

TAR: PHI 38601

Technical Assistance to the
Republic of the Philippines for
Strengthening the Anti-Money
Laundering Regime (Phase II)
(Financed by the Cooperation Fund
for Regional Trade and Financial
Security Initiative)

June 2005

CURRENCY EQUIVALENTS

(as of 25 May 2005)

Currency Unit	–	peso (₱)
₱1.00	=	\$0.0184
\$1.00	=	₱54.40

ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
AMLA	–	Anti-Money Laundering Act
AMLC	–	Anti-Money Laundering Council
APG	–	Asia/Pacific Group (on money laundering)
FATF	–	Financial Action Task Force (on money laundering)
FIU	–	financial intelligence unit
NCCT	–	noncooperative countries and territories
R.A.	–	Republic Act
STR	–	suspicious transaction report
TA	–	technical assistance
UNODC	–	United Nations Office on Drugs and Crime

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Multisector: finance, law, and public policy
Subsectors	–	Banking systems, capital markets and funds, law and judiciary
Themes	–	Governance, regional cooperation
Subthemes	–	Financial and economic governance, public governance, anticorruption

GLOSSARY

Covered institution	–	An institution responsible under the law for reporting covered and suspicious transactions (e.g., banks, insurance companies, securities dealers).
Covered transaction	–	As defined by current law, a transaction or set of transactions that exceeds a value threshold of ₱500,000 within 1 banking day.
Suspicious transaction	–	As defined by current law, a transaction deemed to warrant further investigation based on certain characteristics (e.g., amount does not correspond with the client's financial capacity or previous transaction history).

NOTE

In this report, "\$" refers to US dollars.

This report was prepared by T. Hla.

I. INTRODUCTION

1. The Government of the Republic of the Philippines has requested technical assistance (TA) from the Asian Development Bank (ADB) to support its ongoing efforts to strengthen the country's anti-money laundering (AML) regime.¹ The scope and design of the TA draw upon the Government's request at the 2004 annual meeting of the Asia/Pacific Group (APG) on money laundering² as well as subsequent discussions with key stakeholders—notably the Anti-Money Laundering Council (AMLC)³ and development partners active in this area. A mission fielded in February 2005 reached an understanding with the Government on the goal, purpose, scope, implementation, cost and financing arrangements, and terms of reference for the TA.

II. ISSUES

2. The Philippines is currently in the process of strengthening implementation of its AML regime. With support from TA 3847-PHI⁴ and other development partners,⁵ key elements of an AML regime are now in place with the establishment of a functional financial intelligence unit (FIU) and strengthened legal, regulatory, and interinstitutional frameworks. Significant capacity-building support has also been provided across a range of key AML-related institutions. Appendix 1 gives a summary of recent ADB support in this area. In recognition of the substantial progress achieved in establishing its AML regime, the Philippines was removed from the Financial Action Task Force's (FATF) list of noncooperative countries and territories (NCCT) in February 2005.⁶

3. Sustained effective implementation of the AML regime, however, is now required (and is the focus of this TA). That is essential to support the Government's efforts to address fundamental and chronic governance and security issues that are retarding economic growth, as well as to demonstrate continued commitment and progress during the probationary period following the country's removal from the NCCT list.

4. A well-functioning AML regime involves the effective discharge of responsibilities by a wide range of parties—e.g., reporting of covered and suspicious transaction⁷ by covered institutions monitoring and analysis of transaction reports and related information by the FIU,

¹ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 27 October 2004.

² APG is a regional body concerned with money laundering issues. It complements the role of FATF (FATF, footnote 6) by facilitating more focused monitoring along with support of countries' efforts to establish and strengthen their AML regimes.

³ AMLC is the lead monitoring and investigative agency in this area (i.e. the financial intelligence unit). It is a tripartite body composed of the Central Bank governor, the Securities and Exchange Commission chair, and the Insurance commissioner. By composition, AMLC serves as a natural and effective mechanism for coordination in this area.

⁴ ADB. 2002. *Technical Assistance to the Republic of the Philippines for Strengthening the Anti-Money Laundering Regime*. Manila.

