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|  | <b>MONEY LAUNDERING AND<br/>TERRORISM FINANCING<br/>PREVENTION PROGRAM<br/>(MTPP)</b> | <b>NMBAI GOV-023-2022</b>                                 |              |
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## 1. INTRODUCTION


The National Confederation of Cooperatives Mutual Benefits Association Incorporated (NATCCO MBAI), being one of the covered institutions as a mutual benefit association, hereby adopts and submits this **MONEY LAUNDERING AND TERRORISM FINANCING PREVENTION PROGRAM** pursuant to R.A. 9160 (as amended by R.A. 6194), R.A. 10168 Rule 27, and IC Circular 2018-48.

Except as otherwise defined herein, all terms used shall have the same meaning as those terms as defined in the Anti-Money Laundering Act (AMLA) of 2001, Republic Act No. 9160, as amended, hereinafter referred to as the "Act";

## 2. DEFINITION OF TERMS

- 2.1 **Anti-Money Laundering Act (AMLA)** refers to Republic Act No 9160' as amended by Republic Act Nos. 9194, 10167, 10365 and 10927;
- 2.2 **Anti-Money Laundering Council (AMLC)** refers to the financial intelligence unit of the Philippines which is the government agency tasked to implement the AMLA.
- 2.3 **Financing of Terrorism**, is a crime committed by a person who directly or indirectly, willfully and without lawful excuse, possesses, provides, collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the in lawful and willful intention that they should be used or with the knowledge that they are to be used in full or in part:
  - 2.3.1 carry out or facilitate the commission of any terrorist act;
  - 2.3.2 by a terrorist organizations, association or group; or
  - 2.3.3 by an individual terrorist'
- 2.4 **Person** refers to any natural or juridical person
- 2.5 **Transaction** refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered Person.
- 2.6 **Competent authorities** refer to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the AMLC; the authorities that have the function of investigating and/or prosecuting money laundering unlawful activities and terrorist financing, and seizing/freezing and confiscating any monetary instrument or property that is in any way related to an unlawful activity; authorities receiving reports on cross-border transportation of currency & bearer negotiable instruments (BNIs); and authorities that have AMUCFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFbps with AMUCFT requirements

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**2.7 Covered transaction"** refers to:



- 2.7.1 A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand pesos (Php500'000 00) or its equivalent in any other currency; or
- 2.7.2 A transaction, regardless of frequency of payment (monthly, quarterly, semi-annually or annually), where the total premiums/fees paid for a policy, plan or agreement for the entire year exceeds Five Hundred Thousand Pesos (Php500,000.00) or its equivalent in any other currency.


**2.8 Suspicious Transaction** refers to a transaction, regardless of amount, where any of the following circumstances exists:

- 2.8.1 There is no underlying legal or trade obligation, purpose or economic justification;
- 2.8.2 The customer is not properly identified;
- 2.8.3 The amount involved is not commensurate with the business or financial capacity of the customer;
- 2.8.4 Taking into account all known circumstances, it may be perceived that the customer's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
- 2.8.5 Any circumstance relating to the transaction which is observed to deviate from the profile of the customer and/or the customer's past transactions with the covered person;
- 2.8.6 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
- 2.8.7 Any transaction that is similar, analogous or identical to any of the foregoing.
- 2.8.8 Any unsuccessful attempt to transact with an Insurance Commission Regulated Entity (ICRE), the denial of which is based on any of the foregoing circumstances shall likewise be considered as suspicious transaction

**2.9 Customer** refers to any person who keeps an account or otherwise transacts business with an ICRE. It includes the following:

- 2.9.1 Any person or entity on whose behalf an account is maintained or a transaction is conducted, as well as the beneficiary of said transactions;
- 2.9.2 Beneficiary of a trust, an investment fund or a pension fund;
- 2.9.3 A company or person whose assets are managed by an asset manager;
- 2.9.4 A grantor of a trust; and
- 2.9.5 Any insurance policy holder, pre-need plan holder or HMO enrolled member, whether actual or prospective

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2.10 **Customer Records** shall refer to:

2.10.1 Those obtained by covered persons to establish the true and full identity of the customers in accordance with the Customer Due Diligence (CDD) policies and procedures, such as customer information files where the customer provide minimum information; copies or records of official identification documents or similar documents, establish the true and full identity of customers; account files and business correspondence, including the result of any analysis undertaken, such as inquiries, to establish the background and purpose of complex, usually large transactions, collectively referred to as CDD records or CDD documents; and

2.10.2 Account transaction histories or statement of accounts, whether in the Philippine peso or other currencies

2.11 **Politically Exposed Person (PEP)** refers to an individual who is or has been entrusted with a prominent public position in (1) the Philippines with substantial authority over policy, operations or the use or allocation of government-owned resources; (2) a foreign State; or (3) an international organization.

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

2.11.1 Joint beneficial ownership of a legal entity or legal arrangement with the main/PrinciPal PEP; or

2.11.2 Sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP

2.12 **Immediate Family Member of PEPs** refers to spouse or partner; children and their spouses; and parents and parents-in-law

2.13 **Close Associates of PEPs**" refer to persons who are widely and publicly known to maintain a particularly close relationship with the PEP, and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP

2.14 **Beneficial Owner**' refers to any natural person who:



2.14.1 Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or


2.14.2 Has ultimate effective control over a legal person or arrangement.

Ultimate effective control refers to a situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control.



