



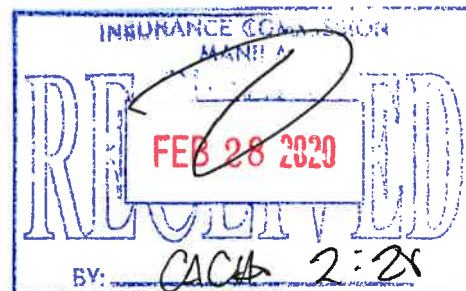
NATIONAL
REINSURANCE
CORPORATION
OF THE PHILIPPINES

Nat Re Copy

IC Circular Letter No. 2019-65

February 28, 2020

ATTY. JORGE S. BRANIA
Head of Anti-Money Laundering Division
Insurance Commission
1071 United Nations Avenue,
Ermita, Manila



**Subject: Revised Nat Re Guidelines on Money Laundering and Terrorism
Financing Prevention Program (MTPP)**

Dear Atty. Brania:

In compliance with IC Circular Letter No. 2019-65, we are pleased to submit herewith the following:

1. Notarized Sworn Certification of the board-approved Revised Nat Re Guidelines on MTPP
2. Board-Approved Revised Nat Re Guidelines on MTPP.

We trust you will find the report in order.

Sincerely,


Regina S. Ramos
Vice President and Head of Risk & Compliance

ANNEX A



REVISED NAT RE MONEY LAUNDERING AND TERRORISM FINANCING PREVENTION PROGRAM (MTPP)

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Section 1. General Policies to Combat Money Laundering and Financing of Terrorism

National Reinsurance Corporation of the Philippines (Nat Re), is committed in observing its ethical responsibility to the public and to its people. It shall comply with the requirements of the Insurance Commission (IC) for its regulated entities (ICREs) embodied in IC Circular Letter (CL) No. 2018-48, as amended by CL 2018-60, further amended by CL 2019-65, and AMLC Regulatory Issuance (ARI), A, B, and C No. 1, Series of 2020, as well as other applicable issuances of the IC, in revising Nat Re's guidelines and procedures against money-laundering and combating the financing of terrorism.

Nat Re supports the efforts and policies of the Anti-Money Laundering Council (AMLC) and the Insurance Commission in combating money laundering and preventing financing of terrorism. Considering that money laundering and financing of terrorism are serious crimes that threaten the competitiveness and openness of the Philippine economy, Nat Re shall observe the following principles throughout its business:

- a. Conform with high ethical standards and observe good corporate governance consistent with the subject guidelines to protect the integrity of Nat Re;
- b. Know sufficiently our customers to prevent criminal elements and suspicious entities from transacting with, or establishing or maintaining relationship with Nat Re;
- c. Adopt and effectively implement an appropriate *anti-money laundering and counter-terrorism financing* (AML/CTF) risk management system that identifies, understands, assesses, monitors, and controls risks associated with *money laundering and terrorist financing* (ML/TF);
- d. Comply fully with existing laws and regulations aimed at combating money laundering and terrorist financing by making sure that Nat Re officers and employees are aware of their respective responsibilities and carry them out in accordance with a superior and principled culture of compliance; and
- e. Cooperate fully with the IC, AMLC and other competent authorities for the effective implementation of the Anti-Money Laundering and Counter-Terrorism Financing Laws, their respective implementing rules and regulations, and other directives, guidance and issuances from the IC and AMLC.

SECTION 2. Definition of Terms

For purposes of this Guideline, the following terms are defined as follows:

- a) **"Anti-Money Laundering Act"** (AMLA) refers to Republic Act No. 9160, as amended by Republic Act Nos. 9194, 10167, 10365, and 10927.
- b) **"Anti-Money Laundering Council"** (AMLC) refers to the financial intelligence unit of the Philippines which is the government agency tasked to implement the AMLA and the Terrorism Financing Prevention and Suppression Act (TFPSA)
- c) **"Beneficial Owner"** refers to any natural person who:
 1. Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
 2. Has ultimate effective control over a legal person or legal arrangement; or

3. Owns the same percentage as prescribed in the Guidelines on Identifying Beneficial Ownership and the 2018 IRR, and its succeeding future amendments

Control includes whether the control is exerted by means of trusts, agreements, arrangements, understandings, or practices and whether or not the individual can exercise control through making decisions about financial and operating policies.

