JANUARY 2023

ANALYSIS OF SUSPICIOUS TRANSACTIONS ASSOCIATED WITH CASINO JUNKETS

AMLC
Anti-Money Laundering Council

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TABLE OF ACRONYMS

AMLC	Anti-Money Laundering Council
AML/CFT	Anti-money laundering and countering the financing of terrorism
AGA	Appropriate Government Agency
AGA-AMLSED	AGA for Casinos AML Supervision and Enforcement Department
APG	Asia/Pacific Group on Money Laundering
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
LEA	Law Enforcement Agency
MER	Mutual Evaluation Report
ML/TF	Money laundering and terrorism financing
OGA	Other Government Agency
PHP	Philippine Peso
RA	Republic Act
SA	Supervising Authority
SEC	Securities and Exchange Commission
STR	Suspicious Transaction Report

EXECUTIVE SUMMARY

The vulnerability of casino junkets to ML/TF risks has been pointed out by international bodies as early as 2009. In the case of the Philippines, the casino junket industry drew special attention following the APG's publication of the 2019 MER, which gave rise to three recommended actions concerning casino junkets.

While FATF has recently recognized the steps taken by the Philippines in combating ML/TF, it cited the need to continue implementing the Philippines' action plan to address its strategic deficiencies. One of these pertains to the need to demonstrate that supervisors are using AML/CFT controls to mitigate risks associated with casino junkets.

To gain insights on the ML/TF threats associated with casino junket operators in the country, this study utilizes two sets of STRs that were mined separately from the AMLC database. Dataset 1 consists of 3,308 STRs that were generated by pooling all STRs, containing the keyword "junket" in the narrative field. Dataset 2 consists only of STRs (total of 4,110) filed by four integrated resorts that were identified by an AGA for Casinos to have the highest risk to ML/TF in their updated individual risk matrix, covering the period December 2021 to September 2022.

Using said datasets, this study underscores the junket system's inherent vulnerability to ML/TF risks, due to the substantial volume and value of suspicious transactions associated with casino junkets. Transactions pertaining to the safekeeping of playing chips with the Casino Treasury Division drew special attention as they were consistently identified to have the highest volume and value of STRs, using the two datasets that were specifically generated for this study.

It was noted that out of 4,110 STRs in Dataset 2, 703 STRs with transaction values totaling PHP9.60 billion involved at least one junket operator of the four high-risk integrated resorts. Among the four high-risk integrated resorts, only Casino D did not have any STR submissions relating to a specific junket operator, over the period 2020 to 2022. This appears to be odd, considering that three of its junket operators were flagged by other high-risk integrated resorts in their filed STRs.

STRs in high-risk integrated resorts echo the need to strengthen the AML/CFT controls in the casino sector. The heavy use of physical cash by casino players, coupled with the non-reporting of covered and suspicious transactions by certain casino junket operators, contributes to the vulnerability of high-risk integrated resorts to ML risks.

This report discusses four typologies, which may guide casinos and other covered persons in detecting possible ML/TF activities. These pertain to the (1) non-reporting of transactions in violation of the Junket Agreement; (2) involvement of junket operators in criminal conspiracy; (3) purchase of chips with small-denomination currency, followed by modest gambling actions; and (4) conduct of financial transactions not commensurate with declared source of funds.

Amidst the rapidly evolving operations in the casino sector in the Philippines, this study recommends the following:

1. Dissemination of the report among external stakeholders, such as relevant LEAs, SAs, OGAs, covered persons with a Public-Private Partnership Agreement with the AMLC, and other FIUs;
2. Dissemination of the full version of this report among internal AMLC groups/divisions;
3. Publication of a redacted version of this report on the AMLC website; and
4. Expansion of the analysis on casino junkets through a subsequent study by considering information from covered transaction reports.

1. Background of the Study

Casino junket, otherwise called casino-based tourism, is an arrangement between casinos and junket operators under which the latter promise to usher in prospects into the former's gambling establishments. It is more commonly known as an organized gaming tour for wealthy gamblers or high-net clients, who travel to casinos primarily to gamble. In order to attract clients, casino junket operators typically offer an all-inclusive luxury service, which may include all-expenses-paid international trips, exclusive gambling experience, top-tier hotel accommodations, and other personalized services, among others. In turn, casinos and junket operators earn a certain percentage from the money rolled in by junket players during their visit.

While the junket system may be enticing for VIP players, who want a seamless gambling experience and have a capacity to pay for such, it appears to be equally favorable for casinos because of the sizable revenue that they can generate from the junket operations. As early as 2009, however, the FATF[1] has identified casino junkets as a vulnerability as they involve the cross-border movement of people and funds. FATF has likewise pointed out the transparency of the movement of funds as an issue in the junket industry.[2]

Amidst the rapidly growing casino sector in the Philippines, the APG[3] noted in the Philippines' 2019 MER[4] that there are very significant risks of ML (domestic and foreign proceeds of crime) through the large Philippine casino sector. Integrated resort casinos, standalone land-based casinos, online casinos, junket operators and the international movement of funds in relation to junket operations, and casino-related tourism present significant risks for ML. The APG assessed that casino-related tourism and junket operators, including the international movement of funds in relation to junket operations, in the country are significant. Further, the APG highlighted the lack of coverage of all financial transactions as a deficiency in the AML/CFT supervision of casinos related to junket-to-player transactions.

The 2019 MER gave rise to the following recommended actions concerning casino junkets:

1. Improve market entry controls across all sectors with deficiencies and consider extending such controls to junket operators to ensure criminals and their associates are prohibited from ownership and management;
2. Rectify technical compliance deficiencies related to supervision, including an AGA for Casinos' recordkeeping requirements and sanctions for financial transactions not yet covered under

[1] FATF is the global money laundering and terrorism financing watchdog. The inter-governmental body sets international standards that aim to prevent these illegal activities and the harm they cause to society. (Source: https://www.fatf-gafi.org/en/the-fatf/who-we-are.html)

[2] Financial Action Task Force. "Vulnerabilities of Casinos and Gaming Sector", March 2009, https://www.fatf-gafi.org/en/publications/Methodsandtrends/Vulnerabilitiesofcasinosandgamingsector.html (last accessed: 24 January 2023).

