



Republic of the Philippines

ANTI-MONEY LAUNDERING COUNCIL



A Risk Assessment on the Philippines' Exposure to External Threats based on Submitted Suspicious Transaction Reports

Note: Updated report as of 31 May 2019 as the peso amount assigned to Slovakia on pages 30 to 31 in the prior version was overstated due to incorrect reporting.

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EXECUTIVE SUMMARY

The AMLC Secretariat conducted a risk assessment on the exposure of the Philippines to external threats based on the Suspicious Transaction Reports (STRs). The study aims to measure the exposure of the country to the threats originating within and outside the Philippine jurisdiction; and to provide information on the generation, movement and behavior of illicit funds related to the top predicate crimes in the country.

Suspicious Transactions, as defined under the Republic Act No. 9160, otherwise known as the Anti-Money Laundering Act (AMLA) of 2001, as amended, refer to any 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.

The study performs descriptive analysis on STRs received by the AMLC from January 2013 to December 2017 as submitted by Bangko Sentral ng Pilipinas (BSP) supervised institutions such as banks and money service businesses. The assessment only considered STRs related to predicate crimes with rating of "High" and "Medium" during the 2nd National Risk Assessment (NRA). Said predicate crimes were categorized as follows: (1) Illegal Drugs and Other Related Crimes; (2) Plunder and Corruption-Related Crimes; (3) Investment Scams and Estafa; (4) Smuggling; (5) Violation of Intellectual Property Rights; (6) Illegal Manufacture & Possession of Firearms, Ammunition & Explosives; (7) Violation of Environmental Laws; (8) Web-Related Crimes; (9) Illegal Trafficking of Persons; (10) Kidnapping for Ransom; (11) Financing of Terrorism; and (12) Terrorism and Conspiracy to Commit Terrorism.

A total of 161,650¹ STRs involving international remittances and domestic CASA (Current Account Savings Account) transactions (21.40% of the total STR population), with an aggregate amount of PHP 17.895 trillion², were covered in the study. Moreover, the study also considered all consummated and attempted transactions which was reported to the AMLC.

¹ From 755,457 number of STRs from 2013 to 2017.

² This amount includes one (1) STR amounting to PHP 17.17 trillion (or USD 380 billion) which was filed in 2013 on a certain individual due to his attempt to defraud the covered person into transferring the said amount to another bank account by presenting fraudulent deposit slips. The spike resulted from the covered person's reporting of the value of the spurious document as transaction amount of the STR.

The study indicates that illicit funding generated from the (1) Violation of Environmental Laws, (2) Illegal Trafficking of Persons, (3) Kidnapping for Ransom, and (4) Terrorism and Conspiracy, entered the Philippines. On the other hand, illicit funds generated from Smuggling for the period under review originated from the country. As for the illicit funds generated from other predicate offenses included in the study, majority of said proceeds circulate within the Philippine Financial System.

The study also revealed countries which posed the highest threats to the Philippines. With regard to STR volume, majority of the inflows and outflows of all predicate crimes have been linked to the United States of America (USA). In terms of peso amount, majority of the incoming criminal proceeds were coursed through various banks in the United Kingdom, while large amounts of outgoing illicit funds were mostly sent to Hong Kong.

Moreover, STR subjects in majority of the predicate crimes such as Illegal Drugs, Plunder and Corruption, Investment Scams and Estafa, Smuggling, IP Rights Violation, Illegal Manufacture and Possession of Firearms and Web-Related Crimes use commercial banks; while subjects of other predicate crimes primarily use money service businesses (MSBs) in moving the illicit funds.

INTRODUCTION

External threats are defined as threats originating within and outside the country's jurisdiction that involve laundering of proceeds generated from various predicate offenses. The proceeds generated from the unlawful activities outside the Philippine jurisdiction are laundered in the country using various mechanisms in order to conceal the illicit causes through the use of different types of inward international remittances. In a similar manner, the proceeds of the unlawful activities generated within the Philippine jurisdiction are laundered to the different parts of the globe via the different types of outward international remittances.

PURPOSE

This study aims to measure the exposure of the Philippines to various types of money laundering and to the threats originating within and outside the country's jurisdiction; and to provide information on the generation, movement and behavior of illicit funds related to the top predicate crimes in the country.

METHODOLOGY AND LIMITATIONS

For this paper, descriptive analysis was performed on the Suspicious Transaction Reports (STRs) filed by the Bangko Sentral ng Pilipinas Supervised Institutions – Financial Institutions and Non-Bank Financial Institutions – for the period 2013 to 2017. Only the STRs related to predicate crimes with the rating of HIGH and MEDIUM during the 2nd National Risk

Assessment (NRA) were considered for the evaluation of external threats. Additionally, the Philippine Peso (PHP) was used as reference currency in the entire study.

Financial intelligence analysts extracted the STRs from the Anti-Money Laundering Council (AMLC) database in batches according to the predicate crimes identified and set by the covered persons upon submission. STR data were then checked for completeness and consistency. The challenges posed by this method include the quality of data submitted to AMLC.

Further, there is a lack of uniformity and completeness among the reports submitted by different reporting entities as most of the data fields in international transactions such as the beneficiary and counterparty addresses are not mandatory to be disclosed to the AMLC. In the absence of the said data, the correspondent bank address was used to determine the illicit fund's potential country of source or destination. In cases where it is still not possible to identify the location, the word "UNKNOWN" was used.

The analysts then proceeded to study and evaluate the transaction data per predicate offense to establish the level of threat posed by different jurisdictions to the Philippines. Likewise, a breakdown of the STRs by year and by transaction flow were examined.

The different types of financial transactions as posted in the STRs were categorized into three (3) types:

1. **INFLOW (Inflow Transactions)** – these refer to various inward remittance transactions from different countries going to the Philippine Financial System. Inward remittance transactions include but not limited to the following: direct credit to the beneficiary's account, for credit to another account, and advise and pay the beneficiary. This means that funds coming from illicit sources from different countries are brought to the Philippines for money laundering purposes.
2. **OUTFLOW (Outflow Transactions)** – these refer to various outward remittance transactions from the Philippine Financial System going to different countries. Outward remittance transactions include but not limited to the following: direct credit to another account, direct credit to the beneficiary's account and advise and pay the beneficiary. This means that illicit funds from the Philippines are laundered outside the Philippine jurisdiction.
3. **WITHIN THE JURISDICTION** – these refer to the various transactions in current/savings accounts wherein the funds are just circulating within the Philippine Financial System. Transactions in CASA (Current Account Savings Account) include deposits, withdrawals, check clearing and encashment, inter-account transfers, debit and credit memos, among others. This means that proceeds from various illegal activities in the Philippines are laundered within the Philippine jurisdiction and may pertain to the same money moving around the country.

Inflow and outflow transactions were further categorized into two (2):

1. IDENTIFIED SOURCE – these refer to countries which were specifically indicated in the STRs submitted to the AMLC. In particular, these are based on the beneficiary or counterparty addresses disclosed by the Covered Persons.
2. UNIDENTIFIED SOURCE – these refer to countries which were not disclosed by the Covered Persons in the STRs. Countries belonging to this category are based on the correspondent bank. Also included in this category are transactions tagged as “Unknown”.

Moreover, the data should not be interpreted to assess or estimate the full amount of criminal proceeds which may have entered, circulated and exited the Philippines. The actual volume and amount of illicit funds may be larger than represented in our sample.

KEY FINDINGS³

- Illicit funding generated from the (1) Violation of Environmental Laws, (2) Illegal Trafficking of Persons, (3) Kidnapping for Ransom, and (4) Terrorism and Conspiracy to Commit Terrorism, entered the Philippines.
- Illicit funds generated from Smuggling for the period under review originated from the Philippines.
- Majority of the illicit funds generated from other predicate offenses not mentioned in the foregoing items circulate within the Philippine Financial System.
- With regard to STR volume, the United States of America posed the highest threat for both inflows and outflows of all predicate crimes under review. In terms of peso amount, majority of the incoming criminal proceeds were coursed through various banks in the United Kingdom, while large amounts of outgoing illicit funds were mostly sent to Hong Kong.
- Suspected launderers in majority of the predicate crimes such as Illegal Drugs, Plunder and Corruption, Investment Scams and Estafa, Smuggling, IP Rights Violation, Illegal Manufacture and Possession of Firearms and Web-Related Crimes use commercial banks.
- Suspected perpetrators in other predicate crimes such as Environmental Crimes, Illegal Trafficking & Child Exploitation, Terrorism and Financing of Terrorism use Money Service Businesses in moving the illicit funds.

³ The key findings are purely based on the results of the analysis of the STRs submitted by various covered persons. These STRs need further verification and more in-depth investigation in order to substantiate likely linkage to a certain crime. It is to be noted that the key findings are not conclusive but are descriptive.

RESULTS AND DISCUSSION

I. ILLEGAL DRUGS AND OTHER RELATED CRIMES

The Article II of Republic Act No. 9165, otherwise known as the “Comprehensive Dangerous Drugs Act of 2002” enumerates the various unlawful acts and penalties associated with various crimes related to drug trafficking. From 2013 to 2017, there were 12,508 STRs reported to the AMLC database that are linked to various drug trafficking offenses. Tables 1.1 and 1.2 summarize the volume and peso amount of the drug-related STRs:

DRUG TRAFFICKING AND OTHER RELATED OFFENSES	NUMBER OF STRs					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	0	3	37	66	33	139	1.11
IDENTIFIED SOURCE	0	2	33	48	29	112	0.90
UNITED KINGDOM	0	0	14	24	7	45	0.36
USA	0	2	18	17	5	42	0.34
OMAN	0	0	0	6	13	19	0.15
UNITED ARAB EMIRATES	0	0	0	0	2	2	0.02
CANADA	0	0	0	0	1	1	0.01
CHINA	0	0	0	0	1	1	0.01
IRAQ	0	0	1	0	0	1	0.01
MALAYSIA	0	0	0	1	0	1	0.01
UNIDENTIFIED SOURCE	0	1	4	18	4	27	0.22
UNITED ARAB EMIRATES	0	0	1	14	1	16	0.13
UNITED KINGDOM	0	1	2	4	0	7	0.06
UNKNOWN	0	0	1	0	1	2	0.02
HONG KONG	0	0	0	0	1	1	0.01
USA	0	0	0	0	1	1	0.01
OUTFLOW	0	6	19	0	3	28	0.22
IDENTIFIED SOURCE	0	6	19	0	3	28	0.22
NIGERIA	0	5	8	0	0	13	0.10
USA	0	0	4	0	0	4	0.03
MALAYSIA	0	0	2	0	1	3	0.02
COSTA RICA	0	0	0	0	2	2	0.02
EGYPT	0	0	1	0	0	1	0.01
HONG KONG	0	0	1	0	0	1	0.01
KOSOVO	0	0	1	0	0	1	0.01
NEW ZEALAND	0	0	1	0	0	1	0.01
SENEGAL	0	1	0	0	0	1	0.01
SPAIN	0	0	1	0	0	1	0.01
WITHIN THE JURISDICTION	1,067	1,014	2,462	6,211	1,587	12,341	98.66
TOTAL	1,067	1,023	2,518	6,277	1,623	12,508	100.00

Table 1.1 Total Number of STRs related to Drug Trafficking Offenses from 2013-2017

Majority of the financial transactions associated to drug trafficking occurred within the Philippine jurisdiction accounting for 98.66% of the total STRs. Likewise, Table 1.2 below shows that the peso value involved in the said domestic transactions also represent the bulk of the total amount of drug-related funds (at PHP 9.69 billion or 99.74%).

DRUG TRAFFICKING AND OTHER RELATED OFFENSES	PESO AMOUNT					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	0	189,472	440,007	2,792,834	19,266,386	22,688,698	0.233
IDENTIFIED SOURCE	0	186,059	403,493	2,529,606	19,205,873	22,325,030	0.230
UNITED ARAB EMIRATES	0	0	0	0	15,063,389	15,063,389	0.155
OMAN	0	0	0	1,895,783	3,065,583	4,961,367	0.051
USA	0	186,059	202,524	380,901	158,736	928,220	0.010
CANADA	0	0	0	0	777,072	777,072	0.008
UNITED KINGDOM	0	0	185,551	249,442	72,629	507,621	0.005
CHINA	0	0	0	0	68,463	68,463	0.001
IRAQ	0	0	15,418	0	0	15,418	0.000
MALAYSIA	0	0	0	3,480	0	3,480	0.000
UNIDENTIFIED SOURCE	0	3,413	36,514	263,228	60,513	363,668	0.004
UNITED ARAB EMIRATES	0	0	16,266	209,037	16,313	241,616	0.002
UNITED KINGDOM	0	3,413	18,895	54,191	0	76,499	0.001
UNKNOWN	0	0	1,353	0	20,200	21,553	0.000
USA	0	0	0	0	20,000	20,000	0.000
HONG KONG	0	0	0	0	4,000	4,000	0.000
OUTFLOW	0	375,185.65	781,798.92	0	959,205.20	2,116,189.77	0.022
IDENTIFIED SOURCE	0	375,185.65	781,798.92	0	959,205.20	2,116,189.77	0.022
COSTA RICA	0	0	0	0	905,005.20	905,005.20	0.009
NIGERIA	0	331,935.65	310,285.48	0	0	642,221.13	0.007
USA	0	0	282,929.49	0	0	282,929.49	0.003
NEW ZEALAND	0	0	113,461.21	0	0	113,461.21	0.001
MALAYSIA	0	0	18,755.66	0	54,200.00	72,955.66	0.001
SENEGAL	0	43,250.00	0	0	0	43,250.00	0.000
SPAIN	0	0	25,382.08	0	0	25,382.08	0.000
HONG KONG	0	0	18,010.00	0	0	18,010.00	0.000
EGYPT	0	0	8,500.00	0	0	8,500.00	0.000
KOSOVO	0	0	4,475.00	0	0	4,475.00	0.000
WITHIN THE JURISDICTION	792,972,716	872,110,486	1,867,416,504	5,267,601,922	892,044,457	9,692,146,084	99.74
TOTAL	792,972,716	872,675,143	1,868,638,310	5,270,394,756	912,270,048	9,716,950,972	100.00

Table 1.2 Total Peso Amount of STRs related to Drug Trafficking Offenses from 2013-2017

Inflow

The United Kingdom, USA and Oman were the countries that have the most number of transactions linked to drugs from 2013 to 2017. Similarly, the United Arab Emirates, Oman and USA were the countries having large amount of inward remittance transactions from 2013 to 2017.

The STRs relating to transactions originating from the United Arab Emirates amounting to PHP15,063,388.56 were linked to Mr. TNS who was also involved in the crimes of human trafficking and gunrunning. Mr. TNS was under investigation by the United Kingdom Private Investigators as well as the Dubai Police.

Meanwhile, the nineteen (19) STRs on remittances from Oman amounting to almost PHP4.96 million are all connected to Mr. AHL who was suspected to have received various drug-related inward remittances totaling to almost PHP8.32 million.

