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## EXECUTIVE SUMMARY

In the fight against money laundering and terrorism financing (ML/TF), the Anti-Money Laundering Council (AMLC) has visibility on transactions passing through formal financial channels through covered and suspicious transaction reports (C/STRs) submitted by covered persons. Apart from these reports, the AMLC, through its Secretariat, also receives from the Bureau of Customs (BOC), on a monthly basis, foreign currency declarations (FX declarations) voluntarily executed and submitted by travelers transiting the Philippines who are carrying cash in excess of USD10,000. While both have been used for tactical analysis, on a strategic standpoint, the AMLC has yet to conduct a macro-level analysis of the information provided in the latter.

This document presents the results of the first and second components of the AMLC's three-part study on FX declarations received by the AMLC for the period Q1 2015 to Q3 2021. A historical assessment of the trends and patterns (e.g., sources, destination, frequency, amounts declared, nationalities), among others, is at the core of this phase.

Data used in this study reveal prominent attributes of corporate and individual carriers of foreign currencies. First, it was found that all inbound flows of foreign currencies in the dataset were transacted by individuals as there were no reports received about corporate carriers bringing in, in a single trip, foreign currencies, amounting to more than USD10,000. Second, corporate carriers, in general, transported only one type of currency in a single trip, while individual passengers carried multiple currencies. Based on data submitted by individual carriers, the top three transported currencies are the United States (US) dollar, Japanese yen, and Hong Kong dollar. Third, casino gambling appeared as one of the top reasons given by individual carriers for the physical transportation of foreign currencies to and from the country. On the other hand, all corporate passengers, who wrote down their purpose for transporting foreign currencies from the Philippines, disclosed that the funds that they were carrying were for repatriation.

This study likewise presents specific cases involving Filipinos and foreign nationals with suspicious financial transactions and those with alleged participation in bulk-cash smuggling. While the study has not established with certainty the ML/TF risks associated with the physical transfer of foreign currencies, there is an indication that the Philippines faces a higher risk of being a recipient rather than a source of possible illicit funds.

In sum, the granularity of information obtained through FX declarations offers flexibility in terms of analysis, but certain improvements in the current reporting process are recommended. Moving forward, the BOC and the AMLC may also need to strengthen their partnership to effectively identify important trends and typologies based on the former's observations on the ground and the latter's data-driven analyses.

## 1. Background of the Study

Threats of ML/TF can originate not only from areas within the Philippines but also from other places outside its territorial boundaries. This follows from the observation that criminals, and their sponsors for that matter, can access the formal financial system to transfer illicit funds, obtained through unlawful activities committed abroad, to their fronts/counterparts in the Philippines. The AMLC's Risk Assessment on the Philippines' Exposure to External Threats based on Submitted Suspicious Transaction Reports,<sup>1</sup> for instance, noted that there were 39 international inward transactions associated with TF between 2013 and 2017. Out of PHP386.8 million total amount of transactions reported for said period, PHP97.1 million or 25.1 percent came from sources outside the Philippines. Further, it was observed that majority of the reported transactions were submitted by money service businesses, comprising FX dealers, money changers, remittance agents, and pawnshops.

In addition, one of the key findings of the 2<sup>nd</sup> Mutual Evaluation that the Philippines underwent in 2009 was that "cash smuggling into and out of the Philippines has been an ongoing practice for decades."<sup>2</sup> What is worrisome is that these transactions typically involve huge sums of money that can undermine national security if they are left undetected. In July 2021, the BOC reported that the total amount of local<sup>3</sup> and foreign currencies and other monetary instruments it has seized beginning 2020 already reached PHP33.1 million.<sup>4</sup> This comprised items that were misrepresented by passengers and parcel senders as personal documents, correspondence, magazines, and books. Further, the BOC disclosed that the confiscated currencies came from Malaysia, Singapore, Japan, and the US.

Amidst this backdrop, it becomes imperative to consider the inbound and outbound flows of foreign-denominated currencies and monetary instruments as a possible indicator of ML/TF threats originating overseas. In the case of the Philippines, the Bangko Sentral ng Pilipinas (BSP) and the BOC work hand in hand to strictly implement the country's existing guidelines pertaining to the importation and exportation of foreign currencies.

BSP's initiatives to monitor the physical cross-border transport of foreign currencies trace back to 13 April 1993 when it issued its first consolidation of foreign exchange regulations in Circular No. 1389. Section 4 thereof requires "any person who brings in or out of the Philippines an amount exceeding PHP10,000 to obtain prior BSP authorization."<sup>5</sup> This regulation has been amended several times over the years,<sup>6</sup> and the latest provision issued through Circular No. 794 dated 18 April 2013 reads as follows:

*"Any person, who brings into or takes out of the Philippines foreign currency, as well as other foreign currency-denominated bearer monetary instruments, in excess of USD10,000 or its equivalent is required to declare the same in writing and to furnish information on the source*

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<sup>1</sup> A copy of the study is available at [amlc.gov.ph](http://amlc.gov.ph).

<sup>2</sup> <https://documents1.worldbank.org/curated/pt/905791468144563778/text/687630ESW0p11200DAR000Final00210809.txt> (Last accessed: 07 December 2021)

<sup>3</sup> Section 4 of the BSP's Manual of Regulations on Foreign Exchange Transactions likewise requires prior written authorization from the BSP to transport local currency exceeding Php 50,000.

<sup>4</sup> <https://www.pna.gov.ph/articles/1147403> (Last accessed: 07 December 2021)

<sup>5</sup> <https://www.bis.org/review/r050225e.pdf> (Last accessed: 07 December 2021)

<sup>6</sup> See: BSP Circular No. 308 dated 15 November 2001; BSP Circular No. 507 dated 19 Jan 2006; and BSP Circular Nos. 794 dated 18 Apr 2013

*and purpose of the transport of such currency or monetary instrument (Annex K). (Emphasis supplied)”*

Compared to the original provision, Circular No. 794 already includes other foreign currency-denominated bearer monetary instruments that can come in the form of traveller’s checks, other checks, drafts, notes, money orders, bonds, deposit certificates, securities, commercial papers, trust certificates, custodial receipts, deposit substitute instruments, trading orders, transition tickets, and confirmation of sale/investment. The BSP has clarified that Section 4 does not impose any limit on the amount of foreign currency that a person may take into and out of the country. Rather, it merely mandates individuals to submit a written declaration where the amount involved exceeds the threshold of USD10,000.

Through the Foreign Currency and Other Foreign Exchange-Denominated Bearer Monetary Instruments Declaration Form, referred to as Annex K in the cited provision, Philippine authorities are able to obtain information on the (1) individual carrying currency or bearer monetary instruments; (2) details of travel, including the port of entry/departure and destination; (3) owner/sender and recipient of currency or bearer monetary instruments, including their permanent address, and occupation or business activity; and (4) the currency or bearer monetary instruments to be transported, including the issuing country, corresponding amount, sources and means of acquisition of the currency or bearer monetary instruments, and purpose for transporting the foreign currency.

Meanwhile, the AMLC and the BOC executed a Memorandum of Agreement (MOA) dated 20 June 2007 and an updated MOA on 21 December 2018. Article II.C.4. of the updated MOA provides for the regular submission by the BOC to the AMLC of a report on the physical cross-border transfer of currencies and other monetary instruments based on the Customs Declaration Forms.

Pursuant to said MOA, the BOC, particularly its district and port collectors in all international airports and seaports, submits to the AMLC, on a monthly basis, all FX declarations voluntarily executed by travellers transiting the Philippines and carrying cash in excess of USD10,000. The AMLC, in turn, considers these FX declarations in its tactical analysis of subject-based cases, primarily those involving possible bulk-cash smuggling. On a strategic standpoint, the AMLC has yet to conduct a macro-level analysis of the information provided in these reports.

## 2. Scope and Methodology

This Foreign Currency Declaration Study aims to assess FX declarations submitted by the BOC to the AMLC from Q1 2015 to Q3 2021. It has three components—consisting of strategic analysis, tactical analysis, and operational intelligence—that will be completed in three phases. This document is devoted to the strategic analysis and operational intelligence components.

