



MEMORANDUM ORDER NO. 24-040/M
Series of 2024

**SUBJECT: ADOPTION OF THE CAGAYAN ECONOMIC ZONE AUTHORITY (CEZA)
CASINO ANTI MONEY LAUNDERING RISK RATING SYSTEM (CARRS)**

By the authority vested upon CEZA to implement measures as may be necessary and justified to counteract money laundering and terrorism financing, the Cagayan Economic Zone Authority (CEZA) Casino Anti-Money Laundering Risk Ratings System is hereby adopted to implement risk-based approach in supervising casinos is the development of a risk-focused examination process.

BACKGROUND

Republic Act (R.A.) 10927, otherwise known as “An Act Designating Casinos as Covered Persons under R.A. No. 9160, otherwise known as the Anti Money Laundering Act of 2001, as amended” was passed into law. The subsequent Casino Implementing Rules and Regulations was then executed between and signed by the different heads and key officials of the Anti-Money Laundering Council (AMLC), the Philippine Amusement and Gaming Corporation (PAGCOR), Cagayan Export Zone Authority (CEZA), and the Aurora Pacific Zone and Freeport (CEZA).

An essential principle in the effort to combat money laundering and terrorist financing (ML/TF) is to adopt and implement an appropriate Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) risk management system which can identify, assess, monitor, and control risks associated with ML/TF. CEZA’s adoption of a fully risk-based approach to supervision emphasized changes from a compliance-based approach to a more proactive risk-based approach and essentially, the AML/CFT rules and regulations are geared toward risk-based principles. In the course of a periodic or special examination, CEZA AML Unit monitors covered persons’ compliance with the AMLA, its CIRR, and other applicable issuances under CEZA’s supervision and regulation.

INTRODUCTION

A significant aspect in a risk-based approach in supervising casinos is the development of a risk-focused examination process, complemented by the adoption of a Casino AML Risk Rating System (CARRS). The adoption of the CARRS shall not be construed as an additional regulatory burden to covered persons or require additional policies and processes. Hence, the risk-based supervision method aims to ensure transparency, early warning signals, and encouraging self-regulation at regular intervals.

The CARRS is an internal rating system which shall be used by CEZA to understand whether the risk management policies and practices, as well as internal controls of casinos to prevent ML/TF, are in place, well disseminated, and effectively implemented. CEZA will also have an

over-all understanding of the whole casino sector's risk management policies and practices relative to the prevention of money laundering and terrorist financing.

The CARRS shall be utilized as an effective supervisory tool to ensure all covered persons are assessed in a comprehensive and uniformed manner, and supervisory attention is appropriately focused on casinos exhibiting inefficiencies in Board of Directors and Senior Management oversight and monitoring, inadequacies in their AML framework, weaknesses in internal controls and audit and defective implementation of internal policies and procedures. CEZA shall establish definitive processes in the conduct of risk assessment to aid end users to fully understand the use of the CARRS.

OVERVIEW

Under the CARRS, each covered person is assigned a Composite Rating based on an assessment of four (4) components of a casino's framework and operations in the prevention of ML/TF. These component factors shall require the following:

1. Efficient Board of Directors (BOD) and Senior Management (SM) oversight ("Management");
2. Sound AML policies and procedures embodied in a Money Laundering and Terrorist Financing Prevention Program duly approved by the Board of Directors ("MTPP");
3. Robust internal controls and audit ("Controls and audit"); and
4. Effective implementation ("Implementation").

Evaluation of the components shall take into consideration the covered person's responses to various questions that are designed to understand its business operations as well as its risk profile. The answer and reply will be assessed by the AML Unit of CEZA and shall be verified with an on-site examination. The component ratings to be assigned ranging from "4" as the highest and "1" as the lowest are discussed in every component factor.

The Composite Rating generally bears a close relationship to the Component Ratings assigned. However, the Composite Rating is not derived by computing an arithmetic average of the Component Ratings. Each Component Rating is based on a qualitative analysis of that component and its interrelationship with the other components. The Composite Rating is assigned based on a "1" to "4" numerical scale. The highest rating of "4" indicates the strongest risk management system and the most effective operational practices that entail the least degree of supervisory concern. The lowest rating of "1", on the other hand, signifies the weakest risk management system and ineffective implementation which requires the highest degree of supervisory concern including the placement of the covered institution within the framework of prompt corrective action.

The assigned Composite and Component Ratings are disclosed to the covered person's Board of Directors and senior management together with an indication of its level of compliance with AMLA, as amended, its CIRR, and other applicable issuances.

CEZA shall take into account the complexity of each interactive gaming and interactive

gaming related activities based in and offered from within the Cagayan Special Economic Zone and Free Port (CSEZFP) and shall conduct a comprehensive environmental study to address any concerns and issues with the respective business model.

For casinos who are rated as non-compliant, the provisions under the contract agreement shall be imposed, as well as other sanctions in accordance with the law, regulatory orders, guidelines, and other applicable issuances.

COMPOSITE RATINGS

Composite Rating				
Numerical Rating	4	3	2	1
Adjectival Rating	<i><u>Sound</u></i>	<i><u>Adequately Sound</u></i>	<i><u>Vulnerable</u></i>	<i><u>Grossly Inadequate</u></i>
Overall Money Laundering (ML) and Terrorist Financing (TF) Prevention Risk Management Framework (relative to size, complexity, and risk profile)	High level of Management and control without cause for supervisory concern. The risk and control framework are clearly defined and fully compatible with the nature and complexity of the casino's activities.	Acceptable level of risk management and control with minimal supervisory concern. The risk management and control framework are adequately defined and sufficiently compatible with the nature and complexity of the casino's activities.	Risk Management and Control need improvement and require more than normal supervision. Risks are insufficiently controlled and mitigated, leaving too high a residual risk for the institution. The risk management and control framework are poorly defined or insufficiently compatible with the nature complexity of the casino's activities.	Risk management needs drastic and/or immediate improvement which requires close supervisory attention. Risks are not or inadequately mitigated and are poorly controlled. The risk management and control framework is neither defined nor compatible with the nature and complexity of the casino's activities.