2.15 **Official Document** refers to any of the following identification documents:


2.15.1 For Filipino citizens: Those issued by any of the following official authorities:

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- a. Government of the Republic of the Philippines' including its political subdivisions' agencies and instrumentalities;
  - b. Government-Owned or -Controlled Corporations (GoCCs);
  - c. Covered persons registered with and supervised or regulated by the BSP, SEC or IC;
  - 2.15.2 For foreign nationals: Passport or Alien Certificate of Registration;
  - 2.15.3 For Filipino students: School ID signed by the school principal or head of the educational institution; and
  - 2.15.4 For low-risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the customer's identity.
- 2.16 **Monetary Instrument** shall include, but is not limited to the following:
- 2.16.1 Coins or currency of legal tender of the Philippines, or of any other country;
  - 2.16.2 Credit instruments, including bank deposits' financial interest, royalties, commissions, and other intangible property;
  - 2.16.3 Drafts, checks, and notes;
  - 2.16.4 Stocks or shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract' instrument' whether written or electronic in character, including those enumerated in Section 3 of the Securities Regulation Code;
  - 2.16.5 A participation or interest in any non-stock, non-profit corporation;
  - 2.16.6 Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates' custodial receipts, or deposit substitute instruments, trading orders' transaction tickets, and confirmations of sale or investments and money market instruments;
  - 2.16.7 Contracts or policies of insurance, life or non-life' contracts of suretyship, pre-need plans, and member certificates issued by mutual benefit association; and
  - 2.16.8 Other similar instruments where title thereto passes to another by endorsement, assignment, or delivery
- 2.17 **Property** refers to anything or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit' privilege' claim' or right with respect thereto, including:
- 2.17.1 Personal property, including proceeds derived therefrom' or traceable to any unlawful activity, such as' but not limited to:
    - a. Cash;
    - b. Jewelry, precious metals and stones, and other similar items;
    - c. Works of art, such as paintings, sculptures, antiques, treasures, and other similar precious objects;
    - d. Perishable goods; and


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e. Vehicles, vessels, aircraft, or any other similar conveyance.

- 2.17.2 Personal property, used as instrumentalities in the commission of any unlawful activity, such as:
- a. Computers, servers, and other electronic information and communication systems; and
  - b. Any conveyance, including any vehicle, vessel, and aircraft.
  - c. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or asset preservation order is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:
    - d. derived from, or traceable to, any unlawful activity; or
    - e. used as an instrumentality in the commission of any unlawful activity.
- 2.18 **Proceeds** refers to an amount derived or realized from any unlawful activity.
- 2.19 **Monetary Instrument or Property Related to an Unlawful Activity** refers to:
- 2.19.1 All proceeds of an unlawful activity;
  - 2.19.2 All monetary, financial or economic means, devices, accounts' documents, papers, items, or things used in or having any relation to any unlawful activity;
  - 2.19.3 All moneys, expenditures, payments, disbursements' costs' outlays, charges, accounts, refunds and other similar items for the financing, operations, and maintenance of any unlawful activity; and
  - 2.19.4 For purposes of freeze order and bank inquiry: related and materially-linked accounts.
- 2.20 **Related Accounts** refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.
- 2.21 **Materially-linked Accounts** shall include the following:
- 2.21.1 All accounts or monetary instruments under the name of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or an order of inquiry;
  - 2.21.2 All accounts or monetary instruments held' owned, or controlled by the owner or holder of the accounts, monetary instruments, or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another Person;



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- 2.21.3 All "In Trust For" accounts where either the trustee or the trust or pertains to a person whose accounts, monetary instruments' or properties are the subject of the freeze order or order of inquiry;
- 2.21.4 All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry; and
- 2.21.5 All other accounts, shares, units, or monetary instruments that are similar, analogous, or identical to any of the foregoing



2.22 **Offender** refers to any person who commits a money laundering offense. **Unlawful Activity** refers to any act or omission, or series or combination thereof, involving or having direct relation, to the following:


- 2.22.1 *Kidnapping for Ransom* under Article 267 of Act No 3815' otherwise known as the Revised Penal Code, as amended;
- 2.22.2 Sections 4, 5, 6, 8, 9, 10, 11, 12,13, 14,15 and 16 of Republic Act No. 9165, otherwise known as the "Comprehensive Dangerous Drugs Act of 2002";
- 2.22.3 Section 3 paragraphs b, c, e, g, h and i of Republic Act No' 3019, as amended, otherwise known as the "Anti-Graft and Corrupt Practices Act";
- 2.22.4 *Plunder* under Republic Act No 7080, as amended;
- 2.22.5 *Robbery and Extortion* under Articles 294, 295' 296' 299' 300, 30I and302ofthe Revised Penal Code, as amended;
- 2.22.6 *Jueteng* and *Masiao* punished as illegal gambling under Presidential Decree No. 1602;
- 2.22.7 *Piracy on the High Seas* under the Revised Penal Code, as amended, and Presidential Decree No. 532:
- 2.22.8 *Qualified Theft* under Article 310 of the Revised Penal Code, as amended;
- 2.22.9 *Swindling* under Article 315 and "Other Forms of Swindling" under Article 316 of the Revised Penal Code, as amended:
- 2.22.10 *Smuggling* under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the "Tariff and Customs Code of the Philippines";
- 2.22.11 Violations under Republic Act No. 8792, otherwise known as the "Electronic Commerce Act of 2000;
- 2.22.12 *Hijacking* and other violations under Republic Act No. 6235' otherwise known as the "Anti-Hijacking and Law, Destructive Arson; and "Murde', as defined under the Revised Penal Code, as amended;
- 2.22.13 *Terrorism* and *Conspiracy to Commit Terrorism* as defined and penalized under Sections 3 and 4 of Republic Act No 9372;