- d) **"Competent authorities"** refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the AMLC; the authorities that have the function of investigating and/or prosecuting money laundering, unlawful activities and terrorist financing, and seizing/freezing and confiscating any monetary instrument or property that is in any way related to an unlawful activity; authorities receiving reports on cross-border transportation of currency & bearer negotiable instruments (BNIs); and authorities that have AML/CTF supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and designated non-financial businesses and professions (DNFBPs) with AML/CTF requirements.
- e) **"Covered Transaction"** refers to:
 1. A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand Pesos (Php500,000.00) or its equivalent in any other currency; or
 2. A transaction, regardless of frequency of payment (monthly, quarterly, semi-annually) where the total premiums / fees paid for a policy, plan or agreement for the entire year exceeds Five Hundred Thousand Pesos (Php500,000.00) or its equivalent limit in any other currency.
- f) **"Corporate vehicles"** refer to legal persons and legal arrangements, as defined herein.
- g) **"Customer/Client"** refers to any person who keeps an account, or otherwise transacts business with Nat Re. It includes the following:
 1. Beneficial owner, or any natural person who ultimately owns or controls a customer and/or on whose behalf an account is maintained or a transaction is conducted;
 2. Transactors, agents and other authorized representatives of beneficial owners;
 3. Beneficiaries;
 4. A company or a person whose assets are managed by an asset manager;
 5. Trustors/grantors/settlers of a trust;
 6. Insurance policy holder/owner, insured, pre-need plan holder HMO client, or HMO enrolled member, whether actual or prospective; and
 7. Juridical Person, who shall refer to an entity other than a natural person as defined under the Civil Code of the Philippines, including corporate clients who keep or maintain an account with a covered person.
- h) **"Financing of Terrorism"** is a crime committed by a person who, directly or indirectly, willfully and without lawful excuse, possesses, provides and collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the unlawful and willful intention that they should be used or with the knowledge that they are to be used, in full or in part: (i) carry out or facilitate the commission of any terrorist act; (ii) by a terrorist organization, association or group; or (iii) by an individual terrorist.

i) **“Legal Arrangements”** - refers to express trusts or other similar legal arrangements. Examples of other similar arrangements (for AML/CTF purposes) include *fiducie*, *treuhand* and *fideicomiso*.

j) **“Legal Owners”** - the natural or juridical persons who own at least twenty percent (20%) of the corporate vehicle.

k) **“Materially-linked Accounts”** shall include the following:

1. All accounts or monetary instruments under the name of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or an order of inquiry;
2. All accounts or monetary instruments held, owned, or controlled by the owner or holder of the accounts, monetary instruments, or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another person;
3. All “In Trust For” accounts where either the trustee or the trustor pertains to a person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry;
4. All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry;
5. All accounts of juridical persons or legal arrangements that are owned, controlled or ultimately effectively controlled by the natural person whose accounts, monetary instruments or properties are subject of the freeze order or order of inquiry, or where the latter has ultimate effective control; and
6. All other accounts, shares, units, or monetary instruments that are similar, analogous, or identical to any of the foregoing.

l) **“Monetary Instrument”** shall include, but is not limited to the following:

1. Coins or currency of legal tender of the Philippines, or of any other country;
2. Credit instruments, including bank deposits, financial interest, royalties, commissions, and other intangible property;
3. Drafts, checks and notes;
4. Stocks or shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract, instrument, whether written or electronic in character, including those enumerated in Section 3 of the Securities Regulation Code;
5. A participation or interest in any non-stock, non-profit corporation;
6. Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates, custodial receipts, or deposit substitute instruments, trading orders, transaction tickets, and confirmations of sale or investments and money market instruments;
7. Contracts or policies of insurance, life or non-life, contracts of suretyship, pre-need plans, and member certificates issued by mutual benefit association; and
8. Other similar instruments where title thereto passes to another by endorsement, assignment, or delivery.

m) **“Monetary Instrument or Property Related to an Unlawful Activity”** refers to:

1. All proceeds of an unlawful activity;
2. All monetary, financial or economic means, devices, accounts, documents, papers, items, or things used in or having any relation to any unlawful activity;
3. All moneys, expenditures, payments, disbursements, costs, outlays, charges, accounts, refunds, and other similar items for the financing, operations, and maintenance of any unlawful activity; and
4. For purposes of freeze order and bank inquiry: related and materially-linked accounts.

n) “Money Laundering” – Money Laundering is committed by:

1. Any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:
 - a. Transacts said monetary instrument or property;
 - b. Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
 - c. Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
 - d. Attempts or conspires to commit money laundering offenses referred to in (a), (b), or (c) above;
 - e. Aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (a), (b), or (c) above; and
 - f. Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (a), (b) or (c) above.
2. Any covered person who, knowing that a covered or suspicious transaction is required under the AMLA, as amended, to be reported to the AMLC, fails to do so.

o) “Offender” refers to any person who commits a money laundering offense

p) “Identification Document” (ID) refers to any of the following identification documents:

