



**A DETAILED ANALYSIS OF SUSPICIOUS TRANSACTION REPORTS CAPTURED
IN THE AMLC'S YEAR 2020 INTERNET-BASED CASINO SECTOR
RISK ASSESSMENT**

OCTOBER 2022



Table of Contents

EXECUTIVE SUMMARY	2
I. INTRODUCTION	3
II. SCOPE AND METHODOLOGY	4
CAVEAT	7
III. FINDINGS AND RESULTS OF ANALYSIS	8
IV. TYPOLOGIES AND RED FLAG INDICATORS	16
1. Drug trafficking and related offenses and the use of designated non-financial businesses and professions (DNFBPs) in setting up entities alleged to have received funds from illicit activities, based on the foreign RFI.....	16
2. Violations of The Electronic Commerce Act of 2000	19
3. No underlying legal or trade obligation, purpose, or economic justification	19
4. Deviation from the client's profile/past transactions	20
5. Amount involved is not commensurate with the business or financial capacity of the client	20
6. Client is not properly identified	20
7. Fraud (swindling).....	21
RED FLAG INDICATORS	21
V. CONCLUSION AND RECOMMENDATION	22
Annex to Table of Acronyms	24
Annex to Table 3: Total IBCS Entities versus Entities with STRs	27
Annex to Table 7: Geographical Concentration of IBCS Entities	28

EXECUTIVE SUMMARY

At the core of the country's legislative body's public hearings in recent weeks, particularly the Congress's Committee on Ways and Means, is the consequential impact, both social and economic, of the Internet-Based Casino Sector (IBCS) in the country. Of particular interest to the legislators is the AMLC's Internet-Based Casino Sector Risk Assessment (IBCS-RA) released in 2020 that highlighted money laundering (ML) typologies and suspicious (red flag) indicators derived primarily from suspicious transaction report (STRs) involving the sector. Further to this, a more detailed analysis of the 1,031 STRs with transaction values estimated at PHP14.01 billion captured in the AMLC's published IBCS-RA is deemed appropriate.

Year-on-year assessment of IBCS-related STRs covering 2013 to 2019 showed a sporadic trend, which peaked in 2016 with 332 STRs involving transactions amounting to PHP8.8 billion. An upward trend was observed between 2013 and 2016 followed by a relative decline beginning 2017 until 2019. Majority of the STRs filed in terms of volume are based on the suspicious circumstance of "no underlying legal or trade obligation, purpose, or economic justification," accounting for 565 or 55% of the total STR dataset. In terms of PHP value, violations of the "Electronic Commerce Act of 2000" ranked at the top with PHP4.94 billion, which accounts for 35% of the total PHP value of the STRs used in the study.

The assessment likewise showed that nearly all IBCS categories (i.e., IGL, IGSSP, POGO, and SP)¹ have exposure to possible suspicious activities with majority involving the SP category. Moreover, majority of the observed transactions are domestic in nature, largely involving cash deposits/withdrawals, check deposits, and incoming/outgoing remittances. This raises a significant concern, as the statistics on cash deposits and withdrawals are consistent with the inherent risk of cash transactions for ML purposes as transacting in cash tends to obscure the audit trail. In addition, considering the nature of business of the IBCS, that is, the use of online technology for its platform, the substantial flow of cash is a likely deviation from its business model.

The geographical location of the identified entities is concentrated in the cities of Manila and Makati, and the province of Cagayan, collectively with 903 STRs with transactions valued at PHP12.0 billion, or equivalent to 87.58% and 86.0% of the total volume and peso value, respectively, of the STRs used in the study. In addition, STRs were also filed on IBCS entities located entirely offshore (i.e., Belize and British Virgin Islands), and foreign entities having both international and domestic addresses.

Various typologies and suspicious indicators cited in the published IBCS-RA were also captured in this report, involving drug trafficking and related offenses, violations of the Electronic Commerce Act of 2000, and fraud (swindling), among others.

The information in the study may provide insights to relevant stakeholders. The AMLC may consider sharing the study as warranted and publishing the same on the AMLC website.

¹ Please refer to Table of Acronyms under II. Scope and Methodology, pages 4-6, for the description of listed IBCS-RA categories.

I. INTRODUCTION

In recent weeks, the consequential impact, both social and economic, of the Internet-Based Casino Sector (IBCS) in the country has been at the core of the Congress's discussion. Various government agencies, including the Anti-Money Laundering Council (AMLC), were invited to public hearings, sponsored by the Senate's Committee on Ways and Means, concerning the sector. Among the references mentioned in those hearings is the IBCS Risk Assessment (IBCS-RA) released by the AMLC in 2020.² The IBCS-RA showed possible money laundering (ML) typologies and suspicious (red flag) indicators concerning the sector, which were gathered primarily from suspicious transaction reports (STRs) filed by various covered persons (CPs).

Subsequently, a detailed report on the STRs amounting to PHP 14 billion captured in the IBCS-RA, specifically the details on the causes or reasons for the tagging, corresponding Anti-Money Laundering Act of 2001 (AMLA), as amended, provisions, and other pertinent details, is deemed necessary.

As an introduction, cited are the following legal bases for requiring the submission of both covered transaction reports (CTRs) and STRs by CPs:

1. Section 7(1) of Republic Act No. 9160, "An Act Defining the Crime of Money Laundering, Providing Penalties Therefore and for Other Purposes," otherwise known as the AMLA, as amended, which states:

"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, receive and analyze covered or suspicious transaction reports from covered institutions;

xxx."

2. Rule 6 (Powers and Functions of the AMLC), Section 1(B) of the 2018 Implementing Rules and Regulations (IRR) of the AMLA, as amended, which states:

"Rule 6 – Powers and Functions of the AMLC

Section 1. Powers and Functions.

A. *xxx*

B. *Financial Intelligence Unit.*

² <http://www.amlc.gov.ph/images/PDFs/AMLC%20RISK%20ASSESSMENT%20ON%20INTERNET-BASED%20CASINO%20SECTOR%20IN%20THE%20PHILIPPINES.doc.pdf>

1.6 *National Center for Receipt Analysis of CTRs and STRs.*

1.6.1. *The AMLC shall require, receive, and analyze CTRs and STRs from covered persons in accordance with Rule 22 (Transaction Reporting) hereof.*

Rule 22 – Transaction Reporting

Section 1. CTR and STR.

1.1. *Filing of CTRs and STRs.*

Covered persons shall file all CTRs and STRs, in accordance with the registration and reporting guidelines of the AMLC. STRs shall cover all transactions, whether completed or attempted.”

The published IBCS-RA already contains a macro discussion of the STR dataset used. This paper shall then focus on detailing the 1,031 STRs used in the IBCS-RA in response to recent interest on suspicious activities associated with the sector.

II. SCOPE AND METHODOLOGY

This report contains a descriptive analysis of the STRs captured in the IBCS-RA at the time it was conducted. The entities' names are masked, but the surrounding circumstances are detailed. It should further be noted that the captured entities are covered by the Appropriate Government Agencies (AGAs) for casinos at the time the IBCS-RA was released and that any changes on the AGAs' lists are no longer accounted for in this report.

The IBCS-related STR dataset comprises 1,031 STRs estimated at PHP14.01 billion filed by various CPs between 14 June 2013 and 28 October 2019. In analyzing the STRs, the transaction date was reduced to year-level tagging and the Philippine Peso (PHP) was used as reference currency across the entire dataset. STRs involving foreign currencies normally have PHP equivalents, which were captured as transaction amounts. The different transaction types were reclassified into broader categories for easier aggregation. Analysis of the transaction types determines the degree of exposure of associated financial products in moving suspicious proceeds possibly linked to IBCS. In determining the area of concentration of IBCS participants, the addresses were likewise reduced to country level (international) or city/provincial level (domestic) tagging.

For brevity, certain acronyms/abbreviations are used in the paper, namely:

Table of Acronyms

Acronyms	Description
AGA	Appropriate Government Agency Refers to a government agency that authorizes businesses to engage in gaming operations
AMLA	Anti-Money Laundering Act of 2001, as amended
AML/CTF	Anti-Money Laundering/Counter-Terrorism Financing
BPO	Business Process Outsourcing

CEZA	Cagayan Economic Zone Authority CEZA is an AGA for casinos.
CP	Covered Person
CRSP	Customer Relations Service Provider ³ Refers to PAGCOR-accredited SPs that provide customer service to the players and cater to their various needs through direct contact and interaction by means of remote communication devices. Prohibited acts include: <ul style="list-style-type: none"> • Must not service offshore gaming operators not licensed by PAGCOR, even if licensed abroad; and • Must not have any gaming paraphernalia inside its operating site.
GL	Gaming Laboratory Refers to entities responsible for the testing of gaming systems and software of all POGO Licensees and SPs and ensuring that the same pass technical standards established and accepted by gaming jurisdictions worldwide. GLs are accredited by PAGCOR.
GSPP	Gaming Software/Platform Provider ⁴ Refers to PAGCOR-accredited SPs that provide gaming systems to its gaming licensee, such as, but not limited to, Sportsbook or sports betting, and RNG-based games for e-casinos; modify or upgrade gaming software; and conduct software testing and ransom software tests. Prohibited from developing indecent or obscene gaming software, or any other games which may be constituted as against public morals and interest.
IBCS	Internet-Based Casino Sector For purposes of this paper, IBCS comprises GLs, IGLs, IGSSPs, POGOs, and SPs
IGL	Interactive Gaming Licensee Refers to foreign companies registered/licensed by CEZA (e-casino)
IGSSP	Interactive Gaming Support Service Provider Refers to local BPOs licensed by CEZA
ITSP	IT Support Provider ⁵ Refers to PAGCOR-accredited SPs that provide technical support to POGO Licensees, such as, but not limited to, diagnosis of and solutions to software faults, IT maintenance, installation and configuration of computer systems, and placement and management of player accounts. Prohibited acts include: <ul style="list-style-type: none"> • Must not have any gaming paraphernalia inside its operating site; and • Must not participate in any ML activities.
LSSP	Live Studio and Streaming Provider ⁶ Refers to PAGCOR-accredited SPs that provide real-time streaming of authorized gaming activities coming from live studios and/or licensed gaming venues via the Internet to the websites of the POGO Licensees. Prohibited acts include: <ul style="list-style-type: none"> • Must not stream a casino game from a live studio not accredited by PAGCOR; • Must not stream an unlicensed gaming event or stream from an unlicensed gaming venue; • Must not stream any unlicensed wagering event; • Must not stream to any gaming operator offering online games in the Philippines; • Must not stream obscene or indecent shows; • Must not cater to Electronic Gaming Systems (EGS) and other similar local gaming systems unless otherwise approved by the PAGCOR Board of Directors;

