

THE 2017-2018 ANNUAL REPORT

SUSTAINABLE TRANSFORMATION





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THE 2017-2018 ANNUAL REPORT

SUSTAINABLE TRANSFORMATION



VISION

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

MISSION

To protect and preserve the integrity and confidentiality of bank accounts

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

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

IN MEMORIAM

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

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

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

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

the 2018 Implementing Rules and Regulations (2018 IRR).

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

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

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

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

CHAIRMAN OF
THE ANTI-MONEY LAUNDERING COUNCIL
NESTOR A. ESPENILLA JR.
1958-2019

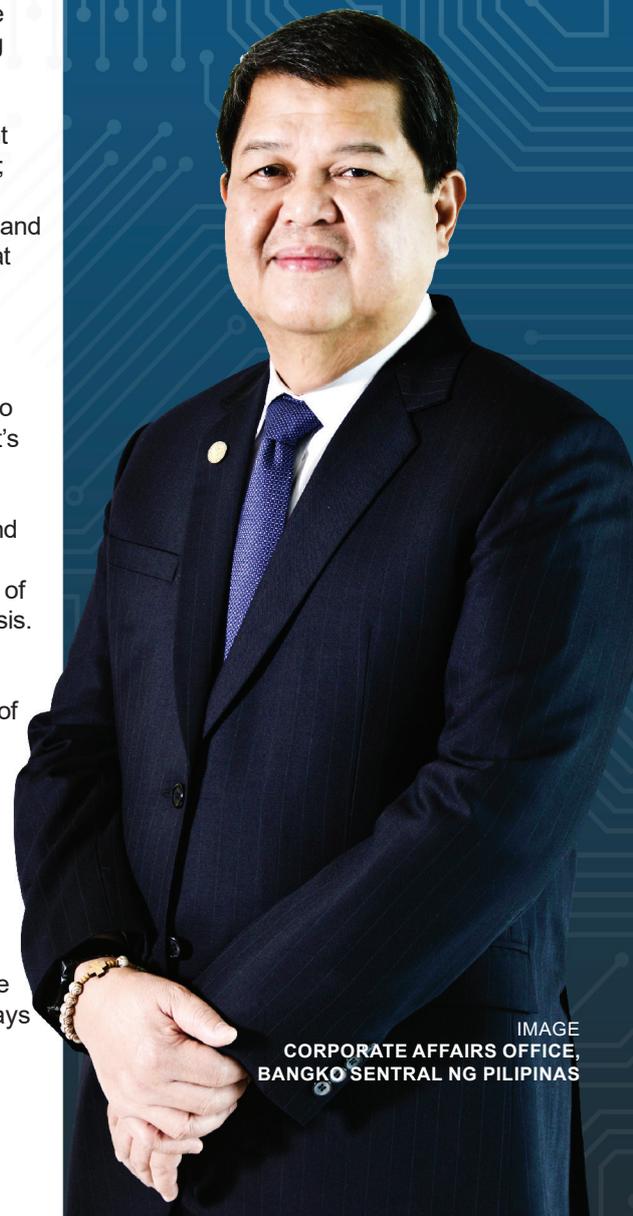


IMAGE
CORPORATE AFFAIRS OFFICE,
BANGKO SENTRAL NG PILIPINAS

ACKNOWLEDGMENTS



AMANDO M. TETANGCO JR.

Chairman
Anti-Money Laundering Council
July 2005 – July 2017

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

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



ATTY. TERESITA J. HERBOSA

Member
Anti-Money Laundering Council
May 2011 – March 2018

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

Atty. Herbosa finished her Bachelor of Arts and Bachelor of Laws degrees from the University of the Philippines, graduating cum laude both times. She obtained her Master of Comparative Law degree from the University of Michigan Law School in Ann Arbor, Michigan, USA.

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Anti-Money Laundering Council
Governor
Bangko Sentral ng Pilipinas

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Member
Anti-Money Laundering Council
Commissioner
Insurance Commission

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Atty. Emilio B. Aquino
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Chairman
Securities and Exchange Commission

Atty. Mel Georgie B. Racela
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THE COUNCIL



BENJAMIN E. DIOKNO, PhD

Chairman
Anti-Money Laundering Council

Governor
Bangko Sentral ng Pilipinas

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

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

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



ATTY. DENNIS B. FUNA

Member
Anti-Money Laundering Council

Commissioner
Insurance Commission

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

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

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

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

Commissioner Funa is a member of the Philippine Bar Association and the International Law Society of the Philippines, and he has authored 10 law books.



**ATTY. EMILIO B. AQUINO,
CPA, MPM, CSEE**

Member

Anti-Money Laundering Council

Chairperson

Securities and Exchange Commission

SEC Chairperson Aquino has a record of 14 years in progressively responsible positions of trust. Concurrently, he is the Chairperson of the government-owned Credit Information Corporation and Chairperson of the Microfinance NGO Regulatory Council.

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

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

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



**ATTY. MEL GEORGIE B. RACELA,
CPA, LLM**

Executive Director

Anti-Money Laundering Council Secretariat

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

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

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

He holds a Master of Laws degree in International Legal Studies from Georgetown University Law Center in Washington, DC, USA, where he graduated as a Dean's Lister.

THE ANTI-MONEY LAUNDERING COUNCIL

In line with the policy of the State to protect and preserve the integrity and confidentiality of bank accounts, and to ensure that the Philippines shall not be used as an ML site for the proceeds of any unlawful activity, the AMLC was created by virtue of RA No.9160, otherwise known as the AMLA, as amended.

The AMLC's main task is to implement the AMLA, as amended by RA Nos.9194, 10167, 10365, 10927; and RA No.10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012 (TFPSA). The AMLC is mandated to assist in transnational investigations and prosecutions of persons involved in ML and TF activities wherever committed.

The AMLC is composed of the Governor of the BSP as Chairman, and the Commissioner of the Insurance Commission (IC) and the Chairperson of the SEC as Members. The Chairman and Members act unanimously in the discharge of AMLC's functions.

The AMLC is a hybrid-type of financial intelligence unit (FIU) because in addition to the core functions of an FIU, such as receipt, analysis, and dissemination of suspicious transaction and other reports, it performs investigative, prosecutorial, and supervisory functions.

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



CORE FUNCTIONS

Financial Intelligence Analysis

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

Probe into suspicious transactions or covered transactions deemed suspicious

Investigation

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

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

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

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

Prosecution

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

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

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

Apply for bank inquiry and/or examination

Supervision

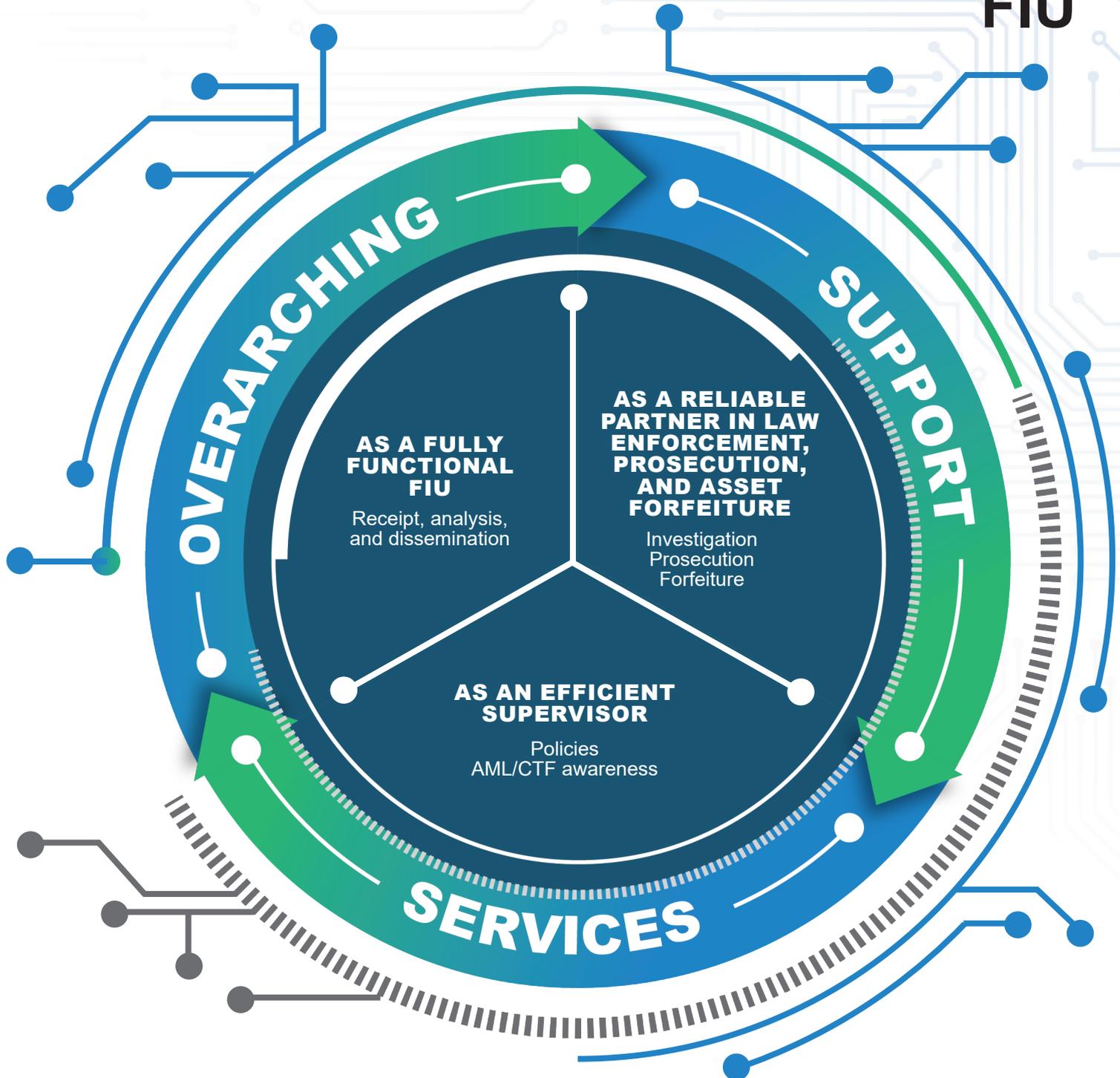
Implement measures to counteract ML and TF

Ensure compliance of covered persons with the AMLA, as amended

Handle the disposition of administrative cases

Develop educational AML/CTF programs

AN OVERVIEW OF A HYBRID FIU





FINANCIAL INTELLIGENCE ANALYSIS

528

requests for information (RFIs) from law enforcement agencies (LEAs) and other sources