[3] The APG is an inter-governmental organization consisting of 41 members in the Asia-Pacific region, as well as organizations, and observers from outside the region. Under Article 1 of the APG Terms of Reference 2012, the APG is a non-political, technical body, whose members are committed to the effective implementation and enforcement of the internationally accepted standards against money laundering, financing of terrorism and proliferation financing set by the FATF. (Source: Anti-Money Laundering and Counter-terrorist Financing Measures – Philippines, Third Round Mutual Evaluation Report)

[4] The 2019 MER provides a summary of the AML/CFT measures in place in the Philippines as at the date of the on-site visit in November 2018. It analyses the level of compliance with the FATF 40 Recommendations and the level of effectiveness of Philippine's AML/CFT system, and provides recommendations on how the system can be strengthened. (Ibid)

existing guidelines, and in relation to reliance to third parties/agents (particularly junket operators); and

3. Extend AML/CFT controls directly to casino junket operators or strictly enforce agency requirements to ensure appropriate agreements are in place and are subject to adequate supervision.

As of October 2022, the FATF has recognized the progress made by the Philippines in combating ML/TF. The FATF, however, cited the need to continue implementing the Philippines' action plan to address its strategic deficiencies. Relevant to the subject of this report is the need to demonstrate that supervisors are using AML/CFT controls to mitigate risks associated with casino junkets.[5]

This study was conducted in furtherance of the country's efforts to assess and monitor the risks associated with casino junkets. Specifically, the study aims to assess the extent of suspicious activities likely linked to junket operations in the Philippines and uncover possible ML/TF risks arising from the financial transactions of casino junket operators and participants. The study may likewise complement the risk assessments undertaken by the regulator of casinos and casino junket operators.

2. Scope and Methodology

This study is composed of two parts. The first part offers a descriptive analysis of STRs filed by various covered persons in relation to casino junkets, while the second part identifies the possible schemes employed by casino junket operators and participants with financial transactions in the Philippines.

For purposes of this report, two sets of STRs were mined in separate batches from the AMLC database. For brevity, these datasets will be referred to as Dataset 1 and Dataset 2 in the succeeding paragraphs.

Dataset 1 was generated by pooling all STRs containing the keyword "junket" in the narrative field. This yielded a total of 3,308 STRs filed by various institutions between 21 September 2018 and 18 January 2023[6] with an equivalent value of PHP17.79 billion.

Dataset 2 consists only of STRs filed by four integrated resorts that were identified by an AGA for Casinos to have the highest risk to ML/TF based on the updated individual risk matrix it conducted from December 2021 to September 2022. Further, the observation window for Dataset 2 was trimmed to 2020 to 2022 to arrive at the most relevant and recent trends and typologies involving casino junkets. This gave rise to a sample of 4,110 STRs with an equivalent value of PHP17.59 billion.

One must note that the extracted datasets are not mutually exclusive. Nonetheless, redundancies were addressed by performing separate descriptive analyses on the two datasets.

To facilitate quantitative analysis, STRs involving foreign currencies were examined using the reported PHP equivalent amounts. Further, certain fields in STRs (e.g., address and STR category) were modified to convert granular information into broader categories.

[5] Financial Action Task Force. "Jurisdictions Under Increased Monitoring", 21 October 2022, https://www.fatf-gafi.org/content/fatf-gafi/en/publications/High-risk-and-other-monitored-jurisdictions/Increased-monitoring-october-2022.html (last accessed: 25 January 2023).

[6] Dataset 1 was extracted on 19 January 2023.

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

Analytic Judgments and Confidence Levels

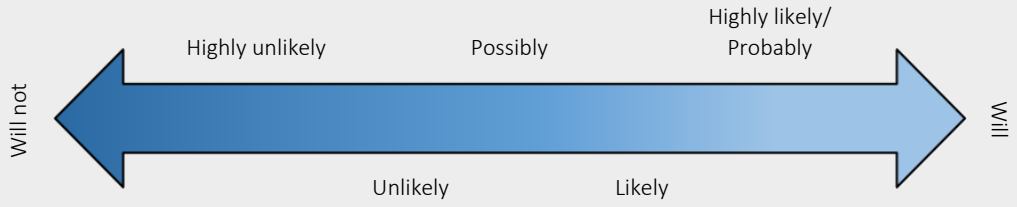
FIU Intelligence Assessments use phrases such as "we judge," "we assess," or "indicates" to convey analytical inferences (conclusions). These assessments are not statements of fact or proof and do not imply complete knowledge. Analytic judgments are often based on incomplete information of varying quality, consistency, and reliability. Analytic judgments are distinct from the underlying facts and assumptions in 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 that 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.*

Estimative Language

Certain words are used in this assessment to convey confidence and analytical judgment regarding the probability of a development or event occurring. Judgments are often based on incomplete or fragmentary information and are not fact, proof, or knowledge. The figure below describes the relationship of the terms to each other.



Considering the foregoing data availability and limitations, a moderate level of confidence is given on the analytical judgment presented in the succeeding discussions of prominent and notable typologies.

CAVEAT

The data provided in this report should not be interpreted as an assessment of the full amount of proceeds related to casino junket operators and participants. The actual volume and amount of

proceeds may be larger than represented in the sample of STRs used, which consists of both consummated and attempted transactions reported to the AMLC.

The statements herein are not conclusive but are more descriptive of what has been observed on the gathered STRs. These STRs also need further verification and more in-depth investigation to substantiate likely linkage to a certain predicate crime.