The strategic analysis component encompasses the descriptive statistics and analysis of information in the FX declarations. A historical assessment of the trends (e.g., sources, destination, frequency, amounts declared, nationalities), among others, is at the core of this phase. Toward this end, the study utilized several fields in the FX declarations to capture the needed information. These include the FX declarant arrival date, nationality, transport type (whether inbound or outbound), client type, currency code, amount, and purpose of transport.

For a sound comparative analysis, careful judgment was exercised in reclassifying highly granular data elements (e.g., purpose of transaction and occupation) into broader categories. Various groupings based on categorical variables were likewise explored, such as the:

- a. Type of passenger, whether corporate or individual;
- b. Flow of transactions, whether inbound or outbound;
- c. Type of currency;
- d. Purpose of transportation; and
- e. Type of occupation.

To allow comparison across currencies, the study utilized the USD-equivalent amounts of all foreign currency and foreign-denominated bearer monetary instruments reported by international passengers through the FX declaration forms. While Circular No. 794 defines FX-denominated bearer monetary instruments to include traveller's checks, other checks, drafts, notes, money orders, bonds, deposit certificates, securities, commercial papers, trust certificates, custodial receipts, deposit substitute instruments, trading orders, transition tickets, and confirmation of sale/investment, the dataset on hand does not clearly distinguish the monetary instrument being declared by passengers. Instead, the analysis relied on the per currency values disclosed by the international passengers themselves.

The operational intelligence analysis, on the other hand, uses CTRs and STRs filed by covered persons in addition to FX declaration forms to formulate hypotheses on the possible activities of suspected perpetrators of ML. It also incorporates information gathered from the tactical and investigation units of the AMLC.

In reading this document, one must keep in mind that FX declaration is only a requirement for persons carrying foreign currencies in amounts exceeding USD10,000. Below this threshold, passengers transiting the Philippines may freely bring into or take out of the country their foreign currencies without a prior written declaration. However, as FX declaration forms are manually filled out by passengers, the quality of the dataset is only as good as the quality of information voluntarily disclosed by the passengers themselves. As a consequence of this manual process, the dataset may show, for instance, holdings of domestic currency even if they are not asked in the declaration forms. Said data was nevertheless included in the final dataset. For consistency purposes, deviations observed in the identifying information of certain carriers were also evaluated and corrected using the data submitted by them in earlier periods or in their previous trips. Those that could not be validated due to the scarcity of information in the AMLC database, however, were left as is. This correction method was applied specifically to nationality and carrier name, which were prone to typographical errors.

Aside from the data contained in FX declaration forms, this document also used open-source information whenever necessary. These include foreign exchange rates, company details, and flight details, among others.

One may note that when the succeeding sections mention "foreign currencies," it should be understood that this pertains to monetary values indicated in FX declaration forms received by the AMLC from the BOC, whether in cash or other bearer monetary instruments.

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

### **Analytic Judgments and Confidence Levels**

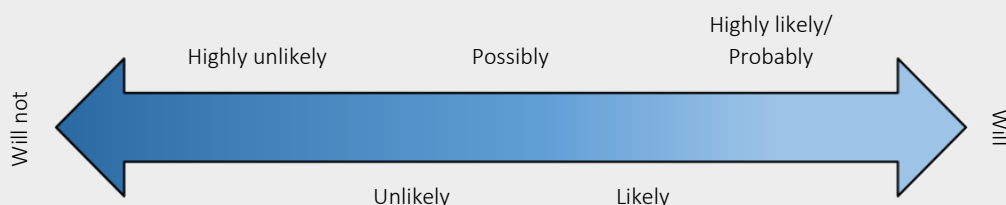
FIU Intelligence Assessments use phrases such as “we judge,” “we assess,” or “indicates” to convey analytical inferences (conclusions). These assessments are not statements of fact or proof, and do not imply complete knowledge. Analytic judgments are often based on incomplete information of varying quality,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

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

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

### **Estimative Language**

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



Considering the foregoing data availability and limitations, a moderate level of confidence is given on the analytical judgment presented in the succeeding discussions pertaining to results of analysis.

Further, this report should not be construed as an assessment of the full amount of proceeds related to ML/TF offenses. The statements herein are not conclusive but are more descriptive of the observation on the gathered information. Inferences generated from the FX declarations, CTRs, and STRs likewise need further verification and more in-depth investigation to substantiate likely linkage to ML/TF offenses.

## Part I: Strategic Analysis

### 3. General Findings

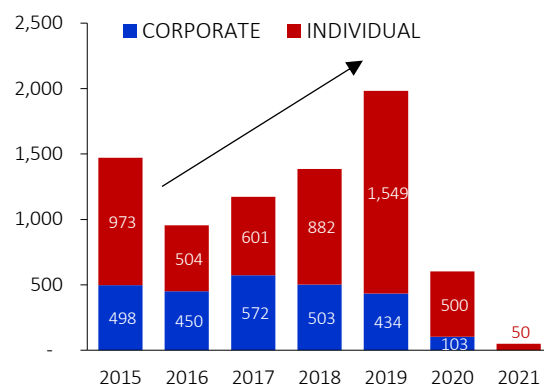
From Q1 2015 to Q3 2021, the AMLC received a total of 7,619 written FX declarations. These comprised 5,059 (66.4 percent of total count) submissions from individual passengers and 2,560 (33.6 percent of total count) from corporate passengers. The annual volume of FX declarations exhibited a consistent upward trend between 2016 and 2019 (**Figure 1**). Beginning Q2 2020, however, a considerable drop in the number of submissions was seen, possibly due to the travel restrictions brought about by the COVID-19 pandemic.

In terms of quarterly values, corporate passengers accounted for at least 90 percent of the total amount of foreign currencies that were transported to and from the Philippines (**Figure 2**), although it will be shown later that corporate transactions comprised outbound flows only. Compared to most periods, Q4 2019 and Q1 2020 saw an increase in the share of foreign currencies held by individual passengers. From an average of 3.1 percent between Q1 2015 and Q3 2019, the share of these individual passengers in the total value of FX declarations climbed to 20.4 percent and 23.4 percent in Q4 2019 and Q1 2020, respectively.

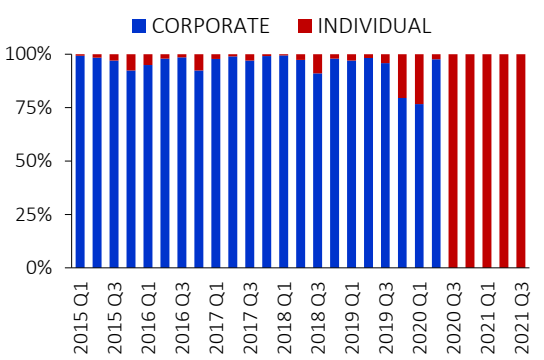
A granular breakdown of FX declarations by flow of transaction (i.e., whether inbound or outbound) creates a notable distinction between corporate and individual passengers. As seen in **Table 1**, there were no reports received about corporate passengers bringing in, in a single trip, foreign currencies, amounting to more than USD10,000. Foreign currency inflows, which summed to USD993.2 million from Q1 2015 to Q3 2021, were all transacted by individual passengers. Meanwhile, outbound flows of foreign currencies totaled USD27.1 billion, 98.3 percent of which were associated with corporate passengers.

The general characteristics of the dataset discussed in the preceding paragraphs give rise to the classification of FX declarations according to passenger type (i.e., corporate or individual). Accordingly, the next two subsections will adopt this classification to further examine and gain insights on the prominent attributes and trends of information collected through the FX declaration forms.