1. For Filipino citizens: Those issued by any of the following official authorities:
 - a. Phil ID
 - b. Other identification issued by the Government of the Republic of the Philippines, including its political subdivisions, agencies and instrumentalities; and
 - c. Other identification documents that can be verified using reliable, independent source documents, data or information.
2. For foreign nationals:
 - a. Phil ID, for resident aliens;
 - b. Passport;
 - c. Alien Certificate of Registration; and
 - d. Other identification documents issued by the Government of the Republic of the Philippines, including its political subdivisions, agencies, and instrumentalities.
3. For Filipino students:
 - a. Phil ID;
 - b. School ID signed by the school principal or head of the educational institution; and
 - c. Birth Certificate issued by the Philippine Statistics Authority; and
4. For low risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the customer’s identity.

q) “Juridical Person” refers to any entities other than natural persons created by law and recognized as a legal entity having distinct identity, legal personality and duties and rights that can establish a permanent customer relationship with a financial institution. This can include companies, bodies corporate, foundations, partnerships, or associations and other relevantly similar entities.

r) “Person” refers to any juridical or natural perso

s) “Politically Exposed Person” (PEP) refers to an individual who is or has been entrusted with prominent public position in (1) the Philippines with substantial authority over policy,

operations or the use or allocation of government-owned resources; (2) a foreign State; or (3) an international organization.

- a. **"Immediate Family Member of PEPs"** refers to individuals related to the PEP within the second degree of consanguinity or affinity.
- b. **"Close Relationship/Associates of PEPs"** refer to persons who are widely and publicly known, socially or professionally, to maintain a particularly close relationship with the PEP and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP.
- t) **"Proceeds"** refers to an amount derived or realized from any unlawful activity.
- u) **"Property"** refers to anything or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit, privilege, claim, or right with respect thereto, including:
 - 1. Personal property, including proceeds derived therefrom, or traceable to any unlawful activity, such as, but not limited to:
 - a. Cash;
 - b. Jewelry, precious metals and stones, and other similar items;
 - c. Works of art, such as paintings, sculptures, antiques, treasures, and other similar precious objects;
 - d. Perishable goods; and
 - e. Vehicles, vessels, aircraft or any other similar conveyance.
 - 2. Personal property, used as instrumentalities in the commission of any unlawful activity, such as:
 - a. Computers, servers and other electronic information and communication systems; and
 - b. Any conveyance, including any vehicle, vessel, and aircraft.
 - 3. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or asset preservation order is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:
 - a. Derived from, or traceable to, any unlawful activity; or
 - b. Used as an instrumentality in the commission of any unlawful activity.
- v) **"Related Accounts"** refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.
- w) **"Suspicious Transaction"** refers to a transaction, regardless of amount, where any of the following circumstances exists:
 - 1. There is no underlying legal or trade obligation, purpose or economic justification;
 - 2. The customer is not properly identified;
 - 3. The amount involved is not commensurate with the business or financial capacity of the customer;
 - 4. Considering all known circumstances, it may be perceived that the customer's transaction is structured to avoid being the subject of reporting requirements under the AMLA;
 - 5. Any circumstance relating to the transaction which is observed to deviate from the profile of the customer and/or the customer's past transactions with the covered person;
 - 6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be committed, is being or has been committed; or

7. Any transaction that is similar, analogous or identical to any of the foregoing.

- x) **“Transaction”** refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered person.
- y) **“Ultimate Effective Control”** - refers to a situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control.
- z) **“Unlawful Activity”** refers to any act or omission, or series or combination thereof, involving or having direct relation to the following: *(as defined and enumerated under Chapter 1, Rule 3 of 2018 IRR of RA 9160, otherwise known as the Anti-Money Laundering Act of 2001, as Amended)*

1. *Kidnapping for ransom*
2. *Drug trafficking and other violations of the Comprehensive Dangerous Drugs Act of 2002*
3. *Graft and corruption*
4. *Plunder*
5. *Robbery and extortion*
6. *Jueteng and Masiao*
7. *Piracy on the high seas*
8. *Qualified Theft*
9. *Swindling*
10. *Smuggling*
11. *Violations of the Electronic Commerce Act of 2000*
12. *Hijacking*
13. *Terrorism & conspiracy to commit terrorism*
14. *Financing of terrorism*
15. *Bribery and corruption of public officers*
16. *Frauds and illegal exactions & transactions*
17. *Malversation of public funds*
18. *Forgeries and counterfeiting*
19. *Trafficking in Persons*
20. *Violations of the revised Forestry Code*
21. *Violations of Philippine Fisheries Code of 1998*
22. *Violations of the Philippine Mining Act of 1995*
23. *Violations of Wildlife Resources Conservation & Protection Act*
24. *Violations of National Caves and Cave Resources Management Protection Act*
25. *Carnapping*
26. *Illegal/Unlawful possession of firearms, ammunition or explosives*
27. *Fencing*
28. *Illegal recruitment*
29. *Violations of Intellectual Property Code of the Philippines*
30. *Voyeurism*
31. *Child Pornography*
32. *Child Prostitution*
33. *Violations of the Securities Regulation Code (RA No. 8799)*
34. *Felonies or offenses of a similar nature that are punishable under the penal laws of other countries.*

Section 3. Role of the Board of Directors, Senior Management and Compliance Officer

Nat Re's Board of Directors is ultimately responsible for ensuring compliance with the AML/CTF Guidelines, the AML and CTF Laws, the respective implementing rules and regulations, and other directives, guidance and issuances from the IC and AMLC.