Components¹ Rating	<i>All or mostly 4 with no component rating less than 3</i>	<i>All or mostly 3 but no component rating less than 2</i>	<i>All or mostly 2</i>	<i>All or mostly 1</i>
Capacity to Withstand AML Risks	Most capable of withstanding AML risks and is unlikely to be used as money laundering conduit for the proceeds of unlawful activities.	It can withstand any associated AML risks and there is a low probability of it being used as a money-laundering conduit for the proceeds of unlawful activities.	Vulnerable to AML risks and may be used as a money-laundering conduit for the proceeds of unlawful activities.	Not capable of withstanding AML risks and may likely be used as a conduit for the proceeds of unlawful activities.

The Composite Ratings are defined as follows:

- 1. Composite 4** – The level of overall money laundering and terrorist financing prevention risk management and control framework relative to the size, complexity, and risk profile is high and without cause for supervisory concern. The risk and control framework is clearly defined and fully compatible with the nature and complexity of the casino’s activities. All or most of its component ratings are “4” with no component rating below “3.” It is most capable of withstanding any risk associated with money laundering and is unlikely to be used as a money-laundering conduit for the proceeds of unlawful activities.
- 2. Composite 3** – The level of overall money laundering and terrorist financing prevention risk management and control framework relative to the size, complexity, and risk profile is acceptable and with minimal supervisory

¹ Consist of (i) Efficient BOD and SM Oversight (“Management”); (ii) Sound AML policies and procedures embodied in a Money Laundering and Terrorist Financing Prevention Program duly approved by the BOD (“MLPPP”); (iii) robust internal controls and audit (“internal controls and audit”); and (iv) effective implementation.

concern. The risk management and control framework are adequately defined and sufficiently compatible with the nature and complexity of the casino’s activities. All or most of its component ratings are “3” with no component rating below “2.” It can withstand any associated AML risks and there is a low probability of it being used as a money-laundering conduit for the proceeds of unlawful activities.

- 3. Composite 2** – The level of overall money laundering and terrorist financing prevention risk management and control framework relative to the size, complexity, and risk profile needs improvement and requires more than normal supervision. Risks are insufficiently controlled and mitigated, leaving a high residual risk for the casino. The risk management and control framework are poorly defined or insufficiently compatible with the nature and

complexity of the casino's activities. All or most of its component ratings are "2." It is vulnerable to AML risks and may be used as a money-laundering conduit for the proceeds of unlawful activities.

- 4. Composite 1** – The level of overall money laundering and terrorist financing prevention risk management and control framework relative to the size, complexity, and risk profile needs drastic and/or immediate improvement and requires close supervisory attention. Risks are not or inadequately mitigated and are poorly controlled. The risk management and control framework are neither defined nor compatible with the nature and complexity of the casino's activities. All or most of its component ratings are "1." It is not capable of withstanding AML risks and may likely be used as a money-laundering conduit for the proceeds of unlawful activities

EFFICIENT MANAGEMENT OF COMPONENT RATINGS

Each of the Component Rating descriptions is discussed separately on each component factor. Moreover, a survey questionnaire will be given to a covered person during visitation and shall be answered by the AML Compliance Officer or a duly authorized officer, which will be subject to confirmation during the onsite examination.

I. DESCRIPTION

The management rating reflects the efficiency and capability of the BOD and SM oversight to identify, measure, monitor, and control money laundering risks inherent in the covered person's activities. It is recognized, however, that appropriate risk management practices vary considerably among casinos, depending on its size, complexity, and risk profile.

The BOD shall be ultimately responsible in ensuring that the covered person strictly comply with the requirements under the AMLA, its CIRR, and other applicable issuances through adoption of an appropriate ML and TF prevention framework appropriate to the casino's corporate structure, operations, and risk profile, which shall be embodied in its BOD-approved Money Laundering and Terrorist Financing Prevention Program (MTPP).

The BOD may also delegate other duties and responsibilities to SM and/or AML committees to help supervise and/or oversee the casino's compliance with the AMLA, its CIRR, and other applicable issuances. The Compliance Officer shall be responsible for effectively managing the implementation of the MTPP, specifically its ML and TF prevention practices, and procedures. The delegated authorities, together with the standard internal control measures and risk tolerance levels should also be embodied in the MTPP. This will facilitate the resolution of some or all of the following risks: (i) reputational²; (ii) operational³; (iii) legal⁴; and (iv) concentration⁵ risk.

Assessment of the overall efficiency of Board of Director and Senior Management's oversight in relation to the size, complexity, and risk profile of the covered person takes into account the following characteristics:

1. The ability of the Compliance Office to manage the MTPP;
2. Reliability, timeliness, completeness, and helpfulness of management information system;
3. Consistent and effective identification, measurement, monitoring, and controlling of risks and problems related to ML and TF (risk management practices); and
4. Independence, accuracy, and usefulness of self-assessment systems that are either proactive (through compliance testing), or reactive (through the internal audit).

For Interactive Gaming License (IGL) without any physical office within the Philippines, they shall assign a Compliance Officer which shall be of Senior Management level, or appoint a Local Gaming Agent which shall be their primary point person during compliance check. The Compliance Officer and/or the Local Gaming Agent shall be responsible in the day-to-day compliance of the IGL's AML/CFT obligations.