83 million
CTRs

569

reactive financial intelligence briefs

173

Egmont Secure Web (ESW) RFIs received

779 thousand
STRs

51

proactive financial intelligence reports

10

Mutual Legal Assistance (MLA) RFIs

2017 2018 BY THE NUMBERS



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

Php 48.856 million

worth of cash and bank assets

+ 7 -hectare land
in Pangasinan



INVESTIGATION AND PROSECUTION

148 investigation reports

31 applications for bank inquiry

Php 1,718,386,789
worth of frozen assets

+ 41 vehicles

17 firearms

+ insurance policies

2 ML cases filed with the Regional Trial Court (RTC)

Php 1,009,116,707

worth of assets subject to civil forfeiture

+ 14 real properties

5 watercrafts

59 vehicles

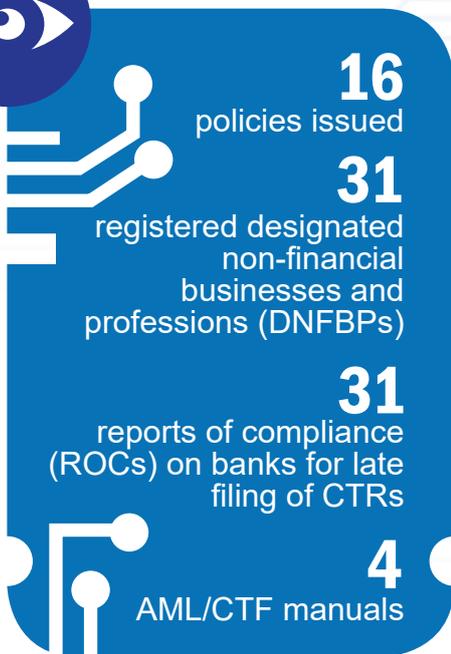
8 motorcycles

25 firearms

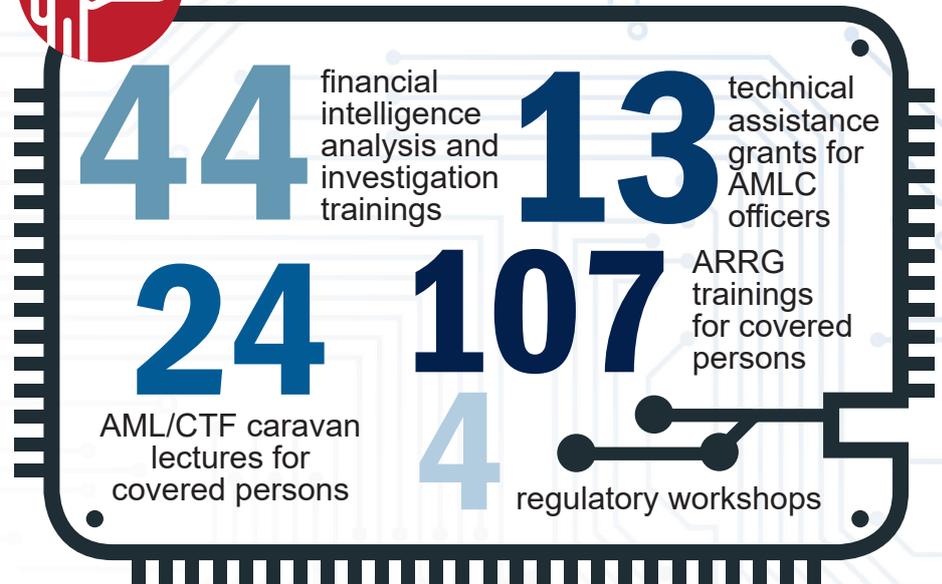
+ insurance policies

10 ML complaints filed with DOJ and OMB

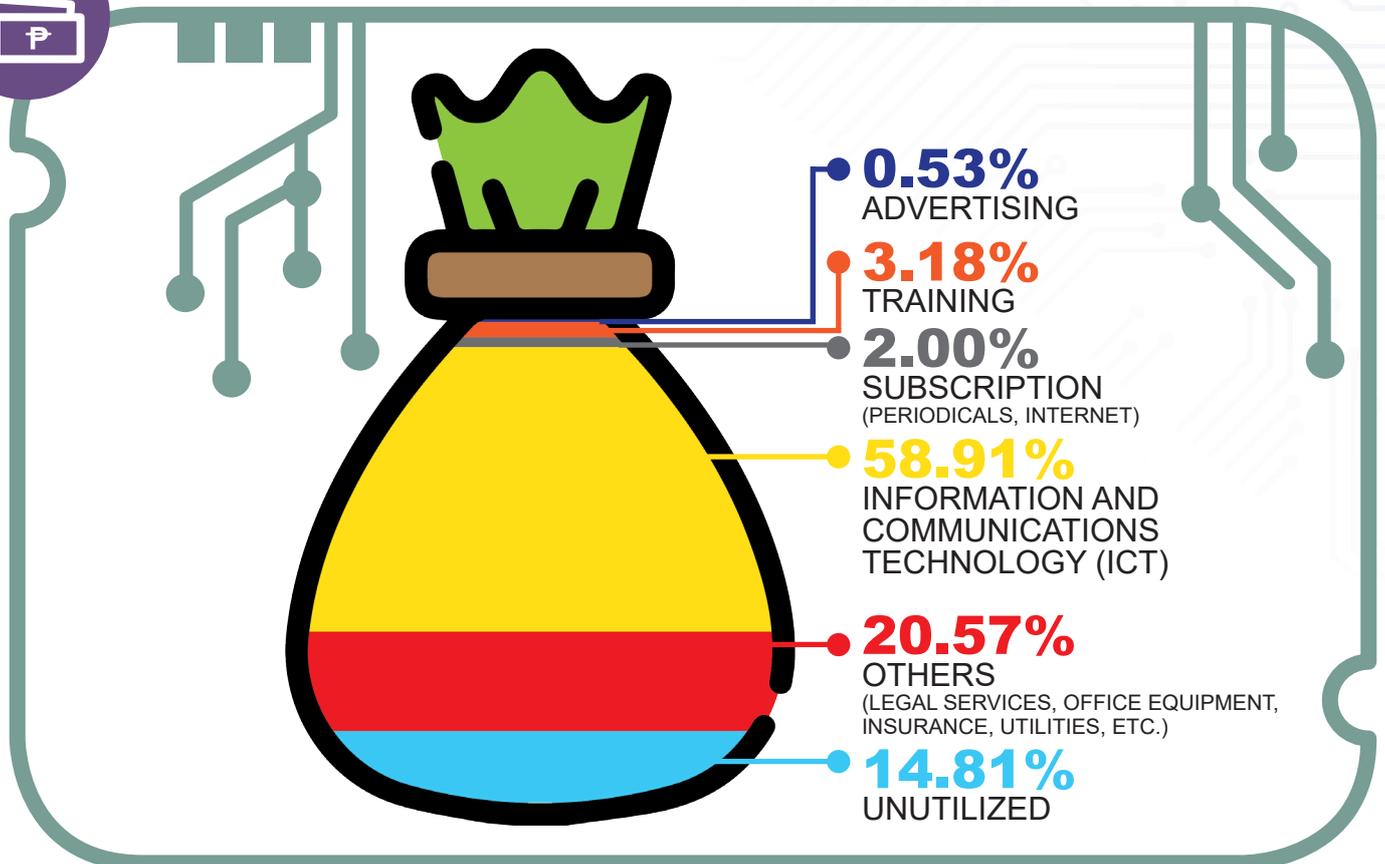
SUPERVISION



CAPACITY-BUILDING



BUDGET UTILIZATION



THE AMLC SECRETARIAT: INTEGRATED AND UPGRADED

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

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

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

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

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

Commitments and Policy Group

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

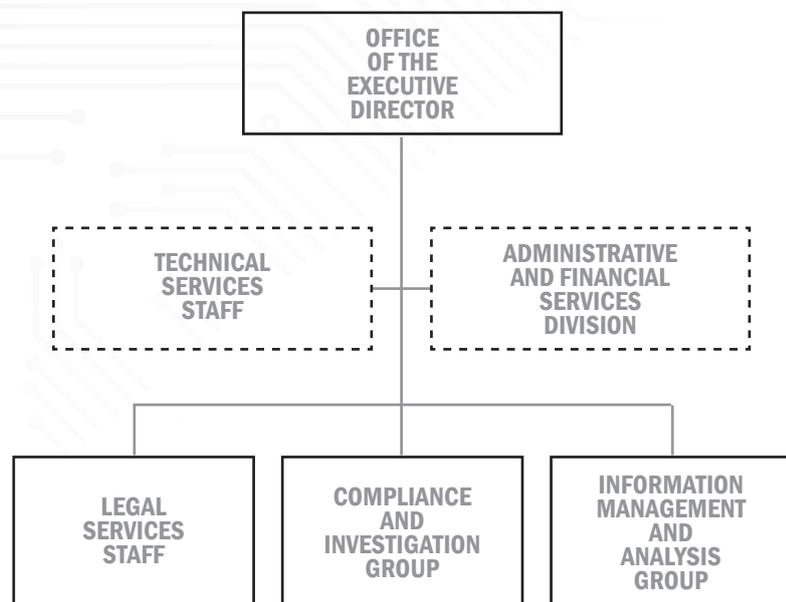
Counseling, Adjudication, and Mutual Legal Assistance Unit

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

DETECTION AND PREVENTION DEPARTMENT

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

2017



2018 ORGANIZATIONAL CHART

Office of the Executive Director

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

AMLC
AMLC SECRETARIAT

Enterprise Security Staff

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

OFFICE OF THE EXECUTIVE DIRECTOR

COMMITMENTS AND POLICY GROUP

ENTERPRISE SECURITY STAFF

COUNSELING AND LEGAL ASSISTANCE UNIT

ADMINISTRATIVE, FINANCIAL, AND IT SERVICES GROUP

DETECTION AND PREVENTION DEPARTMENT

INVESTIGATION AND ENFORCEMENT DEPARTMENT

INVESTIGATION AND ENFORCEMENT DEPARTMENT

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

Administrative, Financial, and IT Services Group

- Ensures compliance with relevant legislation, regulatory requirements, and internal policies on personnel, facilities, property, and supplies management
- Records, monitors, and controls the utilization of the approved annual AMLC budget
- Manages the integrity, capacity, performance, availability, administration,

preventive maintenance, and utilization of the Secretariat's data center and network infrastructure

- Manages the development, implementation, and maintenance of IT systems, modules, programs, and projects
- Manages and monitors centralized receiving and releasing of documents from and to various stakeholders and the general public

GENDER AND DEVELOPMENT (GAD)

Quality Management System (QMS)

The QMS serves as a platform for the implementation of the AMLC's core processes to deliver its mandate pursuant to the AMLA, as amended.

The AMLC QMS, as approved by the Council per AMLC Resolution No.131 dated 20 December 2017, is a knowledge-based system that outlines the policies and procedures necessary to improve and control various processes of AMLC that will ultimately lead to better operational performance. The QMS ensures consistency and improvement of working practices, which, in turn, provides services that satisfy customer requirements.

The approved QMS is in accordance with the requirements of the international standard on QMS, ISO 9001, approved policies, and other pertinent laws, rules, and regulations.



Through its GAD Focal Point System (GFPS), the AMLC takes on gender mainstreaming as a strategy to promote gender equality and sensitivity in its processes, systems, policies, operations, and procedures.

The Philippine Constitution recognizes the fundamental equality before the law of women and men, as enshrined in the Magna Carta of Women (MCW) or RA No.9710 and in the provisions of the United Nations (UN) Convention on the Elimination of All Forms of Discrimination against Women (CEDAW), to which the Philippines subscribed.

Executive Order (EO) No.273 (Approving and Adopting the Philippine Plan for Gender-Responsive Development [PPGD 1995-2025]) mandates agencies to incorporate and reflect GAD concerns in their agency performance commitment contracts, annual budget proposals, and work and financial plans.

