



Bangko Sentral ng Pilipinas

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

CIRCULAR LETTER

To : **All Banks and Non-Bank Financial Institutions
Under BSP Supervision**

The Anti-Money Laundering Council (AMLC), in its Resolution No. 383 dated 28 June 2004, copy attached, request your cooperation to the call of the United States Government, thru the attached letter of the US Embassy, Manila dated 15 June 2004 addressed to BSP Governor Rafael B. Buenaventura, to freeze all assets of the following individual and entities which are suspected of supporting and financing terrorist activities:

1. ASSAD AHMAD BARAKAT ("Barakat")
(a.k.a. Assaad Ahmad BARAKAT, Assad Hassan BARAKAT, Assad BARAKAT, Jach Assad Ahmad BARAKAT, Hajj As'ad Ahmad, Assad Ahmed Muhammad BARAKAT)
2. CASA APOLLO, Ciudad del Este, Paraguay
3. BARAKAT IMPORT EXPORT, Iquique, Chile

Pursuant to said Resolution, you are hereby directed to submit directly to the AMLC reports of covered and suspicious transactions, if any, involving the above-named individual and business entities.

For your strict compliance.


ALBERTO V. REYES
Deputy Governor

Att.: A/S

27 July, 2004

PANANALAPING MATATAG, BANSANG PANATAG

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Anti-Money Laundering Council

Bangko Sentral ng Pilipinas Complex
Manila, Philippines

RESOLUTION NO. 383

In a letter dated 15 June 2004 addressed to the Hon. Rafael B. Buenaventura, Governor, Bangko Sentral ng Pilipinas, the Government of the United States, through its Embassy in Manila urges the Philippine government to check carefully for offices or financial assets and to subsequently freeze said assets belonging to ASSAD AMAD BARAKAT ("Barakat"), and two businesses to which he has been linked, namely:

1. CASA APOLLO
2. BARAKAT IMPORT EXPORT

Information available to the U.S. Government indicates that BARAKAT is a member of the Hizballah, and is considered one of the most prominent and influential Hizballah officials in South America's tri-border area ("TBA"). He supports Hizballah military operations. In the execution of a search warrant at one of Barakat's businesses in Paraguay, a video of Hizballah military operations from a personal computer in the store was recovered. He has allegedly used strong-arm tactics and coercive measures to annually raise large sums of money, which were sent to Hizballah in Lebanon and Iran.

The aforementioned businesses were used by Barakat as front companies for Hizballah activities and cells. Casa Apollo, an electronics wholesale store, was used as a cover for Hizballah fund-raising activities and as a way to transfer information to and from Hizballah operatives while the Barakat Import Export was used to raise money for Hizballah in Lebanon by mortgaging the company in order to borrow money from a bank in a fraudulent scheme. Further, Barakat has reportedly procured information about Arab community members that traveled to the United States or Israel and transmitted that information to Hizballah's Foreign Relations Department in Lebanon.

Pursuant to U.S. Executive Order 13224 on terrorist financing, the United States designated and froze the assets of Barakat and the aforementioned two businesses to which he has been linked on June 10. They have no intention of forwarding these names to the UN 1267 Sanctions Committee for inclusion on its consolidated asset freeze list, as it does not appear that Barakat or his businesses are linked to Usama Bin-Laden, Al-Qaida or the Taliban.

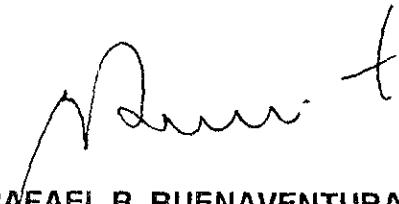
However, the provisions of United Nations Security Council Resolution (UNSCR) 1373 dated September 28, 2001 require UN member states to freeze terrorist assets without delay and to prohibit their nationals or person in their territories from financing terrorism. As a charter member of the United Nations and as part of the international coalition against terrorism, the Philippines,

through the Anti-Money Laundering Council, must actively support the actions required under the subject UNSC Resolution.