⁵ Notably the United States Agency for International Development, with whom there has been close and ongoing coordination.

⁶ FATF is the principal international body concerned with money laundering issues. It began the process of identifying jurisdictions with serious deficiencies in their anti-money laundering regime in 1999. The Philippines was placed on FATF's NCCT list in June 2000 as a result of this exercise and was removed from the list in February 2005. Delisting carries with it a 1-year probationary period during which significant progress on implementation is expected and will be closely monitored. FATF has noted a particular need to focus on (i) strengthening effectiveness of supervisory authorities, (ii) improving investigative tools and techniques used by law enforcement and AMLC, (iii) achieving progress on outcomes for AML-related cases currently before the courts, and (iv) strengthening identification and reporting of suspicious transactions by banks and other relevant parties.

⁷ See glossary for definitions of covered and suspicious transactions. Identification and reporting of suspicious transactions do not depend on exceeding a value threshold but rather on effective procedures in covered institutions (see glossary) and appropriate training, judgment, and compliance of staff (paras. 6 and 7).

investigation and prosecution by law enforcement agencies, and adjudication of cases by the courts. Appropriate coordination and cooperation among parties are likewise crucial to effective implementation of the regime.

5. The Philippines has made significant progress in some aspects of implementation—notably, in the reporting of covered transactions by covered institutions⁸—but bottlenecks and obstacles persist, as is suggested by the lack of convictions to date on AML-related cases. For overall implementation to be effective, it is crucial that issues are identified and addressed in a systematic rather than piecemeal fashion.

6. There are areas where effective addressing of issues can broadly support overall implementation or where the need for demonstrable progress is pressing. In particular, FATF considers the level of suspicious transactions reports (STRs) filed by covered institutions to be low⁹ and has noted the need to strengthen compliance.

7. Weak compliance appears to be due in part to perceived competitiveness and cost concerns on the part of covered institutions, job and personal security concerns¹⁰ on the part of staff, and an assumption of weak enforcement by supervisory bodies. Enforcement, in turn, is weak in part because of inadequate protection for supervisors from lawsuits by affected parties, as well as resource and capacity constraints.¹¹ Incentives, procedures, and capacity of covered institutions as well as supervisory bodies will need to be strengthened if compliance with suspicious transaction reporting requirements is to improve.

8. While a basic legal and regulatory framework to address money laundering is now in place with the passage of the Anti-Money Laundering Act (AMLA), amending legislation, and implementing rules and regulations,¹² there is a need to further strengthen AMLA¹³ as well as develop complementary legislation and regulation in key areas to support effective implementation. Among others, civil forfeiture rules must be developed to allow for timely and effective penalization of criminal activity, as processing of cases through the court system is currently lengthy as well as unpredictable.

9. Effective discharge of AML-related responsibilities by implementing institutions also clearly depends on adequate availability of appropriately trained staff. In this regard, there is need to develop locally-based training programs that allow for sustainable and cost-effective capacity building in general as well as specialized (e.g., forensic accounting) AML-related skills.

10. Finally, money laundering as well as the underlying predicate crime is often cross-border in scope (e.g., drug trafficking) and has a strong regional dimension. Addressing them effectively will require close cooperation between the Philippines and other jurisdictions. The development of strong working relationships and sharing of experience and expertise as well as

⁸ As of 31 December 2004, 22,701,905 covered transactions had been reported, and AMLC had established a system that can effectively receive and store such transactions to allow further analysis.

⁹ As of 31 December 2004, 904 suspicious transaction reports had been filed with AMLC by covered institutions.

¹⁰ For example, here is a lack of effective whistleblower protection for parties originating STRs.

¹¹ Weak enforcement by financial sector supervisory bodies is a general issue and not specific to AML regulation.

¹² Republic Act (R.A.) No. 9160 otherwise known as the Anti-Money Laundering Act of 2001 was signed into law on 29 September 2001. On 7 March 2003, R.A. No. 9194 (An Act Amending R.A. No. 9160) was signed into law.