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

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



MALE

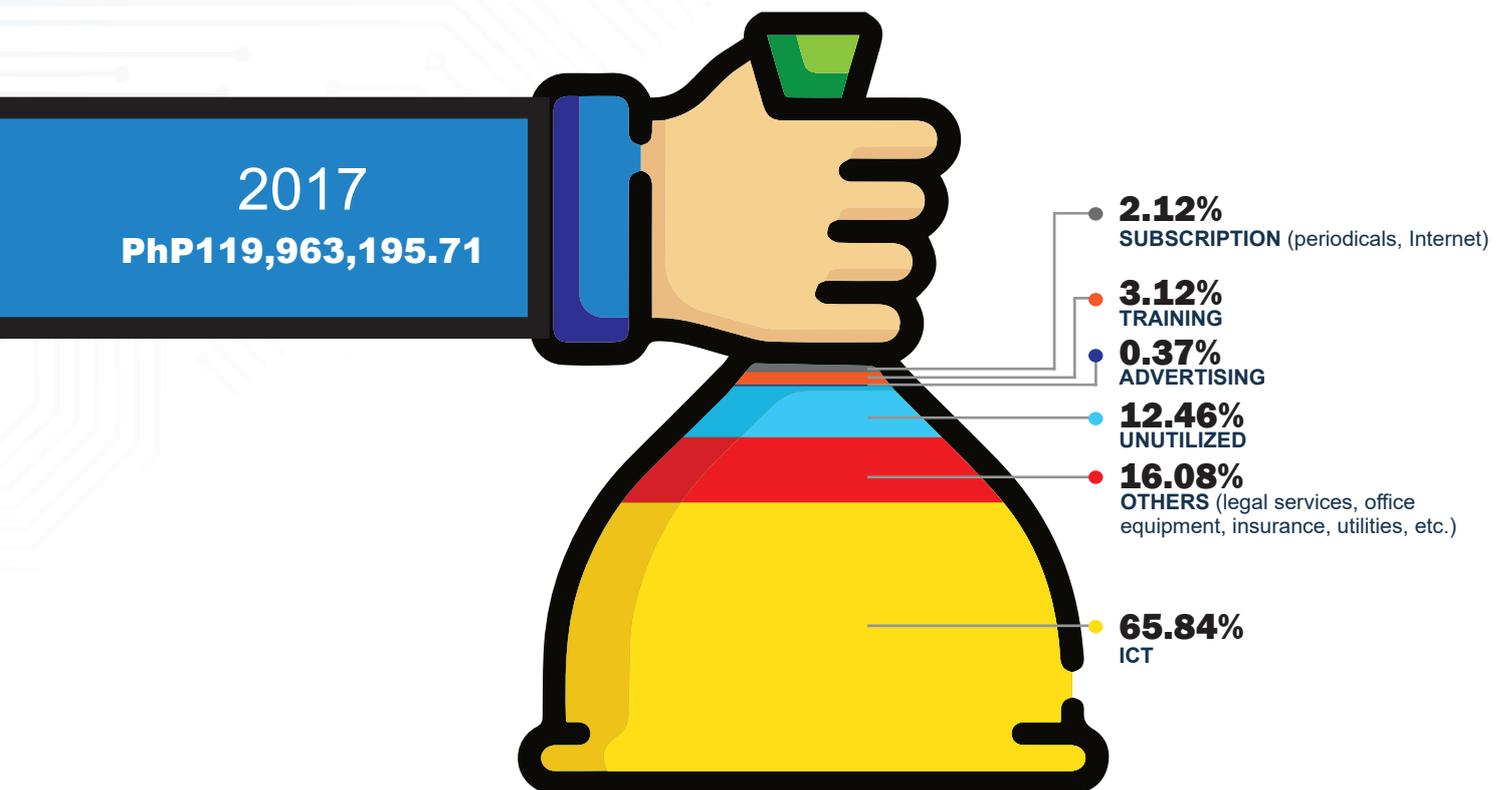
56%



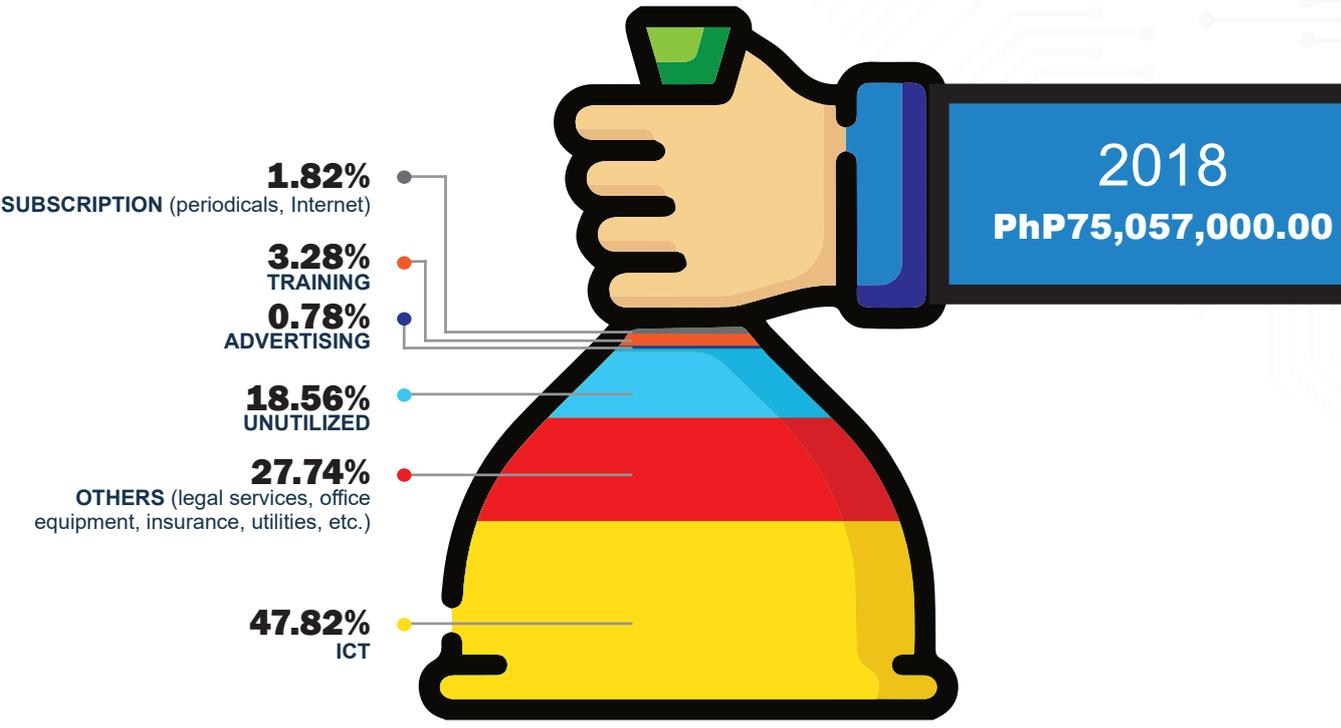
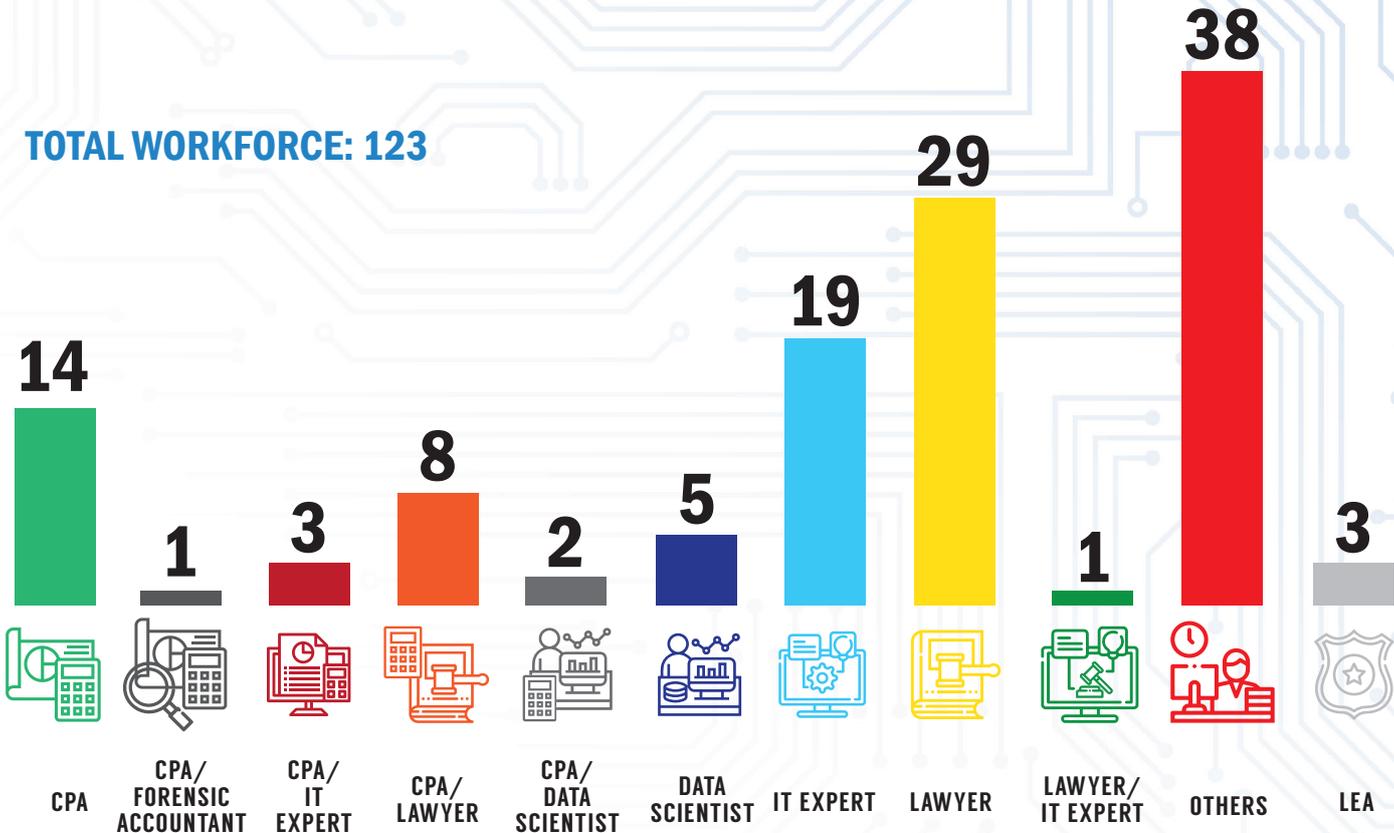
FEMALE

44%

NATIONAL GOVERNMENT BUDGET UTILIZATION



TOTAL WORKFORCE: 123



A FULLY FUNCTIONAL FIU

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

STR AND CTR COLLECTION

Covered persons submit CTRs and STRs to the AMLC electronically. Files are encrypted and uploaded through a secure portal. Then the files are decrypted, checked, and validated before being saved in the AMLC database. The facility has also been enhanced to require timestamps on STRs and CTRs.

COVERED PERSONS



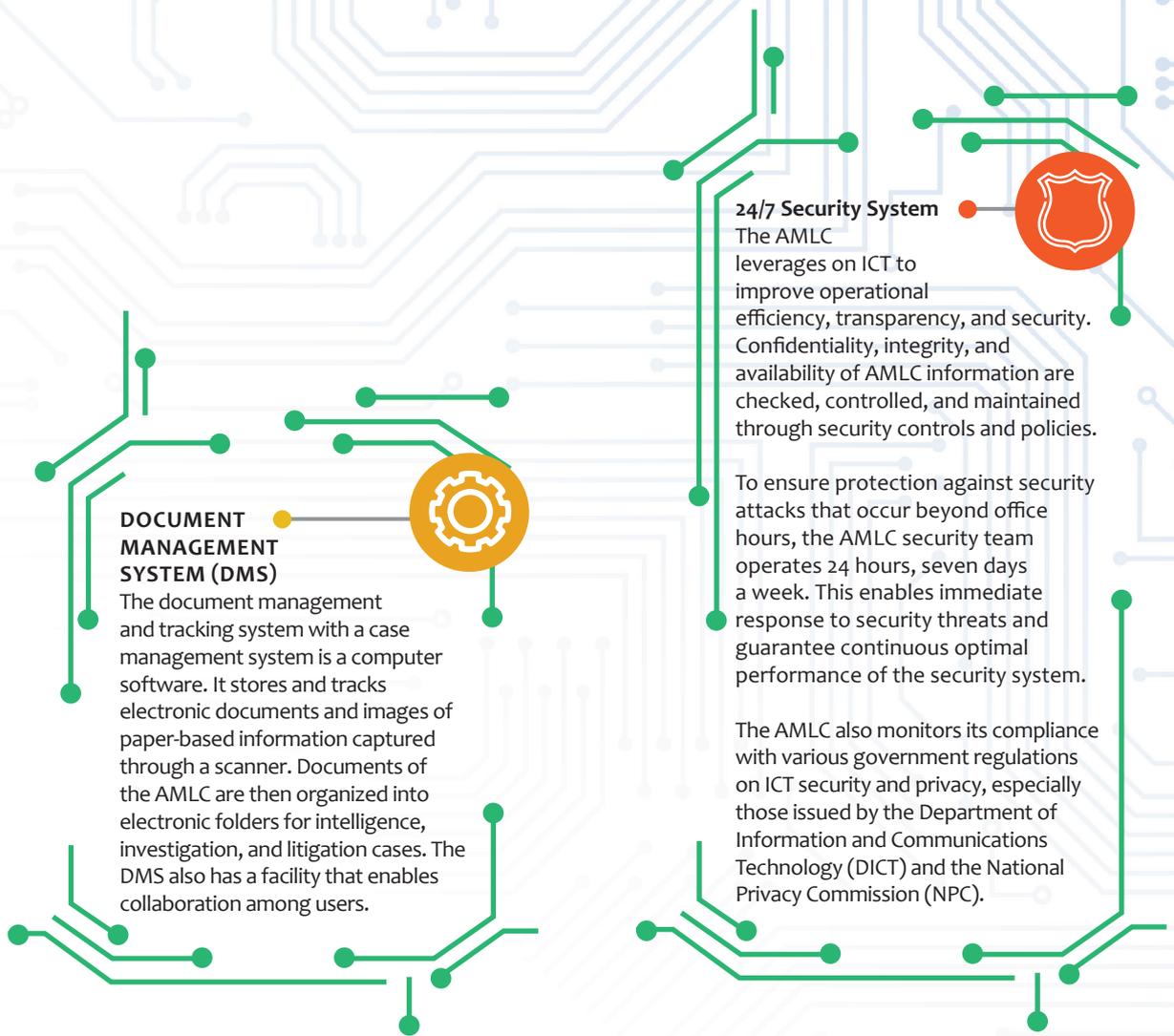
CTRs



STRs



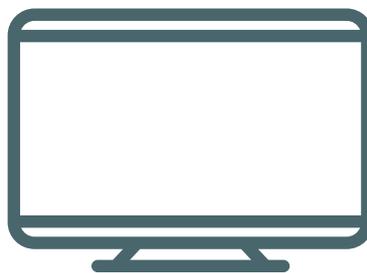
A FULLY FUNCTIONAL FIU



ENCRYPTION



AMLIC PORTAL



AMLIC DATABASE



A FULLY FUNCTIONAL FIU

Financial Intelligence Analysis Group Standard Operating Procedure Guidelines (FIAG SOP)