Senior management shall oversee the day-to-day management of Nat Re, ensure effective implementation of the AML/CTF policies approved by the board and alignment of activities with the strategic objectives, risk profile and corporate values set by the Board. Senior management shall establish a management structure that promotes accountability and transparency and upholds checks and balances.

A. The Compliance Office shall be mainly responsible for implementing Nat Re's ML/TF prevention program and guidelines. To ensure the independence of the office, it shall have a direct reporting line to the Board's Governance & Related Party Transaction Committee (GRPT) on all matters relating to AML and CTF compliance and risk management. It shall also be responsible for the following:

1. Ensure compliance by all responsible officers and employees with the AML/CTF Guidelines, the AML and CTF Laws, the respective rules and regulations, other directives, guidance and issuances from the IC and AMLC and this ML/TFPP.
2. Conduct periodic compliance checking which covers, among others, evaluation of existing processes, policies and procedures including on-going monitoring of performance by staff and officers involved in ML and TF prevention, reporting channels, effectiveness of AML and CTF transaction monitoring system and record retention system through sample testing and review of audit or checking report. Report compliance findings to the board;
3. Ensure that infractions, discovered either by internally initiated audits, or by special or regular compliance checking conducted by the IC and/or AMLC are immediately corrected;
4. Inform all responsible officers and employees of all resolutions, circulars and other issuances by the IC and/or the AMLC in relation to matters aimed at preventing ML and TF;
5. Alert senior management and the board of directors if it believes that Nat Re is failing to appropriately address AML/CTF issues; and
6. Organize the timing and content of AML/CTF training of officers and employees including regular refreshers training.

B. Designation of a Compliance Officer

The designated Compliance Officer shall be of management level with authority and mandate to ensure day-to-day compliance with its AML/CTF obligations. Another official may also be designated to be responsible and accountable for all record keeping requirements such as making records of customer identification and transaction documents readily available during compliance checking and investigation.

C. Implementation of a comprehensive MTPP

Nat Re's Board of Directors shall approve and the Compliance Officer shall implement a comprehensive and risk-based Money Laundering and Terrorism Financing Prevention Program (MTPP) geared towards the promotion of high ethical and professional standards and the prevention of ML and TF. This ML/TFPP shall be updated once every two years or whenever necessary to reflect relevant changes.

D. Reporting to the Insurance Commission

The Compliance Officer shall submit to the IC not later than fifteen (15) days from the approval of the Board the new/updated MTPP a sworn certification that a new/updated MTPP has been prepared, duly noted and approved by the Board.

Section 4. Risk Management Policy and Procedures

Nat Re shall develop sound risk management policies and procedures to ensure that risks associated with money laundering and terrorist financing such as counterparty, reputational, operational and compliance risks are identified, assessed, monitored, mitigated and controlled, as well as ensure effective implementation of this Guidelines.

The four (4) areas of effective risk management are (a) *adequate and active board and senior management oversight*, (b) *acceptable policies and procedures embodied in the MTPP*, (c) *appropriate monitoring and Management Information System* and (d) *comprehensive internal control and audits*.

Section 5. Guidelines on Anti- Money Laundering and Counter Terrorism Financing (AML/CTF)

To combat money laundering and terrorist financing, Nat Re shall adopt the following guidelines, procedures and controls:

A. Customer Due Diligence

Before a business relationship is established, Nat Re shall take steps to establish and record the identity of the customer based on official documents. Nat Re shall maintain a system of verifying the customer's legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf. Nat Re shall establish appropriate system and methods, and adequate internal controls, compliant with the AMLA, RIRR, other AMLC issuances, guidelines issued by the IC and internationally accepted anti-money laundering standards, for verifying and recording the true and full identity of the clients.

In conducting customer due diligence, a risk-based approach shall be undertaken depending on the type of customer, business relationship and nature of the transaction.