A dedicated Compliance Officer shall be appointed for the following: Interactive Gaming Support Service (IGSS), Interactive Gaming Systems Provider (IGSP), Data/Content Streaming Provider and Operators of Studio Gaming Set-up.

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- ² **Reputation risk** refers to the potential that an adverse publicity, whether accurate or not, will cause a loss of confidence in the integrity of the casino.
 - ³ **Operational risk** is defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people, and systems or external events.
 - ⁴ **Legal risk** is the possibility that lawsuits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or conditions of a casino.
 - ⁵ **Concentration risk** is a supervisory concern as it mostly applies on the asset side of the balance sheet. On the liabilities side, concentration risk is closely associated with funding risk or the risk of early or sudden withdrawal of funds by large depositors with potentially damaging consequences to casino's liquidity.

II. RATINGS

Component Rating ("Management")				
Numerical Rating	4	3	2	1
Over-all efficiency of the BOD and SM oversight relative to the size, complexity, and risk profile	<i>Strong and efficient oversight</i>	<i>Adequate oversight</i>	<i>Less than adequate</i>	<i>Weak oversight</i>

Sub-components rating	All or mostly 4 with no sub-component rating less than 3	All or mostly 3 but no sub-component rating less than 2	All or mostly 2 or	All or mostly 1
SUB-COMPONENTS RATING				
Numerical Rating	4	3	2	1
1.The ability of the Compliance Officer to manage the MTPP	High-level of ability to manage the MTPP resulting in minor violations/ findings	Acceptable level of ability to manage the MTPP, resulting in minimal violations/ findings	Less than acceptable ability to manage the MTPP, resulting in moderate violations/ findings.	Low ability to manage the MTPP resulting in excessive violations/ findings.
2.Management Information System (MIS) (Reliable, timely, complete, and helpful)	High-level MIS that is reliable, timely, complete, and helpful	Satisfactorily reliable, timely, complete, and helpful MIS	Less Than satisfactorily reliable, timely, complete, and helpful MIS	Low level of reliability, timeliness, completeness, and helpfulness of MIS
3. Risk Management Practices related to ML and TF prevention (consistent and effective)	High-level risk management practice that consistently and effectively identifies, measures, monitors, and control risks & problems	Satisfactorily identifies, measures, monitors, and controls risks and problems relative to ML and TF	Less than satisfactorily identifies, measures, monitors, and controls risks and problems	Low-level risk management practice
4. Pro-active or reactive Self-assessment systems (Independent, accurate, and useful)	High-level self-assessment system that is independent, accurate, and useful	Adequately independent, accurate, and useful self-assessment systems	Less than adequately independent, accurate, and useful self-assessment systems	The low-level self-assessment system

SOUND MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM (MTPP) COMPONENT RATING

I. DESCRIPTION

This rating reflects the adequacy of appropriate policies and procedures in preventing money laundering and terrorist financing as approved by the covered person's BOD and cascaded to all concerned (i.e., SM, Compliance Office and across all departments, etc.).

Assessment of the soundness of ML and TF prevention policies and procedures includes the adoption of a comprehensive and risk-based MTPP. It is understood that covered persons shall have a degree of flexibility in implementing policies and procedures which correspond to their own risk assessment. However, there are minimum legal and regulatory requirements and elements that apply regardless of the risk level as provided under AMLA, its CIRR, and other applicable issuances. Moreover, the MTPP should at least have the following features:

1. It shall be consistent with the design according to the covered person's corporate structure, risk profile, and complexity;
2. It shall be in writing (duly approved by its BOD) and well disseminated to all officers and staff who are obliged by law or by their program to implement the same;
3. It shall also be readily available in a user-friendly form, whether in hard or soft copy;
4. It shall be periodically updated to incorporate new AML issuances, changes in the casino's corporate structure and risk profile, and development of products and innovations;
5. The covered person must put up a procedure to ensure that an audit trail evidences the dissemination process for new and amended policies and procedures; and
6. The program shall embody the following at a minimum:
 - a. Detailed procedures of the covered person's compliance and implementation of the following major requirements of the AMLA, and the CIRR:
 1. The customer identification process, including acceptance policies and an ongoing monitoring process;
 2. Record-keeping and retention;
 3. Covered transaction reporting; and
 4. Suspicious transaction reporting, including the adoption of a system, electronic or manual, of flagging, monitoring, and reporting of transactions that qualify as suspicious transactions, regardless of amount or that will raise a "red flag" for purposes of future reporting of such transactions to the AMLC when their aggregated amounts breached the threshold for a covered transaction report. Suspicious transaction reporting shall include a reporting chain under which a suspicious transaction will be processed and the designation of a Board-Level or approved Committee who will ultimately decide whether or not the covered institution should file a report to the AMLC.
 - b. An effective and continuous AML/CFT training program for all directors, and responsible officers and employees, to enable them to fully comply with their obligations and responsibilities under the AMLA, its CIRR, and other applicable

issuances, their own internal policies and procedures, and such other obligations as may be required by the AMLC and CEZA;

- c. An adequate risk-based screening and recruitment process to ensure that only qualified and competent personnel with no criminal record or integrity-related issues are employed or contracted by casinos;
- d. An internal audit system and an independent audit program that will ensure the completeness and accuracy of information obtained from customers. The casino shall specify in writing the examination scope of independent audits, which shall include ensuring and checking the accuracy and completeness of identification documents, covered transaction report (CTR) and suspicious transaction report (STR) submitted to the AMLC, and records retained in compliance with this framework, as well as assuring adequacy and effectiveness of the casino's training programs;
- e. A mechanism that ensures all deficiencies noted during the audit and/or regular or special inspection/examination are immediately corrected and acted upon;
- f. Cooperation with the AMLC and CEZA;
- g. Designation of an AML compliance officer, who shall, at least, be of a senior management level, as the lead implementer of the casino's compliance program; and
- h. The identification, assessment, and mitigation of ML/TF risks that may arise from new business practices, services, technologies, and products.

