The Philippines

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - Philippines	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Compliance with FATF 40 + 9 recommendations US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Corruption Index (Transparency International & W.G.I.)) Failed States Index (Political Issues)(Average Score) Offshore Finance Centre
Medium Risk Areas:	World Governance Indicators (Average Score)

Major Investment Areas:

Agriculture - products:

sugarcane, coconuts, rice, corn, bananas, cassavas, pineapples, mangoes; pork, eggs, beef; fish

Industries:

electronics assembly, garments, footwear, pharmaceuticals, chemicals, wood products, food processing, petroleum refining, fishing

Exports - commodities:

semiconductors and electronic products, transport equipment, garments, copper products, petroleum products, coconut oil, fruits

Exports - partners:

Japan 19%, US 14.2%, China 11.8%, Singapore 9.4%, Hong Kong 9.2%, South Korea 5.5%, Thailand 4.7% (2012)

Imports - commodities:

electronic products, mineral fuels, machinery and transport equipment, iron and steel, textile fabrics, grains, chemicals, plastic

Imports - partners:

US 11.5%, China 10.8%, Japan 10.4%, South Korea 7.3%, Singapore 7.1%, Thailand 5.6%, Saudi Arabia 5.6%, Indonesia 4.4%, Malaysia 4% (2012)

Investment Restrictions:

The Government of the Philippines (GPH) actively seeks foreign investment to promote economic development.

Foreign companies should note that foreign investment is restricted or limited in many sectors of the economy. Companies can consult the Department of Trade and Industry to see a full list of restrictions on foreign investment.

The 1991 Foreign Investment Act (FIA) requires the GPH to publish the Foreign Investment Negative List (FINL), which outlines sectors in which foreign investment is restricted or limited.

The broad scope of the FINL contributes to the poor Philippine record in attracting foreign investment, particularly compared to its ASEAN counterparts. The FINL is comprised of two parts. Part A details sectors in which foreign equity participation is restricted by the Constitution or laws. Part B lists areas in which foreign ownership is limited (generally to 40%) for reasons of national security, defense, public health, morals, and the protection of small and medium enterprises (SMEs).

Foreign investment is highly restricted in the retail trade industry. Retail trade enterprises with paid-up capital of less than US$2.5 million, or less than US$250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign investors are prohibited from owning stock in lending, financing or investment companies unless the investor's home country affords the same reciprocal rights to Filipino investors. Foreign ownership in enterprises engaged in financing and securities underwriting that are regulated by the SEC is limited to 60%. Changes in the ninth FINL cap foreign ownership at 49% for lending companies.

Other specific limits on foreign investment include: private radio communications networks (20%); employee recruitment and locally-funded public works construction and repair (25%); advertising agencies (30%); natural resource exploration, development, and utilization (40%, with exceptions); educational institutions (40%); operation and management of public utilities (40%); operation of commercial deep sea fishing vessels (40%); Philippine government procurement contracts (40% for supply of goods and commodities; 25% for construction of locally-funded public works, with some exceptions); adjustment companies (40%); operations of Build-Operate-Transfer (BOT) projects in public utilities (40%); ownership of private lands (40%); rice and corn processing (40%, with some exceptions); financing companies and investment houses (60%).

The Philippines limits foreign ownership for reasons of national security, defense, and public health. Industries such as the manufacturing of explosives, firearms, and military hardware, as well as the operation of massage clinics, are generally limited to 40% foreign equity.

Foreign ownership in SMEs is also limited to 40% in non-export firms. The SEC expects to release implementing rules and regulations in 2013 that will enable it to monitor, investigate, and impose penalties on corporations that do not comply with foreign ownership equity requirements of sectors covered by the FINL.

Foreign ownership in the banking sector is restricted by the 1994 Foreign Bank Liberalization Act. The Act limits at 10 the number of new foreign banks that could open full-service branches in the Philippines, and those licenses have already been issued. The banks are limited to six branch offices, each. In addition, each of the four foreign banks operating in the Philippines prior to 1948 is allowed to open up to six branches each. Publicly-listed foreign banks with national or global rankings may own up to 60% of a locally-incorporated subsidiary. Foreign banks that do not meet these requirements are limited to a 40% stake.

The 1987 Constitution prohibits foreign nationals from owning land in the Philippines. The Investors' Lease Act of 1994 (ILA) allows foreign investors to lease a contiguous parcel up to 1000 hectares for 50 years, renewable once for 25 additional years.

Contents

Section 1 - Background

The Philippine Islands became a Spanish colony during the 16th century; they were ceded to the US in 1898 following the Spanish-American War. In 1935 the Philippines became a self-governing commonwealth. Manuel QUEZON was elected president and was tasked with preparing the country for independence after a 10-year transition. In 1942 the islands fell under Japanese occupation during World War II, and US forces and Filipinos fought together during 1944-45 to regain control. On 4 July 1946 the Republic of the Philippines attained its independence. A 20-year rule by Ferdinand MARCOS ended in 1986, when a "people power" movement in Manila ("EDSA 1") forced him into exile and installed Corazon AQUINO as president. Her presidency was hampered by several coup attempts that prevented a return to full political stability and economic development. Fidel RAMOS was elected president in 1992. His administration was marked by increased stability and by progress on economic reforms. In 1992, the US closed its last military bases on the islands. Joseph ESTRADA was elected president in 1998. He was succeeded by his vice-president, Gloria MACAPAGAL-ARROYO, in January 2001 after ESTRADA's stormy impeachment trial on corruption charges broke down and another "people power" movement ("EDSA 2") demanded his resignation. MACAPAGAL-ARROYO was elected to a six-year term as president in May 2004. Her presidency was marred by several corruption allegations but the Philippine economy was one of the few to avoid contraction following the 2008 global financial crisis, expanding each year of her administration. Benigno AQUINO III was elected to a six-year term as president in May 2010. The Philippine Government faces threats from several groups, some of which are on the US Government's Foreign Terrorist Organization list. Manila has waged a decades-long struggle against ethnic Moro insurgencies in the southern Philippines, which has led to a peace accord with the Moro National Liberation Front and ongoing peace talks with the Moro Islamic Liberation Front. The decades-long Maoist-inspired New People's Army insurgency also operates through much of the country. The Philippines faces increased tension with China over disputed territorial and maritime claims in the South China Sea.