Outflow

Nigeria, USA, Malaysia and Costa Rica were the top countries where the proceeds of the drug-related funds go comprising majority of the total amount of outflows from 2013 to 2017 (Philippines excluded).

The two (2) STRs reported in 2017 involving an amount of PHP905,005.20 going to Costa Rica were linked to the account of Ms. P, subject of a negative news report who was later named in a Philippine Drug Enforcement Agency (PDEA) press release as one of the personalities arrested during a buy bust operation. Meanwhile, the 13 STRs involving remittances to Nigeria were all linked to a drug syndicate based in Country A, which are all referred for investigation. Table 1.3 shows the financial channels used in moving drug-related funds:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
COMMERCIAL BANKS	11,545	92.30	9,625,528,100	99.06
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	249	1.99	8,426,385	0.09
RURAL BANKS/COOPERATIVE BANKS	191	1.53	21,657,638	0.22
MONEY CHANGERS & REMITTANCE AGENTS	142	1.14	3,937,449	0.04
PRIVATE DEVELOPMENT BANKS	142	1.14	18,601,871	0.19
REMITTANCE AGENTS	83	0.66	692,760	0.01
PAWNSHOPS	69	0.55	610,852	0.01
SAVINGS & MORTGAGE BANKS	65	0.52	32,457,463	0.33
SPECIALIZED GOVERNMENT BANKS	20	0.16	4,932,588	0.05
MONEY SERVICE BUSINESSES	1	0.01	1,800	0.00
STOCK SAVINGS & LOAN ASSOCIATIONS	1	0.01	104,066	0.00
Grand Total	12,508	100.00	9,716,950,972	100.00

Table 1.3 Breakdown of Drug-related STRs per Financial Channel from 2013-2017

As summarized in Table 1.3, majority of the drug-related financial activities were transacted through commercial banks measured at 92.30% of total volume of STRs. Taken together, 95.64% of the STRs were reported by BSP-supervised financial institutions while the remaining 4.36% were reported by BSP-non bank financial institutions.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that substantial amount of illicit funds from drug trafficking were generated in the Philippines. Said funds remained within the Philippine jurisdiction and circulated around the financial system generally through commercial banks.

Of all countries, the USA predominantly posed the highest threat to the Philippines relative to the unlawful activities associated to drug trafficking. In relation to the volume of STRs, the top source countries were the United Kingdom, the USA and Oman while the top destination countries were Nigeria and the USA. On another note, as regards peso amount, the United Arab Emirates, Oman and the USA were the top sources of illicit funds while Costa Rica and Nigeria were the top destinations of the illicit funds.

PLUNDER AND CORRUPTION-RELATED CRIMES

This section covers the offenses linked to the following:

- (1) Graft and Corrupt Practices, as defined and elaborated under the Republic Act No. 3019, otherwise known as the Anti-Graft and Corrupt Practices act;
- (2) Plunder, as defined under the Republic Act No. 7080, as amended, otherwise known as the “Act Defining and Penalizing the Crimes of Plunder;
- (3) Malversation of Public Funds and Property under the Articles 217 and 222 of the Revised Penal Code; and
- (4) Bribery and Corruption of Public Officers under Articles 210, 211, 211-A and 212 of the Revised Penal Code.

Tables 2.1 and 2.2 show the summary of the STRs reported from 2013 to 2017.

GRAFT AND CORRUPT PRACTICES	NUMBER OF STRs						TOTAL	%
	2013	2014	2015	2016	2017			
INFLOW	0	1	1	1	0	3	0.040	
<i>UNIDENTIFIED SOURCE</i>	0	1	1	1	0	3	0.040	
UNKNOWN	0	1	1	0	0	2	0.027	
USA	0	0	0	1	0	1	0.013	
OUTFLOW	1	1	1	0	0	3	0.040	
<i>IDENTIFIED SOURCE</i>	1	1	1	0	0	3	0.040	
CHINA	0	0	1	0	0	1	0.013	
UNITED ARAB EMIRATES	0	1	0	0	0	1	0.013	
USA	1	0	0	0	0	1	0.013	
WITHIN THE JURISDICTION	5,410	338	463	1,073	210	7,494	99.92	
TOTAL	5,411	340	465	1,074	210	7,500	100.00	

Table 2.1 Total Number of STRs related to Graft and Corrupt Practices from 2013-2017

GRAFT AND CORRUPT PRACTICES	PESO AMOUNT						TOTAL	%
	2013	2014	2015	2016	2017			
INFLOW	0	35,295,121	56,610	2,385,000	0	37,736,731	0.59	
<i>UNIDENTIFIED SOURCE</i>	0	35,295,121	56,610	2,385,000	0	37,736,731	0.59	
UNKNOWN	0	35,295,121	56,610	0	0	35,351,731	0.55	
USA	0	0	0	2,385,000	0	2,385,000	0.04	
OUTFLOW	8,771,623	820,927	12,777	0	0	9,605,328	0.15	
<i>IDENTIFIED SOURCE</i>	8,771,623	820,927	12,777	0	0	9,605,328	0.15	
USA	8,771,623	0	0	0	0	8,771,623	0.14	
UNITED ARAB EMIRATES	0	820,927	0	0	0	820,927	0.01	
CHINA	0	0	12,777	0	0	12,777	0.00	
WITHIN THE JURISDICTION	4,986,942,380	508,898,515	421,099,764	146,783,804	318,246,726	6,381,971,189	99.26	
TOTAL	4,995,714,004	545,014,562	421,169,152	149,168,804	318,246,726	6,429,313,247	100.00	

Table 2.2 Total Peso Amount of STRs related to Graft and Corrupt Practices from 2013-2017

There are 7,500 STRs associated to graft and corrupt practices for the period 2013 to 2017. 99.92% of the 7,500 STRs are within the Philippine jurisdiction, which further means that illicit funds linked to plunder, graft and other related practices are circulating within the Philippine Financial System.

Inflow

One of the inflow transactions with the country tagged as “UNKNOWN” was linked to the officials of the Department of Finance who were allegedly involved in the PHP112.6 million tax credit scam as reported in the Philippine Star news article dated 14 July 2015.

The other transaction with “UNKNOWN” country was connected to the unnamed legislator who was included in the special report of the commission on audit on the alleged misappropriation of pork barrel allotment.

Outflow

The illicit funds that were brought to the United Arab Emirates as well as the United States of America were connected to Mr. NK, director of a company which is being associated with the contractor of the allegedly overpriced Makati City Hall.

Meanwhile, the illicit funds that were transferred to China were linked to former politicians who were accused of undervaluing the privatization of water and electricity utilities in their province in the year 2000.

Within the Jurisdiction

Of the 7,494 STRs connected to corruption-related crimes that transpired within the Philippine jurisdiction, 5,512 transactions (about 73.55%) were all connected to Priority Development Assistance Fund (PDAF) Scam. The remaining 26.45% were linked to other corruption-related crimes such as the Malampaya fund scam, illegal disbursement of calamity funds, right of way scam through the issuance of fake land titles and overpriced government projects.

Table 2.3 shows the financial channels used by the perpetrators in moving the illicit funds related to Graft and Corruption:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
COMMERCIAL BANKS/NON EXPANDED COMMERCIAL BANKS	7,191	95.88	5,544,296,569.63	86.23
SPECIALIZED GOVERNMENT BANKS	168	2.24	673,676,345.64	10.48
SAVINGS & MORTGAGE BANKS	133	1.77	206,248,331.83	3.21
RURAL BANKS/COOPERATIVE BANKS	4	0.05	45,000.00	0.00
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	2	0.03	25,000.00	0.00
NON-STOCK SAVINGS & LOAN ASSOCIATION	1	0.01	5,000,000.00	0.08
PRIVATE DEVELOPMENT BANKS	1	0.01	22,000.00	0.00
Grand Total	7,500	100.00	6,429,313,247	100.00

Table 2.3 Breakdown of STRs related to Graft and Corruption per Financial Channel from 2013-2017

As summarized in Table 2.3, 95.88% of total volume of the STRs and 86.23% of the total peso value involved which were associated with graft and corruption were transacted through commercial banks.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that majority of the illicit funds coming from corruption-related offenses were generated in the Philippines. The said funds remained within the Philippine jurisdiction and were moved around the financial system mainly through commercial banks. Unlawful activities associated with plunder and corruption include misappropriation of the pork barrel allotment or PDAF and stealing of government funds. In relation to the volume and peso amount of STRs reported, USA was the top source and destination country.

II. INVESTMENT SCAMS AND ESTAFA

This section covers STRs with the following unlawful activities: Swindling under Article 315 of the Revised Penal Code, Other Forms of Swindling under Article 316 of the Revised Penal Code, and violations of the Securities Regulation Code (SRC) of 2000 under R.A. No. 8799. The table below shows the breakdown of the STRs by predicate offense:

FRAUD (PREDICATE CRIME)	NO. OF STRs					Total	%
	2013	2014	2015	2016	2017		
SECURITIES REGULATIONS CODE VIOLATIONS	918	5,745	40,397	4,398	3,984	55,442	52.91
SWINDLING/OTHER FORMS OF SWINDLING	3,616	10,532	11,346	8,709	15,133	49,336	47.09
Grand Total	4,534	16,277	51,743	13,107	19,117	104,778	100.00

Table 3.1 Breakdown of Fraud-related STRs by Predicate Crime from 2013-2017

A. Violations of the Securities Regulation Code of 2000

STRs categorized under SRC Violations formed a larger portion of the total transactions associated with fraud measured at 52.91%. Examining yearly data for SRC Violations, a dramatic increase in STR volume was noted in year 2015. This can be explained by the sudden influx of multi-level marketing companies involved in Ponzi schemes with the largest volume of STRs associated with only three (3) entities. Taken together, STRs on the three (3) entities account for 30,404 STRs or equivalent to 75.26% of the total STRs in 2015.

For the period under review, majority of the STRs under SRC Violations have been filed with AMLC in connection with the unauthorized investment-taking activities of Company EG. In 2015, there were 19,028 STRs related to Company EG, all of which have been forwarded for evaluation and investigation in October of the same year.

Table below summarizes the financial channels perpetrators use in moving the illicit funds arising from SRC violations:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	Count	%	Amount	%
COMERCIAL BANKS	49,722	89.68	2,274,813,045	93.69
MONEY SERVICE BUSINESSES	4,858	8.76	70,261,844	2.89
SAVINGS & MORTGAGE BANKS	649	1.17	975,000	0.04
REMITTANCE AGENTS	82	0.15	1,238,635	0.05
RURAL BANKS	74	0.13	1,592,978	0.07
SPECIALIZED GOVERNMENT BANKS	55	0.10	61,692,896	2.54
NON-STOCK SAVINGS & LOANS ASSOCIATION	2	0.004	17,572,500	0.72
Grand Total	55,442	100.00	2,428,146,899	100.00

Table 3.2 Breakdown of STRs under SRC Violation per Financial Channel used from 2013-2017

The preferred channels used by the perpetrators in their illegal investment-taking activities are through commercial banks with 49,722 STRs (equivalent to 89.68%) amounting to PHP 2.28 Billion (93.69%). Table 3.3 below shows the volume of fraud-related activities by transaction flow and jurisdiction:

SRC VIOLATIONS	NUMBER OF STRs						Total	%
	2013	2014	2015	2016	2017			
INFLOW	35	129	1,447	56	8	1,669	3.010	
IDENTIFIED SOURCE	31	16	62	50	8	167	0.301	
UNITED KINGDOM	0	6	22	25	8	61	0.110	
USA	0	0	10	18	0	28	0.051	
CANADA	0	7	17	0	0	24	0.043	
AUSTRALIA	22	0	0	0	0	22	0.040	
QATAR	0	2	7	1	0	10	0.018	
SAUDI ARABIA	0	0	3	2	0	5	0.009	
SINGAPORE	5	0	0	0	0	5	0.009	
MALAYSIA	3	0	1	0	0	4	0.007	
HONGKONG	0	1	0	2	0	3	0.005	
UAE	0	0	2	1	0	3	0.005	
KUWAIT	0	0	0	1	0	1	0.002	
THAILAND	1	0	0	0	0	1	0.002	
UNIDENTIFIED SOURCE	4	113	1,379	6	0	1,502	2.709	
UNKNOWN	1	113	1,364	6	0	1,484	2.677	
UNITED KINGDOM	0	0	10	0	0	10	0.018	
USA	0	0	4	0	0	4	0.007	
SWITZERLAND	2	0	0	0	0	2	0.004	
GERMANY	1	0	0	0	0	1	0.002	
ITALY	0	0	1	0	0	1	0.002	
OUTFLOW	17	9	165	6	1	198	0.357	
BULGARIA	0	0	81	0	0	81	0.146	
UNITED KINGDOM	0	8	31	6	1	46	0.083	
USA	4	0	38	0	0	42	0.076	
UNKNOWN	3	1	15	0	0	19	0.034	
THAILAND	10	0	0	0	0	10	0.018	
WITHIN THE JURISDICTION	866	5,607	38,791	4,336	3,975	53,575	96.633	
Grand Total	918	5,745	40,397	4,398	3,984	55,442	100.00	

Table 3.3 No. of STRs under SRC Violation by Transaction Flow and Country from 2013-2017

From 2013 to 2017, reported financial transactions related to investment fraud amounted to 55,442. Out of the total STRs, 96.63% occurred within the Philippines comprising of the following transactions: cash deposits, withdrawals, check deposits, encashments, check clearing, inter-account transfers and remittances. This could indicate that the same money may possibly be moving around the country. On the other hand, cash inflows account for 3.01% of the total STRs under SRC Violation, while cash outflows only account for 0.36%. Table 3.4 shows the total peso value of the STRs by transaction flow and jurisdiction:

SRC VIOLATIONS	PESO VALUE						
	2013	2014	2015	2016	2017	Total	%
INFLOW	29,269,031	10,556,620	42,129,779	6,149,596	3,360,608	91,465,633	3.767
IDENTIFIED SOURCE	20,949,907	2,161,779	4,529,386	5,992,085	3,360,608	36,993,764	1.524
AUSTRALIA	17,238,353	0	0	0	0	17,238,353	0.710
UNITED KINGDOM	0	1,409,791	2,456,112	3,070,337	3,360,608	10,296,848	0.424
USA	0	0	1,052,859	1,910,355	0	2,963,214	0.122
MALAYSIA	2,311,011	0	36,509	0	0	2,347,520	0.097
HONGKONG	0	445,400	0	906,152	0	1,351,552	0.056
SINGAPORE	1,000,000	0	0	0	0	1,000,000	0.041
CANADA	0	233,588	759,165	0	0	992,753	0.041
THAILAND	400,543	0	0	0	0	400,543	0.016
QATAR	0	73,000	180,387	21,018	0	274,405	0.011
UAE	0	0	23,900	52,500	0	76,400	0.003
SAUDI ARABIA	0	0	20,454	21,341	0	41,794	0.002
KUWAIT	0	0	0	10,382	0	10,382	0.000
UNIDENTIFIED SOURCE	8,319,124	8,394,841	37,600,393	157,511	0	54,471,869	2.243
UNKNOWN	2,766,971	8,394,841	37,263,361	157,511	0	48,582,684	2.001
SWITZERLAND	4,454,600	0	0	0	0	4,454,600	0.183
GERMANY	1,097,553	0	0	0	0	1,097,553	0.045
UNITED KINGDOM	0	0	240,966	0	0	240,966	0.010
USA	0	0	48,616	0	0	48,616	0.002
ITALY	0	0	47,450	0	0	47,450	0.002
OUTFLOW	9,321,484	985,830	75,935,080	988,233	50,210	87,280,837	3.595
IDENTIFIED SOURCE	4,333,192	844,077	74,636,626	988,233	50,210	80,852,338	3.330
USA	2,591,700	0	47,784,324	0	0	50,376,024	2.075
BULGARIA	0	0	19,023,151	0	0	19,023,151	0.783
UNITED KINGDOM	0	844,077	7,829,151	988,233	50,210	9,711,671	0.400
THAILAND	1,741,492	0	0	0	0	1,741,492	0.072
UNIDENTIFIED SOURCE	4,988,292	141,753	1,298,455	0	0	6,428,499	0.265
UNKNOWN	4,988,292	141,753	1,298,455	0	0	6,428,499	0.265
WITHIN THE JURISDICTION	222,014,031	78,840,714	1,322,057,567	343,573,301	282,914,816	2,249,400,428	92.639
Grand Total	260,604,547	90,383,163	1,440,122,426	350,711,130	286,325,634	2,428,146,899	100.00

Table 3.4 Peso Value of STRs under SRC Violation by Transaction Flow and Country from 2013-2017

As can be seen from the table above, majority of the illicit funds from investment fraud circulated within the Philippines, comprising of PHP 2.25 billion or 92.64% of the total peso amount reported from 2013 to 2017. On the other hand, total peso value of international inward and outward remittances only amounted to PHP 91.47 million (at 3.77%) and PHP 87.28 million (at 3.60%), respectively.

