



SOCIAL HOUSING FINANCE CORPORATION

**MONEY LAUNDERING AND TERRORIST
FINANCING PREVENTION PROGRAM (MLPP)**

Document author	Systems Control and External Affairs Department
Document status	Final Draft
Date	As of July 17, 2020
Version no.	1

SHFC CORPORATE CIRCULAR NO. _____
Series of 2020.

SUBJECT : Money Laundering and Terrorist Financing Prevention Program (MLPP)

TABLE OF CONTENTS

CHAPTER 1. INTRODUCTION

- Section 1. Declaration of Policy
- Section 2. Scope
- Section 3. Definition of Terms and Abbreviations
- Section 4. Basic Principles and Policies to Combat Money Laundering and Terrorist Financing
- Section 5. Stages of Money Laundering
- Section 6. Review of the Manual

CHAPTER 2. ORGANIZATIONAL STRUCTURE FOR AMLA COMPLIANCE

- Section 1. Audit Committee
- Section 2. Management Committee
- Section 3. Anti-money laundering Committee
- Section 4. Compliance Officer
- Section 5. Internal Audit Department

CHAPTER 3. POLICIES, PROCEDURE AND CONTROL

- Section 1. Client acceptance and retention policies
- Section 2. Client classification and description
- Section 3. Client Assessment Procedure
- Section 4. Politically Exposed Persons
- Section 5. Partnership / Business Relationship

CHAPTER 4. RISK ASSESSMENT AND RISK PROFILING

- Section 1. Criteria
- Section 2. Documentation and record-keeping

CHAPTER 5. COVERED AND SUSPICIOUS TRANSACTIONS

CHAPTER 6. MAINTENANCE OF RECORD

- Section 1. Record keeping and retention
- Section 2. Safekeeping of record
- Section 3. Forms of record

Section 4. Reporting procedures and confidentiality records.

CHAPTER 7. TRAININGS ON ANTI-MONEY LAUNDERING / COMBATING THE FINANCING TERRORISM

- 7.1 Formulation of Trainings
- 7.2 Trainings of officers and employees
- 7.3 Refresher Trainings
- 7.4 Training Program and Records

CHAPTER 8. EFFECTIVITY

APPENDIXES

Appendix

- A Republic Act No. 9160: *“Anti-money laundering act of 2001, as amended.”*
- B 2016 Revised Implementing Rules and Regulations of RA 9160.
- C SEC Memorandum Circular No. 16: *“2018 Guidelines on Anti-Money laundering and combating the financing of Terrorism for SEC covered insitutions”*
- D Republic Act No. 10168: *“The Terrorism Financing Prevention and Suppression Act of 2012.”*
- E CMP Corporate circular No. 16-045: *“ Revised checklist of requirements for CMP lot acquisition (Phase I) Loan.(as amended by CMC Corporate Circular CMP No. 18 – 051)*
- F CMP Corporate circular No. 19-052: *“New guidelines for the accreditation of CMP-mobilizers (CPM-M), Resource person/ organizations and partner LGU.”*

CHAPTER 1 INTRODUCTION

Pursuant to 2018 AML/CFT Guidelines¹ issued by the Securities and Exchange Commission (SEC, Commission), Social Housing Finance Corporation (SHFC) hereby issues a comprehensive and risk-based **Money Laundering and Terrorist Financing Prevention Program (MLPP)** to promote high ethical and professional standards and prevent SHFC from being used for ,intentional or unintentional, money laundering and terrorism financing activities. This is in conformity with the provisions of Republic Act No. 9160 (Anti-Money Laundering Act of 2001), as amended, its Revised Implementing Rules and Regulations (RIRR), Republic Act No. 10168 (Terrorism Financing Prevention and Suppression Act of 2012), its Implementing Rules and Regulations and taking into consideration international best practices in the implementation and enforcement of the Anti-Money Laundering (AML) and the Combating the Financing of Terrorism (CFT).

This MLPP is prescribed for the guidance and strict compliance of all concerned department, units, officers and employees of SHFC.

Section 1. Policy. SHFC adopts the policy of the State to protect and preserve the integrity and confidentiality of its accounts and to ensure that SHFC shall not be used as a money laundering site for the proceeds of any unlawful activity as herein defined, respectively; and to protect life, liberty protect the life, liberty and property from acts of terrorism and to condemn terrorism and those who support and finance it by criminalizing the financing of terrorism and related offenses and to recognize it as inimical and dangerous to national security and welfare of the people, and to make the financing of terrorism a crime against the Filipino people, against humanity and against the law of the nations.

Section 2. Scope. This Manual shall apply to SHFC's programs, namely; Community Mortgage Programs (CMPs), High Density Housing Projects (HDH), Abot-Kaya Pabahay Fund Development Program (AKPF-DLM) and Islamic Financing Program (ISF). The scope of the money laundering prevention program shall also extend to combating terrorist financing.

Section 3. Definition of Terms and Abbreviations. Except as otherwise defined therein, the following terms shall be defined similarly in RA 9160² and RA 10168³, as follows:

a. Anti-money Laundering Terminologies

1. AKPF- - Abot-Kaya Pabahay Fund Development Program
DLM
2. AML - Anti-money laundering

¹ 2018 SEC Guidelines on anti-money laundering and combating the financing of terrorism for SEC Covered Institutions and Other SEC Regulated Persons/Entities.

² Anti-Money Laundering Act of 2001

³ Terrorism Financing Prevention and Suppression Act of 2012

- 3. AMLA - Anti-money laundering Act
- 4. AMLC - Anti-money laundering Council
- 5. ATC - Anti-terrorism Council
- 6. CAs - Community association(s)
- 7. CMP - Community Mortgage Program
- 8. CMP-M - Community Mortgage Program- Mobilizer
- 9. CDD - Customer due diligence
- 10. EDD - Enhanced due diligence
- 11. ISF - Islamic Financing Program
- 12. KYC - Know your Customer (Continuing due diligence)
- 13. HDH - High Density Housing
- 14. HRDD - Human Resource Development Division
- 15. ML/TF - Money laundering and Terrorism Financing
- 16. PEP - Politically Exposed Persons
- 17. STR - Suspicious Transaction Report

- b. **Abot-Kaya Pabahay Fund Development Program (AKPF-DLM)** – is one of SHFC’s program which aims to provide low-income families in key urban areas affordable houses by financing site development or improvements and house/building construction in CMP and other socialized housing projects. The program is open to corporations, single proprietorship, and LGUs with partner developer of socialized housing projects.⁴
- c. **Anti-Money Laundering Council (AMLC)** - refers to the Council created by virtue of Republic Act No. 9160, otherwise known as the “Anti-Money Laundering Act of 2001, as amended” (AMLA, as amended);
- d. **Anti-Terrorism Council (ATC)** - refers to the Council created by virtue of Republic Act no. 9372, otherwise known as the “Human Security Act” (HSA) of 2007;
- e. **Business partner/s** – For this manual shall pertain to Community Mortgage Program-Mobilizer (CMP-Ms), Contractors and/or Builders.
- f. **Clients** –pertains to community associations (CAs) and member-beneficiaries (MBs).
- g. **Community associations (CA)** – pertains to legally organized associations of underprivileged and homeless citizens in a delineated geographic area needing relocation. This includes organized communities of informal settler families (ISFs) who are residing in an area without the consent of the landowner or in areas residing within government properties and/or will be affected by government projects.

⁴ https://www.shfcph.com/Abot-Kaya_Pabahay_Fund.html

- h. **Community Mortgage Program (CMP)** - is a mortgage financing program of the Social Housing Finance Corporation (SHFC) which assists community associations to purchase and develop a tract of land under the concept of community ownership. The primary objective of the program is to assist residents of blighted areas to own the lots they occupy, or where they choose to relocate to and eventually improve their neighbourhood and homes to the extent of their affordability.⁵
- i. **Community Mortgage Program- Mobilizer (CMP-M)** refers to an organization working with communities of informal settlers and duly accredited by SHFC whose principal role is to assist, organize and prepare communities for participation in CMP. CMP-Ms may be an non-government associations (NGA), local government unit (LGU), or non-government organization (NGO), civil society organizations (CSO) or people's organizations (PO). To participate in the programs, CMP-Ms must undergo the accreditation process.
- j. **Covered Person**, natural or juridical, refer to:
1. banks, non-banks, quasi-banks, trust entities, non-stock savings and loan associations, foreign exchange dealers, pawnshops, money changers, remittance and transfer companies, electronic money issuers and other financial institutions which under special laws supervised or regulated by the Bangko Sentral ng Pilipinas (BSP), including their subsidiaries and affiliates. For this purpose, a Subsidiary is an entity more than 50% of its outstanding voting stock is owned by a covered person, while an Affiliate is an entity, the voting stock of which at least 20% but not more than 50% is owned by a covered person.
 2. insurance companies, pre-need companies and all other persons supervised or regulated by the Insurance Commission (IC); xxx
 3. company service providers which, as a business, provide any of the following services to third parties: (i) acting as a formation agent of juridical persons; (ii) acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons; (iii) providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; and (iv) acting as (or arranging for another person to act as) a nominee shareholder for another person; and;
- k. **High Density Housing Program (HDH)** –refers to a slum redevelopment strategy wherein a significant number of ISFs are accommodated in multi-storey buildings. This may be implemented either by an in-city or near site relocation or a land sharing arrangement.⁶

⁵ https://www.shfcph.com/CMP_Fast_Facts.html

⁶ https://www.shfcph.com/HDH_Fast_Facts.html

1. **Islamic Financing Program (ISF)** - The Islamic Financing Program is a non-mortgage based program consistent with Shariah-based financing that accommodates diverse ways of living and which may be availed by both Muslims and non-Muslims.⁷
- m. **Money Laundering** – is committed by any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:
 1. transacts said monetary instrument or property;
 2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property.
 3. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
 4. attempts or conspires to commit money laundering offenses referred to in paragraphs (a), (b) or (c) above;
 5. aids, abets, assists in or counsels the commission of the money laundering offenses referred to in paragraphs (a), (b) or (c) above; and
 6. performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraphs (a), (b) or (c) above.

In a broader sense, it is the process of transferring the proceeds of criminal activities into the legitimate mainstream of commerce by concealing their origin. Anyone who conducts a financial transaction with knowledge that the funds are proceeds of an unlawful activity is generally considered to be laundering money.

- n. **Financing of terrorism** – a crime committed by a person who, directly or indirectly, will fully and without lawful excuse, possesses, provides, collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the unlawful and will full intention that they should be used or with the knowledge that they are to be used in full or in part; 1) to carry out or facilitate the commission of any act of terrorism, 2) by a terrorist organization, association or group; or 3) by an individual terrorist.
- o. **Designated persons** - refer to:
 1. Any person or entity designated as a terrorist, one who finances terrorism, or a terrorist organization or group under the applicable United Nations Security Council Resolution or by another jurisdiction or supra-national jurisdiction;
 2. Any organization, association, or group of persons proscribed pursuant to Section 17 of the HSA of 2007; or

⁷ https://www.shfcph.com/Localized_Community_Mortgage_Program.html

3. Any person, organization, association, or group of persons whose property or funds, based on probable cause are subject to seizure and sequestration under Section 39 of the HSA of 2007.
- p. **Freeze** - blocking or restraining of specific property or funds from being transacted, converted, concealed, moved, or disposed of without affecting the ownership thereof.
- q. **Terrorist** - refers to any natural person who: (a) commits, or attempts, or conspires to commit terrorist acts by any means, directly or indirectly, unlawfully, and willfully; (b) participates, as a principal, or as an accomplice, in terrorist acts; (c) organizes or directs others to commit terrorist acts; or (d) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist acts or with the knowledge of the intention of the group to commit terrorist acts.
- r. **Terrorist acts** - refer to the following:
1. Any act in violation of Section 3 or 4 of the HSA of 2007.
 2. Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act.
 3. Any act which constitutes an offense that is within the scope of any of the following treaties to which the Republic of the Philippines is a State party.
 4. Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970;
 5. Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971;
 6. Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on 14 December 1973.
 7. International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on 17 December 1979;
 8. Convention on the Physical Protection of Nuclear Material, adopted at Vienna on 3 March 1980;
 9. Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 24 February 1988;
 10. Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on 10 March 1988;
 11. Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on 10 March 1988;

12. International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on 15 December 1997.
- s. **Monetary transaction** refers to the following:
1. Coins of currency of legal tender of the Philippines, or of any other country;
 2. Credit instruments, including bank deposits, financial interest, royalties, commissions and other intangible property;
 3. Drafts, checks, and notes; xxx
 4. Participation or interest in any non – stock, non – profit corporation;
 5. Contracts or policies of insurance, life of non-life, and contracts of surety ship, pre – need plans and member certificates issued by mutual benefit association; and;
 6. Other similar instruments where title thereto passes to another by endorsement, assignment or delivery.
- t. **Private sector** – One of SHFC’s partners consisting of private organizations and/or individuals whose role involves providing assistance in the form of funding, knowledge/ expertise and training.
- u. **Politically Exposed Person or PEP** - an individual who is or has been entrusted with prominent public positions 1) in the Philippines with substantial authority over policy, operations or the use or allocation of government – owned resources; 2) a foreign state; or 3) an international organization. The term shall likewise include immediate family members, and close relationships and associates that are reputedly known to have 1.1) joint beneficial ownership of a legal entity or legal arrangement with the main/principal PEP or 1.2) sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP.
- v. **Transaction** refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a Covered Person.
- w. **Covered transaction** is a transaction in cash or other equivalent monetary instrument involving a total amount in excess of five hundred thousand pesos (P500, 000.00) within one business day.
- x. **Suspicious Transaction** under Circular 706 and RA 10167 are transactions with Covered Persons, regardless of the amount involved, where any of the following circumstances exist:
1. There is no underlying legal or trade obligation, purpose or economic justification;
 2. The client is not properly identified;
 3. The amount involved is not commensurate with the business or financial capacity of the client;

4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act.
 5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the Covered Person;
 6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be, is being or has been committed;
 7. Any transactions that is similar, identical or analogous to any of the foregoing.
- y. **Unlawful activity** refers to any act or omission or series or combination thereof involving or having direct relation to the following:
1. Kidnapping for ransom under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;
 2. Sections 4, 5, 6, 8, 9, 10, 12, 13, 14, 15, and 16 of Republic Act No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002;
 3. Section 3 paragraphs B, C, E, G, H, and I of Republic Act No. 3019, as amended; otherwise known as the Anti-Graft and Corrupt Practices Act;
 4. Plunder under Republic Act No. 7080, as amended;
 5. Robbery and extortion under Articles 294, 295, 296, 299, 300, 301, and 302 of the Revised Penal Code, as amended;
 6. Jueteng and Masiao punished as illegal gambling under Presidential Decree No. 1602;
 7. Piracy on the high seas under the Revised Penal Code, as amended and Presidential Decree No. 532;
 8. Qualified theft under Article 310 of the Revised Penal Code, as amended;
 9. Swindling under Article 315 and "Other Forms of Swindling" under Article 316 of the Revised Penal Code, as amended;
 10. Smuggling under Republic Act Nos. 455 and 1937, as amended, of the Tariff and Customs Code of the Philippines;
 11. Violations under Republic Act No. 8792, otherwise known as the Electronic Commerce Act of 2000;
 12. Hijacking and other violations under Republic Act No. 6235; destructive arson and murder, as defined under the Revised Penal Code, as amended, including those perpetrated by terrorists against non-combatant persons and similar targets;
 13. Terrorism and conspiracy to commit terrorism as defined and penalized under Sections 3 and 4 of Republic Act No. 9372;
 14. Financing of terrorism under Section 4 and offenses punishable under Sections 5, 6, 7 and 8 of Republic Act No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012;
 15. Bribery under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and Corruption of Public Officers under Article 212 of the Revised Penal Code, as amended;
 16. Frauds and Illegal Exactions and Transactions under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;

17. Malversation of Public Funds and Property under Articles 217 and 222 of the Revised Penal Code, as amended;
18. Forgeries and Counterfeiting under Articles 163, 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;
19. Violations of Sections 4 to 6 of Republic Act No. 9208, otherwise known as the Anti-Trafficking in Persons Act of 2003 as amended;
20. Violations of Sections 78 to 79 of Chapter IV, of Presidential Decree No. 705, otherwise known as the Revised Forestry Code of the Philippines, as amended;
21. Violations of Sections 86 to 106 of Chapter VI, of Republic Act No. 8550, otherwise known as the Philippine Fisheries Code of 1998;
22. Violations of Sections 101 to 107, and 110 of Republic Act No. 7942, otherwise known as the Philippine Mining Act of 1995;
23. Violations of Section 27(c), (e), (f), (g) and (i), of Republic Act No. 9147, otherwise known as the Wildlife Resources Conservation and Protection Act;
24. Violation of Section 7(b) of Republic Act No. 9072, otherwise known as the National Caves and Cave Resources Management Protection Act;
25. Violation of Republic Act No. 6539, otherwise known as the Anti-Carnapping Act of 2002, as amended;
26. Violations of Sections 1, 3 and 5 of Presidential Decree No. 1866, as amended, otherwise known as the Decree Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing in, Acquisition or Disposition of Firearms, Ammunition or Explosives;
27. Violation of Presidential Decree No. 1612, otherwise known as the Anti-Fencing Law;
28. Violation of Section 6 of Republic Act No. 8042, otherwise known as the Migrant Workers and Overseas Filipinos Act of 1995, as amended by Republic Act No. 10022;
29. Violation of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines;
30. Violation of Section 4 of Republic Act No. 9995, otherwise known as the Anti-Photo and Video Voyeurism Act of 2009;
31. Violation of Section 4 of Republic Act No. 9775, otherwise known as the Anti-Child Pornography Act of 2009;
32. Violations of Sections 5, 7, 8, 9, 10(c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the Special Protection of Children Against Abuse, Exploitation and Discrimination;
33. Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the Securities Regulation Code of 2000; and
34. Felonies or offenses of a similar nature to aforementioned unlawful activities that are punishable under the penal laws of other countries. In determining whether or not a felony or offense punishable under the penal laws of other countries is “of similar nature”, as to constitute an unlawful activity under the AMLA, the nomenclature of said offense or felony need not be identical to any of the unlawful activities listed above.

z. **Proceeds** – refers to an amount derived or realized from any unlawful activity;

- aa. **Beneficial Owner** – refers to natural person(s) who ultimately owns or controls a customer, client and/or on whose behalf a transaction or activity is being conducted or those who exercise ultimate effective control over a legal person or arrangement.
- bb. **Ultimate effective control** - refers to a situation in which ownership or control is exercised through actual or a chain of ownership or by means other than direct control.

Section 4. Basic Principles and Policies to Combat Money Laundering and Terrorist Financing

In accordance with BSP Circular No. 950, series of 2017, to adopt the policy of the State to ensure that the Philippines in general and covered institutions shall not be used as money laundering site and conduit for the proceeds of an unlawful activity, SHFC as covered institution shall apply the following basic principles and policies to combat money laundering:

1. Conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the financial system.
2. Know sufficiently its client at all times and ensure that the financially and socially disadvantaged are not denied access to financial services while, at the same time, prevent suspicious individuals or entities from transacting with LBP Lease by himself or otherwise,
3. Adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing,
4. Comply fully with the rules and existing laws aimed at combating money laundering and terrorist financing by making sure officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance, and
5. Fully cooperate with the AMLC for the effective implementation and enforcement of the AMLA, as amended, and its RIRR.

Section 5. Stages of Money Laundering

The Financial Action Task Force (FATF) is the multinational body that sets the global tone for AML efforts. Formed in 1989, it is based in Paris. The Financial Action Task Force (FATF) has a three-part working definition. The three stages of money laundering: Placement, Layering, and Integration are basically defined below:

1. **Placement** – involves physically placing illegally obtained money into the financial system or the retail economy. "Dirty" money is most vulnerable to detection and seizure during placement.
2. **Layering** – means separating the illegally obtained money from its source through a series of financial transactions that makes it difficult to trace the origin. During the layering phase of money laundering, criminals often take advantage of legitimate financial mechanisms in attempts to hide the source of their funds. A few of the many

mechanisms that may be misused during layering are currency exchanges, wire transmitting services, prepaid cards that offer global access to cash via automated teller machines and goods at point of sale, casino services and domestic shell corporations lacking real assets and business activity that are set up to hold and move illicit funds.

3. **Integration** – means converting the illicit funds into a seemingly legitimate form. Integration may include the purchase of businesses, automobiles, real estate and other assets.

The three (3) basic steps may occur as separate and distinct phases. They may also occur simultaneously or, more commonly, may overlap. How the basic steps are used depends on the available laundering mechanism and requirements of the criminal organizations. Below are the typical examples of the transactions applying the three basic steps of money laundering:

Placement	Layering Stage	Integration Stage
Split-up of large amounts of cash into less noticeable smaller amounts which are then deposited directly into a client's account.	Such amounts are as payment of loan proceeds for housing project.	Investment on government housing projects.
Cash purchase of single premium life insurance of other investment		

Section 6. Review of Manual

The Money Laundering and Terrorism Financing Prevention Program (MLPP) shall be regularly updated at least once every two years to incorporate changes in AML policies and procedures and latest trends in money laundering and terrorist financing typologies and latest pertinent BSP issuances. Subsequent amendments shall be uploaded in the system which shall be available for viewing and downloading to all business units for dissemination purposes.

All covered transactions shall prepare and have available for inspection an updated MLPP embodying the principles and provisions stated in these rules. The Compliance Officer shall submit to Anti-Money Laundering Specialist Group, Supervision and Examination Subsector I of the BSP a sworn certification that the revised MLPP has been prepared, duly noted and approved by the Board of Directors.⁸

⁸ Section §X805.2.a BSP Circular No. 706, series of 2011.

CHAPTER 2. ORGANIZATIONAL STRUCTURE FOR AMLA COMPLIANCE

Section 1. Audit Committee

- a. *Composition and reporting line.* The Audit function associated with money laundering and terrorist financing shall be consist of independent qualified personnel supported by the board of directors. It shall be directly reporting to the Board of Directors.
- b. *Functions.* The audit committee shall perform the following functions:
 1. Supervise the implementation of the SHFC's MLPP;
 2. Ensure that AML Compliance issues are resolved expeditiously;
 3. Assist the Board of Directors in making informed assessment as to whether the Corporation is managing its AML Compliance risk effectively;
 4. Regularly check updates of the MLPP at least once every two years to incorporate changes in AML policies, procedures, latest pertinent laws and issuances.
 5. Timely Communicate to the board of directors the results of the internal audit.
 6. Perform such other functions as the Board of Directors may delegate.

Section 2. Management Committee. The Management Committee shall perform the following functions:

- a. Adopt a sound anti-money laundering and terrorist financing risk management system and ensure its effective implementation and compliance.
- b. Comply with the provisions of these Manual, the AMLA, as amended in its IRR.
- c. Ensure adequate oversight on SHFC's compliance management.

Section 3. Anti-money laundering Committee (AMLC).

1. *Composition.* In order to ensure compliance with Anti-Money Laundering Act of 2001 (AMLA) under RA 9160,as amended by RA 9194,RA 10167,RA 10365and its Revised Implementing Rules and Regulations (RIRR) including Terrorism Financing Prevention and Suppression Act of 2012 under RA 10168 and its Implementing Rules and Regulations (IRR),an Anti-Money Laundering Committee is hereby created composed of the following:

The committee is hereby created composed of the following:

Chairperson	: President
Vice Chairperson	: Compliance Officer
Members	: Head of Legal Services
	Head of Risk Management
	Head of Internal Audit
Secretariat	: Compliance Officer

2. *Functions.* The Committee shall have the following functions:

1. To receive, investigate and evaluate reported suspicious transactions, money laundering activities and other violations of the RA No. 9160 as amended by RA No. 9194, RA 10167, RA 10365 and its implementing rules and regulations (RIRR), RA 10168, The Terrorism Financing Prevention and Suppression Act of 2012 and its implementing rules and regulations (IRR), as well as the issuances of BSP, SEC and SHFC and other subsequent issuances of pertinent laws and regulations and to determine if the activity or suspicion is based on reasonable grounds.
2. To ensure that SHFC complies with the Anti-Money Laundering law and Terrorism Financing and that all covered transactions are reported to the AMLC in accordance with the prescribed forms and procedures of this Manual.
3. To adopt money laundering and terrorist financing prevention programs and a system of monitoring transactions.
4. To institute an effective dissemination of information on money laundering and terrorist financing activities, their prevention, detection and reporting and penalties and administrative sanctions for violations in AMLA.

Section 4. Compliance Officer. The Compliance Officer shall be principally responsible for the following functions and such other functions that may be delegated by the Board, to wit:

- a. Ensure compliance by all responsible officers and employees with these Rules, the AMLA, as amended, the RIRR and its own MLPP. It shall conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by employees and officers involved in money laundering and terrorist financing prevention reporting channels, effectivity of the electronic money laundering transaction monitoring system and record retention system through sample testing and review of audit or examination reports. The Compliance Officer shall also report compliance findings to the Board or any Board-level committee.
- b. Ensures that infractions, discovered either by internally initiated audits, or by special or regular examinations conducted by applicable regulators are immediately corrected;
- c. Conducts regular reviews of AML risk-based tools and monitoring systems;
- d. Apprises all responsible Officers and employees of all resolutions, circulars and other issuances by the AMLC in relation to matters aimed at preventing MF and TF and organizes the timing of AML training of Officers and employees including refresher trainings;
- e. Alert the Board or approved committee if it believes that the institution is failing to sensibly address anti-money laundering and terrorist financing issues;
- f. Monitoring of internal and external audit findings related to money laundering and terrorist financing; and
- g. Investigates, evaluates, resolves and monitors suspicious transactions/ covered transactions/ Politically Exposed Persons (PEP) and/or other individuals under the different watchlists or sanctioned lists to mitigate compliance risks;

- h. Formulates, reviews, modifies, and disseminates guidelines and policies related to AML Compliance program of the Company;

Section 5. Internal Audit Department. The Internal Audit Department unit shall be reporting directly to the Board and shall perform the following functions:

- a. Establish and implement internal rules control procedures aimed at preventing and impeding money laundering and terrorism financing.
- b. Conduct periodic (not less frequently than once every 2 years) independent evaluation of the risk management, degree of adherence to internal control mechanisms related to the client identification process, such as the determination of the existence of client and the completeness of the minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to, clients, CT and ST reporting and record keeping and retention, as well as the adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing.
- c. Timely communicate to the results of internal audit as to the Board as well as to the Compliance officer for its corrective action/s.

CHAPTER 3 POLICIES, PROCEDURE AND CONTROL

This Chapter provides for the client identification and acceptance policies and procedures including a set of criteria for clients that are likely to pose *low, normal or high risk* to SHFC operations. These policies and procedures are designed to ensure that the financially or socially disadvantaged are not denied access to financial services, while at the same time prevent suspicious individuals or entities from establishing a relationship with SHFC.

Section 1. *Client identification, acceptance and retention policies.* To ensure that loan proceeds granted by SHFC shall be used for legitimate projects and objectives and not as a means of converting illicit funds, either in the form of amortization payments or otherwise, to seemingly legitimate form, the following policies shall be observed.

- a. *Due diligence* –Upon acceptance of complete documentary requirements, SHFC shall strive to devote no more than one hundred twenty (120) working days to complete the due diligence process from loan application to loan release. ⁹
- b. *Continuing due diligence (Know your customer or KYC)* – SHFC’s KYC measures includes conducting continuing due diligence on its relationship to ensure that the transactions being conducted are consistent with SHFC’s knowledge of the clients, their income profile, including, where necessary, the source of its funds.
- c. *Enhanced due diligence (EDD)* - Enhanced due diligence shall be applied to clients or partners that are assessed under these Manual as *high risk* for ML/TF.

⁹ https://www.shfcph.com/CMP_Fast_Facts.html

- d. *Reduced due diligence* - Whenever the risk of money laundering or the financing of terrorism (ML/FT) is lower based on SHFC's assessment, and if information on the identity of the client and the business partner is publicly available, or adequate checks and controls exist elsewhere in national systems, it could be reasonable for covered institutions to apply simplified or reduced customer due diligence measures when identifying and verifying the identity of the client, the beneficial owner and other parties to the business relationship.

Section 2. Client classification and description

The following are the classification of clients and the corresponding description:

a. Low risk

1. CA whose members are victims of eviction, demolition and disasters and those threatened therewith.
2. CAs duly registered with the HLURB.
3. CAs whose information and documentary requirements has been fully submitted.
4. CAs whose application for CMP Acquisition, site development and/or house construction had been approved.
5. CAs who are residing within the area where SHFC offices are located.

b. Normal risk

1. MB who is related, by consanguinity or affinity within the 3rd civil degree, to the landowner or an employee, officer, member of the board or trustee of SHFC, a known mobilizer, builders or contractor assigned in the same project which was taken out in favour of the CA to which the said MB belongs.
2. MB who is an employee, officer, a member of the board or trustee of a mobilizer, builder or contractor assigned in the same project taken out in favour of the CA to which the said MB belongs.

c. High risk

1. MBs who are subsequently reported to be a non-resident, non-existent or substituted without the approval of SHFC.
2. MBs who are elected as officers or acting as an officer alleged to be collecting excessive amounts.

Section 3. Client Assessment Procedure

a. Client Assessment Procedure

1. *Requirements.* The following information and documentary requirements shall be obtained from applicant CA and/or its CMP-M:

a. Project Profile	<input type="checkbox"/> Community profile <ul style="list-style-type: none"> ○ Registration ○ Years of existence ○ Election ○ Committees ○ Meetings ○ Finance (Savings and source) ○ History <input type="checkbox"/> Masterlist of MBs; <input type="checkbox"/> Project classification <input type="checkbox"/> Original Memorandum of Agreement (MOA) between HOA and landowner, if applicable; <input type="checkbox"/> Letter of Guaranty, if applicable; <input type="checkbox"/> Notarized Board Resolution or Secretary's Certificate issued by CA to its authorized representative; <input type="checkbox"/> Photocopy of present title; and <input type="checkbox"/> One (1) Government-issued ID if the landowners and their representatives.
b. Membership Profile	
c. Income Profile	<input type="checkbox"/> Monthly gross of each household <input type="checkbox"/> Source of Income
d. Residency	
e. Occupancy	<input type="checkbox"/> On-site / Off site

2. CAs who present only photocopies of required documents, unless allowed, shall be required to produce the original documents for verification purposes. Representatives of CAs may be interviewed personally when circumstances require.

Additional requirements. Whenever *enhanced due diligence* is applied, SHFC shall, in addition to profiling clients, do the following:

1. Obtain a list of banks where the CA or any of its MBs has maintained or is maintaining an account and list of companies or organizations where any of the MB is a director, officer or stockholder,
2. Conduct validation procedures on any or all of the information provided.
3. Obtain Board approval for establishing or continuing (for existing clients and partners) relationship.
4. Take reasonable measures to establish the source of wealth and sources of funds.
5. Conduct enhanced ongoing monitoring of the business relationship.

Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, SHFC shall deny or terminate financing relationship with the individual or entity without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

Section 4. Politically Exposed Persons (PEP).

- a. *Determination of PEP and application of Enhanced due diligence.* Reasonable measures shall be applied in determining whether the client is a PEP as defined in this manual. Enhanced Due diligence shall be applied in case client or beneficial owner is identified as PEP.
- b. *Immediate family members and close associates.* The requirements for all types of PEPs shall also apply to family members or close associates of such PEPs. Immediate family members of PEPs refer to spouse or partner, children and their spouses, parents and parents-in-law, and siblings.
- c. *Close Associates* of PEP of PEPs refer to persons who maintain a particularly close relationship with the PEP such as prominent members of the same political party, civil organization, labor or employee union as the PEP and other persons (sexual and/or romantic) partners outside the family unit (e.g. girlfriends, boyfriends, mistresses, etc.).