II. RATINGS

Component Rating ("MLPP")				
Numerical Rating	4	3	2	1
Overall assessment of MTPP in relation to Covered Person's corporate structure, complexity, and risk profile	<i>Sound and appropriate to its corporate structure, complexity, and risk profile</i>	<i>Satisfactory and proper to its corporate structure, complexity, and risk profile</i>	<i>Less than satisfactory and does not fully support its corporate structure, complexity, and risk profile</i>	<i>Deficient</i>

Sub-components rating	All or mostly 4 with no sub-component rating less than 3	All or mostly 3 but no sub-component rating of less than 2	All or mostly 2	All or mostly 1
SUB-COMPONENTS RATING				
Numerical Rating	4	3	2	1
1. Coverage of MTPP (as to AMLA, CIRR and other applicable issuances)	<i>Comprehensively covers all regulatory requirements</i>	<i>Significantly covers all regulatory requirements</i>	<i>Needs improvement as it lacks some major provisions</i>	<i>Deficient as a majority of the provisions are not indicated</i>
2.. Risk Management Practices related to ML and TF are incorporated in the MTPP	All significant risks are identified and practices to monitor and control these risks are incorporated in the MTPP	Most significant risks are identified and practices to monitor and control these risks are adequately incorporated in the MTPP	Risks may be identified but practices to monitor and control these risks are inadequately incorporated in the MTPP	Deficient risk management practices where risks are not identified and practices and procedures are not available
3. The extent of dissemination of MTPP and level of awareness	Well disseminated to all concerned officers/staff, resulting in full awareness of their respective duties and responsibilities	Disseminated to most of the concerned officers/staff, resulting in reasonable awareness of their duties and responsibilities	Disseminated only to some of the concerned officers/staff, where the level of awareness needs improvement	Poor dissemination to concerned officers/staff and awareness of their duties and responsibilities

ROBUST INTERNAL CONTROL AND AUDIT COMPONENT RATING

I. DESCRIPTION

This component rates the adequacy and soundness of the internal controls of the covered person to identify, measure, monitor, and control money laundering risks as well as compliance with AMLA, its CIRR, and other applicable issuances. There should be an internal audit unit

that is independent and directly reporting to the BOD or audit committee. Generally, an internal audit report can be used as a reference to assess the performance of the internal control and audit function.

The internal control and audit rating is based upon, but not limited to the assessment of the following:

1. Internal Controls

a. The framework of internal controls should, at a minimum, contain the following:

- a.1. Adequate board and senior management oversight;
- a.2. Appropriate policies and procedures
- a.3. Adequate measurement and monitoring system;
- a.4. Effective internal controls and audit; and
- a.5. Continuing personnel development and training

b. Other AML controls shall be evaluated based on the following:

- b.1. Nature, scale, and complexity of the institution's business;
- b.2. Diversity of the casino operations, including geographical diversity;
- b.3. Casino customer, product, and activity profile;
- b.4. Volume and size of the transactions;
- b.5. Degree of risk associated with each area of the casino operations;
- b.6. The extent to which the casino is dealing directly with the customer or is dealing through intermediaries, third parties, counterparties, or no face-to-face access.

2. Audit Function

a. Assessment by the internal audit unit of the casino's compliance and adequacy with the AMLA and with internally established policies and procedures shall be based on the following:

- a.1. Status;
- a.2. Policies and procedures;
- a.3. Control environment; and
- a.4. Manpower complements of the internal audit department.

b. The casino's internal auditor should be able to:

- b.1. Attest to the overall integrity and effectiveness of management systems and controls and AMLA compliance;
- b.2. Test transactions in all areas of the institution with emphasis on high-risk areas, products, and services;
- b.3. Assess the following:
 - i. Employee's knowledge and regulations/procedures;
 - ii. Adequacy, accuracy, and completeness of training programs; and
 - iii. Adequacy of the institution's process for identifying suspicious activity.

II. RATINGS

Composite Rating (“Internal Control and Audit”)				
Numerical Rating	4	3	2	1
Overall assessment of Internal Controls and Audit for ML and TF prevention	<i>Robust</i>	<i>Satisfactory</i>	<i>Less than satisfactory</i>	<i>Deficient</i>
Sub-component rating	All or mostly 4 with no sub-component rating less than 3	All or mostly 3 but no sub-component rating less than 2	All or mostly 2	All or mostly 1
SUB-COMPONENTS RATING				
Numerical Rating	4	3	2	1
1. Independence and support	Fully independent and has the total support of BOD and SM	Satisfactorily independent and has sufficient support from BOD and SM	Less than satisfactory independence and/or support from the BOD and SM	Lacks independence and/or support from the BOD and SM
2. Coverage	Comprehensivel y covers all areas of concern	Significantly covers all areas of concern	Needs improvement as it fails to cover some major concerns	Deficient as a majority of the areas of concern were not covered
3. Timeliness of communication of Internal Audit Reports	Prompt communication to the BOD and Compliance Office and corrective actions are immediately taken	Communication to BOD and Compliance Office and corrective actions are within a reasonable time	Communication to BOD and Compliance Office and corrective actions need improvement	Poor communication to the BOD and Compliance Office resulting in delayed corrective actions

