



**3<sup>rd</sup> Follow-Up Report**

# Mutual Evaluation of the Philippines

July 2022





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## *PHILIPPINES: 3<sup>RD</sup> ENHANCED FOLLOW-UP REPORT FEBRUARY 2022*

### I. INTRODUCTION

1. The mutual evaluation report (MER) of Philippines was published in October 2019.
2. This FUR analyses the progress of the Philippines in addressing the technical compliance requirements of the recommendations being re-rated. Technical compliance re-ratings are given where sufficient progress has been demonstrated.
3. This report does not analyse any progress Philippines has made to improve its effectiveness.
4. The assessment of the Philippines' request for technical compliance re-ratings and the preparation of this report was undertaken by the following experts:
  - *Robert Milnes, Principal Advisor (AML), Department of Internal Affairs, New Zealand*
  - *Carolyn Marsden, Director, Policy, AUSTRAC, Australia*
5. Section III of this report summarises the progress made to improve technical compliance. Section IV contains the conclusion and a table illustrating Philippines' current technical compliance ratings.

### II. FINDINGS OF THE MUTUAL EVALUATION REPORT & FOLLOW-UP

6. Philippines' MER ratings<sup>1</sup> and updated ratings based on earlier FURs<sup>2</sup> are as follows:

R.	Rating
1	LC (2019 MER)
2	C (2019 MER)
3	LC (2019 MER)
4	PC (2019 MER) ↑ LC (2021 FUR)
5	LC (2019 MER)
6	PC (2019 MER) ↑ LC (2021 FUR)
7	NC (2019 MER) ↑ LC (2021 FUR)
8	LC (2019 MER)
9	LC (2019 MER)
10	LC (2019 MER)
11	C (2019 MER)
12	LC (2019 MER)

R.	Rating
21	C (2019 MER)
22	PC (2019 MER) ↑ LC (2021 FUR)
23	PC (2019 MER) ↑ LC (2021 FUR)
24	PC (2019 MER) ↑ LC (2021 FUR)
25	PC (2019 MER)
26	LC (2019 MER)
27	LC (2019 MER)
28	PC (2019 MER)
29	PC (2019 MER) ↑ C (2020 FUR)
30	C (2019 MER)
31	LC (2019 MER)
32	PC (2019 MER)

<sup>1</sup> There four possible levels of technical compliance are: compliant (C), largely compliant (LC), partially compliant (PC), and non-compliant (NC). Effectiveness ratings for the 11 Immediate Outcomes are: Low, Moderate (Mod), Substantial or High.

<sup>2</sup> Current ratings and the year confirmed are indicated based on the original MER or follow-up re-ratings.

R.	Rating
13	C (2019 MER)
14	LC (2019 MER)
15	C (2019 MER) ↓ PC (2020 FUR)
16	LC (2019 MER)
17	C (2019 MER)
18	LC (2019 MER)
19	LC (2019 MER)
20	PC (2019 MER) ↑ LC (2020 FUR)

R.	Rating
33	LC (2019 MER)
34	LC (2019 MER)
35	LC (2019 MER)
36	LC (2019 MER)
37	LC (2019 MER)
38	C (2019 MER)
39	PC (2019 MER)
40	LC (2019 MER)

7. Given these results, the Philippines was placed on enhanced follow-up as of the last FUR<sup>3</sup>.

### III. OVERVIEW OF PROGRESS TO IMPROVE TECHNICAL COMPLIANCE

8. In keeping with the APG Mutual Evaluation Procedures, this FUR considers progress made up until 1 February 2022. In line with the ME Procedures and FATF Methodology, the review team analysis has considered progress to address the deficiencies identified in the MER and the entirety (all criteria) of each Recommendation under review, noting that this is cursory where the legal, institutional or operational framework is unchanged since the MER or previous FUR.

9. This section summarises the progress made by the Philippines to improve its technical compliance.

#### 3.1. Progress to address technical compliance deficiencies identified in the MER

10. The Philippines requested re-ratings of the following Recommendations: R.28 and 32 (which were rated PC). The APG welcomes the steps that the Philippines has taken to improve its technical compliance with Recommendations 28 and 32.