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



FINANCIAL INTELLIGENCE ANALYSIS

Requests for Information		
Year	LEAs and Government Agencies (GAs)	Other Triggers (confidential informants, covered persons, the public, etc.)
2017	214	46
2018	268	



Sources of Financial Transaction Information		
Year	Total CTRs	Total STRs
2017	39.9 million	287,265
2018	43.1 million	491,717

Know-Your-Customer (KYC) Documents Upload Facility

Covered persons upload KYC documents electronically for use by intelligence analysts as well as handling lawyers and investigators of the AMLC.



Memorandum of Agreement (MOA)

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



Information used in Financial Intelligence		
Reactive		
Year	CTRs	STRs
2017	2,170,635	21,203
2018	984,032	6,275

No. of Financial Intelligence Reports Produced	
Year	Reactive
2017	411
2018	158

Information used in Financial Intelligence		
Proactive		
Year	CTRs	STRs
2017	506	106
2018	33,361	2,340

No. of Financial Intelligence Reports Produced	
Year	Proactive
2017	8
2018	43

Information-Sharing Portal (ISP)

The AMLC has portals for sharing documents with LEAs and appropriate government agencies (AGAs); and with covered persons for intelligence purposes. The portals have facilities to provide feedback on shared information. The portals are accessible to LEAs with existing MOAs with the AMLC; and to covered persons with existing an ISP Agreement with the AMLC.



MLA Case Study on the Freezing of Bank Accounts in Relation to Money Laundering

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

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

Memorandum of Understanding (MOU)

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



MUTUAL LEGAL ASSISTANCE (MLA)

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

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

EGMONT SECURE WEB (ESW) RFIS

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

RISK ASSESSMENTS

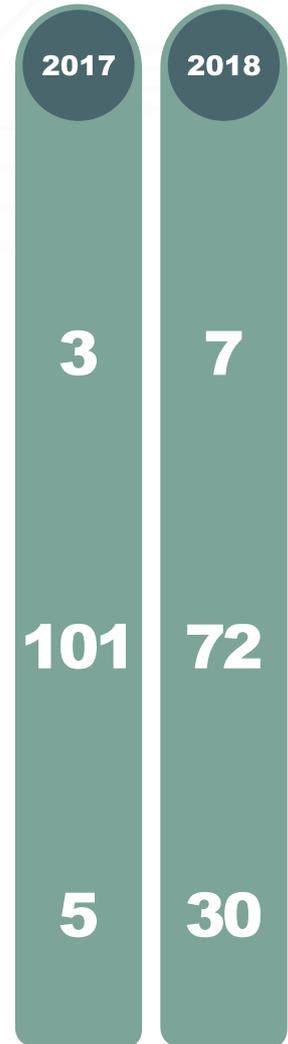
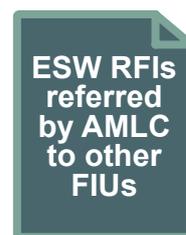
Risk Assessment of the Non-Profit Organization (NPO) Sector (2018)

What

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

How

Following the Financial Action



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

Findings

ML threat (mostly involving graft and corruption and fraud)	Medium NPOs exploited are those involving charitable, agricultural, educational, and livelihood activities.
TF threat (mostly based on allegations)	High-Low NPOs at risk are those involving charitable, social development, humanitarian disaster relief, and educational activities.
ML/TF vulnerability	Medium
AML/CTF understanding of NPOs	Moderate
Controls in place (regulatory framework, supervision, preventive measures, self-regulation mechanisms, and program delivery to intended beneficiaries)	Generally Effective
Regulated financial channels	Generally Utilized
Overall NPO risk to ML	Medium
Overall NPO risk to TF	Low Medium

Recommendations*

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

between the NPO sector and GAs/LEAs to support legitimate investigations on the abuse of the sector for criminal purposes

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

What

Relative to the NRA, the study evaluates the exposure of the

* ✓ = accomplished

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

How

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

Findings

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

Recommendations

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

STRATEGIC STUDIES

Suspicious Transaction Report Quality Review: A 2017 Strategic Analysis Report that Assesses the Overall Quality and Effectiveness of the Suspicious Transaction Reports Submitted by Covered Persons to the AMLC for the Year 2016 (2017)

What

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

How

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

Findings

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

Recommendation

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

Strengthening Anti-Money Laundering Surveillance alongside Advancements in Financial Technology: A Study of the Transaction Profile of Accredited Virtual Currency Exchanges in the Philippines (2018)

What

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

a more comprehensive monitoring of the financial behavior of individuals and entities possibly connected to illicit activities; and closer coordination and information-sharing among covered persons in the conduct of AML surveillance.

How

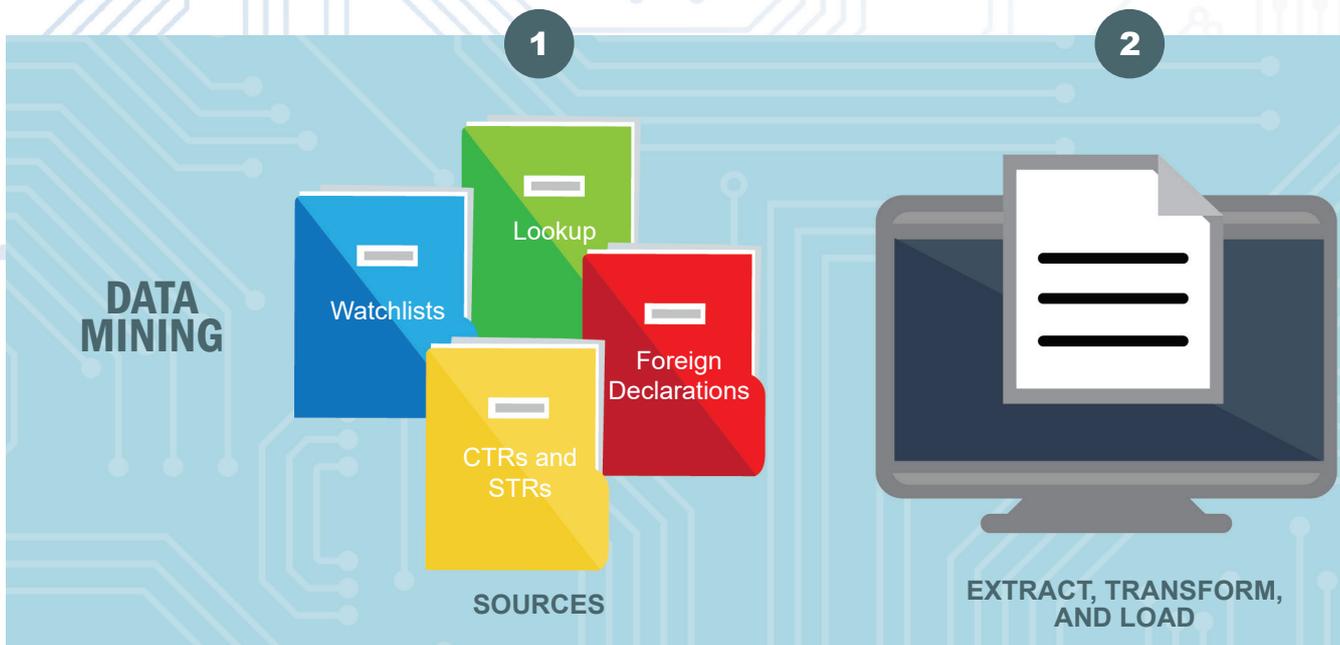
The study performs a descriptive analysis on 1,086 CTRs and 21,280 STRs received from BSP-accredited VC exchanges from 6 March 2017 to 10 April 2018, involving transactions executed on their platforms from 28 April 2014 to 6 April 2018 with a combined value of PhP3.1 billion.

Recommendations

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

Findings

- 41.9% of the total STRs were tagged as deviations from the clients' profile and/or transaction history, including transaction amounts not commensurate with one's financial capacity.
- Other most frequently cited reasons for suspicion are participation in investment schemes, swindling, and fraudulent practices and other violations under the Securities Regulations Code of 2000.
- In terms of total volume, 59.4% of the total STRs are outward remittances to domestic beneficiaries, while in terms of total value, cash deposits form 58.5%.
- In terms of total volume, 55.4% of the total CTRs are outward remittances to domestic beneficiaries, while in terms of total value, cash deposits form 59.1%.
- The regulatory framework for VC exchanges enables



Towards Deepening Regulatory Compliance: An Assessment of the Development of Anti-Money Laundering Reporting Compliance of the Pawnshop and Money Service Business Industry (2018)

What

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

How

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

Findings

- CTR and STR submissions increased after the Bangladesh Bank Cyberheist and after the issuance of BSP Circular Nos.938 and 942.
- Timeliness of CTR submissions improved.

- Majority of the bases for suspicion emanated from the institutions’ own monitoring of their customers rather than reactive reporting to news articles or government agencies’ RFIs.
- Data analysis provided substantial basis to confirm broadening AML awareness, reporting, and compliance within the industry.

Recommendations

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

3



SAS FINANCIAL CRIMES SOLUTION

4



AMLC USERS

PROACTIVE REPORTS

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

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

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

COOPERATION AND COLLABORATION

Financial Intelligence Consultative Group (FICG)

The FICG aims to develop a mechanism for regional financial intelligence analyst exchanges among the ASEAN and close partner FIUs by providing regular and informal means of communication

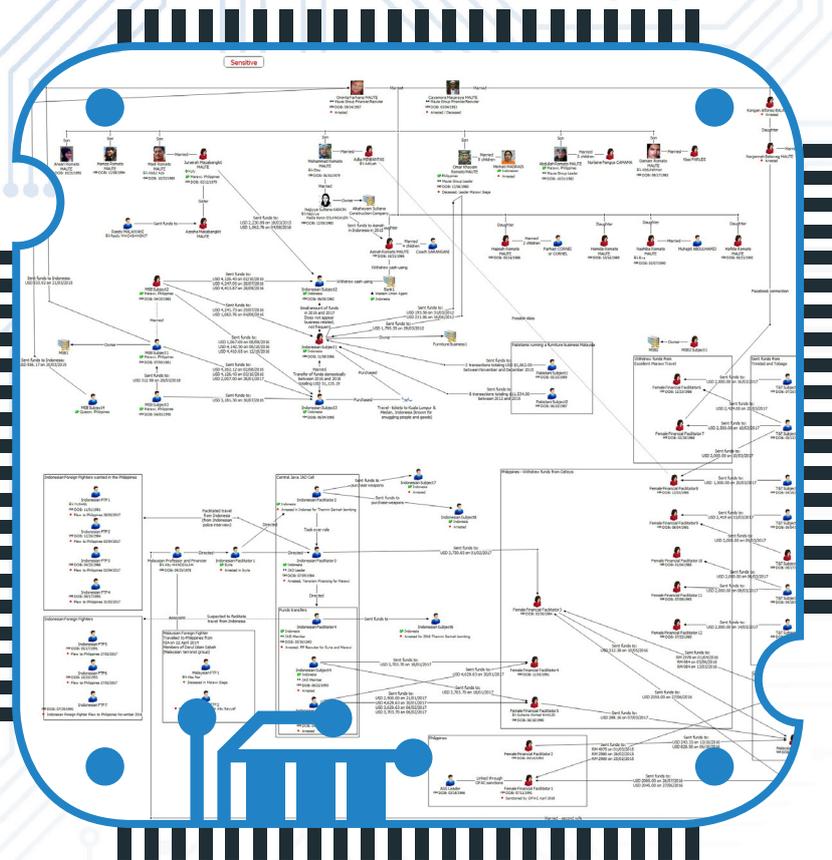
for FIU heads; facilitating proactive information-sharing and alignment of operational AML/CTF; and assisting FIU critical incident responses for timely information-sharing. The FICG has several working groups, namely, the NPO Red Flags Assessment Project, the CTF Summit Secretariat, the International Community of Experts, and the Southeast Asia Counter-Terrorism Financing Working Group.