**Figure 1. Foreign Currency Declarations**  
Total Count



**Figure 2: Composition of Foreign Currency Holdings Declared by International Passengers**  
By Type of Passenger, In Percentage





**Table 1: Quarterly Values of Foreign Currency Declarations Received by the AMLC  
(In USD millions)**

PERIOD	CORPORATE	INDIVIDUAL	TOTAL
<b>INBOUND</b>			
2015 Q1	-	3.28	3.28
2015 Q2	-	10.03	10.03
2015 Q3	-	22.95	22.95
2015 Q4	-	82.81	82.81
2016 Q1	-	1.18	1.18
2016 Q2	-	-	-
2016 Q3	-	-	-
2016 Q4	-	-	-
2017 Q1	-	-	-
2017 Q2	-	7.09	7.09
2017 Q3	-	2.87	2.87
2017 Q4	-	0.02	0.02
2018 Q1	-	0.03	0.03
2018 Q2	-	5.19	5.19
2018 Q3	-	34.49	34.49
2018 Q4	-	13.32	13.32
2019 Q1	-	24.81	24.81
2019 Q2	-	20.44	20.44
2019 Q3	-	77.97	77.97
2019 Q4	-	229.61	229.61
2020 Q1	-	454.99	454.99
2020 Q2	-	0.09	0.09
2020 Q3	-	0.50	0.50
2020 Q4	-	0.14	0.14
2021 Q1	-	0.13	0.13
2021 Q2	-	0.16	0.16
2021 Q3	-	1.07	1.07
<b>TOTAL</b>	-	<b>993.17</b>	<b>993.17</b>
<b>OUTBOUND</b>			
2015 Q1	1,360.04	5.46	1,365.50
2015 Q2	1,431.88	13.22	1,445.11
2015 Q3	1,185.35	13.02	1,198.36
2015 Q4	1,169.56	13.72	1,183.28
2016 Q1	1,294.40	66.71	1,361.11
2016 Q2	915.39	19.23	934.62
2016 Q3	875.59	13.42	889.01
2016 Q4	1,155.39	94.19	1,249.57
2017 Q1	1,543.30	35.94	1,579.24
2017 Q2	1,251.18	6.04	1,257.22
2017 Q3	1,149.31	32.04	1,181.35
2017 Q4	992.13	7.85	999.98
2018 Q1	1,697.88	9.04	1,706.92
2018 Q2	1,425.58	33.60	1,459.18
2018 Q3	568.16	20.85	589.01
2018 Q4	1,010.03	7.62	1,017.65

PERIOD	CORPORATE	INDIVIDUAL	TOTAL
2019 Q1	1,522.41	21.51	1,543.92
2019 Q2	1,625.23	7.45	1,632.68
2019 Q3	1,942.21	5.62	1,947.83
2019 Q4	975.39	20.96	996.35
2020 Q1	1,537.68	14.27	1,551.95
2020 Q2	10.95	0.16	11.12
2020 Q3	-	0.43	0.43
2020 Q4	-	0.08	0.08
2021 Q1	-	0.06	0.06
2021 Q2	-	0.31	0.31
2021 Q3	-	0.53	0.53
<b>TOTAL</b>	<b>26,639.04</b>	<b>463.33</b>	<b>27,102.37</b>

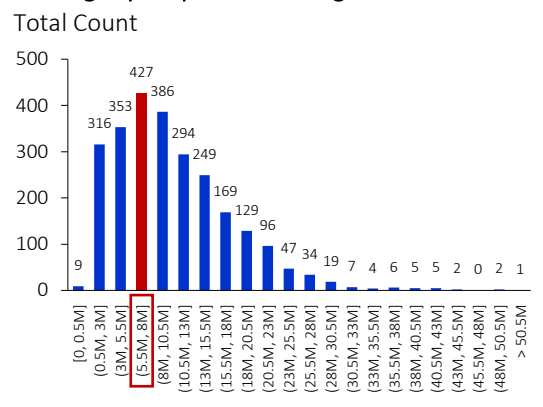
### 3.1 Corporations

As previously observed in **Figures 1 and 2**, FX declarations by corporate passengers come in small frequency but in large magnitudes. While the number of FX declarations by individual passengers increased substantially over the covered period, the total count for corporate passengers remained relatively stable (**Figure 1**). Notwithstanding this, corporate passengers still accounted for a significant share in foreign currencies physically transported between Q1 2015 and Q2 2020 (**Figure 2**).

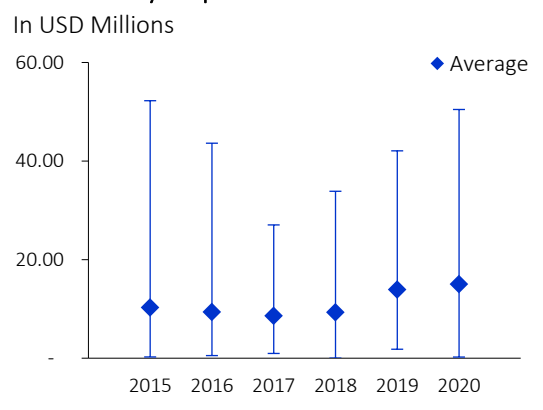
Aggregate data plotted in **Figures 3 and 4** show that the value of foreign currencies that corporate passengers carried in a single trip could total more than USD50.5 million. Although **Figure 3** tells the infrequency of these single, large-value transactions, **Figure 4** implies that at least one instance of bulk foreign currency transportation had been observed each year for the past years.

On the other end of the spectrum, it can be observed that 58.2 percent of corporate passengers carried, in a single trip, foreign currencies with USD-equivalent values of less than USD10.5 million (**Figure 3**). The most dominant type of transaction appears to be those involving amounts ranging from USD5.5 million to USD8.0 million as these alone account for 16.7 percent of the total number of observations.

**Figure 3: Distribution of Foreign Currency Holdings by Corporate Passengers**



**Figure 4: Value of Physically Transported Foreign Currencies by Corporations**



Note: The vertical bars depict the range of foreign currencies physically transported by corporate passengers in a single trip. End points of the said bars represent the maximum and minimum values recorded for each period indicated.

Data collected from FX declarations further reveal that corporate passengers, in general, carried only one type of currency in a single trip. Out of 2,560 FX declarations, only two indicated two types of currencies. Moreover, there were only three currencies involved, namely, US dollar, Hong Kong dollar, and Japanese yen. On aggregate, USD-denominated foreign currencies had the largest share, accounting for 99.6 percent of the total USD-equivalent amounts of said foreign currencies (Table 2).

**Table 2: Value of Foreign Currencies Carried by Corporate Passengers**

Currency	In USD millions	Share
USD	26,531.75	99.6%
HKD	106.80	0.4%
JPY	0.51	0.0%
<b>Total</b>	<b>26,639.05</b>	<b>100.0%</b>

As summarized in Table 3, there were only five corporate carriers involved in 2,560 trips to transfer foreign currencies exceeding USD 10,000 to other jurisdictions over the period Q1 2015 to Q2 2021. Notably, four of these entities are financial institutions based overseas.

**Table 3: Details of Corporate Carriers**

Corporate Carrier For	Amount Transported (In USD millions)	No. of Outbound Trips
Company A	10,344.69	820
Company B	10,141.91	802
Company C	6,139.95	917
Company D	12.48	20
Company E	0.02	1
<b>Total</b>	<b>26,639.05</b>	<b>2,560</b>

All corporate passengers who wrote down their purpose for transporting foreign currencies from the Philippines disclosed that the funds that they were carrying were for repatriation. While this may insinuate why the physical transportation of foreign currencies by corporates generally involved hefty amounts, it opens questions as to where these funds could have come from given that there were no corporate inbound flows of foreign currencies recorded over the covered periods. Nonetheless, one cannot discount the possibility that the inbound flows from corporate carriers had values below the reporting threshold, hence they were not captured by the FX declarations. For the financial institutions mentioned, it is also likely that their foreign currency-denominated funds came from their domestic operations, such as foreign exchange services. In particular, Company A has been designated as the clearing bank of Currency A in the Philippines, following a memorandum of understanding signed by the Central Bank of Country A and the BSP in 2019. As such, it performs settlement transactions and other core services involving said currency, such as remittance and foreign exchange for the local participating banks.