¹³ For example, to increase the scope of institutions covered under the law in line with the revised FATF recommendations, which now extend to key nonfinancial businesses and professions such as casinos, real estate agents, dealers in precious metals and stones, lawyers, notaries, and other legal professionals, and accountants.

operational intelligence between relevant authorities across jurisdictional boundaries are crucial to facilitating this goal.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The TA is intended to deter money laundering and predicate crimes through support for strengthening the institutional framework for AML. The TA framework is in Appendix 2.

12. The major outputs expected from the TA are

- (i) a process map that systematically identifies (a) key money laundering-related vulnerabilities in the Philippines and the extent to which they are addressed by the current AML regime, and (b) bottlenecks and obstacles to effective implementation; the process map will be regime-wide in scope (i.e., from transaction reporting through to judicial enforcement) and is intended to provide a comprehensive and common frame of reference for the Government as well as interested development partners to allow for a more systematic and coordinated approach to implementation issues;
- (ii) a strategy and monitorable implementation plan for strengthening compliance with suspicious transactions reporting requirements;
- (iii) strengthened legal and regulatory framework for AML including development of complementary legislation and regulation and related technical seminars for key constituencies including legislators, legislative staff, and the judiciary;
- (iv) locally-based training programs and computer-based training materials to allow for sustainable, cost-effective capacity building;¹⁴ and
- (v) strengthened relationships between Philippine AML authorities and counterparts in selected other jurisdictions in the region.

B. Methodology and Key Activities

13. The process map will draw upon an initial desk review of relevant money-laundering typology reports and AML-related country and sector assessments followed by consultations with relevant stakeholders. Where possible, the process map will identify and make use of indicators that allow for objective assessment of the extent of vulnerabilities and bottlenecks as well as monitoring of progress in addressing them. In this regard, use of cross-country comparisons and reference to international good practice will be made where possible. To ensure consistency of findings with local circumstances and facilitate ownership by stakeholders, the process mapping exercise will be led by domestic experts, who will work in close consultation with AMLC, ADB staff, and other experts as appropriate.

14. The compliance strategy for suspicious transaction reporting will cover supervisory authorities as well as covered institutions and will build on an initial assessment of issues. The assessment will draw upon consultations with relevant stakeholders to identify weaknesses in institutional capacity, procedures, and the incentive framework for suspicious transaction reporting. The subsequent strategy will offer a coherent package of short-, medium-, and

¹⁴ Training programs under TA 3847-PHI (footnote 4) addressed the need to quickly build basic capacity in relevant institutions to allow for timely implementation of the then recently passed law (details in Appendix 1). The present TA builds on that base by providing for increased depth and scope in coverage and emphasizing cost-effectiveness and sustainability through greater use of computer-based training and local training institutions.

longer-term measures to address issues identified. Where appropriate, it will draw upon effective approaches in other jurisdictions in addressing similar issues—while taking into account local institutional constraints. The strategy will include an implementation plan, developed in close consultation with stakeholders, which makes use of relevant milestones and indicators to track changes in institutional capacity, procedural efficacy, and incentive framework.

15. Support for strengthening the legal and regulatory framework for AML will draw upon the findings of the process map to identify implementation issues that would require or benefit from changes in the framework. Particular attention will be paid to development of rules that strengthen institutional or individual incentives for AML implementation or allow for alternative means to address otherwise thorny implementation issues requiring systemic long-term solutions.¹⁵ In close consultation with AMLC and other relevant stakeholders, experts under the TA will identify key areas where changes to the legal and regulatory framework would be beneficial as well as politically feasible and provide related support.

16. Development and provision of locally based AML-related training programs will be done in close collaboration with relevant local institutions. Subjects will focus on key areas such as forensic accounting where expertise is widely needed but local training capacity does not currently exist. Particular attention will be paid to designing courses that are accessible to target audiences in terms of time and cost and tightly focused on operationally relevant content. Where appropriate, support will also be provided to facilitate integration of subject matter into mainstream curricula. Experts will work with relevant authorities and professional bodies to facilitate development of standards for course accreditation and professional certification. To facilitate future course development, establishment of linkages between local training institutions and appropriate foreign counterparts will be supported.

