Republic of the Philippines
Department of Finance
Securities and Exchange Commission
SEC Building, EDSA, Greenhills, Mandaluyong City

SEC MEMORANDUM CIRCULAR NO. 17
Series of 2014

TO	:	**ALL EXCHANGES, TRANSFER AGENTS, BROKER DEALERS, INVESTMENT HOUSES, INVESTMENT COMPANIES, INVESTMENT COMPANY ADVISERS, AND OTHER COVERED INSTITUTIONS UNDER THE SUPERVISION OF THE SECURITIES AND EXCHANGE COMMISSION**
SUBJECT	:	**PARTICIPATION AND SUPPORT IN THE CONDUCT OF NATIONAL RISK ASSESSMENT**

This refers to Memorandum Circular No. 64 dated June 20, 2014 issued by the Office of the President and entitled **"ENJOINING ALL CONCERNED AGENCIES TO FULLY SUPPORT AND ACTIVELY PARTICIPATE IN THE CONDUCT OF THE MONEY LAUNDERING/ TERRORISM FINANCING (ML/TF) NATIONAL RISK ASSESSMENT (NRA) THROUGH INVOLVEMENT IN THE ML/TF NRA WORKING GROUP"** (the "Circular"). A copy of the Circular is attached herewith as Annex "A" and may be downloaded from the online portal of the Official Gazette (www.gov.ph)[1].

The NRA is an organized and systematic effort to identify and evaluate the sources and methods of money laundering and terrorist financing and weakness in the anti-money laundering/counter-terrorist financing systems and other vulnerabilities that have an impact, either direct or indirect, on the country conducting the assessment[2].

The ML/TF NRA Working Group is headed by the Anti-Money Laundering Council (AMLC) and is participated in by various government agencies, including the Securities and Exchange Commission. The ML/TF NRA Working Group and its various sub-working groups are currently in the process of gathering data and information in order to conduct a comprehensive assessment of the national ML/TF risks.

In order to complete the information on ML/TF risks, private sector involvement is important as they are sources of valuable information. **In this regard, all regulated entities are directed to furnish the information/data in Annex "B" or to provide such other information as may be required by the ML/TF NRA Working Group or its various sub-working groups, subject to applicable laws and regulations.**

This circular shall take effect immediately.

20 August 2014, Mandaluyong City, Philippines.

For the Commission:

TERESITA J. HERBOSA
Chairperson

---

[1] http://www.gov.ph/2014/06/20/memorandum-circular-no-64-s-2014/
[2] FATF Money Laundering and Terrorist Financing Risk Assessment Strategies, June 18, 2008.

Office of the President
of the Philippines
Malacañang

ANNEX A

MEMORANDUM CIRCULAR NO. 64

ENJOINING ALL CONCERNED AGENCIES TO FULLY SUPPORT AND ACTIVELY PARTICIPATE IN THE CONDUCT OF THE MONEY LAUNDERING / TERRORISM FINANCING (ML/TF) NATIONAL RISK ASSESSMENT (NRA) THROUGH INVOLVEMENT IN THE ML/TF NRA WORKING GROUP

WHEREAS, the Asia/Pacific Group (APG) on Money Laundering is committed to the effective implementation and enforcement of internationally accepted standards to address Money Laundering/Terrorism Financing (ML/TF);

WHEREAS, under the international standards on combating money laundering and terrorism financing, countries are required to identify, assess and understand the money laundering and terrorism financing risks for the country and are mandated, based on said assessment, to apply a risk-based approach to ensure that measures to prevent or mitigate money laundering and terrorism financing are commensurate with the risks identified;

WHEREAS, the Philippines is a member of the APG and in compliance with the international standards on combating money laundering and terrorism financing, the Philippines will be conducting a ML/TF National Risk Assessment (NRA); and

WHEREAS, there is a need to constitute an NRA Working Group consisting of representatives from relevant government agencies and the private sector dedicated to the accomplishment of the objectives and completion of the ML/TF risk assessment process.