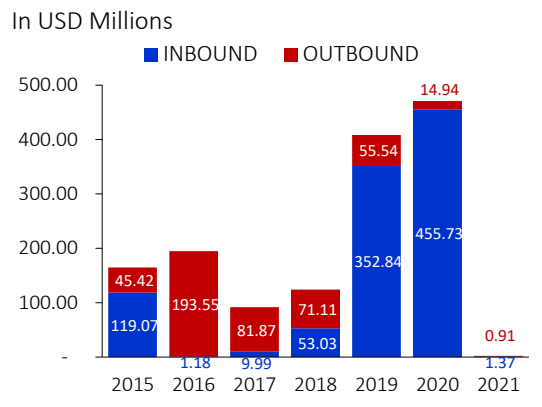
### 3.2 Individuals

Compared to corporate carriers, individual passengers who travelled internationally between Q1 2015 and Q3 2021 recorded both inbound and outbound transfers of foreign currencies. Between 2016 and 2018, the total value of foreign currencies that individual passengers carried out of the country far exceeded the amount they brought in (Figure 5). Data collected for the years 2019 and 2020, on the other hand, characterize a sudden influx of foreign currencies, which amounted to USD808.6 million (or 11.5 times the outbound flows captured by the FX declarations for said period). The same can be observed for Q1 2021 to Q3 2021, albeit the combined amounts of foreign currencies reported by individual passengers for the said period was considerably small. While the legitimacy of the funds involved and the possibility of ML/TF risks cannot be ascertained at this point, the proportion of foreign currencies brought in by individual passengers implies that the country faces a higher risk of being a recipient rather than a source of possible illicit funds.

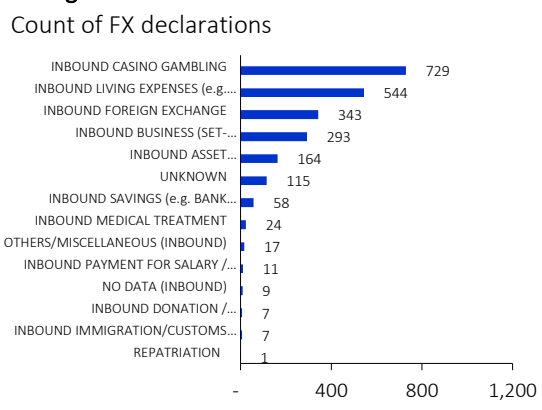
Based on FX declaration forms submitted by inbound individual passengers, casino gambling ranked first among the 14 broadly categorized reasons for bringing foreign currencies into the country (Figure 6). Specifically, it accounted for about one-third (or 729) of 2,322 FX declarations filed by inbound individual passengers from Q1 2015 to Q3 2021. The other most cited reasons include financing of onshore living expenses, foreign exchange or foreign exchange trading, business investments, and asset purchase/investment, among others.

As to outbound passengers, 41.4 percent (or 1,132 of 2,737) declared varied reasons for transportation which can be qualified as living expenses (Figure 7). These include, among others, bills payments, delegation expenses, house rentals and household expenses, school fees, and travel expenses. Second on the list is outbound immigration, which was mentioned in 313 FX declarations (or 11.4 percent of the total count). Similar to inbound flows, casino gambling also appeared to be one of the popular reasons disclosed by outbound passengers,

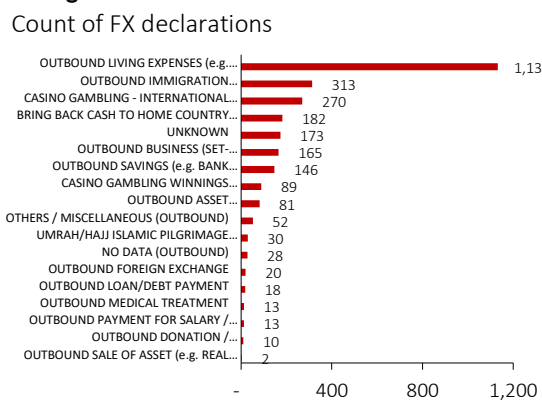
**Figure 5: Inbound and Outbound Currency Holdings of Individual Passengers**



**Figure 6: Purpose for Inward Transportation of Foreign Currencies**



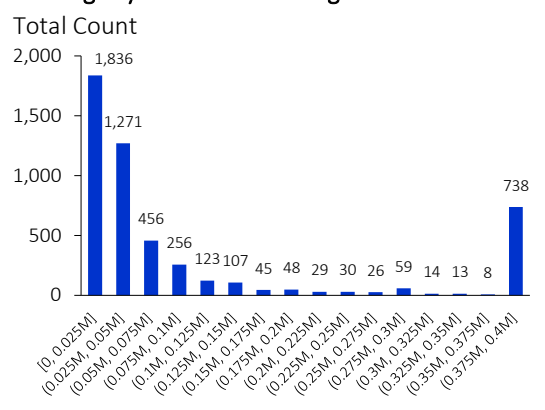
**Figure 7: Purpose for Outward Transportation of Foreign Currencies**



accounting for 9.9 percent (or 270) of the total FX declarations. The largest contributors to outbound flows for casino gambling would be Japanese nationals, whose foreign currency holdings amounted to USD11.5 million.

It is also worth noting that out of 5,059 FX declarations by individual carriers, 1,836 (or 36.3 percent) had USD-equivalent amounts below USD 25,000 (**Figure 8**). The average value of foreign currencies carried by individual passengers between Q1 2015 and Q3 2021 was USD287,909.3. This represents only 2.8 percent of the average amount transported by corporate carriers in a single trip over the same period.

**Figure 8: Distribution of Foreign Currency Holdings by Individual Passengers**



While corporate passengers carried only one currency in a single trip, individual passengers carried multiple currencies (**Table 4**). As expected, the US dollar was the most transported currency, accounting for 56.9 percent (or USD829.4 million) of the total value of 90 currencies reported by individual passengers. Meanwhile, Japanese yen and Hong Kong dollars totaled USD397.3 million and USD167.0 million, respectively. Collectively, these three currencies represent 95.7 percent of the total amount of foreign currencies physically transported from Q1 2015 to Q3 2021.

**Table 4: Foreign Currencies Physically Transported by Individual Passengers (In USD millions)**

Currency	2015	2016	2017	2018	2019	2020	2021	Total	Share	Cumulative Share
United States Dollar	26.32	7.20	10.82	59.94	337.38	386.70	1.03	829.41	56.9%	56.9%
Japanese Yen	101.58	140.50	69.61	45.88	28.09	10.89	0.71	397.26	27.3%	84.2%
Hong Kong Dollar	10.11	42.85	7.80	12.37	28.37	65.51	-	167.01	11.5%	95.7%
Singapore Dollar	12.79	0.72	0.70	1.09	1.56	0.07	-	16.92	1.2%	96.8%
Qatari Rial	6.87	-	-	0.00	0.39	0.04	-	7.29	0.5%	97.3%
New Taiwan Dollar	0.06	0.08	0.02	1.57	0.03	3.89	-	5.66	0.4%	97.7%
Australian Dollar	0.43	0.89	1.35	0.82	0.94	0.24	-	4.66	0.3%	98.1%
Swiss Franc	0.04	0.02	0.02	0.09	4.17	0.01	0.09	4.45	0.3%	98.4%
Canadian Dollar	1.30	1.08	0.47	0.62	0.60	0.06	0.04	4.17	0.3%	98.6%
Saudi Riyal	1.12	0.64	0.10	0.01	1.17	0.30	-	3.35	0.2%	98.9%
Others	3.88	0.74	0.97	1.77	5.68	2.93	0.40	16.37	1.1%	100.0%
<b>TOTAL</b>	<b>164.49</b>	<b>194.72</b>	<b>91.86</b>	<b>124.14</b>	<b>408.38</b>	<b>470.66</b>	<b>2.27</b>	<b>1,456.53</b>	<b>100.0%</b>	<b>-</b>

Meanwhile, it was observed that the Japanese were the top carriers of foreign currencies brought out of the country. Their foreign currency holdings reached USD228.8 million or about 49.4 percent of the

total outbound foreign currencies. Majority of inbound flows, on the other hand, were reported by Filipino carriers, whose foreign currency holdings exceeded USD241.4 million. The nationalities of the top 10 carriers of foreign currencies are summarized in **Tables 5a** and **5b**.

