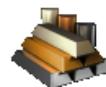




TYOLOGY ON THE USE OF DNFBPs

In setting-up entities alleged
to have received funds from
illicit activities

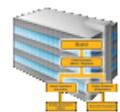
DESIGNATED NON-FINANCIAL BUSINESSES AND PROFESSIONS (DNFBPs)



Dealers of Jewelries
Precious Metal
Precious Stones



Persons
Lawyers
Accountants



Service Providers

Introduction

The AMLC Secretariat provides a typology on the use of Designated Non-Financial Businesses and Professions (DNFBPs) in setting-up entities alleged to have received funds from illicit activities.

Republic Act No. 10365, which amended RA No. 9160 or the Anti-Money Laundering Act of 2001 (AMLA), included certain types of DNFBPs as covered persons. Council Resolution No. 59, dated 9 May 2018, approved the adoption of AMLC Regulatory Issuance No. 1, Series of 2018 or the Anti-Money Laundering/Counter-Terrorism Financing Guidelines for DNFBPs.

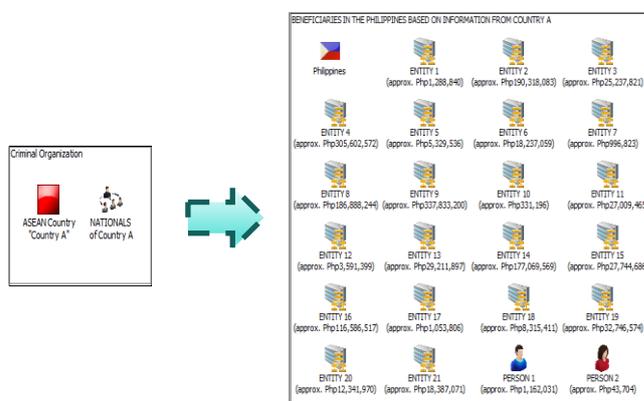
The DNFBP guidelines shall apply to the following DNFBPs:

- a. Jewelry dealers, dealers in precious metals, and dealers in precious stones;
- b. Company service providers which as a business, provide any of the following services to third parties:
 1. acting as a formation agent of juridical persons;
- c. Persons, including lawyers and accountants, who provide any of the following services:
 1. managing of client money, securities or other assets;
 2. management of bank, savings, securities or accounts;
 3. organization of contributions for the creation, operation or management of companies; and
 4. creation, operation or management of juridical persons or arrangements, and buying and selling business entities.

Case Background

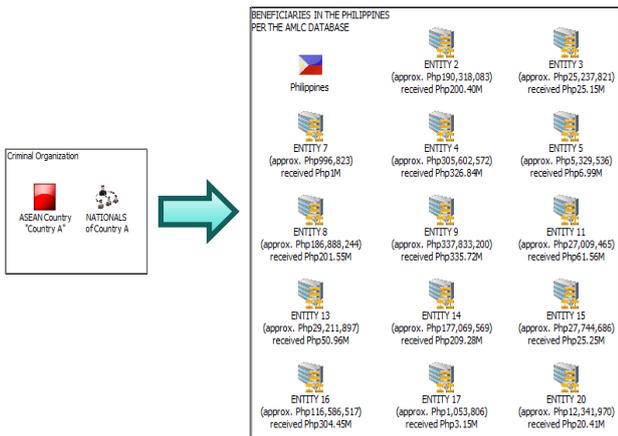


In 2018, an ASEAN country (Country A) requested assistance from the Philippine government in relation to an ongoing investigation on two of its nationals alleged to have funneled funds or accused of funneling funds to other jurisdictions including the Philippines. The case concerns a money laundering investigation on the subjects who were allegedly involved in illicit drug trafficking. The matter was referred to the AMLC for appropriate action.

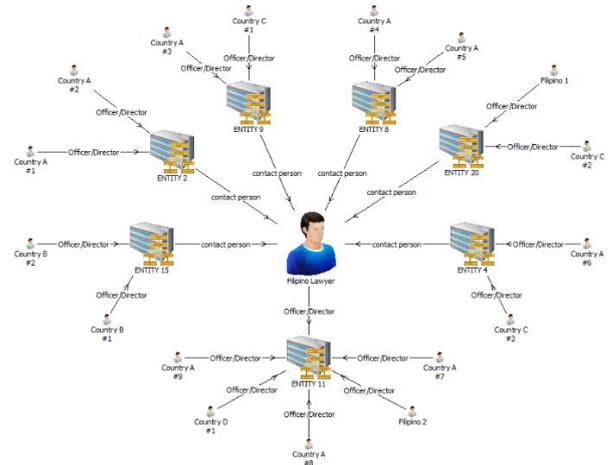


In the provided summary of facts, it was stated that nationals of Country A conducted large and suspicious money transfers to various jurisdictions involving fictitious import of goods from the Philippines. The subjects allegedly transferred proceeds from illicit drug trafficking to various beneficiaries comprising of 21 entities and two (2) individuals in the Philippines totaling approximately Php1.53 billion.