³ <http://www.pagcor.ph/regulatory/pdf/offshore/Offshore-Gaming-Regulatory-Manual.pdf> , last accessed on 11/22/2019

⁴ Ibid.

⁵ Ibid.

⁶ Ibid.

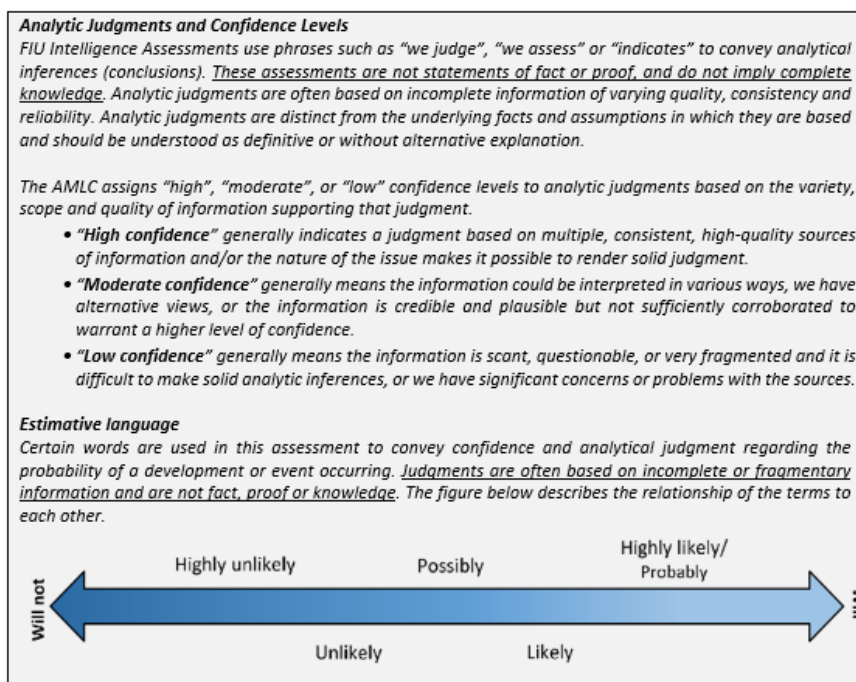
	<ul style="list-style-type: none"> • Must not be located in the gaming area of the casino; • Must not operate without the corresponding Permit to Possess (PTP); • Must not permit the exploitation of any of its employees, especially in the wearing of indecent attire in the conduct of its offshore gaming operations; and • Must not permit any indecent or immoral shows, or any act, which may be constituted as against public morals and interest.
PAGCOR	Philippine Amusement and Gaming Corporation PAGCOR is an AGA for casinos.
POGO	Philippine Offshore Gaming Operator Refers to a marketing name for PAGCOR's Offshore Gaming Operator (OGO) that caters to offshore clients. Under the AMLA, an OGO refers to an entity engaged in offering online games of chance or sporting events via the Internet, using a network and software program, by themselves or through local SPs.
SCB	Special Class of BPO ⁷ Refers to PAGCOR-accredited SPs that are servicing legitimately licensed gaming operators abroad, that do not in any way handle betting but purely product marketing and customer relations, that are not servicing any of PAGCOR POGO licensees, and that have at least 90% percent Filipino workforce. Prohibited acts include: <ul style="list-style-type: none"> • Must not accept bets; • Must not engage in gambling activities; • Must only service duly licensed gaming operators abroad; • Must not handle any betting activities of the duly licensed gaming operator abroad; and • Must not service any of the PAGCOR POGO licensees.
SP	Service Provider OGO "SP" refers to duly constituted business corporations that provide components of offshore gaming operations to offshore gaming operators. There are six (6) sub-categories of SPs, namely, CRSP, GSPP, SSP, ITSP, LSSP, and SCB, as defined by PAGCOR.
SSP	Strategic Support Provider ⁸ Refers to PAGCOR-accredited SPs that develop or improve the business processes of the POGO Licensee. These entities usually operate as the back-office support of the POGO Licensees and do not have direct contact with players. Prohibited acts include: <ul style="list-style-type: none"> • Must not have any gaming paraphernalia inside its operating site; and • Must not have direct contact with players.
STR	Suspicious Transaction Report Suspicious transactions, as defined under Republic Act No. 9160, otherwise known as the AMLA, as amended, refer to any transaction with covered persons, regardless of the amount involved, where any of the following circumstances exist: <ol style="list-style-type: none"> (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;

⁷ Ibid.

⁸ Ibid.

	<p>(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;</p> <p>(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;</p> <p>(6) The transaction is in any way related to an unlawful activity or any ML activity or offense that is about to be committed, is being, or has been committed;</p> <p>(7) Any transaction that is similar, analogous, or identical to any of the foregoing.</p> <p>In relation to above-cited item (6), the list of various predicate crimes or unlawful activities covered by the AMLA, as amended, is annexed to this report.</p>
--	--

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



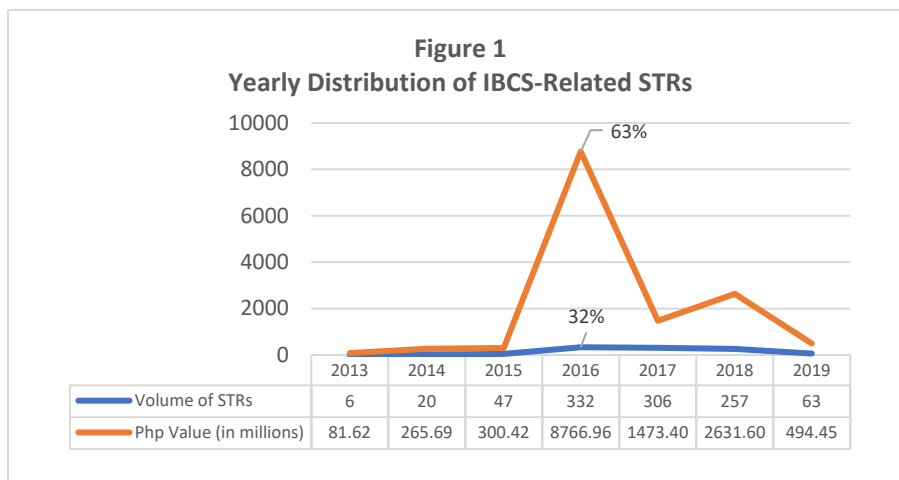
Considering the foregoing data availability and limitations, a moderate level of confidence is given on the analytical judgments presented in the succeeding discussions pertaining to the results of analysis.

CAVEAT

The examined STRs are purely derived from the dataset used in the IBCS-RA. The intent of which centers on detailing the captured STRs and determining the possible exposure of IBCS participants to various unlawful activities and suspicious circumstances. Considering the scope and limitation of the data, this report should not be interpreted as providing an estimation of the full amount of proceeds with possible links to IBCS-related crimes. The actual volume and amount of illicit funds relating to this sector are probably larger than represented in the sample. Further, the statements in the study are not conclusive but are more descriptive of the observations on the gathered STRs data. These STRs also need further verification and more in-depth investigation to substantiate likely linkage to certain crimes.

III. FINDINGS AND RESULTS OF ANALYSIS

Several registered/accredited IBCS figured in 1,031 STRs, totaling PHP14.01 billion filed by



various CPs between 2013 and 2019. A sporadic trend was observed on the STRs, both in volume and peso value, with the period between 2013 and 2016, showing an upward trend. The STRs peaked in 2016 with 332 STRs with transaction values

totaling PHP8.8 billion, which accounted for 32% and 63% of total volume and peso value, respectively, of IBCS-related STRs. Conversely, a relative downward trajectory was observed beginning 2017 until 2019. The STRs are initially categorized based on the selected reasons for filing by CPs, which were subsequently re-classified by AMLC analysts. Shown in Table 1 is the distribution of STRs per reason for filing both primary and re-classified.