**Table 5a: Outbound Flows by Nationality of Carrier**

Nationality	Count of FX Declarations	Outbound Flows (In USD)
Japanese	977	228,808,844.54
Korean	99	54,391,502.85
Thai	97	50,158,879.60
Filipino	695	43,613,255.19
Malaysian	213	21,709,915.72
Qatari	3	14,924,454.66
Singaporean	124	10,072,223.07
Taiwanese	128	7,356,363.76
Turkish	4	7,012,791.23
Chinese	70	5,073,123.99
Others	327	20,214,457.96
<b>TOTAL</b>	<b>2,737</b>	<b>463,335,812.57</b>

**Table 5b: Inbound Flows by Nationality of Carrier**

Nationality	Count of FX Declarations	Inbound Flows (In USD)
Filipino	397	241,386,458.01
Hongkonger	109	201,906,039.42
Chinese	135	142,766,949.33
Japanese	725	127,882,929.09
Singaporean	167	97,458,483.63
American	135	57,580,737.36
Indian	59	31,105,101.23
Taiwanese	67	31,031,559.60
Unknown	38	17,987,490.75
Korean	98	17,271,264.29
Others	392	26,820,176.86
<b>TOTAL</b>	<b>2,322</b>	<b>993,197,189.57</b>

Personal information submitted by individual carriers through the FX declaration forms shows that majority of the individual holders of foreign currencies are businessmen. In terms of value, they contributed to 55.6 percent of USD-equivalent amounts of all transported foreign currencies (**Table 6a**) while in terms of volume, they accounted for 42.6 percent of the total number of FX declarations gathered from Q1 2015 to Q3 2021 (**Table 6b**). One may note that while casino gambling was among the top reasons for transportation declared by individual carriers, only 1.17 percent of all FX declarations were associated with persons working in the casino industry. Some of the foreign currencies used for casino gambling were handled by businessmen, company presidents, professionals (e.g., doctors, lawyers, IT professionals, etc.), and foreign exchange dealers/traders, etc.

Table 6a: Foreign Currencies by Occupation

Rank	Occupation	USD-Equivalent Amount	
		In absolute amount	Share
1	Businessman	809,630,871.14	55.59%
2	Sales Associate/Executive	253,350,286.39	17.39%
3	No Information	111,257,367.05	7.64%
4	Employee	43,451,182.32	2.98%
5	Foreign Exchange Dealer/Trader	32,122,059.84	2.21%
6	Executive Director/Managing Director/Director	26,504,184.75	1.82%
7	Executive	23,474,120.14	1.61%
8	Manager	21,781,567.46	1.50%
9	Investor	20,415,077.05	1.40%
10	Retiree	15,093,136.21	1.04%
11	Chief Executive Officer	10,101,497.89	0.69%
12	Company President	6,532,393.19	0.45%
13	Self-employed	6,040,153.17	0.41%
14	Others - Casino	5,227,366.38	0.36%
15	Operations Officer	5,085,049.05	0.35%
-	Others <sup>7</sup>	66,466,690.12	4.56%
-	<b>TOTAL</b>	<b>1,456,533,002.14</b>	<b>100.00%</b>

Table 6b: Foreign Currencies by Occupation

Rank	Occupation	No. of FX Declarations	
		Count	Share
1	Businessman	2,154	42.58%
2	No Information	516	10.20%
3	Employee	297	5.87%
4	Sales Associate/Executive	231	4.57%
5	Retiree	200	3.95%
6	Executive Director/Managing Director/Director	125	2.47%
7	Manager	103	2.04%
8	Engineer	101	2.00%
9	Company President	96	1.90%
10	Nurse	67	1.32%
11	Self-employed	65	1.28%
12	Others - Casino	59	1.17%
13	Foreign Exchange Dealer/Trader	59	1.17%
14	Chief Executive Officer	53	1.05%
15	Clerk	52	1.03%
-	Others	881	17.41%
-	<b>TOTAL</b>	<b>5,059</b>	<b>100.00%</b>

<sup>7</sup> Includes former overseas Filipino workers and 113 other types of occupations, such as consultant, dentist/dental assistant, doctor, government employee, homemaker, insurance broker, lawyer, pilot, policeman, etc.

## Part II: Operational Typologies

### 4. Suspicious Activities and Indicators

#### 4.1 Casino-Related Transactions

Data collected on individual carriers shows that a substantial amount of foreign currencies physically transported to and from the Philippines directly go to or come from the casino sector. This is based on the transactions of the top four carriers, ranked according to the USD-equivalent values of foreign currencies declared in the FX declaration forms gathered during the observation period. Based on information submitted by them, said top carriers happen to be all foreign nationals (one Korean and three Japanese). One of them named another foreign citizen as the recipient of foreign currencies in his possession, while the rest identified themselves as the owner and recipient of the foreign currency-denominated funds.

In addition, there are indications that foreign nationals who brought in foreign currencies in bulk intended to use their money for casino gambling only. Observing from the transactions of the three top carriers, who indicated casino-related source and purpose of the transport of foreign funds, it appears that the foreign currencies that were brought in by said carriers were also taken out of the country within two to three days after their arrival in the country (Table 7). Except for seven transactions, the values of outbound transactions were greater than the inbound transactions. Consistent with said foreign carriers' declarations, it is likely that the increments came from casino winnings.

Table 7: Select Transactions of Top Foreign Carriers of Foreign Currencies

Carrier	Rank	Arrival Date	Transaction Flow	FX Code	Amount
Individual Carrier F	1	11/01/2019	INBOUND	JPY	5,500,000.0
		11/04/2019	OUTBOUND	JPY	6,000,000.0
Individual Carrier G	2	05/15/2015	INBOUND	JPY	4,000,000.0
		05/17/2015	OUTBOUND	HKD	20,000.0
		05/17/2015	OUTBOUND	JPY	5,600,000.0
		08/28/2015	INBOUND	JPY	3,000,000.0
		08/31/2015	OUTBOUND	HKD	10,000.0
		08/31/2015	OUTBOUND	JPY	3,000,000.0
		10/10/2015	INBOUND	JPY	3,000,000.0
		10/12/2015	OUTBOUND	JPY	5,200,000.0
		10/31/2015	INBOUND	JPY	4,000,000,000.0
		11/03/2015	OUTBOUND	HKD	26,000.0
		11/03/2015	OUTBOUND	JPY	3,000,000.0
		11/21/2015	INBOUND	JPY	4,000,000.0
		11/23/2015	OUTBOUND	HKD	5,000.0
		11/23/2015	OUTBOUND	JPY	5,500,000.0
		04/08/2017	INBOUND	JPY	4,000,000.0
		04/10/2017	OUTBOUND	JPY	1,500,000.0
		05/03/2017	INBOUND	JPY	3,000,000.0
05/08/2017	OUTBOUND	JPY	1,320,000.0		
05/27/2017	INBOUND	JPY	3,000,000.0		
05/29/2017	OUTBOUND	JPY	2,900,000.0		



Carrier	Rank	Arrival Date	Transaction Flow	FX Code	Amount
		06/24/2017	INBOUND	JPY	3,000,000.0
		06/26/2017	OUTBOUND	JPY	3,000,000.0
		07/15/2017	INBOUND	JPY	3,000,000.0
		07/17/2017	OUTBOUND	JPY	1,500,000.0
		09/15/2018	INBOUND	JPY	3,000,000.0
		09/17/2018	OUTBOUND	JPY	3,500,000.0
		10/05/2018	INBOUND	JPY	3,000,000.0
		10/07/2018	OUTBOUND	JPY	1,030,000.0
		11/01/2019	INBOUND	JPY	71,500,000.0
		11/03/2019	OUTBOUND	JPY	1,500,000.0
Individual Carrier H	8	12/30/2015	INBOUND	SGD	20,000.0
		12/30/2015	INBOUND	JPY	4,000,000.0
		05/03/2017	INBOUND	JPY	4,000,000.0
		05/06/2018	OUTBOUND	HKD	70,000.0
		05/06/2018	OUTBOUND	JPY	3,000,000,000.0
		08/11/2018	INBOUND	JPY	4,000,000.0
		08/14/2018	OUTBOUND	JPY	5,400,000.0

Individual Carrier F and another Individual Carrier I, a foreign national, were found to have suspicious outbound transactions, which values could not be substantiated by prior inbound transactions. The funds involved seem to have come from casino winnings of the foreign carriers who had no immediate inbound transactions, thereby rendering their outbound transactions questionable. Further, as shown in **Table 8**, there were also discrepancies in the amount of foreign currencies bought by said foreign carriers onshore and the total value of foreign currencies they carried to other countries. This brings into picture the possibility of bulk-cash smuggling, especially since the amounts involved are not trivial. Nonetheless, considering that covered persons are not mandated to disclose transactions with values falling below the reporting threshold, it is equally possible that the funds in question represent an accumulation of proceeds from smaller transactions performed by Individual Carrier F and Individual Carrier I in earlier dates. In this light, said foreign carriers as well as those who may have similar transaction records may be considered for further investigation.