DEFINITION OF TERMS

The following terms used in this report are hereby defined as follows:

a. **"Casino"** refers to a business authorized by the AGA to engage in gaming operations.[7]

b. **"Covered person"** refers to financial institutions and designated non-financial businesses and professions under Rule 4, Section 1 of the 2018 Implementing Rules and Regulations of RA No. 9160, as amended.

c. **"Gaming operations"** refer to activities of casinos, offering games of chance and any variations thereof approved by AGAs.

d. **"High rollers"** refer to persons who gamble large amounts of money.

e. **"Junket"** refers to an arrangement between a casino and a junket operator to facilitate a period of gambling by one player or a group of players at a casino. It is a casino marketing program organized as a gaming tour for VIP players or the so-called high rollers, who travel to the casino primarily to gamble. Furthermore, the junket may involve transportation, lodging, casino rewards, and the movement of funds to and from the casino.[8]

f. **"Suspicious Transaction"** refers to a transaction, regardless of amount, where any of the following suspicious 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 business or financial capacity of the client;
    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 RA No. 9160, as amended;
    5. Any circumstance relating to the transaction which 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 offense under RA No. 9160, as amended, that is about to be, is being, or has been committed; or
    7. Any transaction that is similar or analogous to any of the foregoing.

[7] Section 3. Section 3 of Republic Act No. 9160, as amended. http://www.amlc.gov.ph/images/PDFs/RA10927.pdf

[8] Retrieved from: https://www.pagcor.ph/pased/docs/2022-002-Junket-Risk-Assessment.pdf (last accessed: 25 January 2023).

g. **"Suspicious Transaction Report"** refers to a transaction, regardless of amount, where any of the above suspicious circumstances is determined, based on suspicion or, if available, reasonable grounds, to be existing.

3. Data Profile

3.1. Dataset 1

Dataset 1 consists of 3,308 STRs valued at PHP17.79 billion. These STRs were filed by various covered persons, which can be classified into four industries. Majority of the sample STRs came from commercial banks/non-expanded commercial banks and land-based casinos, which account for 71.58% and 27.66%, respectively, of the sample STRs. In terms of value, however, land-based casinos outrank commercial banks (**Table 1**).

Table 1. STRs Containing "Junket" in the Narrative Field
Industry Classification of Reporting Covered Persons

Industry	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Land-Based	915	27.66%	10,783	60.62%
Commercial Banks/Non-Expanded Commercial Banks	2,368	71.58%	7,004	39.38%
Savings & Mortgage Banks	1	0.03%	0	0.00%
Money Service Businesses	2	0.06%	0	0.00%
Electronic Money Issuer	2	0.06%	0	0.00%
Insurance Companies & Professional Reinsurers	20	0.60%	-	0.00%
Total	**3,308**	**100.00%**	**17,788**	**100.00%**

Based on the breakdown of the STRs by year of submission, the volume of STRs exhibit an upward trend beginning year 2021 (**Figure 1**). Oddly, the volume of STRs was highest in 2023, notwithstanding the fact that Dataset 1 only captured the first 18 days of the year. Upon closer inspection, it was found that

Figure 1. Volume of STRs Related to Junkets
Total count, by year of submission

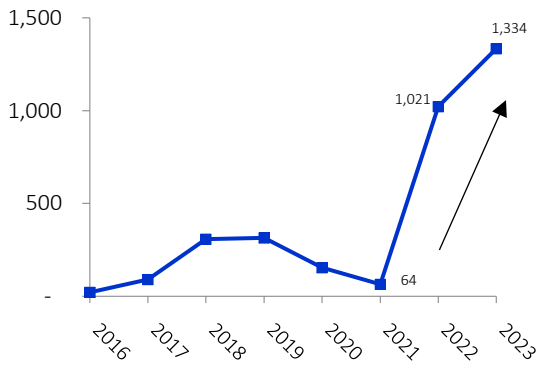
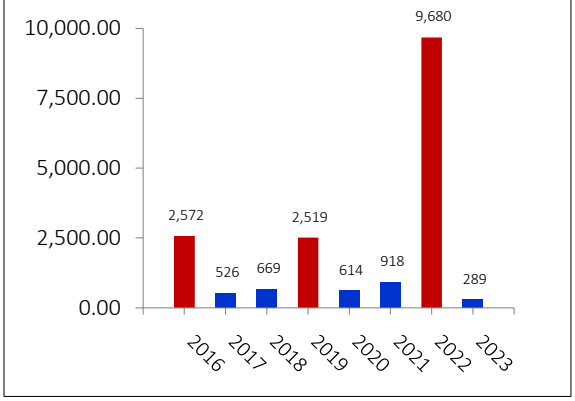


Figure 2. Value of STRs Related to Casino Junkets
In PHP millions, by year of submission



these STRs were filed by four covered persons on 17 individuals (11 of which are Filipinos, four are Chinese, and two are South Koreans). The reporting covered persons disclosed that these individuals (1) were allegedly involved in a criminal syndicate being investigated for a Ponzi or pyramiding scam;

(2) had cash-in and chips redemption transactions but did not participate in any gaming activities; (3) performed bank transactions that were not commensurate with their profile; or (4) lacked documents to support the legitimacy of their transactions.

Meanwhile, **Figure 2** shows that the annual value of junket-related STRs seems to spike every three years, starting 2016. The largest spike was seen in 2022, where the aggregate amount of junket-related STRs reached PHP9.68 billion (or 54.42% of the total value of STRs in Dataset 1). This sudden increase in the value of STRs in 2022 can be attributed to 13 STRs, pertaining to safekeeping of playing chips, valued between PHP100 million and PHP300 million, with the Casino Treasury Division.

In terms of both volume and value, majority of the junket-related STRs in Dataset 1 were filed on the basis of suspicious circumstances enumerated under RA No. 9160, as amended (**Table 2**). SI1 alone accounts for more than half of the sample, with a 58.71% share in the total STR volume and a 54.04% share in the total STR value. These STRs refer primarily to cases where the identified subjects failed to establish the legitimacy of account transactions due to lack of supporting documents.