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- 2.22.14 *Financing of Terrorism* under Section 4 and offenses punishable under Sections 5, 6, 7 and I of Republic Act No' 10168, otherwise known as the "*Terrorism Financing Prevention and Suppression Act of 2012*";
- 2.22.15 *Bribery* under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and "*Corruption of Public Officers*" under Article 212 of the Revised Penal Code, as amended;
- 2.22.16 *Frauds and Illegal Exactions and Transaction*" under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;
- 2.22.17 *Malversation of Public Funds and Property* under Articles 217 and 222 of the Revised Penal Code, as amended;
- 2.22.18 *Forgeries and Counterfeiting* under Articles 163' 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;
- 2.22.19 Violations of Sections 4 to 6 of Republic Act No' 9208' otherwise known as the "*Anti-Trafficking in Persons Act of 2003*" as amended";
- 2.22.20 Violations of Sections 78 to 79 of Chapter IV of Presidential Decree No. 705, otherwise known as the "*Revised Forestry Code of the Philippines*", as amended";
- 2.22.21 Violations of Sections 86 to 106 of Chapter VI of Republic Act No. 8550, otherwise known as the "*Philippine Fisheries Code of 1998*";
- 2.22.22 Violations of Sections 101 to 107, and 110 of Republic Act No' 7942, otherwise known as the "*Philippine Mining Act of 1995*";
- 2.22.23 Violations of Section 27(c), (e), (f), (g) and (i) of Republic Act No. 9147, otherwise known as the "*Wildlife Resources Conservation and Protection Act*";
- 2.22.24 Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the "*National Caves and Cave Resources Management Protection Act*";
- 2.22.25 Violation of Republic Act No. 6539, otherwise known as the "*Anti-Carnapping Act of 1972*", as amended;
- 2.22.26 Violation of Sections 1, 3, and 5 of Presidential Decree No' 1866, as amended, otherwise known as the decree "*Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives*";
- 2.22.27 Violation of Presidential Decree No. 1612, otherwise known as the "*Anti- Fencing Law*";
- 2.22.28 Violation of Section 6 of Republic Act No 8042, otherwise known as the "*Migrant Workers and Overseas Filipinos Act of 7995*", as amended';
- 2.22.29 Violation of Republic Act No. 8293, otherwise known as the *Intellectual Property Code of the Philippines*, as amended;

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- 2.22.30 Violation of Section 4 of Republic Act No' 9995, otherwise known as the Anti-Photo and Video Voyeurism Act of 2009";
- 2.22.31 Violation of Section 4 of Republic Act No' 9775, otherwise known as the "Anti-Child Pornography Act of 2009";
- 2.22.32 Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the "Special Protection of Children Against Abuse, Exploitation and Discrimination",
- 2.22.33 Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the "Securities Regulation Code of 2000;
- 2.22.34 Felonies or offenses of a nature similar to the aforementioned unlawful activities that are punishable under the penal laws of other countries.


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

**2.23 Money Laundering.** - Money laundering is committed by:

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

- a. Transacts said monetary instrument or property;
- b. Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
- c. Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
- d. Attempts or conspires to commit money laundering offenses referred to in (a), (b), or (c) above;
- e. Aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (a), (b)' or (c) above; and
- f. Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (a), (b), or (c) above.

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### 3. PROCEDURES

#### 5.1 DESCRIPTION OF MONEY LAUNDERING

5.1.1 Money Laundering is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the Anti- Money Laundering Act, so that they appear to have originated from a legitimate source. Specifically, it covers all procedures to change, obscure or conceal the beneficial ownership or audit trail of illegally obtained money or valuables so that it appears to have originated from a legitimate source.

Money laundering is also used to hide the link between those who finance terrorism and those who commit terrorist acts. Financing of terrorism can be defined as the willful provision or collection, by any means, directly or indirectly, of funds with the intention that the funds should be used, or in the knowledge that they are to be used, to facilitate or carry out terrorist acts. Terrorism can be funded from legitimate income.

5.1.2 Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert NATCCO MBAI to the money laundering activity:



5.1.2.1 **Placement** - the physical disposal of cash proceeds derived from illegal activity. The aim is to remove cash from the location of acquisition to avoid detection.


5.1.2.2 **Layering** - separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.

The business of insurance is most likely to be used at the second stage of money laundering, the layering process, as they provide a potential avenue which may allow a dramatic alteration of the form of funds – from cash on hand to cash in bank, money in whatever form to an entirely different asset such as securities, investment contracts, pension plans, insurance policies, stock certificates, pre-need plans, bearer and other negotiable instruments.

Money laundering and the financing of terrorism using reinsurance could occur either by establishing fictitious (re)insurance companies or reinsurance intermediaries, fronting arrangements and captives, or by the misuse of normal reinsurance transactions.

5.1.2.3 **Integration** - the provision of apparent legitimacy to criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds

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back into the economy in such a way that they re-enter the financial system appearing to be normal business funds. It is the final stage and the process at which the money is integrated into the legitimate economic and financial systems and is assimilated with all other assets in the system. Integration of laundered money into the economy is accomplished by making it appear to have been legally earned. Thus, it is exceedingly difficult to distinguish between legal and illegal wealth.