Section 5. Partnership / Business Relationship. Before establishing a business relationship with any applicant mobilizers, contractors and/or builders, a background search and/or other commercial inquiries shall be made to ensure that said mobilizer, contractor and/or builder the has not been, or is not in the process of committing any suspicious activities and/or money laundering acts. In case of doubt as to the veracity of the corporation or identity of its directors and/or officers, or of the business or its partners, a search or inquiry with the Commission or the relevant Supervising Authority/Regulatory Agency shall be made.

CHAPTER 4. RISK ASSESSMENT AND RISK PROFILING

Section 1. Criteria. In designing SHFC's risk profile, the following criteria relating to the client or the partner, shall be taken into account:

- (1) The nature of the service or product to be availed or provided and the purpose of the partnership;
- (2) Source of funds/nature of business activities;
- (3) Public or high-profile position of the client/partners or its directors/trustees, stockholders, officers and/or authorized signatory;
- (4) Country of origin and residence of operations or the fact that a client/customer came from a high-risk jurisdiction;
- (5) The existence of Suspicious Transactions (ST) indicators;
- (6) Watch list of individuals and entities engaged in illegal activities or terrorist-related activities as circularized by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, AMLC, and other international entities or organizations, such as the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and United Nations Sanctions List; and
- (7) Such other factors, e.g., the amount of the funds involved or the size of the transaction undertaken by a client/partner or the size of transactions, and regularity

or duration of the transaction, as the covered institution may deem reasonable or necessary to consider in assessing the risk of a client to ML/TF.

In assessing the risk profile of clients/partners which are juridical entities, SHFC shall also consider the financial profile and other relevant information of the active authorized signatories.

Section 2. *Documentation and record-keeping.* SHFC shall document the risk profiling results as well as how a specific clients and partners were profiled and what standard of CDD (reduced, average or enhanced) was applied. Further, it shall regularly update its risk-assessment/risk-profiling of its clients and partners.

CHAPTER 5.

COVERED AND SUSPICIOUS TRANSACTIONS

Section 1. *Covered Transactions* as defined under Section 3, paragraph (b) of R. A. No. 9160 (as amended) and Section 1 of R.A. No. 9194, is a transaction in cash or other equivalent monetary instrument involving a total amount in excess of Five Hundred Thousand Pesos (Php 500,000.00) within one (1) business day.

Section 2. *Suspicious Transactions* as defined under Section 3, paragraph (b-1) of R. A. No. 9160 (as amended) and Section 2 of R.A. No. 9194, are transactions with Covered Persons, regardless of the amounts involved, where any of the following circumstances exist:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client.
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the Act.
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the Covered Person;
6. The transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed; or
7. Any transactions that is similar or analogous to any of the foregoing.

Section 3. The SHFC officers and employees shall at all times be alert of any client falling under the above circumstances. Initial inquiries and, when necessary, further investigations on the source of funds shall be immediately performed if any suspicious transaction is identified. If the Operations Officer/employee identifies a substantial increase in cash deposits or

placements from an individual or local business entity, he/she shall satisfy himself/herself that the client has a legitimate explanation for the unusual activity.

CHAPTER 6. MAINTENANCE OF RECORD

Section 1. *Record keeping and retention.*

1. All client identification records and transaction documents of shall be maintained and safely stored for five (5) years from the date of the transaction.
2. Client relationships and transactions shall be properly documented. In this regard, adequate records on client identification shall be maintained to ensure that:
 - a. Any transaction can be reconstructed and an audit trail is established when there is suspected money laundering; and
 - b. Any inquiry or order from the regulatory agency or appropriate authority can be satisfied within a reasonable time such as disclosure of information (e.g., whether a particular person is the client or beneficial owner)
 - c. In the instance that a case has been filed in Court involving the account, records must be retained and safely kept beyond the five (5) year until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality.
 - d. For closed accounts, all records of client identification and transaction documents shall be maintained and safely stored for at least five (5) years.

Section 2. *Safekeeping of Records.* SHFC shall designate a records officer who will be jointly responsible and accountable in the safekeeping of all records and documents required to be retained by the AMLA, as amended, its revised implementing rules and regulation (RIRR) and this Manual. They shall have the obligation to make these documents and records readily available without delay during SEC/AMLC regular or special examinations.

Section 3. *Format of Records.* Records shall be retained as originals or copies in such forms as are admissible in court pursuant to existing laws, such as the e-commerce act and its implementing rules and regulations, and the applicable rules promulgated by the Supreme Court. Further, electronic copies of all covered and suspicious transaction reports shall be kept for at least five (5) years from the date of submission to the AMLC.

Section 4. *Reporting procedures and confidentiality records.*

- a. Should a transaction be determined to be both a covered transaction and a suspicious transaction, the covered institution shall be required to report the same as a suspicious transaction. Upon identification of unusual or suspicious transaction, the following procedures shall be followed:
 1. The concerned division or Operations personnel who identified a suspicious transaction shall refer the suspected account to the Division head/ Manager for further verification.

2. The Division head/ Manager shall evaluate the report and he/she is of the opinion that there is/are reasonable basis for the suspicion, shall prepare his/her evaluation report and shall be forwarded to the Compliance Officer/Division
 3. Upon receipt of the reports, the Compliance Officer/Division shall convene a meeting of the AML Compliance Committee to evaluate the reports and determine if the suspicion is based on reasonable grounds.
 4. If the Committee decides that there is reasonable basis for considering a suspicious transaction or other illegal activity, a Suspicious Transaction Report (STR) must be sent to AMLC using the prescribed form duly signed by the Compliance Officer together with other supporting documents. The STR shall be submitted to the AMLC within ten (10) calendar days from the date that the transaction was determined to be suspicious.
 5. In the event that urgent disclosure is required, particularly when the account concerned is part of an ongoing investigation, the Compliance Officer/Division shall notify in writing the AMLC.
 6. The SHFC shall not warn the clients when information relating to them is being reported or will be reported to the AMLC or that a suspicious transaction has been or is about to be reported, the contents of the report or any other information in relation thereto. Any information about such reporting shall not be published or aired, in any manner or form, by the mass media or through electronic mail or other similar devices. In case of violation, the concerned Officer or employee shall be held criminally liable.
 7. Any director, officer or employee of SHFC who knows that a client has engaged in any of the predicate crimes under R.A. No. 9160 (as amended) shall promptly report the matter to the Compliance Officer. In this regard, the Compliance Officer shall immediately report the details to the AML Compliance Committee and the AMLC.
 8. If there are reasonable grounds to suspect that the client has engaged in an unlawful activity, the AML Compliance Committee, on receiving such a report, shall promptly evaluate whether the suspicion is valid. The case shall be immediately reported to the AMLC unless the committee considers that such reasonable grounds do not exist. However, unreported suspicion shall be properly recorded.
 9. A register of all reports made to the AMLC, as well as reports made by the directors, officers or employees relative to suspicious transactions, whether or not such were reported to the Council, shall be maintained. Said register shall contain details of the date on which the report is made, the person who makes the report and information sufficient to identify the relevant papers. In addition, the AMLC Committee shall ensure that the reports and other records on all transactions brought to their attention, including transactions that are not reported to the AMLC are complete and properly kept.
- b. When reporting covered or suspicious transactions to the AMLC, covered institutions and their officers and employees [representatives, agents, advisors, consultants or

associates] shall *not be deemed* to have violated Republic Act No. 1405, as amended, Republic Act No. 6426, as amended, Republic Act No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto.

- c. In case of violation thereof, the concerned officer and employee [, representative, agent, advisor, consultant or associate] shall be criminally liable. However, no administrative, criminal or civil proceedings, shall lie against any person for having made a covered or suspicious transaction report in the regular performance of his duties in good faith, whether or not such reporting results in any criminal prosecution under this Act or any other law.
- d. When reporting covered or suspicious transactions to the AMLC, SHFC and their officers and employees [,representatives, agents, advisors, consultants or associates] are prohibited from communicating directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employee [, representative, agent, advisor, consultant or associate] of SHFC and media shall be held criminally liable.

CHAPTER 7.

TRAININGS ON ANTI-MONEY LAUNDERING / COMBATING FINANCING TERRORISM PROGRAM

Section 1. *Formulation of Trainings.* Human Resource Development Division (HRDD) shall formulate an annual AML training program aimed at providing all its responsible officers and personnel with efficient, adequate and continuous education program to enable them to fully and consistently comply with all their obligations under these Rules, the AMLA, as amended, and its RIRR. The lecture/briefing on anti-money laundering shall generally be conducted by competent personnel of the Compliance Office. However, if necessary, the training functions can be assigned to outside party/ies provided due diligence is exercised to ensure that the person/s appointed is/are able to perform effectively.

Section 2. *Trainings of officers and employees* shall include awareness of their respective duties and responsibilities under the MLPP particularly in relation to the client identification process, record keeping requirements and covered transaction/s and suspicious transaction/s reporting and ample understanding of the internal processes including the chain of command for the reporting and investigation of suspicious and money laundering activities.

The program design will comprise of various focuses for new employees, front-liners, compliance division, internal audit department, officers and senior management. The timing

and scope of training shall be based on the level of awareness and instruction needed for each group of employees:

- a. *New employees.* A general appreciation of the background to money laundering, the need to be able to identify suspicious transactions and report such transactions to the appropriate designated point within the covered institution. This training shall be provided to all new employees, regardless of level of seniority.
- b. *Front-liners.* Personnel who deal directly with the clients are the first point of contact with potential money launderers. Their efforts are therefore vital to the covered institutions' reporting system for such transactions. They should be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. "Front Line" employees should be made aware of the covered institution's policy for dealing with non-regular clients particularly where large cash transactions are involved, and the need for extra vigilance in cases under suspicious circumstances.
- c. *Senior management.* A higher level of instruction covering all aspects of money laundering procedures should be provided to supervisors and managers. This will include the offences and penalties arising from the AMLA, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

Section 3. *Refresher Trainings.* Regular refresher trainings shall likewise be provided in order to guarantee that officers and employees are informed of new developments and issuances related to the prevention of money laundering and terrorism financing as well as reminded of their respective responsibilities vis-à-vis the covered institutions' processes, policies and procedures.

Section 4. *Training Program and Records.* SHFC's annual AML training program and records of all AML seminars and trainings conducted by SHFC and / or attended by its personnel (internal or external), including copies of AML seminar / training materials, shall be appropriately kept by the HRDD.

CHAPTER 8. EFFECTIVITY

This Manual shall take effect immediately. All previous issuances inconsistent with the provisions of this Manual/ Corporate Circular are hereby amended, repealed, and superseded.

Prepared by:


ABEGAHS. MARINAY
Technical Staff IV

Reviewed and endorsed by:

ATTY. RONALD PAUL O. CAJUCOM
OIC, Vice President
Systems Control and External Affairs Department

Approved By:

ATTY. ARNOLFO RICARDO B. CABLING
President
Social Housing Finance Corporation

APPENDIXES

Appendix “A”

**Republic of the Philippines
Congress of the Philippines
Metro Manila**

Twelfth Congress

First Regular Session

Begun and held in Metro Manila, on Monday, the twenty third day of July, two thousand one.

[REPUBLIC ACT NO. 9160]

AN ACT DEFINING THE CRIME OF MONEY LAUNDERING, PROVIDING PENALTIES THEREFOR AND FOR OTHER PURPOSES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled.

SECTION 1. Short Title. — This Act shall be known as the “Anti-Money Laundering Act of 2001.”

SEC. 2. Declaration of Policy. — It is hereby declared the policy of the State to protect and preserve the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as a money laundering site for the proceeds of any unlawful activity. Consistent with its foreign policy, the State shall extend cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed.

SEC. 3. Definitions. — For purposes of this Act, the following terms are hereby defined as follows:

(a) “Covered institution” refers to:

(1) banks, non-banks, quasi-banks, trust entities, and all other institutions and their subsidiaries and affiliates supervised or regulated by the Bangko Sentral ng Pilipinas (BSP);

(2) insurance companies and all other institutions supervised or regulated by the Insurance Commission; and

(3) (i) securities dealers, brokers, salesmen, investment houses and other similar entities managing securities or rendering services as investment agent, advisor, or consultant, (ii) mutual funds, closed-end investment companies, common trust funds, pre-need companies and other similar entities, (iii) foreign exchange corporations, money changers, money payment, remittance, and transfer companies and other similar entities, and (iv) other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, valuable objects, cash substitutes and other similar monetary instruments or property supervised or regulated by Securities and Exchange Commission.

(b) “Covered transaction” is a single, series, or combination of transactions involving a total amount in excess of Four million Philippine pesos (Php4,000,000.00) or an equivalent amount in foreign currency based on the prevailing exchange rate within five (5) consecutive banking days except those between a covered institution and a person who, at the time of the transaction was a properly identified client and the amount is commensurate with the business or financial capacity of the client; or those with an underlying legal or trade obligation, purpose, origin or economic justification.

It likewise refers to a single, series or combination or pattern of unusually large and complex transactions in excess of Four million Philippine pesos (Php4,000,000.00) especially cash deposits and investments having no credible purpose or origin, underlying trade obligation or contract.

(c) “Monetary instrument” refers to:

(1) coins or currency of legal tender of the Philippines, or of any other country;

(2) drafts, checks and notes;

(3) securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates, custodial receipts or deposit substitute instruments, trading orders, transaction tickets and confirmations of sale or investments and money market instruments; and

(4) other similar instruments where title thereto passes to another by endorsement, assignment or delivery.

(d) “Offender” refers to any person who commits a money laundering offense.

(e) “Person” refers to any natural or juridical person.

(f) “Proceeds” refers to an amount derived or realized from an unlawful activity.

(g) “Supervising Authority” refers to the appropriate supervisory or regulatory agency, department or office supervising or regulating the covered institutions enumerated in Section 3(a).

(h) “Transaction” refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered institution.

(i) “Unlawful activity” refers to any act or omission or series or combination thereof involving or having relation to the following:

(1) Kidnapping for ransom under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;

(2) Sections 3, 4, 5, 7, 8 and 9 of Article Two of Republic Act No. 6425, as amended, otherwise known as the Dangerous Drugs Act of 1972;

(3) Section 3 paragraphs B, C, E, G, H and I of Republic Act No. 3019, as amended; otherwise known as the Anti-Graft and Corrupt Practices Act;

(4) Plunder under Republic Act No. 7080, as amended;

(5) Robbery and extortion under Articles 294, 295, 296, 299, 300, 301 and 302 of the Revised Penal Code, as amended;

(6) Jueteng and Masiao punished as illegal gambling under Presidential Decree No. 1602;

(7) Piracy on the high seas under the Revised Penal Code, as amended and Presidential Decree No. 532;

(8) Qualified theft under Article 310 of the Revised Penal Code, as amended;

(9) Swindling under Article 315 of the Revised Penal Code, as amended;

- (10) Smuggling under Republic Act Nos. 455 and 1937;
- (11) Violations under Republic Act No. 8792, otherwise known as the Electronic Commerce Act of 2000;
- (12) Hijacking and other violations under Republic Act No. 6235; destructive arson and murder, as defined under the Revised Penal Code, as amended, including those perpetrated by terrorists against non-combatant persons and similar targets;
- (13) Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the Securities Regulation Code of 2000;
- (14) Felonies or offenses of a similar nature that are punishable under the penal laws of other countries.

SEC. 4. Money Laundering Offense. — Money laundering is a crime whereby the proceeds of an unlawful activity are transacted, thereby making them appear to have originated from legitimate sources. It is committed by the following:

- (a) Any person knowing that any monetary instrument or property represents, involves, or relates to, the proceeds of any unlawful activity, transacts or attempts to transact said monetary instrument or property.
- (b) Any person knowing that any monetary instrument or property involves the proceeds of any unlawful activity, performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in paragraph (a) above.
- (c) Any person knowing that any monetary instrument or property is required under this Act to be disclosed and filed with the Anti-Money Laundering Council (AMLC), fails to do so.

SEC. 5. Jurisdiction of Money Laundering Cases. — The regional trial courts shall have jurisdiction to try all cases on money laundering. Those committed by public officers and private persons who are in conspiracy with such public officers shall be under the jurisdiction of the Sandiganbayan.

SEC. 6. Prosecution of Money Laundering.

- (a) Any person may be charged with and convicted of both the offense of money laundering and the unlawful activity as herein defined.
- (b) Any proceeding relating to the unlawful activity shall be given precedence over the prosecution of any offense or violation under this Act without prejudice to the freezing and other remedies provided.

SEC. 7. Creation of Anti-Money Laundering Council (AMLC). — The Anti-Money Laundering Council is hereby created and shall be composed of the Governor of the Bangko Sentral ng Pilipinas as chairman, the Commissioner of the Insurance Commission and the Chairman of the Securities and Exchange Commission as members. The AMLC shall act unanimously in the discharge of its functions as defined hereunder:

- (1) to require and receive covered transaction reports from covered institutions;
- (2) to issue orders addressed to the appropriate Supervising Authority or the covered institution to determine the true identity of the owner of any monetary instrument or property subject of a covered transaction report or request for assistance from a foreign State, or believed by the Council, on the

basis of substantial evidence, to be, in whole or in part, wherever located, representing, involving, or related to, directly or indirectly, in any manner or by any means, the proceeds of an unlawful activity;

(3) to institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General;

(4) to cause the filing of complaints with the Department of Justice or the Ombudsman for the prosecution of money laundering offenses;

(5) to initiate investigations of covered transactions, money laundering activities and other violations of this Act;

(6) to freeze any monetary instrument or property alleged to be proceeds of any unlawful activity;

(7) to implement such measures as may be necessary and justified under this Act to counteract money laundering;

(8) to receive and take action in respect of, any request from foreign states for assistance in their own anti-money laundering operations provided in this Act;

(9) to develop educational programs on the pernicious effects of money laundering, the methods and techniques used in money laundering, the viable means of preventing money laundering and the effective ways of prosecuting and punishing offenders; and

(10) to enlist the assistance of any branch, department, bureau, office, agency or instrumentality of the government, including government-owned and -controlled corporations, in undertaking any and all anti-money laundering operations, which may include the use of its personnel, facilities and resources for the more resolute prevention, detection and investigation of money laundering offenses and prosecution of offenders.

SEC. 8. Creation of a Secretariat. — The AMLC is hereby authorized to establish a secretariat to be headed by an Executive Director who shall be appointed by the Council for a term of five (5) years. He must be a member of the Philippine Bar, at least thirty-five (35) years of age and of good moral character, unquestionable integrity and known probity. All members of the Secretariat must have served for at least five (5) years either in the Insurance Commission, the Securities and Exchange Commission or the Bangko Sentral ng Pilipinas (BSP) and shall hold full-time permanent positions within the BSP.

SEC. 9. Prevention of Money Laundering; Customer Identification Requirements and Record Keeping. — (a) Customer Identification. — Covered institutions shall establish and record the true identity of its clients based on official documents. They shall maintain a system of verifying the true identity of their clients and, in case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.

The provisions of existing laws to the contrary notwithstanding, anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited. Peso and foreign currency non-checking numbered accounts shall be allowed. The BSP may conduct annual testing solely limited to the determination of the existence and true identity of the owners of such accounts.

(b) Record Keeping. — All records of all transactions of covered institutions shall be maintained and safely stored for five (5) years from the dates of transactions. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed.

(c) Reporting of Covered Transactions. — Covered institutions shall report to the AMLC all covered transactions within five (5) working days from occurrence thereof, unless the Supervising Authority concerned prescribes a longer period not exceeding ten (10) working days.

When reporting covered transactions to the AMLC, covered institutions and their officers, employees, representatives, agents, advisors, consultants or associates shall not be deemed to have violated Republic Act No. 1405, as amended; Republic Act No. 6426, as amended; Republic Act No. 8791 and other similar laws, but are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person the fact that a covered transaction report was made, the contents thereof, or any other information in relation thereto. In case of violation thereof, the concerned officer, employee, representative, agent, advisor, consultant or associate of the covered institution, shall be criminally liable. However, no administrative, criminal or civil proceedings, shall lie against any person for having made a covered transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under this Act or any other Philippine law.

When reporting covered transactions to the AMLC, covered institutions and their officers, employees, representatives, agents, advisors, consultants or associates are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person, entity, the media, the fact that a covered transaction report was made, the contents thereof, or any other information in relation thereto. Neither may such reporting be published or aired in any manner or form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer, employee, representative, agent, advisor, consultant or associate of the covered institution, or media shall be held criminally liable.

SEC. 10. Authority to Freeze. — Upon determination that probable cause exists that any deposit or similar account is in any way related to an unlawful activity, the AMLC may issue a freeze order, which shall be effective immediately, on the account for a period not exceeding fifteen (15) days. Notice to the depositor that his account has been frozen shall be issued simultaneously with the issuance of the freeze order. The depositor shall have seventy-two (72) hours upon receipt of the notice to explain why the freeze order should be lifted. The AMLC has seventy-two (72) hours to dispose of the depositor's explanation. If it fails to act within seventy-two (72) hours from receipt of the depositor's explanation, the freeze order shall automatically be dissolved. The fifteen (15)-day freeze order of the AMLC may be extended upon order of the court, provided that the fifteen (15)-day period shall be tolled pending the court's decision to extend the period.

No court shall issue a temporary restraining order or writ of injunction against any freeze order issued by the AMLC except the Court of Appeals or the Supreme Court.

SEC. 11. Authority to Inquire into Bank Deposits. — Notwithstanding the provisions of Republic Act No. 1405, as amended; Republic Act No. 6426, as amended; Republic Act No. 8791, and other laws, the AMLC may inquire into or examine any particular deposit or investment with any banking institution or non-bank financial institution upon order of any competent court in cases of violation of this Act when it has been established that there is probable cause that the deposits or investments involved are in any way related to a money laundering offense: Provided, That this provision shall not apply to deposits and investments made prior to the effectivity of this Act.

SEC. 12. Forfeiture Provisions.

(a) Civil Forfeiture. — When there is a covered transaction report made, and the court has, in a petition filed for the purpose ordered seizure of any monetary instrument or property, in whole or in part, directly or indirectly, related to said report, the Revised Rules of Court on civil forfeiture shall apply.

(b) Claim on Forfeiture Assets. — Where the court has issued an order of forfeiture of the monetary instrument or property in a criminal prosecution for any money laundering offense defined under Section 4 of this Act, the offender or any other person claiming an interest therein may apply, by verified petition, for a declaration that the same legitimately belongs to him and for segregation or exclusion of the monetary instrument or property corresponding thereto. The verified petition shall be filed with the court which rendered the judgment of conviction and order of forfeiture, within fifteen (15) days from the date of the order of forfeiture, in default of which the said order shall become final and executory. This provision shall apply in both civil and criminal forfeiture.

(c) Payment in Lieu of Forfeiture. — Where the court has issued an order of forfeiture of the monetary instrument or property subject of a money laundering offense defined under Section 4, and said order cannot be enforced because any particular monetary instrument or property cannot, with due diligence, be located, or it has been substantially altered, destroyed, diminished in value or otherwise rendered worthless by any act or omission, directly or indirectly, attributable to the offender, or it has been concealed, removed, converted or otherwise transferred to prevent the same from being found or to avoid forfeiture thereof, or it is located outside the Philippines or has been placed or brought outside the jurisdiction of the court, or it has been commingled with other monetary instruments or property belonging to either the offender himself or a third person or entity, thereby rendering the same difficult to identify or be segregated for purposes of forfeiture, the court may, instead of enforcing the order of forfeiture of the monetary instrument or property or part thereof or interest therein, accordingly order the convicted offender to pay an amount equal to the value of said monetary instrument or property. This provision shall apply in both civil and criminal forfeiture.

SEC. 13. Mutual Assistance among States.

(a) Request for Assistance from a Foreign State. — Where a foreign State makes a request for assistance in the investigation or prosecution of a money laundering offense, the AMLC may execute the request or refuse to execute the same and inform the foreign State of any valid reason for not executing the request or for delaying the execution thereof. The principles of mutuality and reciprocity shall, for this purpose, be at all times recognized.

(b) Powers of the AMLC to Act on a Request for Assistance from a Foreign State. — The AMLC may execute a request for assistance from a foreign State by: (1) tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity under the procedures laid down in this Act; (2) giving information needed by the foreign State within the procedures laid down in this Act; and (3) applying for an order of forfeiture of any monetary instrument or property in the court: Provided, That the court shall not issue such an order unless the application is accompanied by an authenticated copy of the order of a court in the requesting State ordering the forfeiture of said monetary instrument or property of a person who has been convicted of a money laundering offense in the requesting State, and a certification or an affidavit of a competent officer of the requesting State stating that the conviction and the order of forfeiture are final and that no further appeal lies in respect of either.

(c) Obtaining Assistance from Foreign States. — The AMLC may make a request to any foreign State for assistance in (1) tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity; (2) obtaining information that it needs relating to any covered transaction, money laundering offense or any other matter directly or indirectly related thereto; (3) to the extent allowed by the law of the foreign State, applying with the proper court therein for an order to enter any premises belonging to or in the possession or control of, any or all of the persons named in said request, and/or search any or all such persons named therein and/or remove any document, material or object named in said request: Provided, That the documents accompanying the request in support of the application have been duly authenticated in accordance with the applicable law or regulation of the foreign State;

and (4) applying for an order of forfeiture of any monetary instrument or property in the proper court in the foreign State: Provided, That the request is accompanied by an authenticated copy of the order of the regional trial court ordering the forfeiture of said monetary instrument or property of a convicted offender and an affidavit of the clerk of court stating that the conviction and the order of forfeiture are final and that no further appeal lies in respect of either.

(d) Limitations on Request for Mutual Assistance. — The AMLC may refuse to comply with any request for assistance where the action sought by the request contravenes any provision of the Constitution or the execution of a request is likely to prejudice the national interest of the Philippines unless there is a treaty between the Philippines and the requesting State relating to the provision of assistance in relation to money laundering offenses.

(e) Requirements for Requests for Mutual Assistance from Foreign States. — A request for mutual assistance from a foreign State must (1) confirm that an investigation or prosecution is being conducted in respect of a money launderer named therein or that he has been convicted of any money laundering offense; (2) state the grounds on which any person is being investigated or prosecuted for money laundering or the details of his conviction; (3) give sufficient particulars as to the identity of said person; (4) give particulars sufficient to identify any covered institution believed to have any information, document, material or object which may be of assistance to the investigation or prosecution; (5) ask from the covered institution concerned any information, document, material or object which may be of assistance to the investigation or prosecution; (6) specify the manner in which and to whom said information, document, material or object obtained pursuant to said request, is to be produced; (7) give all the particulars necessary for the issuance by the court in the requested State of the writs, orders or processes needed by the requesting State; and (8) contain such other information as may assist in the execution of the request.

(f) Authentication of Documents. — For purposes of this Section, a document is authenticated if the same is signed or certified by a judge, magistrate or equivalent officer in or of, the requesting State, and authenticated by the oath or affirmation of a witness or sealed with an official or public seal of a minister, secretary of State, or officer in or of, the government of the requesting State, or of the person administering the government or a department of the requesting territory, protectorate or colony. The certificate of authentication may also be made by a secretary of the embassy or legation, consul general, consul, vice consul, consular agent or any officer in the foreign service of the Philippines stationed in the foreign State in which the record is kept, and authenticated by the seal of his office.

(g) Extradition. — The Philippines shall negotiate for the inclusion of money laundering offenses as herein defined among extraditable offenses in all future treaties.

SEC. 14. Penal Provisions. — (a) Penalties for the Crime of Money Laundering. The penalty of imprisonment ranging from seven (7) to fourteen (14) years and a fine of not less than Three million Philippine pesos (Php3,000,000.00) but not more than twice the value of the monetary instrument or property involved in the offense, shall be imposed upon a person convicted under Section 4(a) of this Act.

The penalty of imprisonment from four (4) to seven (7) years and a fine of not less than One million five hundred thousand Philippine pesos (Php1,500,000.00) but not more than Three million Philippine pesos (Php3,000,000.00), shall be imposed upon a person convicted under Section 4(b) of this Act.

The penalty of imprisonment from six (6) months to four (4) years or a fine of not less than One hundred thousand Philippine pesos (Php100,000.00) but not more than Five hundred thousand Philippine pesos (Php500,000.00), or both, shall be imposed on a person convicted under Section 4(c) of this Act.

(b) Penalties for Failure to Keep Records. The penalty of imprisonment from six (6) months to one (1) year or a fine of not less than One hundred thousand Philippine pesos (Php100,000.00) but not more than Five hundred thousand Philippine pesos (Php500,000.00), or both, shall be imposed on a person convicted under Section 9(b) of this Act.

(c) Malicious Reporting. Any person who, with malice, or in bad faith, report or files a completely unwarranted or false information relative to money laundering transaction against any person shall be subject to a penalty of six (6) months to four (4) years imprisonment and a fine of not less than One hundred thousand Philippine pesos (Php100,000.00) but not more than Five hundred thousand Philippine pesos (Php500,000.00), at the discretion of the court: Provided, That the offender is not entitled to avail the benefits of the Probation Law.

If the offender is a corporation, association, partnership or any juridical person, the penalty shall be imposed upon the responsible officers, as the case may be, who participated in the commission of the crime or who shall have knowingly permitted or failed to prevent its commission. If the offender is a juridical person, the court may suspend or revoke its license. If the offender is an alien, he shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein prescribed. If the offender is a public official or employee, he shall, in addition to the penalties prescribed herein, suffer perpetual or temporary absolute disqualification from office, as the case may be.

Any public official or employee who is called upon to testify and refuses to do the same or purposely fails to testify shall suffer the same penalties prescribed herein.

(d) Breach of Confidentiality. The punishment of imprisonment ranging from three (3) to eight (8) years and a fine of not less than Five hundred thousand Philippine pesos (Php500,000.00) but not more than One million Philippine pesos (Php1,000,000.00), shall be imposed on a person convicted for a violation under Section 9(c).

SEC. 15. System of Incentives and Rewards. — A system of special incentives and rewards is hereby established to be given to the appropriate government agency and its personnel that led and initiated an investigation, prosecution and conviction of persons involved in the offense penalized in Section 4 of this Act.

SEC. 16. Prohibitions Against Political Harassment. — This Act shall not be used for political persecution or harassment or as an instrument to hamper competition in trade and commerce.

No case for money laundering may be filed against and no assets shall be frozen, attached or forfeited to the prejudice of a candidate for an electoral office during an election period.

SEC. 17. Restitution. — Restitution for any aggrieved party shall be governed by the provisions of the New Civil Code.

SEC. 18. Implementing Rules and Regulations. — Within thirty (30) days from the effectivity of this Act, the Bangko Sentral ng Pilipinas, the Insurance Commission and the Securities and Exchange Commission shall promulgate the rules and regulations to implement effectively the provisions of this Act. Said rules and regulations shall be submitted to the Congressional Oversight Committee for approval.

Covered institutions shall formulate their respective money laundering prevention programs in accordance with this Act including, but not limited to, information dissemination on money laundering activities and its prevention, detection and reporting, and the training of responsible officers and personnel of covered institutions.

SEC. 19. Congressional Oversight Committee. — There is hereby created a Congressional Oversight Committee composed of seven (7) members from the Senate and seven (7) members from the House of Representatives. The members from the Senate shall be appointed by the Senate President based on the proportional representation of the parties or coalitions therein with at least two (2) Senators representing the minority. The members from the House of Representatives shall be appointed by the Speaker also based on proportional representation of the parties or coalitions therein with at least two (2) members representing the minority.

The Oversight Committee shall have the power to promulgate its own rules, to oversee the implementation of this Act, and to review or revise the implementing rules issued by the Anti-Money Laundering Council within thirty (30) days from the promulgation of the said rules.

SEC. 20. Appropriations Clause. — The AMLC shall be provided with an initial appropriation of Twenty-five million Philippine pesos (Php25,000,000.00) to be drawn from the national government. Appropriations for the succeeding years shall be included in the General Appropriations Act.

SEC. 21. Separability Clause. — If any provision or section of this Act or the application thereof to any person or circumstance is held to be invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 22. Repealing Clause. — All laws, decrees, executive orders, rules and regulations or parts thereof, including the relevant provisions of Republic Act No. 1405, as amended; Republic Act No. 6426, as amended; Republic Act No. 8791, as amended and other similar laws, as are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SEC. 23. Effectivity. — This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

The provisions of this Act shall not apply to deposits and investments made prior to its effectivity.