Table 2. Suspicious Circumstances and Predicate Crimes of STRs Containing "Junket" in the Narrative Field

Suspicious Circumstances/Predicate Crimes	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Suspicious Circumstances	**3,212**	**97.10%**	**17,763.18**	**99.86%**
There is no underlying legal or trade obligation, purpose, or economic justification. (SI1)	1,942	58.71%	9,613.30	54.04%
The client is not properly identified. (SI2)	175	5.29%	4,447.59	25.00%
The amount involved is not commensurate with the business or financial capacity of the client. (SI3)	796	24.06%	2,126.44	11.95%
The transaction is similar, analogous, or identical to any of the foregoing. (SI6)	83	2.51%	1,360.34	7.65%
There is a deviation from the client's profile/past transactions. (SI5)	203	6.14%	115.82	0.65%
The transaction is structured to avoid being reported. (SI4)	13	0.39%	99.69	0.56%
Predicate Crimes	**96**	**2.90%**	**24.52**	**0.14%**
Swindling (PC9)	7	0.21%	15.84	0.09%
Frauds and Illegal Exactions and Transactions (PC16)	10	0.30%	5.00	0.03%
Drug trafficking and related offenses (PC2)	2	0.06%	3.00	0.02%
Fraudulent practices and other violations under the Securities Regulation Code of 2000 (PC33)	74	2.24%	0.68	0.00%
Violations under the Electronic Commerce Act of 2000 (PC11)	1	0.03%	0.00	0.00%
Graft and corrupt practices (PC3)	1	0.03%	0.00	0.00%
Violations of the National Internal Revenue Code of 1997 (PC35)	1	0.03%	0.00	0.00%
Total	**3,308**	**100.00%**	**17,787.70**	**100.00%**

Among the predicate crimes cited in the sample STRs, "Fraudulent practices and other violations under the Securities Regulation Code of 2000" comes in with the highest volume, which is equivalent to 2.24% of total STR count. In terms of value, the predicate crime "Swindling" ranks first with a corresponding value of PHP15.84 million (or 0.09% of the total STR value).

Table 3. STRs Containing "Junket" in the Narrative Field
Classification by Transaction Type

Transaction Codes	Transaction Title	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
ACHSF	Safekeeping	561	16.96%	9,399.51	52.84%
CDEPC	Deposit - Cash	610	18.44%	3,137.23	17.64%
ZSTR	Suspicious Transactions	103	3.11%	3,119.63	17.54%
ACHTC	Chips to Cash	197	5.96%	483.47	2.72%
CDEPK	Deposit - Check	295	8.92%	357.61	2.01%
RIRIC	Inward Remittance (International) - Credit to Beneficiary's Account	45	1.36%	317.97	1.79%
ACTCH	Cash to Chips	58	1.75%	263.07	1.48%
CCKCL	Check Clearing	367	11.09%	153.78	0.86%
CWDLO	Withdrawals - OTC	33	1.00%	125.28	0.70%
RIRDC	Inward Remittance (Domestic) - Credit to Beneficiary's Account	59	1.78%	104.55	0.59%
AFCCH	Foreign Currency to Chips	9	0.27%	83.45	0.47%
CTRIA	Inter-Account Transfers (Same Bank)	162	4.90%	82.15	0.46%
CENC	Encashment	131	3.96%	53.53	0.30%
CPMD	Purchase of MC/CC/DD/TC - Mixed Payments	5	0.15%	40.00	0.22%
COCKD	On-Us Check Deposit	39	1.18%	18.16	0.10%
KCCPC	Credit Card Payment - Cash	4	0.12%	12.82	0.07%
FFESC	Sell FX - Cash	6	0.18%	8.57	0.05%
FFEBC	Buy Foreign Exchange - Cash	6	0.18%	8.57	0.05%
RORDE	Outward Remittance (Domestic) Credit to Beneficiary Account via Electronic Banking	249	7.53%	6.85	0.04%
CRETU	Returned Check	25	0.76%	3.18	0.02%
CWDLA	Withdrawals - ATM	210	6.35%	2.08	0.01%
RIRDE	Inward Remittance (Domestic) Credit to Beneficiary Account via Electronic Banking	88	2.66%	1.66	0.01%
FFESW	Sell FX - Wire	1	0.03%	1.42	0.01%
CBPYD	Bills Payment - Debit Memo	21	0.63%	1.13	0.01%
ATITOP	Ticket-In-Ticket-Out Ticket Purchase	1	0.03%	1.00	0.01%
DTDPD	Time Deposit Placement - Debit Memo	2	0.06%	1.00	0.01%
RORDC	Outward Remittance/TT (Domestic) - Credit to Beneficiary's Account	4	0.12%	0.00	0.00%
NPLCA	Cancellation of Insurance Application	1	0.03%	-	0.00%
NREC	Receipt of Provisional Insurance Payment	2	0.06%	-	0.00%
ZSTRA	STR - Attempted Transactions	1	0.03%	-	0.00%
NPLIT	Purchase of Life with Investment Insurance Policy - Payment Channels	3	0.09%	-	0.00%
NPTLT	Purchase of Traditional Life Insurance Policy - Payment Channels	10	0.30%	-	0.00%
Total		3,308	100.00%	17,787.70	100.00%

Classification of STRs by transaction type (**Table 3**) shows the wide variation of transactions performed by casino junket operators and participants over the period 21 September 2018 to 18 January 2023. The significance of transactions pertaining to the safekeeping of playing chips with the Casino Treasury

Division is again underscored due to the substantial amounts involved, which when aggregated totals to about PHP9.40 billion (or 52.84% of the total STR value).

Lastly, **Table 4** suggests that the transactions involving casino junket operators and participants over the covered period (21 September 2018 to 18 January 2023) were mainly denominated in Philippine Pesos. This is expected, considering that more than three-fourths of the STR subjects have declared residential addresses in the Philippines.