EFFECTIVE IMPLEMENTATION

I. DESCRIPTION

Establishment of a comprehensive and risk-based ML and TF framework embodied in the MTPP as well as internal controls and audit systems proved to be futile if not effectively implemented by SM, resulting in untimely and irrelevant information to the BOD to act on. Thus, it is equally important to assess the effectiveness of its implementation. The assessment shall take into account the implementation of the following policies and procedures on:

1. Risk-based and tiered customer acceptance and identification;
2. On-going monitoring of transactions through an effective electronic or manual AML system that is capable of watch list monitoring, initiating an investigation, providing a complete audit trail, and aggregating activities of a customer;
3. Covered Transaction Reporting system either electronic or manual that is capable of performing statistical analysis, profiling and detecting unusual patterns of activity, and accurately and completely generating all covered transaction reports with all mandatory fields properly filled up;
4. Suspicious Transaction Reporting system either electronic or manual that is capable of performing statistical analysis, profiling and detecting unusual patterns of account activity, and recording all STs and support the investigation of alerts generated by the system and brought to the attention of Senior Management whether or not a report was filed with the AMLC;
5. Record keeping and retention system; and
6. Continuing education and training program.

II. RATINGS

Component Rating (“Implementation”)				
Numerical Rating	4	3	2	1
Overall assessment of Implementation	<i>High level of effectiveness</i>	<i>Acceptable level of effectiveness</i>	<i>Implementation needs improvement</i>	<i>Poor implementation</i>
Sub-component rating	All or mostly 4 with no sub-component rating less than 3	All or mostly 3 but no sub-component rating less than 2	All or mostly 2	All or mostly 1

SUB-COMPONENTS RATING				
Numerical Rating	4	3	2	1
1. Assessment of risk-based and tiered customer acceptance and identification	Sound risk-based and tiered customer acceptance and identification	Adequate risk-based and tiered customer acceptance and identification	Risk-based and tiered customer acceptance and identification needs improvement	Deficient risk-based and tiered customer acceptance and identification
2. Ongoing monitoring of transactions and activities of customers	Robust electronic or manual AML monitoring system of transactions and activities of customers	Acceptable AML monitoring system of transactions and activities of customers	AML monitoring system of transactions and activities of customers' needs improvement	Deficient AML monitoring system of transactions and activities of customers
3. Assessment of covered transaction reporting system	Sound covered transactions reporting system	A satisfactory covered transactions reporting system	Less than satisfactory covered transactions reporting system	A poor covered transactions reporting system
4. Assessment of suspicious transaction reporting system	A sound suspicious transactions reporting system	A satisfactory suspicious transactions reporting system	Less than satisfactory suspicious transactions reporting system	A poor suspicious transactions reporting system
5. Assessment of record keeping and retention system	High level of effectiveness in record keeping and retention system	An adequate level of effectiveness in record keeping and retention system	Record keeping and retention system needs improvement	Poor record-keeping and retention system
6. Assessment of continuing education and training program	High-level effectiveness of continuing education and training program	Adequate level of effectiveness of continuing education and training program	Continuing education and training program needs improvement	Weak continuing education and training program

Annex B

SURVEY QUESTIONNAIRE⁶

A. MANAGEMENT

1. BOD and SM oversight

- a. Is there a clear guidance from the BOD of the casino's strategic and operational plans and objectives in ensuring that the casino shall not be used as a conduit to ML/TF? If so, please describe including the budget allocations to implement these plans and objectives. Have these plans and objectives been cascaded to Senior Management and responsible officers and staff? If so, state how this was done.
- b. In relation to question "a", please describe the control policies and mechanisms (e.g., reportorial requirements, rewards and disciplinary system, training program, etc.) adopted by the BOD to attain these policies and objectives.
- c. Please describe the institutional framework for ML and TF prevention. What are the roles of the BOD, Senior Management, Compliance Office, Internal Audit, and other Offices in ML and TF prevention? What reports are required to be submitted to the BOD to assist them in their decision-making processes?
- d. Please describe the risk management system relative to ML and TF prevention.
- e. Does the Compliance Office report directly to the BOD? If not, to whom does the Compliance office report? How frequent is this done?
- f. Please describe the authorities delegated by the BOD to the Compliance Office and the AML Compliance Officer related to ML and TF prevention.

⁶ Responses in this survey questionnaire will provide the inspection team with necessary information facilitating assessment of appropriate AML rating for the covered person.

- g. What other relevant oversight function/s does the BOD and Senior Management exercise to ensure the attainment of the institution's plans and objectives relative to ML and TF prevention?

2. Identification, measurement, monitoring, and controlling of risks and problems related to ML and TF

- a. Have you conducted risk profiling on all existing casino customers? If not all, what percentage of the total customer count had been profiled?
- b. Have you conducted an assessment on the risks and vulnerabilities that your casino is exposed to? Please describe how the assessment was done.
- c. What identified risks and vulnerabilities are the institutions exposed to and how are these risks and vulnerabilities measured, monitored, and controlled by the BOD and/or SM?

3. Self-assessment systems that are either pro-active, through compliance testing, or reactive, through internal audit

- a. Have you conducted an overall assessment of the casino's level of compliance with AMLA, as amended, its CIRR, and other applicable issuances? Please describe how this was done and state the frequency of the assessment.

- b. Based on the assessment, please state in percentage the level of compliance of the institution.
- c. How is a deviation from pre-set guidelines as well as deficiencies and weaknesses noted during internal and external audits corrected and what are the mechanisms undertaken to monitor the implementation of corrective measures?
- d. Has your casino recently undergone an internal audit on AML Compliance? If yes, please summarize the key findings and recommendations that were noted in the most recent internal audit report and set out the measures that the BOD has undertaken to address these findings and to monitor the same.