Appendix “B”

2016 REVISED IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 9160, AS AMENDED

Pursuant to Sections 7(7) and 18 of Republic Act No. 9160, also known as the “Anti-Money Laundering Act of 2001, As Amended”, this Revised Implementing Rules and Regulations (RIRR) is hereby promulgated:

RULE I TITLE

Rule 1. Title. - This RIRR shall be known as the “2016 Revised Implementing Rules and Regulations of Republic Act No. 9160, as Amended”.

RULE II DECLARATION OF POLICY

Rule 2. Declaration of Policy. - It is hereby declared the policy of the State to protect and preserve the integrity and confidentiality of bank accounts and to ensure that the Philippines shall not be used as a money laundering site for the proceeds of any unlawful activity.

Consistent with its foreign policy, the Philippines shall extend cooperation in transnational investigations and prosecutions of persons involved in money laundering activities wherever committed.

RULE III DEFINITION OF TERMS

Rule 3. Definition of Terms. - For purposes of this RIRR, the following terms are hereby defined as follows:

A. “Anti-Money Laundering Act” (AMLA) refers to Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167 and 10365.

B. “Anti-Money Laundering Council” (AMLC) refers to the financial intelligence unit of the Republic of the Philippines which is the government agency tasked to implement the AMLA.

C. “Supervising Authority” refers to the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), the Insurance Commission (IC), or the relevant regulatory bodies of the Designated Non-Financial Businesses and Professions enumerated under Rule 3.E.4, or other government agencies designated by Law.

D. “Person” refers to any natural or juridical person.

E. “Covered Persons” refers to the following:

1. Persons supervised or regulated by BSP, such as:
 - a. Banks;
 - b. Non-banks;
 - c. Quasi-banks;
 - d. Trust entities;
 - e. Pawnshops;
 - f. Non-stock savings and loan associations;
 - g. Electronic money issuers; and
 - h. All other persons and their subsidiaries and affiliates supervised or regulated by the BSP.

For purposes of this RIRR, foreign exchange dealers, money changers, and remittance and transfer companies are covered persons under the supervision of the BSP.

2. Persons supervised or regulated by IC, such as:
 - a. Insurance companies;
 - b. Pre-need companies;
 - c. Insurance agents;
 - d. Insurance brokers;
 - e. Professional reinsurers;
 - f. Reinsurance brokers;
 - g. Holding companies;
 - h. Holding company systems;
 - i. Mutual benefit associations; and
 - j. All other persons and their subsidiaries and affiliates supervised or regulated by the IC.
3. Persons supervised or regulated by SEC, such as:
 - a. Securities dealers, brokers, salesmen, investment houses, and other similar persons managing securities or rendering services, such as investment agents, advisors, or consultants.
 - b. mutual funds or open-end investment companies, close-end investment companies or issuers, and other similar entities;
 - c. other entities, administering or otherwise dealing in commodities, or financial derivatives based thereon, valuable objects, cash substitutes, and other similar monetary instruments or properties, supervised or regulated by the SEC.
4. The following Designated Non-Financial Businesses and Professions (DNFBPs):
 - a. Jewelry dealers, dealers in precious metals, and dealers in precious stones.

“Dealer” refers to an individual or entity who buys and/or sells precious metals, precious stones, and/or jewelry in the course of its business activities. The purchases or sales of precious metals, precious stones, and/or jewelry, as referred to herein, exclude those carried out for, connected with,

or for the purpose of extracting precious metals or precious stones from a mine, or cutting or polishing precious stones.

“Jewelry” refers to finished goods deriving fifty percent (50%) or more of their value from jewels, precious metals or precious stones constituting, forming part of, or attached to said finished goods.

“Jewel” refers to organic substances that have a market-recognized gem level of quality, beauty and rarity, such as pearl, amber and coral.

“Precious metals” refers to gold, silver, platinum, palladium, rhodium, ruthenium, iridium, and osmium at a level of purity of five hundred (500) parts per one thousand (1,000), singly or in any combination, and alloys of precious metals, solders, and plating chemicals, such as rhodium and palladium plating solutions, potassium gold cyanide containing at least sixty-eight and three-tenths percent (68.3%) gold, potassium silver cyanide containing at least sixty-eight percent (68%) silver and silver cyanide in salt solution containing at least fifty-four percent (54%) silver.

“Precious stones” refers to all gems and stones used in jewelry making, such as gemstones, jewels, and those substances that have market-recognized gem level of quality, beauty, and rarity, such as diamond, corundum (including rubies and sapphires), beryl (including emeralds and aquamarines), chrysoberyl, spinel, topaz, zircon, tourmaline, garnet, crystalline and cryptocrystalline quartz, olivine peridot, tanzanite, jadeite jade, nephrite jade, spodumene, feldspar, turquoise, lapis lazuli, opal and pearl.

b. Company service providers which, as a business, provide any of the following services to third parties:

- i. acting as a formation agent of juridical persons;
- ii. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons;
- iii. providing a registered office; business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement; and
- iv. acting as (or arranging for another person to act as) a nominee shareholder for another person.

c. Persons, including lawyers and accountants, who provide any of the following services:

- i. Managing of client money, securities or other assets;
- ii. Management of bank, savings, securities or other assets;
- iii. Organization of contributions for the creation, operation or management of companies; and
- iv. Creation, operation or management of juridical persons or arrangements, and buying and selling business entities.

Notwithstanding the foregoing, lawyers and accountants who are: (1) authorized to practice their

profession in the Philippines; and (2) engaged as independent legal or accounting professionals, in relation to information concerning their clients, or where disclosure of information would compromise client confidences or the attorney-client relationship, are not covered persons.

“Independent legal or accounting professional” are lawyers and accountants working in a private firm or as a sole practitioner who by way of business provides purely legal, notarial or accounting services to their clients.

F. “Transaction” refers to any act establishing any right or obligation, or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered person.

G. “Covered transaction” refers to:

1. A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand pesos (Php500,000.00)
2. A transaction exceeding One Million pesos (Php1,000,000.00) in cases of jewelry dealers, dealers in precious metals and dealers in precious stones.

H. “Suspicious Transaction” refers to a transaction, regardless of amount, where any of the following circumstances exists:

1. there is no underlying legal or trade obligation, purpose or economic justification;
2. the client is not properly identified;
3. the amount involved is not commensurate with the business or financial capacity of the client;
4. taking into account all known circumstances, it may be perceived that the client’s transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client’s past transactions with the covered person;
6. the transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be committed, is being or has been committed; or
7. any transaction that is similar, analogous or identical to any of the foregoing.

I. “Client/Customer” refers to any person who keeps an account, or otherwise transacts business with a covered person. It includes the following:

1. any person or entity on whose behalf an account is maintained or a transaction is conducted, as well as the beneficiary of said transactions;
2. beneficiary of a trust, an investment fund or a pension fund;
3. a company or person whose assets are managed by an asset manager;

4. a grantor of a trust; and

5. any insurance policy holder, whether actual or prospective.

J. “Politically Exposed Person” (PEP) refers to an individual who is or has been entrusted with prominent public position in (a) the Philippines with substantial authority over policy, operations or the use or allocation of government-owned resources; (b) a foreign State; or (c) an international organization.

The term PEP shall include immediate family members, and close relationships and associates that are reputedly known to have:

1. Joint beneficial ownership of a legal entity or legal arrangement with the main/principal PEP; or
2. Sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP.

K. “Immediate Family Member” refers to spouse or partner; children and their spouses; and parents and parents-in-law.

L. “Beneficial Owner” refers to any natural person who:

1. Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
2. Has ultimate effective control over a legal person or arrangement.

M. “Official Document” refers to any of the following identification documents:

1. For Filipino citizens: Those issued by any of the following official authorities:
 - a. Government of the Republic of the Philippines, including its political subdivisions, agencies, and instrumentalities;
 - b. Government-Owned or -Controlled Corporations (GOCCs);
 - c. Covered persons registered with and supervised or regulated by the BSP, SEC or IC;
2. For foreign nationals: Passport or Alien Certificate of Registration;
3. For Filipino students: School ID signed by the school principal or head of the educational institution; and
4. For low risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the client’s identity.

N. “Monetary Instrument” shall include, but is not limited to the following:

1. Coins or currency of legal tender of the Philippines, or of any other country;
2. Credit instruments, including bank deposits, financial interest, royalties, commissions, and other intangible property;
3. Drafts, checks, and notes;
4. Stocks or shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character, including those enumerated in Section 3 of the Securities Regulation Code;
5. A participation or interest in any non-stock, non-profit corporation;
6. Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates, custodial receipts, or deposit substitute instruments, trading orders, transaction tickets, and confirmations of sale or investments and money market instruments;
7. Contracts or policies of insurance, life or non-life, contracts of suretyship, pre-need plans, and member certificates issued by mutual benefit association; and
8. Other similar instruments where title thereto passes to another by endorsement, assignment, or delivery.

O. “Property” refers to any thing or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit, privilege, claim, or right with respect thereto, including:

1. Personal property, including proceeds derived therefrom, or traceable to any unlawful activity, such as, but not limited to:
 - a. Cash;
 - b. Jewelry, precious metals and stones, and other similar items;
 - c. Works of art, such as paintings, sculptures, antiques, treasures, and other similar precious objects;
 - d. Perishable goods; and
 - e. Vehicles, vessels, aircraft, or any other similar conveyance.
2. Personal property, used as instrumentalities in the commission of any unlawful activity, such as:
 - a. Computers, servers, and other electronic information and communication systems; and
 - b. Any conveyance, including any vehicle, vessel, and aircraft.
3. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or

asset preservation order is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:

- a. derived from, or traceable to, any unlawful activity; or
 - b. used as an instrumentality in the commission of any unlawful activity.
- P. "Proceeds" refers to an amount derived or realized from any unlawful activity.

Q. "Monetary Instrument or Property Related to an Unlawful Activity" refers to:

- 1. All proceeds of an unlawful activity;
- 2. All monetary, financial or economic means, devices, accounts, documents, papers, items, or things used in or having any relation to any unlawful activity;
- 3. All moneys, expenditures, payments, disbursements, costs, outlays, charges, accounts, refunds, and other similar items for the financing, operations, and maintenance of any unlawful activity; and
- 4. For purposes of freeze order and bank inquiry: related and materially-linked accounts.

R. "Related Accounts" refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.

"Materially-linked Accounts" shall include the following:

- 1. All accounts or monetary instruments under the name of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or an order of inquiry;
- 2. All accounts or monetary instruments held, owned, or controlled by the owner or holder of the accounts, monetary instruments, or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another person;
- 3. All "In Trust For" accounts where either the trustee or the trustor pertains to a person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry;
- 4. All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry; and
- 5. All other accounts, shares, units, or monetary instruments that are similar, analogous, or identical to any of the foregoing.

S. "Offender" refers to any person who commits a money laundering offense.

T. "Unlawful Activity" refers to any act or omission, or series or combination thereof, involving or having direct relation, to the following:

- 1. "Kidnapping for Ransom" under Article 267 of Act No. 3815, otherwise known as the Revised

Penal Code, as amended;

2. Sections 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16 of Republic Act No. 9165, otherwise known as the “Comprehensive Dangerous Drugs Act of 2002”;
3. Section 3 paragraphs b, c, e, g, h and i of Republic Act No. 3019, as amended, otherwise known as the “Anti-Graft and Corrupt Practices Act”;
4. “Plunder” under Republic Act No. 7080, as amended;
5. “Robbery” and “Extortion” under Articles 294, 295, 296, 299, 300, 301 and 302 of the Revised Penal Code, as amended;
6. “Jueteng” and “Masiao” punished as illegal gambling under Presidential Decree No. 1602;
7. “Piracy on the High Seas” under the Revised Penal Code, as amended, and Presidential Decree No. 532;
8. “Qualified Theft” under Article 310 of the Revised Penal Code, as amended;
9. “Swindling” under Article 315 and “Other Forms of Swindling” under Article 316 of the Revised Penal Code, as amended;
10. “Smuggling” under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the “Tariff and Customs Code of the Philippines”;
11. Violations under Republic Act No. 8792, otherwise known as the “Electronic Commerce Act of 2000”;
12. “Hijacking” and other violations under Republic Act No. 6235, otherwise known as the “Anti-Hijacking Law”; “Destructive Arson”; and “Murder”, as defined under the Revised Penal Code, as amended;
13. “Terrorism” and “Conspiracy to Commit Terrorism” as defined and penalized under Sections 3 and 4 of Republic Act No. 9372;
14. “Financing of Terrorism” under Section 4 and offenses punishable under Sections 5, 6, 7 and 8 of Republic Act No. 10168, otherwise known as the “Terrorism Financing Prevention and Suppression Act of 2012”;
15. “Bribery” under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and “Corruption of Public Officers” under Article 212 of the Revised Penal Code, as amended;
16. “Frauds and Illegal Exactions and Transactions” under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;
17. “Malversation of Public Funds and Property” under Articles 217 and 222 of the Revised Penal Code, as amended;
18. “Forgeries” and “Counterfeiting” under Articles 163, 166, 167, 168, 169 and 176 of the

Revised Penal Code, as amended;

19. Violations of Sections 4 to 6 of Republic Act No. 9208, otherwise known as the “Anti-Trafficking in Persons Act of 2003, as amended”;
20. Violations of Sections 78 to 79 of Chapter IV of Presidential Decree No. 705, otherwise known as the “Revised Forestry Code of the Philippines, as amended”;
21. Violations of Sections 86 to 106 of Chapter IV of Republic Act No. 8550, otherwise known as the “Philippine Fisheries Code of 1998”;
22. Violations of Sections 101 to 107, and 110 of Republic Act No. 7942, otherwise known as the “Philippine Mining Act of 1995”;
23. Violations of Section 27(c), (e), (f), (g) and (i) of Republic Act No. 9147, otherwise known as the “Wildlife Resources Conservation and Protection Act”;
24. Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the “National Caves and Cave Resources Management Protection Act”;
25. Violation of Republic Act No. 6539, otherwise known as the “Anti-Carnapping Act of 2002, as amended”;
26. Violation of Sections 1, 3, and 5 of Presidential Decree No. 1866, as amended, otherwise known as the decree “Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives”;
27. Violation of Presidential Decree No. 1612, otherwise known as the “Anti-Fencing Law”;
28. Violation of Section 6 of Republic Act No. 8042, otherwise known as the “Migrant Workers and Overseas Filipinos Act of 1995, as amended”;
29. Violation of Republic Act No. 8293, otherwise known as the “Intellectual Property Code of the Philippines, as amended”;
30. Violation of Section 4 of Republic Act No. 9995, otherwise known as the “Anti-Photo and Video Voyeurism Act of 2009”;
31. Violation of Section 4 of Republic Act No. 9775, otherwise known as the “Anti-Child Pornography Act of 2009”;
32. Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the “Special Protection of Children Against Abuse, Exploitation and Discrimination”;
33. Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the “Securities Regulation Code of 2000”;
34. Felonies or offenses of a nature similar to the aforementioned unlawful activities that are punishable under the penal laws of other countries.

In determining whether or not a felony or offense punishable under the penal laws of other countries is “of a similar nature”, as to constitute an unlawful activity under the AMLA, the nomenclature of said felony or offense need not be identical to any of the unlawful activities listed above.

U. “Probable Cause” refers to such facts and circumstances which would lead a reasonably discreet, prudent, or cautious man to believe that any monetary instrument or property sought to be frozen, inquired into or preserved is in any way related to any unlawful activity and/or money laundering offense.

RULE IV MONEY LAUNDERING

Rule 4. Money Laundering. - Money laundering is committed by:

A. Any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:

1. transacts said monetary instrument or property;
2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
3. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
4. attempts or conspires to commit money laundering offenses referred to in (1), (2), or (3) above;
5. aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (1), (2), or (3) above; and
6. performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (1), (2), or (3) above.

B. Any covered person who, knowing that a covered or suspicious transaction is required under the AMLA to be reported to the AMLC, fails to do so.

RULE V JURISDICTION OVER MONEY LAUNDERING CASES

Rule 5. Jurisdiction over Money Laundering Cases. -

A. Regional Trial Court. - The regional trial courts shall have jurisdiction to try money laundering

cases committed by private individuals, and public officers not covered by the jurisdiction of the Sandiganbayan.

B. Sandiganbayan. - The Sandiganbayan shall have jurisdiction to try money laundering cases committed by public officers under its jurisdiction, and private persons who are in conspiracy with such public officers.

RULE VI PROSECUTION OF MONEY LAUNDERING CASES

Rule 6. Prosecution of Money Laundering Cases. -

A. Independent Proceedings. - The prosecutions of money laundering and the unlawful activity shall proceed independently. Any person may be charged with and convicted of both money laundering and the unlawful activity.

B. Separate and Distinct Elements. - The elements of money laundering are separate and distinct from the elements of the unlawful activity. The elements of the unlawful activity, including the identity of the perpetrators and the details of the commission of the unlawful activity, need not be established by proof beyond reasonable doubt in the case for money laundering.

C. Knowledge. - The element of knowledge may be established by direct or circumstantial evidence.

D. Rules of Procedure. - The Rules of Court shall govern all proceedings concerning the prosecution of money laundering.

RULE VII. ANTI-MONEY LAUNDERING COUNCIL

Rule 7. The Anti-Money Laundering Council. - The AMLC is composed of the Governor of the BSP as Chairperson, and the Commissioner of the IC and the Chairperson of the SEC, as Members.

A. Unanimous Decision. - The AMLC shall act unanimously in the discharge of its functions. In case of incapacity, absence, or disability of any member, the officer duly designated or authorized to discharge the functions of the Governor of the BSP, the Commissioner of the IC, and the Chairperson of the SEC, as the case may be, shall act in his stead in the AMLC.

B. Functions. - The functions of the AMLC are:

1. to require and receive covered or suspicious transaction reports from covered persons;
2. to issue orders addressed to the appropriate Supervising Authority or the covered person to determine the true identity of the owner of any monetary instrument or property subject of a covered or suspicious transaction report, or request for assistance from a foreign State, or believed by the AMLC, on the basis of substantial evidence, to be, in whole or in part, wherever located, representing, involving, or related to, directly or indirectly, in any manner or by any means, the proceeds of any unlawful activity;

3. to institute civil forfeiture proceedings and all other remedial proceedings through the Office of the Solicitor General;
4. to file complaints with the Department of Justice or the Office of the Ombudsman for the prosecution of money laundering offenses and other violations under the AMLA;
5. to investigate suspicious transactions and covered transactions deemed suspicious after investigation by the AMLC, money laundering activities and other violations of the AMLA;
6. to file with the Court of Appeals, ex parte, through the Office of the Solicitor General:
 - a. a petition for the freezing of any monetary instrument or property that is in any way related to an unlawful activity; or
 - b. an application for authority to inquire into or examine any particular deposit or investment, including related accounts, with any banking institution or non-bank financial institution.
7. to formulate and implement such measures as may be necessary and justified under the AMLA to counteract money laundering.
8. to receive and take action in respect of any request from foreign states for assistance in their own anti-money laundering operations as provided in the AMLA.
9. to develop educational programs, including awareness campaign on the pernicious effects, the methods and techniques used, and the viable means of preventing money laundering and the effective ways of prosecuting and punishing offenders;
10. to enlist the assistance of any branch, department, bureau, office, agency or instrumentality of the government, including government-owned and -controlled corporations, in undertaking any and all anti-money laundering operations, which may include the use of its personnel, facilities and resources for the more resolute prevention, detection and investigation of money laundering offenses and prosecution of offenders.
11. to impose administrative sanctions for the violation of laws, rules, regulations, orders, and resolutions issued pursuant thereto.
12. to require the Land Registration Authority and all its Registries of Deeds to submit to the AMLC, reports on all real estate transactions involving an amount in excess of Five Hundred Thousand Pesos (Php500,000.00) within fifteen (15) days from the date of registration of the transaction, in a form to be prescribed by the AMLC. The AMLC may also require the Land Registration Authority and all its Registries of Deeds to submit copies of relevant documents of all real estate transactions.

RULE VIII

AMLC SECRETARIAT

Rule 8. The AMLC Secretariat. - The AMLC shall be assisted by the AMLC Secretariat in the discharge of its functions.

A. Executive Director. - The AMLC Secretariat shall be headed by an Executive Director who shall be appointed by the AMLC for a term of five (5) years. He must be a member of the Philippine Bar, at least thirty-five (35) years of age, must have served for at least five (5) years either at the BSP, the SEC or the IC, and of good moral character, unquestionable integrity, and known probity. He shall be considered a full-time, permanent employee of the BSP with the rank of Assistant Governor, and shall be entitled to such benefits and subject to rules and regulations, as well as prohibitions, as are applicable to officers of similar rank.

B. Composition. - In organizing the Secretariat, the AMLC may choose from those who have served, continuously or cumulatively, for at least five (5) years in the BSP, the SEC or the IC. All members of the Secretariat shall be considered regular employees of the BSP and shall be entitled to such benefits and subject to such rules and regulations as are applicable to BSP employees of similar rank.

C. Detail and Secondment. - The AMLC may enlist the assistance of the BSP, the SEC or the IC, or any other branch, department, bureau, office, agency or instrumentality of the government, including government-owned and controlled corporations, in undertaking any and all anti-money laundering operations. This includes the use of any member of their personnel who may be detailed or seconded to the AMLC, subject to existing laws and Civil Service Rules and Regulations.

Detailed personnel shall continue to receive their salaries, benefits and emoluments from their respective mother units. Seconded personnel shall receive, in lieu of their respective compensation packages from their respective mother units, the salaries, emoluments and all other benefits which their AMLC Secretariat positions are entitled to.

RULE IX PREVENTIVE MEASURES

Rule 9. Preventive Measures. -

A. Customer Due Diligence. - Covered persons shall establish and record the true identity of their clients based on official documents, as defined under Rule 3.M of this RIRR. They shall maintain a system of verifying the true identity of their clients based on reliable, independent source, documents, data, or information. In case of corporate clients, covered persons are required to maintain a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf. Covered persons shall establish appropriate systems and methods, and adequate internal controls, compliant with the AMLA, this RIRR, other AMLC issuances, the guidelines issued by the Supervising Authorities, and internationally accepted anti-money laundering standards, for verifying and recording the true and full identity of their customers.

In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship, or nature of the product, transaction or activity.

1. Customer Identification. -

a. Face-to-Face Contact. - Covered persons shall conduct face-to-face contact at the commencement of the relationship, or as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business and the risks involved; provided that money laundering risks are effectively managed.

The use of Information and Communication Technology in the conduct of face-to-face contact may be allowed, provided that the covered person is in possession of and has verified the identification documents submitted by the prospective client prior to the interview and that the entire procedure is documented.

b. Minimum Customer Information and Identification Documents. -

i. For individual customers and authorized signatories of juridical entities, covered persons shall gather the following customer information:

- a. Name of customer;
- b. Date and place of birth;
- c. Name of beneficial owner, if applicable;
- d. Name of beneficiary (in case of insurance contracts or remittance transactions);
- e. Present address;
- f. Permanent address;
- g. Contact number or information;
- h. Nationality;
- i. Specimen signatures or biometrics of the customer;
- j. Nature of work and name of employer or nature of self-employment/ business, if applicable;
- k. Sources of funds or property; and
- l. Tax Identification Number (TIN), Social Security System (SSS) number, or Government Service Insurance System (GSIS) number, if applicable.

Customers who engage in a transaction with a covered person for the first time shall be required to present the original and submit a clear copy of at least one (1) official identification document.

Where the customer or authorized representative is a foreign national, covered persons shall require said foreign national to present passport or Alien Certificate of Registration issued by the Bureau of Immigration.

ii. For business entities, covered persons shall gather the following customer information, and shall obtain all of the following official documents:

(a) Customer Information (b) Identification Documents

i. Name of entity;

ii. Name of authorized signatory;

iii. Name of beneficial owner, if applicable;

iv. Official address;

v. Contact number or information;

vi. Nature of business; and

vii. Specimen signatures or biometrics of the authorized signatory. i. Certificates of Registration issued by the Department of Trade and Industry (DTI) for sole proprietors, or Certificate of Incorporation issued by the Securities and Exchange Commission (SEC) for corporations and partnerships, and by the BSP for money changers/foreign exchange dealers and remittance agents;

ii. Secondary License or Certificate of Authority issued by the Supervising Authority or other government agency;

iii. Articles of Incorporation/Partnership;

iv. Latest General Information Sheet;

v. Corporate/Partners' Secretary Certificate citing the pertinent portion of the Board or Partners' Resolution authorizing the signatory to sign on behalf of the entity; and

vi. For entities registered outside of the Philippines, similar documents and/or information duly authenticated by a senior officer of the covered person assigned in the country of registration; in the absence of said officer, the documents should be authenticated by the Philippine Consulate, company register or notary public, where said entities are registered.

c. Third Party Reliance. - A covered person may rely on a third party to perform customer identification, including face-to-face contact. The third party shall be:

1. A covered person; or

2. A financial institution or DNFBP operating outside the Philippines that is covered by equivalent customer identification and face-to-face requirements.

Notwithstanding the foregoing, the ultimate responsibility for identifying the customer remains with the covered person relying on the third party.

Provided that, in cases of high risk customers, the covered person relying on the third person shall also conduct enhanced due diligence procedure.

d. Outsourcing the Conduct of Customer Identification. - Covered persons may outsource the conduct of customer identification, including face-to-face contact, to a counter-party, intermediary or agent. The outsource, counter-party or intermediary shall be regarded as agent of the covered

person—that is, the processes and documentation are those of the covered person itself. The ultimate responsibility for identifying the customer and keeping the identification documents remains with the covered person.

The covered person outsourcing the conduct of customer identification, including face-to-face contact, shall ensure that the employees or representatives of the counter-party, intermediary or agent undergo equivalent training program as that of the covered person's own employees undertaking similar activity.

e. Identification and Verification of a Beneficial Owner, Trustee, Nominee, or Agent. - Where an account is opened or a transaction is conducted by any person in behalf of another, covered persons shall establish and record the true and full identity and existence of both the account holder or transactor and the beneficial owner or person on whose behalf the transaction is being conducted.

The covered person shall determine the true nature of the parties' capacities and duties by obtaining a copy of the written document evidencing their relationship and apply the same standards for assessing the risk profile and determining the standard of due diligence to be applied to both. In case it entertains doubts as to whether the account holder or transactor is being used as a dummy in circumvention of existing laws, it shall apply enhanced due diligence or file a suspicious transaction report, if warranted.

2. Risk Assessment. - Covered persons shall develop clear, written and graduated customer acceptance policies and procedures, including a set of criteria for customers that are likely to pose low, normal, or high risk to their operations. The criteria may include: (1) the nature of the service or product to be availed of by the customers; (2) the purpose of the account or transaction; (3) the amount of funds to be deposited by a customer or the size of transactions undertaken; (4) the regularity or duration of the transaction; (5) the fact that a customer came from a high risk jurisdiction; (6) the existence of suspicious transaction indicators; and (7) such other factors the covered persons may deem reasonable or necessary to consider in assessing the risk of a customer to money laundering.

Covered persons shall set the standards in applying reduced, normal, and enhanced customer due diligence, including a set of conditions for the denial of account opening or services.

a. Reduced Due Diligence. - Where lower risks of money laundering and terrorist financing have been identified, through an adequate analysis of risk by the covered persons, reduced due diligence procedures may be applied. The reduced due diligence procedures should be commensurate with the lower risk factors, but are not acceptable whenever there is suspicion of money laundering or terrorist financing, or specific higher risk scenarios apply.

In strictly limited circumstances and where there is proven low risk of money laundering and terrorist financing, the Supervising Authorities may issue guidelines allowing certain exemptions, taking into account the nature of the product, type of business and the risks involved; provided that money laundering risks are effectively managed.

b. Enhanced Due Diligence. - Covered persons shall examine the background and purpose of all complex, unusually large transactions, all unusual patterns of transactions, which have no apparent economic or lawful purpose, and other transactions that may be considered suspicious.

Where the risks of money laundering or terrorist financing are higher, covered persons should be required to conduct enhanced due diligence measures, consistent with the risks identified.

For this purpose, covered persons shall perform the following:

- i. gather additional customer information and identification documents, such as, but not limited to, occupation, volume of assets information available through public databases, internet, and updating more regularly the identification data of customer and beneficial owner;
- ii. obtain additional information on the intended nature of the business relationship; the source of funds or wealth of the customer; and the reasons for intended or performed transaction;
- iii. conduct validation procedures;
- iv. secure the approval of senior management to commence or continue transacting with the customer;
- v. conduct enhanced ongoing monitoring of the business relationship;
- vi. require the first payment to be carried out through an account in the customer's name with a bank subject to similar customer due diligence standards, where applicable; and
- vii. such other measures as the covered persons may deem reasonable or necessary.

3. Ongoing Monitoring of Customers, Accounts and Transactions. – Covered persons shall, on the basis of materiality and risk, update all customer information and identification documents of existing customers required to be obtained under the AMLA, this RIRR, other AMLC issuances, and the guidelines issued by the Supervising Authorities.

Covered persons shall establish a system that will enable them to understand the normal and reasonable account or business activity of customers to ensure that the customers' accounts and transactions are consistent with the covered person's knowledge of its customers, and the latter's commercial activities, risk profile, and source of funds.

Covered persons shall apply enhanced due diligence on the customer if it acquires information in the course of its customer account or transaction monitoring that:

- a. Raises doubt as to the accuracy of any information or document provided or the ownership of the entity;
- b. Justifies reclassification of the customer from low or normal risk to high risk pursuant to these Rules;
- c. Indicates that any of the circumstances for the filing of a suspicious transaction report exists.

If the covered person:

- a. fails to satisfactorily complete the enhanced due diligence procedures; or
- b. reasonably believes that performing the enhanced due diligence process will tip-off the customer,

it shall file a suspicious transaction report, and closely monitor the account and review the business relationship.

Covered persons shall, on the basis of materiality and risk, update, no later than once every three (3) years, all customer information and identification documents, unless enhanced ongoing monitoring is warranted.

4. Prohibited Accounts. - The following accounts shall be prohibited and may be the subject of the Supervising Authorities' annual testing for the sole purpose of determining the existence and true identity of their owners:

a. Anonymous Accounts and Accounts under Fictitious Names. - Covered persons shall maintain customers' account only in the true and full name of the account owner or holder. Anonymous accounts, accounts under fictitious names, and all other similar accounts shall be absolutely prohibited.

b. Numbered Accounts. - Numbered accounts, except non-checking numbered accounts, shall not be allowed.

Covered and suspicious transaction reports involving non-checking numbered accounts shall contain the true name of the account holder.

B. Record Keeping. - Covered persons shall maintain and safely store for five (5) years from the dates of transactions all records of customer identification and transaction documents.

1. Retention of Records Where the Account is the Subject of a Case. - If a case has been filed in court involving the account, records must be retained and safely kept beyond the five (5)-year period, until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality.

2. Closed Accounts. - Covered persons shall maintain and safely store for at least five (5) years from the dates the accounts were closed, all records of customer identification and transaction documents.

3. Form of Records. - Covered persons shall retain all records as originals or in such forms as are admissible in court.

Covered persons shall, likewise, keep the electronic copies of all covered and suspicious transaction reports for, at least, five (5) years from the dates of submission to the AMLC.

For low risk customers, it is sufficient that covered persons shall maintain and store, in whatever form, a record of customer information and transactions.

C. Transaction Reporting. - Covered persons shall report to the AMLC all covered transactions and suspicious transactions within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof.

For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days from

the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, an unlawful activity or money laundering offense, the 10-day period for determination shall be reckoned from the date the covered person knew or should have known the suspicious transaction indicator.

Should a transaction be determined to be both a covered and a suspicious transaction, the same shall be reported as a suspicious transaction.

1. Substance and Form of Reports. - Covered persons shall ensure the accuracy and completeness of covered transaction report and suspicious transaction report, which shall be filed in the forms prescribed by the AMLC and shall be submitted in a secured manner to the AMLC in electronic form.
2. Confidentiality of Reporting. - When reporting covered or suspicious transactions, covered persons, and their officers and employees, are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, or the media, the fact that a covered or suspicious transaction has been or is about to be reported, the contents of the report, or any other information in relation thereto.