17. Development and provision of AML-related computer-based training materials will be done in close collaboration with the United Nations Office on Drugs and Crime (UNODC), which has developed a set of 13 computer-based training modules focused on AML-related topics. The modules provide for well-designed and targeted training that is individually monitorable, cost-effective, and user-oriented in terms of pace and scheduling. Experts under the TA will provide technical content and work with UNODC to develop additional modules to widen the scope of the existing package in line with local needs. The modules and related software and materials will be provided to AMLC and will be made available to its staff and well as staff of other relevant institutions. There will be support for installing the modules and training the staff on use and maintenance.

18. Strengthening working relationships between the Philippines' AML authorities and counterparts in selected other jurisdictions in the region will be facilitated through support for development of twinning arrangements and may include on-site visits and, where appropriate and feasible, secondment of selected staff.

C. Cost and Financing

19. The TA is estimated to cost \$575,000 equivalent, comprising \$293,000 in foreign exchange and \$282,000 equivalent in local currency. The Government has requested ADB to finance \$400,000 to cover the entire foreign exchange cost and \$107,000 equivalent of local

¹⁵ For example, for timely and effective penalization of criminal activity, civil forfeiture rules provide an alternative to reliance on processing of criminal cases through the court system.

currency costs. The TA will be provided on a grant basis by the Cooperation Fund for Regional Trade and Financial Security Initiative and administered by ADB. The Government will provide facilities and counterpart support valued at \$175,000 equivalent. The cost estimates and financing plan are in Appendix 3.

D. Implementation Arrangements

20. AMLC will be the Executing Agency for the TA. Implementing Agencies will include the Central Bank, Securities and Exchange Commission, Insurance Commission, Department of Justice, and the Supreme Court as well as other relevant courts. The TA will be implemented over 12 months and is expected to start in July 2005 and be completed by June 2006.

21. The TA will require an estimated 20 person-months of consulting services: 8 international and 12 domestic. International consulting services will be provided by (i) a compliance expert, (ii) a regulatory expert, and (iii) a forensic accounting/training development expert. Domestic consulting services will be provided by (i) a project coordinator/regulatory expert, (ii) a senior advisor (process mapping), (iii) a process-mapping expert, and (iv) a compliance expert. The project coordinator/regulatory expert will be responsible for identifying and recruiting (in consultation with other relevant experts and with ADB concurrence) additional resource persons, as needed, for implementing training programs with specialized content. Consultants will be engaged on an individual basis in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for engaging domestic consultants. Outline terms of reference are in Appendix 4. All consultants will submit an inception report detailing a draft work plan and schedule within 1 week of fielding and submit to AMLC and ADB concise, regular updates outlining progress and identifying implementation issues. The project coordinator will prepare and submit to AMLC and ADB consolidated midterm, draft final, and final reports based on individual consultant reports and consultations, as necessary, according to a schedule agreed to with AMLC and ADB.

22. UNODC will install the set of AML-related computer-based modules in a training facility administered by the AMLC secretariat and provide training on its use and maintenance. For support in producing additional modules, ADB will directly select the firm that produced the the existing set of modules to take advantage of extensive specialized experience and skills and allow for effective integration with existing software. All services, equipment, and material to support implementation of the TA will be procured by direct purchase in accordance with ADB's *Guidelines on Procurement*.

23. AMLC will disseminate relevant TA outputs through its web site. The process map will also be published in print form and provided directly to relevant stakeholders and interested development partners. Relevant TA outputs will be provided to APG to facilitate regional dissemination.

IV. THE PRESIDENT'S DECISION

24. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$400,000 to the Government of the Philippines to be financed on a grant basis by the Cooperation Fund for Regional Trade and Financial Security Initiative for Strengthening the Anti-Money Laundering Regime (Phase II), and hereby reports this action to the Board.