Table 1: Total Volume and PHP Value of STRs filed on Entities included in the IBCS-RA, covering the years 2013 – 2019

PRIMARY REASONS FOR FILING (RECLASSIFIED PREDICATE CRIME/SUSPICIOUS CIRCUMSTANCE)	STR Count	PHP Value (in millions)
THERE IS NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION.	499	3,765.53
THE TRANSACTION IS SIMILAR, ANALOGOUS, OR IDENTICAL TO ANY OF THE FOREGOING (SI6).	329	4,264.27
ADVERSE MEDIA	1	0.00
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	223	965.69
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	2	21.85
DRUG TRAFFICKING AND RELATED OFFENSES	5	0.00
ELECTRONIC COMMERCE ACT OF 2000	11	2,804.00
FRAUD (SWINDLING)	1	2.49
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	66	308.24
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KNOW-YOUR-CUSTOMER [KYC] DOCS)	20	162.00
THE AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT.	140	1,261.08
THERE IS A DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS.	32	2,397.70
THE CLIENT IS NOT PROPERLY IDENTIFIED.	17	69.75
ELECTRONIC COMMERCE ACT OF 2000	1	-
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	16	69.75
FORGERIES AND COUNTERFEITING	4	39.66
FRAUD (SWINDLING)	4	39.66

FRAUDS AND ILLEGAL EXACTIONS AND TRANSACTIONS	4	78.94
<i>FRAUD (SWINDLING)</i>	4	78.94
ELECTRONIC COMMERCE ACT OF 2000	5	2,137.19
DRUG TRAFFICKING AND RELATED OFFENSES	1	0.00
Grand Total	1,031	14,014.13

Certain STRs which provided incorrect or vague predicate crimes/suspicious circumstances (PC/SC) were re-classified, as *italicized* in Table 1 above, specifically those which used the following PC/SC: (1) frauds and illegal exactions and transactions, (2) forgeries and counterfeiting, (3) the client is not properly identified, and (4) the transaction is similar, analogous, or identical to any of the foregoing. The bases for re-classification are the description in the STR narrative and available information on the subjects' alleged involvement in existing cases under investigation by the AMLC. Given these conditions, the total volume and PHP value of the re-classified STRs per PC/SC are shown in Table 2.

Table 2: Total Volume and PHP Value of Re-classified STRs filed on Entities included in the IBCS-RA, covering the years 2013 – 2019

PREDICATE CRIME / SUSPICIOUS CIRCUMSTANCE	VOLUME	PHP VALUE (in millions)
ELECTRONIC COMMERCE ACT OF 2000 VIOLATIONS	17	4,941.19
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	565	4,073.77
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	34	2,419.55
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	363	2,226.77
THE CLIENT IS NOT PROPERLY IDENTIFIED	36	231.75
FRAUD (SWINDLING)	9	121.09
DRUG TRAFFICKING AND RELATED OFFENSES	6	.000006 ^a
SI6: ADVERSE MEDIA	1	.000001 ^a
Grand Total	1,031	14,014.13

^aThe suspicious transactions were reported by CPs using ZSTR code (Generic-coded STR).

The code ZSTR is used if the subject is not an accountholder of the CP or is an accountholder but has no monetary transaction with the CP at the time the suspicious activity was determined.

Majority of the STRs filed in terms of volume are based on the suspicious circumstance of “no underlying legal or trade obligation, purpose, or economic justification,” accounting for 565 or 55% of the total STRs filed on the entities in the study. In terms of PHP value, violations of the “Electronic Commerce Act of 2000” ranked at the top with PHP4.94 billion, which accounts for 35% of the total PHP value of the STRs used in the study.⁹

The 1,031 STRs estimated at PHP 14 billion captured in the AMLC’s IBCS-RA consist of various subjects categorized either as IGLs, IGSSPs, POGOs, or SPs. The number of entities considered in the IBCS-RA and the entity type with STRs are shown in the table below:

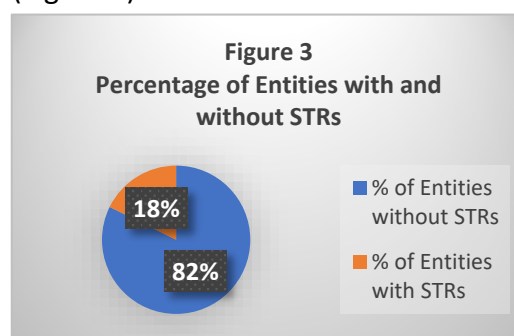
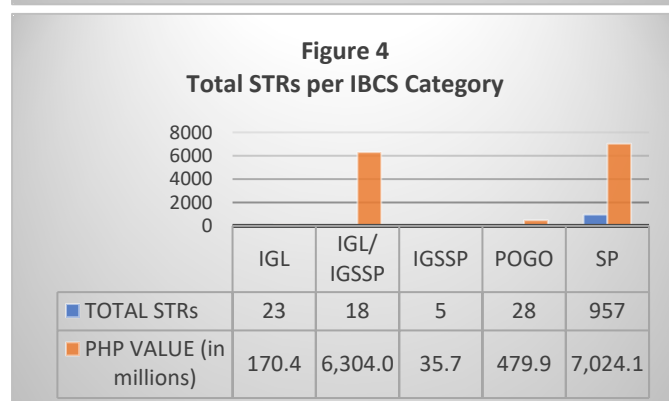
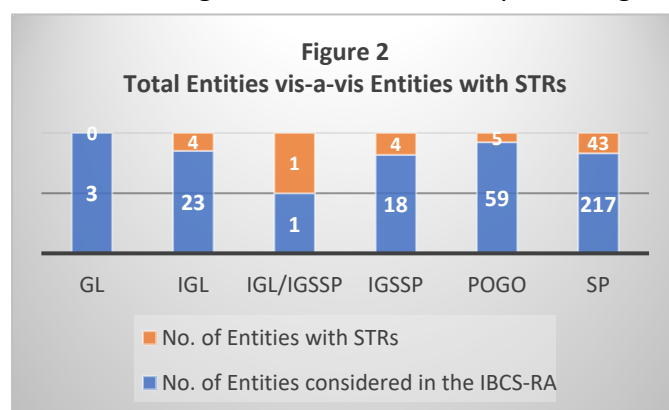
⁹ Based on the AMLC’s published IBCS-RA

<http://www.amlc.gov.ph/images/PDFs/AMLC%20RISK%20ASSESSMENT%20ON%20INTERNET-BASED%20CASINO%20SECTOR%20IN%20THE%20PHILIPPINES.doc.pdf>

Table 3: Total IBCS Entities versus Entities with STRs¹⁰

Entity Type or Category	No. of Entities considered in the IBCS-RA	No. of Entities with STRs	No. of STRs	Total Amount (in PHP millions)
GL	3	-	-	-
IGL	23	4	23	170.4
IGL/IGSSP	1	1	18	6,304.0
IGSSP	18	4	5	35.7
POGO	59	5	28	479.9
SP	217	43	957	7,024.1
Total	321	57	1,031	14,014.1

Table 3 and Figure 2 show that nearly all categories, except GLs, have exposure to possible suspicious activities. A total of 57 entities were identified as subjects of 1,031 STRs considered in the IBCS-RA. These entities account for 18% of the total 321 combined GLs, IGLs, IGSSPs, POGOs, and SPs assessed in the IBCS-RA (Figure 3).



In detail, Figures 2 and 4 show that four (4) out of 23 IGLs figured in 23 STRs with transaction values of PHP170.4 million. One (1) entity functioning both as an IGL and IGSSP, with 18 STRs, got the second largest chunk, in terms of peso value, with PHP 6.3 billion. Four (4) out of 18 IGSSPs figured in five (5) STRs with transaction values totaling PHP35.7 million, while five (5) out of 59 POGOs were subjects of 28 STRs with transaction values amounting to PHP479.9 million. Lastly, 43 out of 217 SPs figured in 957 STRs with estimated transaction values of PHP7.0 billion, cornering majority of IBCS-related STRs both in volume and peso value.

A total of 16 broadly categorized transaction types were identified in the STRs. The yearly distribution of STRs per transaction type is shown in Tables 4 (volume) and 5 (peso value).

Table 4: Yearly Volume of IBCS-Related STRs in Terms of Count

Transaction Types	2013	2014	2015	2016	2017	2018	2019	Total Volume	% to Total
CASH DEPOSIT	1		5	33	136	126	18	319	30.9%
INTERNATIONAL INWARD REMITTANCE	3	15	12	133	14	24		201	19.5%

¹⁰ The list of various PC/SC associated with IBCS entities, grouped per category/entity type, is annexed to this report.

Transaction Types	2013	2014	2015	2016	2017	2018	2019	Total Volume	% to Total
GENERIC-CODED STR			7	102	16	19	22	166	16.1%
CHECK DEPOSIT			3	7	65	55		130	12.6%
INTER-ACCOUNT TRANSFER			11	6	16	15	2	50	4.8%
CHECK CLEARING				1	36	8		45	4.4%
DOMESTIC INWARD REMITTANCE	2		5	23	2		3	35	3.4%
DOMESTIC OUTWARD REMITTANCE				8	3	3	14	28	2.7%
RETURNED INTERNATIONAL INWARD REMITTANCE				11	1		3	15	1.5%
CHECK ENCASHMENT					12	1	1	14	1.4%
CASH WITHDRAWAL - OTC			4	6	1	2		13	1.3%
INTERNATIONAL OUTWARD REMITTANCE		5			4			9	0.9%
RETURNED CHECK						2		2	0.2%
RETURNED DOMESTIC INWARD REMITTANCE				1		1		2	0.2%
CHECK PURCHASE						1		1	0.1%
RETURNED INTERNATIONAL OUTWARD REMITTANCE				1				1	0.1%
Grand Total	6	20	47	332	306	257	63	1,031	100.0%

Table 4 shows that the volume of STRs is concentrated on the following transaction types: cash deposit (30.9%), international inward remittance (19.5%), generic-coded STR or ZSTR (16.1%), and check deposit (12.6%), collectively at 816 STRs or 79.1% of the total IBCS-related STRs.