Inflow

Inward remittances from other countries account for 1,669 transactions or 3.01% of the total number of STRs associated with SRC violations. However, majority of the incoming transactions (measured at 88.92% of the total volume and 53.12% of the total peso value) came from unknown jurisdictions. Other countries identified as source of the cash inflows were grouped into regions/continents as follows: 4.49% European countries; 3.36% North American countries; 1.92% Asian countries (excluding Philippines); and 1.32% Oceania countries.

As shown in Table 3.3, the highest volume of inward remittances for 2013 to 2017 came from the United Kingdom with 61 transactions or equivalent to 3.65% of the total inflows. Likewise, the peso value of illicit funds coming from United Kingdom account to 11.26% (or PHP 10.30 million), which represents a substantial portion of the total funds that entered the country. Majority of the said inflows from United Kingdom have been identified as transactions arising from boiler room operations perpetrated by Company PS.

In terms of peso value, Australia was the top source of inward remittances amounting to PHP 17.24 million or 18.85% of the total cash inflows. This is attributable to the twenty-two (22) inward remittances associated with Company IMC, which is involved in issuing binary options without proper licenses and product disclosure statements.

Outflow

Volume of cash outflows heading for another country are comparatively lower, comprising of only 0.36% of the total STRs linked to investment fraud and estafa. Four (4) countries have been identified as the destination of cash outflows with the breakdown per region as follows: 64.14% European countries; 21.21% North American countries; 5.05% Asian countries; and the remaining 9.60% from unknown jurisdictions.

The top destination of fraud-related cash outflows are Bulgaria (40.91%), United Kingdom (23.23%), and USA (21.21%) amounting to PHP 19.02 million (21.08%), PHP 9.71 million (11.13%) and PHP 50.38 million (57.72%), respectively. Cash outflows to Bulgaria have been associated with the international Ponzi scheme operated by Company EG, while cash outflows to the United Kingdom have been linked to the illegal activities of Company PS, which is involved in boiler room operations, and Company SMP, which is into unauthorized selling/buying of gold bars. On the other hand, cash outflows to USA are primarily attributable to the outward remittances sent to Company T, which is reportedly engaged in selling internet-based software and soliciting investments from their clients.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines has been the predominant source of illicit funds which mostly circulated and remained within the Philippine Financial System. Violators commonly use banks, particularly commercial banks, in moving the criminal proceeds which were obtained from various unlawful activities, including but not limited to the following: 1) Ponzi schemes; 2) boiler room operations; 3) pyramiding schemes; 4) and other unauthorized investment-taking activities.

For inflows, the United Kingdom (in terms of STR volume) and Australia (in terms of peso value) were the identified countries which posed the highest threat to the Philippines. For outflows, the United Kingdom, USA and Bulgaria were the top destination of proceeds obtained from unauthorized investment-taking activities.

B. Swindling - Articles 315 and 316 of the Revised Penal Code

Table 3.1 above also showed the volume of STRs categorized under Swindling which comprised of 47.09% of the total STRs associated with fraud. In detail, there were about 49,336 STRs under Swindling which were filed by the covered persons due, but not limited, to the following illegal activities: 1) unauthorized ATM withdrawals; 2) investment scams; 3) advance fee fraud; 4) online shopping fraud; and 5) forgery and counterfeiting of checks. Table below summarizes the financial channels perpetrators use in moving the illicit funds:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	Total	%	Total	%
COMMERCIAL BANKS	29,765	60.33	17,827,392,454,568	99.992
SAVINGS AND MORTGAGE BANKS	3,034	6.15	769,409,198	0.00432
SPECIALIZED GOVERNMENT BANKS	3,823	7.75	319,346,086	0.00179
MONEY SERVICE BUSINESSES	9,622	19.50	205,118,321	0.00115
PAWNSHOPS	784	1.59	127,817,613	0.00072
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	756	1.53	32,734,717	0.00018
RURAL BANKS	161	0.33	18,558,431	0.00010
OTHERS	1,391	2.82	25,976,611	0.00015
Grand Total	49,336	100.00	17,828,891,415,545	100.00

Table 3.5 Peso Value of STRs under Swindling by Transaction Flow and Country from 2013-2017

Based on the table above, swindlers use commercial banks in moving the criminal proceeds accounting for 60.33% of the total STRs and 99.99% of the total peso value of the illicit funds. Tables 3.6 and 3.7 summarize by transaction flow the volume and peso value of STRs categorized under swindling:

SWINDLING/ESTAFA (TRANSACTION FLOW)	NO. OF STRs						Total	%
	2013	2014	2015	2016	2017			
INFLOW	238	563	797	681	686	2965	6.01	
OUTFLOW	6	35	31	30	23	125	0.253	
WITHIN THE JURISDICTION	3,372	9,934	10,518	7,998	14,424	46,246	93.74	
Grand Total	3,616	10,532	11,346	8,709	15,133	49,336	100.00	

Table 3.6 Volume of STRs under Swindling by Transaction Flow from 2013-2017

SWINDLING/ESTAFA (TRANSACTION FLOW)	PESO VALUE (in millions)					Total	%
	2013	2014	2015	2016	2017		
INFLOW	218.24	6,203.82	27,200.24	98.72	146.47	33,867.50	0.190
OUTFLOW	3.03	84.90	41.27	13.25	78.80	221.24	0.001
WITHIN THE JURISDICTION	17,296,936.44	161,153.83	274,333.74	53,883.10	8,495.56	17,794,802.68	99.809
Grand Total	17,297,157.71	167,442.55	301,575.24	53,995.08	8,720.83	17,828,891.42	0.191199

Table 3.7 Peso Value STRs under Swindling by Transaction Flow from 2013-2017

Out of the total STRs associated with swindling, about 93.74% occurred within the Philippine jurisdiction amounting to PHP 17.79 trillion comprising of the following transactions: cash and check deposits, withdrawals, check clearing, issuances of manager's checks, check encashment, fund transfers and domestic remittances. On the other hand, cash inflows only account for 6.01% of the total STRs while cash outflows only account for 0.253%.

It should be noted that the PHP 17.17 trillion of the PHP 17.79 trillion is attributable to one (1) STR that was filed in 2013 on a certain individual due to his attempt to defraud the covered person into transferring PHP 17.17 trillion (or USD 380 billion) to another bank account by presenting fraudulent deposit slips. The spike resulted from the covered person's reporting of the value of the spurious document as transaction amount of the STR.

Inflow

Table 3.8 lists down the volume and peso value of cash inflows per country.

SWINDLING - INFLOWS (in millions)	REPORTABLE YEAR													
	2013		2014		2015		2016		2017		Total		%	
	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso
IDENTIFIED SOURCE	81	15,009	37	6,889	119	4,093	113	3,372	333	5,279	683	34,642	23,035	0.102
USA	45	2,113	23	6,460	93	1,611	52	0,852	246	3,749	459	14,785	15,481	0.044
SAUDI ARABIA	1	12,063	0	0	0	0	13	0,692	2	0,005	16	12,760	0,540	0.038
GERMANY	0	0	0	0	1	2,317	10	0,053	2	0,007	13	2,377	0,438	0.007
CANADA	2	0,062	2	0,143	2	0,028	0	0	31	0,861	37	1,094	1,248	0.003
QATAR	1	0,099	0	0	1	0,003	6	0,434	0	0	8	0,535	0,270	0.002
UNITED ARAB EMIRATES	1	0,028	0	0	0	0	11	0,458	4	0,029	16	0,515	0,540	0.002
AUSTRALIA	0	0	2	0,060	8	0,041	0	0	23	0,386	33	0,486	1,113	0.001
UNITED KINGDOM	1	0,018	5	0,078	0	0	8	0,266	3	0,047	17	0,410	0,573	0.001
JAPAN	1	0,110	0	0	0	0	6	0,241	2	0,007	9	0,358	0,304	0.001
MALAYSIA	22	0,075	3	0,140	11	0,042	0	0	0	0	36	0,257	1,214	0.001
PAKISTAN	0	0	0	0	1	0,030	3	0,183	0	0	4	0,213	0,135	0.001
PERU	0	0	0	0	0	0	2	0,178	0	0	2	0,178	0,067	0.001
KUWAIT	1	0,114	0	0	0	0	0	0	1	0,007	2	0,121	0,067	0.000
UKRAINE	2	0,103	0	0	0	0	0	0	1	0,001	3	0,103	0,101	0.000
BELGIUM	1	0,082	1	0,001	0	0	0	0	0	0	2	0,083	0,067	0.000
URUGUAY	1	0,077	0	0	0	0	0	0	0	0	1	0,077	0,034	0.000
AFGHANISTAN	0	0	0	0	0	0	0	0	1	0,059	1	0,059	0,034	0.000
FINLAND	0	0	0	0	0	0	0	0	2	0,040	2	0,040	0,067	0.000
NEW ZEALAND	1	0,032	0	0	0	0	0	0	1	0,005	2	0,037	0,067	0.000
CHINA	1	0,034	0	0	0	0	0	0	0	0	1	0,034	0,034	0.000
HONGKONG	0	0	1	0,006	0	0	1	0,009	1	0,006	3	0,022	0,101	0.000
GUAM	0	0	0	0	0	0	0	0	1	0,019	1	0,019	0,034	0.000
SINGAPORE	0	0	0	0	0	0	0	0	1	0,015	1	0,015	0,034	0.000
ISRAEL	0	0	0	0	1	0,011	0	0	0	0	1	0,011	0,034	0.000
LEBANON	0	0	0	0	1	0,010	0	0	0	0	1	0,010	0,034	0.000
NETHERLANDS	0	0	0	0	0	0	0	0	1	0,010	1	0,010	0,034	0.000
THAILAND	0	0	0	0	0	0	1	0,006	0	0	1	0,006	0,034	0.000
SWITZERLAND	0	0	0	0	0	0	0	0	2	0,006	2	0,006	0,067	0.000
ITALY	0	0	0	0	0	0	0	0	1	0,005	1	0,005	0,034	0.000
SOUTH KOREA	0	0	0	0	0	0	0	0	1	0,005	1	0,005	0,034	0.000
CYPRUS	0	0	0	0	0	0	0	0	2	0,004	2	0,004	0,067	0.000
BULGARIA	0	0	0	0	0	0	0	0	1	0,003	1	0,003	0,034	0.000
TURKEY	0	0	0	0	0	0	0	0	1	0,002	1	0,002	0,034	0.000
SPAIN	0	0	0	0	0	0	0	0	1	0,002	1	0,002	0,034	0.000
DENMARK	0	0	0	0	0	0	0	0	1	0,001	1	0,001	0,034	0.000
UNIDENTIFIED SOURCE	157	203,234	526	6,196,934	678	27,196,147	568	95,351	353	141,194	2,282	33,832,860	76,965	99,898
UNITED KINGDOM	0	0	1	0,005	5	27,139,302	64	10,015	17	9,541	87	27,158,863	2,934	80,192
GERMANY	0	0	2	5,903,836	2	7,610	3	1,057	15	30,549	22	5,943,052	0,742	17,548
UNKNOWN	127	189,915	499	279,991	333	24,958	12	3,444	15	16,478	986	514,786	33,255	1,520
USA	12	9,102	10	2,880	212	14,867	437	79,075	259	63,691	930	169,614	31,366	0,501
SINGAPORE	0	0	0	0	10	0,041	0	0	13	17,868	23	17,909	0,776	0,053
HONGKONG	18	4,217	7	3,592	30	1,644	0	0	1	0,072	56	9,525	1,889	0,028
JORDAN	0	0	0	0	2	4,691	0	0	0	0	2	4,691	0,067	0,014
FRANCE	0	0	1	1,738	0	0	0	0	12	1,955	13	3,693	0,438	0,011
TAIWAN	0	0	3	3,449	2	0,015	6	0,124	0	0	11	3,587	0,371	0,011
JAPAN	0	0	0	0	4	1,659	0	0	0	0	4	1,659	0,135	0,005
CANADA	0	0	0	0	8	0,101	38	1,483	0	0	46	1,583	1,551	0,005
FINLAND	0	0	1	1,370	0	0	0	0	0	0	1	1,370	0,034	0,004
SAUDI ARABIA	0	0	0	0	1	0,365	2	0,095	1	0,518	4	0,978	0,135	0,003
QATAR	0	0	2	0,073	38	0,421	0	0	0	0	40	0,494	1,349	0,001
AUSTRALIA	0	0	0	0	0	0	6	0,059	17	0,243	23	0,302	0,776	0,001
NETHERLANDS	0	0	0	0	2	0,256	0	0	0	0	2	0,256	0,067	0,001
SOUTH KOREA	0	0	0	0	0	0	0	0	1	0,177	1	0,177	0,034	0,001
ITALY	0	0	0	0	1	0,037	0	0	2	0,103	3	0,140	0,101	0.000
LEBANON	0	0	0	0	9	0,072	0	0	0	0	9	0,072	0,304	0.000
ISRAEL	0	0	0	0	10	0,056	0	0	0	0	10	0,056	0,337	0.000
UNITED ARAB EMIRATES	0	0	0	0	5	0,042	0	0	0	0	5	0,042	0,169	0.000
BAHRAIN	0	0	0	0	3	0,006	0	0	0	0	3	0,006	0,101	0.000
AUSTRIA	0	0	0	0	1	0,005	0	0	0	0	1	0,005	0,034	0.000
Grand Total	238	218,243	563	6,203,823	797	27,200,240	681	98,723	686	146,474	2,965	33,867,502	100.00	100.00

Table 3.8 Breakdown of Cash Inflows by Country from 2013-2017

The transactions originating from unknown jurisdictions account for majority of the total volume of inflows measured at 986 STRs or 33.26% amounting to PHP 514.79 million or 1.52% of the total peso value of inflows. For both identified and unidentified sources, the USA has the most number of remittances sent to the Philippines measured at 15.48% and 31.37% of the total volume of inflows, respectively. Nevertheless, peso value of the inward remittances from the USA only account to PHP 14.79 million or 0.044% of the total peso value (for identified sources) and PHP 169.61 million or 0.501% (unidentified). The inflows determined to be from the USA, represent different cases of fraud such as romance scam, text scams and unauthorized use of credit cards. In addition, the table above presented a significant amount of remittances (measured at 80.19% of the total peso value and 2.93% of the total volume) which were coursed through banks in the United Kingdom. These said inflows represent proceeds mostly obtained from boiler room operations.