Table 4. STRs Containing "Junket" in the Narrative Field
Classification by Currency

Currency	Total Volume	Percent to Total Volume	Peso-Equivalent Amounts	Percent to Total Value
PHP	3,244.00	98.07%	16,940.90	95.24%
USD	47.00	1.42%	724.71	4.07%
JPY	4.00	0.12%	50.62	0.28%
HKD	2.00	0.06%	35.75	0.20%
KRW	11.00	0.33%	35.72	0.20%
Total	**3,308.00**	**100.00%**	**17,787.70**	**100.00%**

3.2. Dataset 2

Dataset 2 was extracted to gain better insights on the nature of transactions reported by high-risk integrated resorts as suspicious. Out of 4,110 generated STRs between 2020 and 2022, about 54.70% were figured in by Casino A.

Table 5. Volume and Value of STRs Filed by High-Risk Integrated Resorts

Integrated Resort	No. of STRs Filed	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Casino A	2,248	54.70%	12,099.57	68.79%
Casino B	1,035	25.18%	3,956.18	22.49%
Casino C	733	17.83%	1,383.21	7.86%
Casino D	94	2.29%	149.89	0.85%
Total	**4,110**	**100.00%**	**17,588.84**	**100.00%**

Similar to Dataset 1, majority of the STRs pooled for Dataset 2 were filed on the basis of suspicious circumstances, particularly SI1 (**Table 6**). While the overall share of predicate crimes remains trivial in Dataset 2, 16 other predicates that were not found in STRs submitted by covered persons outside the casino sector were reported by the high-risk integrated resorts. These refer to PC1, PC5, PC6, PC8, PC10, PC12, PC13, PC15, PC17, PC18, PC19, PC25, PC26, PC29, PC32, and PC36.

Table 6. Suspicious Circumstances and Predicate Crimes Associated with STRs Filed by High-Risk Integrated Resorts

Suspicious Circumstances/Predicate Crimes	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Suspicious Circumstances	**3,870**	**94.16%**	**17,423.63**	**99.06%**
There is no underlying legal or trade obligation, purpose, or economic justification. (SI1)	1,987	48.35%	13,253.31	75.35%
The client is not properly identified. (SI2)	1,643	39.98%	2,866.64	16.30%
The amount involved is not commensurate with the business or financial capacity of the client. (SI3)	97	2.36%	819.03	4.66%
The transaction is similar, analogous, or identical to any of the foregoing. (SI6)	113	2.75%	337.25	1.92%
There is a deviation from the client's profile/past transactions. (SI5)	4	0.10%	117.32	0.67%
The transaction is structured to avoid being reported. (SI6)	26	0.63%	30.09	0.17%
Predicate Crimes	**240**	**5.84%**	**165.21**	**0.94%**
Qualified theft (PC8)	11	0.27%	82.43	0.47%
Frauds and illegal exactions and transactions (PC16)	111	2.70%	60.17	0.34%
Jueteng and masiao (PC6)	6	0.15%	15.00	0.09%
Felonies or offenses of similar nature punishable under the penal laws of other countries (PC36)	10	0.24%	3.64	0.02%
Kidnapping for ransom (PC1)	33	0.80%	3.10	0.02%
Swindling (PC9)	6	0.15%	0.65	0.00%
Graft and corrupt practices (PC3)	6	0.15%	0.22	0.00%
Forgeries and counterfeiting (PC18)	5	0.12%	0.00	0.00%
Drug trafficking and related offenses (PC2)	11	0.27%	-	0.00%
Violations of the Anti-Trafficking in Persons Act of 2003 (PC19)	11	0.27%	-	0.00%
Smuggling (PC10)	9	0.22%	-	0.00%
Fraudulent practices and other violations under the Securities Regulations Code of 2000 (PC33)	4	0.10%	-	0.00%
Violations under the Electronic Commerce Act of 2000 (PC11)	3	0.07%	-	0.00%
Violation of the Anti-Carnapping Act of 2002 (PC25)	3	0.07%	-	0.00%
Bribery and corruption of public officers (PC15)	2	0.05%	-	0.00%
Violations of The Decree Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition, or Explosives (PC26)	2	0.05%	-	0.00%
Robbery and extortion (PC5)	2	0.05%	-	0.00%
Hijacking and other violations under RA No. 6235; Destructive arson and murder (PC12)	1	0.02%	-	0.00%
Malversation of public funds and property (PC17)	1	0.02%	-	0.00%
Terrorism and conspiracy to commit terrorism (PC13)	1	0.02%	-	0.00%
Violations of Special Protection of Children Against Abuse, Exploitation, and Discrimination Act (PC32)	1	0.02%	-	0.00%
Violations of the Intellectual Property Code of The Philippines (PC29)	1	0.02%	-	0.00%
Total	**4,110**	**100.00%**	**17,588.84**	**100.00%**

STRs filed by high-risk integrated resorts corroborate earlier finding on the prominence of safekeeping transactions among land-based casinos (**Table 7**). Based on the combined share of chips-to-cash and cash-to-chips transactions in terms of the total volume and value of STRs in Dataset 2, it can be deduced that physical cash is extensively used by players in high-risk integrated resorts. The heavy use of physical cash, coupled with the non-reporting of covered and suspicious transactions by some casino junkets,[9] poses a real challenge for monitoring and addressing ML concerns in the casino sector.

Table 7. STRs Filed by High-Risk Integrated Resorts
Classification by Transaction Type

Transaction Code	Transaction Title	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
ACHSF	Safekeeping	818	19.90%	11,451.22	65.10%
ACHTC	Chips to Cash	943	22.94%	2,881.63	16.38%
ACTCH	Cash to Chips	526	12.80%	1,738.27	9.88%
ZSTR	Suspicious Transactions	1,636	39.81%	782.64	4.45%
ACCCH	Purchase of Chips – Credit Card	4	0.10%	305.62	1.74%
ACAPK	Capital Infusion – Check	1	0.02%	228.00	1.30%
FFESC	Sell FX – Cash	98	2.38%	68.90	0.39%
ATITOR	Ticket-In-Ticket-Out Ticket Redemption	16	0.39%	60.76	0.35%
FFEBC	Buy Foreign Exchange – Cash	54	1.31%	45.99	0.26%
ATITOP	Ticket-in-ticket-out Ticket Purchase	12	0.29%	24.16	0.14%
APAYK	Payment of winnings via Demand Draft/Manager's Check	1	0.02%	1.14	0.01%
AFCCH	Foreign Currency to Tokens/Bills	1	0.02%	0.51	0.00%
Total	-	**4,110**	**100.00%**	**17,588.84**	**100.00%**

As summarized in **Table 8**, suspicious transactions noted by the high-risk integrated resorts between 2020 and 2022 involved nine different currencies. That a substantial number of these STRs are denominated in Philippine Pesos is expected, considering that 51.31% of the sample STRs have subjects that are domiciled in the Philippines (**Table 9**).