Insurance policies, particularly life insurance contracts, are treated not only as protection and savings instruments, but also as investment contracts and as such, insurance transactions incorporate added attraction to the launderer in that the alternative asset is normally highly liquid. The ability to liquidate investment portfolios containing both lawful and illicit proceeds, while concealing the criminal sources of the latter, combined with the huge variety of investments and insurance products available, and the ease of transfer between them, offers the sophisticated criminal launderer an ideal route to effective integration into the legitimate economy. Due diligence must therefore be exercised to prevent the use of insurance institutions as instruments of money laundering.



5.1.3 Due diligence must be exercised to prevent the use of the NATCCO MBAI as an instrument for money laundering; hence it implements the following procedures to identify when it is being requested to “launder money”.


5.1.3.1 Partner cooperatives should take all reasonable steps to enable them to establish, to their satisfaction, the true and full identity of each client/member, and of each client’s source of wealth, financial situation and investment objectives at the time the relationship is established. Whenever possible, the prospective member should be interviewed personally after completing the Pre-membership seminar (CDA Rule on Common Bond of Interest).

5.1.3.2 Any suspicion of such transactions should be communicated to the Compliance Officer. The following are some examples of suspicious transactions:

- Large or unusual settlements of transactions in cash or bearer form;
- Any transaction where the nature, size or frequency appears unusual;
- Instructions to credit sales proceeds to an account different from that of the original source account or to a third party;

5.1.3.3 If there are any suspicions about the activities of an existing or potential member, they should be reported immediately to the Compliance Officer. The procedures for reporting

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to the Compliance Officer are detailed in Section “Reportorial Requirement” of this Manual.

5.1.3.4 Employees are prohibited from disclosing to a client or any other person that information has been passed to the Compliance Officer, management, or the regulatory authorities of anti-money laundering council.

5.1.3.5 To ensure compliance with this requirement, all personnel will be required to sign a statement on breach of confidentiality provision of the AMLA. A copy of this signed statement will be filed together with the personnel 201 file.

5.1.4 Vulnerabilities in Insurance. Life and Non-life insurance can be used in different ways by money launderers and terrorist financiers.



Insurance Institution therefore should take adequate measures to deter, detect and report money laundering and the financing of terrorism.


The type of life insurance contracts that are vulnerable as vehicle for laundering money or terrorist financing are products, which include: unit-linked single premium contracts, purchase of fixed and variable annuities, single provision life insurance policies that store cash value and (secondhand) endowment policies. Non-life money laundering or terrorist financing can be seen through inflated or legally bogus claims and through the use of reinsurance. An insurance policy might be used as collateral to purchase other financial instruments. These investments in themselves may be merely one part of a sophisticated web of complex transactions with their origins in the financial services sector.

## 5.2 BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING AND TERRORISM FINANCING

5.2.1 The Security and Exchange Commission and the Insurance Commission seek to combat money laundering by requiring every Stock Broker/Dealer/Agent/Partners to apply the following principles:



5.2.1.1 **Know the customer / Client:** NATCCO MBAI generally admits that satisfactory and competent evidence is properly obtained on the identity of cooperatives members and effective procedures have been applied for such verification especially on new members. NATCCO MBAI relies mainly on its cooperative partners on the matter of getting full information of their members. Know your Customer (KYC) Satisfactory evidence of


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the customer's identity shall be obtained. Moreover, effective procedures for verifying the bona fides of new customers shall be implemented. In this regard, the Board of Trustees and Management shall ensure that the Association is not used to facilitate money laundering. They shall direct all employees to exercise utmost diligence to ensure that adequate measures are implemented to prevent the Association from being unwittingly involved in such a criminal activity.

- 5.2.1.2 **Compliance with laws and regulations:** NATCCO MBAI ensures that laws and regulations, especially those covered under the Anti-Money Laundering Act of 2001 as amended, are adhered to under a business environment of high ethical standards and that service shall only be provided to members. Where there is good reason that money laundering activities could be involved, no service can be provided. Management shall ensure that business is conducted in conformity with the highest ethical standards and those laws, rules and regulations are strictly adhered to. Transactions shall not be allowed where there is good reason to believe that the client is engaged in money laundering activities. The Association shall comply fully with these rules and existing laws aimed at combating money laundering and terrorist financing by making sure that officers and employees are aware of their respective responsibilities and carry them out in accordance with superior and principled culture of compliance.
- 5.2.1.3 **Co-operation with law enforcement agencies:** Should there be reasonable grounds for suspecting money laundering NATCCO MBAI shall fully cooperate with proper law enforcement agencies within the legal constraints relating to customer confidentiality. For purposes of the Anti-Money Laundering Act of 2001, as amended, disclosure of information regarding suspicious transactions and covered transactions shall be made to the Executive Director, Anti-Money Laundering Council, 5<sup>th</sup> Floor, EDPC Bldg., Bangko Sentral ng Pilipinas.
- 5.2.1.4 **Adoption and dissemination of Policies and procedures:** Policies and procedures to prevent and detect possible money laundering activities shall be properly disseminated to the officers and staff of NATCCO MBAI, which include its Compliance Officer registered with the Security and Exchange Commission and/or the Insurance Commission and all its cooperative partners. Policies consistent with the principles set

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in the Anti-Money Laundering Law, Implementing Rules and Regulations and Operating Manuals issued by the SEC and AMLC shall be adopted and properly disseminated. Specific control procedures for customer identification, record keeping and retention of transaction documents and reporting of covered and suspicious transactions shall be implemented. The Association shall adopt and effectively implement a sound AML and terrorist financing risk management system that identifies, assesses, monitors and controls risks associated with money laundering and terrorist financing.


