



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

MEMORANDUM NO. M-2018- 002

To : ALL BANKS

Subject : Reminder on Sound Risk Management Practices when Dealing with Customers Engaged in Gambling and/or Online Gaming Business

In view of the increasing exposures to customers engaged in gambling and/or online gaming business, banks are reminded to ensure the soundness of their risk management policies and practices to manage risk exposures arising from the transactions of these customers, pursuant to Part 8 (AML Regulations) of the Manual of Regulations for Banks, which include, among others, the following:

1. The Board of Directors (BOD) should set the risk appetite for the risk exposure. Also, there should be an adequate reporting mechanism to regularly apprise the BOD of the relevant risk exposures to enable them to make informed decisions and issue appropriate directives;
2. On customer due diligence:
 - a. Banks should conduct the appropriate due diligence¹ necessary to the relationship to ensure that they will not be used as channel for money laundering (ML)/terrorist financing (TF) activities. This includes developing an adequate understanding of the business model and operations of the customer engaged directly or indirectly in gambling and/or online gaming business to identify unusual or possibly suspicious activities;
 - b. Banks should only deal with gambling and/or online gaming businesses which are authorized/licensed by or registered with the appropriate government agency duly empowered by law or its charter to license or authorize entities or businesses to engage in such activities; and
 - c. Banks should identify and verify the identity of the customers, including their beneficial owner/s;
3. Conduct customer risk assessment, considering relevant factors such as business operations, types of customers, product/service availed of, distribution channel, jurisdictions they are exposed to and expected account activity;

¹ On 14 July 2017, the Congress of the Philippines approved Republic Act (R.A.) No. 10927, designating casinos, as covered persons under R.A. No. 9160, otherwise known as the Anti-Money Laundering Act of 2001, as amended. On 11 October 2017, the Anti-Money Laundering Council, in its Resolution No. 92, Series of 2017, approved the Implementing Rules and Regulations of R.A. No. 10927, otherwise known as "Casino Implementing Rules and Regulations (CIRR) of Republic Act No. 10927".

4. Perform continuing account and transaction monitoring, which may include the following:
 - a. Implementing a robust system or process to identify unusual movements of funds or transactions of the customer that warrant further investigation or the conduct of transactional enhanced due diligence to determine if filing of suspicious transaction report is warranted. This includes proactive monitoring of the customers' transactions based on appropriate parameters or alerts scenarios that capture their financial profile and behavioral account activities;
 - b. Periodically updating the counterparty risk assessment based on risk and materiality, to ensure that their risk profile remains current and relevant; and
 - c. Adopting policies and establishing guidelines, with defined criteria or grounds, for the review and/or handling of business relationship as a result of ongoing monitoring.

Similar to other risk exposures, it is expected that a bank's Money Laundering and Terrorist Financing Prevention Program (MLPP) contains appropriate policies and procedures to ensure that ML and TF risks arising from dealings with customers engaged in gambling and/or online gaming business are effectively identified, assessed, monitored, mitigated and controlled.

As part of due diligence and understanding of the gaming sector, banks may refer to the following reference materials:

- Executive Order No. 13 dated 2 February 2017², on strengthening the fight against illegal gambling and clarifying the jurisdiction and authority of concerned agencies in the regulation and licensing of gambling and online gaming facilities, and for other purposes;
- Casino Implementing Rules and Regulations of R.A. No. 10927³; and
- Rules and Regulations for Philippine Offshore Gaming Operations issued by the Philippine Amusement and Gaming Corporation (PAGCOR) dated 1 September 2016⁴.

For guidance and strict compliance.


CHUCHI G. FONACIER
Deputy Governor

17 January 2018

² <http://www.officialgazette.gov.ph/2017/02/02/executive-order-no-13-s-2017/>

³ <http://www.amlc.gov.ph/images/PDFs/CIRR.pdf>

⁴ <http://www.pagcor.ph/regulatory/pdf/offshore/Offshore-Rules-and-Regulation.pdf>