Table 5: Yearly PHP Value of IBCS-Related STRs (in millions of Philippine Pesos)

Transaction Types	2013	2014	2015	2016	2017	2018	2019	Total PHP Value (in millions)	% to Total
DOMESTIC INWARD REMITTANCE	4.75	-	0.40	3,206.34	44.36	-	5.25	3,261.11	23.270%
CASH DEPOSIT	19.11	-	5.47	453.27	586.42	1,155.20	252.73	2,472.20	17.641%
INTERNATIONAL INWARD REMITTANCE	57.76	166.10	75.06	572.75	70.32	822.71	-	1,764.70	12.592%
DOMESTIC OUTWARD REMITTANCE	-	-	-	1,500.92	56.91	29.22	36.89	1,623.94	11.588%
INTER-ACCOUNT TRANSFER	-	-	134.46	825.26	45.39	307.34	0.60	1,313.04	9.369%
CASH WITHDRAWAL - OTC	-	-	1.54	1,200.00	2.50	2.19	-	1,206.23	8.607%
GENERIC-CODED STR	-	-	77.89	660.75	26.59	5.81	145.74	916.79	6.542%
CHECK DEPOSIT	-	-	5.60	67.89	459.10	261.65	-	794.24	5.667%
CHECK CLEARING	-	-	-	200.00	10.89	33.84	-	244.73	1.746%
INTERNATIONAL OUTWARD REMITTANCE	-	99.59	-	-	138.68	-	-	238.27	1.700%
RETURNED INTERNATIONAL INWARD REMITTANCE	-	-	-	43.31	4.95	-	36.87	85.13	0.607%
CHECK ENCASHMENT	-	-	-	-	27.29	1.48	16.37	45.13	0.322%
RETURNED DOMESTIC INWARD REMITTANCE	-	-	-	25.27	-	11.10	-	36.37	0.260%
RETURNED INTERNATIONAL OUTWARD REMITTANCE	-	-	-	11.19	-	-	-	11.19	0.080%
RETURNED CHECK	-	-	-	-	-	0.99	-	0.99	0.007%
CHECK PURCHASE	-	-	-	-	-	0.08	-	0.08	0.001%
Grand Total	81.62	265.69	300.42	8,766.96	1,473.40	2,631.60	494.45	14,014.13	100%

In terms of peso value, Table 5 shows that 83.1% or PHP11.6 billion of IBCS-related STRs relate to the following transaction types: domestic inward remittance (23.3%), cash deposit (17.6%), international inward remittance (12.6%), domestic outward remittance (11.6%), inter-account (same bank) transfer (9.4%), and over-the-counter (OTC) cash withdrawal (8.6%). Figure 5 likewise shows that various current/savings (CASA)

account-related transactions dominated the STR dataset, primarily deposit (cash and check) and withdrawal-OTC (cash) transactions. In addition, remittances, whether domestic or international, are likewise generally credited to or debited from CASA accounts. Distribution of the various transaction types into domestic, international, and generic-coded STR (ZSTR¹¹) is also presented in Table 6 and Figure 6.

Table 6: Nature of the Different Transaction Types of IBCS-Related STRs

Transaction Types	Total Volume	% to Total Volume	Total PHP Value (in millions)	% to Total Volume
DOMESTIC TRANSACTIONS	639	62.0%	10,998.06	78.5%
CASH DEPOSIT	319	30.9%	2,472.20	17.6%
CASH WITHDRAWAL - OTC	13	1.3%	1,206.23	8.6%
CHECK CLEARING	45	4.4%	244.73	1.7%
CHECK DEPOSIT	130	12.6%	794.24	5.7%
CHECK ENCASHMENT	14	1.4%	45.13	0.3%
CHECK PURCHASE	1	0.1%	0.08	0.0%
DOMESTIC INWARD REMITTANCE	35	3.4%	3,261.11	23.3%
DOMESTIC OUTWARD REMITTANCE	28	2.7%	1,623.94	11.6%
INTER-ACCOUNT TRANSFER	50	4.8%	1,313.04	9.4%
RETURNED CHECK	2	0.2%	0.99	0.0%
RETURNED DOMESTIC INWARD REMITTANCE	2	0.2%	36.37	0.3%
INTERNATIONAL TRANSACTIONS	226	21.9%	2,099.28	15.0%
INTERNATIONAL INWARD REMITTANCE	201	19.5%	1,764.70	12.6%
INTERNATIONAL OUTWARD REMITTANCE	9	0.9%	238.27	1.7%
RETURNED INTERNATIONAL INWARD REMITTANCE	15	1.5%	85.13	0.6%
RETURNED INTERNATIONAL OUTWARD REMITTANCE	1	0.1%	11.19	0.1%
GENERIC-CODED STR	166	16.1%	916.79	6.5%
ZSTR	166	16.1%	916.79	6.5%
Grand Total	1,031	100.0%	14,014.13	100.0%

¹¹ As previously specified under Table 2, the suspicious transactions were reported by CPs using ZSTR code (Generic-coded STR). This code (ZSTR) is used if the subject is not an accountholder of the CP or is an accountholder but has no monetary transaction with the CP at the time the suspicious activity was determined.

The above table and opposite graph show that the STRs are largely domestic in nature, accounting for 78.5% and 62.0% of the total peso value and volume, respectively, of IBCS-related STRs.

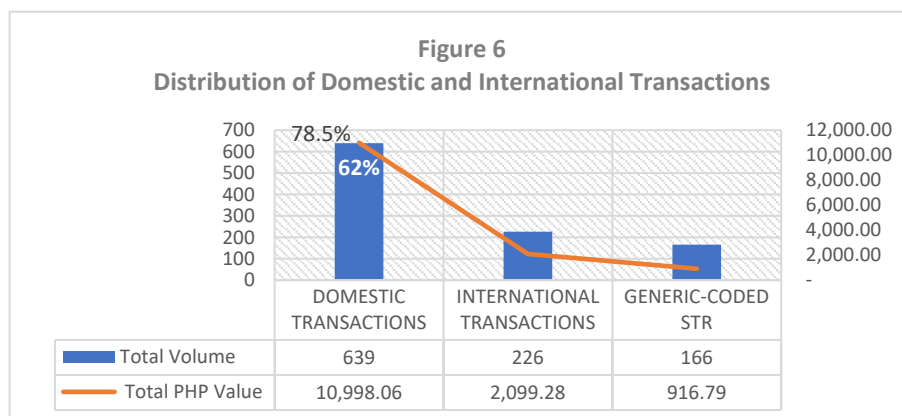


Table 7: STRs per Geographical Concentration of IBCS Entities¹²

IBCS GEOGRAPHICAL CONCENTRATION	Total Volume	% to Total Volume	Total PHP Value (in millions)	% to Total PHP Value
DOMESTIC	991	96.12%	13,336.23	95.16%
CITY OF MANILA/CAGAYAN	18	1.75%	6,304.04	44.98%
CAGAYAN	411	39.86%	2,250.83	16.06%
MAKATI CITY	84	8.15%	1,460.02	10.42%
MAKATI CITY/CAGAYAN	177	17.17%	1,206.95	8.61%
CITY OF MANILA	213	20.66%	830.12	5.92%
PAMPANGA	31	3.01%	658.28	4.70%
MUNTINLUPA CITY	38	3.69%	269.42	1.92%
CEBU	5	0.48%	186.39	1.33%
PASAY CITY	7	0.68%	143.61	1.02%
PASIG CITY	7	0.68%	26.57	0.19%
INTERNATIONAL	17	1.65%	376.26	2.68%
BELIZE	9	0.87%	369.12	2.63%
BRITISH VIRGIN ISLANDS	8	0.78%	7.14	0.05%
INTERNATIONAL/DOMESTIC	23	2.23%	301.64	2.15%
BRITISH VIRGIN ISLANDS/MAKATI CITY	8	0.78%	163.28	1.17%
ISLE OF MAN/MAKATI CITY	8	0.78%	96.04	0.69%
BELIZE/MAKATI CITY	7	0.68%	42.32	0.30%
Grand Total	1,031	100.00%	14,014.13	100.00%

Table 7 shows that STRs on IBCS entities located in three areas, namely, the cities of Manila and Makati, and the province of Cagayan collectively topped the chart with 903 STRs with transaction values estimated at PHP12.0 billion, or equivalent to 87.58% and 86.0% of the total volume and peso value, respectively. Primarily, an IBCS entity with dual domestic addresses located in Manila and Cagayan figured largely in various suspicious financial activities, totaling PHP6.2 billion or 44.98%. Said STRs are mainly attributable to violations of the Electronic Commerce Act of 2000 in connection with the B Bank Heist with PHP4.8 billion (34.28%), and deviations from client's profile or past transactions with PHP1.5 billion (10.70%). Moreover, STRs were also filed on IBCS entities located entirely offshore (i.e., Belize and British Virgin Islands), and on foreign entities having both international and domestic addresses as enumerated under Table 7's International/Domestic category.

¹² The list of various predicate crimes/suspicious indicators associated with IBCS entities, grouped per geographic concentration, is annexed to this report.