##### *Recommendation 28 (Originally rated PC)*

11. The Philippines MER identified moderate deficiencies in relation to R.28. These were that the suitability procedures of Philippine Amusement Gaming Corporation (PAGCOR) licensees only covered boards of directors and not shareholders or beneficial owners. No information was provided on the fit and proper framework for land-based casinos under the supervision of the Cagayan Economic Zone Authority (CEZA) and the Aurora Pacific Economic Zone and Freeport Authority (APECO). Moreover, real estate agents were not covered persons subject to any AML/CFT requirements. Finally, a risk-based AML/CFT supervision framework was yet to be established for casinos.

12. The Philippines online gaming sector has grown significantly since the MER and there have been related changes to the legal, institutional and operational AML/CFT frameworks covering offshore gaming operators (OGOs). Both the AMLA and its IRR have been updated to prescribe OGOs and their service providers, as a specified category of covered person effective January 2021 (s3(a)(10) AMLA as amended by RA 11521; Rule 4(1)(b)(7) 2018 IRR, as amended by ARI 1-2021)). Prior to this, OGOs were captured under the existing definition of casino, which included “internet-based casinos”, and their service providers

<sup>3</sup> There are three categories of follow-up based on mutual evaluation reports: regular, enhanced and enhanced (expedited). For further information see the APG Mutual Evaluation Procedures.

were captured as company service providers (CSPs). At its peak in February 2021, there were 50 PAGCOR and 25 CEZA offshore gaming licensees (from only four at the time of MER). However, this number has since declined to 35 PAGCOR licensees, of which only 26 are currently operational, and 8 CEZA licensees, of which none are operational effective February 2022 (due to recent Bureau of Internal Revenue enforcement action). There have been no OGO licences issued by APECO since the MER.

13. **Criterion 28.1** is *met*.

14. Criterion 28.1 (a): There has been no subsequent change to the relevant legal and institutional framework that requires licensing of casinos. Rule 7 s.2.2 (d) of the 2018 Implementing Rules and Regulations (2018 IRR) requires supervisors to take measures to prevent criminals or their associates from holding significant or controlling interests, beneficial ownership or management functions.

15. Criterion 28.1 (b): Since the MER, PAGCOR has issued and approved additional Probity Check Guidelines that are effective since 27 January 2022. These guidelines update the types of person specified in annex B of the Responsible Gaming Scope of Practice that are subject to fit and proper requirements and required to submit a personal disclosure statement (PDS) to PAGCOR. The updated list of persons includes the board of directors, management functions/ senior officers, shareholders holding at least 20% ownership or with significant controlling interest, and beneficial owners. These provisions enable PAGCOR to prevent criminals or their associates from holding significant or controlling interest, beneficial ownership, a management function or from operating a casino.

16. APECO's framework for fit and proper has been enhanced by the revised Online Gaming Rules and Regulations (issued 2020), an APECO Memorandum (25 January 2022) and the APECO Guidelines on Fitness and Propriety. Under this framework, the master gaming licensor is authorised to process applications for licences and undertake probity checks on the suitability of a licensee, and then make recommendations to APECO whether to approve or decline the application. The Board of Directors, senior officers and shareholders holding at least 20% ownership (who are deemed "beneficial owners") are all required to submit to "fit and proper" tests (pursuant to APECO memorandum effective 25 January 2022). These provisions enable APECO to prevent criminals or their associates from holding significant or controlling interest, beneficial ownership, a management function or from operating a casino (APECO licensed service providers and OGOs).

17. CEZA's framework for fit and proper has been further expanded since the MER. Officers, the Board of Directors, shareholders and beneficial owners of an applicant for a CEZA casino licence must be subject to criminal background checks as part of the assessment of the licence application (pursuant to a CEZA memorandum, effective from 30 January 2022). This includes conducting investigations or making inquiries with law enforcement agencies in relation to close associates if required (s16, s17, s18). These provisions enable CEZA to prevent criminals or their associates from holding significant or controlling interest, beneficial ownership, a management function or from operating a casino.