1. Customer Identification –

- a. For minimum customer information and identification of documents, the designated Reinsurance Operations team shall gather Identification information as follows:

- a. Full Name of entity;
- b. Name of authorized representative/transactor/signer;
- c. Current Office address;
- d. Contact number or information;
- e. Nature of business;
- f. Source of fund
- g. Specimen signature or biometrics of the of authorized representative/transactor/signer; and
- h. Name, address, date and place of birth, contact number or information, sex, and citizenship or nationality of beneficiary and/or beneficial owner, if applicable.

and obtain all the following identification documents:

- a. Certificates of Incorporation issued by the Securities and Exchange Commission (SEC);
- b. Articles of Incorporation;
- c. Registration Data Sheet/Latest General Information Sheet (GIS);

- d. Secretary's Certificate citing the pertinent portion of the Board or Partners' Resolution authorizing the signatory to sign on behalf of the entity;
- e. For entities registered outside of the Philippines, similar documents and/or information duly authenticated by a senior officer of the covered person assigned in the country of registration; in the absence of said officer, the documents should be authenticated by the Philippine Consulate, company register or notary public, where said entities are registered.

The company shall understand the nature of the customer's business, its ownership and control structure.

b. Verification of beneficial ownership –

Nat Re shall identify and take reasonable measures to verify the identity of beneficial owners through the following information:

- a. the identity of the natural persons, if any, who ultimately have controlling ownership interest in the corporation;
 - b. to the extent that there is doubt under (a) above, as to whether the persons with controlling ownership interest are the beneficial owners or where no natural person exerts control through ownership interests, the identity of the natural persons, if any, exercising control over the corporation through other means; and
 - c. where no natural person is identified under items (a) and (b) above, the identity of the relevant natural persons who hold senior management positions.
- c. Undertake additional verification measures if there is reason to doubt the accuracy of the data given or the veracity of the identification documents presented. Check further on any significant change in the client company's structure or ownership. Details of additional checking made should be recorded.

2. Risk Assessment

Nat Re shall:

- i. Identify, assess and understand the AML/CTF risks in relation to its customers, its business, products and services, geographical exposures, transactions, delivery channels, and size, among others; and appropriately define and document its risk-based approach. The risk assessment shall include both quantitative and qualitative factors.
- ii. Institute the following processes in assessing the ML/TF risks:
 - a. Document risk assessments and findings;
 - b. Consider all the relevant risk factors, including the results of national and sectoral risk assessment, before determining what is the level of overall risk and the appropriate level and type of mitigation to be applied;
 - c. Keep the assessment up-to-date through periodic review; and
 - d. Ensure submission of the risk assessment information as may be required by the IC.

Nat Re transactions are considered as "low risk" transactions due to the following:

- i. Transactions are mostly with the local/domestic insurance companies /professional reinsurers/intermediaries duly licensed by the Insurance Commission, and are also vetted through their respective MTPP.
- ii. Foreign incoming/outgoing treaty arrangements are reported to the Insurance Commission, as required, for good order.

3. On-going Monitoring of Customers, Accounts and Transactions

Nat Re shall on the basis of materiality and risk, ensure that pertinent identification information and documents collected under the CDD process are kept up-to-date and relevant.

It shall secure the consent of its customers to be bound by obligations set out in the relevant United Nations Security Council Resolutions relating to the prevention and suppression of proliferation of financing of weapons of mass destruction, including the freezing and unfreezing actions as well as prohibitions from conducting transactions with designated persons and entities.

4. Monitoring and Reporting System

Nat Re maintains a system that allows it to report regularly and consistently the prescribed CTR and/or STR as applicable on a timely basis. While no fully electronic monitoring system is in place for flagging and monitoring subject transactions, a manual process is in place to monitor exceptions and report any Suspicious Transactions (STs) accordingly. This monitoring system is capable of generating timely, accurate and complete reports to lessen the likelihood of any reputational and compliance risks, and to regularly apprise the board of directors and senior management on AML/CTF compliance. Depending on the development of our risk-profile and growing business complexity, there is a continuous assessment of the need to have a reasonable electronic monitoring system to be in place.

B. Record Keeping and Retention

The departments concerned must ensure that robust record-keeping is maintained and that, as a minimum, documents listed shall be maintained and safely stored for five (5) years from the date of transactions for all records of customer identification and transaction documents:

- Documentation regarding identifying and knowing your customers (*Life and Non-Life Reinsurance Operations*);
- Reports submitted to the authorities concerning the suspicious activities of a customer in connection with potential money laundering and/or terrorist financing, along with any supporting documentation (*Finance*);
- Registers of training on money laundering and terrorist financing (*Compliance*); and any other documents or registers that must be kept per applicable legislation of anti-money laundering or counter-terrorist financing.

If a case has been filed in court involving the account, records must be retained and safely kept beyond the five (5)-year period, until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality.

C. Reporting of Covered and Suspicious Transactions

Nat Re's Finance department shall be responsible in regularly reporting to the AMLC the Covered Transaction Report (CTR) within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof.

For suspicious transactions, it shall be filed within the next working day from the occurrence thereof, which shall be the date of establishment of suspicion or determination of the suspicious nature of the transaction.