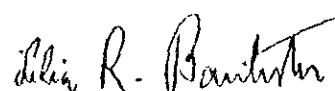
Pursuant thereto, the Council unanimously resolves, as follows:

- (1) To provide the Supervising Authorities, namely: the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the Insurance Commission, with copy of the 15 June 2004 letter from the United States;
- (2) To request said Supervising Authorities to circularize among all covered institutions under their respective jurisdictions, copy of the subject 15 June 2004 letter from the United States; and
- (3) To require said Supervising Authorities to direct the covered institutions under their respective jurisdictions to submit directly to the Council reports of covered and suspicious transactions, if any, involving ASSAD AMAD BARAKAT, and the two businesses to which he has been linked, namely: CASA APOLLO and BARAKAT IMPORT EXPORT in accordance with Sections 7 and 9 of the AMLA, Rules 5.2, 5.3 and 9.3 of the IRRs of the AMLA and other related or applicable rules, regulations, circulars and operating manuals promulgated by the Supervising Authorities.

28 June 2004, Manila, Philippines.



RAFAEL B. BUENAVENTURA
Chairman
(Governor, Bangko Sentral ng Pilipinas)



LILIA R. BAUTISTA
Member
(Chairman, Securities and Exchange Commission)



EDUARDO T. MALINIS
Member
(Commissioner, Insurance Commission)



Embassy of the United States of America

Manila, Philippines

June 15, 2004

Mr. Rafael Buenaventura
Governor
Bangko Sentral ng Pilipinas

Dear Governor Buenaventura:

The international coalition to stem terrorism financing has been a joint effort involving many different countries, including significant efforts by the Government of the Republic of the Philippines. The provisions of UN Security Council Resolution 1373 requiring member states to freeze terrorist assets without delay and to prohibit their nationals or persons in their territories from financing terrorism reflect this shared commitment on the part of the international community. Together, we are putting in place the necessary institutional and regulatory infrastructure to bar access to the financial system of terrorist and their financiers.

On September 23, 2001 President George Bush issued Executive Order (E.O.) 13224 blocking the assets of 27 persons and entities. E. O. 13224 provides the Secretary of State the authority to designate foreign persons who have committed, or pose a significant risk of committing, acts of terrorism that threaten the security of US Nationals or the national security, foreign policy or economy of the United States. It also provides the Treasury Department with the authority, among other things, to designate persons who lend support to designated terrorists. A designation by either State or Treasury Departments could result in the blocking of their assets in the U.S. or held by U.S. persons, wherever located.

Under U.S. Executive Order 13224 on terrorist financing, on June 10, the United States designated and froze the assets of Assad Amad Barakat, and two businesses to which he has been linked; Casa Apollo and Barakat Import Export. We do not contemplate forwarding these names to the UN 1267 Sanctions Committee for inclusion on its consolidated asset freeze list, as it does not appear that Barakat or his businesses are linked to Usama Bin-Laden, Al-Qaida or the Taliban. However, the provisions of UNSCR 1373 require UN member states to freeze terrorist assets without delay and to prohibit their nationals or persons in their territories from financing terrorism. We are enclosing a background paper that outlines the activities that support our designation.

As noted above, the international coalition to combat terrorist financing has been a joint effort involving many countries. We urge you to check carefully for offices or financial assets belonging to these entities/individuals in your country. Together, we are continually strengthening the necessary institutional and regulatory infrastructure to bar access to the financial system of terrorist and their financiers. The Embassy of the United States of America

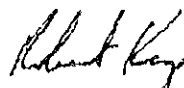
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avails itself of this opportunity to offer the Central Bank of the Philippines the assurances of its highest consideration.