SUMMARY OF RECENT AND ONGOING ASIAN DEVELOPMENT BANK ANTI-MONEY LAUNDERING-RELATED SUPPORT TO THE PHILIPPINES

TA 3847-PHI: Strengthening the Anti-Money Laundering Regime (\$1 million; 2002)

Loan 2003-PHI: Second Nonbank Financial Sector Governance Program (\$150 million; 2003)

A. TA 3847-PHI: Strengthening the Anti-Money Laundering Regime

1. The technical assistance (TA) has supported the establishment and development of key elements necessary for an effective anti-money laundering regime, including a functional financial intelligence unit (FIU) and strengthened legal and interinstitutional frameworks. Key outputs include the following:

- (i) development of an anti-money laundering (AML) implementation strategy and a corresponding timebound plan;
- (ii) development of a common compliance policy that provides for transparent and, where feasible, consistent AML compliance procedures and penalties across financial sector supervisors;
- (iii) design and development of a transaction monitoring system for the FIU; and
- (iv) extensive legal advice on areas that require legislative reform.

2. Substantial capacity-building support has also been provided across a range of AML-related institutions. Training has been based on a detailed needs assessment and covers the following areas to date:

- (i) general AML awareness
- (ii) compliance for
 - (a) staff of financial institutions
 - (b) staff of supervisory authorities
 - (c) senior managers in supervisory authorities
- (iii) investigation techniques
- (iv) financial investigation
- (v) training for prosecutors and legal personnel (includes development of a prosecutors' manual)
- (vi) training for judges (includes development of an AML benchbook/resource material)
- (vii) civil forfeiture

3. Training has been complemented by support for on-site visits to Malaysia and Australia to familiarize key Philippines officials with operational aspects of functional AML regimes, and for the development of working relationships with counterpart institutions in these jurisdictions.

4. A study about to be launched will look at how to place effective AML safeguards on cell phone-based value-transfer services—an area where the Philippines has been a pioneer in the application of technology.

B. Loan 2003-PHI: Second Nonbank Financial Sector Governance Program

5. The loan included an AML component that complemented TA 3847-PHI and provided further incentives for the establishment of effective legal and inter-institutional frameworks and development of capacity necessary for a functional AML regime.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
Impact Deterrent effect on money laundering and predicate crime	<ul style="list-style-type: none"> Greater awareness of efficacy of AML regime 	<ul style="list-style-type: none"> Media reports involving prosecution/civil forfeiture with regard to money laundering-related cases 	Assumption <ul style="list-style-type: none"> Sustained commitment by stakeholders to maintaining effective AML regime
Outcome Strengthened institutional framework for AML	<ul style="list-style-type: none"> Increase in filing of STRs by covered institutions Strengthened capacity for investigation, prosecution, and adjudication of money laundering-related cases Successful investigation and prosecution of money laundering-related cases/ confiscation of money laundering-related assets 	<ul style="list-style-type: none"> STR statistics from AMLC Attendance and performance statistics from local and computer-based AML-related training programs Periodic jurisdiction/ progress reports from AMLC to FATF/APG FATF/APG evaluations (including assessment at end of 1-year monitoring period) Media reports Ongoing dialogue/ review missions 	Assumption <ul style="list-style-type: none"> Sufficient political will to effectively address bottlenecks and obstacles to implementation Risks <ul style="list-style-type: none"> Inadequate capacity in institutions responsible for implementation Weak coordination between institutions responsible for implementation Weak/perverse individual and institutional incentives that hinder effective implementation
Outputs 1. Process map identifying bottlenecks and obstacles to effective implementation of AML regime	<ul style="list-style-type: none"> Bottlenecks and obstacles to effective implementation of AML regime identified More systematic approach to addressing implementation issues by Government and development partners 	<ul style="list-style-type: none"> Feedback from stakeholder consultations on process map Ongoing dialogue/ review missions 	Assumption <ul style="list-style-type: none"> Adequate support from stakeholders for process mapping exercise Risk <ul style="list-style-type: none"> Weak ownership by Government and other stakeholders of findings of process mapping exercise