Outflow

Table 3.9 lists down the volume and peso value of cash outflows per country:

SWINDLING - OUTFLOWS (in millions)	REPORTABLE YEAR													
	2013		2014		2015		2016		2017		Total		%	
	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso
IDENTIFIED SOURCE	3	1.469	22	62.078	12	26.233	30	13.253	22	78.745	89	181.779	71.200	82.164
LEBANON	0	0.000	1	57.581	0	0.000	0	0.000	0	0.000	1	57.581	0.800	26.027
TURKEY	0	0.000	0	0.000	3	3.978	0	0.000	2	30.964	5	34.943	4.000	15.794
HONGKONG	0	0.000	0	0.000	4	15.682	0	0.000	2	10.265	6	25.947	4.800	11.728
BRITISH VIRGIN ISLANDS	0	0.000	0	0.000	0	0.000	0	0.000	1	17.928	1	17.928	0.800	8.103
USA	1	0.204	0	0.000	0	0.000	14	3.782	5	11.817	20	15.803	16.000	7.143
SINGAPORE	0	0.000	0	0.000	0	0.000	1	0.938	1	5.934	2	6.872	1.600	3.106
CHINA	0	0.000	1	1.927	2	1.868	1	2.799	0	0.000	4	6.594	3.200	2.981
ITALY	0	0.000	0	0.000	2	4.682	0	0.000	0	0.000	2	4.682	1.600	2.116
UNITED ARAB EMIRATES	0	0.000	0	0.000	0	0.000	1	3.182	0	0.000	1	3.182	0.800	1.438
UNITED KINGDOM	2	1.265	1	0.073	0	0.000	2	0.162	4	1.219	9	2.719	7.200	1.229
NIGERIA	0	0.000	19	2.498	0	0.000	0	0.000	0	0.000	19	2.498	15.200	1.129
GERMANY	0	0.000	0	0.000	0	0.000	1	1.535	0	0.000	1	1.535	0.800	0.694
FRANCE	0	0.000	0	0.000	0	0.000	9	0.846	6	0.600	15	1.445	12.000	0.653
BOLIVIA	0	0.000	0	0.000	0	0.000	1	0.009	1	0.019	2	0.028	1.600	0.013
MALAYSIA	0	0.000	0	0.000	1	0.022	0	0.000	0	0.000	1	0.022	0.800	0.010
UNIDENTIFIED SOURCE	3	1.556	13	22.818	19	15.035	0	0.000	1	0.050	36	39.459	28.800	17.836
UNKNOWN	3	1.556	13	22.818	12	8.886	0	0.000	1	0.050	29	33.310	23.200	15.056
BULGARIA	0	0.000	0	0.000	6	5.135	0	0.000	0	0.000	6	5.135	4.800	2.321
INDIA	0	0.000	0	0.000	1	1.013	0	0.000	0	0.000	1	1.013	0.800	0.458
Grand Total	6	3.025	35	84.896	31	41.268	30	13.253	23	78.795	125	221.238	100.00	100.00

Table 3.8 Breakdown of Cash Outflows (Swindling) by Country from 2013-2017

Volume of cash outflows heading for another country were comparatively lower, comprising 0.253% of the total STRs linked to swindling/estafa. Fifteen (15) countries from five (5) different regions/continents have been identified to be the destination of cash outflows. Breakdown of the countries are as follows: 21.6% for European countries; 16.80% for North American countries; 16% for Asian countries; 15.20% for African countries; 1.60% for South American countries; 23.20% for from unknown jurisdictions; and the remaining 5.60% from unconfirmed sources.

The USA, Nigeria and France were the top destination of fraud-related cash outflows, respectively comprising of 16%, 15.20% and 12% of the total outgoing transactions. While the number of outward remittances bound for Nigeria and France is high, equivalent peso amount for the said transactions appear to be nominal as it only represents 1.13% and 0.65% of the total value of cash outflows. On the other hand, the peso value of the fraud-related illicit

funds going to the USA was 7.14% (or PHP 15.803 million), which represents a significant portion of the total amount of funds that exited the Philippines. Cash outflows to the USA represent proceeds from different cases of swindling such as online shopping fraud, loans scams and car rental scams; while outflows to France are mostly obtained from online shopping fraud. On the other hand, proceeds sent to Nigeria have not been associated with a specific type of fraud but were suspected to be linked to fraud since the sender had been transferring funds in multiple transactions in a day.

In terms of peso value, Lebanon had the largest amount of outward remittances related to swindling amounting to PHP 57.58 million or 27.03% of the total value of outflows. The said funds represents account closure proceeds of an entity which is owned by Mr. MKK, subject of a complaint filed by the US Federal Trade Commission (FTC) for defrauding consumers by misrepresentation of pre-existing business relationships.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that majority of the illicit funds from swindling were generated in the Philippines. The said funds remained within the Philippine jurisdiction and were moved around the financial system mainly through commercial banks. Unlawful activities reported under swindling include but not limited to the following: 1) unauthorized ATM withdrawals; 2) investment scams; 3) advance fee fraud; 4) online shopping fraud; 5) forgery and counterfeiting of checks; and other kinds of local scams.

For inflows, the USA (in terms of STR volume) and Lebanon (in terms of peso value) were the identified countries which posed the highest threat to the Philippines. For outflows, the USA, Nigeria and France were the top identified destination of criminal proceeds while Lebanon had the largest peso value of outward remittances related to swindling.

III. SMUGGLING

Smuggling is an offense which is defined as bringing into, or removing from, a country those items that are prohibited or upon which customs or excise duties have not been paid. Smuggling is considered as a predicate offense or an unlawful activity under the Anti-Money Laundering Act which is defined under the Republic Act No. 455 and under the Republic Act No. 1937, as amended, otherwise known as the "Tariff and Customs Code of the Philippines.

Tables 4.1 and 4.2 show the summary of the number of STRs reported as well as the equivalent peso amount from 2013 to 2017.

SMUGGLING	NUMBER OF STRs					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	0	0	0	0	0	0	0.00
OUTFLOW	7	0	0	0	0	7	53.85
USA	7	0	0	0	0	7	53.85
WITHIN THE JURISDICTION	0	3	0	1	2	6	46.15
TOTAL	7	3	0	1	2	13	100.00

Table 4.1 Total Number of STRs related to smuggling from 2013-2017

SMUGGLING	PESO AMOUNT					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	0	0	0	0	0	0	0.00
OUTFLOW	1,217,590.00	0	0	0	0	1,217,590.00	38.61
USA	1,217,590.00	0	0	0	0	1,217,590.00	38.61
WITHIN THE JURISDICTION	0	1,708,000.00	0	20,000.00	208,150.00	1,936,150.00	61.39
TOTAL	1,217,590	1,708,000	0	20,000	208,150	3,153,740	100.00

Table 4.2 Total Peso Amount of STRs related to smuggling from 2013-2017

There were only thirteen (13) STRs reported from 2013 to 2017 that are connected to smuggling cases. Based on the tables above, there were seven (7) outgoing transactions to the United States of America in 2013, which is equivalent to 53.85% of the total STRs reported. The funds of the said outflow transactions were considered as payment for the importation of used clothing, otherwise known as “Ukay-Ukay”, by Ms. B. The other transactions reported in 2014, 2016 and 2017 were classified as transactions within the jurisdiction which are mostly linked to smuggling of high end communication and electronic gadgets as well as fresh red onions from India.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines has become a source country of illicit funding from smuggling and the top destination country was the USA. Most of the said funds were coursed through money service businesses. Majority of the unlawful activities associated to smuggling were importation of used clothing as well as smuggling of high-end communication and electronic gadgets.

IV. VIOLATION OF INTELLECTUAL PROPERTY (IP) RIGHTS

One of the unlawful activities listed under the Anti-Money Laundering Act is Violation of R.A. 8293, otherwise known as the Intellectual Property Code of the Philippines. From 2013 to 2017, there were thirty (30) STRs in relation to IP rights violation which were filed by the covered persons due to the following illegal activities: 1) sale of counterfeit merchandise and goods; 2) piracy; 3) unauthorized use of trademarks; and 4) copyright infringement. Table 5.1 shows the breakdown of the said STRs by transaction flow:

VIOLATION OF IP RIGHTS	NO. OF STRs						Total	%
	2013	2014	2015	2016	2017			
INFLOW (UNKNOWN COUNTRY)	1	0	0	0	0	1	3.33	
OUTFLOW	0	0	0	0	0	0	0.00	
WITHIN THE JURISDICTION	6	4	12	2	5	29	96.67	
Grand Total	7	4	12	2	5	30	100.00	

Table 5.1 Total Number of STRs related to IP Rights Violation from 2013-2017

As gleaned from the table above, majority of the financial transactions associated with IP rights violation occurred within the Philippines accounting for 96.67% of the total STRs. Domestic financial transactions include cash/check deposit transactions, encashments and remittances. Likewise, there was only one (1) cash inflow from an unknown country for the period under review. The said funds, which amounts to PHP 147,538 or EUR 2,498.49, represent criminal proceeds transferred to the bank account of a Filipino citizen who was identified by the reporting bank as the wife of the creator/administrator of an illegal downloading forum previously charged with Infringement of Intellectual Works in France. Table below summarizes the total peso amount of the STRs under review by transaction flow:

VIOLATION OF IP RIGHTS	PESO AMOUNT						Total	%
	2013	2014	2015	2016	2017			
INFLOW (UNKNOWN COUNTRY)	147,538	0	0	0	0	147,538	5.05	
OUTFLOW	0	0	0	0	0	0	0.00	
WITHIN THE JURISDICTION	1,590,000	320,000	778,343	59,000	25,760	2,773,103	94.95	
Grand Total	1,737,538	320,000	778,343	59,000	25,760	2,920,641	100.00	

Table 5.2 Total Peso Amount of STRs related to IP Rights Violation from 2013-2017

From 2013 to 2017, a total of PHP 2.92 million was reported to the AMLC as criminal proceeds in relation to Violation of R.A. 8293. As can be seen from the table above, 94.95% or equivalent to PHP 2.77 million were transactions which occurred within the Philippine jurisdiction. Below is a summary of the financial channels used by the perpetrators in moving the illicit funds:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
COMMERCIAL BANKS	22	73.33	2,871,880.86	98.33
MONEY SERVICE BUSINESSES	6	20.00	26,760.06	0.92
SAVINGS & MORTGAGE BANKS	2	6.67	22,000.00	0.75
Grand Total	30	100.00	2,920,640.92	100.00

Table 5.3 Breakdown of STRs related to IP Rights Violation per Financial Channel used from 2013-2017

Based on the table above, perpetrators primarily use commercial banks in moving the criminal proceeds for violations of IP rights accounting for 73.33% of the total STRs and 98.33% of the total peso value of the total illicit funds.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the illicit funds associated with intellectual property rights violation only moved around the Philippine financial system. Majority of the said funds were circulated via commercial banks. Common activities reported by the covered persons under this predicate offense include the following: 1) sale of counterfeit merchandise and goods; 2) piracy; 3) unauthorized use of trademarks; and 4) copyright infringement.

V. ILLEGAL MANUFACTURE AND POSSESSION OF FIREARMS, AMMUNITION AND EXPLOSIVES

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” is one of the predicate offenses listed under the Anti-Money Laundering Act, as amended. For the period 2013 to 2017, there were only three (3) STRs under this predicate offense. Table 6.1 shows the breakdown of the STRs by flow of transaction:

ILLEGAL MANUFACTURE & POSSESSION OF FIREARMS	NO. OF STRs				PESO AMOUNT			
	2013	2014	2017	TOTAL	2013	2014	2017	TOTAL
INFLOW	0	0	0	0	0	0	0	0
OUTFLOW	0	0	0	0	0	0	0	0
WITHIN THE JURISDICTION	1	1	1	3	10,000	2,000	458,235	470,235

Table 6.1 Summary of STRs related to Illegal Manufacture and Possession of Firearms, Ammunition and Explosives from 2013-2017

As can be seen from Table 6.1, all reported transactions associated with illegal manufacturing and possession of firearms occurred within the Philippine jurisdiction, comprising these transactions are cash deposit in 2013, a fund transfer in 2014 and an over-the-counter withdrawal in 2017. The said transactions were all coursed through BSP-supervised banks as shown in the table below:

CHANNELS USED	NO. OF STRs	PESO AMOUNT
COMMERCIAL BANKS	2	468,235
SAVINGS & MORTGAGE BANK	1	2,000
Grand Total	3	470,235

Table 6.2 Breakdown of STRs related to Illegal Firearms per Financial Channels used from 2013-2017

It was observed that the subjects of STRs associated with illegal manufacturing and possession of firearms are likewise involved in other unlawful activities such as Drug Trafficking, Estafa, Robbery and Falsification of public documents. Similarly, the persons involved have been subjects of cases filed with the Philippine courts.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that all reported transactions associated with illegal manufacturing and possession of firearms occurred within the Philippine jurisdiction and were all coursed through banks.