5.2.1.5 **Training on Anti-Money Laundering.** All employees shall be provided with adequate training on anti-money laundering law, rules and regulations as well as the policies and procedures established by the Association to ensure awareness and compliance. Training on anti-money-laundering shall be on a regular basis to create awareness in new rules and regulations and to update on the latest trends and techniques applied by money launderers to make them more effective in preventing money laundering activities. The Association shall conduct business in conformity with high ethical standards in order to protect its safety and soundness as well as the integrity of the national banking and financial system. Towards this principle, all employees shall be provided with adequate training on anti-money laundering law, rules and regulations as well as the policies and procedures established by the company to ensure awareness and compliance. Training on AML/CFT shall be on regular basis to create awareness in new rules and regulations and to update on the latest trends and techniques applied by money launderers and terrorist financiers to make them more effective in preventing money laundering/terrorist financing activities.

### 5.3 CUSTOMER IDENTIFICATION

5.3.1 GENERAL: Additional efforts should be made to obtain satisfactory evidence of the true and full identity of clients through presentation of documents such as, but not limited to:

5.3.1.1 Identity documents, such as passports, birth certificates, driver's licenses, employment identification cards, and other similar identity documents, which are verifiable from the institution issuing the same;

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The identifying documents should provide evidence of true name or names used, permanent address, date of birth, nationality, and office address. They should include at least one bearing a photograph and be pre-signed. The identifying documents that are considered most reliable are official identity cards and passports. While identification documents that are easily obtained in any name, e.g., medical cards, credit cards and student identification cards may be used, they should not be accepted as the sole means of identification.



While official identity cards and passports are the most reliable among these documents, the cooperative officer should scrutinize these documents to ensure they are in fact genuine. If in doubt, immediately advise the Compliance Officer or Operations Head who will coordinate with the issuing agency/(ies) to determine and validate genuineness of the document.


As a rule, the original documents should be required and after carefully scrutinizing the originals, coop signs the photocopy to indicate that he has seen the original.

- 5.3.1.2 Incorporation and partnership papers, for corporate accounts. These documents should be certified as true copies from the issuing government agency.
- 5.3.1.3 Special authorizations for representatives, which must be duly notarized.
- 5.3.1.4 Other pertinent and reasonable documents as may be deemed necessary under the prevailing circumstances.

5.3.2 **PERSONAL ACCOUNTS:** NATCCO MBAI admits its cooperative partner information for each personal/individual account vis:

- 5.3.2.1 Member name and/or names/aliases used;
- 5.3.2.2 Residence addresses; telephone number
- 5.3.2.3 Business addresses; telephone number
- 5.3.2.4 Date and place of birth; and
- 5.3.2.5 Nationality

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For each member, NATCCO MBAI also admits its cooperative partners reasonable effort in obtaining the following information to the extent it is applicable to the member;

- 5.3.2.6 Customer’s tax identification number, Social Security number or Government Service and Insurance System number;
- 5.3.2.7 Occupation of customer, name and address and telephone number of the employer;
- 5.3.2.8 Annual income, Assets or net worth.
- 5.3.2.9 Whether the customer is associated with another cooperative
- 5.3.2.10 Specimen signature;
- 5.3.2.11 Clear photocopy of a valid ID with photo



5.3.3 PARTNERSHIP: - NATCCO MBAI partners with cooperatives for providing insurance services to their members.


- 5.3.3.1 Partner cooperatives are members in good standing with CDA.
- 5.3.3.2 Customer identification and information of existing clients should be updated and/or amended at least once every five (5) years. This refers to change of residential or business address, new identification cards, new passport, additional business information, new business investment/venture, and the like.
- 5.3.3.3 As a policy, NATCCO MBAI only allows named members. Where it may not be avoided, particular care must be taken to ensure that the person giving instructions is authorized to do so by the account holder. A Special Power of Attorney (SPA) or a signature-verified instruction in writing duly executed by the account holder authorizing (or naming) a third party to transact on behalf of the account holder should first be obtained.
- 5.3.3.4 Additionally, as a policy, NATCCO MBAI only transact business with members who also are members of cooperatives.

**5.4 RECORD KEEPING**

5.4.1 NATCCO MBAI shall prepare and maintain electronic documentation on their members’ relationships and transactions such that:

- 5.4.1.1 The requirements of the Act are fully met;

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- 5.4.1.2 Any transaction by NATCCO MBAI can be reconstructed and from which the Council will be able to compile an audit trail for suspected money laundering, when such a report is made to it;
- 5.4.1.3 NATCCO MBAI can satisfy within a reasonable time any inquiry or order from the Council as to disclosure of information, including without limitation whether a particular person is the member or beneficial owner of transactions conducted through the Company.



5.4.2 The following document retention periods shall be followed:


- 5.4.2.1 All documents submitted by cooperatives and the accounts of member and records of all their transactions, especially member identification records, shall be maintained and safely stored for five (5) years from the dates of transactions.
- 5.4.2.2 Records of NATCCO MBAI include:
  - SERIATIM – members’ records
  - General Ledger
    - Journal Vouchers
  - Trial Balance
  - Coop Account Information Form
  - Personnel file
  - Other documents that may be needed from time to time.

Checking and review of the documents is done by the personnel assigned to verify the accuracy and completeness of the book/record maintained by NATCCO MBAI. It is important that any material irregularity or missing or incomplete documents are noted and reported for immediate rectification/correction.

Any or all of NATCCO MBAI books and records should be immediately available upon request by the SEC and/or IC.