Sincerely,



Robert Kemp
A/Economic Counselor

cc: AML
DOF
DOJ
POL - Dan Ricci

TERRORIST NAMES DESIGNATED UNDER E.O. 13224 (LIST 58):**NAME OF INDIVIDUAL:****Assad Ahmad BARAKAT**

a.k.a.s: Assaad Ahmad BARAKAT; Assad Hassan BARAKAT; Assad BARAKAT; Jach Assad Ahmad BARAKAT; Hajj As'ad Ahmad; Assad Ahmed Muhammad BARAKAT
DOB: March 25, 1967
POB: Lebanon

Brazilian Residences (as of January 2002):

Rua Taroba 1005
Beatriz Mendez Building
Foz do Iguacu, Brazil

Rua Rio Branco
Lote 682
Quadra 13
Foz do Iguacu, Brazil

Rua Xavier Da Silva 535
Edificio Martin Terro
Apartment 301
Foz do Iguacu, Brazil

Brazilian Residences (as of 2001):

290, Rua Silva Jardim
Foz do Iguacu, Brazil

Chilean Residences:

"Arrecife" Apartment Building
Iquique, Chile

Apartment 111
Panorama Building
Iquique, Chile

Paraguayan Residence:

Piribebuy Y A. Jara
Ciudad del Este, Paraguay
Phone: 061-514-932

NAME OF BUSINESSES:

1. Casa Apollo
Galeria Page
Ciudad del Este, Paraguay
2. Barakat Import Export Ltda
Iquique, Chile
Tax Identification Number: AABA 670850 Y

Designation of Assad Ahmad BARAKAT; and of two Businesses: Casa Apollo and Barakat Import Export Ltda:

Assad Ahmad BARAKAT

a.k.a.s: Assaad Ahmad BARAKAT; Assad Hassan BARAKAT; Assad BARAKAT; Jach Assad Ahmad BARAKAT; Hajj As'ad Ahmad; Assad Ahmed Muhammad BARAKAT

LINKS TO HIZBALLAH:

Assad Ahmad BARAKAT was identified as a significant Islamic extremist in South America's tri-border area ("TBA") as early as 1997. Detained in June 2002 by Brazil at the request of Paraguay on suspicion of tax evasion and criminal association, he was extradited to Paraguay in November 2003. In May 2004, he was convicted and sentenced to six and a half years in prison, minus two years for time already served, in Paraguay for tax evasion.

According to information available to the U.S. Government, BARAKAT is a member of Hizballah, and is considered one of the most prominent and influential Hizballah officials in the TBA. He is the principal liaison in the TBA for Hizballah's Secretary General Shaykh Hassan Nasrallah. BARAKAT has long served as a treasurer for the group and has carried contributions for Hizballah on several occasions to Lebanon. BARAKAT is also reportedly the deputy to a Hizballah financial director, Ali Kazan. According to information available to the U.S. Government, as of late 2001, BARAKAT reportedly was traveling to Lebanon and Iran annually, meeting with both Hizballah Secretary General Hassan Nasrallah and Spiritual Leader Hussein Fadlallah.

In addition to the reported contacts with Hizballah leadership, BARAKAT has worked closely with numerous TBA Islamic extremists and suspected Hizballah associates. According to the information available to the U.S. Government, BARAKAT's personal secretary, Mazen Salch, was reportedly a Hizballah leader in the TBA and was, according to multiple press sources, arrested on October 3, 2001 at BARAKAT's store Casa Apollo in Ciudad del Este, Paraguay. BARAKAT's executive secretary and/or close associate is Sobhi Mahmoud Fayad, a known Hizballah member and a weapons/explosives expert, according to information available to the U.S. Government. Fayad was a high-ranking Hizballah official in Lebanon in the 1980s and continues to be a Hizballah official in the TBA. He was arrested in 1999 for surveillance of the U.S. embassy in Asuncion, and in November of 2002, Fayad was sentenced to six and a half years for tax evasion.