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DESIGN AND MONITORING FRAMEWORK—Continued.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
2. Strategy for strengthening compliance with suspicious transaction reporting requirements and monitorable implementation plan	<ul style="list-style-type: none"> • More effective interagency and donor coordination • Coherent strategy and implementation plan with realistic milestones and relevant monitorable indicators 	<ul style="list-style-type: none"> • Government-donor coordination meetings • Feedback from stakeholder consultations on strategy and implementation plan 	<p>Assumption</p> <ul style="list-style-type: none"> • Adequate support from stakeholders for compliance issues, assessment and formulation of monitorable implementation plan
3. AML legal and regulatory framework strengthened	<ul style="list-style-type: none"> • Identification and development of legislation/regulation (e.g., civil forfeiture) that allows for effective addressing of implementation issues identified in process map 	<ul style="list-style-type: none"> • Draft/finalized legislation or regulations 	<p>Assumption</p> <ul style="list-style-type: none"> • Sufficient political will to allow for legislative or regulatory changes
4. Locally and computer-based AML-related training programs conducted	<ul style="list-style-type: none"> • Sustainable and cost-effective capacity building in key AML-related skills (e.g. forensic accounting) 	<ul style="list-style-type: none"> • Course offerings by local training institution(s) • Provision of computer-based AML training by relevant agency/ies • Course attendance and performance statistics from training institutions/UNODC. 	<p>Risk</p> <ul style="list-style-type: none"> • Target areas identified for legislative or regulatory change are low priority/currently politically unfeasible <p>Assumptions</p> <ul style="list-style-type: none"> • Training providers provide long-term commitment to training programs • Training providers/institutions provide timely and effective collaboration in design and development of programs
5. Strengthened relationships between Philippine AML authorities and counterparts in other jurisdictions	<ul style="list-style-type: none"> • Increased contact and sharing of information and expertise between Philippine AML authorities and counterparts in other jurisdictions 	<ul style="list-style-type: none"> • Meetings/staff exchanges/MOUs and similar agreements • AMLC statistics on number of requests for assistance to and from other jurisdictions and 	<p>Assumptions</p> <ul style="list-style-type: none"> • AML authorities in other jurisdictions responsive to requests for staff exchanges/visits • Appropriate legal and institutional arrangements in other key jurisdictions to allow

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DESIGN AND MONITORING FRAMEWORK—Continued.

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
		nature of subsequent responses	exchange of AML-related information Risk <ul style="list-style-type: none"> • Turnover of staff involved in exchanges/visits
Activities with Milestones 1.1 Stakeholder consultations in support of formulation, refinement, and dissemination of process map 2.1 Stakeholder consultations in support of formulation, refinement, and dissemination of compliance strategy and implementation plan 3.1 Development (research/drafting/advocacy) of targeted AML-related legislation and regulation 4.1 Training of local instructors on delivery of AML-related courses 4.2 Conduct of AML-related pilot course(s) in conjunction with local instructors and subsequent refinement of course design and content 4.3 Development of computer-based AML-related training module(s) in conjunction with UNODC 5.1 Consultation visits/staff exchanges between Philippine AML authorities and counterparts in other jurisdictions			Inputs ADB <ul style="list-style-type: none"> • 8 months of international consulting services \$150,000 • 12 months of domestic consulting services \$60,000 • International and local travel \$20,000 • Reports and communications \$2,000 • Equipment \$2,000 • Facilitators \$1,000 • Training programs \$100,000 • Administrative costs \$5,000 • Contingencies \$60,000 Government <ul style="list-style-type: none"> • Office facilities and counterpart staff \$175,000

ADB = Asian Development Bank, AML = anti-money laundering, AMLC = Anti-Money Laundering Council, APG = Asia/Pacific Group (on money laundering), FATF = Financial Action Task Force (on money laundering), FIU = financial intelligence unit, MOU= memorandum of understanding, STR = suspicious transaction report, UNODC = United Nations Office on Drugs and Crime.