Key Findings	Recommended Actions	Progress/Developments

- e. Has your casino recently undertaken compliance testing of other departments, units, offices, and branches that is independent of the internal audit? If yes, please describe the process (whether on-site inspections were conducted) and summarize the key findings and/or recommendations that were noted in the most recent compliance testing report, and set out the measures that the BOD has undertaken to address these findings and to monitor the same.

Key Findings	Recommended Actions	Progress/Developments

4. Management Information System

- a. Does the casino maintain a Management Information System?
- b. Has the casino carried out an assessment of the effectiveness of the management information system as well as the AML electronic or manual monitoring system? Please specify how this is done.
- c. What reports are being submitted to the BOD or Board level/approved Committee to assist them in their decision-making processes relative to ML and TF prevention, who signs them and how frequent are they being required?
- d. Does the MIS have red flags systems alerts and can generate annual statistics?
- e. Does the casino keep annual statistics on red flags systems alerts, ML investigations, Covered Transaction Reports (CTR), Suspicious Transaction Reports (STR) broken down as to nature? If so, which Office requires and maintains the same? Please provide copies of the statistics.
- f. Does the casino keep track of dispositions of red flag systems alerts? If so, which Office requires and maintains the same? Please provide copies of the tracking report.

5. The capability of the Compliance Office in Managing the Casino's MTPP

- a. Describe the structure of the Compliance Office including the financial, human and technical resources, delegated authorities, reporting and communication line, duties and responsibilities of the Office as a whole and of individual officers and staff together with their qualifications and experience as well as standards in hiring new staff, and control mechanisms (such as the power to monitor and ensure compliance including the authority to impose sanctions or give incentives or rewards when necessary) of the Office in ensuring that the pre-set objectives are adhered by responsible officers and staff in the different Departments, Groups, Units and/or Branches?
- b. How are newly adopted policies and procedures as well as subsequent changes thereto assessed (as adequate or inadequate) and how are the results of the assessment communicated to the BOD to Senior Management, to different Departments, Units, Groups, Sub-groups, and to the Branches up to the frontliners?
- c. How is the adequacy of AML training assessed? Please specify in detail.
- d. Have you taken the necessary measures to prevent criminals or their associates from holding or being the beneficial owners of a significant or controlling interest or holding a management function, including membership in the Board or any Committee within your casino? If yes, please describe the measures taken.
- e. Do you have a screening process that ensures high standards when hiring employees? If yes, please indicate the specific policy provisions applicable.
- f. Are the directors and senior management subject to internal "fit and proper" requirements including a check on their expertise and integrity? If yes, please provide the relevant policy provisions. If election, selection or appointment is based on family ties, please indicate.
- g. How are the provisions of the MTPP disseminated to responsible officers and staff and how are their compliance assessed and monitored?
- h. What other relevant management practices does the Compliance Office exercise to manage its MTPP and ensure the attainment of the institution's plans and objectives relative to ML and TF prevention?

6. Nature of weaknesses noted and ability to address existing and potential risks and problems

- a. Has your casino undergone a previous AML Examination by CEZA? If yes, please summarize the key findings and/or recommendations that were noted in the most recent AML report and set out the measures that the BOD has undertaken to address the findings and to monitor the same.

Key Findings	Recommended Actions	Progress/Developments

- b. How is a deviation from pre-set guidelines as well as deficiencies and weaknesses noted during internal and external audits corrected and what are the mechanisms undertaken to monitor the implementation of corrective measures?

B. MONEY LAUNDERING AND TERRORIST FINANCING PREVENTION PROGRAM

1. Customer identification process

- a. Does your casino apply a risk-based approach to combating money laundering and terrorist financing? If so, please provide an overview of these policies and procedures. The overview should (1) portray the casino's philosophy towards

risk-based (does it form an integral part of the casino business framework?), (2) indicate how the relevant risk assessments are undertaken and its basis, and (3) describe the mechanism by which permitted variations from the generally applicable standards are promulgated, and what arrangements, if any, are in place to monitor the continuing suitability of the exceptions. Please provide the basis in the casino's MLPP.

- b. Does your casino permit the opening of anonymous accounts, accounts in fictitious names and other accounts not otherwise under the true and full name of the account holder? If yes, please indicate the approximate number of accounts, pertinent policies and procedures for opening, and the level of approving authority.
- c. Does your casino undertake customer due diligence (CDD) measures when:
- 1) carrying out transactions with non-carded customers?
 - 2) carrying out occasional customers?
 - 3) carrying out and receiving wire, domestic or cross border, transfers?
 - 4) carrying out junket and video streaming customers?
 - 5) Does the casino have doubts about the veracity of previously obtained customer identification documents or data?

For each of the above, please describe in detail the CDD process and the specific provision in the MTPP that apply.

- d. Explain the CDD requirements applicable to potential individual customers stating the minimum information to be obtained, IDs acceptable and its classification based on reliability (if any), and policy in updating identification information citing the specific internal policy provisions.
- e. Does your casino identify the beneficial owner of junket customers and verify the information acquired? If yes, please describe in detail including the specific internal policy provisions.
- f. Does your casino conduct ongoing due diligence on the business relationship of existing customers? If yes, please describe the extent/scope of this obligation and indicate the specific internal policy provisions.
- g. Does your casino perform enhanced due diligence for higher-risk categories of customer, business relationship or transaction and does it apply to existing

customers? If yes, please explain including reference to the list of customers considered as high risk, criteria, and factors considered in applying EDD, types of measures required, control mechanisms for managing the risks associated with dealing with these customers, validation procedures, and the specific internal policy provisions.