Any information about such reporting shall not be published or aired, in any manner or form, by the mass media, or through electronic mail, or other similar devices.

In case of violation thereof, the concerned officer, and employee, of the covered person and media shall be held criminally liable.

3. Safe Harbor Provision. - No administrative, criminal or civil proceedings shall lie against any person for having made a covered transaction or suspicious transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under the AMLA or any other Philippine law.
4. Enrollment with the AMLC's Reporting System. - All covered persons shall register with the AMLC's electronic reporting system within ninety (90) days from the effectivity of this RIRR.

RULE IX-A PREVENTIVE MEASURES FOR SPECIFIC CUSTOMERS AND ACTIVITIES

Rule 9-A. Preventive Measures for Specific Customers and Activities. -

1. Politically Exposed Persons. - Covered persons shall establish and record the true and full identity of PEPs, as well as their immediate family members and entities related to them.
 - a. In case of domestic PEPs or persons who have been entrusted with a prominent function by an international organization, in addition to performing the applicable due diligence measures under Rule 9, covered persons shall:
 - i. Take reasonable measures to determine whether a customer or the beneficial owner is a PEP; and
 - ii. In cases when there is a higher risk business relationship, adopt measures under paragraphs b.ii

to b.iv below.

b. In relation to foreign PEPs, in addition to performing the applicable customer due diligence measures under Rule 9, covered persons shall:

- i. Put in place risk management systems to determine whether a customer or the beneficial owner is a PEP;
- ii. Obtain senior management approval before establishing (or continuing, for existing customers) such business relationships;
- iii. Take reasonable measures to establish the source of wealth and the source of funds of customers and beneficial owners identified as PEPs; and
- iv. Conduct enhanced ongoing monitoring on that relationship.

2. Correspondent Banking. - Covered persons shall adopt policies and procedures to prevent correspondent banking activities from being utilized for money laundering activities, and designate an officer responsible in ensuring compliance with these policies and procedures.

A covered person may rely on the customer identification process undertaken by the respondent bank pursuant to the circulars and guidelines that may be promulgated by the BSP.

a. In relation to cross-border correspondent banking and other similar relationships, covered persons are required to:

- i. Gather sufficient information about the respondent institution to understand fully the nature of the respondent's business, and to determine from publicly available information the reputation of the institution and the quality of supervision, including whether it has been subject to a money laundering and terrorist financing (ML/TF) investigation or regulatory action;
- ii. Assess the respondent institution's anti-money laundering and combating the financing of terrorism (AML/CFT) controls;
- iii. Obtain approval from senior management before establishing new correspondent relationships; and
- iv. Clearly understand the respective AML/CFT responsibilities of each institution.

b. With respect to "payable-through accounts," covered persons are required to satisfy themselves that the respondent bank:

- i. Has performed customer due diligence obligations on its customers that have direct access to the accounts of the correspondent bank; and
- ii. Is able to provide relevant customer due diligence information upon request to the correspondent bank.

Covered persons are prohibited from entering into, or continuing, correspondent banking

relationships with shell banks and should have measures to satisfy themselves that respondent financial institutions do not permit their accounts to be used by shell banks.

3. Shell Company/Bank and Bearer Share Entities. - A covered person shall always apply enhanced due diligence on both the entity and its beneficial owners when dealing with a shell company.

No shell bank shall be allowed to operate or be established in the Philippines. Covered persons shall refuse to deal, enter into, or continue, correspondent banking relationship with shell banks. They shall likewise guard against establishing relations with foreign financial institutions that permit their accounts to be used by shell banks.

A covered person dealing with bearer share entities shall be required to conduct enhanced due diligence on said entities and their existing stockholders and/or beneficial owners at the time of opening of the account. These entities shall be subject to ongoing monitoring at all times and the list of stockholders and/or beneficial owners shall be updated within thirty (30) days after every transfer of ownership and the appropriate enhanced due diligence shall be applied to the new stockholders and/or beneficial owners.

4. Wire/Fund Transfers. - Covered persons shall establish policies and procedures designed to prevent wire/fund transfers from being utilized for money laundering activities, which shall include, but are not limited to the following:

- a. The beneficiary institution shall not accept instructions to pay-out wire/fund transfers to non-customer beneficiary, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said beneficiary. Should the originator and beneficiary be the same person, the beneficiary institution may rely on the customer due diligence conducted by the originating institution subject to the rules on Third Party Reliance promulgated by the BSP, treating the originating institution as third party;
- b. The originating institution shall not accept instructions to wire/fund transfer from a non-customer originator, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said originator;
- c. In cross border wire/fund transfers, if the originator is a high risk customer as herein described, the beneficiary institution shall conduct enhanced due diligence on the beneficiary and the originator. Where additional information cannot be obtained, or any information or document provided is false or falsified, or the result of the validation process is unsatisfactory, the beneficiary institution shall refuse to effect the wire/fund transfers or the pay-out of funds without prejudice to the reporting of a suspicious transaction to the AMLC;
- d. Whenever possible, manually initiated fund transfer (MIFT) instructions should not be the primary delivery method. Every effort shall be made to provide client with an electronic banking solution;
- e. Cross border and domestic wire/fund transfers and related message.
- i. For those not exceeding the threshold amount to be determined by the BSP or its equivalent in foreign currency, they shall include accurate and meaningful originator and beneficiary information.

The following information shall remain with the transfer or related message through the payment chain:

- a. the name of the originator;
 - b. the name of the beneficiary; and
 - c. an account number of the originator and beneficiary, or in its absence, a unique transaction reference number.
- ii. For those that are equal or greater than the said threshold amount or its equivalent in foreign currency, the following information shall be obtained from all qualifying wire transfers:
- a. the name of the originator;
 - b. the originator account number where such an account is used to process the transaction;
 - c. the originator's address, or national identity number, or customer identification number, or date and place of birth;
 - d. the name of the beneficiary; and
 - e. the beneficiary account number where such an account is used to process the transaction.
 - f. Should any wire/fund transfer amounting to or exceeding the threshold amount as determined by the BSP, or its equivalent in foreign currency, be unaccompanied by the required originator and beneficiary information, the beneficiary institution shall exert all efforts to establish the true and full identity and existence of the originator by requiring additional information from the originating institution or intermediary institution. It shall likewise apply enhanced customer due diligence to establish the true and full identity and existence of the beneficiary. Where additional information cannot be obtained, or any information or document provided is false or falsified, or the result of the validation process is unsatisfactory, the beneficiary institution shall refuse to effect the wire/fund transfer or the pay-out of funds without prejudice to the reporting of a suspicious transaction to the AMLC.
5. Customer from High Risk Jurisdiction. - A customer from a foreign jurisdiction that is recognized as having inadequate internationally accepted anti-money laundering standards, or presents greater risk for money laundering or its associated unlawful activities, shall be subject to enhanced customer due diligence.
6. Foreign Branches and Subsidiaries. – Covered persons shall ensure that their foreign branches and majority-owned subsidiaries apply the requirements under the AMLA, this RIRR, and other AMLC issuances, where the minimum AML/CFT requirements of the host country are less strict, to the extent that the laws and regulations of the host country permit.

If the host country does not permit the proper implementation of the measures under the AMLA, this RIRRs, and other AMLC issuances, covered persons shall apply appropriate additional measures to manage the ML/TF risks, and inform their respective Supervising Authorities and the AMLC.

RULE X FREEZE ORDER

Rule 10. Freeze Order. -

A. Freeze Order. - Upon verified ex parte petition by the AMLC and after determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity, the Court of Appeals may issue a freeze order, which shall be effective immediately, directing the concerned covered persons and government agency to desist from allowing any transaction, withdrawal, transfer, removal, conversion, concealment, or other disposition of the subject monetary instrument or property.

1. Freezing of Related Accounts and Materially-Linked Accounts. - Considering the intricate and diverse web of interlocking accounts that a person may create in different covered persons, and the high probability that these accounts are utilized to divert, move, conceal, and disguise the monetary instrument or property subject of the freeze order, the AMLC may include in its petition the freezing of related and materially-linked accounts.

2. Period to Resolve Petition. - The Court of Appeals shall resolve the petition to freeze within twenty-four (24) hours from filing thereof.

3. Effectivity of Freeze Order. - The freeze order shall be effective immediately and shall not exceed six (6) months depending upon the circumstances of the case. On motion of the AMLC filed before the expiration of the original period of the freeze order, the court may, for good cause shown, extend its effectivity. Upon the timely filing of such motion and pending resolution by the Court of Appeals, the freeze order shall remain effective.

4. No Prior Criminal Charge, Pendency of or Conviction Necessary. - No prior criminal charge, pendency of or conviction for an unlawful activity or money laundering offense is necessary for the commencement or the resolution of a petition for freeze order.

5. Rule of Procedure. - Proceedings for the issuance of freeze order shall be governed by the “Rule of Procedure in Cases of Civil Forfeiture, Asset Preservation, and Freezing of Monetary Instrument, Property, or Proceeds Representing, Involving, or Relating to an Unlawful Activity or Money Laundering Offense under Republic Act No. 9160, as Amended” (A.M. No. 05-11-04-SC).

B. Motion to Lift. - A person whose monetary instrument or property has been frozen may file a motion to lift the freeze order. The court must resolve the motion before the expiration of the freeze order.

C. Lifting the Effects of the Freeze Order. - The freeze order shall be deemed ipso facto lifted after its expiration, unless a money laundering complaint against the person whose monetary instrument or property was frozen, or a petition for civil forfeiture against the frozen monetary instrument or property, has been filed, in which case the freeze order shall remain effective until the money laundering case is terminated or an asset preservation order is issued, respectively.

Upon the expiration of the freeze order, the covered person shall secure a written confirmation from the AMLC Secretariat to ascertain if a petition for civil forfeiture or money laundering complaint has been filed.

D. Injunction Against Freeze Order. - No court shall issue a temporary restraining order or a writ of

injunction against any freeze order, except the Supreme Court.

E. Duties of Covered Persons and Concerned Government Agencies Upon Receipt of Freeze Order.

-

1. Implement Freeze Order. - Upon receipt of the notice of the freeze order, the covered person and government agency concerned shall immediately freeze the monetary instrument or property subject thereof, and shall immediately desist from and not allow any transaction, withdrawal, transfer, removal, conversion, other movement or concealment thereof.

2. Freeze Related Accounts. - Upon receipt of the freeze order and upon verification by the covered person that there are accounts related to the monetary instrument or property subject of the freeze order, the covered person shall immediately freeze these related accounts wherever these may be found.

If the related accounts cannot be determined within twenty-four (24) hours from receipt of the freeze order due to the volume and/or complexity of the transactions, or any other justifiable factors, the covered person shall effect the freezing of the related accounts within a reasonable period and shall submit a supplemental return thereof to the Court of Appeals and the AMLC within twenty-four (24) hours from the freezing of said related accounts.

3. Furnish Copy of Freeze Order to Owner or Holder. - The covered person and government agency concerned shall likewise immediately furnish a copy of the notice of the freeze order upon the owner or holder of the monetary instrument or property or related accounts subject thereof.

4. Submit Detailed Return. - Within twenty-four (24) hours from receipt of the freeze order, the covered person and government agency concerned shall submit, by personal delivery, to the Court of Appeals and to the AMLC, a written detailed return on the freeze order.

The covered person shall also submit to the AMLC, through the internet, an electronic detailed return in a format to be prescribed by the latter.

5. Contents of the Detailed Return. - The detailed return on the freeze order shall specify all the pertinent and relevant information, which shall include the following:

a. For covered persons: The account numbers and/or description of the monetary instrument, property, or proceeds involved;

b. For concerned government agencies:

i. Certificates of title numbers of registered real property and the volumes and pages of the registration books of the Register of Deeds where the same are registered;

ii. Registration in the Primary Entry Book and corresponding Registration Book in the Register of Deeds for unregistered real property;

iii. Registration with the Register of Deeds of the enabling or master deed for a condominium project, declaration of restrictions relating to such condominium project, certificate of title conveying a condominium and notice of assessment upon any condominium;

- iv. Tax declarations for improvements built on land owned by a different party, together with the annotation of the contract of lease on the title of the owner of the land as registered in the Register of Deeds;
- v. Certificates of registration for motor vehicles and heavy equipment indicating the engine numbers, chassis numbers and plate numbers;
- vi. Certificates of numbers for seacraft;
- vii. Registration certificates for aircraft; or
- vii. Commercial invoices or notarial identification for personal property capable of manual delivery;
- c. For covered persons and government agencies, whichever are applicable:
 - i. The names of the account holders, personal property owners or possessors, or real property owners or occupants;
 - ii. The value of the monetary instrument, property, or proceeds as of the time the assets were ordered frozen;
 - iii. All relevant information as to the status and nature of the monetary instrument, property, or proceeds;
 - iv. The date and time when the freeze order was served; and
 - v. The basis for the identification of the related accounts.

RULE XI BANK INQUIRY

Rule 11. Bank Inquiry. -

A. Bank Inquiry with Court Order. - Notwithstanding the provisions of Republic Act No. 1405, as amended; Republic Act No. 6426, as amended; Republic Act No. 8791, and other laws, the AMLC may inquire into or examine any particular deposit or investment account, including related accounts, with any banking institution or non-bank financial institution, upon order by the Court of Appeals based on an ex parte application in cases of violation of the AMLA when it has been established that probable cause exists that the deposits or investments involved, including related accounts, are in any way related to an unlawful activity or a money laundering offense.

1. Period to Resolve Application. - The Court of Appeals shall resolve the application within twenty-four (24) hours from filing thereof.
2. Inquiry Into or Examination of Related Accounts. - A court order ex parte must be obtained before the AMLC can inquire into the related accounts. The procedure for the ex parte application for an order of inquiry into the principal account shall be the same for that of the related accounts.

3. Compliance with Article III, Sections 2 and 3 of the Constitution. - The authority to inquire into or examine the main account and the related accounts shall comply with the requirements of Article III, Sections 2 and 3 of the 1987 Constitution.

4. No Prior Criminal Charge, Pendency of or Conviction Necessary. - No prior criminal charge, pendency of or conviction for an unlawful activity or money laundering offense is necessary for the commencement or the resolution of an application for bank inquiry.

B. Bank Inquiry without Court Order. - The AMLC shall issue a resolution authorizing the AMLC Secretariat to inquire into or examine any particular deposit or investment account, including related accounts, with any banking institution or non-bank financial institution and their subsidiaries and affiliates when it has been established that probable cause exists that the deposits or investments involved, including related accounts, are in any way related to any of the following unlawful activities:

1. Kidnapping for ransom under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;

2. Sections 4, 5, 6, 8, 9, 10, 11, 12, 13, 14, 15 and 16 of Republic Act No. 9165, otherwise known as the Comprehensive Dangerous Drugs Act of 2002;

3. Hijacking and other violations under Republic Act No. 6235; destructive arson and murder, as defined under the Revised Penal Code, as amended;

4. Felonies or offenses of a nature similar to those mentioned in Section 3(i) (1), (2) and (12) of the AMLA which are punishable under the penal laws of other countries;

5. Terrorism and conspiracy to commit terrorism as defined and penalized under Republic Act No. 9372; and

6. Financing of terrorism under Section 4 and offenses punishable under Sections 5, 6, 7 and 8 of Republic Act No. 10168, otherwise known as the Terrorism Financing Prevention and Suppression Act of 2012.

C. Duties of the Covered Persons Upon Receipt of Bank Inquiry Order. - The concerned covered persons shall immediately, upon receipt of the court order or AMLC Resolution, give the AMLC and/or its Secretariat full access to all information, documents or objects pertaining to the deposit, investment, account and/or transaction.

Certified true copies of the documents pertaining to deposit, investment, account and/or transaction subject of the bank inquiry shall be submitted to the AMLC Secretariat, within five (5) working days from receipt of the court order or AMLC Resolution.

D. Authority of the Bangko Sentral ng Pilipinas to Inquire Into or Examine Bank Accounts. - In the course of a periodic or special examination, the BSP may inquire into or examine bank accounts, including customer identification, account opening, and transaction documents, for the purpose of checking compliance by covered persons under its supervision or regulation with the requirements of the AMLA, this RIRR, and other AMLC issuances.

RULE XII ASSET FORFEITURE

Rule 12. Asset Forfeiture. -

A. Civil Forfeiture. - Upon determination that probable cause exists that any monetary instrument or property is in any way related to an unlawful activity or a money laundering offense, the AMLC shall file with the regional trial court, through the Office of the Solicitor General, a verified petition for civil forfeiture.

1. Equal Value Assets. - The petition for civil forfeiture shall include other monetary instrument or property of equal value in cases where the monetary instrument or property that should be subject of forfeiture:

- a. cannot be located despite due diligence;
- b. has been substantially altered, destroyed, diminished in value or otherwise rendered worthless by any act or omission;
- c. has been concealed, removed, converted, or otherwise transferred;
- d. is located outside the Philippines or has been placed or brought outside the jurisdiction of the court; or
- e. has been commingled with other monetary instrument or property belonging to either the offender himself or a third person or entity, thereby rendering the same difficult to identify or be segregated for purposes of forfeiture.

2. No Prior Criminal Charge, Pendency of or Conviction Necessary. - No prior criminal charge, pendency of or conviction for an unlawful activity or money laundering offense is necessary for the commencement or the resolution of a petition for civil forfeiture.

3. Rule of Procedure. - Civil forfeiture proceedings shall be governed by the “Rule of Procedure in Cases of Civil Forfeiture, Asset Preservation, and Freezing of Monetary Instrument, Property, or Proceeds Representing, Involving, or Relating to an Unlawful Activity or Money Laundering Offense under Republic Act No. 9160, as Amended” (A.M. No. 05-11-04-SC).

B. Asset Forfeiture in Money Laundering Cases. - Where there is conviction for money laundering, the court shall issue a judgment of forfeiture in favor of the Government of the Philippines with respect to the monetary instrument or property found to be proceeds of an unlawful activity.

C. Claim on Forfeited Assets. - Where the court has issued an order of forfeiture of the monetary instrument or property in a criminal prosecution for any money laundering offense, the offender or any other person claiming an interest therein may apply, by verified petition, for a declaration that the same legitimately belongs to him and for segregation or exclusion of the monetary instrument or property corresponding thereto. The verified petition shall be filed with the court which rendered the judgment of forfeiture, within fifteen (15) days from the date of the finality of the order of forfeiture, in default of which the said order shall become final and executory. This provision shall also apply in civil forfeiture.

D. Payment in Lieu of Forfeiture. - Where the court has issued an order of forfeiture of the monetary instrument or property subject of a money laundering offense, and said order cannot be enforced because any particular monetary instrument or property cannot, with due diligence, be located, or it has been substantially altered, destroyed, diminished in value or otherwise rendered worthless by any act or omission, directly or indirectly, attributable to the offender, or it has been concealed, removed, converted, or otherwise transferred to prevent the same from being found or to avoid forfeiture thereof, or it is located outside the Philippines or has been placed or brought outside the jurisdiction of the court, or it has been commingled with other monetary instruments or property belonging to either the offender himself or a third person or entity, thereby rendering the same difficult to identify or be segregated for purposes of forfeiture, the court may, instead of enforcing the order of forfeiture of the monetary instrument or property or part thereof or interest therein, accordingly order the convicted offender to pay an amount equal to the value of said monetary instrument or property. This provision shall apply in both civil and criminal forfeiture.

RULE XIII REQUEST FOR ASSISTANCE

Rule 13. Request for Assistance. -

A. Request for Assistance from a Foreign State. - Where a foreign State makes a request for assistance in the investigation or prosecution of a money laundering offense, the AMLC may execute the request or refuse to execute the same and inform the foreign State of any valid reason for not executing the request or for delaying the execution thereof. The principles of mutuality and reciprocity shall, at all times, be recognized.

B. Powers of the AMLC to Act on a Request for Assistance from a Foreign State. - The AMLC may execute a request for assistance from a foreign State by:

1. tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity under the procedures laid down in the AMLA, this RIRR, and other AMLC issuances;
2. giving information needed by the foreign State within the procedures laid down in the AMLA, this RIRR, and other AMLC issuances; and
3. applying for an order of forfeiture of any monetary instrument or property with the court: Provided, that the court shall not issue such an order unless the application is accompanied by an authenticated copy of the order of a court in the requesting State ordering the forfeiture of said monetary instrument or property of a person who has been convicted of a money laundering offense or an unlawful activity in the requesting State, and a certification or an affidavit of a competent officer of the requesting State stating that the conviction and the order of forfeiture are final and that no further appeal lies in respect of either.

C. Obtaining Assistance from Foreign States. - The AMLC may make a request to any foreign State for assistance in:

1. tracking down, freezing, restraining and seizing assets alleged to be proceeds of any unlawful activity;
2. obtaining pertinent information and documents that it needs relating to any money laundering

offense or any other matter directly or indirectly related thereto;

3. to the extent allowed by the law of the foreign State, applying with the proper court therein for an order to enter any premises belonging to or in the possession or control of, any or all of the persons named in said request, and/or search any or all such persons named therein and/or remove any document, material or object named in said request: Provided, That the documents accompanying the request in support of the application have been duly authenticated in accordance with the applicable law or regulation of the foreign State; and

4. applying for an order of forfeiture of any monetary instrument or property in the proper court in the foreign State: Provided, That the request is accompanied by an authenticated copy of the order of the Regional Trial Court ordering the forfeiture of said monetary instrument or property and an affidavit of the clerk of court stating that the order of forfeiture is final and that no further appeal lies in respect of it.

D. Limitations on Requests for Mutual Assistance. - The AMLC may refuse to comply with any request for assistance where the action sought in the request contravenes any provision of the Constitution or the execution of the request is likely to prejudice the national interest of the Philippines, unless there is a treaty between the Philippines and the requesting State relating to the provision of assistance in relation to money laundering offenses.

E. Requirements for Requests for Mutual Assistance from Foreign States. - A request for mutual assistance from a foreign State must:

1. confirm that an investigation or prosecution is being conducted in respect of a money launderer named therein or that he has been convicted of any money laundering offense;
2. state the grounds on which any person is being investigated or prosecuted for money laundering or the details of his conviction;
3. give sufficient particulars as to the identity of said person;
4. give particulars sufficient to identify any covered person believed to have any information, document, material or object which may be of assistance to the investigation or prosecution;
5. ask from the covered person concerned any information, document, material or object which may be of assistance to the investigation or prosecution;
6. specify the manner in which and to whom said information, document, material or object obtained pursuant to said request, is to be produced;
7. give all the particulars necessary for the issuance by the court in the requested State of the writs, orders or processes needed by the requesting State; and
8. contain such other information as may assist in the execution of the request.

F. Authentication of Documents. - A document is authenticated if it is signed or certified by a judge, magistrate or equivalent officer in or of, the requesting State, and authenticated by the oath or affirmation of a witness or sealed with an official or public seal of a minister, secretary of state, or officer in or of, the government of the requesting State, or of the person administering the

government or a department of the requesting territory, protectorate or colony.

The certificate of authentication may also be made by a secretary of the embassy or legation, consul general, consul, vice consul, consular agent or any officer in the foreign service of the Philippines stationed in the foreign State in which the record is kept, and authenticated by the seal of his office.

G. Suppletory Application of the Revised Rules of Court. - For attachment of Philippine properties in the name of persons convicted of any unlawful activity, execution and satisfaction of final judgments of forfeiture, application for examination of witnesses, procuring search warrants, production of bank documents and other materials, and all other actions not specified in the AMLA, this RIRR, and other AMLC issuances, and assistance for any of the aforementioned actions, which is subject of a request by a foreign State, resort may be had to the proceedings pertinent thereto under the Revised Rules of Court.

H. Authority to Assist the United Nations and Other International Organizations. - The AMLC shall cooperate with the National Government and/or take appropriate action in respect of conventions, resolutions and other directives, involving money laundering, of the United Nations (UN), the UN Security Council, and other international organizations of which the Philippines is a member.

However, the AMLC may refuse to comply with any request in relation to a convention, resolution or directive where the action sought therein contravenes the provision of the Constitution or the execution thereof is likely to prejudice the national interest of the Philippines.

I. Extradition. - The Philippines shall negotiate for the inclusion of money laundering offenses among the extraditable offenses in all future treaties.

With respect, however, to the state parties that are signatories to the United Nations Convention Against Transnational Organized Crime that was ratified by the Philippine Senate on October 22, 2001, money laundering is deemed to be included as an extraditable offense in any extradition treaty existing between said state parties, and the Philippines shall include money laundering as an extraditable offense in every extradition treaty that may be concluded between the Philippines and any of said state parties in the future.

RULE XIV PENAL PROVISIONS

Rule 14. Penal Provisions. -

A. Penalties for Money Laundering. - The following are the penalties to be imposed on persons convicted of money laundering:

1. Penalties for Section 4(a), (b), (c) and (d) of the AMLA. - The penalty of imprisonment ranging from seven (7) to fourteen (14) years and a fine of not less than three million pesos (Php3,000,000.00), but not more than twice the value of the monetary instrument or property involved in the offense, shall be imposed upon a person convicted under Section 4(a), (b), (c) and (d) of the AMLA, as amended.
2. Penalties for Section 4(e) and (f) of the AMLA. - The penalty of imprisonment from four (4) to

seven (7) years and a fine of not less than one million five hundred thousand pesos (Php1,500,000.00) but not more than three million pesos (Php3,000,000.00), shall be imposed upon a person convicted under Section 4(e) and (f) of the AMLA, as amended.

3. Penalties for the Last Paragraph of Section 4 of the AMLA. - The penalty of imprisonment from six (6) months to four (4) years or a fine of not less than one hundred thousand pesos (Php100,000.00) but not more than five hundred thousand pesos (Php500,000.00), or both, shall be imposed on a person convicted under the last paragraph of Section 4 of the AMLA, as amended.

B. Penalties for Knowingly Participating in the Commission of Money Laundering. - The penalty of imprisonment ranging from four (4) to seven (7) years and a fine corresponding to not more than two hundred percent (200%) of the value of the monetary instrument or property laundered shall be imposed upon the covered person, its directors, officers or personnel who knowingly participated in the commission of the crime of money laundering.

C. Penalties for Failure to Keep Records. - The penalty of imprisonment from six (6) months to one (1) year or a fine of not less than one hundred thousand pesos (Php100,000.00) but not more than five hundred thousand pesos (Php500,000.00), or both, shall be imposed on a person convicted under Section 9(b) of the AMLA.

D. Penalties for Malicious Reporting. - Any person who, with malice, or in bad faith, reports or files a completely unwarranted or false information relative to money laundering transaction against any person shall be subject to a penalty of six (6) months to four (4) years imprisonment and a fine of not less than one hundred thousand pesos (Php100,000.00) but not more than five hundred thousand pesos (Php500,000.00), at the discretion of the court: Provided, that the offender is not entitled to avail of the benefits of the Probation Law.

If the offender is a corporation, association, partnership or any other juridical person, the penalty of imprisonment and/or fine shall be imposed upon the responsible officers, as the case may be, who participated in, or allowed by their gross negligence the commission of the crime and the court may suspend or revoke its license. If the offender is an alien, he shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein prescribed. If the offender is a public official or employee, he shall, in addition to the penalties prescribed herein, suffer perpetual or temporary absolute disqualification from office, as the case may be.

Any public official or employee who is called upon to testify and refuses to do the same or purposely fails to testify shall suffer the same penalties herein prescribed.

E. Penalties for Breach of Confidentiality. - The punishment of imprisonment ranging from three (3) to eight (8) years and a fine of not less than five hundred thousand pesos (Php500,000.00) but not more than one million pesos (Php1,000,000.00), shall be imposed on a person convicted for a violation under Section 9(c) of the AMLA. In case of a breach of confidentiality that is published or reported by the media, the responsible reporter, writer, president, publisher, manager and editor-in-chief shall be liable under the AMLA.

F. Criminal Liability of Corporate Entities. - If the offender is a corporate entity, the penalties herein shall be imposed upon the responsible officers who participated in, or allowed by their gross negligence the commission of the crime; and/or directors or trustees who willfully and knowingly voted for or assented to violate the AMLA, this RIRR, or other AMLC issuances.

RULE XV
ADMINISTRATIVE SANCTIONS

Rule 15. Administrative Sanctions. -

A. Imposition of Administrative Sanctions. - After due notice and hearing, the AMLC shall, at its discretion, impose sanctions, including monetary penalties, warning or reprimand, upon any covered person, its directors, officers, employees, or any other person for the violation of the AMLA and this RIRR, or for failure or refusal to comply with AMLC orders, resolutions and other issuances. Such monetary penalties shall be in amounts as may be determined by the AMLC to be appropriate, which shall not be more than five hundred thousand pesos (Php500,000.00) per violation.

The imposition of administrative sanctions shall be without prejudice to the filing of criminal charges against the persons responsible for the violation.

B. Rules on Imposition of Administrative Sanctions. - The AMLC may promulgate rules on the imposition of administrative sanctions, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity.

C. Non-discrimination Against Certain Types of Customers. - The provisions of the AMLA shall not be construed or implemented in a manner that will discriminate against certain customer types, such as politically-exposed persons, as well as their relatives; or against a certain religion, race, or ethnic origin; or such other attributes or profiles when used as the only basis to deny these persons access to the services provided by the covered persons.

Whenever a bank, or quasi-bank, financial institution or whenever any person or entity commits said discriminatory act, the person or persons responsible for such violation shall be subject to sanctions as may be deemed appropriate by their respective Supervising Authorities.

RULE XVI
PROHIBITIONS AGAINST POLITICAL PERSECUTION

Rule 16. Prohibitions Against Political Persecution. - The AMLA and this RIRR shall not be used for political persecution or harassment, or as an instrument to hamper competition in trade and commerce.

No case for money laundering may be filed against, and no assets shall be frozen, attached or forfeited to the prejudice of a candidate for an electoral office during an election period.

RULE XVII
RESTITUTION

Rule 17. Restitution. - Restitution for any aggrieved party shall be governed by the provisions of the New Civil Code.

RULE XVIII ANTI-MONEY LAUNDERING PROGRAMS

Rule 18. Anti-Money Laundering Programs. -

A. Anti-Money Laundering Guidelines and Circulars of Supervising Authorities. - The Supervising Authorities shall issue and/or update their respective anti-money laundering guidelines and circulars for the guidance and compliance of covered persons under their respective jurisdictions, to assist the AMLC in effectively implementing the provisions of the AMLA, this RIRR, and other AMLC issuances.

The anti-money laundering guidelines and circulars of Supervising Authorities shall include, but not limited to, the following:

1. Details, policies, and procedures in implementing the provisions on Customer Due Diligence, considering risk-based approach, financial inclusion, sound AML risk management practices, and internationally-accepted AML standards;
2. Red flag indicators that engender a reasonable belief that a money laundering offense is about to be, is being, or has been committed;
3. System/procedure of flagging and monitoring transactions that qualify as suspicious transactions or covered transactions;
4. Guidelines on risk-management system to determine whether a customer or beneficial owner is a PEP;
5. Policies on identification, assessment, management and mitigation of money laundering risks that may arise from the development of new products and new business practices, including new delivery mechanisms; and the use of new or developing technologies for both new and pre-existing products; and
6. Rules on AML compliance examination, including access to pertinent records and information, and AML rating system.

Notwithstanding the foregoing, all anti-money laundering guidelines and circulars of Supervising Authorities shall be consistent with internationally-accepted AML standards and the provisions of the AMLA, this RIRR and other AMLC issuances.

B. Money Laundering Prevention Programs of Covered Persons. -

1. Formulation and Implementation. - Covered persons shall formulate and implement their money laundering prevention program (MLPP) in accordance with the AMLA, this RIRR, other AMLC issuances, and the anti-money laundering guidelines and circulars of the Supervising Authorities. The MLPP shall be approved by the responsible officer (in case of single proprietorship and partnership),

the Board of Directors, the country or regional head, or its equivalent for local branches of foreign juridical entities.