VI. VIOLATION OF ENVIRONMENTAL LAWS

Environmental crimes, specifically violations of Sections 78 to 79 of the Revised Forestry Code, as amended (P.D. No. 705), violations of Sections 101 to 107, and 110 of Philippine Mining Act of 1995 (R.A. No. 7942), violations of Sections 27 (c), (e), (f), (g) and (i) of Wildlife Resources and Conservation Act (R.A. No. 9147), violation of Section 7 (b) of the National Caves and Cave Resources Management Act (R.A. No. 9072), and violations of Sections 86 to 106 of the Philippine Fisheries Code of 1998 (R.A. No. 8550) were made predicate offenses to money laundering since 2013. The table below shows the breakdown of the STRs by predicate offense:

ENVIRONMENTAL LAWS VIOLATED (PREDICATE CRIME)	NO. OF STRS						Total	%
	2013	2014	2015	2016	2017			
WILDLIFE RESOURCES CONSERVATION AND PROTECTION ACT	0	7	41	112	89	249	84.12	
PHILIPPINE MINING ACT OF 1995	3	5	17	0	0	25	8.45	
REVISED FORESTRY CODE OF THE PHILIPPINES	1	14	6	0	0	21	7.09	
NATIONAL CAVES & CAVE RESOURCES MANAGEMENT PROTECTION ACT	0	1	0	0	0	1	0.34	
Grand Total	4	27	64	112	89	296	100.00	

Table 7.1 Total number of STRs per specific environmental crime from 2013-2017

STRs related to Violations of the Wildlife Resources account for 84.12% of the total transactions associated with environmental crimes. This is mainly attributable to the export and sale of illegally captured insects such as butterfly, beetles, and katydids. 225 or 90.36% out of the 249 reported violations of wildlife resources were transactions coming in from other countries. Table below shows the flow of transactions per environmental crime:

ENVIRONMENTAL LAWS VIOLATED (Per Flow of Transaction)	NO. OF STRS						Total	%
	2013	2014	2015	2016	2017			
INFLOW	3	8	40	94	84	229	77.36	
WILDLIFE RESOURCES CONSERVATION AND PROTECTION ACT	0	7	40	94	84	225	76.01	
PHILIPPINE MINING ACT OF 1995	3	0	0	0	0	3	1.01	
NATIONAL CAVES AND CAVE RESOURCES MANAGEMENT PROTECTION ACT	0	1	0	0	0	1	0.34	
WITHIN THE PHILIPPINES	1	19	24	18	5	67	22.64	
WILDLIFE RESOURCES CONSERVATION AND PROTECTION ACT	0	0	1	18	5	24	8.11	
PHILIPPINE MINING ACT OF 1995	0	5	17	0	0	22	7.43	
REVISED FORESTRY CODE OF THE PHILIPPINES	1	14	6	0	0	21	7.09	
OUTFLOW	0	0	0	0	0	0	0	
Grand Total	4	27	64	112	89	296	100.00	

Table 7.2 Breakdown of STRs per transaction flow and specific environmental crime from 2013-2017

Bulk of the financial activities associated with environmental crimes for the covered period 2013 to 2017 were inward remittances from other jurisdictions comprising of 229 or

77.36% of the total STRs. As can be seen from the table above, wildlife smuggling is the predominant source of the funds entering the Philippines, accounting for 76.01% of the total inflows. The said funds were coursed through Western Union and were paid in the Philippines through a BSP-supervised remittance agent. The table below shows the total number of cash inflows per country/jurisdiction:

ENVIRONMENTAL CRIMES (INFLOWS)	NO. OF STRs					TOTAL	%
	2013	2014	2015	2016	2017		
USA	0	1	6	14	14	35	15.28
FRANCE	0	0	0	12	10	22	9.61
CANADA	0	1	3	8	6	18	7.86
TAIWAN	0	0	2	11	5	18	7.86
BELGIUM	0	0	9	4	4	17	7.42
CZECH REPUBLIC	0	0	1	4	7	12	5.24
CHINA	0	0	3	2	5	10	4.37
RUSSIA	0	1	2	3	2	8	3.49
SOUTH KOREA	0	0	0	6	2	8	3.49
HONGKONG	3	1	0	1	2	7	3.06
AUSTRALIA	0	0	0	5	1	6	2.62
ITALY	0	0	3	1	2	6	2.62
MALAYSIA	0	0	3	3	0	6	2.62
POLAND	0	3	2	0	1	6	2.62
UNITED KINGDOM	0	0	2	2	2	6	2.62
GERMANY	0	0	0	3	2	5	2.18
SPAIN	0	0	0	3	2	5	2.18
LATVIA	0	0	0	3	1	4	1.75
SINGAPORE	0	0	2	1	1	4	1.75
SLOVAKIA	0	0	0	1	3	4	1.75
SWEDEN	0	0	0	1	3	4	1.75
HUNGARY	0	1	0	0	2	3	1.31
ISRAEL	0	0	2	1	0	3	1.31
NEW ZEALAND	0	0	0	0	3	3	1.31
AUSTRIA	0	0	0	2	0	2	0.87
MALTA	0	0	0	0	2	2	0.87
NORWAY	0	0	0	2	0	2	0.87
CHILE	0	0	0	0	1	1	0.44
IRELAND	0	0	0	0	1	1	0.44
JAPAN	0	0	0	1	0	1	0.44
GRAND TOTAL	3	8	40	94	84	229	100.00

Table 7.3 Volume of Inflows related to Environmental Crimes per Country from 2013-2017

Our study accounts for cash inflows from thirty (30) different countries grouped in five (5) regions/continents as follows: 36.82% European countries; 19.49% Asian countries (excluding Philippines); 19.13% North American countries; 3.25% Oceania countries; and 0.36% South American countries. Table 7.4 shows the total peso value of the reported transactions associated with environmental crimes per transaction flow and jurisdiction:

ENVIRONMENTAL CRIMES (INFLOWS)	PESO AMOUNT						%
	2013	2014	2015	2016	2017	TOTAL	
INFLOW	18,450,000	820,602	460,894	1,319,460	1,035,566	22,086,523	9.44
HONGKONG	18,450,000	756,840	0	14,500	21,120	19,242,460	8.23
USA	0	13,404	104,155	211,714	137,195	466,468	0.20
FRANCE	0	0	0	251,075	189,963	441,038	0.19
TAIWAN	0	0	25,760	122,830	165,155	313,745	0.13
CANADA	0	7,990	43,235	151,798	37,301	240,324	0.10
CZECH REPUBLIC	0	0	7,448	67,976	123,183	198,607	0.08
BELGIUM	0	0	77,884	28,513	26,878	133,276	0.06
SOUTH KOREA	0	0	0	101,692	20,024	121,716	0.05
MALAYSIA	0	0	39,012	81,888	0	120,900	0.05
RUSSIA	0	12,979	11,340	21,118	40,464	85,901	0.04
ITALY	0	0	44,949	9,826	30,000	84,775	0.04
CHINA	0	0	41,146	12,462	26,975	80,583	0.03
POLAND	0	23,447	20,339	0	16,616	60,403	0.03
UNITED KINGDOM	0	0	26,178	18,120	12,038	56,336	0.02
SWEDEN	0	0	0	4,620	49,253	53,872	0.02
GERMANY	0	0	0	33,570	16,237	49,807	0.02
LATVIA	0	0	0	37,764	5,027	42,791	0.02
NORWAY	0	0	0	41,691	0	41,691	0.02
SPAIN	0	0	0	27,196	11,613	38,809	0.02
SINGAPORE	0	0	12,000	11,491	11,856	35,348	0.02
HUNGARY	0	5,941	0	0	28,252	34,193	0.01
AUSTRALIA	0	0	0	26,117	6,116	32,233	0.01
NEW ZEALAND	0	0	0	0	28,064	28,064	0.01
AUSTRIA	0	0	0	19,092	0	19,092	0.01
SLOVAKIA	0	0	0	5,091	13,291	18,381	0.01
JAPAN	0	0	0	16,503	0	16,503	0.01
ISRAEL	0	0	7,446	2,815	0	10,260	0.00
MALTA	0	0	0	0	10,220	10,220	0.00
CHILE	0	0	0	0	5,638	5,638	0.00
IRELAND	0	0	0	0	3,087	3,087	0.00
OUTFLOW	0	0	0	0	0	0	0.00
WITHIN THE JURISDICTION	100,000	141,092,568	70,559,753	55,977	31,000	211,839,299	90.56
GRAND TOTAL	18,550,000	141,913,170	71,020,647	1,375,437	1,066,566	233,925,822	100.00

Table 7.4 Total Peso Amount of STRs related to Environmental Crimes per Country from 2013-2017

Out of the PHP 233.9 million total amount of transactions reported for the period under review, PHP 211.8 million or 90.56% circulated within the Philippines; while the remaining PHP 22.1 million or 9.44% originated from other jurisdictions. The Asian countries (excluding the Philippines) account for the source with the highest value of environmental crime-related cash inflows measured at 9.05%. This is attributable to the illicit funds transferred to the Philippines from Hong Kong in 2013 totaling PHP 18.45 million. Said proceeds have been sent by a Hong Kong-based entity to a Philippine mining company which failed to present its mining permit, thus violating the Philippine Mining Act.

In terms of STR volume, the USA, France, Taiwan and Canada were the top sources of incoming illegal proceeds related to environmental crimes from 2013 to 2017. Nonetheless, despite the volume of cash inflows from the said countries, these only account for only PHP 1.46 million or 0.66% of the total value of transactions. Below is a summary of the financial channels used by the perpetrators in moving the illicit funds:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	COUNT	%	AMOUNT	%
COMMERCIAL BANKS	69	23.31	230,994,139	98.75
MONEY CHANGERS & REMITTANCE AGENTS	227	76.69	2,931,683	1.25
Grand Total	296	100	233,925,822	100

Table 7.5 Breakdown of STRs related to Environmental Crimes per Financial Channels used from 2013-2017

Based on the table above, perpetrators primarily use money service businesses in moving the criminal proceeds accounting for 76.69% of the total STRs. However, the peso value of the transactions coursed through money changers and remittance agents only represent 1.25% of the total illicit funds from environmental crimes.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines is the destination of the illicit funds generated from various violations of environmental laws. Activities associated with environmental crimes include wildlife smuggling, illegal mining and illegal logging. In terms of STR volume, countries identified as the top sources of illicit funds are the USA, France, Taiwan and Canada, which are mainly attributable to wildlife smuggling. In terms of peso value, Hong Kong had the largest amount of inward remittances, which is linked to illegal mining. Preferred financial channel used by the perpetrators are money service businesses.

VII. WEB-RELATED CRIMES

The Republic Act No. 8792, otherwise known as the Electronic Commerce Act of 2000, refers to the Act that provides recognition and use of electronic and non-commercial transactions and documents, penalties for unlawful use thereof and other purposes. From 2013 to 2017, there were 32,320 STRs filed by covered persons in relation to this unlawful activity. Table below summarizes the financial channels perpetrators use in moving the illicit funds for web related crimes:

E-COMMERCE VIOLATIONS	NO.OF STRs		PESO VALUE	
	Total	%	Total	%
COMMERCIAL BANKS	30,262	93.63	34,882,668,774	85.28
SAVINGS & MORTGAGE BANKS	1,200	3.71	26,306,730	0.06
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	486	1.50	324,530	0.00
SPECIALIZED GOVERNMENT BANKS	298	0.92	5,931,103,867	14.50
REMITTANCE AGENTS	66	0.20	50,560,447	0.12
MONEY CHANGERS & REMITTANCE AGENTS	8	0.02	10,536,868	0.03
Grand Total	32,320	100.00	40,901,501,217	100.00

Table 8.1 Breakdown of STRs under E-Commerce Violation per Financial Channel from 2013-2017

The preferred channel used by the perpetrators in their illegal activities are Commercial Banks with 30,262 STRs (equivalent to 93.63%) amounting to PHP 34.88 billion (85.28%). Table 8.2 and 8.3 shows the volume and peso value of STRs on unlawful web-related activities by transaction flow:

E-COMMERCE VIOLATIONS	NO.OF STRs						Total	%
	2013	2014	2015	2016	2017			
INFLOW	42	38	72	97	86	335	1.04	
OUTFLOW	22	28	44	61	39	194	0.60	
WITHIN THE JURISDICTION	374	4170	5706	6940	14601	31791	98.36	
GRAND TOTAL	438	4,236	5,822	7,098	14,726	32,320	1.64	

Table 8.2 Volume of STRs under E-Commerce Violation per Financial Channel from 2013-2017

E-COMMERCE VIOLATIONS	PESO VALUE (in millions)						Total	%
	2013	2014	2015	2016	2017			
OUTFLOW	182.702	72.089	69.084	305.718	43.650	673.243	1.65	
INFLOW	17.774	60.609	36.304	42.196	18.407	175.290	0.43	
WITHIN THE JURISDICTION	64.338	112.638	250.612	14,548.907	25,076.473	40,052.968	97.93	
GRAND TOTAL	264.814	245.336	356.000	14,896.821	25,138.530	40,901.501	2.07	

Table 8.3 Peso Value of STRs under E-Commerce Violation per Financial Channel from 2013-2017

As can be gleaned from the table above, there is a gradual increase in the number of reported STRs from 2013 to 2017. However, majority of the reported transactions (at 98.36%) were within the Philippine jurisdiction, which means that the illicit funds were just circulating within the Philippine Financial System. Domestic transactions include cash deposits, withdrawals, check deposits, check encashment, check clearing, issuance of manager's checks/demand drafts, fund transfers and domestic remittances.

The combined number of inflow and outflow transactions from 2013 to 2017 is only about 1.64% of the STRs under the E-Commerce Violation. Meanwhile, the combined peso amount of inflows and outflows is only about 2.07% of the total peso amount involved from 2013 to 2017.

Inflow

Table 8.4 lists down the volume and peso value of cash inflows per country:

E-COMMERCE VIOLATIONS (INFLOW)	REPORTABLE YEAR														Total	%
	2013		2014		2015		2016		2017		Total					
	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso		
IDENTIFIED SOURCE	32	5,539,853	22	44,529,840	58	20,682,893	76	39,701,039	46	14,847,850	234	125,301,474	69.85	71.48		
USA	23	2,545,318	6	8,313,189	42	10,903,017	39	22,928,463	31	2,690,528	141	47,380,515	42.09	27.03		
SINGAPORE	0	0	2	18,492,169	1	225,552	0	0	1	5,497,415	4	24,215,136	1.19	13.81		
UAE	0	0	6	6,428,000	2	1,064,953	2	221,578	0	0	10	7,714,531	2.99	4.40		
AUSTRALIA	0	0	2	3,497,400	0	0	1	3,324,916	1	41,363	4	6,863,679	1.19	3.92		
DOMINICAN REPUBLIC	1	641,164	0	0	2	6,018,074	0	0	0	0	3	6,659,238	0.90	3.80		
CANADA	0	0	3	5,929,139	0	0	0	0	0	0	3	5,929,139	0.90	3.38		
UNITED KINGDOM	3	141,000	0	0	6	248,377	2	1,271,229	7	3,266,638	18	4,927,244	5.37	2.81		
SOUTH KOREA	1	547,291	0	0	0	0	3	1,952,272	2	1,269,211	6	3,768,773	1.79	2.15		
THAILAND	0	0	0	0	1	798,360	4	2,724,352	0	0	5	3,522,712	1.49	2.01		
SAUDI ARABIA	2	499,378	0	0	0	0	2	1,534,299	0	0	4	2,033,677	1.19	1.16		
SPAIN	0	0	0	0	0	0	2	1,778,025	0	0	2	1,778,025	0.60	1.01		
SWITZERLAND	0	0	1	1,770,243	0	0	0	0	0	0	1	1,770,243	0.30	1.01		
TAIWAN	0	0	0	0	0	0	6	1,528,241	0	0	6	1,528,241	1.79	0.87		
US VIRGIN ISLANDS	0	0	0	0	0	0	0	0	1	1,015,839	1	1,015,839	0.30	0.58		
SIERRA LEONE	0	0	0	0	1	941,710	0	0	0	0	1	941,710	0.30	0.54		
GERMANY	1	633,631	0	0	0	0	1	161,013	0	0	2	794,643	0.60	0.45		
INDONESIA	0	0	0	0	0	0	1	576,758	0	0	1	576,758	0.30	0.33		
VENEZUELA	0	0	0	0	0	0	0	0	1	537,183	1	537,183	0.30	0.31		
MEXICO	1	532,071	0	0	0	0	0	0	0	0	1	532,071	0.30	0.30		
PAPUA NEW GUINEA	0	0	0	0	0	0	4	515,755	0	0	4	515,755	1.19	0.29		
KOREA	0	0	0	0	0	0	1	512,126	0	0	1	512,126	0.30	0.29		
HONGKONG	0	0	2	99,700	1	130,001	1	3,004	1	278,402	5	511,107	1.49	0.29		
JORDAN	0	0	0	0	1	273,364	1	46,911	0	0	2	320,275	0.60	0.18		
SOUTH AFRICA	0	0	0	0	0	0	1	293,277	0	0	1	293,277	0.30	0.17		
JAPAN	0	0	0	0	0	0	0	0	1	251,272	1	251,272	0.30	0.14		
KENYA	0	0	0	0	0	0	1	182,127	0	0	1	182,127	0.30	0.10		
ITALY	0	0	0	0	0	0	2	103,806	0	0	2	103,806	0.60	0.06		
FRANCE	0	0	0	0	1	79,485	0	0	0	0	1	79,485	0.30	0.05		
NORWAY	0	0	0	0	0	0	2	42,887	0	0	2	42,887	0.60	0.02		
UNIDENTIFIED SOURCE	10	12,233,875	16	16,079,168	14	15,621,305	21	2,495,290	40	3,558,997	101	49,988,635	30.15	28.52		
UNKNOWN	10	12,233,875	16	16,079,168	12	15,437,466	21	2,495,290	9	3,336,888	68	49,582,687	20.30	28.29		
USA	0	0	0	0	2	183,839	0	0	17	129,568	19	313,407	5.67	0.18		
UNITED KINGDOM	0	0	0	0	0	0	0	0	14	92,541	14	92,541	4.18	0.05		
Grand Total	42	17,773,728	38	60,609,008	72	36,304,198	97	42,196,328	86	18,406,848	335	175,290,109	100.00	100.00		

Table 8.4 Breakdown of Cash Inflows (E-Commerce Violations) by Country from 2013-2017

The transactions originating from the USA account for majority of the total volume and peso value of cash inflows measured at 42.09% (141 STRs) and 27.03% (PHP 47.39 million),

respectively. The said cash inflows from the USA represent proceeds from different cases of web-related crimes such as hacking, extortion by means of online blackmailing, phishing scams and unauthorized telegraphic transfers and credit card usage.

Outflow

Table 8.5 lists down the volume and peso value of cash outflows per country:

E-COMMERCE VIOLATIONS (OUTFLOW)	REPORTABLE YEAR														%
	2013		2014		2015		2016		2017		Total		STRs	Peso	
IDENTIFIED SOURCE	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso	STRs	Peso			STRs
HONGKONG	4	8,931,421	2	1,876,980	9	10,691,271	6	241,968,617	5	11,058,779	26	274,527,068	13.40	40.78	
CHINA	4	3,414,117	1	400,660	10	11,107,076	13	16,307,495	5	3,497,932	33	34,727,279	17.01	5.16	
JAPAN	0	0	2	21,470,249	1	901,575	1	2,683,662	1	304,000	5	25,359,486	2.58	3.77	
MALAYSIA	0	0	0	0	2	21,774,268	3	2,029,377	1	1,474,324	6	25,277,970	3.09	3.75	
UNITED KINGDOM	1	2,000,000	2	1,795,930	4	2,486,338	5	3,994,723	4	10,591,853	16	20,868,844	8.25	3.10	
USA	1	875,356	3	635,722	7	6,506,487	6	8,576,470	14	2,880,465	31	19,474,500	15.98	2.89	
SINGAPORE	1	618,501	2	4,080,067	3	3,606,000	2	2,076,664	3	1,771,071	11	12,152,303	5.67	1.81	
THAILAND	2	1,977,149	1	460,323	1	110,920	2	4,414,929	1	3,710,309	7	10,673,630	3.61	1.59	
ITALY	0	0	1	8,425,528	0	0	1	446,938	0	0	2	8,872,466	1.03	1.32	
TURKEY	0	0	0	0	1	6,781,500	0	0	0	0	1	6,781,500	0.52	1.01	
UAE	0	0	0	0	0	0	1	5,926,410	0	0	1	5,926,410	0.52	0.88	
NIGERIA	0	0	0	0	0	0	3	3,812,986	0	0	3	3,812,986	1.55	0.57	
SOUTH KOREA	0	0	2	1,564,090	0	0	2	1,954,239	0	0	4	3,518,328	2.06	0.52	
FRANCE	0	0	1	1,129,992	0	0	2	2,346,002	0	0	3	3,475,993	1.55	0.52	
TAIWAN	1	1,275,122	0	0	0	0	0	2	1,557,214	3	2,832,336	1.55	0.42		
MEXICO	0	0	0	0	0	0	3	2,777,736	0	0	3	2,777,736	1.55	0.41	
INDIA	0	0	0	0	1	895,295	0	0	1	1,199,328	2	2,094,623	1.03	0.31	
AUSTRALIA	1	1,927,945	0	0	0	0	0	0	0	0	1	1,927,945	0.52	0.29	
VIETNAM	0	0	1	465,025	0	0	4	1,361,389	0	0	5	1,826,414	2.58	0.27	
GERMANY	0	0	0	0	0	0	1	1,085,253	1	466,153	2	1,551,406	1.03	0.23	
SLOVAKIA	0	0	0	0	0	0	1	1,367,577	0	0	1	1,367,577	0.52	0.20	
SWITZERLAND	0	0	0	0	0	0	1	955,294	0	0	1	955,294	0.52	0.14	
ROMANIA	0	0	0	0	0	0	1	672,285	0	0	1	672,285	0.52	0.10	
LITHUANIA	0	0	0	0	0	0	1	575,754	0	0	1	575,754	0.52	0.09	
SPAIN	0	0	1	469,778	0	0	0	0	0	0	1	469,778	0.52	0.07	
POLAND	0	0	1	352,080	0	0	0	0	0	0	1	352,080	0.52	0.05	
ESTONIA	0	0	0	0	0	0	1	235,265	0	0	1	235,265	0.52	0.03	
HUNGARY	0	0	0	0	0	0	1	148,640	0	0	1	148,640	0.52	0.02	
IDENTIFIED SOURCE	7	161,682,458	8	28,962,874	5	4,223,106	0	0	1	5,138,733	21	200,007,172	10.82	29.71	
UNKNOWN	3	139,815,932	6	27,234,015	3	941,089	0	0	0	0	12	167,991,036	6.19	24.95	
HONGKONG	3	20,877,006	0	0	1	2,205,500	0	0	0	0	4	23,082,506	2.06	3.43	
USA	1	989,520	1	1,311,360	1	1,076,517	0	0	1	5,138,733	4	8,516,130	2.06	1.26	
UNITED KINGDOM	0	0	1	417,500	0	0	0	0	0	0	1	417,500	0.52	0.06	
Grand Total	22	182,702,068	28	72,089,297	44	69,083,836	61	305,717,702	39	43,650,163	194	673,243,066	100.00	100.00	

Table 8.5 Breakdown of Cash Outflows (E-Commerce Violation) by Country from 2013-2017

China, USA and Hong Kong were among the top countries receiving proceeds and/or remittances from the Philippines from 2013 to 2017 respectively comprising of 17.01%, 15.98% and 13.40% of the total outgoing transactions. While the number of outward remittances bound for China and USA is high, equivalent peso amount for the said transactions appear to be nominal as it only represents 5.16% and 2.89% of the total value of cash outflows. On the other hand, the peso value of the illicit funds for web related crimes going to Hong Kong is PHP 274.53 million, which represents 40.78% of the total amount of funds that exited the Philippines. The said cash outflows to Hong Kong has been associated with a bank heist that transpired in 2016.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that majority of the illicit funds from web-related crimes were generated in the Philippines. Said proceeds remained within the Philippine jurisdiction and were moved around the financial system mainly through commercial banks. Unlawful

activities reported under Violations of the E-Commerce Act include but not limited to the following: 1) hacking; 2) extortion/online blackmailing; 3) phishing scams; 4) unauthorized telegraphic transfers; and 5) unauthorized credit card usage.

For inflows, the USA was the top identified source of funds in terms of total STR volume and peso value. For outflows, China, USA and Hong Kong were the top identified destination of criminal proceeds from web-related crimes.

VIII. ILLEGAL TRAFFICKING OF PERSONS

This section covers STRs under the following predicate offenses: Violations of Sections 4 to 6 of R.A. No. 9208, otherwise known as the Anti-Trafficking in Persons Act of 2003, as amended by R.A. No. 10364, and Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of R.A. No. 7610, otherwise known as the Special Protection of Children Against Abuse, Exploitation and Discrimination. Table 9.1 summarizes the volume of STRs relative to the Violation of the Anti-Trafficking in Persons Act of 2003:

HUMAN TRAFFICKING	NUMBER OF STRs					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	356	97	360	1,014	1,201	3,028	93.05
IDENTIFIED SOURCE	354	92	360	1,005	1,198	3,009	92.47
USA	147	46	143	485	629	1,450	44.56
CANADA	17	5	46	106	132	306	9.40
UNITED KINGDOM	106	17	29	63	66	281	8.64
AUSTRALIA	45	9	14	64	108	240	7.38
SINGAPORE	0	1	50	108	56	215	6.61
GERMANY	1	0	7	28	47	83	2.55
PAPUA NEW GUINEA	0	3	26	27	2	58	1.78
PORTUGAL	0	0	0	29	26	55	1.69
ITALY	1	0	1	28	13	43	1.32
FRANCE	1	2	12	9	11	35	1.08
SWITZERLAND	1	1	4	2	17	25	0.77
BAHRAIN	0	0	0	0	23	23	0.71
BELGIUM	14	3	4	0	0	21	0.65
NORWAY	4	1	2	0	14	21	0.65
MALAYSIA	0	3	9	3	5	20	0.61
SAUDI ARABIA	0	0	0	6	11	17	0.52
SWEDEN	8	0	3	5	1	17	0.52
NETHERLANDS	3	0	0	9	4	16	0.49
NEW ZEALAND	3	1	1	2	6	13	0.40
INDONESIA	0	0	1	0	9	10	0.31
THAILAND	0	0	2	6	2	10	0.31
UNITED ARAB EMIRATES	0	0	2	8	0	10	0.31
SOUTH KOREA	0	0	1	5	0	6	0.18
SLOVAKIA	0	0	0	0	4	4	0.12
AUSTRIA	1	0	0	1	1	3	0.09
DENMARK	0	0	1	2	0	3	0.09
BULGARIA	0	0	0	0	2	2	0.06
FINLAND	0	0	0	2	0	2	0.06
GREECE	0	0	0	2	0	2	0.06
IRELAND	0	0	0	1	1	2	0.06
MALTA	0	0	0	0	2	2	0.06
ARGENTINA	0	0	0	1	0	1	0.03
BRUNEI	0	0	1	0	0	1	0.03
CAMBODIA	0	0	0	1	0	1	0.03
CHILE	0	0	0	1	0	1	0.03
CHINA	1	0	0	0	0	1	0.03
CYPRUS	0	0	0	0	1	1	0.03
HONG KONG	0	0	1	0	0	1	0.03
JAPAN	0	0	0	0	1	1	0.03
KENYA	0	0	0	0	1	1	0.03
LATVIA	1	0	0	0	0	1	0.03
PAKISTAN	0	0	0	0	1	1	0.03
POLAND	0	0	0	0	1	1	0.03
SPAIN	0	0	0	0	1	1	0.03
URUGUAY	0	0	0	1	0	1	0.03
UNIDENTIFIED SOURCE	2	5	0	9	3	19	0.58
USA	0	0	0	9	1	10	0.31
UNITED KINGDOM	0	4	0	0	1	5	0.15
UNKNOWN	2	1	0	0	0	3	0.09
AUSTRALIA	0	0	0	0	1	1	0.03
OUTFLOW	0	0	0	0	0	0	0.00
WITHIN THE JURISDICTION	22	29	74	32	69	226	6.95
TOTAL	378	126	434	1,046	1,270	3,254	100.00

Table 9.1 Summary of STRs related to Violations of the Anti-Trafficking in Persons Act of 2003 from 2013-2017

Bulk of the financial activities linked to human trafficking from 2013 to 2017 were inflows from other jurisdictions comprising of 3,028 STRs or 92.47%, with USA as the top source of cash inflows measured at 44.56%, followed by Canada at 9.40%.

As can be seen in Table 9.1, most of the inflow transactions came from the following countries: (1) USA, (2) Canada, (3) United Kingdom, (4) Australia, (5) Singapore and (6) Germany. Majority of the said inflows were linked to cyber and child pornography, sex trafficking through publication of sex-related advertisements, facilitation of prostitution, human and child sex trafficking and qualified trafficking in persons and violations of the child abuse law.