Table 8: Geographical Concentration of IBCS Entities per Category

IBCS GEOGRAPHICAL CONCENTRATION	IGL	IGL/IGSSP	IGSSP	POGO	SP	Total Volume	% to Total Volume
DOMESTIC		18	5	15	953	991	96.1%
CAGAYAN			4	4	403	411	39.9%
MANILA CITY				11	202	213	20.7%
MAKATI/CAGAYAN			1		176	177	17.2%
MAKATI CITY					84	84	8.1%
MUNTINLUPA CITY					38	38	3.7%
PAMPANGA					31	31	3.0%
MANILA/CAGAYAN		18				18	1.7%
PASIG CITY					7	7	0.7%
PASAY CITY					7	7	0.7%
CEBU					5	5	0.5%
INTERNATIONAL	7			10		17	1.6%
BELIZE				9		9	0.9%
BRITISH VIRGIN ISLANDS	7			1		8	0.8%
INTERNATIONAL/DOMESTIC	16			3	4	23	2.2%
ISLE OF MAN/MAKATI CITY	8					8	0.8%
BRITISH VIRGIN ISLANDS/MAKATI CITY	1			3	4	8	0.8%
BELIZE/MAKATI CITY	7					7	0.7%
Grand Total	23	18	5	28	957	1031	100.0%

Tables 8 and 9 show the geographical distribution of entities categorized per license or accreditation type. SPs and IGSSPs (collectively SPs) located in the cities of Manila and Makati, and the province of Cagayan, overwhelmingly controlled the volume and peso value of IBCS-related STRs, respectively at 86.1% (888 STRs) and 86.0% (PHP12.0 billion). Of this figure, one entity categorized as both an IGL and IGSSP having dual addresses in Manila/Cagayan, with merely 18 STRs, cornered the largest transfer of value, amounting to PHP6.3 billion or 45.0% of total peso value. The entity's significant transactions in 2016 consist of cash withdrawals (PHP100 million to PHP400 million), a lone cash deposit of PHP400 million, a single check clearing worth PHP200 million, and various domestic remittances (incoming/outgoing), ranging between PHP500 million and PHP1 billion.

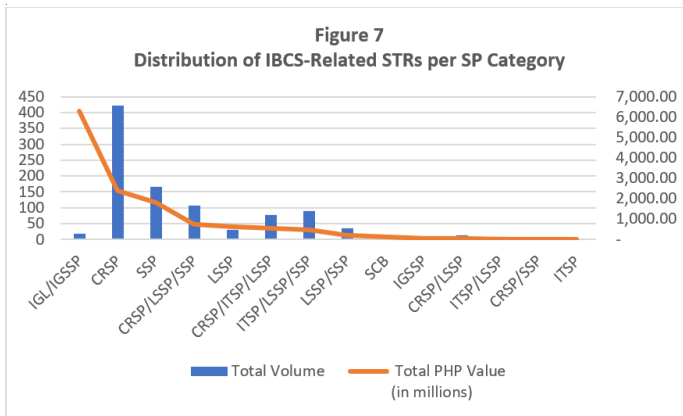
Table 9: Geographical Concentration of IBCS Entities per Category

IBCS GEOGRAPHICAL CONCENTRATION	IGL	IGL/IGSSP	IGSSP	POGO	SP	Total PHP Value (in millions)	% to Total PHP Value
DOMESTIC	-	6,304.04	35.72	5.29	6,991.18	13,336.23	95.2%
MANILA/CAGAYAN	-	6,304.04	-	-	-	6,304.04	45.0%
CAGAYAN	-	-	7.77	4.75	2,238.30	2,250.83	16.1%
MAKATI CITY	-	-	-	-	1,460.02	1,460.02	10.4%
MAKATI/CAGAYAN	-	-	27.95	-	1,179.00	1,206.95	8.6%
MANILA CITY	-	-	-	0.54	829.58	830.12	5.9%
PAMPANGA	-	-	-	-	658.28	658.28	4.7%
MUNTINLUPA CITY	-	-	-	-	269.42	269.42	1.9%
CEBU	-	-	-	-	186.39	186.39	1.3%
PASAY CITY	-	-	-	-	143.61	143.61	1.0%
PASIG CITY	-	-	-	-	26.57	26.57	0.2%
INTERNATIONAL	7.14	-	-	369.12	-	376.26	2.7%
BELIZE	-	-	-	369.12	-	369.12	2.6%
BRITISH VIRGIN ISLANDS	7.14	-	-	-	-	7.14	0.1%
INTERNATIONAL/DOMESTIC	163.21	-	-	105.53	32.89	301.64	2.2%
BRITISH VIRGIN ISLANDS/MAKATI CITY	24.85	-	-	105.53	32.89	163.28	1.2%
ISLE OF MAN/MAKATI CITY	96.04	-	-	-	-	96.04	0.7%
BELIZE/MAKATI CITY	42.32	-	-	-	-	42.32	0.3%
Grand Total	170.36	6,304.04	35.72	479.94	7,024.07	14,014.13	100.0%

Table 10: STRs per SP Sub-Category

Service Providers	Total Volume	Total PHP Value (in millions)
IGL/IGSSP	18	6,304.04
CRSP	421	2,401.00
SSP	167	1,821.38
CRSP/LSSP/SSP	107	743.30
LSSP	30	639.70
CRSP/ITSP/LSSP	77	537.10
ITSP/LSSP/SSP	90	473.77
LSSP/SSP	34	202.60
SCB	6	143.61
IGSSP	5	35.72
CRSP/LSSP	14	31.61
ITSP/LSSP	7	26.57
CRSP/SSP	3	3.43
ITSP	1	0.000001
Grand Total	980	13,363.83

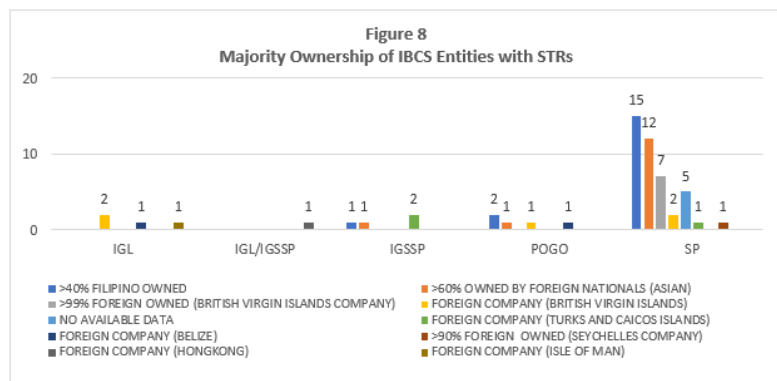
The dominating SP category of IBCS-related STRs, both in volume and peso value, is further drilled down to determine the extent of exposure to suspicious activities of its various sub-classifications. Table 10 and Figure 7



show that most STRs, volume-wise, relate to SPs accredited as CRSP (421 STRs), SSP (167 STRs), and those with multiple accreditations, specifically CRSP/LSSP/SSP (107 STRs). In terms of peso value, next to the previously discussed IGL/IGSSP entity, the same classification of SPs, CRSP, SSP, and CRSP/LSSP/SSP likewise transacted

the most value at PHP2.4 billion, PHP1.8 billion, and PHP743.30 million, respectively.

Further explored is the ownership component of the 57 entities that figured in the IBCS-related STRs. Topping the chart in Figure 8 and Table 11 are 18 Filipino-owned (> 40% shares) entities, comprising one (1) IGSSP, two (2) POGOs, and 15 SPs. Ranked second are 14 entities



owned by foreign Asian Nationals (> 60% shares), consisting of one (1) IGSSP, one (1) POGO,

Table 11: Ownership of IBCS Entities with STRs

MAJORITY OWNERSHIP	IGL	IGL/IGSSP	IGSSP	POGO	SP	Grand Total	% to Grand Total
>40% FILIPINO OWNED			1	2	15	18	32%
>60% OWNED BY FOREIGN NATIONALS (ASIAN)			1	1	12	14	25%
>99% FOREIGN OWNED (BRITISH VIRGIN ISLANDS COMPANY)					7	7	12%
FOREIGN COMPANY (BRITISH VIRGIN ISLANDS)	2			1	2	5	9%
NO AVAILABLE DATA					5	5	9%
FOREIGN COMPANY (TURKS AND CAICOS ISLANDS)			2		1	3	5%
FOREIGN COMPANY (BELIZE)	1			1		2	4%
>90% FOREIGN OWNED (SEYCHELLES COMPANY)					1	1	2%
FOREIGN COMPANY (HONG KONG)		1				1	2%
FOREIGN COMPANY (ISLE OF MAN)	1					1	2%
Grand Total	4	1	4	5	43	57	100%

and 12 SPs. In the third spot are seven (7) domestically registered SPs owned by foreign companies in the British Virgin Islands (> 99% shares held by the foreign company). Tied in fourth place are five (5) foreign companies registered in the British Virgin Islands, comprising two (2) IGLs, one (1) POGO, and two (2) SPs; and five (5) entities with unavailable ownership information consisting of five (5) SPs. In fifth place are two (2) IGSSPs and one (1) SP organized offshore in Belize. Lastly, tied on the sixth spot are one (1) domestically-registered SP (> 90% shareholdings owned by a foreign company in Seychelles), one (1) Hong Kong-owned IGL/IGSSP (dual licensing/accreditation), and one (1) IGL organized in the Isle of Man. The ownership categories tagged merely as “FOREIGN COMPANY (xxx)” with no indicated shareholdings in Table 11 and Figure 8 are foreign organized IBCS entities. The countries of origin of these entities are the British Virgin Islands, Turks and Caicos Islands, Belize, Hong Kong, and Isle of Man. They are, however, in-existent in our country’s corporate registry and are likely not registered domestically.