According to information available to the U.S. Government, BARAKAT was, as of March 2001, the deputy financial director of the Husaniyya "Iman Al-Khomeini" mosque in Foz Do Iguaçu, Brazil. Additionally, BARAKAT's arrest in June 2002 prompted a prominent member of the Husaniyya Mosque to prohibit anyone who is not a member of Hizballah from attending services at the mosque. Hizballah leaders in Lebanon recalled Islamic clerics Shaykh Mohsen Bilal Wehbi and Shaykh Mounir Al-Fadel back to Lebanon to discuss the arrest. Wehbi has been identified as BARAKAT's protector and is the Imam of the Husayniyya Mosque.

ACTIVITIES ON BEHALF OF HIZBALLAH :

According to information available to the U.S. Government, BARAKAT also supports Hizballah military operations. During the execution of a search warrant at one of BARAKAT's Ciudad del Este, Paraguay businesses, Paraguayan authorities recovered video of Hizballah military operations from a personal computer in the store. The footage depicted the detonation of explosives, some of which show people dying from these explosions. Another file included Hizballah military orders for each town and village in southern Lebanon, according to information available to the U.S. government.

According to information available to the U.S. Government, BARAKAT has used strong-arm tactics and coercive measures to annually raise large sums of money, which were sent to Hizballah in Lebanon and Iran. According to information available to the U.S. Government, BARAKAT threatened TBA shopkeepers, who are sympathetic to Hizballah's cause, with having family members in Lebanon placed on a "Hizballah blacklist" if the shopkeepers did not pay their quota to Hizballah via BARAKAT on a regular basis.

According to information available to the U.S. Government, BARAKAT is involved in a counterfeiting ring that distributes fake U.S. dollars to generate cash to fund Hizballah operations. As of early 2001, BARAKAT was one of two individuals reportedly in charge of distribution and sale of the counterfeit currency in the TBA.

In addition to operating a counterfeiting network, BARAKAT also allegedly used wholesale import-export businesses as front companies for Hizballah activities and cells, according to information available to the U.S. Government. BARAKAT used the electronics wholesale store Casa Apollo as a cover for Hizballah fund-raising activities and as a way to transfer information to and from Hizballah operatives. BARAKAT also used his company BARAKAT Import Export to raise money for Hizballah in Lebanon by mortgaging the company in order to borrow money from a bank in a fraudulent scheme. Saltex Trading is an additional company owned in part by BARAKAT, and is believed to be used as a front company for funding Hizballah.

According to information available to the U.S. Government, BARAKAT relayed information to and from Hizballah leaders in Lebanon. As of mid-2001, BARAKAT sought sensitive information about the activities of Arabs in the TBA on the request of Hizballah leaders in Lebanon, according to information available to the U.S. Government. In particular, BARAKAT procured information about Arab community members that traveled to the United States or Israel. He transmitted that information to Hizballah's Foreign Relations Department in Lebanon.

According to Government of Paraguay, evidence uncovered during the raids of BARAKAT's businesses indicates that BARAKAT has been recruiting Hizballah fighters from the TBA. According to a media report, assertions that BARAKAT has recruited Hizballah operatives was based in part on the content and volume of Hizballah informational material recovered during the raids on BARAKAT's businesses. The material included disks, videotapes and CD-ROMs that depicted speeches and terrorist training, according to the media source. The official translation obtained by the media source stated that the material included videotapes

of Shaykh Hassan Nasrallah, Hizballah's Secretary General, asking an audience to "explode your bodies against the enemies."

BARAKAT has also regularly hosted and attended meetings of senior Hizballah TBA leaders. According to information available to the U.S. Government, BARAKAT attended a meeting of TBA Hizballah members in the fall of 2000, in Foz do Iguacu, Brazil in which TBA Hizballah members discussed Hizballah intentions to identify, locate and assassinate former members of the Army of South Lebanon (ASL) and Israelis. The group also discussed a possible effort to oust Yasir Arafat due to his decision to agree to a cease-fire.