions from unknown locations were not included in the computation of the total volume and total peso value of the transactions.

In terms of peso value of STRs:

Initially, Scotland topped the list of jurisdictions posing the greatest threat to the Philippines. The aggregate peso value associated with Scotland, however, includes an outlier in the amount of PhP29 billion that pertains to the value of a fictitious document allegedly issued by a certain individual representing a company from the said jurisdiction. Excluding the outlier amount associated with Scotland, total inflows from identified and potential sources amount to PhP1.31 billion. Using this as the base amount in computing the percentages, the top countries identified are as follows:

- 1) United Kingdom accounts for 32% of the total peso amount of identified and potential international inward remittances; and is the top source of funds associated with SRC violations and kidnapping for ransom and is included in the top list of sources for predicate offenses, involving swindling, child pornography, and web-related crimes.
  - 2) USA accounts for 23% of the total peso amount of identified and potential international inward remittances; and is one of the top source countries with a substantial amount of remittances, involving web-related crimes, corruption-related crimes, swindling, child exploitation activities, anti-trafficking, child pornography, kidnapping for ransom, financing of terrorism, and other terrorism-related activities.
  - 3) Belgium accounts for 12% of the total peso amount of identified and potential international inward remittances; and is identified as the top source of funds associated with violations of the Anti-Photo and Video Voyeurism Act and terrorism-related activities.
- For outflows, a total of 273 international outward remittances to potential and identified destinations amounting to PhP468.9 million were considered. From this figure, the top countries which pose the highest threat to the Philippines are as follows:<sup>30</sup>

In terms of volume of STRs:

- 1) USA accounts for 19% of the total number of identified and potential outflows; records the highest number of transaction outflows relating to corruption and child exploitation; and is one of the top destinations of proceeds of illegal drug-related activities, SRC violations, swindling, and web-related crimes.
- 2) Hong Kong accounts for 12% of the total number of identified and potential international outward remittances; and received the highest number of transaction outflows, relating to SRC violations and E-Commerce Act violations.
- 3) Kenya accounts for 7% of the total number of identified and potential international outward remittances; and is included in the list of top destinations for child exploitation activities.

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<sup>30</sup> Ibid. Footnote no. 29.

In terms of peso value of STRs:

- 1) Hong Kong accounts for 29% of the aggregate peso amount of identified and potential international outward remittances; and is the top destination of funds associated with swindling and web-related crimes.
  - 2) USA accounts for 16% of the aggregate peso amount of identified and potential international outward remittances; and is included in the top destination of proceeds from drug-related activities, corruption-related activities, SRC violations, and child exploitation activities.
  - 3) China accounts for 14% of the aggregate peso amount of identified and potential international outward remittances; and is one of the top destination of funds from swindling and web-related crimes.
- The most common financial channel used by perpetrators and money launderers in moving the criminal proceeds, especially involving substantial amounts, is banks. For small-ticket transactions, it is observed that MSBs and pawnshops (with remittance capabilities) are largely being used in moving illicit funds. In the case of STRs submitted due to child exploitation, majority of the transactions are coursed through MSBs.

As the STRs are merely indicative of suspicious transactions, they need further verification and more in-depth investigations to substantiate likely linkage to a certain crime or unlawful offense covered by the AMLA, as amended.