IV. TYPOLOGIES AND RED FLAG INDICATORS¹³

The published IBCS-RA identifies typologies and several suspicious (red flag) indicators, relating to possible ML activities to guide CPs in assessing client’s risk profile. The typologies are gathered from the STRs filed by various CPs and requests for information (RFIs) included in the published study.

1. Drug trafficking and related offenses and the use of designated non-financial businesses and professions (DNFBPs)¹⁴ in setting up entities alleged to have received funds from illicit activities, based on the foreign RFI.¹⁵

¹³ Ibid. footnote no. 9 (This section is largely lifted from the AMLC’s published IBCS-RA with weblink in footnote No.9)

¹⁴ The typology on the use of DNFBPs is published on the AMLC website.

<http://www.amlc.gov.ph/images/PDFs/TYOLOGY%20ON%20THE%20USE%20OF%20DNFBPs.pdf>.

¹⁵ The first typology is not limited to the STR dataset used in the current study as it considered both covered and suspicious transactions relating to the RFI. Subsequent typologies (i.e., 2 to 7), however, are purely derived from the 1,031 STR dataset.



In 2018, Country Y requested assistance from the Philippine government in relation to an ongoing investigation on two (2) of its nationals alleged to have funneled funds to other jurisdictions, including the Philippines. The case concerns an ML investigation on Country Y nationals, JT and RW, who were allegedly involved in illicit drug trafficking. The matter was referred to the Philippines for appropriate action.

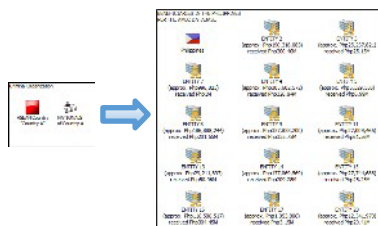
It was stated that JT and RW conducted large and suspicious money transfers to various jurisdictions, involving fictitious import of goods from the Philippines. The subjects allegedly transferred proceeds from illicit drug trafficking to various beneficiaries, comprising 21 entities and two (2) individuals in the Philippines, totaling approximately PHP1.53 billion. Of this figure, PHP189.3 million were allegedly remitted to the four (4) subject SPs.



Alleged Recipients of Drug Proceeds

Entity	Type of Accreditation	Alleged Approximate Amount Received based on Foreign RFI (Php)	Reported Remittances ¹ (Php)
SP 1	LSSP	27 million	61.56 million (2009 and 2014)
SP 2	SSP	117 million	304.45 million (2013 – 2014)
SP 3	LSSP/SSP	12.3 million	20.41 million (2014)
SP 4	CRSP	33 million	No matching transaction
Grand Total		189.3 million	386.42 million

Data shows that the four (4) SPs allegedly received PHP189.3 million of drug proceeds. Results of analysis, however, show that a total of PHP386.42 million was remitted to the four (4) SPs between 2009 and 2014, all originating from the two (2) foreign nationals.

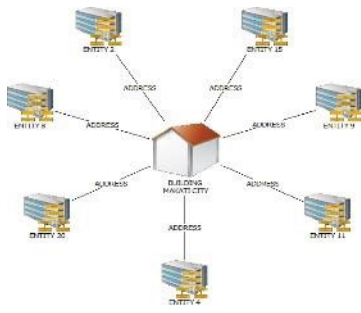


A total of 23 entities and individuals were listed as alleged beneficiaries in the Philippines of the remittances, originating from JT and RW. Results of the analysis based on the transaction reports, however, showed that only 14 entities from the list appeared as beneficiaries of funds with an estimated value of

PHP1.77 billion. It is possible that the remittances to the other entities named in the request are below the reporting threshold. Of the PHP1.77 billion, PHP386.42 million were credited to the four (4) SPs.

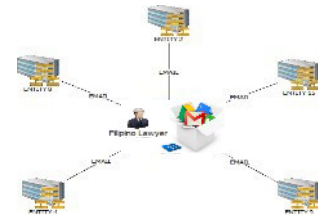
Seven (7) entities in the foreign RFI have a common contact person or officer/director based on registration documents filed with the Securities and Exchange Commission (SEC). DO, a Filipino lawyer, was the identified contact person of six (6) entities. He is also

one of the officers/directors of SP1. The nationalities of the partners/incorporators of the seven (7) entities are mostly from foreign jurisdictions, Countries Y, Z, and A.



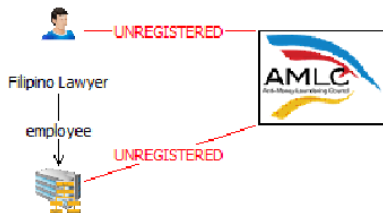
The case also revealed that the seven (7) entities affiliated with DO have several addresses. All, however, have a common address in a Makati Building. This is likely the registered office or business address provided by the law firm or lawyer, who acted as the formation agent of the entities.

Further, based on reportorial submissions with the SEC, five (5) of the entities provided the corporate e-mail address of DO, likely for electronic correspondences. Based on the corporate e-mail address of DO, DO appeared to be connected with a certain law office.



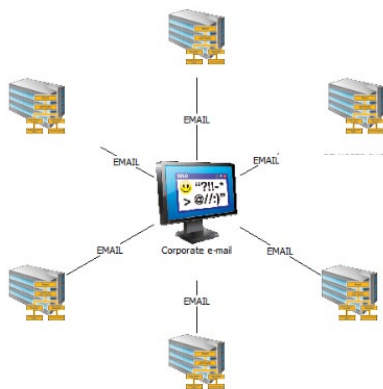
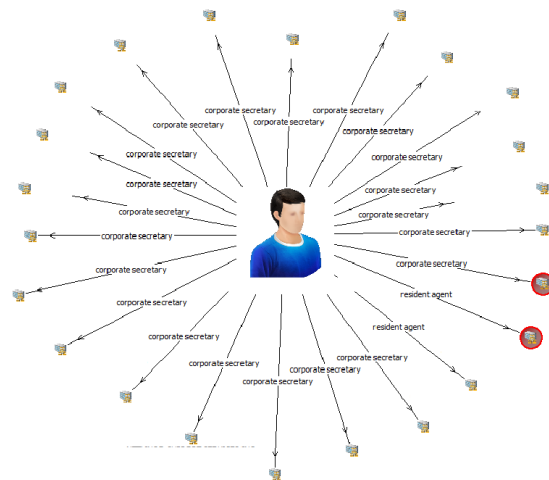
Based on the findings, it appears that DO and the law office provide services that are within the scope of the DNFBP guidelines, such as:

- Acting as formation agent;
- Acting as a corporate secretary;
- Providing a correspondence address (e.g., similar e-mail address); and
- Creating juridical persons.



DO, who appears to act as a formation agent or authorized representative, is not registered with the AMLC. The law firm, where he is connected with, is also not registered with the AMLC.

Further, the study revealed that DO facilitated the incorporation of 23 SPs, which include SP1 and SP3 that appeared as beneficiary



entities of the drug proceeds based on the RFI. In addition to the 23 SPs associated with DO, six (6) SPs in the study declared the corporate e-mail address of DO and another presumed employee of the law office.

The 29 SPs associated with DO and the law office figured in 40,583 CTRs and 334 STRs filed by various CPs between 2010 and 2019. These SPs were registered with the SEC between 2005 and 2018. Combined cash transactions of the 29 SPs totaled PHP29.09 billion in cash deposits and PHP11.39 billion in cash-outs.

This typology shows that some of the SPs have nexus with suspected/convicted drug traffickers from other jurisdictions as beneficiaries of international remittances from these foreign drug traffickers. This raises the possibility that SPs may be laundering or facilitating the laundering of drug proceeds. Further, there is an apparent use of DNFBPs (same lawyer as corporate secretary) in setting-up several SPs, some of which were alleged to have received funds from illicit activities.

The transactions involving the SPs also revealed a high level of cash-based transactions, which are highly susceptible to ML, considering that the ultimate source and beneficiary of funds are unknown. Cash-based transactions tend to obscure the audit trail. It is, therefore, possible that the SPs are being used to launder proceeds from illegal activities, considering that the substantial use of cash-based transactions (totaling in PHP billions) is not in line with its business model.

2. Violations of The Electronic Commerce Act of 2000

In 2016, several STRs, totaling PHP4.8 billion, were filed on WG and EH, an Internet-based casino and SP. WG and EH were among the alleged recipients of funds from the B Bank heist (BBH). Several remittances and cash transactions were noted on the accounts of EH, which mostly originated from a money service business (MSB) suspected to have facilitated the transfer of proceeds from the BBH. A part of the transfers from the MSB to EH was presumed to have originated from WG.

3. No underlying legal or trade obligation, purpose, or economic justification

Various Internet-based casinos and SPs made substantial remittances and cash transactions, totaling PHP4.07 billion. Majority of the STRs share similar typologies largely relating to the inability of providing sufficient supporting documents to justify multiple and significant remittances and cash transactions.

- a. In the case of CS, the bank reported that based on CS's submitted accreditation certificate, it is authorized to operate in a property in Pasay City. CS's customer information record with the bank, however, contained a Pasig City address. Further, the branch manager visited the declared business address, but the place was empty. CS made significant cash deposits, totaling PHP10.56 million from October to December 2018. Cash transactions range from PHP1 million to PHP3 million. The bank requested supporting documents, but CS failed to provide any.