Table 9.2 shows the total peso value of the reported transactions associated with human trafficking per transaction flow and jurisdiction:

ILLEGAL TRAFFICKING OF PERSONS	PESO AMOUNT					Total	%
	2013	2014	2015	2016	2017		
INFLOW	4,932,203	595,752	2,728,691	12,838,464	14,628,981	35,724,090	65.494
IDENTIFIED SOURCE	4,692,431	579,402	2,728,691	12,798,524	14,609,307	35,408,354	64.915
USA	407,604	266,816	1,155,189	4,544,250	5,788,608	12,162,467	22.298
GERMANY	2,000	0	82,840	2,422,087	3,345,464	5,852,391	10.729
SINGAPORE	0	17,539	302,004	2,020,011	1,438,547	3,778,101	6.926
LATVIA	3,767,843	0	0	0	0	3,767,843	6.908
CANADA	29,579	16,399	184,663	1,045,369	886,676	2,162,686	3.965
AUSTRALIA	109,366	47,783	33,893	760,578	890,505	1,842,125	3.377
UNITED KINGDOM	217,271	39,271	210,844	540,568	683,880	1,691,834	3.102
PAPUA NEW GUINEA	0	44,418	386,065	402,262	65,611	898,356	1.647
ITALY	1,180	0	3,816	469,635	150,245	624,876	1.146
PORTUGAL	0	0	0	175,498	183,226	358,724	0.658
SWITZERLAND	700	10,014	42,501	47,500	245,388	346,102	0.635
MALAYSIA	0	67,221	104,060	19,663	145,937	336,881	0.618
BAHRAIN	0	0	0	0	268,933	268,933	0.493
FRANCE	1,771	28,919	74,756	77,172	30,413	213,031	0.391
NORWAY	3,801	3,500	7,302	0	167,359	181,962	0.334
INDONESIA	0	0	10,225	0	159,981	170,206	0.312
BELGIUM	82,485	36,521	34,641	0	0	153,647	0.282
SWEDEN	20,764	0	18,752	64,959	3,910	108,384	0.199
NETHERLANDS	34,919	0	0	38,681	9,382	82,982	0.152
NEW ZEALAND	7,622	1,000	32,715	6,061	28,007	75,405	0.138
SOUTH KOREA	0	0	9,358	58,783	0	68,142	0.125
SAUDI ARABIA	0	0	0	19,070	21,926	40,996	0.075
UAE	0	0	5,019	27,538	0	32,557	0.060
THAILAND	0	0	5,901	15,815	7,797	29,513	0.054
MALTA	0	0	0	0	19,633	19,633	0.036
DENMARK	0	0	12,533	3,975	0	16,508	0.030
SPAIN	0	0	0	0	15,795	15,795	0.029
ARGENTINA	0	0	0	14,317	0	14,317	0.026
KENYA	0	0	0	0	10,359	10,359	0.019
HONGKONG	0	0	10,000	0	0	10,000	0.018
JAPAN	0	0	0	0	9,211	9,211	0.017
SLOVAKIA	0	0	0	0	8,909	8,909	0.016
GREECE	0	0	0	8,270	0	8,270	0.015
AUSTRIA	1,525	0	0	3,271	1,790	6,586	0.012
IRELAND	0	0	0	2,615	3,592	6,207	0.011
CYPRUS	0	0	0	0	6,115	6,115	0.011
BULGARIA	0	0	0	0	5,055	5,055	0.009
PAKISTAN	0	0	0	0	5,018	5,018	0.009
URUGUAY	0	0	0	4,674	0	4,674	0.009
CHINA	4,000	0	0	0	0	4,000	0.007
FINLAND	0	0	0	2,058	0	2,058	0.004
POLAND	0	0	0	0	2,036	2,036	0.004
CHILE	0	0	0	1,991	0	1,991	0.004
CAMBODIA	0	0	0	1,854	0	1,854	0.003
BRUNEI	0	0	1,616	0	0	1,616	0.003
UNIDENTIFIED SOURCE	239,772	16,350	0	39,940	19,674	315,736	0.579
UNKNOWN	239,772	9,000	0	0	0	248,772	0.456
USA	0	0	0	39,940	14,547	54,487	0.100
UNITED KINGDOM	0	7,350	0	0	2,642	9,992	0.018
AUSTRALIA	0	0	0	0	2,485	2,485	0.005
OUTFLOW	0	0	0	0	0	0	0.000
WITHIN THE JURISDICTION	2,647,338	1,502,035	13,480,368	206,795	985,213	18,821,750	34.506
TOTAL	7,579,541	2,097,787	16,209,059	13,045,259	15,614,194	54,545,840	100.000

Table 9.2 Total Peso Amount of STRs related to Human Trafficking from 2013-2017

In terms of peso value, the USA had the largest amount of inward remittances related to human trafficking amounting to PHP 12.16 million or 22.30% of the total value of cash inflows. Said inward remittances from USA are all related to cyber pornography and sex trafficking.

In addition, the inward remittances from Germany and Singapore (17.66% of the peso amount) are all connected to cyber and child pornography, sex trafficking through publication of sex-related advertisements, facilitation of prostitution, human and child sex trafficking and qualified trafficking in persons and violations of the child abuse law. Meanwhile, Latvia, which contributed 6.91% to the total amount of inward remittances, pertains to the escort industry business.

Further, 95.14% of the STRs connected to Violations of the Anti-Trafficking in Persons Act of 2003 were reported by money service businesses, which are mainly foreign exchange dealers, remittance agents and money changers.

Tables 9.3 and 9.4 below show the summary of the STRs that are related to the Violations of the Special Protection of Children against Abuse, Exploitation and Discrimination Act:

VIOLATIONS OF SPECIAL PROTECTION OF CHILDREN AGAINST ABUSE, EXPLOITATION AND DISCRIMINATION ACT	NUMBER OF STRs						TOTAL	%
	2013	2014	2015	2016	2017			
INFLOW	0	1	0	0	0	1	5.56	
ISRAEL	0	1	0	0	0	1	5.56	
OUTFLOW	0	0	0	0	0	0	0.00	
WITHIN THE JURISDICTION	0	0	3	14	0	17	94.44	
TOTAL	0	1	3	14	0	18	100.00	

Table 9.3 Summary of STRs related to Violations of Special Protection of Children against abuse, exploitation and discrimination act from 2013-2017

VIOLATIONS OF SPECIAL PROTECTION OF CHILDREN AGAINST ABUSE, EXPLOITATION AND DISCRIMINATION ACT	TOTAL PESA						TOTAL	%
	2013	2014	2015	2016	2017			
INFLOW	0	4,178.3	0	0	0	4,178.30	6.46	
ISRAEL	0	4,178.3	0	0	0	4,178.30	6.46	
OUTFLOW	0	0	0	0	0	0	0.00	
WITHIN THE JURISDICTION	0	0	10,000.00	50,500.00	0	60,500.00	93.54	
TOTAL	0	4,178.3	10,000.00	50,500.00	0	64,678.30	100.00	

Table 9.4 Total Peso Amount of STRs related to Violations of Special Protection of Children against abuse, exploitation and discrimination act from 2013-2017

As can be seen from the tables above, the illicit funds from this unlawful activity are mostly circulating within the Philippine jurisdiction. In addition, we have also noted an inflow transaction from Israel on 2014.

All transactions associated with child exploitation pertain to cases of livestream of sexual abuse of children. Furthermore, all transactions were reported by money service businesses.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines is a destination country of the illicit funds from human trafficking with majority of the said funds coursed through money changers and remittance agents. The top source countries, as to volume and peso amount of the STRs reported, were the USA, Canada, United Kingdom, Slovakia and Germany. The unlawful activities reported under human trafficking were mainly associated with cyber and child pornography, sex trafficking and facilitating of prostitution.

On another note, majority of the illicit funds from the Violations of Special Protection of Children against Abuse, Exploitation and Discrimination Act were generated in the Philippines. Said criminal proceeds remained and were moved around the Philippine Financial System via pawnshops, foreign exchange dealers, money changers and remittance agents. Israel was the top source country for this offense and most of the unlawful activities reported relative to this offense are associated to livestreaming of sexual abuse of children.

IX. KIDNAPPING FOR RANSOM

Kidnapping and serious illegal detention as defined under Article 267 of Act No. 3815, otherwise known as the Revised Penal Code, as amended, is considered as a predicate offense or an unlawful activity under the AMLA, as amended. Tables 10 and 10.1 show the summary of the transactions reported from 2013 to 2017 that are linked to the predicate offense of Kidnapping for Ransom.

KIDNAPPING FOR RANSOM	NUMBER OF STRs					TOTAL	%
	2013	2014	2015	2016	2017		
INFLOW	1	0	0	1	0	2	100.00
UNIDENTIFIED SOURCE	1	0	0	1	0	2	100.00
UKNOWN	1	0	0	0	0	1	50.00
USA	0	0	0	1	0	1	50.00
OUTFLOW	0	0	0	0	0	0	0.00
WITHIN THE JURISDICTION	0	0	0	0	0	0	0.00
TOTAL	1	0	0	1	0	2	100.00

Table 10. Total Number of STRs under the Kidnapping for Ransom from 2013-2017

KIDNAPPING FOR RANSOM	PESO AMOUNT						
	2013	2014	2015	2016	2017	TOTAL	%
INFLOW	7,224.00	0	0	282,249.00	0	289,473.00	100.00
UNIDENTIFIED SOURCE	7,224.00	0	0	282,249.00	0	289,473.00	100.00
USA	0	0	0	282,249.00	0	282,249.00	97.50
UKNOWN	7,224.00	0	0	0	0	7,224.00	2.50
OUTFLOW	0	0	0	0	0	0	0.00
WITHIN THE JURISDICTION	0	0	0	0	0	0	0.00
TOTAL	7,224.00	0	0	282,249.00	0	289,473.00	100.00

Table 10.1 Total Peso Amount Involved under the Kidnapping for Ransom from 2013-2017

Only two (2) STRs were reported from 2013 to 2017 that were connected to the Kidnapping for Ransom Case which were both inflow transactions – one coming from the United States of America in 2016 which was reported by a bank and one from an Unknown Jurisdiction in 2013 which was reported by a money service business, specifically by its branch located in Montalban, Rizal.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines was the destination country of the proceeds obtained from kidnapping for ransom. Although the country of source remains to be unidentified, said proceeds were transferred to the Philippines via a bank in the USA.

X. FINANCING OF TERRORISM

Considered as one of the predicate offenses listed under the Anti-Money Laundering Act, as amended, Financing of Terrorism was further strengthened by the enactment of Republic Act No. 10168 or “The Terrorist Financing Prevention and Suppression Act of 2012” in 2012, penalizing Terrorism Financing as a stand-alone offense.⁴ The table below shows the breakdown of the STRs related to this unlawful activity by flow of transaction:

⁴ National Anti-Money Laundering and Countering the Financing of Terrorism Strategy 2018-2022

TERRORISM FINANCING (TRANSACTION FLOW)	NUMBER OF STRs					Total	%
	2013	2014	2015	2016	2017		
INFLOW	2	13	19	3	2	39	9.90
IDENTIFIED SOURCE	2	12	5	3	2	24	6.09
MYANMAR	2	7	0	0	0	9	2.28
INDONESIA	0	1	5	1	0	7	1.78
SAUDI ARABIA	0	1	0	0	1	2	0.51
AUSTRALIA	0	1	0	0	0	1	0.25
EGYPT	0	0	0	0	1	1	0.25
KUWAIT	0	0	0	1	0	1	0.25
LIBYA	0	1	0	0	0	1	0.25
SINGAPORE	0	0	0	1	0	1	0.25
TRINIDAD AND TOBAGO	0	1	0	0	0	1	0.25
UNIDENTIFIED SOURCE	0	1	14	0	0	15	3.81
MALAYSIA	0	0	14	0	0	14	3.55
UNKNOWN	0	1	0	0	0	1	0.25
OUTFLOW (IDENTIFIED SOURCE)	2	0	0	0	0	2	0.51
CROATIA	2	0	0	0	0	2	0.51
WITHIN THE JURISDICTION	7	28	173	96	49	353	89.59
GRAND TOTAL	11	41	192	99	51	394	100.00

Table 11.1 Summary of STRs related to Financing of Terrorism from 2013-2017

The table above shows that the financial activities involving financing of terrorism for the period covered 2013 to 2017 were mostly transactions within the jurisdiction, composed of 353 STRs or 89.59% of the total transactions, which means that majority of the funds had been circulating domestically. More than half of the said domestic transactions (199 STRs or 56.37%) were filed in relation to the unusual and excessive remittance transactions of a Makati-based businessman to various beneficiaries in different provinces in the Philippines including a certain Ms. MAA from Lanao Del Norte, which may possibly be related to terrorism financing.

For international outward transactions, there were only two reported remittances to Croatia in 2013. On the other hand, 39 international inward transactions or 9.90% of the total transactions from 10 identified foreign countries were reported for the same period. Of the total inflows, 31 transactions or 79.49% were remittances received from other ASEAN countries, bulk of which is from Malaysia with 14 STRs. Table 11.2 shows the total peso value of the reported transactions associated with financing of terrorism per transaction flow and jurisdiction:

TERRORISM FINANCING (TRANSACTION FLOW)	PESO AMOUNT						Total	%
	2013	2014	2015	2016	2017			
INFLOW	28,273,613	61,609,110	145,106	6,917,434	125,492	97,070,755	25.10	
IDENTIFIED SOURCE	28,273,613	59,704,889	108,876	6,917,434	125,492	95,130,304	24.59	
MYANMAR	28,273,613	58,118,089	0	0	0	86,391,702	22.34	
KUWAIT	0	0	0	5,904,974	0	5,904,974	1.53	
AUSTRALIA	0	1,446,500	0	0	0	1,446,500	0.37	
INDONESIA	0	41,326	108,876	1,007,468	0	1,157,671	0.30	
EGYPT	0	0	0	0	75,245	75,245	0.02	
LIBYA	0	68,923	0	0	0	68,923	0.02	
SAUDI ARABIA	0	16,600	0	0	50,246	66,846	0.02	
TRINIDAD AND TOBAGO	0	13,451	0	0	0	13,451	0.00	
SINGAPORE	0	0	0	4,992	0	4,992	0.00	
UNIDENTIFIED SOURCE	0	0	36,230	0	0	36,230	0.01	
UNKNOWN	0	1,904,221	0	0	0	1,904,221	0.49	
MALAYSIA	0	0	36,230	0	0	36,230	0.01	
OUTFLOW (IDENTIFIED SOURCE)	152,631	0	0	0	0	152,631	0.04	
CROATIA	152,631	0	0	0	0	152,631	0.04	
WITHIN THE JURISDICTION	6,011,695	120,512,684	42,621,440	2,728,203	117,697,163	289,571,185	74.86	
GRAND TOTAL	34,437,939	182,121,794	42,766,547	9,645,637	117,822,654	386,794,571	100.00	

Table 11.2 Total Peso Amount of STRs related to Financing of Terrorism from 2013-2017

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that out of the PHP 386.8 million total amount of transactions reported for the period under review, PHP 289.6 million or 74.86% generated and circulated within the Philippines; while the remaining PHP97.1 million or 25.1% came from outside sources.

In terms of peso value for inflows, the country that sent the highest amount of remittance is Myanmar amounting to PHP 86.39 million or 89% of the total inflows. During the five-year period, 2014 had a surge of international inward remittances, with a total of PHP61.61 million or 63.47% of the total inflow, which is mainly due to the PHP 58.12 million sent to the Philippines from Myanmar as “payment for contracting services” to a local company. The related transactions were tagged by the reporting institution as suspicious because of the inclusion of Myanmar in OFAC’s sanction list; thus, relating it to terrorism financing.

Transfer of funds within the jurisdiction was accounted as highest both in terms of number of reported STRs and peso value. Horizontal analysis revealed that most transactions related to financing of terrorism happened in 2015 (192 transactions or 48.73% of the total transactions), while significant amounts circulated in 2014 (PHP182.12 million or 47.08%) and 2017 (PHP117.82 million or 30.46%), respectively.

Table below shows the financial channels used by terrorists in moving funds:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	Total	%	Total	%
REMITTANCE AGENTS	229	58.12%	1,575,290	0.41%
COMMERCIAL BANKS	76	19.29%	332,327,438	85.92%
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	74	18.78%	52,750,561	13.64%
MONEY CHANGERS & REMITTANCE AGENTS	11	2.79%	118,376	0.03%
PAWNSHOPS	4	1.02%	22,906	0.01%
Total	394	100%	386,794,571	100%

Table 11.3 Breakdown of STRs related to Terrorism Financing per Financial Channel from 2013-2017

As summarized in Table 11.3, majority of the STRs associated with terrorism financing were filed by money service businesses comprising of FX dealers, money changers, remittance agents and pawnshops) measured at 80.71% of the total number of STRs.