CAPACITY BUILDING

Analyst Exchange Program (AEP) 19 to 30 June 2017 Sydney, Australia

10 to 21 July 2017
Manila, Philippines

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



COMPLEX NETWORK The MAEP produced a link chart analysis of associations and transaction flows related to the Marawi incident in 2017.

used, and previously unknown financiers and facilitators, who helped finance high-profile terrorist groups in Southern Philippines.

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

included financial transactions related to child pornography/child exploitation material and ML between Australia and Philippines.

Multilateral Analyst Exchange Program (MAEP)

MAEP, one of the activities included in the AMLC-AUSTRAC Partnership Program (AAPP), is a multilateral project, involving financial intelligence analysts from AUSTRAC, Indonesian Financial Transaction Reports and Analysis Centre (PPATK), Bank Negara Malaysia, and AMLC. The program aims to identify and understand the flow of funds and material support to the Maute Group; and associated groups in the Philippines prior to and during the Marawi Siege in 2017.

The 2018 MAEP resulted to actionable financial intelligence for national LEAs in Indonesia, Malaysia, Philippines, and other relevant partners. It helped the participants identify money-moving networks, probable fund sources, networks

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

Regional Financial Intelligence Analysis Course (FIAC)

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

The course also offers perspectives and insights from the global academe and LEAs on ML, serious and organized

crime, and TF threats and risks. It promotes cross-jurisdiction collaboration and relationship-building among representatives of the ASEAN FIUs.

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

UNODC CFT and Proliferation Financing Training
20 to 22 June 2018

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

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

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

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

2017 APG Typologies Workshop
13 to 16 November 2017
South Korea

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

APG Assessor Training
26 August to 3 September 2017
Australia

PCOO eFOI Training
25 August 2017
Manila, Philippines

FATF Standard Training Course
23 to 29 July 2017
South Korea

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

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

APG Assessor Training
1 to 5 May 2017
Australia

FBI ASEAN CTF Training
24 to 28 April 2017
Thailand

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

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

Strategic Intelligence Orientation Workshop
Quezon City, Philippines

Regional Workshop in preparation for the 3rd CTF Summit ■

A RELIABLE PARTNER IN LAW ENFORCEMENT, PROSECUTION, AND ASSET FORFEITURE

The AMLC investigates suspicious transactions, covered transactions deemed suspicious, ML and TF activities, and violations of the AMLA, as amended and the TFP SA. It acts on requests for investigation from domestic law enforcement and other agencies of the government, and requests for assistance from other jurisdictions and international organizations.

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

administrative and compliance cases against covered persons.

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

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

FINANCIAL INVESTIGATION



Financial Intelligence Reports

No. of Financial Intelligence Reports Used	
Reactive	
2017	198
2018	101

No. of Financial Intelligence Reports Used	
Proactive	
2017	6
2018	30

No. of Investigation Reports Developed	
Reactive	
2017	117
2018	28

No. of Investigation Reports Developed	
Proactive	
2017	2
2018	1

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eReturns Upload Facility

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

Financial Crimes Investigation Manual

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

Investigation and Disruption Tools

	No. of Applications for Bank Inquiry	Freeze Order	
		No. of Petitions for Freeze Order	Estimated Value of Frozen Assets (PhP)
2017	16	8	733,867,575
2018	15	11	984,519,214

Civil Forfeiture		
	No. of Civil Forfeiture Cases	Estimated Value of Forfeited Assets (PhP)
2017	9	922,643,319
2018	7	86,473,388

Prosecution

	ML/TF Complaints	ML Cases
2017	1	2
2018	9	-

DOMESTIC MEMBERSHIPS

National Law Enforcement Coordinating Committee (NALECC)

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

Functions

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

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

The AMLC participates in the following NALECC sub-committees:

- Dangerous Drugs and Controlled Chemicals
- Intelligence Coordination
- International Law Enforcement Cooperation
- Organized Crime

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

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

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

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

Joint Terrorism Financial Investigation Group (JTFIG)

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



Inter-Agency Committee against Drugs (ICAD)

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

Inter-Agency Council against Trafficking (IACAT)

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

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

Anti-Terrorism Council (ATC)

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

Presidential Legislative Liaison Office (PLLO)

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

The AMLC participates in the following PLLO clusters:

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

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

Philippine Anti-Drugs Strategy (PADS)

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

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AMLC action plans

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

Manila Regional Trial Court (RTC) in an AMLC case and in favor of the government, giving custody of the transfer certificate of title to the AMLC Secretariat.

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

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

CASE STUDY



NXTZ Company Case

Investigation triggers

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

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

Mr. YCT was subsequently charged with the violation of RA No.9165 or the Comprehensive Dangerous Drugs Act of 2002, as amended.

United Nations Convention Against Corruption (UNCAC)

The UNCAC, of which the AMLC is one of its respondents, is the only legally binding universal anti-corruption instrument, which covers five main areas: preventive measures, criminalization and law enforcement, international cooperation, asset recovery, and technical assistance and information exchange. The UNCAC includes a chapter on asset recovery aimed at returning assets to their rightful owners, including countries from which assets have been taken illicitly.

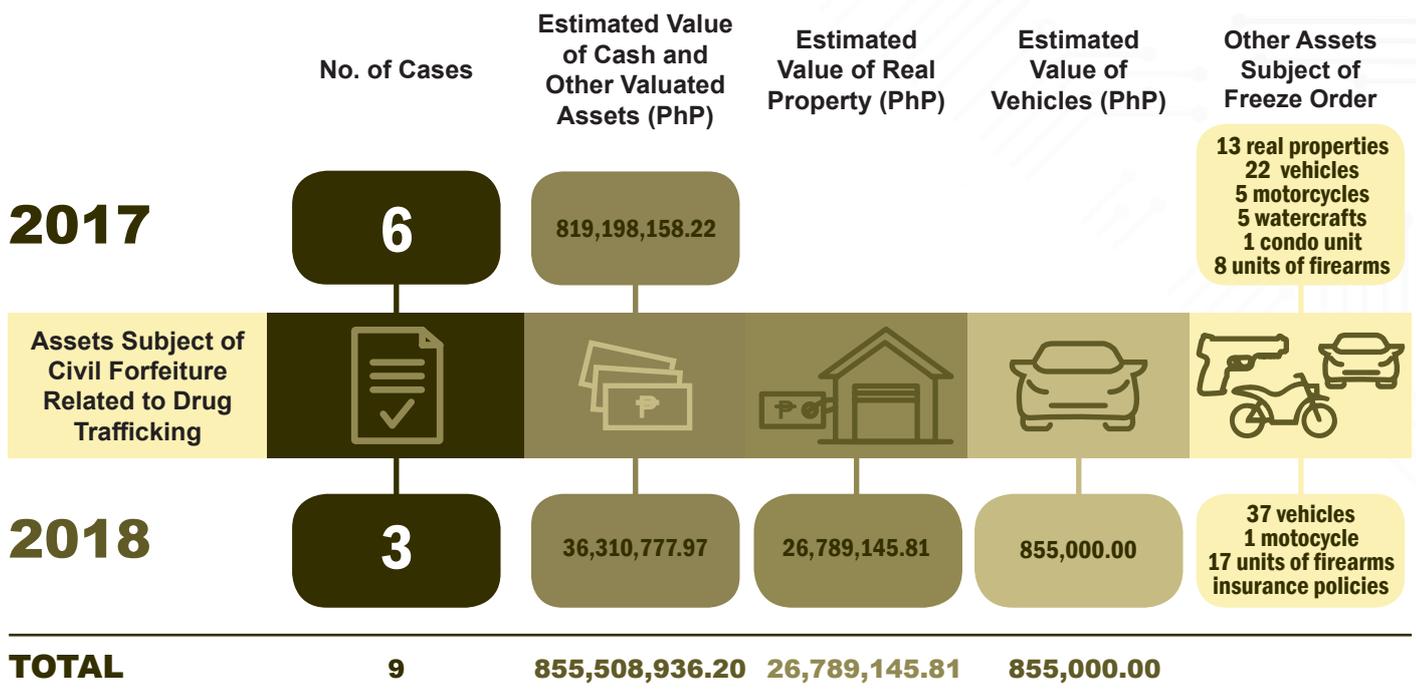
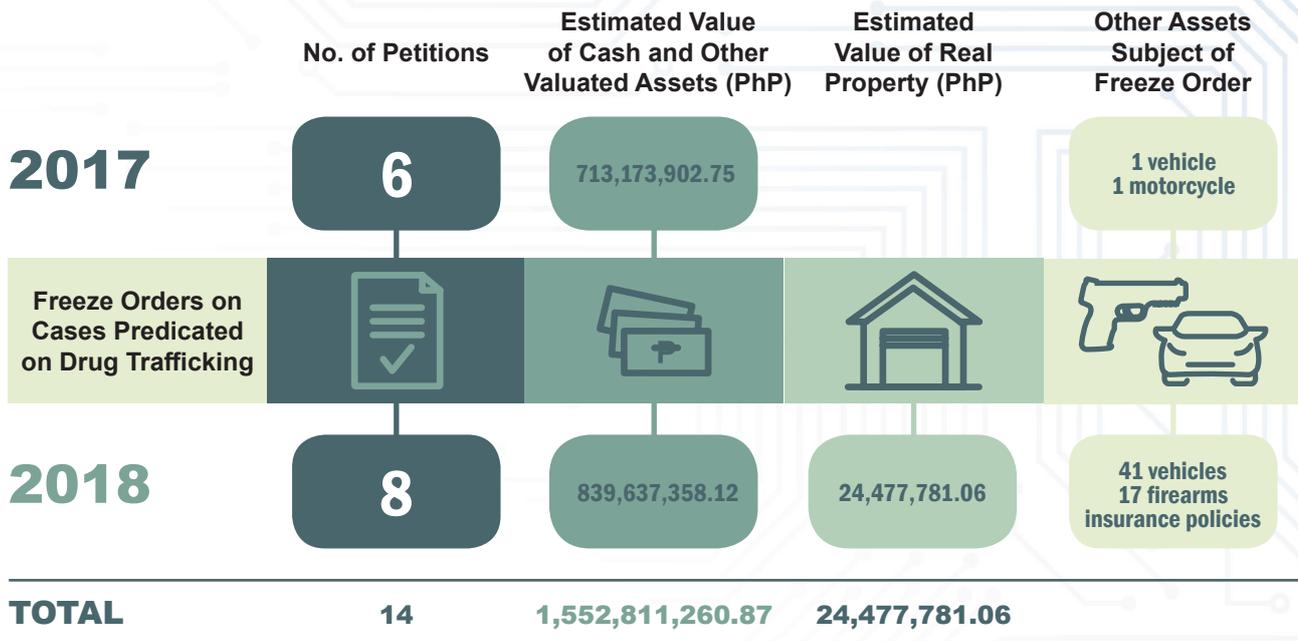


ASSET PRESERVATION SYSTEM

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

In 2018, the AMLC turned over the title of a seven-hectare property in Anda, Pangasinan to the BTr, the Republic's custodian of acquired assets. It was a forfeited land based on a decision promulgated by the

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PROSECUTION, AND ASSET FORFEITURE



A RELIABLE PARTNER IN LAW ENFORCEMENT, PROSECUTION, AND ASSET FORFEITURE

The AMLC received similar requests for information and financial investigation from other LEAs, such as Bureau of Jail Management and Penology (BJMP), ISAFP, and the PNP Criminal Investigation and Detection Group, pertaining to the individuals subject of the investigation.