Should a transaction be determined to be both a covered and suspicious transaction, it shall be reported as a suspicious transaction. In this regard, it shall be reported first as a CTR, subject to updating if it is finally confirmed to be reportable as STR.

Nat Re's directors, officers and employees are prohibited from communicating, directly or indirectly, in any manner or by any means, to any person or entity, or the media, the fact that a covered or suspicious transaction has been or about to be reported, or any other information in relation thereto.

The due diligence process shall flag any suspicious transaction and this shall be reported to the Finance team for proper reporting to AMLC.

Relative to IC Circular No. 2013-06 and AMLC Resolution No. 10, Series of 2013, the Council resolved to enjoin all covered institutions to defer reporting of the "no/low risk" covered transactions including that of the Insurance Commission, as follows:

- a. Transactions between domestic insurance companies / professional reinsurers/intermediaries licensed by the Insurance Commission;*
- b. Renewal of non-life insurance policies under the same terms and conditions provided that a CTR has been previously filed;*
- c. Automatic premium advance;*
- d. Collection of premium payments from telemarketing, or direct marketing or through SMS and/or by way of salary deductions, where the bulk settlement exceeds Php500,000.00 but the individual transactions are below the reporting threshold amount;*
- e. Group Life Insurance and Hospitalization Insurance;*
- f. Transactions of members of Mutual Benefit Associations pertaining to basic benefits; Payment of loan and/or its corresponding interest regardless of the manner of payment, provided that the grant of loan was previously reported as covered transaction;*
- g. Bulk settlement of claims on death and disability benefits of a policy where individual claim does not exceed Php500,000.00;*
- h. Transactions coursed through brokers, agents and other intermediaries, in which case, however, the insurance company (principal) shall report the said transactions;*
- i. Internal operating expenses and capital expenditures of covered institutions- These are necessary expenses of covered institutions for the normal day-to-day running of a business. These are transactions of covered institutions and, therefore, not reportable. These may include payment of salaries, taxes, debt service, SSS premiums, PAG-IBIG contributions and employees' benefits.*
- j. Adjusting entries or reclassification of accounts.*

D. Training and Awareness

Nat Re through its Compliance Office shall provide training to all responsible directors, officers and employees to enable them to fully comply with their obligations and responsibilities. This must be facilitated through:

1. Developing or creating opportunities for, continuing education and training programs for responsible directors, officers and employees to promote AML/CTF awareness and strong compliance culture.
2. Training programs shall include relevant topics, such as: a) *Overview on ML/TF, and the AMLA and TFPsA*; b) *Roles of directors, officers and employees in ML/TF prevention*; c) *Risk Management*; d) *Preventive measures*; e) *Compliance with freeze, bank inquiry and asset preservation orders, and all directives of the AMLC*; f) *Cooperation with the AMLC and the IC*; and g) *International standards and best practices*.
3. Attendance by directors, officers and employees in all education and training programs, whether internally or externally organized, shall be documented.
4. Provide refresher training program at least every three (3) years. If there are new developments brought about by new legislations, rules and regulations, and other IC and/or AMLC issuances, immediately cascade this information to the responsible officials and employees and document accordingly.

E. Employee Screening

Nat Re's Human Resource department will conduct an adequate screening and recruitment process to ensure, that only qualified personnel who have no criminal record(s) or adverse circumstances in their background that would entail a risk of involvement in money-laundering or terrorist financing, are employed to assume sensitive functions in Nat Re.

F. Independent Review of the Money Laundering and Terrorist Financing Prevention Program (MTPP)

The Internal Audit will include in the audit program the review of the completeness and accuracy of information obtained from customers, the covered and suspicious transaction reports submitted to AMLC, and all other records and internal control pertaining to compliance with AML/CTF obligations. Internal audit shall be conducted at least once a year.

I. Scope of Internal Audit

The internal audit function shall be responsible to perform an independent review on a regular basis or at least every once a year and establish an audit program to obtain reasonable assurance on Nat Re's compliance with the applicable AML/CTF laws and regulations.

The internal audit program, at a minimum, shall include the following:

- a. Verify the existence and implementation of the duly approved AML/TFPP;
- b. Perform independent evaluation of the risk assessment and management to prevent and detect potential ML/TF activities;

- c. Review the internal control mechanisms related to the customer due diligence such as:
 - 1. the determination of the existence of customers, and
 - 2. the accuracy and completeness of the minimum customer information and documents from reliable independent sources;
- d. Check the establishment and effectiveness of a monitoring system for AML/CTF with a name screening mechanism, whether electronic or manual, that is capable of generating timely report;
- e. Verify whether a duly authorized compliance officer of a senior management status is designated to monitor day to day compliance of Nat Re with AML/CTF obligations;
- f. Evaluate whether all responsible directors, officers and employees have:
 - 1. Adequate training and continuing education program,
 - 2. Unrestricted access to AML/CTF guidelines, and
 - 3. Undergone systematic employee screening before onboarding;
- g. Assess the compliance with the other AML/CTF requirements as follows:
 - 1. to keep and retain records of the customers' transactions and documents for at least five (5) years,
 - 2. to identify, monitor and report CT and ST to the competent authorities,
 - 3. to cooperate and comply with investigations, assessments, directives and orders of the Insurance Commission and other competent authorities,
 - 4. to obtain appropriate level of approval for new products and business practices,
 - 5. to monitor and update the required information and identification documents of existing customers,
 - 6. to formulate or update the AML/TFPP in accordance with the applicable AML/CTF laws and their respective implementing rules and regulations, and other directives, guidance and issuances from the IC and AMLC.