NOW, THEREFORE, all concerned Heads of Departments, Agencies, Offices and Instrumentalities of the National Government, specifically those named in **ANNEX A**, attached herewith, hereinafter referred to as the ML/TF NRA Working Group, are enjoined to extend support and participation in the conduct of the ML/TF NRA. The Working Group shall have nine (9) subgroups, namely: (1) Threat Assessment; (2) National Vulnerability; (3) Banking Sector Vulnerability; (4) Securities Sector Vulnerability; (5) Insurance Sector Vulnerability; (6) Other Financial Institutions' Vulnerability; (7) Designated Non-Financial Business and Professions Vulnerability; (8) Financial Inclusion Products Risk Assessment; and (9) Non-profit Organizations.

The duly authorized representatives of the member-agencies of the Working Group should be senior officials with rank not lower than Assistant Secretary or its equivalent and shall have technical knowledge and operational experience and with authority to share information. Further, member agencies shall designate an alternate member who should have the same qualifications.

The Anti-Money Laundering Council (AMLC) is designated as the lead agency of the Working Group. Through its Executive Director, the AMLC may issue operational guidance and instructions to the concerned agencies as may be necessary from time to time and may call on other agencies for assistance in the performance of its tasks.

The initial funding requirement of TWO MILLION PESOS (₱ 2,000,000.00) shall be charged against the Contingent Fund of the Office of the President, subject to the availability of funds and pertinent budgetary, accounting, and auditing rules and regulations. Funding for the subsequent years of operation shall be incorporated in the annual budget of the AMLC.

This Memorandum Circular shall take effect immediately.

By Authority of the President:

PAQUITO N. OCHOA, JR.
Executive Secretary

Manila, Philippines 20 June 2014

CERTIFIED COPY

MARIANITO M. DIMAANDAL
DIRECTOR IV 7-2-2014
MALACAÑANG RECORDS OFFICE
7-2-2014

ANNEX A

Financial Intelligence Unit

Anti-Money Laundering Council

Supervisory Authorities

Bangko Sentral ng Pilipinas
Insurance Commission
Securities and Exchange Commission

Law enforcement and other relevant government agencies

Anti-Terrorism Council
Bureau of Customs
Bureau of Immigration
Bureau of Internal Revenue
Cooperative Development Authority
Civil Service Commission
Department of Environment and Natural Resources
Department of Finance
Department of Foreign Affairs
Department of Justice
Department of Social Welfare and Development
Department of Trade and Industry
Inter-Agency Council Against Trafficking
Intellectual Property Office of the Philippines
Intelligence Service Armed Forces of the Philippines
Land Registration Authority
National Bureau of Investigation
National Intelligence Coordinating Agency
Office of the Ombudsman
Office of the Solicitor General
Presidential Anti-Organized Crime Commission
Philippine Amusement and Gaming Corporation
Philippine Center on Transnational Crime
Philippine Drug Enforcement Agency
Philippine Deposit Insurance Corporation
Philippine Ports Authority
Philippine National Police - Anti-Cybercrime Group
Philippine National Police - Anti-Kidnapping Group
Philippine National Police – Aviation Security Group
Philippine National Police - Criminal Investigation and Detection Group
Philippine National Police – Highway Patrol Group
Philippine National Police - Intelligence Group
Professional Regulation Commission – Board of Accountancy
Professional Regulation Commission – Board of Real Estate Service
Supreme Court – Office of the Court Administrator