Covered persons are given one (1) year from the effectivity of this RIRR to formulate or update their respective MLPP.

2. Updating. - Covered persons shall regularly update their anti-money laundering programs, in no case longer than, two (2) years, to incorporate changes in the anti-money laundering laws, rules and regulations, policies and procedures, latest trends in money laundering typologies, and latest guidelines and circulars of the Supervising Authorities.

C. Training Programs for Personnel. - Covered persons shall provide all their responsible officers and personnel with effective training and continuing education programs to enable them to fully comply with all their obligations under the AMLA, this RIRR, and other AMLC issuances.

RULE XIX COMPLIANCE CHECKING AND INVESTIGATION

Rule 19. Compliance Checking and Investigation. -

A. Compliance Checking. -

1. Authority of the Supervising Authorities to Assist the AMLC in Compliance Checking. - The Supervising Authorities shall assist the AMLC in checking the compliance of covered persons under their respective jurisdictions on the requirements of the AMLA, this RIRR and other AMLC issuances.

2. Checking of Covered Person's MLPP. - Covered persons shall make available its MLPP upon request of the AMLC or the Supervising Authorities.

B. Investigation. -

1. Authority to Investigate. - The AMLC, through its Secretariat, shall investigate suspicious transactions and covered transactions deemed suspicious, money laundering activities, and other violations of the AMLA, this RIRR, and other AMLC issuances.

In the exercise of its investigative function, the AMLC, through its Secretariat, may:

- a. direct covered persons to produce information, documents and objects necessary to determine the true identity of persons subject of investigation;
- b. require responsible officers and employees of covered persons and pertinent government agencies to give statements pertinent to the transaction, person or violation being investigated; and
- c. request information, documents and objects from domestic government agencies; foreign states, including its financial intelligence units, law enforcement agencies, and financial regulators; or the United Nations and other international organizations or entities.

Provided, that transaction documents pertaining to specific deposits and investments in banks shall be subject to the provisions on Bank Inquiry.

2. Duty of Covered Persons to Cooperate with AMLC. - Covered persons shall immediately give the authorized personnel of the AMLC Secretariat, full access to all information, documents or objects pertaining to the account, transaction and/or person subject of the investigation.

Certified true copies of the documents pertaining to account, transaction and/or person subject of the investigation shall be submitted within five (5) working days from receipt of the request or order from the AMLC Secretariat.

RULE XX NON-INTERVENTION IN THE OPERATIONS OF THE BUREAU OF INTERNAL REVENUE

Rule 20. Non-intervention in the Operations of the Bureau of Internal Revenue. - The AMLC shall not intervene nor participate in any manner in the operations of the Bureau of Internal Revenue.

RULE XXI PROHIBITIONS AGAINST EX POSTFACTO LAWS AND BILLS OF ATTAINDER

Rule 21. Prohibitions Against Ex Post Facto Laws and Bills of Attainder. - The constitutional injunction against ex post facto laws and bills of attainder shall be respected in the implementation of the AMLA, this RIRR and other AMLC issuances.

RULE XXII MISCELLANEOUS PROVISIONS

Rule 22. Miscellaneous Provisions. -

A. Budget and Appropriations for the AMLC. -

1. Budget. - The annual budget appropriated by Congress for the AMLC in the General Appropriations Act shall be used to defray the capital, maintenance and operational expenses of the AMLC.

2. Costs and Expenses. - The budget shall answer for indemnification for legal costs and expenses reasonably incurred for the services of external counsel in connection with any civil, criminal or administrative action, suit or proceeding to which members of the AMLC, and the Executive Director and other members of the AMLC Secretariat may be made a party by reason of the performance of their functions or duties. The costs and expenses incurred in defending the aforementioned action, suit, or proceeding may be paid by the AMLC in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the member to repay the amount advanced should it be ultimately determined that said member is not entitled to such indemnification.

B. Information Security and Confidentiality. - The AMLC and its Secretariat shall securely protect information received or processed and shall not reveal, in any manner, any information known to them by reason of their office. This prohibition shall apply even after their separation from the AMLC.

The AMLC shall formulate rules governing information exchange and dissemination, the security and confidentiality of such information, including procedures for handling, storage, and protection of, as well as access to such information.

RULE XXIII SEPARABILITY CLAUSE

Rule 23. Separability Clause. - If any provision of this RIRR or the application thereof to any person or circumstance is held to be invalid, the other provisions of this RIRR, and the application of such provision or rule to other persons or circumstances, shall not be affected thereby.

RULE XXIV REPEALING CLAUSE

Rule 24. Repealing Clause. - All office orders, circulars, rules, regulations and other issuances, or parts thereof, that are inconsistent with this RIRR are hereby repealed, amended or modified accordingly; Provided, that the penal provisions shall not apply to acts done prior to the effectivity of the AMLA on October 17, 2001.

RULE XXV EFFECTIVITY

Rule 25. Effectivity. - This RIRR shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

The “2016 Revised Implementing Rules and Regulations of Republic Act No. 9160, as Amended” is hereby approved by the ANTI-MONEY LAUNDERING COUNCIL this 21st day of September 2016 in the City of Manila, Philippines.

Appendix “C”



SEC Memorandum Circular No. **16** Series of 2018

TO : **ALL SEC COVERED INSTITUTIONS**

SUBJECT : **2018 GUIDELINES ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM FOR SEC COVERED INSTITUTIONS AND OTHER SEC REGULATED PERSONS/ENTITIES**

The Securities and Exchange Commission (“SEC”, “Commission”), in conformity with the provisions of Republic Act No. 9160 (Anti-Money Laundering Act of 2001), as amended, its Revised Implementing Rules and Regulations (RIRR), Republic Act No. 10168 (Terrorism Financing Prevention and Suppression Act of 2012), its Implementing Rules and Regulations, and taking into consideration international best practices in the implementation and enforcement of the Anti-Money Laundering (AML) and the Combating the Financing of Terrorism (CFT) regimes, hereby issues this “2018 Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism for SEC Covered Institutions and other SEC Regulated Persons/Entities” (“2018 AML/CFT Guidelines”).

SECTION 1. All covered institutions as defined in this 2018 AML/CFT Guidelines are required to amend their respective Money Laundering and Terrorist Financing Prevention Program (MLPP) to conform to the attached 2018 AML/CFT Guidelines.

SECTION 2. All covered institutions shall submit their revised MLPP within six (6) months from the effectivity of these Guidelines to the Commission through the Operating Department having supervision over such covered institutions copy furnished the Anti-Money Laundering Division (AMLD) of the Enforcement and Investor Protection Department (EIPD). The revised or updated MLPP shall be approved by the board of directors, or the country/ regional head or its equivalent for local branches of foreign covered institutions and shall embody the principles and policies enunciated in these Guidelines.

Covered institutions which have not submitted their respective programs shall prepare the same in accordance with the 2018 AML/CFT Guidelines and to submit said MLPP within the period specified above.

SECTION 3. The attached 2018 AML/CFT Guidelines shall serve as guide to covered institutions in revising and reformulating their own MLPP, taking into consideration their respective corporate structure. Accordingly, all covered institutions are directed to revise their MLPP and to provide therein specific procedures and policies that would achieve the ends prescribed in the 2018 AML/CFT Guidelines.

SECTION 4. A covered institution which fails to submit a revised MLPP on the aforesaid date shall be subject to a penalty of Five Hundred Pesos (P500.00) per day of delay, and which penalty shall continue until the revised MLPP has been submitted to the Commission.

SECTION 5. This Memorandum Circular shall take effect fifteen (15) days after its publication in two (2) national newspapers of general circulation and posting the same in the Commission's website.

Pasay City, 7 November 2018.

FOR THE COMMISSION:

EMILIO B. AQUINO
Chairperson

2018 GUIDELINES ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM FOR SEC COVERED INSTITUTIONS AND OTHER SEC REGULATED PERSONS/ENTITIES

The Securities and Exchange Commission (Commission) hereby issues this “*Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism for SEC Covered Institutions and Other SEC Regulated Persons/Entities*” pursuant to the authority granted to it under the Anti-Money Laundering Act of 2001 (AMLA) (Republic Act (RA) No. 9160), as amended and its regulatory and supervisory powers under the Securities Regulation Code (“SRC”) (RA 8799), the Corporation Code of the Philippines (Batas Pambansa (BP) Blg. 68), Presidential Decree 902-A, as amended, the Investment Houses Law (Presidential Decree (PD) No. 129), the Investment Company Act (RA 2629), the Financing Company Act of 1998 (RA 8556), the Lending Company Regulation Act of 2007 (RA 9474) and other pertinent laws, rules and regulations administered and enforced by the Commission taking into consideration international best practices in the implementation and enforcement of the Anti-Money Laundering (AML) regime and the Combating the Financing of Terrorism (CFT).

CHAPTER 1 TITLE AND SCOPE

Section 1.1. Title. – These Guidelines shall be referred to as the “*SEC Guidelines on Anti-Money Laundering and Combating the Financing of Terrorism for SEC Covered Institutions and Other SEC Regulated Persons/Entities*” or “*2018 AML/CFT Guidelines*”.

Section 1.2. Covered Institutions – The term “covered institutions” shall refer to persons regulated by the Commission under the SRC, the Investment Houses Law, the Investment Company Act, the Financing Company Act of 1998, the Lending Company Regulation Act of 2007, other laws and regulations implemented by the Commission, and the AMLA, as amended. The covered institutions are as follows:

1.2.1 Securities Brokers, Dealers and Salesmen, Associated Person of a Broker or Dealer, Investment Houses and other similar entities managing securities or rendering similar services;

1.2.2 Investment Company Advisers/Fund Managers, Mutual Fund Distributors, Mutual Fund Companies, Closed-End Investment Companies;

1.2.3 Investment Advisor/Agent/Consultant;

1.2.4 Financing Companies and Lending Companies, both with more than 40% foreign participation in its voting stock or with paid-up capital of Php10 Million or more;

1.2.5 Other entities administering or otherwise dealing in currency, commodities or financial derivatives based thereon, cash substitutes and other similar monetary instruments or property, supervised or regulated by the Commission.

Section 1.3. Scope. – These Guidelines shall apply to the foregoing covered institutions, including their subsidiaries and affiliates that are also covered institutions, wherever they may be located.

Section 1.4. Applicability to Other SEC Regulated Persons/Entities Not Considered as Covered Persons Under the AMLA nor Presently Included Among the SEC Covered Institutions. – Other persons/entities registered with the SEC and persons accredited by it are likewise subject to enhanced reporting requirements in case they are identified susceptible to AML and CFT risks including but not limited to non-profit organizations and entities and persons dealing in cryptocurrencies or operating virtual currency exchanges.

Section 1.5. Covered Institutions Subject to Regulatory Power of Other Government Agency. – The Commission, as the Supervising Authority of the covered institutions as enumerated under Section 3(a)(3) of the AMLA, as amended, and where its supervision applies only to the incorporation of the covered institution, shall have the authority to require and ask assistance from the government agency having regulatory power and/or licensing authority over said covered institution for the implementation and enforcement of the AMLA, as amended, and its Revised Implementing Rules and Regulations (RIRR).

CHAPTER 2 DEFINITION OF TERMS

Section 2.1. Definition of Terms. – Except as otherwise defined herein, all terms used shall have the same meaning as those terms that are defined in the AMLA, as amended.

2.1.1 **"Securities broker"** is a person engaged in the business of buying and selling securities for the account of others.

2.1.2 **"Securities dealer"** means any person who buys and sells securities for his/her own account in the ordinary course of business.

2.1.3 **"Securities salesman"** is a natural person hired to buy and sell securities on a salary or commission basis properly endorsed to the Commission by the employing Broker Dealer.

2.1.4 **"Associated person of a broker or dealer"** is any person employed full time by the Broker Dealer whose responsibilities include internal control supervision of other employees, agents, salesmen, officers, directors, clerks and stockholders of such Broker Dealer for compliance with the SRC and rules and regulations adopted thereunder.

2.1.5. **"Investment House"** means any enterprise which primarily engages, whether regularly or on an isolated basis, in the underwriting of securities of another person or enterprise, including securities of the government and its instrumentalities.

2.1.6 **"Investment Company Adviser/Fund Manager"** shall refer to an Investment Company Adviser licensee who regularly advises or recommends investment decisions with regard to the securities or other portfolio of the Investment Company pursuant to an advisory contract with the Investment Company.

2.1.7 **"Mutual Fund Distributor"** shall refer to a juridical person duly licensed or authorized by the Commission to distribute shares or units of an Investment Company as either principal distributor or sub-distributor.

2.1.8 **"Investment Company"** is any issuer which is, or holds itself out as being, engaged primarily, or proposed to engage primarily, in the business of investing, reinvesting or trading in securities.

2.1.9 **"Open-End Investment Company"** is an investment company which is offering for sale or has outstanding, any redeemable security of which it is the issuer. Also referred to as Mutual Fund.

2.1.10 **"Closed-End Investment Company"** refers to an investment company which offers for sale a fixed number of non-redeemable securities which are offered in an initial public offering and thereafter traded in an organized market as determined by the Commission.

2.1.11 **"Investment Advisor/Agent/Consultant"** shall refer to any person:

- (1) who for an advisory fee is engaged in the business of advising others, either directly or through circulars, reports, publication or writings, as to the value of any security and as to the advisability of trading in any security; or
- (2) who for compensation and as part of a regular business, issues or promulgates, analyzes reports concerning the capital market, except:
 - (a) any bank or trust company;
 - (b) any journalist, reporter, columnist, editor, lawyer, accountant or teacher;
 - (c) the publisher of any bona fide newspaper, news, business or financial publication of general and regular circulation, including their employees;
 - (d) any contract market; or
 - (e) such other person not within the intent of this definition, provided that the furnishing of such service by the foregoing persons is solely incidental to the conduct of their business or profession.
- (3) who undertakes the management of portfolio securities of investment companies, including the arrangement of purchases, sales or exchange of securities.

2.1.12 **"Financing Companies"** are corporations which are primarily organized for the purpose of extending credit facilities to consumers and to industrial, commercial, or agricultural enterprises, by direct lending or by discounting or factoring commercial papers or accounts receivable, or by buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness, or by financial leasing of movable as well as immovable property. The same does not include banks, investment houses, savings and loan associations, insurance companies, cooperatives, and other financial institutions organized or operating under other special laws.

2.1.13 "**Lending Company**" shall refer to a corporation engaged in granting loans from its own capital funds or from funds sourced from not more than nineteen (19) persons. It shall not be deemed to include banking institutions, investment houses, savings and loan associations, financing companies, pawnshops, insurance companies, cooperatives and other credit institutions already regulated by law. The term shall be synonymous with lending investors.

2.1.14 "**Beneficial Owner**" refers to any natural person who:

- (1) Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
- (2) Has ultimate effective control over customer that is a legal person or arrangement.

Legal Arrangements shall refer to express trusts or other similar legal arrangements. Examples of other similar arrangements (for AML/CFT purposes) include *fiducie*, *treuhand* and *fideicomiso*.

Ultimate effective control refers to any situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control. This may be achieved through, but not limited to, any of the following situations:

- a) direct or indirect ownership of at least 25% of any category of voting shares or capital of a legal person, arrangement, understanding, relationship or otherwise has or shares: voting power, which includes the power to vote, or to direct the voting of, such security; and/or investment returns or power, which includes the power to dispose of, or to direct, the disposition of such security; provided, a person shall be deemed to have an indirect beneficial ownership interest in any security which is:
 - (i) held by members of his immediate family sharing the same household;
 - (ii) held by a partnership in which he is a general partner;
- b) the ability to elect a majority of the board of directors, or any similar body, of a legal person or arrangement; or
- c) any situation in which:
 - (i) a person has the ability in fact to exert a dominant influence over the management or policies of a legal person or arrangement; or
 - (ii) a majority of the members of the board of directors of a such legal person or arrangement, or any equivalent body, are accustomed or under an obligation, whether formal or informal, to act in accordance with a given person's directions, instructions or wishes in conducting the affairs of the legal person or arrangement.

- d) subject to any contract, arrangement or understanding which gives him voting power or investment power with respect to such securities: *Provided however*, a person shall not be deemed to be a beneficial owner of securities held by him/her for the benefit of third parties or in customer or fiduciary accounts in the ordinary course of business, so long as such shares were acquired by such person without the purpose or effect of changing or influencing control of the issuer.

There may be cases where no natural person is identifiable who ultimately owns or exerts control over the legal entity. In such exceptional cases, covered institutions, having exhausted all other means of identification, and provided there are no grounds for suspicion, may consider the senior managing official/s to be the beneficial owner/s.

All securities of the same class beneficially owned by a person, regardless of the form such beneficial ownership takes, shall be aggregated in calculating the number of shares beneficially owned by such person.

A person shall be deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership within thirty (30) days, including, but not limited to, any right to acquire, through the exercise of any option, warrant or right; through the conversion of any security; pursuant to the power to revoke a trust, discretionary account or similar arrangement; or pursuant to automatic termination of a trust, discretionary account or similar arrangement.

2.1.15 “**Unlawful activity**” refers to any act or omission or series or combination thereof involving or having direct relation to the following:

1. “Kidnapping for Ransom” under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;
2. Sections 4, 5, 6, 8, 9, 10, 11, 12,13, 14, 15 and 16 of Republic Act No. 9165, otherwise known as the “Comprehensive Dangerous Drugs Act of 2002”;
3. Section 3 paragraphs b, c, e, g, h and i of Republic Act No. 3019, as amended, otherwise known as the “Anti-Graft and Corrupt Practices Act”;
4. “Plunder” under Republic Act No. 7080, as amended;
5. “Robbery” and “Extortion” under Articles 294, 295, 296, 299, 300, 301 and 302 of the Revised Penal Code, as amended;
6. “Jueteng” and “Masiao” punished as illegal gambling under Presidential Decree No. 1602;
7. “Piracy on the High Seas” under the Revised Penal Code, as amended, and Presidential Decree No. 532;
8. “Qualified Theft” under Article 310 of the Revised Penal Code, as amended;

9. "Swindling" under Article 315 and "Other Forms of Swindling" under Article 316 of the Revised Penal Code, as amended;
10. "Smuggling" under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the "Tariff and Customs Code of the Philippines";
11. Violations under Republic Act No. 8792, otherwise known as the "Electronic Commerce Act of 2000";
12. "Hijacking" and other violations under Republic Act No. 6235, otherwise known as the "Anti-Hijacking Law"; "Destructive Arson"; and "Murder", as defined under the Revised Penal Code, as amended;
13. "Terrorism" and "Conspiracy to Commit Terrorism" as defined and penalized under Sections 3 and 4 of Republic Act No. 9372;
14. "Financing of Terrorism" under Section 4 and offenses punishable under Sections 5, 6, 7 and 8 of Republic Act No. 10168, otherwise known as the "Terrorism Financing Prevention and Suppression Act of 2012";
15. "Bribery" under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and "Corruption of Public Officers" under Article 212 of the Revised Penal Code, as amended;
16. "Frauds and Illegal Exactions and Transactions" under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;
17. "Malversation of Public Funds and Property" under Articles 217 and 222 of the Revised Penal Code, as amended;
18. "Forgeries" and "Counterfeiting" under Articles 163, 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;
19. Violations of Sections 4 to 6 of Republic Act No. 9208, otherwise known as the "Anti-Trafficking in Persons Act of 2003, as amended";
20. Violations of Sections 78 to 79 of Chapter IV of Presidential Decree No. 705, otherwise known as the "Revised Forestry Code of the Philippines, as amended";
21. Violations of Sections 86 to 106 of Chapter IV of Republic Act No. 8550, otherwise known as the "Philippine Fisheries Code of 1998";
22. Violations of Sections 101 to 107, and 110 of Republic Act No. 7942, otherwise known as the "Philippine Mining Act of 1995";
23. Violations of Section 27(c), (e), (f), (g) and (i) of Republic Act No. 9147, otherwise known as the "Wildlife Resources Conservation and Protection Act";

24. Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the “National Caves and Cave Resources Management Protection Act”;
25. Violation of Republic Act No. 6539, otherwise known as the “Anti-Carnapping Act of 2002, as amended”;
26. Violation of Sections 1, 3, and 5 of Presidential Decree No. 1866, as amended, otherwise known as the decree “Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives”;
27. Violation of Presidential Decree No. 1612, otherwise known as the “Anti-Fencing Law”;
28. Violation of Section 6 of Republic Act No. 8042, otherwise known as the “Migrant Workers and Overseas Filipinos Act of 1995, as amended”;
29. Violation of Republic Act No. 8293, otherwise known as the “Intellectual Property Code of the Philippines, as amended”;
30. Violation of Section 4 of Republic Act No. 9995, otherwise known as the “Anti-Photo and Video Voyeurism Act of 2009”;
31. Violation of Section 4 of Republic Act No. 9775, otherwise known as the “Anti-Child Pornography Act of 2009”;
32. Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the “Special Protection of Children Against Abuse, Exploitation and Discrimination”;
33. Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the “Securities Regulation Code of 2000”;
34. Felonies or offenses of a nature similar to the aforementioned unlawful activities that are punishable under the penal laws of other countries.

In determining whether or not a felony or offense punishable under the penal laws of other countries is “of similar nature”, as to constitute an unlawful activity under the AMLA, the nomenclature of said felony or offense need not be identical to any of the unlawful activities listed above.

2.1.16 “**Politically Exposed Person, or PEP**” refers to an individual who is or has been entrusted with a prominent public position/function in:

1. the Philippines with substantial authority over policy, operations or the use or allocation of government-owned resources;
2. a foreign state; or
3. an international organization.

It shall be presumed that a person who has been entrusted with prominent public position/function as referenced above shall continue to be considered a PEP, even if he or she no longer holds such a position, unless it is clearly shown otherwise.

The term PEP shall include immediate family members, and close relationships and associates that are reputedly known to have:

1. joint beneficial ownership of a legal entity or legal arrangement with the main/principal PEP; or
2. sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/ principal PEP.

Immediate family members of PEPs refer to spouse or partner, children and their spouses, parents and parents-in-law, and siblings.

Close associates of PEPs refer to persons who maintain a particularly close relationship with the PEP, and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP. Close associates may include:

- (1) beneficial owners of a legal entity or legal arrangement that is known to exist for the benefit of the main/ principal PEP;
- (2) business partners or associates, especially those that share beneficial ownership of legal entities or legal arrangements with the PEP;
- (3) persons who are otherwise connected to the PEP (e.g., through joint membership of a company board);
- (4) prominent members of the same political party, civil organization, labor or employee union as the PEP;
- (5) persons (sexual and/or romantic) partners outside the family unit (e.g. girlfriends, boyfriends, mistresses, etc.).

2.1.17 An “**affiliate**” means an entity:

- (1) the voting stock of which at least twenty percent (20%), but not more than fifty percent (50%), is owned directly or indirectly by a covered institution; or
- (2) over which a covered institution has the ability in fact to exert a significant influence.

Significant influence refers to the ability to participate in the managerial, operating or financial decisions of an entity with the reasonable possibility, but not certainty, of determining the content of those decisions. This may be shown, for example, by:

- (1) a contract between the entities, or a provision contained in the lower tier entity's articles of incorporation or other constitutional documents;

- (2) the ability, in any manner, of the upper tier entity to appoint a member of the board of directors or any equivalent body of the lower tier entity;
- (3) any situation in which one or more members of the board of directors of the lower tier entity, or any equivalent body of that entity, are accustomed or under an obligation, whether formal or informal, to act in accordance with the instructions or wishes of the upper tier entity in conducting its affairs; or
- (4) the existence of material and regular transactions between the entities.

2.1.18 A “**subsidiary**” means an entity that is controlled, directly or indirectly, by a covered institution, which may be evidenced by:

- (1) more than 50% of the outstanding voting stock of which being owned directly or indirectly by such covered institution;
- (2) such covered institution having the ability in fact to elect a majority of the members of the board of directors or any equivalent body; or
- (3) such covered institution having the ability in fact to exert a dominant influence over the financial, operational or managerial affairs of the entity. This may be shown, for example, by:
 - (a) a contract between the entities, or a provision contained in the entity’s articles of association or other constitutional documents;
 - (b) a majority of the members of the board of directors of the entity, or any equivalent body of the entity, being accustomed or under an obligation, whether formal or informal, to act in accordance with the covered institution’s directions, instructions or wishes in conducting its affairs.

Any legal entity that beneficially owns, either directly or through one or more controlled companies, more than thirty (30) per centum of the voting securities of another company shall be presumed to control such company. Any such presumption may be rebutted by evidence, but shall continue until a determination to the contrary is made by the Commission.

CHAPTER 3

DESCRIPTION OF MONEY-LAUNDERING

Section 3.1. Definition of Money-Laundering. – Money laundering is the processing of the proceeds of a crime to disguise their origin. It is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the AMLA, so that they appear to have originated from a legitimate source.

Money laundering is committed by:

- A. Any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:
 - 1. transacts said monetary instrument or property;
 - 2. converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
 - 3. conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
 - 4. attempts or conspires to commit money laundering offenses referred to in (1), (2), or (3) above;
 - 5. aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (1), (2), or (3) above; and
 - 6. performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (1), (2), or (3) above.
- B. Any covered person who, knowing that a covered or suspicious transaction is required under the AMLA to be reported to the AMLC, fails to do so.

Section 3.2. Stages of Money-Laundering. – The process of money laundering generally comprises three (3) stages during which there may be numerous transactions that, could alert a covered institution to the money laundering activity:

- 3.2.1 *Placement* - the physical disposal of cash proceeds, derived from illegal activity.
- 3.2.2 *Layering* - separating the illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity or to obscure the source of the funds.
- 3.2.3 *Integration* - provides appearance of legitimacy to criminally- derived wealth. If the layering process has succeeded, the integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be normal business funds.

Because of the nature of the business relationships entered into and among clients and the covered institutions, which are no longer predominantly cash-based, they are less conducive to the initial placement of criminally derived funds other than financial industries such as banking. Most payments are made by way of checks from another financial institution; hence, it can be assumed that the first stage of money laundering has already been achieved. Nevertheless, the purchases by cash are not unknown and the risk of the business being used at the placement stage cannot be ignored. The businesses of these covered institutions are most likely to be used at the second stage of money laundering, i.e., the layering process, as they provide a potential avenue which may allow a dramatic alteration of the form of funds, from cash on hand to securities such as stock certificates, investment contracts, evidences of indebtedness, bearer and other negotiable instruments. Investment transactions incorporate an added attraction to the money launderer in that the alternative asset is normally highly liquid. The ability to liquidate investment portfolios containing both lawful and illicit proceeds, whilst

concealing the criminal source of the latter, combined with the huge variety of investments available, and the ease of transfer between them, offers the sophisticated criminal launderer an ideal route to effective integration into the legitimate economy. Due diligence must, therefore, be exercised to prevent the use of these covered institutions as instruments for money laundering.

CHAPTER 4

BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND TERRORIST FINANCING

Section 4.1. Money Laundering and Terrorist Financing Prevention Program. All covered institutions shall adopt a comprehensive and risk-based Money Laundering and Terrorist Financing Prevention Program (MLPP) geared toward the promotion of high ethical and professional standards and the prevention of the covered institutions being used, intentionally or unintentionally, for money laundering and terrorism financing.

The MLPP shall be consistent with the AMLA, as amended, its RIRR and the provisions set out in these Guidelines and designed according to the covered institution's corporate structure and risk profile. It shall be in writing, approved by the board of directors or by the country/regional head or its equivalent for local branches of foreign covered institutions, and well disseminated to all officers and staff who are obligated by law and by their program to implement the same.

Where a covered institution has branches, subsidiaries, affiliates or offices located within and/or outside the Philippines, there shall be a consolidated system to ensure the coordination and implementation of the MLPP on a group-wide basis, taking into account local business considerations and the requirements of the host jurisdiction.

The covered institution at the head of the group shall be responsible for effective implementation of the MLPP at the level of the group. The covered institution at the head of the group refers to the covered institution that is not a subsidiary of any other covered institution in the group (i.e., the ultimate parent company/covered institution in the group).

For purposes of these Guidelines, a group of covered institutions shall refer to a covered institution, its subsidiaries and affiliates that are covered institutions.

The MLPP shall also be readily available in user-friendly form, whether in hard or soft copy. The covered institution must put up a procedure to ensure an audit trail evidencing dissemination process for new and amended policies and procedures. The program shall embody the following at a minimum:

- (1) Detailed procedures of the covered institution's compliance and implementation of the following major requirements of the AMLA, as amended, its RIRR, and these Guidelines, to wit:
 - (a) **Customer identification** process including acceptance policies and on-going monitoring processes;

- (b) Record keeping and retention;
 - (c) Covered transaction reporting; and
 - (d) Suspicious Transaction (ST) reporting, including the adoption of a system, electronic or manual, of flagging, monitoring and reporting of transactions that qualify as suspicious transactions, regardless of amount or that will raise a “red flag” for purposes of conducting further verification or investigation, or transactions involving amounts below the threshold to facilitate the process of aggregating them for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breach the threshold. The ST reporting shall include a reporting chain under which a ST will be processed and the designation of a board-level or approved committee who will ultimately decide whether or not the covered institution should file a report to the AMLC. If the resources of the covered institution do not permit the designation of a committee, it may designate the Compliance Officer to perform this function instead, provided, that the board of directors approves this decision in writing.
- (2) An effective and continuous AML/CFT training program for all directors, and responsible officers and employees, to enable them to fully comply with their obligations and responsibilities under these Guidelines, the AMLA, as amended, its RIRR and their internal policies and procedures as embodied in the MLPP. The training program shall also include refresher trainings to remind these individuals of their obligations and responsibilities as well as update them of any changes in AML/CFT laws, rules and internal policies and procedures.
 - (3) An adequate screening and recruitment process to ensure that only qualified personnel who have no criminal record/s or adverse circumstances in their backgrounds that would entail a risk of involvement in money laundering or terrorist financing are employed to assume sensitive functions within the covered institution;
 - (4) An internal audit system in accordance with Chapter 10 of this Guidelines;
 - (5) An independent audit program with written scope of audit that will ensure the completeness and accuracy of the information and identification documents obtained from clients, the covered and suspicious transactions reports submitted to the AMLC, and the records retained in compliance with this Part as well as adequacy and effectiveness of the training program on the prevention of money laundering and terrorism financing;
 - (6) A mechanism that ensures all deficiencies noted during the audit and/or SEC regular or special examination or other applicable regulator's examination are immediately corrected and acted upon;

- (7) **Cooperation with the AMLC;**
- (8) **Designation of an AML Compliance Officer**, who shall at least have a rank of senior vice president or an equivalent position with adequate stature and authority in the corporation as the lead implementor of the program within an adequately staffed compliance office. The AML compliance officer should not be a member of the Board of Directors and should annually attend AML trainings. The AML compliance officer may also be the liaison between the covered institution, the SEC and the AMLC in matters relating to the covered institution's AML/CFT compliance. Where resources of the covered institution do not permit the hiring of an AML compliance officer, the board of directors may provide that the compliance officer shall also assume the responsibility of the former.
- (9) A mechanism where information required for customer due diligence and ML/TF risk management are accessible by the parent covered institution and information are freely shared among branches, subsidiaries, affiliates and offices located within and/or outside the Philippines. Exchange of information among branches, subsidiaries, affiliates, and offices located within and/or outside the Philippines shall not be deemed a violation of Rule 9, Item C of the RIRR as long this is done within the group. The MLPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group.
- (10) **Policies and control procedures and** monitoring mechanism for prevention or mitigation of ML/TF risks.

Section 4.2. Submission of the Revised and Updated MLPP with Approval by the Board of Directors or Country Head. – Within six (6) months from the effectivity of these Guidelines, all covered institutions shall submit their MLPP to the Commission through the Operating Department having supervision over such covered institutions copy furnished the Anti-Money Laundering Division (AMLDD) of the Enforcement and Investor Protection Department (EIPD). The revised or updated MLPP shall be approved by the board of directors, or the country/ regional head or its equivalent for local branches of foreign covered institutions and shall embody the principles and policies enunciated in these Guidelines.