**Table 8: Sample Discrepancies in FX Transactions**

Carrier	Date	FX Declarations (BOC)			FX Purchase (AMLC Database)	
		Transaction Flow	FX Code	Amount	FX Code	Amount
Individual Carrier F	12/05/2016	OUTBOUND	JPY	6,400,000,000.00	JPY	3,500,000.00
Individual Carrier I	05/10/2016	OUTBOUND	JPY	5,000,000.00	JPY	1,290,000.00

## 4.2 Unusually Frequent Trips

A closer inspection of the dataset led to the identification of a suspicious pattern of transactions involving an Individual Carrier J as carrier of foreign currencies and another foreign national XY as the recipient thereof. It was found that between 12 December 2019 and 05 March 2020, Individual Carrier J landed in Manila 33 times from either Hong Kong or Bangkok, Thailand. Except for two trips (i.e., on 23 December 2019 and 11 February 2020), Individual Carrier J brought Hong Kong dollars,

ranging from HKD1.0 million to HKD27.9 million (or about USD132,632.1 to USD3.6 million). On 23 December 2019 and 11 February 2020, the subject carrier transported US dollars, amounting to USD250,000 and USD11.8 million, respectively. In the FX declaration forms submitted, Individual Carrier J declared his involvement in sales international trading. In some of these, he also named himself as the owner of the foreign currencies in his possession and XY as the recipient.

On the other hand, information on XY indicates that XY received foreign currencies not only from Individual Carrier J but also from Individual Carriers K and L, both Chinese nationals; and Individual Carriers M and N, both Hongkongers. The five named carriers had a total of 38 inbound trips from 11 December 2019 to 05 March 2020. Moreover, their disclosures concur that the foreign currencies in their possession would be used by recipient XY for casino gambling. In a span of about four months, XY received a combined amount of about USD60.9 million from these five carriers.

Database search using the name of recipient XY yielded 2,440 CTRs and 45 STRs, only 226 of which contain exact name matches (37 STRs and 189 CTRs) with XY. It was noted, however, that none of the identifying information provided in the CTRs/STRs (e.g., address and birthdate) matched those declared by the carriers of XY's foreign currencies. For instance, XY in the CTRs/STRs used multiple domestic addresses, while recipient XY mentioned in the FX declaration forms appeared to be domiciled outside of the Philippines. Based on this information, it cannot be ascertained whether the "XY" declared in the CTRs/STRs and FX declaration forms are one and the same.

Among the five identified carriers, only one yielded a positive match in the AMLC database. Information received by the AMLC on 07 July 2020 revealed that Individual Carrier L has been previously flagged by the local-level police authority in Individual Carrier L's home country for the alleged involvement in an organized crime. A suspicious transaction bearing the same date likewise showed that upon the request of the Philippine Amusement and Gaming Corporation (PAGCOR), Individual Carrier L has been put under review after being identified to have been transporting bulk currencies into the Philippines.

### 4.3 Inconsistent Disclosures

The dataset revealed significant inconsistencies in information submitted by one of the top Filipino carriers of foreign currencies for the period Q1 2015 to Q3 2021.

The most obvious inconsistency can be observed from the spelling of said carrier's name, which appeared in the FX declaration forms as follows:<sup>8</sup> (1) JUAN DELA CRUZ, (2) JUEN DELA CRUZ, (3) JUANN DELA CRUZ, (4) JUANN EDLA CRUZ, and (5) DELA CRUZ JUEN (For brevity, the carrier will be referred hereafter as "DELA CRUZ"). At first glance, these may appear as mere encoding errors, considering that the FX declaration forms in the Philippines are still submitted manually and in hard copies. A comparison of the other identifying information collected on DELA CRUZ, however, showed significant deviations that were enough to raise suspicion.

As summarized in **Table 9**, DELA CRUZ reported two birthdates, two addresses, and two passport numbers between 10 May 2019 and 22 February 2020. Notably, rows 3 and 5 of **Table 9** indicate the same name, birthdate, and address but two different passport numbers for JUANN EDLA (or DELA) CRUZ. DELA CRUZ having two passport numbers is questionable given that the Philippine-issued

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<sup>8</sup> Names are given as placeholders only.

passport numbers only change upon renewal. Based on said carrier’s travel history, it was highly unlikely for DELA CRUZ to have renewed passports in between trips. To illustrate why this is so, DELA CRUZ used passport number P1234567B for three trips between 16 September 2019 and 28 November 2019. Sometime in between these dates, DELA CRUZ also traveled seven times but using passport number P1654321B. The overlaps and inconsistencies in DELA CRUZ’s travel history render said activities suspicious.

DELA CRUZ had 10 outbound and 11 inbound trips to and from Hong Kong between 10 May 2019 and 22 February 2020. The amount of foreign currencies DELA CRUZ transported totaled USD4.6 million. These were received by a money service business and, in some instances, by DELA CRUZ.

Latest STRs filed in the AMLC database reveal that DELA CRUZ sold foreign currencies, amounting to USD670,000 on 10 and 11 January 2022. These were reported by a covered person as past deviations from DELA CRUZ’s profile/past transactions.

DELA CRUZ’s case may be investigated further to confirm if there is indeed only one “DELA CRUZ” behind the transactions summarized in **Table 9**.

**Table 9: Summary of DELA CRUZ’s Personal Information and Travel History**

No.	Name	Passport Number <sup>9</sup>	Birthdate	Address	Transaction Flow	Travel Date/s
1	JUAN DELA CRUZ	PI6543213	18 JAN 1992	ZAMBOANGA CITY	2 INBOUND 1 OUTBOUND	10 MAY 2019 – 23 OCT 2019
2	JUEN DELA CRUZ	PI654321B	18 JAN 1992	ZAMBOANGA CITY	3 INBOUND	11 JUL 2019 – 23 NOV 2019
3	JUANN EDLA CRUZ	PI654321B	23 JAN 1980	MANILA	1 INBOUND	30 NOV 2019
4	JUEN DELA CRUZ/ JUAN DELA CRUZ	P1654321B	18 JAN 1992	MANILA/ ZAMBOANGA CITY	3 INBOUND 7 OUTBOUND	20 SEP 2019 – 22 FEB 2020
5	JUANN DELA CRUZ/ JUANN EDLA CRUZ	P1234567B	23 JAN 1980	MANILA	1 INBOUND 2 OUTBOUND	16 SEP 2019 – 28 NOV 2019
6	DELA CRUZ JUEN	NOT AVAILABLE	18 JAN 1992	ZAMBOANGA CITY	1 INBOUND	11 DEC 2019

#### 4.4 Pilgrimage-Related Transactions

Another suspicious pattern of transactions can be gleaned from the transactions of individual travelers bound for the Middle East for religious pilgrimages. This pertains to two groups of 10 Mindanao residents (19 of which were Filipinos) who had travelled to Saudi Arabia on two separate dates in 2015, particularly on 25 February 2015 and 03 July 2015. Based on data submitted by them, the travelers carried a total of SAR3.9 million and KWD500,000 in both trips (**Table 10**).

Upon further probing, it was found that six of said pilgrims had consecutive deposits to and withdrawals from their bank accounts on the same day or a few days or weeks before their outbound trip/s. It is also

<sup>9</sup> Passport numbers are presented for illustration purposes only. They do not correspond to the actual passport number of the subject individual carrier.

worth noting that all deposit accounts involved were under Bank ABC, albeit the carriers had deposit accounts with other domestic banks.

There appears to be a missing link, however, as the withdrawn amounts were in Philippine pesos, whereas the funds transferred were denominated in various foreign currencies. When converted using the appropriate foreign exchange rates, some outbound transactions appeared to have higher values than the sum of withdrawals reported by covered persons. Within the context of visa application for foreign travelling, it is possible that the persons involved had borrowed funds to prove their financial capacity on paper, ergo the consecutive deposit and withdrawal transactions associated with their accounts. The fact that the same individuals transported money greater than their deposits or withdrawals, however, gives rise to another possibility that the funds in question came from illicit sources.