ANNEX B

<table>
<tr><th colspan="2">INFORMATION/DATA REQUIREMENTS</th></tr>
<tr>
<td>INFORMATION FOR THREAT ANALYSIS</td>
<td>
☐ Identify the sources of proceeds of crime/most common predicate offense
  ○ <u>(e.g. various forms of tax evasion, bribery, embezzlement, various forms of fraud, environmental crimes and so forth)</u>
☐ Number of cases investigated/prosecuted/convicted (ML Cases),
☐ Number of cases investigated/prosecuted/convicted (For all the crimes that constitute a predicate offence for ML),
☐ Amounts of proceeds of crime identified in ML/TF cases and amounts seized, frozen, and confiscated
  ○ <u>(Breakdown according to underlying offence, what are the channels used e.g. bank, informal, securities, real estate, casinos, lawyers and so forth)</u>
☐ Proceeds of crime seized, frozen, and confiscated, based on other laws/provisions
  ○ <u>(e.g. related to drug trafficking, corruption, customs and so forth)</u>
☐ Number of STRs referred to LEAs on predicate offenses;
☐ Detailed information on each ML/TF case, such as origination country, destination country, services/products involved, sectors and institutions involved, ML/TF methods, detected amount of illicit proceeds, average transaction size, number of the people involved etc. (This needs to be done for the convicted and prosecuted ML/TF cases, if possible this can be extended to investigated cases as well.)
☐ Information on ML/TF typologies in the country. What are the general patterns and trends?
☐ Breakdown of financial inflows to the country
  ○ <u>(According to origination country, e.g. major trading partners of [Name of Country], IMF or WB information and so forth.)</u>
☐ Statistics on the mutual legal assistance requests (in regards with, ML, TF, and other financial crimes-statistics of both incoming requests and outgoing requests).
☐ Information on the Central Authority (CA) on MLAR in [Name of Country]. Information on the quality of the working relationship between CA and investigative agencies/LEA? Rating on the level of inter-agency cooperation.
☐ Monthly and annual customs statistics on the visitors to the country (With the breakdown of nationalities, purpose, months etc.)
  ○ <u>(from the Immigration department, customs department, airport authorities, Ministry of Tourism, Tourism Board, and so forth)</u>
☐ Customs statistics on in and out cash carrying, or cash smuggling.
☐ Data/statistics on entry of cash into the financial system; cross-border flows of cash; Transfers within and from the financial system.
</td>
</tr>
</table>

INFORMATION FOR NATIONAL COMBATTING ABILITY ANALYSIS	☐ Detailed statistics on STRs reported to FIU, and disseminated by FIU to Law Enforcement.
	☐ Information on quality of STRs and STR reporting system;
	☐ Perception indices and surveys on level of corruption/integrity of the law enforcement/prosecution/judicial system and in the country in general
	    o *(e.g. corruption surveys by [Name of Country] anti-corruption agency, NGO, transparency international, academics and so forth)*
	☐ Statistics on integrity breaches by ML investigators /law enforcement/prosecutors/judges
	    o *(Judicial Service Commission, tribunal, law society, police commission and so forth)*
	☐ Number of staff involved in ML investigations/prosecutions, adequacy of the resources allocated to them
	    o *(e.g. from the Police, the Attorney General/Public Prosecutor office and so forth)*
	☐ Information on the capacity of the ML/TF investigators, prosecutors, judges. AML/CFT trainings received by them
	    o *(e.g. from the Police, Attorney General/Public Prosecutor office, Registrar of the Judiciary, Ministry of Home Affairs and so forth)*
	☐ Information on inter-agency capacity building workshops on ML/TF? Level of cooperation/networking leading to results (i.e. increase in prosecution rate)
	☐ Statistics on criminal penalties given in ML convictions
	    o *(from the Judiciary, the Attorney General/Public Prosecutor office, Ministry of Justice, School of Law, and so forth)*
	☐ Information on national identification system and availability of independent, reliable sources to determine transaction patterns of clients
	    o *(Immigration department, National Registration Office and so forth)*

INFORMATION FOR SPECIFIC SECTORS	☐ Guidance Notes/Recommendations on the prevention of ML in the specific sectors (Banking & FIs, Securities, DNFBPs, Insurance, FIs) to oversee the issue of guidelines to facilitate the implementation of laws, rules, regulations and directives of the Central Bank of [Name of Country]?
	☐ Information on the size, depth and characteristics of the sector. Importance/share of the sector in Country's economy (GDP). Comparison of the size of the sector with region countries, peer countries, advanced economies etc.
	    o *(Central Bank of [Name of Country], Ministry of Finance and Chamber of Commerce and so forth)*
	☐ Information on AML monitoring system, data collection systems in banking/securities/ insurance sector/other sectors
	    o *(Central Bank, Bankers, Insurance and Securities Associations, academics, sample of individual institutions and so forth)*
	☐ Information on AML software used by LEA, FIU (i2, goAML and so forth). Do reporting entities provide all information the FIU online? Rate the quality of information provided. Does such information assist in the detection of