18. Criterion 28.1 (c): Since the MER, there have been related changes to the legal, institutional and operational AML/CFT frameworks covering casinos that are OGOs. The AMLA and the 2018 IRR have been updated since the MER to prescribe OGOs, as well as their service providers, as a specified type of covered person and to be subject to AML/CFT supervision. This is in addition to the existing provisions in the AMLA and its IRR at the time of the MER, which prescribe casinos, including internet-based casinos, as covered persons and subject to AML/CFT supervision.

19. **Criterion 28.2** is *met*. Since the MER, the AMLA and its IRR have been amended to include real estate developers and brokers as covered persons subject to AML/CFT requirements. (s3(a)(9) AMLA as amended by RA 11521; Rule 4(1)(b)(6) 2018 IRR as amended by ARI 1-2021). Real estate developers and brokers are now supervised for compliance with AML/CFT requirements by the Anti-Money Laundering Council (AMLC).

20. **Criterion 28.3** is *met*. Since the MER, real estate developers and brokers have now been included as covered persons under the AMLA. The AMLC is responsible for monitoring compliance with AML/CFT requirements.

21. **Criterion 28.4** is *partly met*.

22. Criterion 28.4 (a): As noted in c.28.2 above, the AMLC is responsible for monitoring and ensuring compliance of real estate developers and brokers with AML/CFT requirements.

23. Criterion 28.4 (b): While there have been no changes to the relevant legal and institutional framework for market entry controls of DNFBPs by designated competent authorities or SRBs, market entry deficiencies remain for several categories of DNFBPs. There are no ongoing criminal history checks for lawyers and accountants. While real estate licences are subject to renewal every two years through the Board of Real Estate Service and a Code of Ethics that must be adhered to, there is no accompanying criminal history check on renewal (unless there is a complaint filed against the licensee). For jewellery dealers and dealers in precious stones or metals, there is no framework for fit and proper checks for market entry to the sector, or when there are any changes to ownership or management, or changes in their criminal history or associations. Moreover, company service providers have no framework for fit and proper checks at the point of market entry to the sector, or when there are any changes to ownership or management, or changes in their criminal history or associations.

24. Notwithstanding the above deficiencies, the AMLC may decline a full certificate of registration (COR) to a DNFBP to be able to submit suspicious or covered transaction reports. This arises if a DNFBP is not able to provide National Bureau of Investigations (NBI) clearance within six months of provisional registration. (Rule 4(3.4) 2018 IRR; s49-53 of the 2021 DNFBP Guidelines). This creates a de facto prohibition on being able to operate the relevant DNFBP service that mitigates the above deficiencies to a limited extent.

25. Criterion 28.4 (c): As per R.35 of the MER (rated LC), there is a mostly broad range of proportionate and dissuasive sanctions (criminal, civil and administrative) available against both natural persons and legal persons that fail to comply with AML/CFT requirements.

26. **Criterion 28.5** is *mostly met*. Since the MER, the Philippines has continued to develop a framework for risk-based supervision of the DNFBP sectors. Implementation of this framework is in progress.

27. PAGCOR has developed a casino specific risk rating system, undertaken two subsector risk assessments (one in conjunction with the AMLC) and in January 2022, finalised a supervision and enforcement manual. This sets out PAGCOR's policies and procedures for its risk-based examination of casinos (off-site and on-site). Aligning with its casino risk-rating system, the manual outlines a framework for prioritising higher risk casinos, while maintaining adequate coverage of moderate and low risk casinos.

28. APECO issued a memorandum on 25 January 2022 approving the implementation of a risk-based framework for the AML/CFT supervision of its casinos. APECO has also produced a Casino AML/CFT Risk Rating System (CARRS) for its casinos, dated January 2022. Risk-based supervision has not yet been implemented. However, while APECO has issued licences for OGOs, none have been issued the required approval to commence operations and there are no APECO service providers. There are also no land-based casinos issued a licence by APECO.