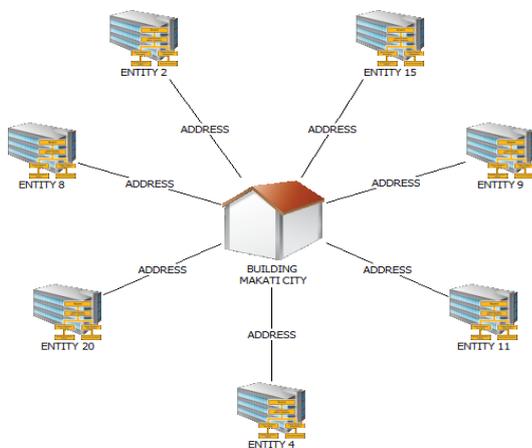
Case Findings



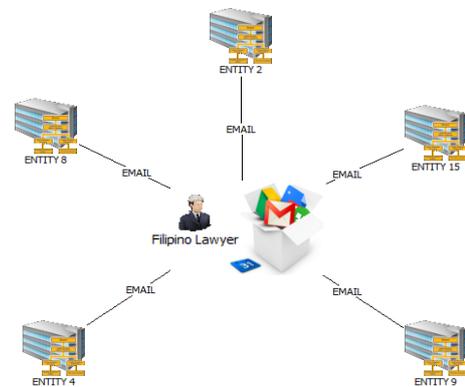
A total of 23 entities and individuals were listed as alleged beneficiaries in the Philippines of the remittances originating from two nationals of Country A. However, results in the AMLC database showed that only 14 entities from the list appeared as beneficiaries of funds, which totaled Php1.77 billion. It is possible that the remittances to the other entities named in the request are below the reporting threshold.



Of particular interest are seven (7) entities which have a common contact person or officer / director based on registration documents filed with the Securities and Exchange Commission (SEC). A Filipino lawyer was the identified contact person of six (6) entities. He is also one of the officers/directors of one (1) entity. The nationalities of the partners/incorporators of the seven (7) entities are mostly nationals of Country A followed by nationals from two (2) other ASEAN countries (Country B and Country C).

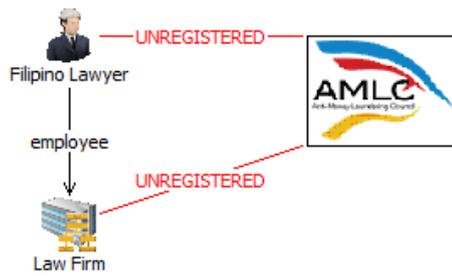


The case also revealed that the (seven) 7 entities affiliated with the Filipino lawyer have several addresses, however, all have a common address in a Makati Building. This is likely the registered office or business address provided by the law firm or lawyer which/who acted as the formation agent of the entities.



Further, based on reportorial submissions with the SEC, five (5) of the entities provided the corporate e-mail address of the lawyer likely for electronic correspondences.

Findings and Conclusion



The Filipino Lawyer, who is the resident agent/contact person of six (6) entities and an incorporator of one (1) entity, is not registered with the AMLC. The law firm where he is connected is also not registered with the AMLC.

Based on the findings it is apparent that the lawyer and the law firm provided services which are within the scope of the DNFBP guidelines, such as:

- Acting as formation agent;
- Acting as a corporate secretary;
- Providing a correspondence address [e.g. similar e-mail address on five (5) entities likely for electronic correspondences]; and
- Creation of juridical persons

The lawyer and the law firm may be accountable for non-registration under the AMLA, as amended

Lawyers and law firms acting on behalf of juridical persons or arrangements, as defined in the DNFBP guidelines, are covered persons under the AMLA, as amended. As part of KYC on-boarding process, covered persons (e.g. banks) may endeavor to require the submission of a certificate of registration with the AMLC from persons (e.g. lawyers and accountants) opening an account or transacting on behalf of a juridical person.