- 5.4.3 Transaction documents may be retained as originals or copies or in electronic form, provided that such forms are admissible in court, pursuant to the Revised Rules of Court and the E-Commerce Act and its Implementing Rules and Regulations.
- 5.4.4 If the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed and terminated.

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**5.5 COVERED AND SUSPICIOUS TRANSACTIONS**

- 5.5.1 It shall be mandatory that a **Covered Transaction Report (CTR)**, covering single or multiple transactions in five (5) days, in cash or other equivalent monetary instrument, be filed before the Anti-Money Laundering Council, within one (1) banking day where the total amount involved is in excess of P500,000.00, the threshold limit provided under Section 3 (b) of R.A. 9160, as amended by RA 9194.
- 5.5.2 The CTR in AMLA Form requires three (3) signatories from NATCCO MBAI, to wit:
  - 1. The staff or officer who entertained or secured the account,
  - 2. The Compliance Officer, and
  - 3. A senior officer not less than the position of the Vice- President.

For online reporting through electronic mail, it's the sole responsibility of the Compliance Officer to keep the report confidential and safe from public exposure.

- 5.5.3 As provided in Section 3 (b-1) of the Act, NATCCO MBAI shall file a Suspicious Transaction Report (STR) (Annex "B") before the Anti-Money Laundering Council, regardless of the amount of the transaction where any of the following circumstances exists:
  - 5.5.3.1 There is no underlying legal or trade obligation, purpose or economic justification;
  - 5.5.3.2 The member is not properly identified;
  - 5.5.3.3 The amount involved is not commensurate with the business or financial capacity of the member;
  - 5.5.3.4 Taking into account all known circumstances, it may be perceived that the member's transaction is structured in order to avoid being the subject of reporting requirements under the Act;
  - 5.5.3.5 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 institution;
  - 5.5.3.6 The transaction is in some way related to an unlawful activity or offense under this Act that is about to be, is being, or has been committed; or
  - 5.5.3.7 Any transaction that is similar or analogous to any of the foregoing.
- 5.5.4 A suspicious transaction, as a general principle, relates to any transaction wherein there is a sense of apprehension or sense of mistrust considering the unusual nature or circumstances of the transaction and the behavioral factors on the persons with whom the

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transaction is being dealt with and thereby bringing some suspicion that the transaction may be connected with an unlawful activity.


## 5.6 REPORTORIAL REQUIREMENTS

- 5.6.1 NATCCO MBAI shall institute a system for the mandatory reporting of covered transactions and suspicious transactions by appointing the Compliance Officer who is registered with the SEC, and/or IC, who shall be responsible for reporting to the Council, after approval by the Board or Chairperson. If an urgent disclosure is required when there is an on-going investigation, an initial notification by telephone should be made to the Executive Director, Anti-Money Laundering Council, Bangko Sentral ng Pilipinas.
- 5.6.2 Reporting of covered and suspicious transactions must be done by the Compliance Officer within five working days.
- 5.6.3 NATCCO MBAI employees, Advisor/Agent/Consultant, Compliance Officer, and/or directors shall not warn their customers when information relating to them is being reported to the council or communicate directly or indirectly such information to any other person other than the Council. Any violation of this confidentiality provision shall render them liable for criminal, civil and administrative sanctions under the Act.
- 5.6.4 NATCCO MBAI shall register or maintain a complete file on all covered and suspicious transactions that have been brought to the attention of the Compliance Officer, including transactions that are not reported to the Council. The register shall contain details of the date on which the report is made, the person who made the report to the Compliance Officer, and information sufficient to identify the relevant papers related to said reports.

The following are the list of files to be maintained

- Contracts
- Confirmation Invoices  
Official Receipts
- Check Vouchers
- Monthly Statement of Account
- Correspondence
- In/out receipts
- And any other Related Trade reports

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**5.7 INTERNAL CONTROL AND PROCEDURES**

5.7.1 As a general internal control procedure, directors, officers, and staff of NATCCO MBAI shall report any information or suspicion of money laundering activity to the Compliance Officer, which is the designated Reporting officer. This should be formally transmitted to the either in hard copy report, memoranda or note, or via electronic means (inter-office email). Use of external emails in transmitting the report is prohibited to ensure no one else is provided a copy (including blind copies). Failure to comply with such requirements exposes the reporting personnel to breach of confidentiality in violation of the Anti-Money Laundering Act and is punishable by fine no less than P500,000 but not more than P1,000,000 or imprisonment of no less than 3 three years but not more than 8 years.



In line with this requirement, all personnel will be required to sign a statement on breach of confidentiality provision of the AMLA. A copy of this signed statement will be filed together with the personnel 201 file.


- 5.7.2 It shall be the duty and responsibility of such reporting officer to evaluate any report in the light of relevant information available to determine whether there is a reasonable ground for suspicion of money laundering. See Annex C for List of Suspicious Transactions.
- 5.7.3 After a thorough evaluation and reasonable belief that there is really a basis for suspicion of money laundering, the Reporting Officer, Internal Auditor or Compliance Officer shall file the necessary reports promptly to the Council.
- 5.7.4 Reporting officer shall maintain a register of all reports made to the Council as well as all reports made by the staff of their firm relative to suspicious transactions, whether or not such were reported to the Council.

**5.8 COMPLIANCE**

5.8.1 Reporting of Covered and Suspicious transactions must start from the Partner cooperative personnel, since these are the persons who really know the capacity of its members. The cooperative personnel after assessment of any Covered transaction shall report to the Reporting Officer (Compliance Officer). The Compliance Officer with the assistance of the senior officers of NATCCO MBAI shall report such covered or suspicious transactions to the council.