29. CEZA also issued a memorandum on 25 January 2022 approving the implementation of a risk-based framework for the AML/CFT supervision of its casinos. The memorandum includes provisions for a composite risk rating framework to be implemented for its casinos. Risk-based supervision has not yet been

implemented. However, while CEZA has issued licences for OGOs and accredited service providers, none are currently operational. There are also no land-based casinos issued a licence by CEZA.

30. The AMLC has continued to implement AML/CFT supervision across the DNFBP sectors (including in relation to casinos). This supervision now includes real estate developers and brokers. The AMLC has implemented a DNFBP specific risk-rating system, undertaken a real estate sector risk assessment and a risk-review of those DNFBPs registered with the AMLC. In November 2021, the AMLC also finalised a compliance and supervision manual, which sets out a five-stage risk-based supervisory framework and examination policies and procedures.

#### *Weighting and Conclusion*

31. Since the MER, the Philippines has included real estate agent developers and brokers as covered persons under the AMLA, which is materially significant. The Philippines has also addressed gaps in fit and proper checks for PAGCOR supervised casinos. In addition, PAGCOR (for casinos) and the AMLC (for all DNFBPs) have continued to develop their frameworks for risk-based AML/CFT supervision. Implementation of these frameworks is in progress. For jewellery dealers, dealers in precious metals or stones and CSPs (other than trust entities licensed by the BSP), there are deficiencies relating to market entry and fit and proper requirements. Taking into account the Philippines risk and context a number of minor deficiencies are noted. These relate to a lack of ongoing criminal history checks for lawyers, accountants and real estate developers and brokers and the administrative sanctions available for AML/CFT non-compliance by DNFBPs. For APECO and CEZA supervised casinos, risk-based supervision is yet to commence, although this is given minimal weighting noting that no APECO or CEZA casinos are currently operational. There are also minor scope gaps for casinos, lawyers and accountants. On this basis, **Recommendation 28 is re-rated largely compliant.**

#### *Recommendation 32 (Originally rated PC)*

32. R. 32 was rated partially compliant in the Philippines MER. The three key deficiencies were that no competent authority had the authority to request and obtain further information from the carrier in cases where there was a false declaration or a failure to declare. Moreover, the penalties for the offence by way of imprisonment were dissuasive, however, the fines were not proportionate nor dissuasive. Finally, competent authorities were not clearly empowered to restrain currency and bearer negotiable instruments (BNIs) suspected of ML/TF or other predicate offences.

33. **Criterion 32.1 is met** (as per MER). The analysis in the MER and available material supports the criterion rating.

34. **Criterion 32.2 is met** (as per MER). The analysis in the MER and available material supports the criterion rating.

35. **Criterion 32.3 is not applicable** (as per MER). The Philippines has a written declaration system.

36. **Criterion 32.4 is mostly met.** The Philippines has demonstrated that the Bureau of Customs (BOC) has an implied authority to request and obtain further information from the carrier in cases of false declaration or a failure to declare domestic and foreign currency in accordance with the declaration system on the basis of the BOC's general power to investigate the fraudulent importation of goods. Section 1401 of the Customs Modernization and Tariff Act (CMTA) generally provides that any person who fraudulently imports or exports, or brings into or outside of the Philippines any goods, or assists in doing so, contrary to law commits an offence. The term "goods" is defined under the CMTA as articles, wares, merchandise and any other items which are subject to importation and exportation (section 101(x)). However, it is not clear that BNIs fall under the definition of "goods" or "merchandise" for the purpose of the CMTA. There is case law that demonstrates that domestic currency and foreign currency, (but not equivalent bearer negotiable

instruments (BNIs)), are goods for the purpose of the CMTA. In the *COMMISSIONER OF CUSTOMS vs. CARIDAD CAPISTRANO* case, G.R. No. L-11075, June 30, 1960, the Court held that “Philippine peso bills come within the concept of “merchandise,” as this term is understood in Section 1363(f) of the Revised Administrative Code.”