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Cooperation Fund for Regional Trade and Financial Security Initiative Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	150	0	150
ii. Domestic Consultants	0	60	60
b. International and Local Travel	20	0	20
c. Reports and Communications	1	1	2
2. Equipment	0	2	2
3. Training, Seminars, and Conferences			
a. Facilitators	0	1	1
b. Training Programs			
i. Computer-Based Training Modules	30	0	30
ii. Resource Persons/Instructors	40	0	40
iii. Course Materials	0	10	10
iv. Venues and Related Costs	0	10	10
v. On-Site Visits/Staff Exchanges with AML-Related Authorities in Other Jurisdictions	10	0	10
4. Miscellaneous Administration and Support Costs	0	5	5
5. Contingencies	42	18	60
Subtotal (A)	293	107	400
B. Government Financing			
1. Office Facilities	0	50	50
2. Remuneration and Per Diem of Counterpart Staff	0	50	50
3. Others	0	75	75
Subtotal (B)	0	175	175
Total	293	282	575

AML=anti-money laundering.

^a Administered by the Asian Development Bank (ADB).

Source: ADB estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

A. International Consultants

1. Compliance Expert (3 person-months)

1. The expert will have a track record that demonstrates ability to understand compliance issues from a supervisory as well as industry perspective, and design and implement effective solutions. Experience with risk-based approaches to supervision/compliance is highly desirable. In close collaboration with the domestic compliance expert and in consultation with relevant stakeholders, the expert will undertake these tasks:

- (i) Prepare a concise but comprehensive compliance issues assessment. The assessment will cover supervisory authorities as well as covered institutions and will identify weaknesses in institutional capacity, procedures, and incentives framework for compliance with requirements for reporting suspicious transactions. The assessment of supervisory authorities will include, but will not necessarily be limited to,
- (a) adequacy of resources available for compliance audit and enforcement and understanding of reporting requirements and procedures among relevant staff;
 - (b) extent and efficacy of compliance audit and enforcement procedures; and
 - (c) weaknesses in the incentive framework for audit and enforcement.

The assessment of covered institutions will include, but will not necessarily be limited to,

- (a) adequacy of resources devoted to compliance and understanding of reporting requirements and procedures among relevant staff;
- (b) extent and efficacy of compliance procedures; and
- (c) weaknesses in the incentives framework for compliance—this includes identifying issues such as
 - level of support by senior management and related cost and competitiveness concerns;
 - legal and administrative safeguards for staff filing suspicious transaction reports (STRs);
 - extent and efficacy of audit and enforcement actions by supervisory authorities.

(ii) On the basis of the assessment, develop a coherent strategy and related package of short, medium, and longer-term measures to strengthen compliance. The strategy will

- (a) identify measures necessary for introducing and employing a risk-based supervisory approach to anti-money laundering (AML) compliance to allow for more effective use of limited supervisory resources;
- (b) include a training strategy and implementation plan for covered institutions as well as supervisory authorities to address identified needs;

- (c) where appropriate, draw upon effective approaches in other jurisdictions in addressing issues similar to those identified in the compliance assessment—while taking into account local institutional constraints; and
- (d) include an overall compliance implementation plan that makes use of relevant milestones and indicators to track changes in institutional capacity, procedural efficacy, and the incentives framework.

2. Regulatory Expert (2 person-months)

2. The expert will have strong cross-country knowledge of AML-related legislation and regulation and significant experience in implementation/enforcement. Familiarity with the legal, regulatory, and institutional aspects of the Philippines' AML regime is desirable. In close collaboration with the domestic regulatory expert and in consultation with relevant stakeholders, the expert will

- (i) draw upon the findings of the process map to identify key areas where changes to the legal and regulatory framework would be beneficial as well as politically feasible; particular attention will be paid to identifying opportunities to strengthen institutional or individual incentives for AML implementation or allow for alternative means to address otherwise thorny implementation issues requiring systemic long-term solutions; and
- (ii) provide support to the Anti-Money Laundering Council (AMLC) and other relevant stakeholders, as necessary, to develop legislation/regulation in targeted areas. This task can include, but will not necessarily be limited to,
 - (a) cross-country comparative research and preparing of clear and concise background materials;
 - (b) identifying legal and institutional requirements required to facilitate sharing of AML-related information with other key jurisdictions;
 - (c) providing drafting assistance; and
 - (d) conducting technical seminars for key constituencies to support informed deliberation/implementation.