XI. TERRORISM

Terrorism is defined as acts punishable under specified provisions of the Revised Penal Code and other special penal laws, committed for the purpose of sowing and creating a condition of widespread and extraordinary fear and panic among populace, in order to coerce the government to give in to an unlawful demand. Acts of terrorism was criminalized in the Philippines with the passage of Republic Act No. 9372 or the Human Security Act of 2007.⁵ The table below shows the breakdown of the STRs related to terrorism by flow of transaction:

TERRORISM (TRANSACTION FLOW)	NO. OF STRs					Total	%
	2013	2014	2015	2016	2017		
INFLOW	20	38	79	67	64	268	49.17
IDENTIFIED SOURCE	19	38	79	54	43	233	42.75
MALAYSIA	16	16	43	18	8	101	18.53
TRINIDAD AND TOBAGO	0	6	9	15	5	35	6.42
USA	0	0	0	4	20	24	4.40
INDONESIA	0	0	12	0	0	12	2.20
SINGAPORE	0	0	0	7	0	7	1.28
EGYPT	0	0	0	5	2	7	1.28
SAUDI ARABIA	0	2	4	0	1	7	1.28
QATAR	2	3	2	0	0	7	1.28
UNITED KINGDOM	0	4	0	3	0	7	1.28
OMAN	0	1	4	0	0	5	0.92
UAE	0	2	3	0	0	5	0.92
TURKEY	0	0	0	1	2	3	0.55
CANADA	1	1	1	0	0	3	0.55
KUWAIT	0	2	0	0	0	2	0.37
LEBANON	0	0	0	0	2	2	0.37
MYANMAR	0	0	0	0	1	1	0.18
LIBERIA	0	0	0	0	1	1	0.18
RUSSIA	0	0	0	0	1	1	0.18
JORDAN	0	0	1	0	0	1	0.18
AUSTRALIA	0	1	0	0	0	1	0.18
HONGKONG	0	0	0	1	0	1	0.18
UNIDENTIFIED SOURCE	1	0	0	0	0	35	6.42
USA	0	0	0	13	21	34	6.24
UNKNOWN	1	0	0	0	0	1	0.18
OUTFLOW	4	3	3	4	3	17	3.12
IDENTIFIED SOURCE	2	0	3	3	3	11	2.02
MALAYSIA	1	0	0	1	3	5	0.92
LEBANON	0	0	1	0	0	1	0.18
BELGIUM	1	0	0	0	0	1	0.18
LONDON	0	0	1	0	0	1	0.18
BRAZIL	0	0	0	1	0	1	0.18
PALESTINE	0	0	1	0	0	1	0.18
USA	0	0	0	1	0	1	0.18
UNIDENTIFIED SOURCE	2	3	0	1	0	6	1.10
UNKNOWN	2	3	0	1	0	6	1.10
WITHIN THE JURISDICTION	33	37	54	42	94	260	47.71
Grand Total	57	78	136	113	161	545	100.00

Table 12.1 Summary of STRs related to Terrorism from 2013-2017

The above table shows the financial activities involving terrorism and conspiracy to commit terrorism for the period covered 2013 to 2017. Inflow transactions are composed of 268 STRs or 50.19% of the total transactions, which means that more than half of the funds came from international sources. Majority of said external transactions (172 STRs or 32.2%) transpired from 2015 to 2017, which comprises of remittances from Malaysia, Trinidad & Tobago, USA and Indonesia. Said transactions are allegedly related to the Abu Sayyaf Group (ASG) and ISIL/ISIS-linked groups or were based on referrals from FIUs and LEAs.

⁵ National Anti-Money Laundering and Countering the Financing of Terrorism Strategy 2018-2022

In terms of international outward transactions for the years 2013-2017, there were eleven (11) reported remittances to other jurisdictions with USA and Malaysia as the top two (2) countries. In contrast, 233 international inward transactions or 43.63% of the total transactions from 21 identified foreign countries were reported for the same period. Out of the 233 international inward transactions, 101 transactions or almost 19% were remittances received from Malaysia. Table 12.2 shows the total peso value of the reported transactions associated with terrorism and conspiracy to commit terrorism per transaction flow and jurisdiction:

TERRORISM (TRANSACTION FLOW)	NO. OF STRs					Total	%
	2013	2014	2015	2016	2017		
INFLOW	344,362	354,511	1,028,566	1,094,385	1,995,783	4,817,608	19.06
IDENTIFIED SOURCE	168,930	354,511	1,028,566	768,143	1,259,245	3,579,395	14.16
MALAYSIA	135,756	133,501	617,641	66,906	49,618	1,003,422	3.97
EGYPT	0	0	0	379,676	150,375	530,051	2.10
TRINIDAD AND TOBAGO	0	84,922	107,559	106,871	75,572	374,924	1.48
LIBERIA	0	0	0	0	266,274	266,274	1.05
USA	0	0	0	21,072	222,075	243,147	0.96
INDONESIA	0	0	233,662	0	0	233,662	0.92
TURKEY	0	0	0	96,422	123,131	219,552	0.87
LEBANON	0	0	0	0	152,829	152,829	0.60
SAUDI ARABIA	0	4,290	23,204	0	89,280	116,774	0.46
QATAR	19,609	72,288	7,050	0	0	98,947	0.39
RUSSIA	0	0	0	0	94,715	94,715	0.37
SINGAPORE	0	0	0	66,319	0	66,319	0.26
CANADA	13,564	24,667	1,767	0	0	39,998	0.16
UAE	0	6,713	32,104	0	0	38,817	0.15
MYANMAR	0	0	0	0	35,377	35,377	0.14
UNITED KINGDOM	0	7,868	0	24,993	0	32,861	0.13
AUSTRALIA	0	10,008	0	0	0	10,008	0.04
KUWAIT	0	8,755	0	0	0	8,755	0.03
OMAN	0	1,500	4,578	0	0	6,078	0.02
HONGKONG	0	0	0	5,884	0	5,884	0.02
JORDAN	0	0	1,000	0	0	1,000	0.00
UNIDENTIFIED SOURCE	175,432	0	0	326,243	736,538	1,238,213	4.90
USA	0	0	0	326,243	736,538	1,062,781	4.20
UNKNOWN	175,432	0	0	0	0	175,432	0.69
OUTFLOW	1,349,872	1,008,096	1,874,074	110,017	111,519	4,453,578	17.62
IDENTIFIED SOURCE	1,343,019	0	1,874,074	56,213	111,519	3,384,824	13.39
LONDON	0	0	1,856,074	0	0	1,856,074	7.34
BELGIUM	1,130,379	0	0	0	0	1,130,379	4.47
MALAYSIA	212,640	0	0	20,000	111,519	344,159	1.36
USA	0	0	0	20,000	0	20,000	0.08
BRAZIL	0	0	0	16,213	0	16,213	0.06
LEBANON	0	0	10,000	0	0	10,000	0.04
PALESTINE	0	0	8,000	0	0	8,000	0.03
UNIDENTIFIED SOURCE	6,853	1,008,096	0	53,805	0	1,068,754	4.23
UNKNOWN	6,853	1,008,096	0	53,805	0	1,068,754	4.23
WITHIN THE JURISDICTION	1,447,594	1,104,850	1,146,399	1,672,095	10,637,500	16,008,438	63.33
Grand Total	3,141,828	2,467,458	4,049,039	2,876,497	12,744,803	25,279,624	100.00

Table 12.2 Total Peso Amount of STRs related to Terrorism from 2013-2017

Out of the PHP 25.3 million total amount of transactions reported for the period under review, almost PHP 16 million or 63.30% generated and circulated within the Philippines; while the remaining PHP 4.81 million or 19.07% came from outside sources.

Inflow

In terms of peso value of international inward remittances, the country which sent the highest value of funds is Malaysia amounting to more than PHP 1 million or 4% of the total money received from foreign countries for the covered period. During the five-year period, 2015 had a surge of international inward remittance, specifically from Malaysia amounting to

PHP 617,641 and Indonesia amounting to PHP 233,662. The transactions were made in relation to ISIS and ISIL groups in the said countries.

Transfer of funds within the jurisdiction was accounted as highest both in terms of number of reported STRs and peso value. Horizontal analysis revealed that most transactions related to terrorism and conspiracy to commit terrorism happened in 2015 (132 transactions or 24.71% of the total transactions), with significant amounts in 2015 (PHP 4.43 million or 15.99%) and 2017 (PHP 12.74 million or 50.43%), respectively.

Outflow

Malaysia was the top country receiving proceeds and/or remittances from the Philippines from 2013 to 2017 comprising of 29.41% of the total outgoing transactions. While the number of outward remittances to Malaysia is high, equivalent peso amount for the said transactions appear to be nominal as it only represents 1.36% (PHP 344,159) of the total value of cash outflows. On the other hand, the peso value of the funds going to London account to 41.68% (or PHP 1.86 million), which represents a significant portion of the funds that exited the Philippines. The said cash outflows to London represent a payment made to an airline company, which is a subject of an alert made by the Ukrainian National Security in relation to the potential threats posed by the said subject to their country. Table below shows the preferred financial channel used by terrorists in their activities:

CHANNELS USED	NO. OF STRs		PESO VALUE	
	Total	%	Total	%
MONEY CHANGERS & REMITTANCE AGENTS	279	51.19%	3,017,697	11.94%
COMMERCIAL BANKS	182	33.39%	19,511,084	77.18%
FX DEALERS, MONEY CHANGERS & REMITTANCE AGENTS	64	11.74%	1,732,047	6.85%
SAVINGS & MORTGAGE BANKS	8	1.47%	412,382	1.63%
NON-STOCK SAVINGS & LOAN ASSOCIATION	5	0.92%	460,648	1.82%
PAWNSHOPS	2	0.37%	63,209	0.25%
REMITTANCE AGENTS	2	0.37%	58,689	0.23%
BANKS' SUBSIDIARIES AND AFFILIATES ABROAD	2	0.37%	6,853	0.03%
SPECIALIZED GOVERNMENT BANKS	1	0.18%	17,015	0.07%
TOTAL	545	100%	25,279,624	100%

Table 12.3 Breakdown of STRs under Terrorism per Financial Channel used from 2013-2017

The above table shows that the main channel used to finance terrorism in terms of amount are the commercial banks with 77.18%, while money changers and remittance agents consists of 11.94% with regard to volume of transactions. Since the characteristic of financing of terrorism involves frequent sending of funds in small amounts, it is apparent that remittance agents are being utilized because of their feasible locations and affordable services.

Interpretation

Based on the STRs submitted by various covered persons covering the period 2013 to 2017, it was observed that the Philippines is the destination of funds related to terrorism and conspiracy to commit terrorism. Said funds, which are mainly coursed through money service

businesses, have been associated with activities of terrorist groups such as the Abu Sayyaf Group (ASG) and ISIS/ISIL group.

Top countries identified to have sent numerous inward remittances to the Philippines are Malaysia, Trinidad & Tobago, USA and Indonesia. For outflows, Malaysia (in terms of STR volume) and London (in terms of peso value) were the identified countries which posed the highest threat to the Philippines.

CONCLUSION

Based on the STRs reported from 2013 to 2017 in the AMLC database, majority of the illicit funds generated from the identified top predicate crimes circulate within the Philippine Financial System and may pertain to the same money moving around the country.

Illicit funds generated from (1) Violation of Environmental Laws, (2) Illegal Trafficking of Persons, (3) Kidnapping for Ransom, and (4) Terrorism and Conspiracy to Commit Terrorism, entered the Philippines. Meanwhile, illicit funds generated from Smuggling for the period 2013 to 2017 originated from the Philippines.

The USA posed the highest threat as regards the volume of the STRs reported for both inflows and outflows for the period 2013 to 2017. Meanwhile, in terms of peso amount for inflows, 68% of the illicit funds were coursed through various banks in the United Kingdom while for outflows, Hong Kong received 29% of the illicit funds going out of the country. Moreover, majority of the illicit funds were moved in and out of the country through commercial banks.

Moreover, according to the United Nations Office on Drugs and Crime (UNODC)⁶, the estimated amount of money laundered globally in a year is more or less 5% of the global GDP or ranging from USD 800 billion to USD 2 trillion. Also, in a report⁷ made by the Basel Institute on Governance, dated 08 October 2018, it was stated that the estimated amount of money laundered worldwide range from USD 500 billion to USD 1 trillion.

Corollary to that, assuming that all the STRs mentioned in this study are proven to have linkage to a certain crime, and assuming that the yearly amount of money laundered globally is USD 2 trillion as per the UNODC. Then, total amount of the STRs covered in this study accounts for 16.93% of the total global money laundered for 2013, 0.17% for 2014, 0.30% for 2015, 0.07% for 2016 and 0.03% for 2017. The bulk of the 16.93% for 2013 refers to the PHP 17.17 trillion of the PHP 17.79 trillion that is attributable to one (1) STR that was filed 2013 on a certain individual due to his attempt to defraud the covered person into transferring PHP 17.17 trillion (or USD 380 billion) to another bank account by presenting fraudulent deposit slips.

⁶ <https://www.unodc.org/unodc/en/money-laundering/globalization.html>

⁷ https://www.baselgovernance.org/sites/default/files/2019-02/basel_aml_index_10_09_2018.pdf

RECOMMENDATIONS AND POSSIBLE NEXT STEPS

Based on the results and findings of the study, it is seen that there is indeed a need for immediate referral of various STRs to the appropriate Law Enforcement Agencies (LEAs), Supervisory Authorities (SAs), AMLC Public-Private Program Partners and other jurisdictions through their respective Financial Intelligence Units (FIUs). Further, it is also recommended for the AMLC to seek additional information from the appropriate agencies and partners regarding the details of the STRs submitted. Furthermore, the STRs need further verification and more in-depth investigations in order to substantiate likely linkage to a certain crime.

Analytic Judgements and Confidence Levels

FIU Intelligence Assessments use phrases such as “we judge”, “we assess” or “indicates” to convey analytical inferences (conclusions). These assessments are not statements of fact or proof, and do not imply complete knowledge. Analytic judgments are often based on incomplete information of varying quality, consistency and reliability. Analytic judgments are distinct from the underlying facts and assumptions in which they are based and should be understood as definitive or without alternative explanation.

The AMLC assigns “high”, “moderate”, or “low” confidence levels to analytic judgments based on the variety, scope and quality of information supporting that judgment.

- **“High confidence”** generally indicates a judgment based on multiple, consistent, high-quality sources of information and/or the nature of the issue makes it possible to render solid judgment.
- **“Moderate confidence”** generally means the information could be interpreted in various ways, we have alternative views, or the information is credible and plausible but not sufficiently corroborated to warrant a higher level of confidence.
- **“Low confidence”** generally means the information is scant, questionable, or very fragmented and it is difficult to make solid analytic inferences, or we have significant concerns or problems with the sources.

Estimative language

Certain words are used in this assessment to convey confidence and analytical judgement regarding the probability of a development or event occurring. Judgements are often based on incomplete or fragmentary information and are not fact, proof or knowledge. The figure below describes the relationship of the terms to each other.