37. The BOC has applied CMTA s.1401 in two recent cases filed involving seizure of foreign currency in 2020. For example, on May 25, 2020, a shipment of “Chinese Cookbook Recipes” arrived in the Philippines under two separate airway bills. During random physical examination by an assigned customs examiner, the shipment was found to contain dollar Bills, including \$5 Bills inserted on pages of various magazines with a total amount of \$54,215. These Bills were seized for violation of, *inter alia*, offences relating to misdeclaration of goods (s.1400, CMTA) and unlawful exportation and importation of goods (s.1401(e)) in relation to the requirement to secure a necessary goods declaration prior to importation and exportation (s.117, CMTA).

38. The Court’s decision in the *COMMISSIONER OF CUSTOMS vs. CARIDAD CAPISTRANO*, and the case provided above indicating the application of s.1401 of the CMTA, indicate that the BOC’s powers to investigate fraudulent importation and exportation of goods apply in cases of a false declaration or a failure to declare domestic and foreign currency at the border in accordance with the requirements of the declaration system. The Philippines confirmed that powers implied to the BOC through case law allow BOC full discretion to apply the powers. However, these powers do not appear to apply to a failure to declare, or a false declaration of equivalent BNIs of USD 10,000 at the border.

39. **Criterion 32.5** is *mostly met*. The penalties under section 1401 of the CMTA for false declaration and failure to declare depend on the monetary value of the goods unlawfully imported or exported:

- valued between PHP 500,000 (USD 9545) and PHP 1,000,000 (USD 19,090) - a fine of PHP 150,000 (USD 2863) to PHP 300,000 (USD 5,727) or imprisonment of 1 to 3 years (s.1401(c)).
- valued between PHP 1,000,000 (USD 19,090) and PHP 5,000,000 (USD95,500) - a fine of PHP 300,000 (USD 5,727) to PHP 1,500,000 (USD 9,545) or imprisonment of 3 to 6 years (s.1401(d)).
- valued between PHP 5,000,000 (USD 95,500) and PHP 50,000,000 (USD 954,500) - a fine of PHP 1,500,000 (USD 28,653) to PHP 15,000,000 (USD 286,350) or imprisonment of 6 to 12 years (section 1401(e)).
- valued between PHP 50,000,000 (USD 954,500) and PHP 200,000,000 (USD 3,818,000) - a fine of PHP 15,000,000 (USD 286,350) to PHP 50,000,000 (USD 954,500) or imprisonment of 12 to 20 years (section 1401(f)).
- value above PHP 200,000,000 (USD 3,818,000) - a fine of PHP 50,000,000 (USD 954,500) or a penalty of reclusion perpetua (life) (section 1401(g)).

40. These fines are proportionate and dissuasive. However, they do not apply to the failure to declare, or the false declaration of BNIs of equivalent value, which do not appear to be goods for the purposes of the CMTA.

41. **Criterion 32.6** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

42. **Criterion 32.7** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.



43. **Criterion 32.8** is *partly met*. There appear to be gaps in the powers of competent authorities to restrain currency or BNI where ML/TF or predicate offences are suspected.

44. Officials from the BOC have powers to use alert orders and pre-lodgement control orders (PLCOs) to seize and restrain goods at the border, and there are seizures powers that apply in some circumstances. However, these mechanisms do not appear to provide a broad-based power to restrain currency or BNI at the border where ML/TF or predicate offences are suspected.

45. The CMTA provides for the seizure of goods, but only when they are subject to forfeiture or when they are the subject of a fine imposed under the Act (s.216). While domestic and foreign currency are goods for the purpose of the CMTA, (see above), s.216 would only narrowly apply where ML/TF or predicate offences are suspected. For example, s.216 would not apply where a passenger carrying suspected illicit funds of US\$10,000 or more truthfully declares that he or she is carrying such funds into or out of the Philippines. There has been no breach of the obligation to declare and no fine can be imposed. In these circumstances the funds could not be seized pursuant to s.216 unless there is already an existing forfeiture authorisation in place.