II. Reporting of Internal Audit Results

The internal audit function shall have the support of the board of directors and senior management to effectively perform its responsibilities and shall report directly to the board's audit committee.

The results of the internal audit shall be timely communicated to the senior management, compliance officer and board of directors and shall be available to the Insurance Commission and other competent authorities upon request for compliance checking.

The internal audit function shall be assisted by the risk and compliance function on monitoring the corrective actions taken by the concerned business unit and shall report to the board's risk oversight committee on management's action to address deficiencies noted in the internal audit report.

Section 6: Administrative Actions

The IC shall impose administrative sanctions upon Nat Re, including its board of directors, senior management and officers, for violations of these Guidelines, or for failure or refusal to comply with the orders, resolutions and other issuances of the IC.

Violation of the regulatory guidelines for AML/CTF shall be subject to the following enforcement actions against the board of directors, senior management and officers by the IC, not necessarily according to priority and whenever applicable:

- a. Written reprimand;
- b. Suspension or removal from the office they are currently holding; or
- c. Disqualification from holding any position in any covered institution.

Further, failure to comply with the requirements under AML/CTF Guidelines shall be taken into account in the renewal of Nat Re's Certificate of Authority.

In addition to the non-monetary sanctions stated above, the IC shall also impose monetary penalties against Nat Re (*classified under Large A entity, with total asset base of Php 1.0 B to Php 50.0 B*) based on the following specific violations and their corresponding fines:

GRAVE VIOLATIONS	FINE
1. Full access of the Compliance checker. Non-compliance with the requirement to immediately make available, give full access and submit to the compliance checker any and all information and documents, including customer record and transaction documents, as he or she may require and/or to allow the officers and staffs of Nat Re be interviewed during compliance checking.	Computation of fine is on per customer or violation basis. P150,000.00 per violation, but not exceeding P3.750 Million
2. Digitization of customer records. Non-compliance with the Guidelines on Digitation of Customer Records	Computation of fine is on per account or customer basis. P150,000.00 per violation, but not exceeding P3.750 Million
MAJOR VIOLATIONS	FINES
1. Customer Identity. Non-compliance with the requirement to establish and record the true identity of each customer and/or person on whose behalf the transaction is being conducted.	Computation of fine is on per customer basis. P 75,000.00 per violation but not exceeding P750,000.00
2. Record retention. Non-compliance with the requirement to retain and safely keep records beyond the five (5)-year period, where the account is the subject of a case, until it is officially confirmed by the AMLC Secretariat that the case has been resolved, decided or terminated with finality.	Computation of fine is on per account basis. P75,000.00 per violation, but not exceeding P750,000.00
3. Reporting of suspicious transactions. Non-compliance with the requirement to report to the AMLC suspicious transactions. Reporting of suspicious transactions to the AMLC beyond the prescribed period shall constitute non-compliance with the requirement to report	Computation of fine is on per transaction basis. P75,000.00 per violation, but not exceeding P750,000.00
SERIOUS VIOLATIONS	FINES
1. Reporting of covered transactions. Non-compliance with the requirement to report to the AMLC covered transactions. Reporting of covered transactions to the AMLC beyond the prescribed period shall constitute non-compliance with the requirement to report.	Computation of fine is on per transaction basis P 37,500.00 per violation but not exceeding P375,000.00
2. Customer verification. Non-compliance with the requirements on Customer Verification.	Computation of fine is on per customer basis P 37,500.00 per violation but not exceeding P375,000.00