Table 8. STRs Filed by High-Risk Integrated Resorts
Classification by Currency

Currency	No. of STRs Filed	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
PHP	3,947	96.03%	17,398.98	98.92%
USD	114	2.77%	110.72	0.63%
HKD	9	0.22%	54.71	0.31%
JPY	11	0.27%	11.63	0.07%
KRW	23	0.56%	10.59	0.06%
CAD	3	0.07%	0.64	0.00%
CNY	1	0.02%	0.63	0.00%
SGD	1	0.02%	0.51	0.00%
GBP	1	0.02%	0.44	0.00%
Total	**4,110**	**100.00%**	**17,588.84**	**100.00%**

[9] This will be expounded in Section 4.1.

Table 9. STRs Filed by High-Risk Integrated Resorts
Classification by Declared Country of Residence

Country	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Philippines	2,109	51.31%	7,905.67	44.95%
China	771	18.76%	3,972.60	22.59%
Unidentified	820	19.95%	3,325.59	18.91%
South Korea	294	7.15%	1,804.92	10.26%
Cambodia	4	0.10%	140.00	0.80%
Malaysia	22	0.54%	136.53	0.78%
Japan	22	0.54%	105.68	0.60%
Singapore	12	0.29%	40.21	0.23%
Indonesia	7	0.17%	35.06	0.20%
Australia	4	0.10%	31.65	0.18%
Thailand	2	0.05%	24.43	0.14%
Vietnam	5	0.12%	22.37	0.13%
Vanuatu	3	0.07%	11.72	0.07%
Kuwait	3	0.07%	8.29	0.05%
Italy	1	0.02%	7.39	0.04%
Taiwan	10	0.24%	5.48	0.03%
Hong Kong	1	0.02%	4.01	0.02%
United States of America	5	0.12%	1.62	0.01%
Croatia	1	0.02%	1.30	0.01%
Canada	3	0.07%	0.93	0.01%
France	1	0.02%	0.80	0.00%
England	1	0.02%	0.73	0.00%
Brazil	1	0.02%	0.68	0.00%
Norway	1	0.02%	0.61	0.00%
Argentina	2	0.05%	0.58	0.00%
Czech Republic	1	0.02%	-	0.00%
India	3	0.07%	-	0.00%
Tunisia	1	0.02%	-	0.00%
Total	**4,110**	**100.00%**	**17,588.84**	**100.00%**

Out of 4,110 STRs in Dataset 2, 703 STRs[10] with transaction values totaling PHP9.60 billion involved at least one junket operator of the four high-risk integrated resorts (**Table 10**). Among the four high-risk integrated resorts, only Casino D did not have any STR submissions relating to a specific junket operator, over the period 2020 to 2022. This appears to be odd, considering that three of its junket operators were flagged by other high-risk integrated resorts in their filed STRs.

Nonetheless, Dataset 2 shows that Casino D had one STR that mentioned the phrases "casino junket operators" and "casino junket operations" in the narrative field. Said STR filing was triggered by a request received by Casino D on 22 December 2022, from the AGA-AMLSED, to verify whether the

[10] These STRs were determined on the basis of the AGA for Casinos' list of junket operators for each of the four high-risk integrated resorts.

personalities in its list are casino junket operators or are affiliated with any accredited casino junket operator. AGA-AMLSED's request expressly mentioned that such request was made in relation to the ongoing investigation of the SEC on casino junket operations and casino financing scheme. Among the individuals in the list provided by AGA-AMLSED is HLP, who Casino D identified as its existing member.

Table 10. STRs Filed by High-Risk Integrated Resorts on Junket Operators

Integrated Resort	Total Volume	Percent to Total Volume	Total Value (In PHP Millions)	Percent to Total Value
Casino A	592	84.21%	9,021.18	93.95%
Casino B	108	15.36%	578.61	6.03%
Casino C	3	0.43%	2.06	0.02%
Total	**703**	**100.00%**	**9,601.85**	**100.00%**

4. Prominent and Notable Typologies

4.1. Non-Reporting of Transactions in Violation of the Junket Agreement

4.1.a. Junket Operator 1

Junket Operator 1 (JO1) is a junket operator under Casino A. Under its Junket Agreement with Casino A, JO1 is obligated to comply with all issuances, rules, and regulations pertinent to the Anti-Money Laundering Act of 2001, as amended, as if it were a covered person. Casino A, as a land-based casino,[11] required JO1 to submit a Rove Report on a daily basis to report covered and suspicious transactions. Even if no covered or suspicious transactions occurred on a given day, JO1 was still obligated to file a Rove Report saying that no such transactions occurred.

Notably, Casino A's Anti-Money Laundering Team considered it peculiar that JO1 constantly issued Rove Reports, claiming the absence of covered or suspicious transactions, as this was not the norm. Subsequently, Casino A analyzed and studied JO1-related closed-circuit television (CCTV) material, which indicated what seemed to be cash payments and withdrawals by unknown individuals that were not mentioned in JO1's Rove Reports. Casino A was eventually proved that JO1 neglected to notify Casino A of certain covered/suspicious transactions, which is a violation of the Junket Agreement. As a result, Casino A filed the necessary reports with the AMLC for the aforementioned transactions. JO1 then supplied a list of transactions they claimed they had mistakenly omitted to record and submit to Casino A.