5.8.2 The designated Reporting Officer, Internal Auditor or Compliance Officer should be fully knowledgeable on the conduct of business of securities, brokers/dealers. This would ensure that he/she will be able to impart the compliance procedures to the staff of their

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firm and be able to impart the Compliance procedures to the staff of the Company and be able to liaise effectively with the Council.

Notwithstanding the duties of the Compliance Officer as the reporting officer, the ultimate responsibility for proper supervision, reporting and compliance with the Anti-Money Laundering Act as amended and its implementing Rules and Regulations, shall rest with NATCCO MBAI and its Board of Trustees.

## 5.9 TRAINING OF THE BOARD OF TRUSTEES, OFFICERS AND STAFF

- 5.9.1 NATCCO MBAI shall provide the necessary training, orientation to its Personnel and Compliance Officer. The Administrative Officer or its equivalent is responsible in disseminating to the staff the new procedures and guidelines needed by the company in combating money laundering. The Board of Trustees and officers are provided the necessary training because they should be part in preventing money laundering. The officers and staff are sent to orientations, training and seminars being offered by the regulatory bodies.
- 5.9.2 NATCCO MBAI shall determine the extent of training/orientation of its personnel with the priority being given to the Compliance Officer who would be directly exposed to situations involving money laundering activities. Scope of training is on the following;
- Scope of training:
- Provisions of the AMLA and the IRR
  - The Company's AMLA Manual
  - The Company's Internal Supervision, Control, and Compliance Procedures
  - The Company's Corporate Governance Manual
  - Updates and changes on the AMLA
  - Updates and changes on Corporate Governance
  - Updates and changes on Internal Supervision, Control, and Compliance Procedures
  - Updates on BIR Regulations
  - Updates on PSE/SEC/IC Regulations
- 5.9.3 Refresher training or orientations shall be made from time to time to constantly remind key staff of their responsibilities or if there are changes in the laws and rules in money laundering.

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## 5.10 PERSONNEL RISK-BASED SCREENING AND RECRUITMENT PROCESS

5.10.1 NATCCO MBAI ensures that only competent personnel with no criminal record or integrity-related issues are employed by the Association

5.10.2 Pre-Employment Requirement

### 5.10.2.1 Pre-Employment Requirements

- Candidates shall be required to undergo pre-employment medical examination prior to hiring.
- Candidates shall be required to submit pre-employment requirements prior to the start of his or her employment.

### 5.10.2.2 Employment Contract



- Employment Contract should be presented and discussed thoroughly to the new hire.
- Employment Contract should be signed on the first day of work for the new hire.


### 5.10.2.3 New Hire Orientation

- A general orientation about NATCCO MBAI policies and work standards shall be conducted by the HR Unit to acquaint the new hire to the policies, rules, and regulations in the association.
- A job-specific orientation shall be conducted by the requesting party on the first day of employment to set job roles and expectations through the presentation of Job Description to the new hire.

## 5.11 AUDIT SYSTEM

5.11.1 The Association shall adopt an AML and terrorist financing monitoring system that is appropriate for their risk-profile and business complexity and in accordance with existing rules and regulations on AMLA under AMLC and SEC. The system should be capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the Board of Trustees and Management on anti-money laundering and terrorist financing compliance at least once

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every year or annually. Manual monitoring – The Association need not have an electronic system but must ensure that it has the means of complying with the AML regulations, its internal policies and Compliance System Manual (Monitoring and Reporting Tools).

5.11.2 The MIS/Database Specialist has attended related trainings and she is aware of the covered and suspicious transaction. The Compliance Officer also has access to this system and can randomly check anytime that database and validate all transactions.

**5.12 TIMELY CORRECTION AND ADDRESS OF THE AUDIT FINDINGS**

5.12.1 The Internal Audit shall perform a periodic review of the implementation of the policies and procedures indicated on the Anti-Money Laundering Manual to determine compliance with existing laws and regulations, evaluate adequacy and measure effectiveness. Any adverse findings shall be advised to the Compliance Officer or Compliance Coordinator and the AMLCC for appropriate action.

5.12.2 *It is the mandate of the Board of Trustees that all audit findings be addressed immediately, and should be reported during the Board Meeting.*



**5.13 COMPLIANCE OFFICER AND ALTERNATE COMPLIANCE OFFICER**


5.13.1 Management of the implementation of the Association’s Money Laundering and Terrorist Financing Prevention Program (MLPP) shall be a primary task of the designated Compliance Officer/Coordinator. To ensure independence of the division, it shall have a direct reporting line to the Board of Directors on all matters related to AML and Terrorist Financing compliance and their risk management. The designated Compliance Officer, as duly approved by the Board of Trustees to oversee and coordinate the implementation of the Compliance System, shall also oversee and coordinate the implementation of the Anti-Money Laundering Manual. The following are the primary duties and responsibilities of the Compliance Officer in relation to anti-money laundering:

5.13.2 Responds sufficiently well to inquiries pertaining to the covered person and the conduct of its business;

5.13.3 Establishes and maintains a manual of compliance procedures in relation to the business of the Association;

5.13.4 Ensures compliance by the officers and employees with the provisions of the anti-money laundering law as amended, implementing rules and regulations and this Manual; conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff

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and officers involved in ML and TF prevention, reporting channels, effectiveness of the electronic money laundering transaction monitoring system through sample testing and review of audit or examination reports. Further, to report to the AMLCC any compliance findings;