Coordination

Domestic coordination due to RFIs from:

- BJMP
- Intelligence Service AFP
- PNP Criminal Investigation and Detection Group
- Land Registration Authority (LRA)
- Land Transportation Office (LTO)
- NBI
- Department of Trade and Industry (DTI)
- SEC

International coordination due to RFIs to:

- Macau
- China
- Hong Kong

Findings

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

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

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

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

Proceeds

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

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

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

Initial investigation disclosed that the proceeds of funds were channeled to a sole proprietorship engaged in the online selling of luxury bags. Observed were numerous large denominated cash/check deposits and local fund transfers among the subjects, who mostly originated from Fujian, China.

CASE UPDATES



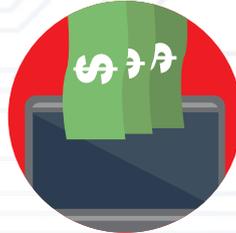
Financing of terrorism through kidnapping for ransom and use of ATMs (AMLC Annual Report 2016)

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

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

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

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



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

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

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

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

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

- The DOJ, in its resolution in 2017, found probable cause for the filing of ML charges against VY and other officers of NH Bank.
- In 2018, DOJ also filed information against the five executives of NH Bank for ML under Section 4(f) of the AMLA, as amended.



Large-scale corruption through the use of non-government organizations (NGOs), dummy corporations, and foreign exchange dealers (AMLC Annual Report 2014)

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

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

International Cooperation

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

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

Civil Forfeiture and ML cases resulting from the MLAT

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

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

CAPACITY BUILDING

Law enforcement agencies and AMLC Secretariat personnel American Bar Association AML/CFT trainings for Investigators and Prosecutors

10 to 14 September 2018

AML/CTF Trainings for Investigators and Prosecutors with PDEA

30 July to 3 August 2018
Davao City, Philippines

Financial Investigation Training with NICA

7 to 8 June 2018

Financial Investigation Training with ISAFP

27 April 2018

Financial Investigation Training with NBI

13 March 2018
Baguio City, Philippines

**Financial Investigation Training
with PDEA**

12 March 2018
Cavite, Philippines

26 April 2018

**Financial Investigation Training
with PNP**

15 February 2018
Quezon City, Philippines

AMLC-NBI Workshop

27 to 29 November 2017
Clark, Pampanga, Philippines

AMLC-PDEA Workshop

21 to 22 November 2017
Puerto Princesa City, Palawan, Philippines

**4th Asset Recovery Interagency
Network-Asia Pacific (ARIN-AP)
Asset Recovery Training**

16 to 25 November 2017
South Korea

**Cross-Regional Workshop on the
Investigation, Prosecution, and
Adjudication of Foreign Terrorist
Fighter Cases**

7 to 9 November 2017

**Countering the Financing
of Terrorism and Proliferation
of Weapons of Mass
Destruction through Effective
Asset-Freezing**

18 to 19 October 2017
Makati City, Philippines

Financial Investigative Techniques

25 to 29 September 2017
Thailand

**Workshop on the Amendment of
HSA at the ATC**

17 to 18 August 2017
Manila, Philippines

Workshop on HSA

16 August 2017
Manila, Philippines

**AMLA, as amended, 2016 RIRR,
Financial Investigation, Legal
Remedies for CIDG**

10 to 11 August 2017
Manila, Philippines

**Countering Transnational
Organized Crime**

5 to 27 August 2017
Germany

AMLC-OMB Workshop

27 to 28 July 2017

**Financial Investigation for Public
Corruption Course**

9 to 15 July 2017
Thailand

**Operational Workshop on Cross-
Border Financial Investigation Training**

19 to 23 June 2017
Pasay City, Philippines

Financial Investigation Workshop

19 to 22 June 2017

**Export Control (Weapons-
Smuggling) Workshop**

22 to 24 March 2017
Manila, Philippines

CTF Investigators Workshop

6 to 9 March 2017
Indonesia

**42nd Asia Region Law Enforcement
Management Program (ARLEMP)**

14 February to 3 March 2017
Vietnam

**Export Control and Related
Border Security Training Counter
Proliferation Investigations Course**

6 to 9 February 2017
Manila, Philippines

6 to 10 March 2017
Cebu City, Philippines

22 to 25 August 2017
Manila, Philippines ■

AN EFFICIENT SUPERVISOR



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

Effective **29 July 2017**

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

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

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

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

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

KEY AML/CTF POLICY ISSUANCES

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

Council approval **11 October 2017**
Effective **4 November 2017**

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

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

- First, casinos, as primary layer, should ensure that

they have established AML/CTF standards in their respective Money Laundering/Terrorism Financing Prevention Program (MLTFPPs) with adequate board and senior management oversight and internal controls.

- Second, AGAs, namely PAGCOR, CEZA, and APECO, with respect to their casino operations and licensees, supervise these casinos’ compliance with their MLTFPPs.
- Third, the AMLC ensures that the AGAs, as the supervising authorities, as well as covered persons comply with their duties over casinos on AML/CTF matters.

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

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

Amendments to the AMLC Registration and Reporting Guidelines (ARRG)

AMLC Regulatory Issuance (A) No.1, Series of 2018

Council approval **21 February 2018**
Effective **11 May 2018**

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

Salient changes include:

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

Amendments to the Online Registration System of the ARRG

AMLC Regulatory Issuance (A and B) No.3

Council approval **23 November 2018**
Effective **9 January 2019**

Salient changes are:

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

- Pending completion by registering DNFBPs of all the requirements, the AMLC will issue PCORs to registering DNFBPs.
- AMLC then requires compliance with and completion of all other requirements within six months from the approval of the PCOR, otherwise the PCOR will be cancelled.

ARRG for Casinos (ARRGC)

AMLC Regulatory Issuance (C) No.1, Series of 2018

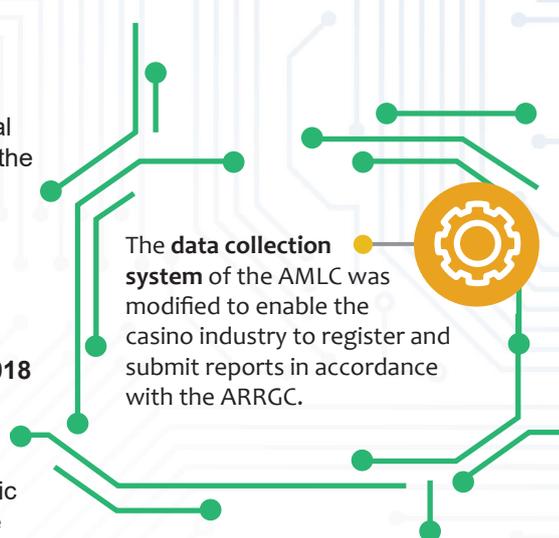
Council approval **20 February 2018**
Effective **19 May 2018**

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

The ARRGC includes, among others:

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

The ARRGC requires AGAs to ensure that casinos, casino operators and licensees, and integrated resorts under their respective regulation install an AML/CTF reportorial system within a reasonable time, not to exceed 90 days from publication of the ARRGC, upon consultation with the AMLC.



The **data collection system** of the AMLC was modified to enable the casino industry to register and submit reports in accordance with the ARRGC.

Guidelines on Digitization of Customer Records (DIGICUR Guidelines)

AMLC Regulatory Issuance (A, B, and C) No.2, Series of 2018

Council approval **11 September 2018**
Effective **13 October 2018**

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

Salient features include:

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

Anti-Money Laundering/Counter-Terrorism Financing Guidelines for Designated Non-Financial Businesses and Professions (DNFBP Guidelines)

AMLC Regulatory Issuance (B) No.1, Series of 2018

Council approval **9 May 2018**
Effective **29 June 2018**

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

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

Guidelines on Identifying Beneficial Ownership

AMLC Regulatory Issuance (A, B, and C) No.3, Series of 2018

Council approval **22 November 2018**
Effective **27 November 2018**

The guidelines require covered persons to identify beneficial owners and to validate information if customers and beneficial owners pose a high risk for ML or TF. "Beneficial owners" refer to those individuals or natural persons, who ultimately own or control the

customer, or those for whom another person conducts a transaction.

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

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

Council approval **22 November 2018**
Effective **27 November 2018**

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

The 2018 IRR features new rules on the AMLC's cooperation and coordination with LEAs; beneficial

ownership; customer due diligence; AMLC supervision and compliance-checking; and national risk management and assessment.

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

Council approval **24 May 2017**
Effective **9 August 2017**

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

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

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

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

Council approval 21 September 2016
Effective 9 August 2017

Salient features include

- Use of biometrics as additional customer due diligence (CDD) requirement for individual and corporate signatories
- Passport or alien certificate of registration as default identification document for foreign nationals
- Deferred face-to-face for low-risk customers
- Filing of STRs if the covered person reasonably believes that the conduct of enhanced due diligence will tip-off the customer

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Compliance and Supervision Manual (CSM)

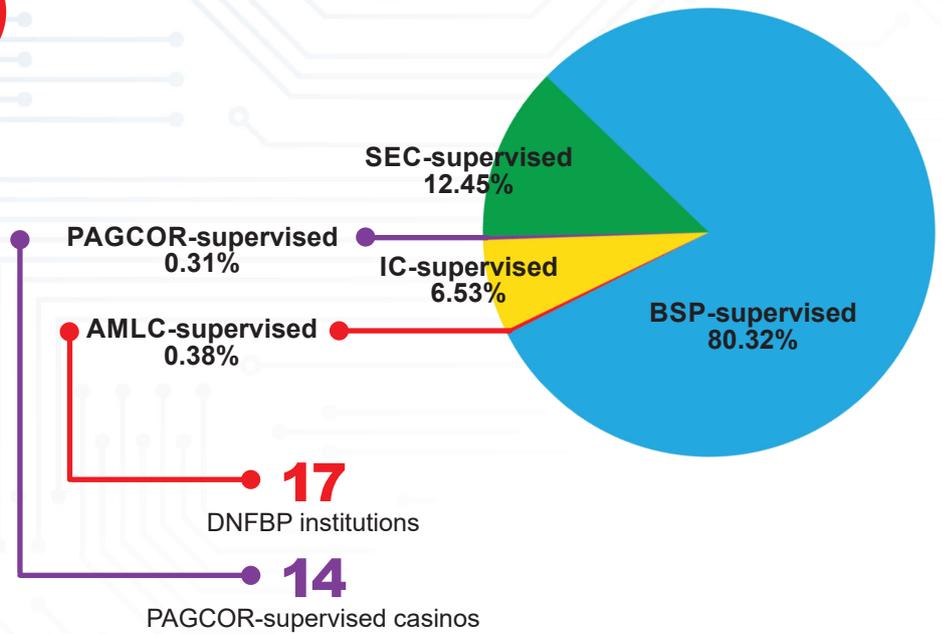
The CSM is a systematic approach in conducting a risk-based assessment of covered persons. Its procedures are based on acceptable standards and international best practices that are consistent with relevant domestic laws and regulations.

The CSM is divided into five sections that evaluate the overall compliance of covered persons with their respective AML/CFT frameworks:

- Registration and reporting
- Onsite Assessment
- Offsite Assessment
- Special Assessments
- DNFBP's Risk Rating System



AMLIC-REGISTERED COVERED PERSONS



Adjudication Manual

The manual serves to assist hearing officers in adjudicating administrative cases and in the day-to-day performance of their duties. It was drafted to implement the provisions of the RIAS. The manual further aims to show how the adjudication process can be conducted in a fair and professional manner in accordance with administrative due process. It also sets working processes that will strengthen the integrity of the hearing officer's function. The manual is a developing document, and it is designed to be revised and updated as the need arises.