	Suspicious Transactions and creation an effective "audit trail" in the event of an investigation? ☐ Staff knowledge in banks, insurance companies, others (statistics on AML trainings given to staff, statistics on trainings by authorities to banks, Insurance companies, others) o *(Central Bank, Bank, Insurance, Securities associations and so forth)* ☐ Staff Integrity in sectors (statistics on integrity breaches, findings of on-site/off-site examinations) o (*Central Bank, Insurance Regulator, Securities Regulator)* ☐ Information on AML/CFT supervision (framework for on-site off-site supervision, adequacy of the supervision, supervision procedures, statistics on the number of staff taking part in on-site/off-site examinations, no of institutions examined, statistics and information on main findings of on-site/off-site examinations, statistics on corrective actions taken in case of breaches) o *(Central Bank, Insurance Regulator, Securities Regulator*) ☐ Has the Central Bank as part of its supervisory process, carried out an assessment of the adequacy of procedures (i.e. internal controls, policies and procedures) adopted to counter money laundering and the degree of compliance with such procedures?
INFORMATION FOR PRODUCT ANALYSIS	**For Banking, Securities and Insurance sector (information to be provided by Individual institutions):** ☐ Prepare a list of all the products/services offered by banking, securities and insurance sector; ☐ For securities and insurance sector, in addition to product/service breakdown, please identify the categories/types of service providers. ☐ Data on total assets/liabilities/total turnover/total premium income associated with different products/services; ☐ Data on total volume and average transaction size for each product/service/channel. The amount of associated assets, liabilities or turnover can serve as an indicator of the volume. Average transaction size doesn't need to be precise and can be estimated based on sampling/interviews with sector. ☐ Statistics on PEPs and other risky customers, international transactions, transactions with off shore centers/tax heavens, high risk regions and so forth, for each of the products. ☐ Information on client risk profiling and monitoring systems of the financial institutions. **Other Financial Institutions/DNFBPs (Casinos, Real Estate, Lawyers, Dealers in Precious Metals and Other Stones, Remittance agents, accountants and others):** ☐ Prepare a list of regulated and unregulated other FIs/DNFPBs in the country (the types/categories of institutions/market players, not a list of institutions); ☐ Data on number of reporting entities/persons, their asset size/volume /turnover (for each type FIs and DNFBPs)

	○ *(Check with Gambling Board and self-regulatory organizations such as law so ie ty, accountants association, real estate association and so forth)* ☐ Quantitative/qualitative information on the share/impact of each FI or DNFBP category on country's economy. ☐ Statistics/data on availability of cash intensive products, frequency or % of international transactions, (%) of customer who pose higher risk for each type of other FIs and DNFBPs; ☐ Data on number of ML cases, number of STRs, statistics on on-site and off-site inspections, AML regulations/supervision / monitoring systems for each type of other FIs and DNFBPs ☐ Is any specific template available? ☐ Any reports/information available on ML links between banks/FIs and/or currency exchange houses, stock brokerage houses, gold dealers, real estate dealers, insurance companies, trading companies and others selling high value commodities and luxury goods?
INFORMATION FOR FINANCIAL INCLUSION PRODUCTS/ SERVICES	☐ Information on current regulatory framework. Please discuss whether the regulatory framework recognizes simplification in low risk situations. If yes, under what conditions, what kind of simplification? Is the current framework adequately accommodates financial inclusion? If no, what are the problems? ☐ Information on the policies/procedures for the launch of any financial inclusion products/services (with simplified CDD etc.). Is there any pre-authorization process? How is the involvement of the regulatory authority. ☐ Information on the Financial Inclusion Product/Services already being offered by the financial or non-financial sectors. ☐ Information on the Financial Inclusion Product/Services being planned by the financial or non-financial sectors. ☐ Information on the simplification/ exemptions associated with the existing financial inclusion product/services.
OTHER INFORMATION	☐ Information from most recent Mutual Evaluation report: Any information on the ML/TF risks, weaknesses, gaps, deficiencies, problems in the country need to be extracted from most recent ME report. ☐ Information from other sources on potential ML activities related to sectors (public information, academic reports, studies, intelligence etc.)