3. Forensic Accounting/Training Development Expert (3 person-months)

3. The expert will be a recognized authority on forensic accounting and have substantial experience in designing and conducting related training programs. In close collaboration with selected local training institution(s) and in consultation with relevant stakeholders, the expert will

- (i) develop an intensive short course on forensic accounting that will entail
 - (a) identifying target audience(s) and their training needs;
 - (b) designing a course and developing content and instructional materials in line with identified needs—particular attention will be paid to ensuring that the course is accessible in terms of time and cost and is tightly focused on operationally relevant content;
 - (c) training local instructors and joint conduct of the pilot course; and
 - (d) refining the course and related materials in line with feedback from the pilot;

- (ii) provide content and design support for integrating the subject matter into mainstream curricula;
- (iii) work with relevant authorities and professional bodies to facilitate development of standards for course accreditation and professional certification;
- (iv) identify appropriate foreign counterpart training institution(s) and facilitate development of linkages with local institution(s) to support continued exchange and updating of expertise and future course development; and
- (v) provide technical content and work with the United Nations Office on Drugs and Crime (UNODC) to develop computer-based training modules.

B. Domestic Consultants

1. Project Coordinator/Regulatory Expert (6 person-months, intermittent over 12 months)

4. The expert will have demonstrated competence in project coordination and implementation as well as a sound understanding of Philippine legislative and regulatory processes and experience in drafting legislation and regulations. Significant experience and technical expertise in at least one key area related to implementation of the AML regime is highly desirable. The expert will

- (i) provide logistical and administrative support for timely and effective implementation of the technical assistance (TA), including
 - (a) monitoring and coordinating schedules and output of other TA experts;
 - (b) preparing periodic, consolidated TA reports to be submitted to AMLC and ADB; the reports will provide concise updates on project progress, implementation issues, and workplans and schedules; they will be based on individual expert reports and consultations as necessary;
 - (c) identifying and recruiting additional resource persons (in consultation with other TA experts and with ADB concurrence), as needed, for development and implementation of training programs involving specialized content;
 - (d) organizing workshops/seminars and stakeholder meetings; and
 - (e) doing related tasks as assigned by ADB;
- (ii) provide technical support, as necessary, to the international regulatory expert and relevant stakeholders in strengthening the legal and regulatory framework for AML implementation.

2. Senior Advisor (Process Mapping) (1 person-month, intermittent over 3 months)

5. The senior advisor will have well-established integrity and authority, a wide-ranging understanding of the institutional dynamics involved in strengthening the AML regime, and the capability to effectively communicate to key constituencies the importance and advantages of necessary reforms. In close collaboration with the process mapping expert and in consultation with ADB and relevant stakeholders, the senior advisor will

- (i) give guidance in designing and conducting the process-mapping exercise;

- (ii) facilitate conduct of the exercise by arranging and, where appropriate, leading consultations with relevant senior public and private sector representatives;
- (iii) give guidance related to the content, analysis, and presentation of the process map; and
- (iv) identify key constituencies and communicate findings of the process map so as to effect necessary reforms.

3. Process-Mapping Expert (3 person-months)

6. The expert will have demonstrated ability to conduct empirical research and strong analytical and communications skills—particularly in analyzing complex issues and communicating findings clearly and concisely to a general audience. With guidance from the senior advisor and in close consultation with ADB and relevant stakeholders, the expert will

- (i) conduct fact finding and analysis for the process map;
- (ii) prepare a draft of the process map;
- (iii) revise and finalize the draft in line with feedback from the senior advisor, ADB, and relevant stakeholders; and
- (iv) support the preparation of presentations to disseminate findings to key constituencies.

4. Compliance Expert (2 person-months)

7. The expert will have a financial sector or supervisory background with strong compliance-related experience. The expert will provide support, as needed, to the international compliance expert.