70
ARRG Briefings
for DNFBP's



Company service providers



Accountants/
accounting
firms



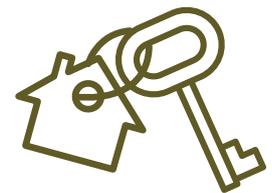
Lawyers/
law firms



Jewelers



Casinos



Real estate
brokers

Late Reports Generation System

The AMLC uses a system to generate late CTR submissions, taking into account holidays and non-reporting days.



ENFORCEMENT OF AML/CTF RULES AND REGULATIONS

Reports of compliance (ROCs)

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

Compliance-checking

The AMLC and PAGCOR conducted a joint onsite examination of one of the major casinos in the country. Compliance with AML/CTF policies was checked, focusing on the assessment of the adequacy and effectiveness of:

- Board of directors and senior management oversight
- MLTFPP
- Internal control and audit
- Customer identification and due diligence processes
- Oversight of casino marketing arrangement (junket operation)
- Risk assessment/profiling, ongoing monitoring of customers' accounts and casino transactions
- Monitoring and reporting of covered and suspicious transactions
- Recordkeeping management
- Compliance with the continuing education and training program

COOPERATION AND COLLABORATION

Supervising agencies

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

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

Covered persons

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

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

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



2018

4

meetings
with ABCOMP

4

meetings
with MSBs

CAPACITY BUILDING

Supervising agencies

Regulatory Exchange Program (REP)

19 to 23 February 2018
Sydney, Australia

19 to 23 March 2018
Manila, Philippines

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

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

Training on the AMLA, as amended; 2016 RIRR; Financial Investigation; and Legal Remedies for SEC

conducted by the AMLC Secretariat
13 to 15 September 2017
Manila, Philippines

Training on the AMLA, as amended; and the Casino IRR for PAGCOR, CEZA, and APECO

conducted by the AMLC Secretariat
23 to 25 October 2017
Manila, Philippines

Study Tour at the Casino Regulatory Authority of Singapore

19 January 2017
Singapore

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

Covered persons

AML/CTF Lecture Caravan

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

ADB AML/CTF trainings for MSBs

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

AMLC Secretariat personnel

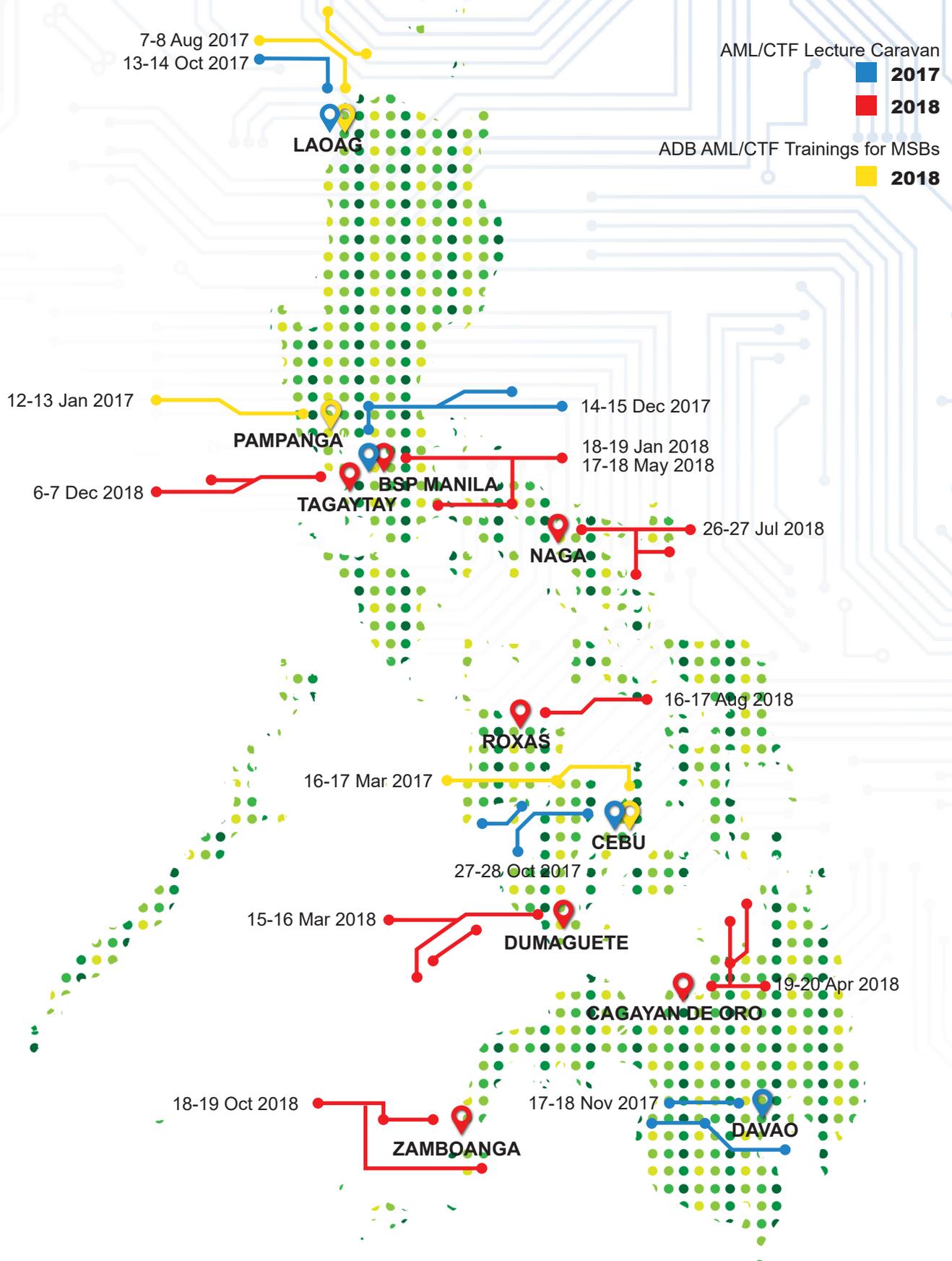
OCC AMLC School for Foreign Bank Supervision (AML/CTF Course)

6 to 19 July 2017
Washington DC, USA

Training CIRR-Casino AML/CTF

23 to 25 October 2017
Manila, Philippines ■

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SECOND NATIONAL RISK ASSESSMENT (NRA) ON MONEY LAUNDERING AND TERRORIST FINANCING

First NRA

Memorandum Circular No. 64 dated 20 June 2014 issued by the Office of the President enjoined 39 government agencies to participate in the conduct of the First NRA with actions coordinated through the AMLC.

In 2016, the Philippines concluded its First NRA, covering 2011 to 2014. The identified ML threats are predominantly from the proceeds-generating predicate offenses, such as drug trafficking, investment scams, and corruption. Criminals mainly use banks, securities, remittance agencies, and foreign exchange dealers to channel the illegal proceeds. Thus, these sectors have imposed stricter measures and enhanced coordination with covered persons under the supervision of the BSP and the SEC.

The Philippine NRA is a government-wide evaluation of the overall exposure of the country to ML and its related predicate offenses, terrorism, and TF.

As lead agency, the AMLC steered various government offices, LEAs, and private organizations through the Second NRA, identifying ML/TF risks within the realm of the LEAs, supervised sectors, financial institutions, and covered persons and entities under the AMLA, as amended. Approved in November 2017, the Second NRA covers the period 2015 to 2016. ■

Recommendation 1 of the FATF 40 Forty Recommendations

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

Sectors Assessed



Banks



Securities



Insurance



Other financial institutions (OFIs)



Designated non-financial businesses and professions (DNFBPs)

COMPONENTS OF THE ASSESSMENT

NATIONAL ML/TF THREAT



Analyze generation, flows, and patterns of proceeds of crimes from different sector perspectives in the country

NATIONAL ML/TF VULNERABILITY



Consider sectoral vulnerability and national AML and CTF defense mechanisms in place

LEVEL OF ML/TF RISK

Gauge the ML/TF risk of financial inclusion (effective access and wide range of financial services)

2ND NRA RESULTS

HIGH

+

MEDIUM

=

MEDIUM HIGH

NATIONAL ML THREAT HIGH

Modified World Bank Tools

- Assess the overall threat and effectiveness of the AML mechanisms in place
- Identify the gaps within the existing AML systems of the sectors
- Assess the impact of a certain sector to the overall sectoral ML vulnerability
- Assess the ability of the sectors to address cross-border threats
- Require OFIs and DNFBPs to use the World Bank tools to assess specific AML controls similar to that of the banking, securities, and insurance sectors
- Assess the overall threat and vulnerability of jurisdiction to terrorism and TF

Quantitative Research

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

Qualitative Research

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

Action Plans

- Obtain commitment of relevant GAs to collect data on proceeds of crimes involved in their respective agencies
- Conduct frequent bilateral coordination workshop between AMLC and other relevant LEAs
- Require covered persons to conduct enhanced profiling of clients focused on beneficial ownership and legal existence; transaction patterns in the

Threats arising from predicate crimes

HIGH

 Dangerous Drugs Law Violations	 Plunder and Anti-Graft and Corrupt Practices Act Violations
 Investment Fraud and Estafa	 Tax Crimes
 Smuggling	 Copyright Infringement/ Intellectual Property Law Violations
 Illegal Manufacture and Possession of Firearms, Ammunition, and Explosives	 Environmental Crimes

MEDIUM

 Web-related Crimes
 Trafficking in Persons
 Kidnapping for Ransom

Sectoral threats

 Banks	 MSBs
 DNFBPs	 NPO

 Securities
 Insurance

- same account and in various related accounts; and financial capacity and relations of parties to transactions, involving huge amounts of funds
- Require covered persons to monitor and conduct enhanced due diligence on account holders who use their bank accounts as a temporary repository of huge amounts of funds or as pass-thru accounts; and who deposit and immediately

- withdraw huge amounts of funds in cash
- Provide a venue for covered persons and supervising authorities to share ML trends and typologies
- Facilitate sharing of client information among covered persons across different sectors, subject to prevailing rules on confidentiality
- Conduct an in-depth study on the ML/TF vulnerability of the NPO sector

**SECTORAL VULNERABILITY
MEDIUM HIGH**

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

FINANCIAL INCLUSION PRODUCTS

PRODUCT	ML RISK	TF RISK
Microfinance Loans	Low	Low
Microdeposits	Low	Low
Microinsurance	Low	Low
Electronic Money	Low	Low
Pawning	Low	Low
Remittance thru pawnshops	Low to Medium	Low to Medium



Casinos



MSBs



Pawnshops



Banks



E-Money
Issuers

**NATIONAL ML
VULNERABILITY
MEDIUM**

**Priority National Vulnerability
AML controls**

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

Action Plans

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

OVERALL TERRORISM AND TERRORIST FINANCING THREAT HIGH

Sources of funds



Use of funds



Predominantly from illegal means, such as kidnap for ransom.



Legitimate means through the use of NPOs, family funding, and legitimate business fronts



Funding from external terrorist groups



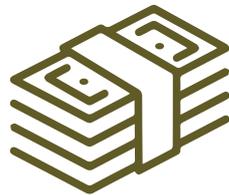
Operational purposes, such as purchase of arms and vehicles



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

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

Channels/ modes of transactions



Bulk cash transactions



Remittance agencies

Identified hotspots are mostly in Southern Philippines.

Vulnerabilities

Low STRs

Geographic factors

Adequacy of resources

NATIONAL AML/CFT STRATEGY (NACS)

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

The adoption of the NACS is also part of the country's compliance with the

FATF 40 Recommendations, particularly Recommendation 2, and Immediate Outcome 1 of the FATF Methodology.

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

National AML/CFT Coordinating Committee (NACC)

EO No. 68 provides for the creation of the NACC, a body tasked to oversee the implementation of the NACS and its action plans. The AMLC is designated as the committee's Secretariat, responsible for monitoring the duties and responsibilities of the NACC and the sub-committees, which will be the primary implementers of

the strategic objectives and action plans of the NACS.