**Table 10: Summary of Pilgrimage-Related Transactions**

Carrier	Transaction Date	FX Declaration Forms <sup>10</sup>			Covered Transaction Reports		
		FX Code	Amount	PHP-Equivalent Amount <sup>11</sup>	Transaction <sup>12</sup>	FX Code	Amount
Individual Carrier M	02/23/2015				CTRIA	PHP	3,264,000.00
	02/23/2015				CWDLO	PHP	5,500,000.00
	02/25/2015	SAR	200,000.00	2,363,040.00			
Individual Carrier N	02/17/2015				CDEPC	PHP	809,000.00
	02/17/2015				CWDLO	PHP	1,300,000.00
	02/25/2015	SAR	300,000.00	3,544,560.00			
Individual Carrier O	02/10/2015				CDEPC	PHP	550,000.00
	02/23/2015				CWDLO	PHP	1,630,000.00
	02/25/2015	SAR	200,000.00	2,363,040.00			
	03/12/2015				CWDLO	PHP	900,000.00
	04/27/2015				CWDLO	PHP	1,040,000.00
	05/11/2015				CWDLO	PHP	1,500,000.00
	06/24/2015				CWDLO	PHP	549,000.00
	07/03/2015	SAR	200,000.00	2,408,700.00			
	04/26/2016				CDEPC	PHP	1,880,000.00
	04/26/2016				CWDLO	PHP	2,100,000.00
	04/28/2016				CDEPC	PHP	4,849,000.00
	04/28/2016				CWDLO	PHP	5,730,000.00
Individual Carrier P	05/01/2016	SAR	300,000.00	3,742,950.00			
	01/12/2015				CDEPC	PHP	1,000,000.00
	01/23/2015				CWDLO	PHP	1,000,000.00
	02/25/2015	SAR	200,000.00	2,363,040.00			
	01/07/2016				CDEPC	PHP	520,000.00
	01/27/2016				CWDLO	PHP	2,280,000.00
	01/29/2016	USD	50,000.00	6,216,990.00			
	01/29/2016	SAR	300,000.00				
	12/14/2016				CDEPC	PHP	3,700,000.00
12/14/2016				CWDLO	PHP	3,700,000.00	

<sup>10</sup> All are outbound transactions.

<sup>11</sup> Converted using corresponding foreign exchange rates per date from BSP (PHP/USD, PHP/SAR, and PHP/AED) and Qatar Central Bank (QAR/USD). Cells highlighted in red indicate outbound transactions with values greater than the withdrawals reported by covered persons, while those highlighted in green correspond to outbound transactions with values lower than the reported withdrawn amounts.

<sup>12</sup> CDEPC – cash deposit; CTRIA – inter-account transfers within the same bank; CWDLO – over-the-counter withdrawals

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Carrier	Transaction Date	FX Declaration Forms <sup>10</sup>			Covered Transaction Reports		
		FX Code	Amount	PHP-Equivalent Amount <sup>11</sup>	Transaction <sup>12</sup>	FX Code	Amount
	12/20/2016	SAR	150,000.00	1,997,145.00			
Individual Carrier Q	05/11/2015				CDEPC	PHP	1,100,000.00
	05/29/2015				CWDLO	PHP	2,100,000.00
	06/03/2015	SAR	87,000.00	3,935,810.47			
	06/03/2015	AED	182,000.00				
	06/03/2015	QAR	56,000.00				
Individual Carrier R <sup>13</sup>	01/05/2015				CWDLO	PHP	600,000.00
	01/05/2015				CWDLO	PHP	960,000.00
	01/08/2015	SAR	70,000.00	5,600,682.54			
	01/08/2015	QAR	80,000.00				
	01/08/2015	AED	200,000.00				
	01/08/2015	USD	44,600.00				
	07/01/2015				CWDLO	PHP	690,000.00
	07/03/2015	SAR	300,000.00	3,613,050.00			

On the other hand, there were also pilgrims who transported large amounts of foreign currencies from the Philippines but had no CTRs filed in the AMLC database. The fact that these foreign currencies exceed the reporting threshold for covered transactions yet there were no CTRs to substantiate the possible source of these funds gives rise to the hypothesis that these funds came from illicit activities. Yet again, additional evidence beyond FX declaration forms would be needed to confirm such hypothesis as well as to invalidate the possibility that the lack of CTRs were not a mere shortfall on the part of the covered persons.

Table 11: Outbound Transactions of Other Pilgrims

Individual Carrier	Date	FX Code	Amount	PHP-Equivalent Amount <sup>14</sup>
DMP	02/25/2015	SAR	200,000.00	2,363,040.00
MRD	02/25/2015	SAR	200,000.00	2,363,040.00
RBD	02/25/2015	SAR	200,000.00	2,363,040.00
SAB	02/25/2015	SAR	200,000.00	2,363,040.00
	06/15/2016	SAR	300,000.00	3,696,120.00
BAA	02/25/2015	SAR	250,000.00	2,953,800.00
	07/03/2015	SAR	300,000.00	3,613,050.00
HCS	02/25/2015	USD	30,000.00	1,329,420.00
	07/03/2015	SAR	350,000.00	4,215,225.00
	01/29/2016	SAR	200,000.00	2,550,560.00
BRF	07/03/2015	SAR	200,000.00	2,408,700.00
WMP	07/03/2015	KWD	500,000.00	74,649,586.78
TQB	07/03/2015	SAR	200,000.00	2,408,700.00
LSM	07/03/2015	SAR	100,000.00	1,204,350.00
MAB	07/03/2015	SAR	100,000.00	1,204,350.00
PBM	07/03/2015	SAR	150,000.00	1,806,525.00

<sup>13</sup> Carrier did not indicate the purpose of the outbound transfer of foreign currencies on 08 January 2015.

<sup>14</sup> Converted using corresponding foreign exchange rates per date from BSP (PHP/USD, PHP/SAR, and PHP/AED), Qatar Central Bank (QAR/USD), and Central Bank of Kuwait (KWD/1,000 USD)

Individual Carrier	Date	FX Code	Amount	PHP-Equivalent Amount <sup>14</sup>
SMZ	09/02/2015	AED	646,000.00	8,213,437.80
MRA	06/15/2016	SAR	200,000.00	2,464,080.00
MYM	08/19/2016	SAR	154,000.00	1,902,192.60
CHN	03/10/2017	SAR	200,000.00	2,687,360.00

#### 4.5 Money Mules

Aggregated data from FX declaration forms reveal three Filipinos as among the top carriers of foreign currencies to and from the Philippines over the period 2015 Q1 to 2021 Q3. Based on open-source information, said carriers, all surnamed PQR, are part of a suspected syndicate for allegedly sneaking foreign currencies into the country from September 2019 to March 2020. The “PQR group” was the subject of a legislative committee hearing in 2020, where it was disclosed that the undeclared cash that had entered the country through said group from September to March 2020 alone reached USD633 million or PHP32 billion.

The AMLC database, on the other hand, captured 168 inbound and 4 outbound transactions associated with members of the PQR group. These inbound and outbound transactions amounted to USD124.3 million and USD1.1 million, respectively (**Table 12**). Based on the available dataset, it was noted that the members of the PQR group frequently travelled from either Singapore or Hong Kong to the Philippines between September 2019 and March 2020.