JO1, however, did not furnish Casino A with an explanation or reason for its failure to declare these transactions in the Rove Report. Casino A has established that JO1 either neglected to report certain covered/suspicious transactions or subjects engaged in suspicious activities. In the schedule of transactions given by JO1, they had noted a PHP300 million cash deposit at JO1 with a specific ZBN on 1 December 2021. Relative to this, the AMLC database showed that ZBN apparently had 21 "safekeeping"[12] transactions from December 2021 to March 2022, which aggregated to PHP1,582.8

[11] The *Casino Guide for a Fitness and Propriety Assessment for Junket Operators V1.0* states that land-based casinos are "required to evaluate the fitness and propriety of its junket or chipwashing operations, its associates/agents/promoters, and candidates for junket operations. This is necessary in order to obtain or maintain a contract with licensed casinos. Retrieved from https://www.pagcor.ph/pased/docs/regulatory-order-RO-2022-06-001.pdf (last accessed: 24 January 2023).

[12] Players deposit playing chips for safekeeping with the Casino Treasury Division.

million (**Table 11**). Casino A, however, has no knowledge regarding the nature or purpose of the transaction other than JO1's explanation that it was their company's internal cashflow to fund operations.

Table 11. Details of Transactions of ZBN

Subject Name	Transaction Dates	Total STRs	Upload Date	Total Value (In PHP Millions)
ZBN	December 2021	8	June 2022	784.7
	January 2022	4	June 2022	290.0
	February 2022	7	June 2022	308.1
	March 2022	2	June 2022	200.0
Total	-	**21**	-	**1,582.8**

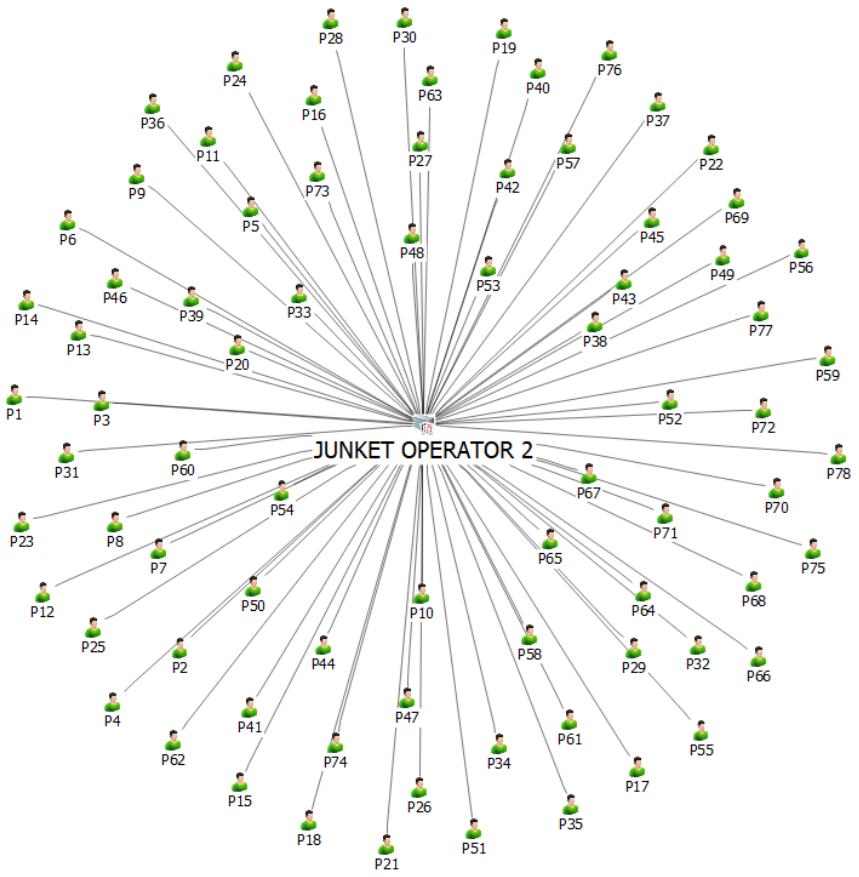
4.1.b. Junket Operator 2

In 2022, a total of 507 STRs with an aggregate amount of PHP6.86 billion were filed by Casino A in relation to the junket operations of ABC and XYZ, under the name and style of Junket Operator 2 (JO2). Similar to JO1, JO2 has a junket agreement with Casino A, under which the former is required submit a daily Rove Report, indicating the covered and suspicious transactions that had occurred on a particular day, or the absence thereof.

JO2 consistently filed Rove Reports, stating the non-occurrence of covered and suspicious transactions, which Casino A eventually found to be unusual. Upon reviewing and examining CCTV footage involving the activities of JO2, Casino A found reportable transactions made by several individuals who were not included in JO2's Rove Reports. In due course, Casino A was able to establish that JO2 breached the provisions of the Junket Agreement by failing to report certain covered/suspicious transactions. This resulted in Casino A's termination of its business relationship with JO2.

Subsequently, JO2 submitted a Schedule of Transactions, which they claimed they had inadvertently failed to report to Casino A. JO2, however, did not provide any explanation or justification as to its failure to include said transactions in its Rove Reports. In some STRs, Casino A further noted that there were activities by gaming patrons indicated in JO2's Schedule of Transactions that were not supported by any gaming activity as per Casino A's Leisure Records. JO2 also had numerous undeclared reportable transactions with unidentified individuals.

Figure 3. Individuals Involved in Junket Operator 2's Unreported Covered/Suspicious Transactions



4.2. Involvement in CPH Criminal Syndicate

Casino E reported the subject persons as members of the CPH criminal syndicate. **Table 12** identified the 12 STRs related to the individuals allegedly connected to the syndicate. Notably, HLP, one of the identified members, is involved in various businesses, such as construction, cosmetics distributorship, and lending. He is also an official of one company that is allegedly running a Ponzi scheme and was involved in an adverse news about casino junket operations. HLP had personal and corporate accounts with a domestic bank, both of which were closed due to unresolved red-flag transactions. Notably, HLP issued a bogus check in the amount of PHP10.50 million in another domestic bank. Given the circumstances, an STR pertinent to the fraudulent issue of the bogus check was warranted, and the checking account was closed.