46. Where the passenger carrying the suspected illicit funds fails to declare, or falsely declares, any restraint or seizure is not made on the basis of suspected ML/TF or predicate offences, but on the basis of the false or non-declaration. Suspected illicit funds could also not be seized under section 216 if the amount was US\$10,000 or less unless there was an existing forfeiture authorisation in place.

47. Similar issues arise with s.1113 of the CMTA if the suspected illicit foreign currency and equivalent BNIs are correctly declared or amount to US\$10,000 or less. If declarations are made, there is no breach of the law to trigger the use of s.1113.

48. It is not clear that foreign currency and equivalent BNIs suspected of being associated with ML/TF or predicate offences are prohibited goods for the purposes of the CMTA. The importation and exportation of foreign currency and BNI equivalent is not prohibited. There is no restriction or limit on the amount of foreign currency and BNI equivalent that a person may bring in or take out of the Philippines. There is just the requirement to declare such movements of foreign currency where the amount is more than US\$10,000. The domestic currency can be imported and exported with authorization for amounts above PHP 50,000 (approx. USD 952).

49. The CMTA provides for the issuing of alert orders (s.1111). However, there are no provisions that would allow alert orders to be used where a passenger imports or exports foreign currency of more than US\$10,000 and makes a lawful declaration, regardless of whether the foreign currency or BNIs are derived from illicit activity. Alert orders could only be used if the passenger is carrying currency or BNIs suspected of being derived from illicit activity if the passenger makes a false declaration about the importation or exportation.

50. Customs Administrative Order 7-2019 allows for a PLCO to be issued where there are violations relating to “restricted goods”. “Restricted” goods are defined under Order 7-2019 to generally include firearms, weapons, illicit drugs, gambling and lottery related goods, and any other goods whose importation or exportation is restricted. The peso (PHP) appears to be a restricted good for the purposes of Order 7-2019 because authorisation is required to import or export the currency. However, PLCOs do not appear to apply to foreign currency or foreign currency above USD 10,000, as they are not “restricted goods” for the purposes of importation and exportation. It is not illegal to import or export foreign currency or BNIs; it is illegal to do so without a declaration being made in compliance with the CMTA where the equivalent value of those monetary instruments is more than USD 10,000.

51. BNIs do not appear to be “goods” for the purposes of the CMTA, so none of the above provisions apply.

52. **Criterion 32.9** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

53. **Criterion 32.10** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

54. **Criterion 32.11** is *met* (as per MER). The analysis in the MER and available material supports the criterion rating.

*Weighting and Conclusion*

55. The Philippines has demonstrated that domestic and foreign currency are goods for the purposes of the CMTA, and that the powers and penalties that apply to the fraudulent importation and exportation of goods under that Act apply to breaches of the declaration system for the cross-border transportation of currency. This includes unimpeded powers for the BOC to request and obtain further information from a carrier that has falsely declared or failed to declare domestic and foreign currency in accordance with the declaration system, as part of their general power to investigate smuggling. Fines for breaches of requirements are proportionate and dissuasive. However, BNIs do not appear to be goods for the purposes of the CMTA, so these powers do not apply to the failure to declare, or the false declaration of, BNIs. There are some gaps that remain in the powers of competent authorities to restrain currency or BNI where ML/TF or predicate offences are suspected. Powers to seize under the CMTA are limited to where the goods are subject to forfeiture or when they are the subject of a fine imposed under the CMTA. This means that, where a carrier truthfully declares the importation or exportation of currency or BNI, no offence has been committed under the CMTA and no fine applies. On that basis the truthfully declared currency/BNI cannot be seized, even where ML/TF or predicate offences are suspected. These remaining deficiencies are a minor shortcoming. **Recommendation 32 is re-rated Largely Compliant.**

**IV. CONCLUSION**

56. Overall, the Philippines has made good progress in addressing the technical compliance deficiencies identified in its MER and has been re-rated as largely compliant for Recommendations 28 and 32. No Recommendations have changed since the Philippines’ last FUR.