- h. Does your casino apply reduced due diligence where there is a low risk of ML or TF? If yes, please explain providing details of any applicable conditions/standards and specific internal policy provisions. Is this permitted with regard to customers that are resident in another country? If yes, please explain further.
- i. What does your casino do in cases where it is unable to complete the CDD measures required by existing internal rules or under the AMLA, as amended, its CIRR, and other applicable issuances? Please indicate the specific internal policy provisions that apply.
- j. What are your obligations with regard to establishing business relationships with a politically exposed person? Please describe the existing policies governing these arrangements, including the standard of due diligence that apply to them, control mechanisms to address the risks associated in dealing with them, and updating of identification information with references to specific internal policy provisions.
- k. Does your institution allow non-face-to-face services? If yes, please explain the existing policies governing these arrangements as well as the control mechanisms to address the risks associated with this type of business relationships or transactions with references to specific internal policy provisions.
- l. Do any of your businesses make use of a third party, counterparty, and the like? If yes, please identify the third party, counterparty, and the like and the due diligence undertaken on them. Please identify also the business areas which make use of them, the approval process for introducing clients, the type of relationship, and whether or not such parties perform the CDD process that would usually be undertaken by the casino.

Do you rely on a third party, counterparty, and the like to perform some of the elements of the CDD process (face-to-face or gathering of the minimum information)? If yes, please explain the existing policies governing these arrangements as well as the control mechanisms to address the risks associated with this type of business relationships or transactions with references to specific internal policy provisions.

- m. Are there instances where you outsource some of the elements of the CDD process (face-to-face or gathering of the minimum information)? If yes, please explain the existing policies governing these arrangements as well as the control mechanisms to address the risks associated with this type of business relationships or transactions with references to specific internal policy provisions.

2. Record keeping and retention process

- a. Please describe the record-keeping obligation including the type of records and information that should be maintained. Please indicate the specific internal policy provisions.

- b. Do you maintain all necessary records on all casino transactions in regard to AML/CFT, for how long? Who is the designated custodian that shall be accountable and responsible for safekeeping these documents?
- c. Do you maintain records of the identification documents and data, membership account files, and correspondence and, if so, for how long following the termination of an account or business relationship?
- d. Do you ensure that all customer and transaction records and information are available on a timely basis to competent authorities?

3. Covered and Suspicious Transaction Reporting

- a. Do you have an electronic money laundering transaction monitoring system in place? If yes, is it internally developed or purchased from a vendor, and does it have the following automated functionalities?
 - Covered and suspicious transaction monitoring – performs statistical analysis, profiling and able to detect unusual patterns of account activity;
 - Watch list monitoring – checks transfer parties (originator, beneficiary, and narrative fields) and the existing customer database for any listed undesirable individual or corporation;
 - Investigation – checks for given names throughout the history of transactions stored in the system;
 - Can generate all the CTRs of the covered institution accurately and completely with all the mandatory field properly filled up;
 - Must provide a complete audit trail;
 - Capable of aggregating activities of a customer with multiple accounts on a consolidated basis for monitoring and reporting purposes; and
 - Has the capability to record all suspicious transactions and support the investigation of alerts generated by the system and brought to the attention of Senior Management whether or not a report was filed with the AMLC.
- b. If no, please describe how you manually perform the functionalities mentioned above.
- c. Do you pay special attention to unusual transactions? If yes, how do you define unusual transactions? And what type of special measures do you implement in managing them? Please indicate the specific internal policy provisions for this requirement.
- d. Are you required to report to the AMLC an STR, when you suspect or have reasonable grounds to suspect that funds are the proceeds of criminal activity? Please describe the scope of the obligation, the decision process, and the decision-maker within the institution (whether or not to file an STR) with references to the specific internal policy provisions that mandate reporting.
- e. Does the obligation to make an STR also apply when you suspect or have reasonable grounds to suspect that funds are related to terrorism? If yes please describe the scope of this obligation, the decision process, and the decision-maker within the institution (whether or not to file an STR) with reference to the specific internal policy provisions that mandate reporting.
- f. Other than the 5 specified circumstances for filing an STR, what other instances do you report an STR or an alert has been tagged by a transaction that is similar or analogous to any of the predicate offense?

- g. What is the legal protection against potential liability available to your officers and/or staff who report their suspicion in accordance with the legal obligation to report? Please describe, by reference to the specific internal policy provisions, the scope of the protection in terms of who would benefit from it and the types of liability against which it is available.
- h. Do you prohibit your officers and staff from disclosing (“tipping off”) to any person the fact that an STR, CTR, or related information is being reported or provided to the AMLC? If they are, please describe the scope of this prohibition by reference to the specific internal policy provisions.

4. *Employment and Training Program*

- a. Please indicate the standards that apply when hiring new staff to the Compliance Office, the Internal Audit, and the casino as a whole?
- b. Please describe the casino’s AML training and refresher program with specific references to the level of training and focus on the participant, the Office tasked to implement the program, the financial, human and technical support that Office has been given and frequency of offering.
- c. Are the staff of the Compliance Office and Internal Audit Office is being provided with training for combating money laundering and terrorist financing that is different from the staff of other offices? Please give details.
- d. Do you have an ongoing employee training on AML/CFT? If yes, please indicate the last employee training on AML/CFT and the schedule for the year as well as the specific policy provisions for this requirement.