NACC Subcommittees

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

Recommendation 2 of the FATF 40 Recommendations

National Cooperation and Coordination, where countries should have national AML/CTF policies, designate an authority, and have coordination mechanisms for effective coordination and cooperation among policymakers, FIUs, LEAs, supervisors, and other competent authorities

Immediate Outcome 1 of the FATF Methodology

ML/TF Risk and Understanding, where countries should have understood their ML/TF risks and have domestically coordinated actions to combat ML, TF, and proliferation financing

7 STRATEGIC OBJECTIVES

- 1** Enhance the Philippine AML/CTF legal framework to address the country's ML/TF risks and the deficiencies in the country's compliance with international standards
- 2** Strengthen the AMLC and its capacity for ML/TF intelligence-gathering, investigations, and prosecutions
- 3** Improve capacity and collaboration among the FIU, LEAs, and prosecutors for the effective investigation and prosecution of, as well as the confiscation of proceeds relating to ML, its predicate offenses, terrorism, and TF
- 4** Enhance AML/CTF regulation and supervision framework to ensure an effective and robust AML/CTF system in supervised institutions
- 5** Develop and strengthen mechanisms to prevent, disrupt, and combat terrorism, TF, and proliferation financing
- 6** Strengthen domestic and international cooperation mechanisms for the effective exchange of information; facilitate actions against criminals and their assets; and assist in the capacity building of relevant GAs
- 7** Promote AML/CTF awareness of GAs, covered persons and the general public

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

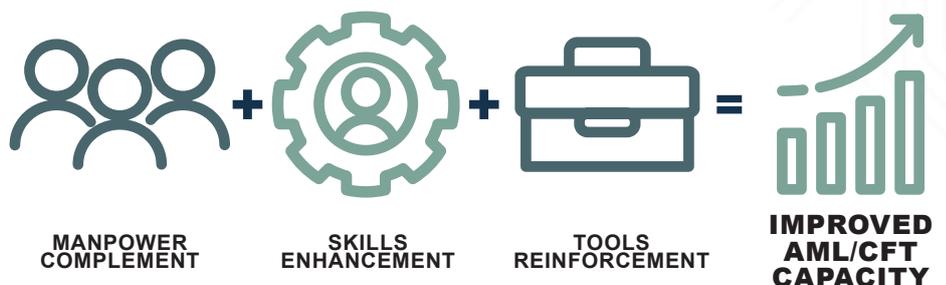
Council approval **15 August 2018**

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

TRAINING NEEDS ANALYSIS

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

MULTI-PRONGED APPROACH



THIRD MUTUAL EVALUATION (ME)

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

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

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

The results of the third ME will be deliberated upon and published in 2019. ■

2009 ME



The Philippines has come a long way from the second ME in 2009. In 2013, the country was removed from the gray list of the FATF's International Co-operation Review Group (ICRG), which analyzes high-risk jurisdictions and recommends specific actions to deal with the ML/TF risks, as most of the deficiencies identified in the second ME have been addressed, such as the passage of RA No.10168 or TFPSA. In addition, the passage of RA No.10365, which further amended AMLA, strengthened the powers of the AMLC and expanded the list of predicate offenses in accordance with FATF-designated categories of offenses.

ME Portal



The AMLC created a secure online portal to share with the ME team documents, containing AMLC's responses, comments, and their corresponding attachments.

PHASES OF THE ME

Technical compliance assessment



Effectiveness assessment

Involves a report of technical compliance, submitted on 4 May 2018, which checks whether existing laws, regulations, legal issuances, and enforceable means comply with the FATF Standards and its criteria

Four possible levels of compliance

- o Compliant
- o Largely compliant
- o Partially compliant
- o Non-compliant

Involves a report on the adequacy of the implementation of the FATF Standards and effectiveness of the country's existing AML/CTF system, submitted on 30 July 2018, which was validated during the onsite visit from 14 to 28 November 2018 by the APG ME team, consisting of legal, financial, regulatory, FIU, and law enforcement experts through a series of interviews with local supervisors, government and law enforcement agencies, and private stakeholders concerned

ME Support

To equip the country for the third ME, AUSTRAC, Australia's financial intelligence agency, held workshops, allowing participants from government offices, LEAs, and private stakeholders to work together to prepare, address gaps, and collect information.



ACTIVITY	DATES
Mutual Evaluation Workshop	24 to 26 April 2017
Pre-ME Workshop (joint with APG)	7 to 9 March 2018
Mock Onsite Interviews	28 to 31 August 2018
	17 to 21 September 2018
	23 to 25 October 2018

ACRONYMS

AAPP
ABCOMP
ACBR
ADB
AEP
AFP
AGA
AML
AMLA
AMLC
APECO
APG
APO
ARRG
ARRGC
ASEAN
ASG
ATC
ATC-PMC
ATM
AUSTRAC

BI
BJMP
BSP
BTr

CA
CDD
CEDAW
CEZA
CFT
CIRR
CPA
CSG
CSM
CTF
CTR

DICT
DIGICUR
DMS
DNFBP
DOJ
DOJ-OOC
DTI

EO
ESW

FATF
FBI
FIAC
FIAG SOP
FICG
FINCEN
FIU
FSCC

GA
GAA
GAD
GFPS
GPB

IACAT
IBP
IC
ICAD
ICRG
ICT
IMF-STI
IRR
ISAFP

AML-C-AUSTRAC Partnership Program
Association of Bank Compliance Officers, Inc.
AML Capacity Building Roadmap
Asian Development Bank
Analyst Exchange Program
Armed Forces of the Philippines
Appropriate Government Agency
Anti-Money Laundering
Anti-Money Laundering Act
Anti-Money Laundering Council
Aurora Pacific Economic Zone and Freeport Authority
Asia/Pacific Group on Money Laundering
Asset Preservation Order
AMLC Registration and Reporting Guidelines
ARRG for Casinos
Association of Southeast Asian Nations
Abu Sayyaf Group
Anti-Terrorism Council
ATC-Program Management Center
Automated Teller Machine
Australian Transaction Reports and Analysis Centre

Bureau of Immigration
Bureau of Jail Management and Penology
Bangko Sentral ng Pilipinas
Bureau of Treasury

Court of Appeals
Customer Due Diligence
UN Convention on the Elimination of All Forms of Discrimination against Women
Cagayan Economic Zone Authority
Combatting/Countering the Financing of Terrorism
Casino Implementing Rules and Regulations
Certified Public Accountant
Compliance and Supervision Group
Compliance and Supervision Manual
Counter-Terrorism Financing
Covered Transaction Report

Department of Information and Communications Technology
Digitization of Customer Records
Document Management System
Designated Non-Financial Business and Profession
Department of Justice
DOJ Office of Cybercrime
Department of Trade and Industry

Executive Order
Egmont Secure Web

Financial Action Task Force
Federal Bureau of Investigation
Financial Intelligence Analysis Course
Financial Intelligence Analysis Group Standard Operating Procedure
Financial Intelligence Consultative Group
Financial Crimes Enforcement Network
Financial Intelligence Unit
Financial Stability Coordination Council

Government Agency
General Appropriations Act
Gender and Development
GAD Focal Point System
GAD Plan and Budget

Inter-Agency Council Against Trafficking
Integrated Bar of the Philippines
Insurance Commission
Inter-Agency Committee against Drugs
International Co-operation Review Group
Information and Communications Technology
International Monetary Fund-Singapore Regional Training Institute
Implementing Rules and Regulations
Intelligence Service of the AFP

ACRONYMS

ISP	Information-Sharing Protocol
IT	Information Technology
JTFIG	Joint Terrorism Financing Investigation Group
KYC	Know Your Customer
LEA	Law Enforcement Agency
LEG	Legal and Evaluation Group
LRA	Land Registration Authority
LTO	Land Transportation Office
MAEP	Multilateral Analyst Exchange Program
MCW	Magna Carta of Women
ME	Mutual Evaluation
ML	Money Laundering
MLA	Mutual Legal Assistance
MLAT	Mutual Legal Assistance Treaty
MLTFPP	Money Laundering/Terrorism Financing Prevention Program
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MSB	Money Service Business
NACS	National AML/CFT Strategy
NACC	National AML/CFT Coordinating Committee
NALECC	National Law Enforcement Coordinating Committee
NALECC SCAML/CFT	NALECC Sub-Committee on AML/CFT
NBI	National Bureau of Investigation
NGO	Non-Government Organization
NICA	National Intelligence Coordinating Agency
NPC	National Privacy Commission
NPO	Non-Profit Organization
NRA	National Risk Assessment
NSSLA	Non-stock Savings and Loan Association
OFI	Other Financial Institutions
OMB	Office of the Ombudsman
OSG	Office of the Solicitor General
PADS	Philippine Anti-Drugs Strategy
PAGCOR	Philippine Amusement and Gaming Corporation
PCOR	Provisional Certificate of Registration
PCTC	Philippine Center on Transnational Crime
PDAF	Priority Development Assistance Fund
PDEA	Philippine Drug Enforcement Agency
PHP	Philippine Peso
PICC	Philippine International Convention Center
PLLO	Presidential Legislative Liaison Office
PNP	Philippine National Police
PPATK	Pusat Pelaporan Analisis Transaksi Keuangan/Financial Transaction Reports and Analysis Centre
PPGD	Philippine Plan for Gender-Responsive Development
PPPP	Public-Private Partnership Program
QMS	Quality Management System
RA	Republic Act
REP	Regulatory Exchange Program
RFI	Request for Information
RIAS	Rules on the Imposition of Administrative Sanctions
RIRR	Revised Implementing Rules and Regulations
ROC	Report of Compliance
RTC	Regional Trial Court
SEC	Securities and Exchange Commission
STR	Suspicious Transaction Report
TF	Terrorism Financing
TFPSA	Terrorism Financing Prevention and Suppression Act of 2012
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNODC	United Nations Office on Drugs and Crime
US/USA	United States of America
USD	United States Dollar
VC	Virtual Currency

GLOSSARY

Covered Persons

- (1) Banks, non-banks, quasi-banks, trust entities, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies and other similar entities, and all other persons and their subsidiaries and affiliates supervised or regulated by the BSP;
- (2) Insurance companies, pre-need companies, and all other persons supervised or regulated by the IC;
- (3) (i) Securities dealers, brokers, salesmen, investment houses, and other similar persons managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, close-end investment companies, common trust funds, and other similar persons, and (iii) other entities administering or otherwise dealing in currency, commodities, or financial derivatives based thereon, valuable objects, cash substitutes, and other similar monetary instruments or property supervised or regulated by the SEC;
- (4) Jewelry dealers in precious metals, who, as a business, trade in precious metals for transactions in excess of PHP1,000,000;
- (5) Jewelry dealers in precious stones, who, as a business, trade in precious stones for transactions in excess of PHP1,000,000;
- (6) Company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership, or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and
- (7) Persons who provide any of the following services:
 - (i) Managing of client money, securities, or other assets;
 - (ii) Management of bank, savings, or securities accounts;
 - (iii) Organization of contributions for the creation, operation, or management of companies; and
 - (iv) Creation, operation, or management of juridical persons or arrangements, and buying and selling business entities.

Covered Transaction

- Notwithstanding the foregoing, the term 'covered persons' shall exclude lawyers and accountants acting as independent legal professionals in relation to information concerning their clients or where disclosure of information would compromise client confidences or the attorney-client relationship: Provided, that these lawyers and accountants are authorized to practice in the Philippines and shall continue to be subject to the provisions of their respective codes of conduct and/or professional responsibility or any of its amendments.
- (8) Casinos, including internet- and ship-based casinos with respect to their casino cash transaction related to their gaming operations
- (1) A transaction in cash or other equivalent monetary instrument exceeding PhP500,000;
 - (2) A transaction with or involving jewelry dealers, dealers in precious metals, and dealers in precious stones in cash or other equivalent monetary instrument, exceeding PhP1,000,000; and
 - (3) A casino cash transaction, exceeding PhP5,000,000. or its equivalent in other currency.

Suspicious Transaction

- A transaction, regardless of amount, where any of the following suspicious circumstances, is determined, based on suspicion or, if available, reasonable grounds, to be existing:
- There is no underlying legal or trade obligation, purpose, or economic justification.
 - Client is not properly identified.
 - Amount involved is not commensurate with the business or financial capacity of the client.
 - It may be perceived that the client's transaction is structured to avoid being the subject of reporting requirements under the AMLA.
 - Any circumstance relating to the transaction deviates from the profile of the client and/ or the client's past transactions with the covered institution.
 - The transaction is in any way related to an unlawful activity or offense under the AMLA that is about to be, is being, or has been committed.
 - The transaction is similar or analogous to any of the foregoing.

Threats

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

Vulnerabilities

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



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