3. Customer risk profiling. Non-compliance with the requirements on Customer Risk Profiling	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
4. Institutional risk assessment. Non-compliance with the requirements to conduct institutional risk assessment	Computation of fine is on per compliance checking or monitoring basis P 37,500.00 per violation but not exceeding P375,000.00
5. Risk assessment. Non-compliance with the requirements on new product, new business practice or new technology risk assessment.	Computation of fine is on per new product, new business practice or new technology basis P 37,500.00 per violation but not exceeding P375,000.00
6. Politically-exposed persons (PEPs). Non-compliance with the requirements of the provisions on Politically-Exposed Persons	Computation of fine is on per customer basis P 37,500.00 per violation but not exceeding P375,000.00
7. High-risk jurisdiction. Non-compliance with the requirements of the provisions on High-Risk Jurisdiction or Geographical Location	Computation of fine is on per customer basis P 37,500.00 per violation but not exceeding P375,000.00
8. Update customer information. Non-compliance with the requirement to monitor and update all information and identification documents of existing customers	Computation of fine is on per customer basis P 37,500.00 per violation but not exceeding P375,000.00
9. Transaction monitoring system. Non-compliance with the requirement to establish a transaction monitoring system	Computation of fine is on per compliance checking or inspection basis P 37,500.00 per violation but not exceeding P375,000.00
10. Anonymous accounts. Allowing the opening of anonymous accounts, accounts under fictitious names, and all other similar accounts.	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
11. Record retention. Non-compliance with the requirement to maintain and safely store for at least five (5) years from the dates of transactions, or from dates the accounts were closed, all records of transactions, including customer identification documents.	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
12. AMLC Registration. Non-compliance with the requirement to register with the AMLC's electronic reporting system within the prescribed period.	Computation of fine is on per compliance checking or monitoring basis P 37,500.00 per violation but not exceeding P375,000.00
13. Update AMLC Registration. Non-compliance with the requirement to update registration with the AMLC's electronic reporting system as required under the ARRG.	Computation of fine is on per compliance checking or monitoring basis P 37,500.00 per violation but not exceeding P375,000.00
14. Update the MTPP. Non-compliance with the requirement to formulate or update the MTPP in accordance with the provisions of the AML and CTF Laws, their respective implementing rules and regulations, AML/CTF Guidelines and applicable IC and AMLC issuances	Computation of fine is on per compliance checking or monitoring basis P 37,500.00 per violation but not exceeding P375,000.00

15. Verification of beneficial ownership. Non-compliance with the requirement on Verification of Beneficial Ownership	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
16. Purpose of relationship. Non-compliance with the requirement on Determination of the Purpose of Relationship	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
17. Ongoing monitoring. Non-compliance with the requirement on Ongoing Monitoring	Computation of fine is on per account basis P 37,500.00 per violation but not exceeding P375,000.00
18. Targeted financial sanctions. Non-compliance with the requirements on Implementation of Targeted Financial Sanctions	Computation of fine is on per transaction basis P 37,500.00 per violation but not exceeding P375,000.00
19. Shell company. Non-compliance with the requirements on Shell Company	Computation of fine is on per transaction basis P 37,500.00 per violation but not exceeding P375,000.00
LESS SERIOUS VIOLATIONS	
1. Minimum customer information. Non-compliance with the requirement to obtain all the minimum customer information and/or identification documents required from juridical entities	Computation of fine is on per account or customer basis P 18,750.00 per violation but not exceeding P187,500.00
2. Continuing education. Non-compliance with the requirement on Continuing Education and Training Program	Computation of fine is on per compliance checking or monitoring basis P18,750.00 per violation but not exceeding P187,500.
3. MTPP requirements. Non-compliance with the requirements on the contents of the MTPP (Insufficient Contents)	Computation of fine is on per compliance checking or monitoring basis P18,750.00 per violation but not exceeding P187,500
LIGHT VIOLATIONS	
1. No electronic copies. Non-compliance with the requirement to keep electronic copies of all CTRs or STRs for at least five (5) years from the dates of submission to the AMLC.	Computation of fine is on per violation basis P 7,500.00 per violation but not exceeding P75,000.00
2. Non-submission of required Sworn Certification on board approval. Non-compliance with the requirement to submit to the IC not later than fifteen (15) days from the approval of the BOD of the new/updated MTPP a sworn certification that a new/updated MTPP has been prepared, duly noted and approved by Nat Re's BOD.	Computation of fine is on per violation basis P 7,500.00 per violation but not exceeding P75,000.00
3. No MTPP. Non-submission of an acceptable BOD-approved plan within the deadline and/or failure to implement its action plan.	Computation of fine is on per violation basis P 7,500.00 per violation but not exceeding P75,000.00

The monetary penalties on the foregoing specific violations shall not be imposed in case the specific acts or omissions constituting the violations have already been penalized by the AMLC.

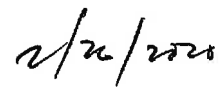
Non-payment of the penalty imposed for violating the Guidelines shall be taken into account in the renewal of the Certificate of Authority.

RECOMMENDED BY:


REGINA S. RAMOS
Head, Risk and Compliance


APPROVED BY:


ALLAN R. SANTOS
President & CEO


Date approved


REX MARIA A. MENDOZA
Chairman, Governance & Related Party
Transaction Committee (GRPT)

Date approved


WILFREDO C. MALDIA
Chairman of the Board

Date approved