C. CONTROLS AND AUDIT

1. What is the structure of the Internal Audit Office including the financial, human and technical resources, delegated authorities, reporting and communication line, duties and responsibilities of the Office as a whole and of individual officers and staff together with their qualification and experiences as well as standards in hiring new staff, and control mechanisms of the Office in ensuring that the pre-set objectives are adhered by responsible officers and staff in the different Department, Groups, Units and/or Branches?
2. Do you establish and maintain internal procedures, policies, and controls to prevent ML and TF? How do you communicate these to the officer, staff, and employees? Please provide details with reference to the applicable policy provisions.
3. Do you maintain an adequately resourced and independent audit function that tests compliance with these procedures, policies, and controls? If yes, please indicate the available resources, financial, human and technical resources and the specific policy provisions for this requirement.

D. IMPLEMENTATION

1. *Covered and Suspicious Transaction Reporting Policies and Procedures*

- a. Do you have an electronic money laundering transaction monitoring system in place? If yes, is it internally developed or purchased from a vendor, and does it have the following automated functionalities?
 - Covered and suspicious transaction monitoring – performs statistical

- analysis, profiling and able to detect unusual patterns of account activity;
- Watch list monitoring – checks transfer parties (originator, beneficiary, and narrative fields) and the existing customer database for any listed undesirable individual or corporation;
 - Investigation – checks for given names throughout the history of transaction stored in the system;
 - Can generate all the CTRs of the covered institution accurately and completely with all the mandatory field properly filled up;
 - Must provide a complete audit trail;
 - Capable of aggregating activities of a customer with multiple accounts on a consolidated basis for monitoring and reporting purposes; and
- Has the capability to record all STs and support the investigation of alerts generated by the system and brought to the attention of Senior Management whether or not a report was filed with the AMLC.
- b. If no, please describe how you manually perform the functionalities mentioned above.
- c. Do you pay special attention to unusual transactions? What type of special measures do you implement in managing them?
- d. Are you required to report to the AMLC a suspicious transaction report – STR, when you suspect or have reasonable grounds to suspect that funds are the proceeds of criminal activity? Please describe the scope of the obligation, the decision process, and the decision-maker within the casino (whether or not to file an STR).
- e. Does the obligation to make an STR also apply when you suspect or have reasonable grounds to suspect that funds are related to terrorism? If
- Yes, please describe the scope of this obligation, the decision process, and the decision-maker within the casino.
- f. Other than the 5 specified circumstances for filing an STR, what other instances do you report an STR or an alert has been tagged using the last item- any transaction that is similar or analogous to any of the predicate crimes?
- g. What is the legal protection against potential liability available to your officers and/or staff who report their suspicion in accordance with the legal obligation to report?
- h. Does the Compliance Office keep annual statistics on red flags systems alerts, ML investigations, CT reports, ST reports broken down as to nature? Please provide copies of the statistics.
- i. Does the Compliance Office keep track dispositions of red flag systems alerts? Please provide copies of the tracking report.
- j. Do you prohibit your officers and staff from disclosing (“tipping off”) to any person the fact that an STR, CTR, or related information is being reported or provided to the AMLC?

2. Risk-based and tiered customer acceptance, identification, and ongoing monitoring policies and procedures

- a. Does your institution undertake customer due diligence (CDD) measures when:
 1. carrying out transactions with non-carded customers?
 2. carrying out occasional customers?
 3. carrying out and receiving wire, domestic or cross border, transfers?
 4. carrying out junket and video streaming customers?
 5. Does the casino have doubts about the veracity of previously obtained customer identification documents or data
- b. Does your casino conduct ongoing due diligence on the business relationship of existing customers?
- c. Does your casino perform enhanced due diligence for higher-risk categories of customer, business relationship or transaction, and does it apply to existing customers?
- d. Does your casino apply reduced due diligence where there is a low risk of ML or TF? What does your institution do in cases where it is unable to complete the CDD measures required by existing internal rules or under the AMLA, as amended, its CIRR and other applicable issuances?
- e. What does your casino do in cases where it is unable to complete the CDD measures required by existing internal rules or under the AMLA, as amended, its CIRR and other applicable issuances?
- f. In the case of non-face-to-face services, does the casino ensure that control measures to address risks associated with this type of business relationship or transactions are implemented?

3. Record-keeping and retention policies and procedures

- a. What is the type of records and information that your casino maintains?
- b. Do you maintain all necessary records on transactions and, if so, for how long following completion of the transaction? Who is the designated custodian that shall be accountable and responsible for safekeeping these documents?
- c. Do you maintain records of the identification documents and data, membership account files, and business correspondence and, if so, for how long following the termination of an account or business relationship?
- d. Do you ensure that all customer and transaction records and information are available on a timely basis to competent authorities?
- e. Do you conduct compliance testing to ensure that all units and/or branches maintain and safely store KYC and transaction records?
- f. Does the Internal Audit cover an assessment of compliance of the record-keeping and retention process?

4. Continuing education and training program

- a. Are newly-hired employees required to attend AML training?
- b. Is there an existing training and refresher program for all responsible officers and staff? Please provide a copy of the program.
- c. Are the staff of the Compliance Office and Internal Audit Office provided with



- training for combating money laundering and terrorist financing that is different from the staff of other offices?
- d. Do you have an on-going employee training on ML and TF prevention? If yes, please indicate the last employee training and the schedule for the year.
 - e. Do you conduct a regular post-test on employees to gauge their understanding of AMLA, as amended, its CIRR and other applicable issuances?

This Memorandum Order shall take effect immediately upon approval.


SEC. KATRINA PONCE ENRILE
Administrator and Chief Executive Officer

Date: SEPTEMBER 2, 2024



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