- b. In another case, BC received various remittances, totaling USD14.99 million (PHP714.51 million) from 24 August 2015 to 14 November 2016. The CP views that the said remittances have no economic justification. The CP further narrated that BC claimed that the remittances came from authorized payment service providers. The CP, however, could not validate such claim. BC's account was also noted to have the same signatories as SI, who was also a subject of several STRs for having the same transaction pattern as BC. Both BC and SI are SPs.

4. Deviation from the client's profile/past transactions

Between 2016 and 2019, the STRs filed on Internet-based casinos and SPs in relation to the aforementioned suspicious circumstance amounted to PHP121.1 million.

- a. In one case, TD was the subject of two (2) STRs filed in March 2019, involving one (1) check encashment of PHP16.37 million and one (1) cash deposit of PHP18 million. The bank narrated that both transactions deviated from TD's usual transactional pattern of below PHP5 million. The bank further narrated that a TD representative allegedly said that the substantial deposit came from borrowings from a friend but did not provide any supporting documents.

5. Amount involved is not commensurate with the business or financial capacity of the client

The STRs filed using the above reason totaled PHP2.23 billion.

In 2018, VG, an SP, was the subject of several STRs involving various transactions from 2017 to 2018, particularly eight (8) check in-clearing transactions (PHP30.74 million), 122 cash deposits (PHP431.06 million), 58 check deposits (PHP247.15 million), 13 inter-account transfers (PHP119.75 million), and 1 ZSTR.¹⁶ The bank narrated that it was closely monitoring the transactions of VG due to the large transactions being made, which range from PHP256,000.00 to PHP89 million. The bank further narrated that the client advised that the transactions are lease payments of various individuals and entities. The client, however, was unable to present supporting documents to justify the disclosed reason. The transactions were perceived as not commensurate with the client's declared source of funds.

6. Client is not properly identified

STRs related to suspicious circumstance of "client is not properly identified" totaled PHP231.75 million. CPs narrated failure of the Internet-based casinos and SPs to provide minimum KYC information (e.g., incomplete registration documents, non-

¹⁶ The ZSTR code is used if the subject is not an accountholder of the covered person (CP) or is an accountholder but has no monetary transaction with the CP at the time the suspicious activity was determined.

submission of gaming license, no minimum information on primary officers and beneficial owners).

7. Fraud (swindling)

Between 2013 and 2019, the STRs filed on Internet-based casinos and SPs in relation to fraud amounted to PHP121.1 million.

- a. In one case, TRI, an SP, reportedly provided a loan agreement as supporting document for its remittance (USD50,000.00 or PHP2.49 million) to CTI, also an SP. Upon further inquiry, however, the client admitted that the real purpose of the remittance is for payment of a currency swap.
- b. In another case, HI, an Internet-based casino, reportedly received three (3) remittances, totaling EUR625,250.00 (PHP36.87 million), from BK. Inconsistencies were noted on the address of BK (remitter) versus the document provided. Based on the remittance instruction, the remitter's address is in the United Kingdom (UK), but the service level agreement (SLA) provided by HI shows a Seychelles address. HI's representative initially implied that the Seychelles office of BK was a branch of the UK office. The bank, however, concluded that BK-UK and BK-Seychelles are two different entities. HI then submitted supporting documents, which were signed after the inward remittances. Also, when advised of the irregularities with the dates, they produced another SLA. The bank views the supporting documents as fabricated.

RED FLAG INDICATORS

- Large cash transactions
- Transaction seems to be inconsistent with the customer's apparent financial standing or the usual pattern of activities
- Activity is inconsistent with what is expected from the declared business
- Conflicting reasons and supporting documents for substantial transactions (wire transfer or cash-based)
- Unclear large foreign exchange transactions, which appear inconsistent with the SP's business model
- Use of formation agents that are not registered as DNFBPs with the AMLC
- International inward remittances from individuals in countries, where online gaming is prohibited (e.g., China)

V. CONCLUSION AND RECOMMENDATION

While the possible involvement of IBCS participants (i.e., IGL, GL, IGSSP, POGO, SP) to various suspicious or unlawful activities is reasonably evident in the IBCS-RA STR dataset, the AMLC's published IBCS-RA in 2020 shows that POGOs and IGLs pose a lesser threat compared to their SPs. This is supported by the number of STRs (888 or 86.1% of the total count) associated with the SP category. Moreover, while the presence of 57 entities categorized as IGL, POGO, and SP (comprising IGSSP and SP) in the STRs used showed that nearly all IBCS categories have exposure to possible suspicious financial activities, majority of the entities captured mainly belong to the SP category (48 combined SP and IGSSP out of 57 entities), which are primarily domestic entities. This suggests that suspicious financial flow seats highly on domestic participants of the sector.

The 2020 IBCS-RA also shows that POGOs (a type of OGO) are supervised by the AMLC and PAGCOR. SPs, after the issuance of the IBCS-RA in 2020, were likewise considered as covered persons in the recent amendments to the AMLA. While these efforts will likely increase the level of regulation and supervision of the sector, jurisdictional issues, as in the case of AML/CTF regulation of foreign POGOs and IGLs, remain a challenge. In addition, determination of the presence or operation of domestic SPs is another area to consider, including identification of beneficial ownership information, since a number of reports on insufficiency of know-your-customer documents to properly identify the client are also present in the dataset.

Year-on-year assessment of IBCS-related STRs covering 2013 to 2019 showed a sporadic trend, which peaked in 2016 with 332 STRs with transaction values amounting to PHP8.8 billion. Majority of the STRs filed in terms of volume are based on the suspicious circumstance of "no underlying legal or trade obligation, purpose, or economic justification," accounting for 565 or 55% of the total STR dataset. The presence of this suspicious circumstance in all IBCS categories (i.e., IGL, IGSSP, POGO, SP) captured in the STR dataset suggests the unusual flow of transactions associated with the sector. Conversely, topping the chart in terms of peso value is the PC on violations of the "Electronic Commerce Act of 2000" (E-Commerce Act violations) with PHP4.94 billion, accounting for 35% of total PHP value of the STRs used in the study. Exposure to Electronic Commerce Act of 2000 violations may be viewed as generally consistent with the nature of business of IBCS.

Majority of the observed transactions are domestic in nature, largely involving cash deposit/withdrawal, check deposit, and incoming/outgoing remittances. The emergence of cash-related transactions is of particular concern. Considering the nature of business of the IBCS, that is the use of online technology for its platform, the substantial flow of cash is a likely deviation from its business model. In addition, the statistics on cash deposits and withdrawals are consistent with the inherent risk of cash transactions for ML purposes as transacting in cash tends to obscure the audit trail. Identifying the ultimate source and beneficiary of funds becomes challenging. CPs should consistently employ safeguards in detecting unusual flows associated with this sector and immediately report transactional or behavioral deviations of its clients who are determined to be part of the IBCS to the AMLC.

The geographical location of the identified entities is concentrated in the cities of Manila and Makati, and the province of Cagayan, collectively with 903 STRs with transaction values estimated at PHP12.0 billion, or equivalent to 87.58% and 86.0% of the total volume and peso value, respectively, of the STRs used in the study. The IBCS's geographical location, as seen in the STR dataset, suggests that at the onset participants of the sector (i.e, IGL, IGSSP, POGO, SP) are generally concentrated in specific areas of the country. With this, exploring the possibility of relocating all IBCS participants to pre-defined areas in the country (e.g., economic zones), as seen during the sector's inception, would possibly minimize burdens on compliance or regulatory checks, as determining the existence or non-operation of domestic entities associated with this presumed volatile sector would likely become less difficult. Certain criminalities related to the sector will possibly be better curbed if the geographical concentration of IBCS is maintained to pre-determined zones or areas. In the same manner, isolation and tracing back of suspicious illicit activities associated with the sector to specific locations may be possible.

Various typologies and suspicious indicators involving drug trafficking and related offenses, Electronic Commerce Act of 2000 violations, fraud (swindling), among others, as cited in the published IBCS-RA, were also captured in this report. CPs may consider these in detecting and possibly filing STRs associated with IBCS. Correspondingly, monitoring by law enforcement agencies, AGAs, and other supervising authorities of IBCS participants' likely involvement in various suspicious activities, especially certain criminalities like drug trafficking, Electronic Commerce Act of 2000 violations, fraud, among others, probably needs to be heightened.

The information in the study may provide insights to relevant stakeholders. The AMLC may consider sharing its results as warranted, as well as publishing the study on the AMLC website.