- 5.13.5 Ensures that infractions, discovered either by internally initiated audits, or by special or regular examinations conducted by applicable regulators are immediately corrected;
- 5.13.6 Apprises all responsible Officers and employees of all resolutions, circulars and other issuances by the AMLC in relation to matters aimed at preventing MF and TF and organizes the timing of AML training of Officers and employees including refresher trainings;
- 5.13.7 Alerts the BOT if it believes that the covered person is failing to appropriately address AML/CFT issues;
- 5.13.8 Acts as the liaison between the Association and the AMLC in matters relating to compliance with the provisions of the anti-money laundering law, rules and regulations; and
- 5.13.9 Prepares and submits to the AMLC written reports on the Company's compliance with the provisions of anti-money laundering law, rules and regulations, in such form and submitted at such time as the Council may determine.
- 5.13.10 All pays shall be based on the approved Salary Rates, Compensation and other Benefits Matrix

#### 5.14 DUTIES OF NATCCO MBAI

- 5.14.1 **General.** Act promptly, and treat with utmost confidentiality all requests for information and/or documents, as well as orders, to provide customer records pursuant to the AMLC's functions to investigate or conduct bank inquiry;
- 5.14.2 **Digitization of Customer Records.** Digitize all customer records in accordance with the timelines set, including those pertaining to accounts existing prior to implementation period thereof, but excluding customer records of closed accounts beyond the 5-year record keeping requirement of AMLA, as amended, and its Implementing Rules and Regulations. The requirement to digitize all customer records existing prior to implementation period shall not apply to covered persons engaged in money service business operations as defined by issuance of Banko Sentral ng Pilipinas, except when the business model of covered persons is such that the customer is able to open, keep and maintain an account as an electronic wallet or other similar electronic product or service;
- 5.14.3 **Development and Access to Central Database.** Develop a central database of customer records to be maintained in their respective head offices or main branch (head office) and

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authorize the compliance officer or any duly authorized officer or representative to have direct, immediate and unimpeded access to the database;



- 5.14.4 **Security and Integrity of Database.** Ensure compliance with the prevailing laws related to data privacy, data protection and security in developing respective databases, and their adoption of retrieval procedures;
- 5.14.5 **Format of Customer Records.** Keep all required customer records in their central databases, in such forms as may be admissible in courts or may be prescribed by AMLC; and
- 5.14.6 **Updating of Money Laundering and Financing of Terrorism Prevention Program.** Update its Money Laundering and Financing of Terrorism Prevention Program (MLPP) to ensure that foregoing duties are properly established, and appropriate controls are in place, to ensure the confidentiality of database as well as to prevent tipping-off. Said updated MLPP shall be approved by Board of Trustees, partners or owners, and the latter shall ensure its proper dissemination and implementation within the prior mentioned in these guidelines.


**5.15 SUBMISSION OF DIGITIZED RECORDS TO AMLC**

- 5.15.1 **Submission to the File Transfer and Reporting Facility (FTRF).** Whenever requested, or directed to submit customer records, the compliance officer or duly authorized officer or representative, shall submit to customer records extracted from the NATCCO MBAI’s central database to the AMLC’s FTRF, using their respective log-in credentials, or in such other mode as the AMLC may prescribe.
- 5.15.2 **Complete, accurate, timely and secure submission of Customer Records.** NATCCO MBAI shall ensure complete, accurate, timely and secure submission of customer records, in accordance with the Implementing Rules and Regulations of the AMLA and other AMLC issuances.

**5.16 IMPLEMENTATION**

- 5.16.1 **Implementation of digitization of customer records.** Within 6 months from implementation of these guidelines, NATCCO MBAI shall update the MLPP to comply with the duties set forth under these guidelines. Immediately upon effectivity of the updated MLPP, which in no case shall exceed 6 months from the effectivity of these guidelines, NATCCO MBAI shall implement the digitization of all customer records that will henceforth receive, create or open.
- 5.16.2 **Period to complete digitization of customer records.** Within 2 years from the expiration of the period stated hereof, NATCCO MBAI shall completely digitize all existing customer

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records and establish the central database that is accessible to the officers of the covered persons.

5.16.3 **Parallel updating of customer records and on-going monitoring of customers.**  
Implementation of these guidelines shall run parallel to the updating of customer records, as part of on-going monitoring of customers.

**5.17 COMPLIANCE WITH RECORD KEEPING REQUIREMENTS**

Digitization of customer records shall be without prejudice to the NATCCO MBAI's compliance with record keeping and retrieval of requirements under AMLC and its implementing rules and regulations, and resolutions, directives and other issuance of AMLC.

**5.18 SANCTIONS AND PENALTIES**

Non compliance with the guidelines shall subject NATCCO MBAI to administrative sanctions and penalties as provided under the AMLC's Rules on Imposition of Administrative Sanctions (RIAS), and shall be considered grave violations.

Since confidentiality of financial investigations is of paramount importance, breaches thereof shall constitute criminal offenses pursuant to the provisions of the AMLA and its IRR. In particular, the AMLA prohibits any person from disclosing any information in relation to a covered or suspicious transaction report, including the financial investigations initiated by AMLC as a result of its analysis of such reports.

**4. SEPARABILITY CLAUSE**



If any provision or part of this policy is declared invalid, the remaining parts or provisions not affected must remain in full force and effect.

**5. AMENDMENTS**

This Policy may be amended or modified only by a written instrument, executed by the President and approved by the Board of Trustees.

**6. DATE OF EFFECTIVITY**

This policy must take effect on the date of the approval of the Board of Trustees.

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