**Table 12: Declared Foreign Currencies from the PQR Group**

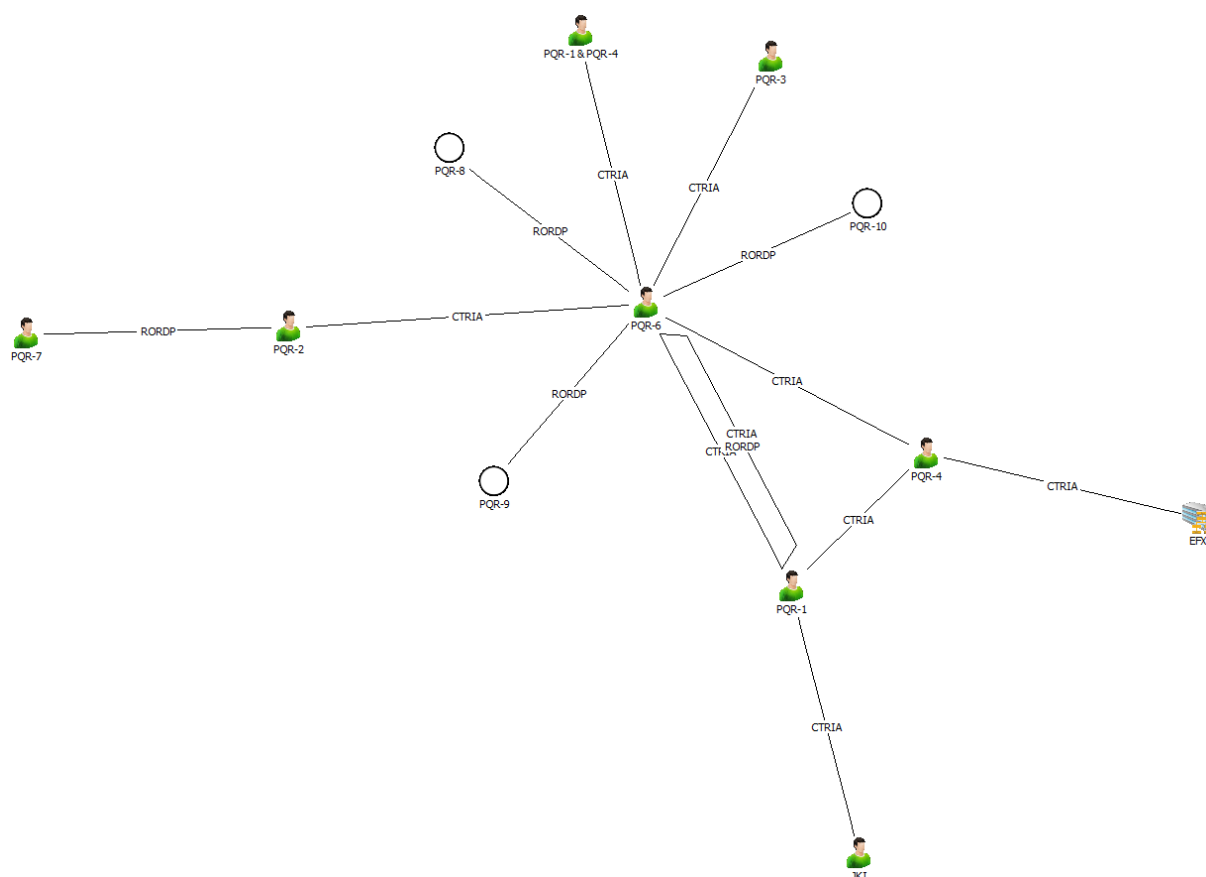
No.	Individual Carrier	Amount Transported (In USD)		Inclusive Dates
		Inbound	Outbound	
1	PQR-1	36,597,993.78	602,790.38	26 Sep 2019 - 03 Mar 2020
2	PQR-2	35,260,266.24	481,226.44	25 Sep 2019 - 03 Mar 2020
3	PQR-3	29,770,733.58	-	27 Sep 2019 - 04 Mar 2020
4	PQR-4	11,579,267.00	-	14 Sep 2019 - 17 Jan 2020
5	PQR-5	9,150,000.00	-	12 Nov 2019 - 04 Mar 2020
6	PQR-6	1,200,000.00	-	03 Sep 2019 - 22 Sep 2019
7	PQR-7	700,000.00	-	06 Oct 2019
<b>TOTAL</b>		<b>124,258,260.60</b>	<b>1,084,016.81</b>	-

Confidential information links some members of the PQR group to one JKI, an Indian national and owner of EFX. EFX is a foreign exchange dealer based in Makati City and allegedly involved in funding the Islamic State-linked Maute Group, who was behind the Marawi City siege in 2017. Given this context, it is possible that the money brought into the Philippines by the PQR group will be channeled to finance terrorism and/or other unlawful activities. Nonetheless, considering the nature of JKI’s foreign exchange business, one can also surmise that the questioned transactions merely form part of the normal course of operations of EFX. This hypothesis can be substantiated by intelligence information gathered on the business model of EFX, which suggests that EFX sources its inventory of foreign exchange directly from TPL (a Singapore-based company) and CEL (a Hong Kong-based company) through its liaison staff. Reasons cited for opting to source US dollars from foreign entities via physical transfer of cash are preferable rates (TPL and CEL offer the lowest USD selling rates to EFX); minimal

documentary requirements (purchasing from TPL and CEL requires less documentation compared to banks); and availability of funds (US dollars bought from TPL and CEL are readily available for use the following day).

The following figure depicts the relationship between members of the PQR group, JKI, and EFX based on transaction reports submitted by covered persons for the period 2015 Q1 to 2021 Q3.

**Figure 9: Graphical Representation of the Transactional Relationships Between Members of the PQR Group, JKI, and EFX<sup>15</sup>**



Investigations conducted by the AMLC on the PQR group established that PQR-4 and PQR-2 had been transporting foreign currencies in large volumes, upon the request of JKI, who happened to be the business partner of PQR-4. Observations during an interview with PQR-4 and PQR-2 lend support to the allegation that both had tried to conceal the true value of foreign currencies in their suitcase during their trip on 25 September 2019.

On 26 September 2019, PQR-6 arrived at Ninoy Aquino International Airport Terminal II in Pasay City and failed to declare USD700,000 currency notes in writing and to furnish information on the source and purpose of the transport of such currency. Information gathered on PQR-6 shows that he had been a member of an American multi-level marketing company, through which he was able to save up and build his business RSI in 2019, in partnership with PQR-4 and JKI. RSI is a Securities and Exchange

<sup>15</sup> CTRIA – Inter-account transfer within the same bank; RORDP – Outward remittance

Commission (SEC)-registered company that is engaged in the business of operating and distributing therapeutic devices for treating neurological and neuromuscular diseases. In 2021, PQR-6 ventured again into another business, PMG, an SEC-registered company that is engaged in the wholesale of protective motorcycle gears and equipment and motorcycle repair services. PQR-6's largest transactions in the AMLC database were three check deposits on 12 July 2021 with a combined amount of PHP4.4 million.

According to Customs Commissioner Rey Leonardo Guerrero, carriers of the foreign currency-denominated funds in question are paid PHP12,000 to PHP50,000 for each trip.

## 5. Conclusion and Recommendation

The significant amount of foreign currencies and other foreign-denominated monetary instruments being transported into and out of the country as well as the frequency of these large-value transactions magnify the need to examine the prominent trends and patterns that may aid in the early detection of ML/TF threats originating overseas. Similar to earlier studies, this assessment finds indication that the Philippines faces a higher risk of being a recipient rather than a source of possible illicit funds. This can be deduced from the nature of transactions of individual passengers, whose identities are more difficult to verify than established well-known institutions, such as large banks that engage in international transactions.

For individual passengers, frequent inbound flows of foreign currencies to be used for casino gambling breeds suspicion that warrants further examination. While this study initiates the examination of ML/TF risks associated with the physical transfer of foreign currencies, it is recommended that the BOC and the AMLC closely work with each other and strengthen their partnership to effectively identify important trends and typologies based on the former's observations on the ground and the latter's data-driven analyses.

To avoid foreign currency-denominated funds declared for casino gambling to be used to finance unlawful activities, the AMLC and PAGCOR may consider building a joint framework to trace and monitor the ultimate destination of said funds.

As mentioned, one of the challenges in analyzing FX declaration forms is the lack of a standardized format for certain fields, such as address, occupation, and purpose of transaction. To facilitate faster and more efficient processing of available data, enhancements in the reporting process may be considered. Perhaps, the BOC and the AMLC can explore the possibility of having an electronic form, where pre-determined values or codes can be inputted. This development may not only ease the validation process but also improve analysts' access to FX declarations.

Lastly, this report may be shared with the Financial Crimes Investigation Group of the AMLC for the possible investigation of suspected perpetrators and with appropriate government agencies and relevant stakeholders to contribute to their appreciation of the physical transportation of foreign currencies and possibly spur discussions on how to better regulate and safeguard it against external ML/TF threats.