Section 4.3. Updating of MLPP. – The MLPP shall be regularly updated at least once every two (2) years to incorporate changes in AML/CFT policies and procedures, latest trends in ML and TF typologies, and latest pertinent SEC issuances. Any revision or update in the MLPP shall likewise be approved by board of directors or the country/ regional head or its equivalent for local branches of foreign covered institutions.

CHAPTER 5 CUSTOMER IDENTIFICATION

A. General Requirements

Section 5.A.1. Written Client Identification and Acceptance Policies and Procedures. – Covered institutions must develop clear written client identification and graduated acceptance policies and procedures including a set of criteria for customers that are likely to pose low, normal or high risk to their operations. Such policies and procedures must be designed to ensure that the financially or socially disadvantaged are not denied access to financial services, while at the same time prevent suspicious individuals or entities from opening an account or establishing a relationship.

The policies and procedures must include procedures for providing customers with adequate notice that the covered institution is requesting information to verify their identities. If appropriate, the covered institution may use the following sample language to provide notice to its customers:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight money laundering activities, the Anti-Money Laundering Act, as amended, requires all covered institutions to obtain, verify and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, business, TIN, SSS or GSIS Nos. and other information that will allow us to identify you. We may also ask to see your driver's license, passport or other competent evidence of identity bearing your photograph and signature.

Section 5.A.2. Continuing Due Diligence. – “Know your customer” measures of the covered institution should include conducting continuing due diligence on the business relationship to ensure that the transactions being conducted are consistent with the covered institution's knowledge of the customer and/or beneficial owner, their business profile, including, where necessary, the source of its funds.

Section 5.A.3. Customer Information and Identification Documents. – Covered institutions shall obtain and record competent evidence of the true and full identity, representative capacity, domicile, legal capacity, occupation or business purposes of clients, as well as other identifying information on those clients, whether they be occasional or usual, through the use of documents such as, but not limited to:

- (1) Identity documents, such as passports, birth certificates, driver's licenses, and other similar identity documents, which are verifiable from the institution issuing the same.

The identifying documents should provide evidence of complete name or names used, residential address, date of birth, nationality, office address and contact details. They should include at least one (1) identifying

document bearing the photograph and signature of the client. The identifying documents which are considered most reliable are official identity cards and passports. While identification documents that are easily obtained in any name e.g. medical cards, credit cards and student identification cards, may be used, they should not be accepted as the sole means of identification.

Clients engaging in transactions with covered institutions shall present one (1) original official identity card with photo and signature. For this purpose, the term "official identity card" shall refer to those issued by any of the following: the National Government of the Republic of the Philippines, its political subdivisions or instrumentalities, or government owned and controlled corporations.

Passports issued by foreign governments shall be considered as prima facie identification documents of persons engaging in transactions with the covered institutions.

(2) Incorporation and partnership papers, for corporate and partnership accounts. These documents should be certified as true copies from the issuing government agency.

(3) Special authorizations for representatives, which must be duly notarized.

Section 5.A.4. Additional or Further Verification Measures. – Clients should be made aware of the covered institutions' explicit policy that business transactions will not be conducted with applicants who fail to provide competent evidence of their identity, but without derogating from the covered institutions' obligation to report suspicious transactions. Where initial verification fails to identify the applicant, or gives rise to suspicion/s that the information provided is false, additional verification measures should be undertaken to determine whether to proceed with the business and/or make a suspicious transaction report if circumstances under Section 3(b-1) of the AMLA, as amended, would apply. Details of the additional verification are to be recorded in writing and be made available for inspection by the Commission or appropriate authorities.

The covered institution shall take further measures to verify the identity of the customer or the beneficial owner, as applicable, if during the business relationship, it has reason to doubt:

- (1) The accuracy of the information relating to the customer's identity;
- (2) That the customer is the beneficial owner; or
- (3) The customer's declaration of beneficial ownership.

Section 5.A.5. Updating Client Information. – Covered institutions shall ensure that they know their customers well, and accordingly, shall keep current and accurate all material information with respect to their customers by regularly conducting verification and an update thereof.

Section 5.A.6. Unusual transactions. – A covered institution should pay special attention to all unusually large transactions or unusual patterns of transactions. This

requirement applies both to the establishment of a business relationship and to ongoing due diligence. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities.

Section 5.A.7. Acquisition by covered institution of the business of another covered institution. – When a covered institution acquires the business of another covered institution, either in whole or as a product portfolio, it is not necessary for the identity of all existing customers to be re-identified, provided that:

- (1) All customer account records are acquired with the business; and
- (2) Due diligence inquiries do not raise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied Philippine requirements.

Section 5.A.8. If the True identity of Customer cannot be established. – The covered institution's policies and procedures must include procedures for responding to circumstances in which the covered institution cannot form a reasonable belief that it knows the true identity of a customer or when the covered institution is unable to comply with Section 5.1.3 hereof. These procedures should include, among others, the following:

- (1) When the covered institution should not open the account or commence business relations or perform the transaction;
- (2) The terms under which a customer may conduct transactions while the covered institution attempts to verify the customer's identity;
- (3) When the covered institution should close an account or terminate business relationship after attempts to verify customer's identity fail; and
- (4) Should consider filing a Suspicious Transaction Report with the Anti-Money Laundering Council.

Section 5.A.9 Conduct of Face-to-Face Contact. – Covered persons shall conduct face-to-face contact at the commencement of the relationship, or as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business and the risks involved; provided that money laundering risks are effectively managed.

The use of Information and Communication Technology in the conduct of face-to-face contact may be allowed, provided that the covered person is in possession of and has verified the identification documents submitted by the prospective client prior to the interview and that the entire procedure is documented.

Section 5.A.10 Presentation of Original Identification Documents. – Covered institutions shall request individual clients who present only photocopies of identification card and other documents to produce the original documents thereof for verification purposes.

Section 5.A.11 Use of New or Developing Technologies. – Covered institutions should pay special attention to any money laundering threats that may arise from new or developing technologies that might favor anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

Section 5.A.12 Third Party Reliance. – The covered institution's policies and procedures may include procedure specifying reliance on an intermediary or third party for its know your customer or customer due diligence requirements as long as the intermediary or third party relied upon are considered as covered institution as defined under this Guidelines or any other guidelines or rules issued by the BSP or the IC, or as defined and identified by foreign jurisdictions in so far as covered institutions in their respective jurisdictions are concerned.

It is understood that the Commission reserves the right to disapprove arrangements of covered institutions with intermediaries or third parties when it has been proven to have been abused by covered institutions.

Where such reliance is permitted, the following criteria should be met:

- (1) The covered institution, relying on the intermediary or third party, should immediately take adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements will be made available from the intermediaries and third parties upon request without delay. The covered institution should be satisfied with the quality of the due diligence undertaken by the intermediaries and third parties.
- (2) The covered institution should satisfy itself that the intermediaries and third parties are regulated and supervised, and have measures in place to comply with customer due diligence requirements.
- (3) The customer identification program of the third party intermediary is similar to or is equivalent to the customer identification program of the covered institution.
- (4) Ultimate responsibility for customer and/or beneficial owner identification and verification remains with the covered institution relying on intermediaries or third parties.

In cases of high risk customers, the covered person relying on the third person shall also conduct enhanced due diligence procedure.

Section 5.A.13 Outsourcing the Conduct of Customer Identification. – Covered persons may outsource the conduct of customer identification, including face-to-face contact, to a counter-party, intermediary or agent. The outsource, counter-party or intermediary shall be regarded as agent of the covered person – that is, the processes and documentation are those of the covered person itself. The ultimate responsibility for identifying the customer and keeping the identification documents remains with the covered person.

The covered person outsourcing the conduct of customer identification, including face-to-face contact, shall ensure that the employees or representatives of the counter-party, intermediary or agent undergo equivalent training program as that of the covered person's own employees undertaking similar activity.

Section 5.A.14 Prohibited Accounts. – Covered institutions shall maintain customer accounts only in the name of the account holder. They shall not open or keep anonymous accounts, fictitious name accounts, incorrect name accounts, and similar accounts.

B. Personal Customers

Section 5.B.1 Covered institutions shall obtain from all individual clients the following information:

- (1) complete name and names used;
- (2) present address;
- (3) permanent address;
- (4) mailing address;
- (5) date and place of birth;
- (6) nationality;
- (7) contact details (avoid pre-paid cellular phone numbers)
- (8) nature of work, name of employer or nature of self-employment or business;
- (9) Tax Identification Number, Social Security number or Government Service and Insurance System number;
- (10) specimen signature;
- (11) sources of funds, whenever necessary;
- (12) names of beneficial owner or beneficiaries, if applicable;
- (13) complete name, address and contact information of beneficial owner, if applicable.

C. Risk-Assessment/Risk-Profiling of Customers

Section 5.C.1 A covered institution shall formulate a risk-based and tiered customer acceptance, identification and retention policy that involves reduced customer due diligence (CDD) for potentially low risk clients and enhanced CDD for higher risk accounts.

Covered institutions shall specify the criteria and description of the types of customers that are likely to pose low, normal or high ML/TF risk to their operations, as well as the standards in applying reduced, average and enhanced due diligence, including a set of conditions for the denial of account opening or services.

Enhanced due diligence shall be applied to customers that are assessed by the covered institution or under these Guidelines as high risk for ML/TF.

For customers assessed to be of low risk such as small account balances and transactions, a covered institution may apply reduced due diligence. Some entities may likewise be considered as low risk clients, e.g., banking institutions, trust entities and Qualified Buyers (QBs) authorized by the Bangko Sentral to operate as such and publicly listed companies subject to regulatory disclosure requirements.

In designing a customer acceptance and risk profiling policy, the following criteria relating to the product or service, the customer, and geographical location, at a minimum, shall be taken into account:

- (1) The nature of the service or product to be availed of by the customers and the purpose of the account or transaction;
- (2) Source of funds/nature of business activities;
- (3) Public or high profile position of the customer or its directors/trustees, stockholders, officers and/or authorized signatory;
- (4) Country of origin and residence of operations or the fact that a customer came from a high risk jurisdiction;
- (5) The existence of ST indicators;
- (6) Watch list of individuals and entities engaged in illegal activities or terrorist-related activities as circularized by the Bangko Sentral ng Pilipinas, Securities and Exchange Commission, AMLC, and other international entities or organizations, such as the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and United Nations Sanctions List; and
- (7) Such other factors, e.g., the amount of the funds involved or the size of the transaction undertaken by a customer or the size of transactions, and regularity or duration of the transaction, as the covered institution may deem reasonable or necessary to consider in assessing the risk of a customer to ML/TF.

In assessing the risk profile of customers which are juridical entities, the covered institution should also consider the financial profile and other relevant information of the active authorized signatories.

The covered institution shall document the risk profiling results as well as how a specific customer was profiled and what standard of CDD (reduced, average or enhanced) was applied. Further, it shall regularly update its risk-assessment/risk-profiling of its clients.

Section 5.C.2 Reduced Due Diligence. – In general, the full range of customer due diligence measures should be applied. However, if the risk of money laundering or the financing of terrorism is lower based on the covered institution's assessment, and if information on the identity of the customer and the beneficial owner is publicly available, or adequate checks and controls exist elsewhere in national systems, it could be reasonable for covered institutions to apply simplified or reduced customer due diligence measures when identifying and verifying the identity of the customer, the

beneficial owner and other parties to the business relationship. Examples of customers where simplified or reduced customer due diligence measures could apply are:

- (1) Financial institutions where they are subject to requirements to combat money laundering and the financing of terrorism consistent with the Financial Action Task Force (FATF) Recommendations, and are supervised for compliance with those controls;
- (2) Public companies that are subject to regulatory disclosure requirements;
- (3) Government institutions and its instrumentalities.

Reduced due diligence shall not be applied if there is suspicion of ML/TF.

Section 5.C.3 Enhanced due diligence (EDD). – Covered persons shall examine, as far as reasonably possible, the background and purpose of all complex, unusual large transactions and/or unusual patterns of transactions which, have no apparent economic or lawful purpose, and other transactions that may be considered suspicious. Where the risks of ML/TF are higher, covered persons are required to conduct enhanced CDD measures consistent with the risks identified.

Whenever EDD is applied as required by these Guidelines, or by the covered institution's customer acceptance policy, or where the risk of ML/TF are higher, the covered institution shall do all of the following, in addition to profiling of customers and monitoring of their transactions:

- (1) Gather additional customer information and/or identification documents, other than the minimum information and/or documents required for the conduct of normal due diligence.
 - (a) In case of individual customers-
 - (i) supporting information on the intended nature of the business relationship/source of funds/source of wealth (such as financial profile, ITR, etc.);
 - (ii) reasons for intended or performed transactions;
 - (iii) list of companies where he/she is a stockholder, beneficial owner, director, officer, or authorized signatory;
 - (iv) other relevant information available through public databases or internet; and
 - (v) a list of banks where the individual has maintained or is maintaining an account.
 - (b) In case of entities –
 - (i) prior or existing bank references;

- (ii) the name, present address, nationality, date of birth, nature of work, contact number and source of funds of each of the primary officers (e.g., President, Treasurer);
 - (iii) volume of assets, other information available through public databases or internet and supporting information on the intended nature of the business relationship, source of funds or source of wealth of the customer (ITR, Audited Financial Statements, etc.); and
 - (iv) reasons for intended or performed transactions.
- (2) Conduct validation procedures on any or all of the information provided;
 - (3) Secure senior management approval to commence or continue business relationship/transacting with the customer;
 - (4) Conduct enhanced ongoing monitoring of the business relationship, by, among others, increasing the number and timing of controls applied, and selecting patterns of transactions that need further examination;
 - (5) Require the first payment to be carried out through an account in the customer's name with a bank subject to similar CDD standards, where applicable; and
 - (6) Perform such other measures as the covered institution may deem reasonable or necessary.

Section 5.C.4 Minimum validation procedures for EDD. – The procedures performed must enable the covered institution to achieve a reasonable confidence and assurance that the information obtained are true and reliable.

Validation procedures for individual customers shall include, but are not limited to, the following:

- (1) Confirming the date of birth from a duly authenticated official document;
- (2) Verifying the address through evaluation of utility bills, bank or credit card statement, sending thank you letters, or other documents showing address or through on-site visitation;
- (3) Contacting the customer by phone or e-mail;
- (4) Determining the authenticity of the identification documents through validation of its issuance by requesting a certification from the issuing authority or by any other effective and reliable means; or
- (5) Determining the veracity of the declared source of funds.

For corporate or juridical entities, verification procedures shall include, but are not limited to, the following:

- (1) Validating source of funds or source of wealth from reliable documents such as audited financial statements, ITR, bank references, etc.;
- (2) In the case of an entity that is subject to supervision by a financial regulatory/supervisory body, inquiring from the supervising authority the status of the entity;

- (3) Verifying the address through on-site visitation of the company, sending thank you letters, or other documents showing address; or
- (4) Contacting the entity by phone or e-mail.

Section 5.C.5 Failure to Conduct/Complete EDD and Tipping Off. – Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the covered institution shall decline to establish the relationship with the customer, or to execute the requested transaction, without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant.

Where the covered person fails to satisfactorily complete EDD and reasonably believes that conducting EDD will tip off the customer, it shall file an STR and closely monitor the account and review the business relationship.

If the covered institution forms a suspicion that transactions relate to ML/TF, it should take into account the risk of tipping off when performing the CDD process. If the institution reasonably believes that performing the CDD process will tip off the customer or potential customer, it may choose not to pursue that process, and should file an STR. Institutions should ensure that their employees are aware of, and sensitive to, these issues when conducting the CDD.

D. High Risk Customers

Section 5.D.1 Covered institutions should give special attention to business relationships and transactions with persons, including companies and financial institutions, from countries which:

- (1) Are subject to financial sanctions, embargoes or similar measures by the United Nations or other public international organizations;
- (2) Have been identified by credible sources as:
 - (a) Having deficient AML/CFT regimes;
 - (b) Having significant amounts of corruption or other criminal activity, including in particular illegal drug production, distribution or trafficking, money laundering, or human trafficking;
 - (c) Providing financing or supporting terrorism or terrorist activities, or having terrorist organizations operating within their territory;
 - (d) Being tax havens;
 - (e) Experiencing significant civil unrest.

Credible sources include the FATF, FATF Style Regional Bodies (FSRB) such as the Asia Pacific Group on Money Laundering and the Egmont Group, national authorities such as the Office of Foreign Assets Control of the U.S. Department of the Treasury, or other reliable third parties such as regulatory authorities, international standard setting bodies such as the IOSCO, the Basel Committee, the IAIS, or securities or commodities exchanges.

The background and purpose of these transactions should, as far; as possible, be examined, and the findings established in writing. Whenever this examination reveals that these transactions have no apparent economic or visible lawful purpose, the covered institution should decline to proceed with the transaction or to establish the business relationship, or terminate the existing relationship, and should consider filing a ST with the AMLC. and be available to help competent authorities.

Section 5.D.2. Covered institutions should ensure that the principles applicable to covered institutions are also applied to branches, offices, affiliates and subsidiaries located abroad, especially in countries which do not or insufficiently apply the anti-money laundering measures implemented in the Philippines, to the extent that local applicable laws and regulations permit.

Whenever a covered institution's branch, office, subsidiary or affiliate based outside the Philippines is prohibited from implementing this Guideline or any of the provisions of the AMLA, as amended, or its RIRR, by reason of local laws, regulations or a supervisory directive, the covered institution shall:

- (1) formally notify the Commission of this situation;
- (2) furnish a copy of the applicable laws and/or regulations or the supervising authority's directive, as the case may be;
- (3) advise the Commission of what measures or mitigating controls it intends to adopt to manage the money laundering (ML) and terrorist financing (TF) risks in such branches, offices, subsidiaries, or affiliates to the extent feasible;
- (4) keep the Commission apprised of its efforts in this area, including any updates to the measures or controls referred to in point 3 above;
- (5) at the direction of the Commission, close any branch or office, or divest itself of its interest in any subsidiary or affiliate, as the case may be, if the Commission determines that the covered institution cannot effectively manage the ML and/or TF risks arising from its relationship with such branch, office, subsidiary, or affiliate.

Section 5.D.3 Customers from countries referred to in Section 5.8.1 above are considered higher risk customers. In addition to the requirements under Sections 5.1.2 and 5.1.3 hereof, covered institutions are required to establish the source of wealth of higher risk customers. Decisions on business relations with higher risk customers must be taken by its senior management.

E. Politically Exposed Persons

Section 5.E.1 Covered institutions shall establish and record the true and full identity of PEPs, as well as their immediate family members and entities related to them.

In case of domestic PEPs or persons who have been entrusted with a prominent function by an international organization, or their immediate family members or close associates, in addition to performing the applicable due diligence measures, covered persons shall:

- (a) Take reasonable measures to determine whether a customer or the beneficial owner is a PEP; and
- (b) In cases when there is a higher risk business relationship, adopt measures under Section 5.5 and Section 5.6 hereof on Enhanced Due Diligence relative to individual customers.

In relation to foreign PEPs or their immediate family members or close associates, in addition to performing the applicable customer due diligence measures, covered persons shall:

- (a) Put in place risk management systems to determine whether a customer or the beneficial owner is a PEP;
- (b) Adopt measures under Section 5.5 and Section 5.6 hereof on Enhanced Due Diligence relative to individual customers.

F. Single Proprietorships, Corporations, Stock or Non-Stock and Partnerships

Section 5.F.1. Before establishing a business relationship, a company search and/or other commercial inquiries shall be made to ensure that the corporate/other business applicant has not been, or is not in the process of being dissolved, struck off, wound-up or terminated. In case of doubt as to the veracity of the corporation or identity of its directors and/or officers, or of the business or its partners, a search or inquiry with the Commission or the relevant Supervising Authority/Regulatory Agency shall be made.

Section 5.F.2. The following relevant documents shall be obtained in respect of corporate/other business applicants that are regulated in the Philippines:

- (1) Copies of the Certificate of Registration issued by the Department of Trade and Industry, for single proprietors, or by the Securities and Exchange Commission, for corporations and partnerships, including the Articles of Incorporation or Certificate of Partnership, as appropriate; copies of the By-Laws of the corporation; the latest General Information Sheet, which lists the names of directors/trustees/partners and principal stockholders; and secondary licenses, if any; and other documents such as but not limited to clearance/certification from the Commission that the company is active and compliant with the reportorial requirements.

The original or certified true copies of any or all the foregoing documents, where required, should be produced for comparison and verification.

- (2) Appropriate board resolutions and signed application forms or account opening authority containing specimen signatures;
- (3) Where necessary and reasonable, covered institutions may also require additional information about the nature of the business of clients,

copies of identification documents of shareholders, directors, officers and all authorized signatories;

- (4) Sworn statement, signed by a high ranking official (e.g. Chief executive officer, corporate secretary), as to the existence or non-existence of beneficial owners;
- (5) In the case of a corporate/business applicant that is owned or controlled indirectly or through a chain of entities, a detailed organizational chart or organogram clearly showing the respective ownership and/or control structure, including identification of all beneficial owners.

The type of measures that would normally be needed to satisfactorily perform identification of beneficial owners would require identifying the natural persons with a controlling interest and identifying the natural persons who comprise the management of the legal person or arrangement. Where the customer or owner of the controlling interest is a public company that is subject to regulatory disclosure requirements, it is not necessary to seek to identify and verify the identity of any shareholder of that company.

Section 5.F.3 For companies, businesses or partnerships registered outside the Philippines, comparable documents are to be obtained, duly authenticated by the Philippine Consulate where said entities are located.

Section 5.F.4. If significant changes to the company structure or ownership occur subsequently, or suspicions arise as a result of a change in the payment profile as reflected in a company account, further checks are to be made on the identities of the new owners.

Section 5.F.5. It is not necessary for a covered institution to routinely verify the details of the intermediate companies in the ownership structure of a company. However, the covered institution must always use its best efforts to determine who actually controls the customer. Complex ownership structures (e.g. structures involving multiple layers, cross-ownership, different jurisdictions, trusts, etc.) without an obvious commercial purpose pose an increased risk. In these cases, further steps may be necessary to ensure that the institution is satisfied on reasonable grounds as to the identity of the beneficial owners.

The need to verify the intermediate corporate layers of the ownership structure of a company will therefore necessarily depend upon the covered institution's overall understanding of the structure, its assessment of the risks and whether the information available is adequate in the circumstances for the covered institution to consider if it has taken adequate measures to identify the beneficial owners.

It is a good business practice for a covered institution to have each legal entity account holder complete and sign a "beneficial owner declaration form" for each account, and to obtain an organizational chart clearly showing the companies in the group, the relationship of the companies to each other, the ownership of each company, and the ultimate beneficial owner(s) of the customer.

G. Shell Companies

Section 5.G.1. Shell companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted. Covered institutions should note that shell companies may be abused by money launderers and therefore be cautious in their dealings with them.

Section 5.G.2. In addition to the requirement under Section 5.16.2, covered institutions should also obtain a Board of Directors' Certification as to the purposes of the owners/stockholders in acquiring the shell company. There must likewise be satisfactory evidence of the identities of the beneficial owners, bearing in mind the "Know-Your-Customer" principle.

H. Trust, Nominee and Fiduciary Accounts

Section 5.H.1. Covered institutions shall establish whether the applicant for business relationship is acting on behalf of another person as a trustee, nominee or agent. Covered institutions should obtain competent evidence of the identity of such agents and authorized signatories, and the nature of their trustee or nominee capacity and duties.

Section 5.H.2. Where the covered institution entertains doubts as to whether the trustee, nominee or agent is being used as a dummy in circumvention of existing laws, it shall immediately make further inquiries to verify the status of the business relationship between the parties. If satisfactory evidence of the beneficial owners cannot be obtained, covered institutions shall consider whether to proceed with the business, bearing in mind the "Know-Your- Customer" principle. If the covered institutions decide to proceed, they are to record any misgivings and give extra attention to monitoring the account in question.

Section 5.H.3. Where the account is opened by a firm of lawyers or accountants, the covered institutions should make reasonable inquiries about transactions passing through the subject accounts that give cause for concern, or from reporting those transactions if any suspicion is aroused. If a money laundering Suspicious Transaction Report is made to the AMLC in respect of such client's accounts, the Council will seek information directly from the lawyers or accountants as to the identity of its client and the nature of the relevant transaction, in accordance with the powers granted to it under the AMLA, as amended, and other pertinent laws.

I. Transactions Undertaken on Behalf of Account Holders or Non-Account Holders

Section 5.I.1 Transactions Undertaken on Behalf of Account Holders or Non-Account Holders. – Where transactions are undertaken on behalf of account holders of a covered institution, particular care shall be taken to ensure that the person giving instructions is authorized to do so by the account holder.

Transactions undertaken for non-account holders demand special care and vigilance. Where the transaction involves significant amounts, the customer should be asked to

produce competent evidence of identity including nationality, especially in cases where the client is not a Filipino, the purposes of the transaction, and the sources of the funds.

J. Bearer Shares

Section 5.J.1 Bearer shares are equity securities that are wholly owned by whoever holds the physical stock certificate. The issuing company does not register the owner of the stock or track transfers of ownership. Transferring the ownership of the stock involves only delivering the physical document. Bearer shares therefore lack the regulation and control of common shares because ownership is never recorded. Due to the higher ML/TF risks associated with bearer shares, the FATF standards require countries that allow companies to issue bearer shares to take appropriate measures to ensure that they are not misused for money laundering.

Philippine legislation prohibits domestic companies from issuing bearer shares. However, some foreign jurisdictions do permit companies to issue such shares, and there is a possibility that Philippine securities firms may encounter such firms as customers. Thus, institutions dealing with companies that issue such shares need to be particularly diligent, as it is often difficult to identify the beneficial owner(s). Covered institutions should adopt procedures to establish the identities of the holders and beneficial owners of such shares and ensure that they are notified whenever there is a change of holder or beneficial owner.

A covered institution dealing with bearer share entities shall conduct enhanced due diligence on said entities and their existing stockholders and/or beneficial owners at the time of opening of the account. These entities shall be subject to ongoing monitoring at all times and the list of stockholders and/or beneficial owners shall be updated within thirty (30) days after every transfer of ownership and the appropriate enhanced due diligence shall be applied to the new stockholders and/or beneficial owners.

Specifically, covered institutions should obtain declarations prior to account opening, and annually thereafter, from each beneficial owner holding at least 5%. Covered institutions should also require the customer to notify it immediately of any changes in the ownership of the shares.

K. Wire Transfers

Section 5.K.1. Because of the risk associated with dealing with fund/ wire transfers, where a covered institution may unknowingly transmit proceeds of unlawful activities or funds intended to finance terrorist activities, it shall establish policies and procedures designed to prevent it from being utilized for that purpose which shall include, but not limited to, the following:

- (1) A beneficiary institution shall not accept instructions to pay-out fund transfers to non-customer beneficiary, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said beneficiary. Should the originator and beneficiary be the same person, the beneficiary institution may rely on the customer due diligence conducted by the originating institution

- provided the rules on third party reliance under section 5.13 are met, treating the originating institution as third party as therein defined;
- (2) An originating institution shall not accept instructions to fund/wire transfer from a non-customer originator, unless it has conducted the necessary customer due diligence to establish the true and full identity and existence of said originator;
 - (3) In cross border transfers, if the originator is a high risk customer as herein described, the beneficiary institution shall conduct enhanced due diligence on the beneficiary and the originator. Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the beneficiary institution shall refuse to effect the fund/wire transfer or the pay-out of funds without prejudice to the reporting of a suspicious transaction to the AMLC when circumstances warrant;
 - (4) Whenever possible, manually initiated funds transfer (MIFT) instructions should not be the primary delivery method. Every effort shall be made to provide client with an electronic solution. Where MIFT is utilized, the following validation procedures shall apply:
 - a) Prior to the covered institution accepting from a customer a manually initiated funds transfer request, the customer must execute and sign an agreement which preferably is part of the account opening documentation, wherein are outlined the manual instruction procedures with related security procedures including customer agreement to accept responsibility for fraudulent or erroneous instructions provided the covered institution has complied with the stated security procedures.
 - b) It is mandatory that written MIFT instructions are signature verified. In addition, one of the following primary security procedures must be applied:
 - (i) a recorded callback to the customer to confirm the transaction instructions, or
 - (ii) test word arrangement/verification, provided that this procedure may be substituted by any of the following validity checks:
 - use of a controlled PIN or other pre-established code;
 - sequential numbering control of messages;
 - pre-established verifiable forms;
 - same as prior transmissions;
 - standing/ pre-defined instructions; or value for value transactions.
 - c) It is mandatory that MIFT instructions are signature verified and the device be located in a secured environment with limited and controlled staff access which permits visual monitoring. If monitoring is not possible, the device must be secured or

programmed to receive messages into a password protected memory.

- d) MIFT transactions below a certain threshold [approved by the [branch manager/country manager] (for branches of foreign covered institutions) or Business Risk Manager in accordance with policies and procedures approved by the covered institution's board of directors] may be processed with the mandatory procedure described above and an enhanced security procedure such as any or all of the following:
 - e) Telephone callback numbers and contacts must be securely controlled. The confirmation callback is to be recorded and made to the signatory/(ies) of the customer's individual account(s). For commercial and company accounts the callback will be made to the signatory/(ies) of the account or, if so authorized, another person designated by the customer in the MIFT agreement. The party called is to be documented on the instructions. The callback must be made by someone other than the person receiving the original instructions and effecting the signature verification.
- (5) Cross border and domestic fund/wire transfers and related message not exceeding P50,000.00 or its equivalent in foreign currency, shall include accurate and meaningful originator and beneficiary information. The following information shall remain with the transfer or related message through the payment chain:
- (a) Name of the originator;
 - (b) Name of the beneficiary; and
 - (c) Account number of the originator and beneficiary, or in its absence, a unique reference number.
- (6) For cross border and domestic fund/ wire transfers and related message amounting to P50,000.00 or more, or its equivalent in foreign currency, the following information shall be obtained and accompany the wire transfer:
- (a) Name of the originator;
 - (b) Originator account number where such an account is used to process the transaction or a unique transaction reference number which permits traceability of the transaction;
 - (c) Originator's address, or national identity number, or customer identification number, or date and place of birth;
 - (d) Name of the beneficiary; and
 - (e) Beneficiary account number where such an account is used to process the transaction, or unique transaction reference number which permits traceability of the transaction.

For domestic wire transfers, the originating institution should ensure that the required information accompanies the wire transfers, unless this information can be made available to the beneficiary institution and relevant authorities by other effective means. In the latter case, the ordering institution shall include only the account number or a unique identifier within the message or payment form which will allow the transaction to be traced back to the originator or beneficiary. Originating institutions are required to provide the information within three (3) working days from receiving the request either from the beneficiary institution or from relevant authorities or agencies.

- (7) Should any wire/fund transfer amounting to P50,000.00 or more or its equivalent be unaccompanied by the required originator information, the beneficiary institution shall exert all efforts to establish the true and full identity and existence of the originator by requiring additional information from the originating institution or intermediary institution. It shall likewise apply enhanced due diligence to establish the true and full identity and existence of the beneficiary. Where additional information cannot be obtained, or any information or document provided is false or falsified, or result of the validation process is unsatisfactory, the beneficiary institution shall refuse to effect the fund/wire transfer or the pay-out of funds without prejudice to the reporting of an ST to the AMLC when circumstances warrant.

CHAPTER 6 RECORD KEEPING

Section 6.1. General Requirements for Record Keeping. – The covered institutions' policies and procedures as described in Chapter 5 hereof, must include procedures for making and maintaining a record of all customer relationships and transactions, including customer identification and verification, such that:

- (1) Requirements of the AMLA, as amended, are fully met;
- (2) Any transaction effected via the covered institution can be reconstructed and from which the AMLC, and/or the courts will be able to compile an audit trail for suspected money laundering, when such report is made to it;
- (3) The covered institution can satisfy within a reasonable time any inquiry or order from the AMLC as to disclosure of information, including without limitation, whether a particular person is the customer or beneficial owner of transactions conducted through the covered institutions.