Related to this, Casino B received a letter from the AGA for Casinos on the alleged investment fraud activities of the CPH. The aforementioned letter indicated that the group is run by HLP, who, upon verification, is a member of Casino B's rewards program. HLP allegedly entices investors into a contract of loan by promising them exorbitant returns or interest by issuing post-dated checks that ultimately bounce. The group asserted that they had a junket deal with private casinos and that the funds will be used to pay their international guests' gaming operations. In an effort to provide the appearance of a real organization, the gang uses names of legitimate businesses.

Table 12. Details of Transactions of Members of CPH

Subject Names	Transaction Dates	Total STRs	Total Value (In PHP Millions)
HLP	September 2022	1	-
	December 2022	3	-
	January 2023	1	10.50
ELB	December 2022	2	-
DTA	December 2022	1	-
CCQ	December 2022	1	-
KPM	December 2022	1	-
PTM	December 2022	1	-
RLG	December 2022	1	-
Total	**-**	**12**	**10.50**

4.3. Purchase of Chips with Small-Denomination Currency, Followed by Modest Gambling Actions

MGK, a Malaysian, was reported by the Cage Team[13] of Casino B as he purchased gaming chips, totaling PHP1.5 million, using 14,970 pieces of PHP100 bills and 3 pieces of PHP1,000 bills. Review of surveillance footage revealed that MGK entered the property with bags containing the cash in question. The subject purchased gaming chips, with which he played for roughly two hours, wagering an average of PHP14,211 and winning PHP0.15 million. MGK proceeded to the cage where he attempted to redeem PHP1.04 million but cancelled the transaction after realizing he would be refunded with his original PHP100 bills. MGK went to a separate cage a few minutes later and successfully redeemed PHP0.25 million. MGK left the premises following the aforementioned transactions without cashing out his remaining chips. The individual returned to the property the following day and used PHP1.1 million in funds to win a total of PHP1.31 million on two separate occasions and cages. The earnings were then transferred to the NDW Junket Cage.[14] Notably, MGK was previously the subject of five (5) similar STRs that were submitted to the AMLC. There is no other information available on MGK.

4.4. Transactions Not Commensurate with Declared Source of Funds

Due to suspicious circumstances, a bank reported 32 STRs, totaling PHP262.73 million tied to the account of AMG. Upon account-opening, AMG purportedly submitted an SEC registration document. LYM, who produced his driver's license and Chinese passport as identification, is the authorized signatory. AMG's client information file shows that it is involved in management consulting. Per branch's inquiries, however, AMG was found to be a casino junket operator at Casino D. According to the branch's evaluation of the account statement, AMG's transactions do not correspond to its declared source of funds. From account-opening in April 2015 to March 2016, the only activity in the account was the initial deposit of PHP50,000. In April 2016, however, the account began to have a large number of transactions. AMG's deposits and on-us credits, which were usually processed inter-branch, had values as high as eight digits. Between October 2016 and March 2017, the reporting branch identified transactions worth PHP262.73 million, which are deemed suspicious or not commensurate with the declared source of funds of AMG.

[13] Cage refers to the financial hub of a casino. It is usually in this tightly controlled environment that most of the large money transactions take place. Players also go to the cage cashier to "cash out," whereby they will exchange their chips for currency. Retrieved from https://www.jobmonkey.com/casino/glossary/ (last accessed: 25 January 2023).

[14] This is one of Casino D's junket operators between April 2021 and March 2022.

The reporting branch noted that LYM (account signatory) is also a client of Casino D. His savings account was flagged in STRs in March and April 2016 and was eventually frozen in February 2017 for being linked to other accounts subject of freeze order under Case No. 00178 dated 20 January 2017.[15]

Table 13. Details of Transactions of AMG

Subject Name	Transaction Dates	Total STRs	Total Value (In PHP Millions)
AMG	October 2016	2	10.64
	January 2017	1	5.00
	February 2017	20	171.89
	March 2017	9	75.21
Total		**32**	**262.73**

5. Conclusion and Recommendations

The substantial volume and value of suspicious transactions associated with casino junkets underscore the junket system's inherent vulnerability to ML/TF risks. Transactions pertaining to the safekeeping of playing chips with the Casino Treasury Division drew special attention as they were consistently identified to have the highest volume and value of STRs, using the two datasets that were specifically generated for this study.

Meanwhile, STRs filed by high-risk integrated resorts echo the need to strengthen the AML/CFT controls in the casino sector. The heavy use of physical cash by casino players, coupled with the non-reporting of covered and suspicious transactions by certain casino junket operators, contributes to the vulnerability of high-risk integrated resorts to ML risks.

This report discusses four typologies, which may guide casinos and other covered persons in detecting possible ML/TF activities. These pertain to the (1) non-reporting of transactions in violation of the Junket Agreement; (2) involvement of junket operators in criminal conspiracy; (3) purchase of chips with small-denomination currency, followed by modest gambling actions; and (4) conduct of financial transactions not commensurate with declared source of funds.

Amidst the rapidly evolving operations in the casino sector in the Philippines, this study recommends the following:

1. Dissemination of the report among external stakeholders such as relevant LEAs, SAs, OGAs, covered persons with a Public-Private Partnership Agreement with the AMLC, and other FIUs;
2. Dissemination of the full version of this report among internal AMLC groups/divisions;
3. Publication of a redacted version of this report on the AMLC website; and
4. Expansion of the analysis on casino junkets through a subsequent study by considering information from covered transaction reports.

[15] As per new PAGCOR guidelines for junket operators, the responsibility to determine if said operators "have been subject to any judgment debt or award in the Philippines or overseas, that remains due or was not repaid either in full or in part" falls on casino operators. Retrieved from https://agbrief.com/news/philippines/13/07/2022/pagcor-issues-new-guidelines-for-junket-operators/ (last accessed: 26 January 2023).