Annex to Table of Acronyms

List of Unlawful Activities Covered by the AMLA, as Amended

Unlawful activities refer to any act or omission, or series or combination thereof, involving or having direct relation, to the following:

- (a) "Kidnapping for Ransom" under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended;
- (b) 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;"
- (c) 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;"
- (d) "Plunder" under Republic Act No. 7080, as amended;
- (e) "Robbery" and "Extortion" under Articles 294, 295, 296, 299, 300, 301, and 302 of the Revised Penal Code, as amended;
- (f) "Jueteng" and "Masiao" punished as illegal gambling under Presidential Decree No. 1602;
- (g) "Piracy on the High Seas" under the Revised Penal Code, as amended, and Presidential Decree No. 532:
- (h) "Qualified Theft" under Article 310 of the Revised Penal Code, as amended;
- (i) "Swindling" under Article 315 and "Other Forms of Swindling" under Article 316 of the Revised Penal Code, as amended:
- (j) "Smuggling" under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the "Tariff and Customs Code of the Philippines;"
- (k) Violations under Republic Act No. 8792, otherwise known as the "Electronic Commerce Act of 2000;"
- (l) "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;
- (m) "Terrorism" and "Conspiracy to Commit Terrorism," as defined and penalized under Sections 3 and 4 of Republic Act No. 9372;
- (n) "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;"

- (o) "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;
- (p) "Frauds and Illegal Exactions and Transactions" under Articles 213, 214, 215, and 216 of the Revised Penal Code, as amended;
- (q) "Malversation of Public Funds and Property" under Articles 217 and 222 of the Revised Penal Code, as amended;
- (r) "Forgeries" and "Counterfeiting" under Articles 163, 166, 167, 168, 169, and 176 of the Revised Penal Code, as amended;
- (s) Violations of Sections 4 to 6 of Republic Act No. 9208, otherwise known as the "Anti-Trafficking in Persons Act of 2003, as amended;"
- (t) 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;"
- (u) Violations of Sections 86 to 106 of Chapter IV of Republic Act No. 8550, otherwise known as the "Philippine Fisheries Code of 1998;"
- (v) Violations of Sections 101 to 107, and 110 of Republic Act No. 7942, otherwise known as the "Philippine Mining Act of 1995;"
- (w) 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;"
- (x) Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the "National Caves and Cave Resources Management Protection Act;"
- (y) Violation of Republic Act No. 6539, otherwise known as the "Anti-Carnapping Act of 2002, as amended;"
- (z) 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;"
- (aa) Violation of Presidential Decree No. 1612, otherwise known as the "Anti-Fencing Law;"
- (bb) Violation of Section 6 of Republic Act No. 8042, otherwise known as the "Migrant Workers and Overseas Filipinos Act of 1995, as amended;"
- (cc) Violation of Republic Act No. 8293, otherwise known as the "Intellectual Property Code of the Philippines, as amended;"
- (dd) Violation of Section 4 of Republic Act No. 9995, otherwise known as the "Anti-Photo and Video Voyeurism Act of 2009;"

- (ee) Violation of Section 4 of Republic Act No. 9775, otherwise known as the “Anti-Child Pornography Act of 2009;”
- (ff) 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;”
- (gg) Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the “Securities Regulation Code of 2000;”
- (hh) Violation of Section 19 (A)(3) of Republic Act No. 10697, otherwise known as “The Strategic Trade Management Act,” in relation to Proliferation of Weapons of Mass Destruction and Proliferation Financing, pursuant to UNSC Resolution Nos. 1718 of 2006 and 2231 of 2015;¹⁷
- (ii) Violations of Section 254 of Chapter II, Title X of the “National Internal Revenue Code of 1997,” as amended, where the deficiency basic tax due in the final assessment is in excess of Twenty-Five Million Pesos (PHP25,000,000.00) per taxable year, for each tax type covered and there has been a finding of probable cause by the competent authority: Provided, further, that there must be a finding of fraud, willful misrepresentation or malicious intent on the part of the taxpayer: Provided, finally, that in no case shall the AMLC institute forfeiture proceedings to recover monetary instruments, property or proceeds representing, involving, or relating to a tax crime, if the same has already been recovered or collected by the Bureau of Internal Revenue (BIR) in a separate proceeding;¹⁸
- (jj) Felonies and offenses of a similar nature that are punishable under the penal laws of other countries.¹⁹

¹⁷ New provision, Section 3 of AMLC Regulatory Issuance A, B, and C No. 1, Series of 2021, which took effect on 31 January 2021.

¹⁸ New provision, Section 3 of AMLC Regulatory Issuance A, B, and C No. 1, Series of 2021, which took effect on 31 January 2021.

¹⁹ Amended, Section 3 of AMLC Regulatory Issuance A, B, and C No. 1, Series of 2021, which took effect on 31 January 2021.

**Annex to Table 3: Total IBCS Entities versus Entities with STRs
Including Re-Classified Reasons for STR Filing**

IBCS CATEGORY PER PC/SC	Total Volume	% to Total Volume	Total PHP Value (in millions)	% to Total PHP Value
IGL	23	2.23%	170.36	1.2%
FRAUD (SWINDLING)	5	0.48%	64.51	0.5%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	11	1.07%	82.29	0.6%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	7	0.68%	23.55	0.2%
IGL/IGSSP	18	1.75%	6,304.04	45.0%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	3	0.29%	1,500.00	10.7%
VIOLATIONS OF ELECTRONIC COMMERCE ACT OF 2000	15	1.45%	4,804.04	34.3%
IGSSP	5	0.48%	35.72	0.3%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	3	0.29%	32.95	0.2%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	2	0.19%	2.77	0.0%
POGO	28	2.72%	479.94	3.4%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	12	1.16%	474.65	3.4%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	2	0.19%	4.14	0.0%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	13	1.26%	1.16	0.0%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	1	0.10%	-	-
SP	957	92.82%	7,024.07	50.1%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	351	34.04%	1,752.12	12.5%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	29	2.81%	915.41	6.5%
DRUG TRAFFICKING AND RELATED OFFENSES	6	0.58%	0	0.0%
FRAUD (SWINDLING)	4	0.39%	56.58	0.4%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	538	52.18%	3,957.37	28.2%
SI6: ADVERSE MEDIA	1	0.10%	0	-
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	26	2.52%	205.43	1.5%
VIOLATIONS OF ELECTRONIC COMMERCE ACT OF 2000	2	0.19%	137.15	1.0%
Grand Total	1031	100.00%	14,014.13	100.0%

**Annex to Table 7: Geographical Concentration of IBCS Entities
Including Re-Classified Reasons for STR Filing**

IBCS' GEOGRAPHICAL CONCENTRATION	Total Volume	% to Total Volume	Total PHP Value (in millions)	% to Total PHP Value
DOMESTIC	991	96.12%	13,336.23	95.16%
MANILA/CAGAYAN	18	1.75%	6,304.04	44.98%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	3	0.29%	1,500.00	10.70%
ELECTRONIC COMMERCE ACT OF 2000	15	1.45%	4,804.04	34.28%
CAGAYAN	411	39.86%	2,250.83	16.06%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	85	8.24%	160.05	1.14%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	11	1.07%	74.87	0.53%
DRUG TRAFFICKING AND RELATED OFFENSES	5	0.48%	0.00	0.00%
FRAUD (SWINDLING)	2	0.19%	27.34	0.20%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	286	27.74%	1,794.81	12.81%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	22	2.13%	193.75	1.38%
MAKATI CITY	84	8.15%	1,460.02	10.42%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	15	1.45%	58.96	0.42%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	12	1.16%	815.88	5.82%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	55	5.33%	574.00	4.10%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	2	0.19%	11.19	0.08%
MAKATI/CAGAYAN	177	17.17%	1,206.95	8.61%
SI6: ADVERSE MEDIA	1	0.10%	0.00	0.00%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	2	0.19%	45.00	0.32%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	7	0.68%	28.80	0.21%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	164	15.91%	1,129.90	8.06%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	3	0.29%	3.26	0.02%

MANILA CITY	213	20.66%	830.12	5.92%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	202	19.59%	829.58	5.92%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	11	1.07%	0.54	0.00%
PAMPANGA	31	3.01%	658.28	4.70%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	9	0.87%	369.12	2.63%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	22	2.13%	289.16	2.06%
MUNTINLUPA CITY	38	3.69%	269.42	1.92%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	37	3.59%	269.42	1.92%
DRUG TRAFFICKING AND RELATED OFFENSES	1	0.10%	0.00	0.00%
CEBU	5	0.48%	186.39	1.33%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	1	0.10%	20.00	0.14%
ELECTRONIC COMMERCE ACT OF 2000	2	0.19%	137.15	0.98%
FRAUD (SWINDLING)	2	0.19%	29.24	0.21%
PASAY CITY	7	0.68%	143.61	1.02%
DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS	1	0.10%	0.00	0.00%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	6	0.58%	143.61	1.02%
PASIG CITY	7	0.68%	26.57	0.19%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	7	0.68%	26.57	0.19%
INTERNATIONAL	17	1.65%	376.26	2.68%
BELIZE	9	0.87%	369.12	2.63%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	9	0.87%	369.12	2.63%
BRITISH VIRGIN ISLANDS	8	0.78%	7.14	0.05%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	2	0.19%	0.00	0.00%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	6	0.58%	7.14	0.05%
INTERNATIONAL/DOMESTIC	23	2.23%	301.64	2.15%

BRITISH VIRGIN ISLANDS/MAKATI CITY	8	0.78%	163.28	1.17%
AMOUNT INVOLVED IS NOT COMMENSURATE WITH THE BUSINESS OR FINANCIAL CAPACITY OF THE CLIENT	3	0.29%	105.53	0.75%
FRAUD (SWINDLING)	1	0.10%	24.85	0.18%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	3	0.29%	32.89	0.23%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	1	0.10%	0.00	0.00%
ISLE OF MAN/MAKATI CITY	8	0.78%	96.04	0.69%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	7	0.68%	79.63	0.57%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	1	0.10%	16.41	0.12%
BELIZE/MAKATI CITY	7	0.68%	42.32	0.30%
FRAUD (SWINDLING)	4	0.39%	39.66	0.28%
NO UNDERLYING LEGAL OR TRADE OBLIGATION, PURPOSE, OR ECONOMIC JUSTIFICATION	2	0.19%	2.66	0.02%
THE CLIENT IS NOT PROPERLY IDENTIFIED (INCLUDING INSUFFICIENT KYC DOCS)	1	0.10%	0.00	0.00%
Grand Total	1,031	100.00%	14,014.13	100.00%