Section 6.2. Periods of Retention. – The following document retention periods shall be followed:

- (1) All records of all transactions of covered institutions, especially customer identification records, shall be maintained and safely stored in an easily accessible place for five (5) years from the dates of transactions.
- (2) With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed.
- (3) SRC Rule 52.1.1 (Books and Records Keeping Rule) and Rule 52.1.2 (Records Retention Rule) of the 2015 Implementing Rules and Regulations of the Securities Regulation Code continue to be in full force and effect.

Section 6.3. Records Relating to Pending Case. – Notwithstanding Section 6.2 hereof, if the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed and terminated.

Section 6.4. Forms of Records. – Transaction documents may be retained as originals or copies, on microfilm, provided that such forms are admissible in court, pursuant to the Revised Rules of Court and the E-commerce Act and its Implementing Rules and Regulations.

Section 6.5. Persons Responsible for Safekeeping of Records. – The covered institution shall designate at least two (2) persons responsible in the safekeeping of all records and report to the Commission any change in the person/s responsible.

CHAPTER 7

REPORTING OF COVERED AND SUSPICIOUS TRANSACTIONS

Section 7.1. Reporting System. – Each covered institution shall institute a system for the mandatory reporting of covered transactions and suspicious transactions. The system shall be described in detail in the operating manual of the covered institutions.

Section 7.2. Registration with AMLC. – All covered persons shall register with the AMLC's electronic reporting system.

Section 7.3. Covered Transaction Report (CTR). – Covered institutions shall file Covered Transaction Report ("CTR") (**Annex "A"**) to the AMLC involving any of the following transaction:

1. A transaction in cash or other equivalent monetary instrument involving a total amount in excess of Five Hundred Thousand Pesos (Php500,000.00) within one (1) banking day;

2. A transaction exceeding One Million Pesos (Php1,000,000.00) in cases of jewelry dealers, dealers in precious metals and dealers in precious stones;
3. A single casino cash transaction involving an amount in excess of Five Million Pesos (Php5,000,000.00) or its equivalent in any other currency.

Section 7.4. Suspicious Transaction Report (STR). – Covered institutions shall file Suspicious Transaction Report ("STR") (**Annex "B"**) before the AMLC for transactions, regardless of the amount of the transaction, where any of the following circumstances exists:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the file of the client and/or the client's past transactions with the covered institution;
6. The transaction is in any way related to an unlawful activity or offense under the AMLA that is about to be, is being, or has been committed; or
7. Any transaction that is similar or analogous to any of the foregoing.

In this regard, the covered institution should exercise due diligence by implementing adequate systems for identifying and detecting suspicious transactions.

Suspicious transactions are likely to involve a number of factors which together raise a suspicion in the mind of the covered institution that the transaction may be connected with any unlawful activity. A list of examples of suspicious transactions is attached as **Annex "C"**. The list is not intended to be exhaustive and only provided examples of the most basic ways in which money may be laundered. Identification of any of the transactions listed should prompt initial enquiries and, if necessary, further investigations on the source of funds.

Section 7.5. Transaction Reporting. – Covered institutions shall report to the AMLC all covered transactions and suspicious transactions within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof.

For suspicious transactions, "occurrence" refers to the date of determination of the suspicious nature of the transaction, which determination should be made not exceeding ten (10) calendar days from the date of transaction. However, if the transaction is in any way related to, or the person transacting is involved in or connected to, an unlawful activity or money laundering offense, the 10-day period for

determination shall be reckoned from the date the covered institution knew or should have known the suspicious transaction indicator.

Section 7.6. Transactions that are both covered and suspicious. – Should a transaction be determined to be both a covered and a suspicious transaction, the covered institution shall report the same as a suspicious transaction.

Section 7.7. Attempted Suspicious Transactions. – Covered persons shall likewise file STR for suspicious attempted or standalone transactions.

Section 7.8. Reporting of Customer's Unlawful Activities. – Where any employee or personnel, director or officer of the covered institution knows that the client has engaged in any of the unlawful activities under the AMLA, the matter must be promptly reported to its Compliance Officer who, in turn, must immediately report the details to the AMLC.

If there is reasonable ground to suspect that the customer has engaged in an unlawful activity, the Compliance Officer, on receiving such a report, must promptly evaluate whether there are reasonable grounds for such belief and must then immediately report the case to the AMLC, unless he considers, and records an opinion, that such reasonable grounds do not exist.

Section 7.9. Register of suspicious and covered transactions. – Each covered institution shall maintain a register of all suspicious transactions that have been brought to the attention of its Compliance Officer, including transactions that are not reported to the AMLC.

Each covered institution shall likewise maintain a register of all covered transactions which are not reported to the AMLC pursuant to AMLC Resolution No. 292, Series of 2003.

The registers shall contain details of the date on which the report is made, the person who made the report to its Compliance Officer, and information sufficient to identify the relevant papers related to said reports.

Section 7.10. Confidentiality of CTR and STR. – Covered institutions, their directors, officers and employees, shall not warn their customers that information relating to them has been reported or is in the process of being reported to the AMLC, or communicate, directly or indirectly, such information to any person other than the AMLC. Any violation of this confidentiality provision shall render them liable for criminal, civil and administrative sanctions under the AMLA.

When reporting CTs and STs to the AMLC, covered institutions, their directors, officers and employees, are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, or the media, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other information in relation thereto. Any information about such reporting shall not be published or aired, in any manner or form, by the mass media, or through electronic mail, or other similar devices.

In case of violation thereof, the concerned officer and employee of the covered institution shall be criminally liable in accordance with the provision of the AMLA, as amended.

Covered institutions, their directors, officers and employees, shall not notify their customers that information relating to them has been flagged internally with a view toward making a determination as to whether to file a ST, or communicate, directly or indirectly, such information to any person other than the AMLC.

Section 7.11. Safe Harbor Provision. – No administrative, criminal or civil proceedings shall lie against any person for having made a suspicious or covered transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under the AMLA or any other Philippine law. Covered institutions, its directors and employees shall likewise not be liable for any loss arising out of such disclosure, or any act or omission, in relation to the fund, property or investment in consequence of the disclosure, where such is made in good faith and in the regular performance of their duties under the Act.

CHAPTER 8 COMPLIANCE

Section 8.1. The Compliance Officer. – Each covered institution shall appoint a senior officer as the Compliance Officer who will be in charge of the implementation of its Operating Manual and the application of the internal programs and procedures, including customer identification policies and procedures, proper maintenance of records, reporting of covered and suspicious transactions to the AMLC, and training of employees.

Unless otherwise provided in its Operating Manual, the registered Associated Person of covered institution covered by the SRC shall also be the Compliance Officer as contemplated herein. A Compliance Officer shall be:

1. A senior officer with relevant qualifications and experience to enable him to respond sufficiently well to inquiries relating to the relevant person and the conduct of its business;
2. Responsible for establishing and maintaining a manual of compliance procedures in relation to the business of the covered institution;
3. Responsible for ensuring compliance by the staff of the covered institution with the provisions of the AMLA, as amended, its Implementing Rules and Regulations, and the covered institution's manual of compliance Procedures established under Section 9.2 (b);
4. Responsible for disseminating to its board, officers and all employees memorandum circulars, resolutions, instructions, and policies issued by the AMLC and by the Commission in all matters relating to the prevention of money laundering;
5. The liaison between covered institution and the AMLC in matters relating to compliance with the provisions of the AMLA and its Implementing Rules and Regulations;

6. Responsible for the preparation and submission to the AMLC written reports on the covered institutions' compliance with the provisions of the AMLA and its Implementing Rules and Regulations, in such form as the AMLC may determine, and within such period as the Commission may allow in accordance with the AMLA, as amended;
7. Responsible for organizing training sessions for the staff on issues related to AML/CFT compliance, including providing guidance to the staff on how to avoid "tipping off" if any ST is filed or if any transaction or set of circumstances is flagged internally as potentially suspicious;
8. Responsible for analyzing transactions to determine whether any are subject to reporting according to the indicators of suspicious transactions mentioned in the AMLA, relevant SEC regulations and this Guideline, and undertaking closer investigation of transactions when necessary;
9. Responsible for reviewing all internal reports of potentially suspicious transactions for their completeness and accuracy;
10. Responsible for preparing STRs and ensuring their timely filing with the AMLC;
11. Responsible for keeping records of internally and externally reported suspicious transactions;
12. Responsible for remaining informed of the national and international developments on money laundering and terrorist financing and making suggestions to the board of directors and management for upgrading the institution's policies and procedures in light of these developments; and
13. Responsible for periodically reporting information on the institution's efforts to combat money laundering and terrorist financing to the board, and recommending changes in the institution's policies or procedures when deemed necessary.

The Compliance Officer should not simply be a passive recipient of ad hoc reports of suspicious transactions, but should play an active role in the identification and reporting of suspicious transactions. This may also involve regular review of exception reports or large or irregular transaction reports as well as ad hoc reports made by staff. To fulfill these functions, covered institutions must ensure that the Compliance Officer receives full co-operation from all staff and full access to all relevant documentation.

Section 8.2. Adviser Regarding AML matters. – Each covered institution shall appoint one or more senior officers, or an appropriate unit, to advise its management and staff on the issuance and enforcement of in-house instructions to promote adherence to the AMLA, as amended, the RIRR, its MLPP, including personnel training, reporting of covered and suspicious transactions, and generally, all matters relating to the prevention of money laundering.

Section 8.3. Responsibility of the Covered Institution and its Board. – Notwithstanding the duties of the Compliance Officer, the ultimate responsibility for proper supervision, reporting and compliance under the AMLA, as amended, its RIRR shall rest with the covered institution and its board of directors.

CHAPTER 9

INTERNAL CONTROL AND PROCEDURES

Section 9.1. General Requirements. – Covered institutions are required to establish and implement internal control and procedures aimed at preventing and impeding money laundering. Such procedures shall, among other things, ensure that such covered institutions and their employees are aware of the provisions of the AMLA, its implementing rules and regulations, as well as all reportorial and compliance control and procedures that shall be established by the AMLC, the Supervising Authority and each covered institution.

Covered institutions shall see to it that their respective policies and procedures for dealing with money laundering, reflecting the requirements under the AMLA and its implementing rules and regulations, are clearly set out and reflected in their Operating Manual.

Section 9.2. Coverage of Internal Control Policies and Procedures. – Policies and procedures should cover, among others:

- 9.2.6 Communications of firm policies relating to money laundering, including timely disclosure of information and internal audits to ensure compliance with policies, procedures and controls relating to money laundering;
- 9.2.7 Account opening and customer identification, including requirements for proper identification;
- 9.2.8 Maintenance of records;
- 9.2.9 Compliance with the requirement of the AMLA, as amended, its Revised Implementing Rules and Regulations, and all Circulars issued by the Commission and the AMLC;
- 9.2.10 Cooperation with the Commission and other relevant Authorities.

Section 9.3. Written Internal Reporting Procedures. – Covered institutions shall establish written internal reporting procedures which shall:

- 9.3.1 Enable all its directors, officers, employees, and all key staff to know to whom they should report any knowledge or suspicion of money laundering activity;
- 9.3.2 Ensure that there is a clear reporting chain under which suspicions of money laundering activity will be passed to the Compliance Officer, in accordance with the reporting procedures of the covered institution;
- 9.3.3 Require the Compliance Officer to consider any report in the light of all relevant information available for the purpose of determining whether or not it gives rise to a knowledge or suspicion of money laundering;

- 9.3.4 Ensure that the Compliance Officer has reasonable access to any other information which may be of assistance in the determination as to whether or not a suspicious transaction report is to be filed;
- 9.3.5 Require that, upon determination of the suspicious nature of the report, the information contained therein is disclosed promptly to the AMLC;
- 9.3.6 Maintain a register of all reports pursuant to Sections 7.6, 7.7 and Section 7.8 above.

CHAPTER 10 INTERNAL AUDIT

Section 10.1. Internal Audit Function and Reporting Line. – The internal audit function associated with money laundering and terrorist financing should be conducted by qualified personnel who are independent of the office being audited. It must have the support of the board of directors and senior management and have a direct reporting line to the board or a board-level audit committee.

Section 10.2. Frequency and Scope of Internal Audit. – The internal audit shall be responsible for the periodic (not less frequently than once every 2 years) and independent evaluation of the risk management, degree of adherence to internal control mechanisms related to the customer identification process, such as the determination of the existence of customers and the completeness of the minimum information and/or documents establishing the true and full identity of, and the extent and standard of due diligence applied to, customers, CT and ST reporting and record keeping and retention, as well as the adequacy and effectiveness of other existing internal controls associated with money laundering and terrorist financing.

Section 10.3. Electronic AML/CFT Monitoring System. – For covered institutions with electronic AML/CFT transaction monitoring system, in addition to the above, the internal audit shall include determination of the efficiency of the system's functionalities.

Section 10.4. Reporting of Internal Audit Findings. – The results of the internal audit shall be timely communicated to the board of directors and shall be open for scrutiny by SEC examiners in the course of the regular or special examination without prejudice to the conduct of its own evaluation whenever necessary. Results of the audit shall likewise be promptly communicated to the Compliance Office for appropriate monitoring of corrective actions taken by the different business units concerned. The Compliance Office shall regularly submit reports to the board to inform them of management's action to address deficiencies noted in the audit.

Section 10.5. Outsourcing of Internal Audit Functions/External Audit. – A covered institution may, due to the scale and nature of their operations, assign the internal audit function to another person (e.g. professional association, parent company or external auditors) under terms of reference approved by the institution's board of directors designed to ensure the effectiveness of the internal audit function. Where a covered institution delegates its responsibilities for internal audit, due diligence is to be

exercised to ensure that the persons appointed are able to perform these functions effectively and the fact of such appointment must be relayed in writing to the Commission and to AMLC. Notwithstanding that the internal audit function may be outsourced, the covered institution's board of directors remains responsible for its effective operation.

CHAPTER 11 TRAINING

Section 11.1. Education and Continuing Training. – The covered institution shall provide education and continuing training for all its staff and personnel, including directors and officers, to ensure that they are fully aware of their personal obligations and responsibilities in combating money laundering and to be familiar with its system for reporting and investigating suspicious matters.

Section 11.2. Outsourcing of Training Functions/External Training Providers. – A covered institution may, due to the scale and nature of their operations, assign the training functions to another person (e.g. professional association, parent company or external training provider). Where a covered institution delegates its responsibilities for training, due diligence is to be exercised to ensure that the persons appointed are able to perform these functions effectively and the fact of such appointment must be relayed in writing to the Commission and to AMLC.

Notwithstanding that the training function may be outsourced, the covered institution's board of directors remains responsible for the effective operation of the training program.

Section 11.3. Recommended Training Programs. – Timing and content of training for various sectors of staff will need to be adapted by the covered institution to its own needs. The following training programs are recommended:

11.3.1 New Staff

A general appreciation of the background to money laundering, the need to be able to identify suspicious transactions and report such transactions to the appropriate designated point within the covered institution. This training shall be provided to all new employees, regardless of level of seniority.

11.3.2 Cashiers/Dealers' Representatives Representatives/Advisory Staff

Personnel who deal directly with the clients are the first point of contact with potential money launderers. Their efforts are therefore vital to the covered institutions' reporting system for such transactions. They should be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. "Front Line" staff should be made aware of the covered institution's policy for dealing with non-regular customers particularly where large cash transactions are involved, and the need for extra vigilance in cases under suspicious circumstances.

11.3.3 Supervisors and Managers

A higher level of instruction covering all aspects of money laundering procedures should be provided to supervisors and managers. This will include the offences and penalties arising from the AMLA, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

Section 11.4. Regular Refresher Training. – Covered institutions shall, at least once a year, make arrangements for refresher training to remind key staff of their responsibilities and to make them aware of any changes in the laws and rules relating to money laundering, as well as the internal procedures of the covered institution.

Section 11.5. Training Program and Records of Trainings Conducted. – Each covered institution's annual AML training program and records of all AML seminars and trainings conducted by the covered institution and/or attended by its personnel (internal or external), including copies of AML seminar/training materials, shall be appropriately kept by the Compliance Officer/unit/department, and made available during periodic or special SEC examinations and to self-regulatory organizations (SROs) of covered institutions, if applicable.

Section 11.6. Cascading of updates and new requirements. – Covered institutions shall ensure that all relevant personnel are informed in a timely manner of any new provisions, updates or changes in laws, as well as new, amended or updated Commission rules, regulations, guidelines and circulars relating to money laundering and/or terrorist financing, and the internal procedures of the covered institutions based on any of the foregoing. Training on any such new provisions, amendments, updates or changes shall be provided as necessary.

CHAPTER 12 SANCTIONS AND PENALTIES

Section 12.1. Sanctions and Penalties. – Any violation of the requirements set forth in these Guidelines shall be considered as a violation of the Rules, Regulations or Orders promulgated by the Commission, and shall be penalized in accordance with Section 54.1(a) in relation to Section 54.1(a)(i), (ii) and (v) of the Securities Regulations Code without prejudice to the penalties that may be imposed by the AMLC RIRR. Accordingly, the Commission may impose any or all of the following sanctions as may be appropriate in the light of the facts and circumstances:

- (i) Suspension or revocation of any registration for the offering of securities;
- (ii) A fine of no less than Ten Thousand Pesos (Php10,000.00) nor more than One Million Pesos (Php 1,000,000.00) plus not more than Two Thousand Pesos (Php 2,000.00) for each day of continuing violation;
- (iii) Other penalties within the power of the Commission to impose.

Section 12.2. Criminal Actions and Criminal Liability. – The imposition of the foregoing administrative sanctions shall be without prejudice to the filing of criminal charges against the individuals responsible for the violation, in accordance with Section 54.2 in relation to Section 73 of the Securities Regulations Code.

Section 12.3. Manner of Imposition of Penalties. – The penalties shall be imposed in a manner that is effective, proportionate and dissuasive.

Appendix “D”

**Republic of the Philippines
Congress of the Philippines**

Metro Manila

Fifteenth Congress

Second Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fifth day of July, two thousand eleven.

[REPUBLIC ACT NO. 10168]

**AN ACT DEFINING THE CRIME OF FINANCING OF TERRORISM, PROVIDING
PENALTIES THEREFOR AND FOR OTHER PURPOSES**

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. – This Act shall be known as “The Terrorism Financing Prevention and Suppression Act of 2012”.

SEC. 2. Declaration of Policy. – It is the policy of the State to protect life, liberty, and property from acts of terrorism and to condemn terrorism and those who support and finance it and to recognize it as inimical and dangerous to national security and the welfare of the people, and to make the financing of terrorism a crime against the Filipino people, against humanity, and against the law of nations.

The State, likewise, recognizes and adheres to international commitments to combat the financing of terrorism, specifically to the International Convention for the Suppression of the Financing of Terrorism, as well as other binding terrorism-related resolutions of the United Nations Security Council pursuant to Chapter 7 of the Charter of the United Nations (UN).

Toward this end, the State shall reinforce its fight against terrorism by criminalizing the financing of terrorism and related offenses, and by preventing and suppressing the commission of said offenses through freezing and forfeiture of properties or funds while protecting human rights.

SEC. 3. Definition of Terms. – As used in this Act:

(a) Anti-Money Laundering Council (AMLC) refers to the Council created by virtue of Republic Act No. 9160, as amended, otherwise known as the “Anti-Money Laundering Act of 2001, as amended”.

(b) Anti-Terrorism Council (ATC) refers to the Council created by, virtue of Republic Act No. 9372, otherwise known as the “Human Security Act of 2007”.

(c) Covered institutions refer to or shall have the same meaning as defined under the Anti-Money Laundering Act (AMLA), as amended.

(d) Dealing, with regard to property or funds refers to receipt, acquisition, transacting, representing, concealing, disposing or converting, transferring or moving, use as security of or providing financial services.

(e) Designated persons refers to:

(1) any person or entity designated and/or identified as a terrorist, one who finances terrorism, or a terrorist organization or group under the applicable United Nations Security Council Resolution or by another jurisdiction or supranational jurisdiction;

(2) any organization, association, or group of persons proscribed pursuant to Section 17 of the Human Security Act of 2007; or

(3) any person, organization, association, or group of persons whose funds or property, based on probable cause are subject to seizure and sequestration under Section 39 of the Human Security Act of 2007.

(f) Forfeiture refers to a court order transferring in favor of the government, after due process, ownership of property or funds representing, involving, or relating to financing of terrorism as defined in Section 4 or an offense under Sections 5, 6, 7, 8, or 9 of this Act.

(g) Freeze refers to the blocking or restraining of specific property or funds from being transacted, converted, concealed, moved or disposed without affecting the ownership thereof.

(h) Property or funds refer to financial assets, property of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets.

(i) Terrorist refers to any natural person who: (1) commits, or attempts, or conspires to commit terrorist acts by any means, directly or indirectly, unlawfully and willfully; (2) participates, as a principal or as an accomplice, in terrorist acts; (3) organizes or directs others to commit terrorist acts; or (4) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

(j) Terrorist acts refer to the following:

(1) Any act in violation of Section 3 or Section 4 of the Human Security Act of 2007;

(2) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act;

(3) Any act which constitutes an offense under this Act, that is within the scope of any of the following treaties of which the Republic of the Philippines is a State party:

(a) Convention for the Suppression of Unlawful Seizure of Aircraft, done at The Hague on 16 December 1970;

(b) Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 23 September 1971;

(c) Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, adopted by the General Assembly of the United Nations on 14 December 1973;

(d) International Convention against the Taking of Hostages, adopted by the General Assembly of the United Nations on 17 December 1979;

(e) Convention on the Physical Protection of Nuclear Material, adopted at Vienna on 3 March 1980;

(f) Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, done at Montreal on 24 February 1988;

(g) Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation, done at Rome on 10 March 1988;

(h) Protocol for the Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf, done at Rome on 10 March 1988; or

(i) International Convention for the Suppression of Terrorist Bombings, adopted by the General Assembly of the United Nations on 15 December 1997.

(k) Terrorist organization, association or a group of persons refers to any entity owned or controlled by any terrorist or group of terrorists that: (1) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; (2) participates as an accomplice in terrorist acts; (3) organizes or directs others to commit terrorist acts; or (4) contributes to the commission of terrorist acts by a group of persons acting with common purpose of furthering the terrorist act where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.

SEC. 4. Financing of Terrorism. – Any person who, directly or indirectly, willfully and without lawful excuse, possesses, provides, collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the unlawful and willful intention that they should be used or with the knowledge that they are to be used, in full or in part: (a) to carry out or facilitate the commission of any terrorist act; (b) by a terrorist organization, association or group; or (c) by an individual terrorist, shall be guilty of the crime of financing of terrorism and shall suffer the penalty of reclusion temporal in its maximum period to reclusion perpetua and a fine of not less than Five hundred thousand pesos (Php500,000.00) nor more than One million pesos (Php1,000,000.00).

Any person who organizes or directs others to commit financing of terrorism under the immediately preceding paragraph shall likewise be guilty of an offense and shall suffer the same penalty as herein prescribed.

For purposes of this Act, knowledge or intent may be established by direct evidence or inferred from the attendant circumstances.

For an act to constitute a crime under this Act, it shall not be necessary that the funds were actually used to carry out a crime referred to in Section 3(j).

SEC. 5. Attempt or Conspiracy to Commit the Crimes of Financing of Terrorism and Dealing with Property or Funds of Designated Persons. – Any attempt to commit any crime under Section 4 or Section 8 under this Act shall be penalized by a penalty two degrees lower than that prescribed for the commission of the same as provided under this Act.

Any conspiracy to commit any crime under Section 4 or Section 8 of this Act shall be penalized by the same penalty prescribed for the commission of such crime under the said sections.

There is conspiracy to commit the offenses punishable under Sections 4 and 8 of this Act when two (2) or more persons come to an agreement concerning the commission of such offenses and decided to commit it.

SEC. 6. Accomplice. – Any person who, not being a principal under Article 17 of the Revised Penal Code or a conspirator as defined in Section 5 hereof, cooperates in the execution of either the crime of

financing of terrorism or conspiracy to commit the crime of financing of terrorism by previous or simultaneous acts shall suffer the penalty one degree lower than that prescribed for the conspirator.

SEC. 7. Accessory. – Any person who, having knowledge of the commission of the crime of financing of terrorism but without having participated therein as a principal, takes part subsequent to its commission, by profiting from it or by assisting the principal or principals to profit by the effects of the crime, or by concealing or destroying the effects of the crime in order to prevent its discovery, or by harboring, concealing or assisting in the escape of a principal of the crime shall be guilty as an accessory to the crime of financing of terrorism and shall be imposed a penalty two degrees lower than that prescribed for principals in the crime of financing terrorism.

SEC. 8. Prohibition Against Dealing with Property or Funds of Designated Persons. – Any person who, not being an accomplice under Section 6 or accessory under Section 7 in relation to any property or fund: (i) deals directly or indirectly, in any way and by any means, with any property or fund that he knows or has reasonable ground to believe is owned or controlled by a designated person, organization, association or group of persons, including funds derived or generated from property or funds owned or controlled, directly or indirectly, by a designated person, organization, association or group of persons; or (ii) makes available any property or funds, or financial services or other related services to a designated and/or identified person, organization, association, or group of persons, shall suffer the penalty of reclusion temporal in its maximum period to reclusion perpetua and a fine of not less than Five hundred thousand pesos (Php500,000.00) nor more than One million pesos (Php1,000,000.00).

SEC. 9. Offense by a Juridical Person, Corporate Body or Alien. – If the offender is a corporation, association, partnership or any juridical person, the penalty shall be imposed upon the responsible officers, as the case may be, who participated in, or allowed by their gross negligence, the commission of the crime or who shall have knowingly permitted or failed to prevent its commission. If the offender is a juridical person, the court may suspend or revoke its license. If the offender is an alien, the alien shall, in addition to the penalties herein prescribed, be deported without further proceedings after serving the penalties herein prescribed.

SEC. 10. Authority to Investigate Financing of Terrorism. – The AMLC, either upon its own initiative or at the request of the ATC, is hereby authorized to investigate: (a) any property or funds that are in any way related to financing of terrorism or acts of terrorism; (b) property or funds of any person or persons in relation to whom there is probable cause to believe that such person or persons are committing or attempting or conspiring to commit, or participating in or facilitating the financing of terrorism or acts of terrorism as defined herein.

The AMLC may also enlist the assistance of any branch, department, bureau, office, agency or instrumentality of the government, including government-owned and -controlled corporations in undertaking measures to counter the financing of terrorism, which may include the use of its personnel, facilities and resources.

For purposes of this section and notwithstanding the provisions of Republic Act No. 1405, otherwise known as the “Law on Secrecy of Bank Deposits”, as amended; Republic Act No. 6426, otherwise known as the “Foreign Currency Deposit Act of the Philippines”, as amended; Republic Act No. 8791, otherwise known as “The General Banking Law of 2000” and other laws, the AMLC is hereby authorized to inquire into or examine deposits and investments with any banking institution or non-bank financial institution and their subsidiaries and affiliates without a court order.

SEC. 11. Authority to Freeze. – The AMLC, either upon its own initiative or at the request of the ATC, is hereby authorized to issue an ex parte order to freeze without delay: (a) property or funds that are in any way related to financing of terrorism or acts of terrorism; or (b) property or funds of any person, group of persons, terrorist organization, or association, in relation to whom there is probable cause to believe that they are committing or attempting or conspiring to commit, or participating in or facilitating the commission of financing of terrorism or acts of terrorism as defined herein.

The freeze order shall be effective for a period not exceeding twenty (20) days. Upon a petition filed by the AMLC before the expiration of the period, the effectivity of the freeze order may be extended up to a period not exceeding six (6) months upon order of the Court of Appeals: Provided, That the twenty-day period shall be tolled upon filing of a petition to extend the effectivity of the freeze order.

Notwithstanding the preceding paragraphs, the AMLC, consistent with the Philippines' international obligations, shall be authorized to issue a freeze order with respect to property or funds of a designated organization, association, group or any individual to comply with binding terrorism-related Resolutions, including Resolution No. 1373, of the UN Security Council pursuant to Article 41 of the Charter of the UN. Said freeze order shall be effective until the basis for the issuance thereof shall have been lifted. During the effectivity of the freeze order, an aggrieved party may, within twenty (20) days from issuance, file with the Court of Appeals a petition to determine the basis of the freeze order according to the principle of effective judicial protection.

However, if the property or funds subject of the freeze order under the immediately preceding paragraph are found to be in any way related to financing of terrorism or acts of terrorism committed within the jurisdiction of the Philippines, said property or funds shall be the subject of civil forfeiture proceedings as hereinafter provided.

SEC. 12. Exceptions for Investigative Requirements. – Notwithstanding the immediately preceding provision, the AMLC may decide to defer the issuance of a freeze order for as long as necessary for any specific investigative/prosecutorial purposes.

SEC. 13. Humanitarian Exemptions. – The person whose property or funds have been frozen under the first paragraph of Section 11 may withdraw such sums as the court determines to be reasonably needed for monthly family needs and sustenance including the services of counsel and the family medical needs of such person.

The person whose property or funds have been frozen under the third paragraph of Section 11 may withdraw such sums as the AMLC determines to be reasonably needed for monthly family needs including the services of counsel and the family medical needs of such person.

SEC. 14. Appropriation and Use of Funds of Public Attorney's Office (PAO). – Any appropriation and use of funds of PAO to provide free legal assistance or services to persons charged of the offenses defined and penalized herein shall not be construed as a violation of this Act, thereby exempting the PAO from any liability.

SEC. 15. Publication of Designation. – The Department of Foreign Affairs with respect to designation under Section 3 (e) (1) of this Act, and the ATC with respect to designation under Section 3 (e) (2) and (3) and Section 11 of this Act, shall publish a list of the designated persons to which this Act or the Human Security Act applies. The concerned agencies shall ensure that an electronic version of the document is made available to the public on their respective website.

Each respective agency or authority shall ensure that information on procedures established in rules and regulations issued pursuant to this Act for delisting, unfreezing and exemptions for basic, necessary or extraordinary expenses shall likewise be made available in their respective website.

SEC. 16. Duty of the Covered Institutions and/or Relevant Government Agencies Upon Receipt of the Freeze Order. – Upon receipt of the notice of a freeze order, the covered institutions and/or relevant government agencies shall immediately preserve the subject property or funds in accordance with the order of the AMLC and shall forthwith serve a copy of the notice of the freeze order upon the owner or holder of the property or funds. Any responsible officer or other person who fails to comply with a freeze order shall suffer the penalty of imprisonment from six (6) months to four (4) years and a fine of not less than One hundred thousand pesos (Php100,000.00) nor more than Five hundred thousand pesos (Php500,000.00), at the discretion of the court, without prejudice to the administrative sanctions that the AMLC may impose on the erring covered institution.

SEC. 17. Predicate Offense to Money Laundering. – Financing of terrorism under Section 4 and offenses punishable under Sections 5, 6, and 7 of this Act shall be predicate offenses to money laundering as defined in Republic Act No. 9160, otherwise known as the “Anti-Money Laundering Act of 2001”, as amended, and subject to its suspicious transaction reporting requirement.

SEC. 18. Civil Forfeiture. – The procedure for the civil forfeiture of property or funds found to be in any way related to financing of terrorism under Section 4 and other offenses punishable under Sections 5, 6, and 7 of this Act shall be made in accordance with the AMLA, as amended, its Revised Implementing Rules and Regulations and the Rules of Procedure promulgated by the Supreme Court.

SEC. 19. Extra-Territorial Application of this Act. – Subject to the provision of an existing treaty, including the International Convention for the Suppression of the Financing of Terrorism of which the Philippines is a State Party, and to any contrary provision of any law of preferential application, the criminal provisions of this Act shall apply: (a) to individual persons who, although physically outside the territorial limits of the Philippines, commit, conspire or plot to commit any of the crimes defined and punished in this Act inside the territorial limits of the Philippines; (b) to individual persons who, although physically outside the territorial limits of the Philippines, commit any of the said crimes on board Philippine ship or Philippine airship; (c) to individual persons who commit any of said crimes within any embassy, consulate, or diplomatic premises belonging to or occupied by the Philippine government in an official capacity; (d) to individual persons who, although physically outside the territorial limits of the Philippines, commit said crimes against Philippine citizens or persons of Philippine descent, where their citizenship or ethnicity was a factor in the commission of the crime; and (e) to individual persons who, although physically outside the territorial limits of the Philippines, commit said crimes directly against the Philippine government.