57. A summary table setting out the underlying deficiencies for each of the recommendations assessed in this report is included at Annex A.

58. In light of the progress made by the Philippines since its MER was adopted, its technical compliance with the FATF Recommendations is as follows as of February 2022:

R.	Rating
1	LC (2019 MER)
2	C (2019 MER)
3	LC (2019 MER)
4	PC (2019 MER) ↑ LC (2021 FUR)
5	LC (2019 MER)
6	PC (2019 MER) ↑ LC (2021 FUR)
7	NC (2019 MER) ↑ LC (2021 FUR)
8	LC (2019 MER)

R.	Rating
21	C (2019 MER)
22	PC (2019 MER) ↑ LC (2021 FUR)
23	PC (2019 MER) ↑ LC (2021 FUR)
24	PC (2019 MER) ↑ LC (2021 FUR)
25	PC (2019 MER)
26	LC (2019 MER)
27	LC (2019 MER)
28	PC (2019 MER) ↑ LC (2022 FUR)

<b>R.</b>	<b>Rating</b>
9	LC (2019 MER)
10	LC (2019 MER)
11	C (2019 MER)
12	LC (2019 MER)
13	C (2019 MER)
14	LC (2019 MER)
15	C (2019 MER) ↓ PC (2020 FUR)
16	LC (2019 MER)
17	C (2019 MER)
18	LC (2019 MER)
19	LC (2019 MER)
20	PC (2019 MER) ↑ LC (2020 FUR)

<b>R.</b>	<b>Rating</b>
29	PC (2019 MER) ↑ C (2020 FUR)
30	C (2019 MER)
31	LC (2019 MER)
32	PC (2019 MER) ↑ LC (2022 FUR)
33	LC (2019 MER)
34	LC (2019 MER)
35	LC (2019 MER)
36	LC (2019 MER)
37	LC (2019 MER)
38	C (2019 MER)
39	PC (2019 MER)
40	LC (2019 MER)

59. The Philippines has 37 Recommendations rated C/LC. The Philippines will remain in enhanced follow-up. The Philippines' next progress report is due 1 February 2023.

*Summary of Technical Compliance –Deficiencies underlying the ratings <sup>4</sup>*

Compliance with FATF Recommendations		
Recommendation	Rating	Factor(s) underlying the rating <sup>5</sup>
R.28	PC (MER) LC (FUR 2022)	<ul style="list-style-type: none"> <li>• Lawyers, accountants and real estate brokers – no ongoing criminal history checks (unless a complaint is received) (c.28.4(b)).</li> <li>• Dealers in jewellery, precious stones or metals and CSPs – no fit and proper framework to enter sector (c.28.4(b)).</li> <li>• Administrative sanctions for non-compliance may not be dissuasive (c.28.4(c)).</li> <li>• APECO/CEZA– risk-based supervision has not yet commenced (c.28.5).</li> <li>• AMLC – risk-based supervision of other DNFBP sectors is only in the process of being implemented (c.28.5).</li> <li>• Scope gap – casinos and lawyers/accountants (R.28).</li> </ul>
R.32	PC (MER) LC (FUR 2022)	<ul style="list-style-type: none"> <li>• CTMA s.1401 powers do not appear to apply to a failure to declare, or a false declaration of equivalent BNIs of USD 10,000 at the border (c.32.4).</li> <li>• Competent authorities at the border can only restrain foreign currency or BNI where ML/TF or predicate offences are suspected where there is a false declaration or the currency is already subject to forfeiture action. PLCOs only appear to apply to the importation of the PHP, not foreign currency or foreign currency denominated BNIs (c32.8).</li> </ul>

<sup>4</sup> Ratings and factors underlying the ratings are only included for those recommendations under review in this FUR.

<sup>5</sup> Deficiencies listed are those identified in the MER unless marked as having been identified in a subsequent FUR.