The provisions of this Act shall likewise apply to a Filipino national who, although outside the territorial jurisdiction of the Philippines, commit, conspire or plot to commit any of the crimes defined and punished in this Act.

In case of an alien whose extradition is requested pursuant to the International Convention for the Suppression of the Financing of Terrorism, and that alien is not extradited to the requesting State, the Republic of the Philippines, without exception whatsoever and whether or not the offense was committed in the Philippines, shall submit the case without undue delay to the Department of Justice for the purpose of prosecution in the same manner as if the act constituting the offense had been committed in the Philippines, in which case, the courts of the Philippines shall have jurisdiction over the offense.

SEC. 20. Extradition. – The Philippines may, at its option, subject to the principle of reciprocity, consider the International Convention for the Suppression of the Financing of Terrorism as a legal basis for requesting or granting extradition in respect of the offenses set forth under this Act.

SEC. 21. Applicability of the Revised Penal Code. – The provisions of Book I of the Revised Penal Code shall apply suppletorily to this Act.

SEC. 22. Implementing Rules and Regulations. – Within thirty (30) days from the effectivity of this Act, the AMLC, in coordination with relevant government agencies, shall promulgate rules and regulations to implement effectively the provisions of this Act.

The rules and regulations to be promulgated may include, but not limited to, designation, delisting, notification of matters of interest of persons affected by the Act, exceptions for basic, necessary and extraordinary expenses, matters of evidence, definition of probable cause, inter-agency coordination, publication of relevant information, administrative offenses and penalties, procedures and forms, and other mechanisms for implementation of the Act.

SEC. 23. Separability Clause. – If, for any reason, any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in force and effect.

SEC. 24. Repealing Clause. – All laws, decrees, executive orders, proclamations, rules and regulations, and other issuances, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 25. Effectivity Clause. – This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation.



SOCIAL HOUSING FINANCE CORPORATION

Ennicing People's Lives and Empowering Communities through FAIR Shelter Solutions

CMP CORPORATE CIRCULAR CMP NO. 16 - 045
Series of 2016

SUBJECT : REVISED CHECKLIST OF REQUIREMENTS FOR CMP LOT ACQUISITION (PHASE 1) LOAN

This Circular is being issued to streamline the process of application and approval of CMP Lot Acquisition (Phase 1) loans, in line with the thrust of the Government to streamline government transactions through the reduction of requirements and processing time. To unburden the low-income communities of having to secure voluminous documentary requirements for their loan application, those requirements that they previously needed to obtain from other government agencies for submission to SHFC shall now be procured for them by SHFC through a programmatic government-to-government arrangement. This will save money, time, and effort. Aside from expediting processes, it will also prevent the payment of illegal fees by communities.

Hereunder is the Revised Checklist of Requirements **to be applied to new projects** (on-site and off-site), including the list of documents to be secured by the SHFC from other government agencies and local government units (LGUs) to facilitate the approval of the Lot Acquisition (Phase 1) Loans of the Homeowners Associations (HOAs).

I. For On-Site Projects

A. Documentary requirements for approval of a loan by the Board/issuance of Letter of Guaranty (LOG)

The following are the documentary requirements to be **submitted by the HOA and its CMP-Mobilizer (CMP-M)**:

1. Community Profile;
2. Masterlist of Beneficiaries with Loan Apportionment (MBLA);
3. Passbook with updated savings equivalent to three (3) months amortization, one (1) year advance MRI premium, and Documentary Stamp Tax (if applicable);
4. Original Memorandum of Agreement (MOA) between the HOA and the Landowner;
5. Notarized Board Resolution or Secretary's Certificate issued by the HOA to its authorized representative;
6. Lot Plan with Vicinity Map and Technical Descriptions of the proposed CMP Site, duly signed by a Geodetic Engineer (GE);
7. Schematic Subdivision Plan duly signed by a licensed GE (must show the area per lot, excluded lots, if any, and other information pertaining to the site's physical features which may affect the collateral value); and
8. Photocopy of the present title;

9. One (1) Government-issued identification cards (ID) of the Landowners and their representatives;

B. Documentary requirements for the release of the loan under an Accommodation Mortgage

The following are the documentary requirements to be submitted by the HOA/CMP-M:

1. Letter of Guaranty (LOG) with conformity of the Landowner;
2. Owner's duplicate copy of title with annotation of Real Estate Mortgage (REM);
3. Notarized Deed of Absolute Sale between the HOA and the Landowner;
4. Updated tax clearance or proof of payment of Real Property Tax (RPT);
5. Notarized Loan Agreement between the HOA and the SHFC;
6. Promissory Note of the HOA;
7. Lease Agreement between the HOA and the member-beneficiaries (MBs);
8. Notarized Deed of Assignment of Loan Proceeds by the HOA to the Landowner;
9. Notarized Deed of Assignment of the Lease Agreement by the HOA to the SHFC;
and
10. Collection Agreement between the HOA and the SHFC.

In addition to the above documentary requirements, the HOA shall pay a cash deposit equivalent to three (3) months amortization, one (1) year advance Mortgage Redemption Insurance (MRI) premium, and Documentary Stamp Tax (if applicable).

II. For Off-Site Projects

A. Documentary requirements for approval of a loan by the Board/issuance of Letter of Guaranty (LOG)

For projects under both Accommodation Mortgage and Usufruct, all documentary requirements listed under Section I.A shall be submitted by the HOA/CMP-M, including the following additional requirements:

1. Road Right of Way (RRW); and
2. Conceptual Plan for Phase 2 and 3 loan application

For projects under Usufruct, instead of the *Masterlist of Beneficiaries*, only a Listing of the Beneficiaries shall be required from the HOA/CMP-M.

B. Documentary requirements for the release of the loan under an Accommodation Mortgage

The following are the documentary requirements to be submitted by the HOA/CMP-M:

1. Letter of Guaranty (LOG) with conformity of Landowner;
2. Owner's duplicate copy of title with annotation of Real Estate Mortgage (REM);
3. Notarized Deed of Absolute Sale between the HOA and the Landowner;
4. Updated tax clearance or proof of payment of Real Property Tax (RPT);
5. Notarized Loan Agreement between the HOA and the SHFC;
6. Promissory Note of the HOA;

7. Lease Agreement between the HOA and the MBs;
8. Notarized Deed of Assignment of Loan Proceeds by the HOA to the Landowner;
9. Notarized Deed of Assignment of the Lease Agreement by the HOA to the SHFC;
and
10. Collection Agreement between the HOA and the SHFC

C. Documentary requirements for the release of the loan under a Usufruct

The following are the documentary requirements to be submitted by the HOA/CMP-M:

1. Owner's duplicate of title;
2. Notarized Deed of Absolute Sale between the Landowner and SHFC;
3. Updated tax clearance or proof of payment of Real Property Tax (RPT); and
4. Usufruct Agreement between the HOA and the SHFC

III. Documentary Requirements from the other Government Agencies and LGUs

The following are the documents to be secured by the SHFC from other Government Agencies and the LGUs:

From the Housing and Land Use Regulatory Board (HLURB):

1. HLURB Certified copy of the Certificate of Registration, Articles of Incorporation, and By-Laws of the HOA
2. HLURB Certified copy of Updated General Information Sheet (GIS) of the HOA

From the Bureau of Internal Revenue (BIR):

1. BIR Certificate of Registration of the HOA

From the Registry of Deeds (RD):

1. CCV copies of present, 1st and 2nd back titles
2. CCV copy of the REM;
3. RD-certified copy of the Secretary's Certificate of the HOA; and
4. RD-certified copy of the SPA of the Landowner, if applicable

From the Local Government Unit (LGU):



1. Zoning Certificate;
2. LGU Certification on Site Suitability or Comprehensive Land Use Plan (CLUP);
and
3. Preliminary Approval and Locational Clearance (PALC)

From the Mines and Geosciences Bureau (MGB) and the Department of Science and Technology (DOST)

1. Hazard Maps

Upon issuance of the Letter of Guaranty (LOG) under the Accommodation Mortgage to the Landowner, the HOA shall facilitate the transfer of the title under its name within one (1) year. In case of failure to transfer, SHFC shall undertake the transfer of title with all expenses to be incurred to be charged to the HOA and shall be considered as an additional loan.

This Circular supersedes all previous Circulars and issuances on the same subject and shall be effective 30 days from promulgation.


MA. ANA R. OLIVEROS
President, SHFC


Date: August 22, 2016


**CMP CORPORATE CIRCULAR NO. 19 - 052
Series 2019**

SUBJECT : NEW GUIDELINES FOR THE ACCREDITATION OF CMP-MOBILIZERS (CMP-M), RESOURCE PERSONS / ORGANIZATIONS AND PARTNER LGU

I. STATEMENT OF POLICY

Pursuant to the objectives of Republic Act No. 7279, otherwise known as the Urban Development and Housing Act of 1992 particularly Articles I, V, and VIII, the Community Mortgage Program (CMP) aims to improve the living conditions of homeless and underprivileged men and women by providing them affordable financing through which they obtain security of tenure on the land they occupy and improve on their living conditions.

Towards the achievement of this purpose, SHFC is guided by a Sustainability Development Framework premised on SHFC taking a lead role at consortium building with its stakeholders. SHFC recognizes the need for collaboration and strong partnerships with National Government Agencies (NGA) and Local Government Units (LGU), the Private Sector (PS), and Non-Government Organizations (NGO), Civil Society Organizations (CSO), and People's Organizations (PO), to establish and create empowered, sustainable, and resilient communities.

II. DEFINITION

Under the Sustainability Development Framework, SHFC needs to establish, sustain and expand on linkages to be able to deliver a holistic approach to housing. All individuals and organizations that help and contribute to reach SHFC's mandate are considered Partners. This Guidelines shall cover three (3) kinds of Partners – the Mobilizer, the Resource Person / Organization and the Partner LGU.

- A. CMP-Mobilizer (CMP-M) refers to an organization working with communities of informal settlers and duly accredited by SHFC whose principal role is to assist, organize and prepare the communities for participation in CMP.

CMP-Ms may be an NGA, LGU or NGO, CSO or PO.

To participate in the programs, CMP-Ms must undergo the accreditation process. Only after successfully completing the accreditation process may the CMP-Ms collect processing fees from the communities they assist.

- B. CMP Resource Person / Organization refers to a person, government agency, LGU, CMP-M, corporation, business, academic institution, vocational schools, or any other entity who will assist and support SHFC's programs and communities with financial or material support, technical expertise, knowledge, information or research, or specialized knowledge in the areas of values formation, organizational development, estate

support, technical expertise, knowledge, information or research, or specialized knowledge in the areas of values formation, organizational development, estate management, livelihood and entrepreneurial development, capacity building, climate change, gender sensitivity, and such other similar topics which would be beneficial in achieving SHFC's mandate. The Partner Relations Division shall be responsible for creating a database of all Resource Persons / Organizations working with SHFC.

SHFC's partnership with these Resource Persons / Organizations may or may not be covered by a Memorandum of Agreement or Understanding. Any honorarium paid to Resource Persons / Organizations for services rendered should however be covered by documentation defining the assistance or service provided to SHFC and/or to its communities and the terms governing the same. Once a Resource Person / Organization is paid an honorarium, they may no longer collect any processing fees covering the said service from the community to avoid double compensation. For purposes of payment of honorarium, the (1) letter invitation issued by the Head of Agency or Group Head with signed *conforme*, and the (2) documentation for the services rendered should be sufficient.

- C. Partner Local Government Unit (LGU) refers to Local Government Unit with an existing Memorandum of Understanding with SHFC under which the said LGU agrees to be a CMP partner generally undertaking the role of: (a) community organizer, (b) landowner, and / or (c) developer / contractor for informal settler families who wish to enroll in the community mortgage program. To perform such roles, they have to sufficiently establish that they have designated a specific department, unit, or personnel, competent to perform the expected duties and responsibilities of each.

A Partner LGU is eligible for socialized housing assistance from SHFC following the rates provided for in Section X hereunder, but shall not be allowed to collect processing fees from their member beneficiaries under Section IX hereunder.

III. QUALIFICATIONS FOR THE ACCREDITATION OF AN NGO/PO/CSO AS CMP-MOBILIZER

An NGO may apply for accreditation as a CMP-M by meeting all of the following qualifications:

1. Must be a non-stock/non-profit corporation duly registered with the appropriate government agency;
2. Must be an organization endorsed or accredited by the LGU where they seek to operate;
3. Majority of officers & staff must have community development and organizing work experience for two (2) years;
4. Must demonstrate that they have the necessary resources, both financial and physical resources, skills, competence, and experience to perform CMP-M functions; and
5. Must have local presence in the area where they seek to operate to ensure they can perform functions of a CMP-M to ensure accountability.

As part of SHFC's due diligence process, the applicant-organization must also satisfy the following criteria:

1. Obtain favorable feedback from the communities being organized; and
2. Has not been engaged in acts or activities that is prejudicial to SHFC or its program or would constitute a violation of SHFC guidelines, if proven true.

IV. DOCUMENTARY REQUIREMENTS FOR THE ACCREDITATION OF A CMP-MOBILIZER

A CMP-M applicant must submit the following documentary requirements for the processing of its accreditation as a CMP-M:

1. Mobilizer Information Sheet;
2. Certified True Copy of SEC/CDA Certificate of Registration, Articles of Incorporation and By-Laws;
3. Latest SEC Certified True Copy of General Information Sheet (GIS);
4. Organizational structure (including the functional chart of officers and staff);
5. Bio-data of officers indicating past and present positions held in relation to their involvement in community development and organizing work and home financing activities;
6. Annual Audited Financial Statements (for the last 2 years);
7. Endorsement letter or accreditation from the LGU where they seek to operate;
8. List of resources needed to perform CMP-M functions (e.g., savings of the organization, office space, equipment); and
9. List of Projects with the following information:
 - a. Community association name;
 - b. Number of member beneficiaries;
 - c. Authorized contact person and contact details;
 - d. Location;
 - e. Landowner and contact details;
 - f. Status of project/s; and
 - g. Project officer.

V. DOCUMENTARY REQUIREMENTS FOR A PARTNER LGU

- A. An LGU must submit the following documentary requirements for partnership with SHFC:
 1. Memorandum of Understanding with the LGU together with a Sanggunian Resolution authorizing the Head of the LGU to enter into an agreement with SHFC;
 2. Designated unit or department and list of officers and staff that will handle community organizing and development, and loan documentation for the projects;
 3. Informal Settler Families population and data per barangay or city; and
 4. List of potential CMP projects with the following information:
 - a. Community association name;
 - b. Number of member beneficiaries;
 - c. Authorized contact person and contact details;
 - d. Location;
 - e. Landowner and contact details;
 - f. Status of project/s; and
 - g. Project officer.
- B. In addition to the above-cited documentary requirements, the LGU applicant shall

commit to support the project including but not limited to the following:

1. Streamlined or expedited turn-around time for the documentary requirements issued by the LGU for socialized housing projects;
2. LGU assistance or support in the site development or improvement of community facilities; and
3. LGU orientation on climate change, hazards, and disaster risk reduction.

VI. ACCREDITATION PROCEDURE

The Partner Relations Division shall follow the foregoing procedures in the accreditation of CMP-Ms and shall observe the 60-day turn-around time from receipt of the **complete** documentary requirements, to wit:

1. Interested applicants must fill up form PRD-APP-01 (2 copies) and attach **complete** documentary requirements as contained in section III / IV above.
2. Receiving officer will do a document check and return duplicate copy of Form PRD-APP-01 to applicant as proof of receipt.
3. PRD shall conduct a background investigation on the organization and conduct a feedback survey on communities assisted.
4. An evaluation report will be issued by PRD.
5. Upon favorable recommendation of the PRD, the application shall be forwarded to the Credit Committee for approval.
6. The organization will be required to attend a Basic Training provided by SHFC.
7. PRD issues a Certificate of Accreditation and post the same at SHFC website and Social Media platforms of SHFC.

The Certificate of Accreditation shall be issued to applicant CMP-Mobilizer upon approval of the Credit Committee. SHFC shall conduct a performance evaluation three (3) years after the accreditation and every three (3) years thereafter. During the performance evaluation, the CMP-M is required to update their documentary requirements and will be subjected to re-background investigation.

For CMP-M applicants with pending complaints, once the Partner Relations Division issues a Letter to Explain, SHFC shall not accept any project until a decision has been made on the complaint and release of service fees shall be put on hold.

Starting six (6) months from the publication and effectivity of this guidelines, SHFC shall no longer accept project applications from non-accredited NGOs. Non-accredited NGOs are likewise not allowed to collect processing fees from communities they are organizing prior to accreditation by SHFC.

VII. DUTIES AND RESPONSIBILITIES OF MOBILIZER

A CMP-M is expected to perform the following duties and responsibilities for the communities they serve;

1. Study and profile prospective groups of informal settlers and their intended site for possible assistance or intervention:
 - a. Identify households and household characteristics (including sex disaggregated information);
 - b. Profile the site and document its physical characteristics;
 - c. Identify issues / gaps in the community (social, political, gender, etc.); and
 - d. Identify potential or apparent leaders.
2. Assist and guide the community in their functions:
 - a. Educate the community on the mechanisms of community formation;
 - b. Educate and assist the community in preparing their constitution and by-laws;
 - c. Educate and assist the community on financial literacy especially on savings mechanism and in preparing the community Book of Accounts and Official Records;
 - d. Educate the members of the rights and privileges duties and responsibilities of community membership; and
 - e. Assist them in the election of officers; and
 - f. Assist them in registering with the HLURB.
3. Educate and assist the community in gathering and completing CMP loan requirements and informing them of CMP standards and policies.
4. Assist in site analysis and evaluation and in the identification of site deficiencies and development needs.
5. Advise the community in negotiation with landowners.
6. Assist in values formation and in bringing out potential issues that may affect the viability of the loan application
7. Assist the community in accessing support from LGUs and other potential sources of support.
8. Educate the community on estate management.
9. Assist the community and help resolve issues pertaining to occupancy, collection, substitution, individualization, and recalcitrance.
10. Encourage and assist communities on their site development and house construction / improvement.

All agreements entered into by an accredited CMP-M with the community automatically includes the following clause into their agreement:

“All existing SHFC Circulars, Guidelines, and Implementing Rules on CMP and HDH Projects, including those which may hereafter be issued, shall form part and parcel of, and be deemed incorporated in this Agreement. The Failure of CMP-M to perform any of its functions under SHFC guidelines shall constitute a breach of this Agreement”.

VIII. PERFORMANCE REVIEW OF CMP-Ms

The performance of the CMP Mobilizers shall be evaluated based on the following factors:

1. Collection efficiency rate of 85% (CER) of communities within the 5-year holding period (50%)

Expected Performance	Weight
Below 85% CER	0%
85% and up	50%

2. Number of updated accounts (0-3 months) within one year from take-out (20%).

Expected Performance	Weight
Below 100% accounts are updated	0%
100% or more	20%

3. Number of communities assisted in securing land tenure through the community mortgage program as indicated by the number of project application (5%)

Expected Performance	Weight
No project application within the year	0%
1 project application or more in a year	5%

4. Satisfactory rating from communities assisted (10%)

Expected Performance	Weight
Poor rating	0%
Satisfactory rating	10%

5. Percentage of substitution (except due to the death of the original MB) for projects within one year from take-out (15%).

Expected Performance	Weight
More than 5% of original MB has been substituted	0%
Not more than 5% of original MB has been substituted	15%

If after evaluation on the three (3) year performance, the CMP-Ms fails to meet the minimum 75% performance rating, SHFC shall classify the CMP-M inactive and no project applications will be received until CMP-M passed the performance evaluation/assessment.

IX. PAYMENT OF PROCESSING FEE TO CMP-M TO COVER OUT-OF-POCKET EXPENSES

CMP Mobilizers (except for LGUs and NGAs) may charge the community a processing fee to cover actual out-of-pocket expenses incurred in the performance of community organizing, but in no case shall this processing fee exceed three thousand pesos (Php3,000.00) per member beneficiary.

Additional expenses to cover survey fees, approval of subdivision plan, titling, permits, and other fees due to third parties (Engineers, lawyers, architects) may be collected from the member beneficiaries but (1) the purposes for which it shall be used should be clearly indicated, (2) the CMP-M should issue an acknowledgement receipt, and (3) the community should also be provided with a receipt issued by the third party service provider and/or the issuing government agency.

X. PAYMENT OF SERVICE FEES

A. CMP-Ms

Milestones	Documentary Requirements	Service Fee
Milestone 1 : Project Development		
a. Organized community	a. Certification from LGU that member beneficiaries are legitimate ISFs b. Community profile with individual MB profile c. HLURB registration and identified community leaders d. Community Vision Mission Goals (VMG) e. Community savings account f. Ledger of incoming monies and outgoing expenses g. HOA Financial Report h. Masterlist of beneficiaries i. MOA with the CMP-M	Php500.00 per MB (Ideal 200 MBs- Php100,000.00) Payable upon submission of documentary proof of accomplishment
b. Identified land for purchase	MOA with the landowner (with photocopy of present title)	
c. Orientation on basic CMP	Attendance sheet and photo documentation	
a. Orientation on the Magna Carta of Homeowners' Associations b. Leadership training and values formation	a. Attendance sheet and photo documentation b. Resume of resource person or trainer c. Materials used during training (e.g. PowerPoint,	Php500.00 per MB (Ideal 200 MBs- Php 100,000.00) Payable upon submission of documentary proof of

c. Estate management d. Financial Literacy e. Training on climate change, hazards, and disaster risk reduction f. Training on Gender and Development (Gender Sensitivity, etc.)	MS word, etc.) d. Working committee with board resolution, minutes of meetings, books of account, ledger, receipts e. Community plan (to include estate management and livelihood support) f. Subdivision plan, house plan (if applicable), and Community DRRM plan.	accomplishment
Milestone 2 : Land Acquisition		
Project approval and Take - out	Take out documents including Deed of sale and surrender of owner's duplicate copy of title	Php150,000.00 – project with more than 350 MBs Php100,000.00 – project with more than 100 MBs Php50,000.00 – project with 100 MBs and below Payable together with check for take-out
Transfer of title in the community's name	Transfer of title in the name if the community and annotation of the Real Estate Mortgage This service fee shall be apply to projects with 50% take-out and subsequently converted to Accommodation Mortgage	Php25,000.00 Payable upon submission of owner's duplicate copy of title in CA's name with annotation on Real Estate Mortgage (REM)
Milestone 3: Site Development and House Construction		
a. Submission of complete loan documentation based on checklist of Site Development and House Construction. b. Construction Management Training c. Community Planning (Participatory Approach)	<ul style="list-style-type: none"> Contract with accredited contractor Approved site development plan (including MERALCO /local power utility co and Maynilad / local water utility co / plans) and building plan Building permit and/or development permit Creation and establishment of working construction committee (provide board resolution, minutes of meetings, logbooks, ledgers, construction schedule and drawdown schedule) Accomplishment report of 50% construction completed 	Php150,000.00 – project with more than 350 MBs Php100,000.00- project with more than 100Mbs Php 50,000.00- project with less than 100Mbs and below Payable upon submission of documentary proof of accomplishment

	<ul style="list-style-type: none"> • Deed of restrictions / signed "Kasunduan ng Pampamayanang Kasunduan" by members (Settlement Management Plan) 	
Milestone 4 : Post Take-out		
85% Minimum threshold occupancy rate (For off-site or resettlement only)	List of MBs actually living on-site with assigned lot number duly signed by the members and CMP-M	Php200.00 per MB (Ideal 200MB- Php40,000.00) Payable after issuance of occupancy validation report of SHFC with 85% minimum threshold occupancy rate
Maintaining current accounts (during holding period)	<ul style="list-style-type: none"> • At the end of the 2nd, 3rd, 4th, and 5th year after take-out – 100 % of accounts are current (0-3 months) 	Php200.00/ MB (Ideal 200MB- Php40,000.00) Php200.00/ MB (Ideal 200MB- Php40,000.00) Payable yearly upon request of CMP- M and validation of SHFC
a. Reorganizing inactive communities with no functioning officers (outside of the holding period) b. Maintaining current accounts	<ul style="list-style-type: none"> • At the end of the 2nd, 3rd, 4th, and 5th year – 75 % of accounts are current (0-3 months) • HLURB certified true copy of the community's updated GIS showing the names of officers and their designations 	Php200.00/ MB (Ideal 200Mb-P40,000.00)
Milestone 5 : Community Support		
Social Enterprise a. Facilitate and conduct skills training and/or entrepreneurship building b. Operationalized livelihood program	<ul style="list-style-type: none"> • Community association board resolution identifying leaders who will spearhead the livelihood committee • Feasibility studies • Certificate and attendance sheet issued by qualified trainer • Implementation of livelihood program 	Php20,000.00 per community assisted

Milestone 6 : Capacity Building		
Capacity building interventions based on the needs of the community for the purposes of making the community and its members empowered, resilient, sustainable, and with improved living conditions.	<ul style="list-style-type: none"> • Complete documentation <ul style="list-style-type: none"> - Attendance sheet and photo documentation - Resume of resource person or trainer - Materials used during training (e.g. power point, MS word, etc.) - Working committee with board resolution, minutes of meetings or general assembly, books of account, ledger, receipts - Community plan 	<p>Amount as approved by the President depending on the number of participants, length of the training, experience and expertise and stature of the speaker, complexity of the topic or subject matter not exceeding Php25,000.00 per resource person per day upon recommendation of PRD</p> <p>Payable upon submission of documentary proof of accomplishment, request of CMP-M, and validation of SHFC</p>

A. PARTNER LGUs AND EXISTING LGU CMP-MOBILIZER

Partner LGUs and accredited LGU CMP-Ms are eligible for socialized housing assistance from SHFC as stated below upon submission of required documents:

Milestones	Documentary Requirements	Socialized Housing Assistance
Milestone 1: Land Acquisition		
Project approval and Take out	Take out documents including Deed of sale and surrender of owner's duplicate copy of title	<p>Php100,000.00 – project with more than 100 MBs</p> <p>Php50,000.00 – project with 100 MBs and below</p> <p>Payable together with check for take-out</p>
Milestone 2: Site Development, and House Construction		
<p>a. Submission of complete loan documentation based on checklist of Site Development and House Construction.</p> <p>b. Construction Management Training</p> <p>c. Community Planning (Participatory Approach)</p>	<ul style="list-style-type: none"> • Contract with accredited contractor • Approved site development plan (including MERALCO /local power utility co and Maynilad / local water utility co / plans) and building plan • Building permit and/or development permit • Creation of construction committee (provide board resolution, minutes of meetings, logbooks, ledger construction schedule and drawdown schedule) 	<p>Php100,000.00 – project with more than 100 MBs</p> <p>Php50,000.00 – project with 100 MBs and below</p> <p>Payable together with check for take-out</p>

	<ul style="list-style-type: none"> • Accomplishment report of 50% construction completed • Deed of restrictions / signed "Kasunduan ng Pampamayanang Kasunduan" by members (Settlement Management Plan) – <i>when applicable</i> 	
--	--	--

Partner LGUs and accredited LGU CMP-Ms are encouraged to utilize the socialized housing assistance for the benefit of CMP communities for site development, community facilities, livelihood projects, solid waste management, orientations, trainings and seminars on disaster risk reduction or gender and development, and other similar interventions and activities that will contribute to the empowerment, sustainability and resilience of CMP communities.

XI. PROHIBITIONS, OFFENSES AND SANCTIONS

The accreditation of a CMP-M is predicated on the pursuit of a common goal and the existence of shared values. The informal settler families' interests and well-being should always be the primary consideration. SHFC expects integrity to govern the activities of CMP-Ms at all times.

To protect the interest and well-being of the community or informal settler families (ISFs), the landowner of the property subject of CMP cannot act as mobilizer except when the landowner is a government agency or LGU. This is to ensure that the price of the property is properly negotiated.

SHFC shall act on all complaints filed against a CMP-M by the ISF or community and shall provide the CMP-M the opportunity to respond to the charges. SHFC shall carefully evaluate all complaints and shall be guided by the principles of due process.

The following shall constitute punishable acts by the CMP-Ms:

Offenses	Sanctions
Negotiation with the landowner or contractor without the presence of the representative from the community association	Suspension ranging from for 1 to 3 months
Misrepresentation in any material fact pertaining to CMP-M qualification and/or accreditation	Unreleased service fees are forfeited for the project concerned
Charging of processing fees more than the amount prescribed (Php3,000 per MB)	Suspension ranging from 1 to 6 months
Misrepresentation of member beneficiary qualification	Unreleased service fees are forfeited for the project concerned (however, pending service fees from other projects may also be forfeited and used as restitution if warranted by the circumstances)

Engaging in open market and sale of lots in CMP projects or acting as broker for the landowner	Ranging from suspension of 1 year to blacklisting Unreleased service fees are forfeited for the project concerned (however, pending service fees from other projects may also be forfeited and used as restitution if warranted by the circumstances)
Abandonment of the community after entering into a MOA and accepting payment for processing fee or receiving any other funds from the community without formal and justifiable termination of contract	
Collecting or accepting commission from the landowner on the sale of land or from contractor's billing	
Bad track record in assisting the community by using false pretenses, misrepresentation, abuse of authority, employing threats and intimidation	
Using SHFC Programs to pursue own business interests or personal profit	
Collecting money from the community and using it for purposes other than intended or for personal gain	
Commission of fraudulent acts or submission of spurious documents to SHFC	
Misrepresentation and withholding of information affecting approval of project	
Unauthorized substitution of MB in violation of SHFC guidelines	
Engaging in land development without the necessary license or permit from the appropriate government agency and/or LGU	

The forfeited service fees shall be used as restitution for those that have been prejudiced by the CMP-M's actions. This shall be without prejudice to the filing of appropriate cases in court.

A CMP-M who has committed any of the enumerated offenses for a second or third time shall be dealt with more severely.

The Partner Relations Division is hereby authorized to act *motu proprio* any and all perceived complaints, queries, or violations of SHFC policies and guidelines without the need of any formal and sworn complaint.

XII. PREVENTIVE SUSPENSION

Once the Partner Relations Division issues a Letter to Explain to the CMP-M, the latter shall be placed on preventive suspension and SHFC shall not accept any project until a decision has been made on the complaint. Release of service fees for all pending projects with SHFC shall be put on hold but projects that have been approved shall be allowed to proceed to take out.

XIII. REPEALING CLAUSE

These guidelines will supersede the following corporate circulars:

- **No. 021** (Guidelines for the accreditation of CMP Mobilizers (CMP-M))
- **No. 025** (Implementing Rules and Regulations of the guidelines for the Accreditation CMP Mobilizers (CMP-M))
- **No. 033** (Implementing Rules and Regulations (Corporate Circular CMP No. 12-021 and Corporate Circular HDH No. 14-004): Jurisdiction and Procedures for Imposing of Sanctions for Offenses Committed by CMP-Mobilizers (CMP-Ms) and Civil Society Organization (CSO) Partners)
- **No. 038** (Amendment on the release of service fee to the CMP Mobilizers (CMP-M's) and civil society organization (CSO's))
- **No. 040** (All CMP Borrowers and Mobilizers Applicability of Service Fee to the CMP Mobilizers (CMP-M's) and Civil Society Organization (CSO's) Partners)
- **No. 14-004** (Implementing Rules and Regulations (IRRs) for accreditation of SHFC Civil Society Organization (CSO) for the High Density Housing (HDH) Program)
- **No. 16-012** Guidelines For Release Of Service Fees To Civil Society Organizations (CSO) In The Site Development And Building Construction Phase Of High Density Housing Projects

All other SHFC Corporate Circulars, Memoranda, Notices, Guidelines and Policies inconsistent herewith are also hereby expressly repealed and superseded by this Circular.


ATTY. ARNOLFO RICARDO B. CABLING

President

Approved: July 03, 2019