CHINA
Taiwan
0 100 200 km
0 100 200 mi
Luzon Strait
BABUYAN ISLANDS
South China Sea
Aparri
Philippine Sea
Baguio
Luzon
Angeles
Quezon City
MANILA
Batangos
Legaspi
Mindoro
Samar
Panay
Iloilo
Bacolod
Leyte
Cebu City
Palawan
Guimaras Island
Surigao
Puerto Princesa
Negros
Butuan
Iligan
Cagayan de Oro
Sulu Sea
Mindanao
Davao
Zamboanga
Mount Apo
Jolo
Basilan Island
MALAYSIA
Celebes Sea
INDONESIA

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The Philippines is no longer on the FATF List of Countries that have been identified as having strategic AML deficiencies

Latest FATF Statement - 21 June 2013

The FATF welcomes the Philippines' significant progress in improving its AML/CFT regime and notes that the Philippines has established the legal and regulatory framework to meet its commitments in its Action Plan regarding the strategic deficiencies that the FATF had identified in October 2010. The Philippines is therefore no longer subject to FATF's monitoring process under its on-going global AML/CFT compliance process. The Philippines will work with the APG as it continues to address the full range of AML/CFT issues identified in its Mutual Evaluation Report, in particular, regulating the casino sector in the Philippines for AML/CFT purposes and making it subject to AML/CFT requirements.

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in the Philippines was undertaken by the Financial Action Task Force (FATF) in 2009. According to that Evaluation, the Philippines was deemed Compliant for 4 and Largely Compliant for 11 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 5 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2009):

The Government of the Philippines has taken some significant steps to address the AML/CFT concerns highlighted in the earlier assessment conducted in 2003. These reforms were no doubt challenging in terms of demands on resources and given the composite range of issues faced by authorities. It should be recognized that the Philippines continues to be an active participant in global AML/CFT efforts, a valid contributor to APG initiatives, and an active member of the Egmont Group.

Key components of an AML/CFT regime are in place, and the amount of progress achieved so far surely deserves to be duly noted. However, several issues remain to be tackled to achieve proper compliance with legal standards, and true effectiveness in implementation.

The main shortcomings in the legal AML/CFT framework are the absence of several offenses from the predicate crimes list, the failure to make terrorism financing a stand alone offense, and the deficient implementation of UNSC resolutions. Notably the trafficking in human -beings, terrorism financing, and sexual exploitation are not as yet predicate offences for money laundering. The absence of terrorism financing as a standalone offense has an impact on multiple TFrelated issues, including the lack of authority for the local FIU and LEAs to conduct TF investigations. Authorities have been able to freeze and confiscate terrorist funds on the basis of ancillary offences to terrorism, albeit on a legally tentative basis.

The current decisional process within the Anti-Money Laundering Council (i.e. the local FIU), is seriously affecting the ability of the agency to perform its core responsibilities, namely intelligence analysis and dissemination. The Anti-Money Laundering Council is the decisionmaking body for virtually all AMLC functions, including the day-to-day operations of the AMLC Secretariat, in charge of intelligence gathering, analysis and ML investigations. The need for Council approval for a wide range of actions by the FIU makes the timely provision of information to outside partners and the referral of cases to judicial authorities quite difficult.

The AMLC's limited authority to gain direct access to bank records is an equally challenging impediment to the fulfillment of the agency's tasks. As a result of a recent Supreme Court ruling (AMLC vs. Eugenio) the submission of court orders ex parte allowing bank inquiries by the FIU is excluded outside a small group of predicate crimes, which renders identification and tracing of assets much more difficult.

Procedures for access to bank records for law enforcement agencies (LEAs).are cumbersome, and the involvement of these agencies in the financial component of predicate investigations is extremely limited. Whenever criminal investigators seek to gather evidence on predicate crimes via bank records, they have to refer the matter to the AMLC and thus add an additional step to an already wieldy process. In some instances it took several months to obtain the requested information. In addition, the engagement of LEAs in financial investigations is also minimal, leaving the AMLC as the sole agency managing all aspects of all ML cases on the national territory, even though their resources are already spread very thinly.

Financial Institutions (FIs) are the only entities subject to full AML provisions in the domestic financial market. With a few exceptions, DNFBPs are still not covered by the Anti-Money Laundering Act (AMLA) provisions, although a draft bill currently before Congress – if enacted – would address this issue.

The limited integrity of the national government ID system seriously undermines customer identity verification efforts by covered entities. The ease with which clients can obtain fraudulent identification documents renders implementation of CDD measures more difficult. Applicable rules on the inclusion of originator information when performing wire transfers will also need to be amended in order to achieve full compliance with international standards.

A generic issue faced by most agencies involved within the AML/CFT framework is the current mismatch between their resources and the tasks assigned to them by law. This shortcoming has been identified with reference to the AMLC, the main law enforcement agencies, and the Central Bank units in charge of bank supervision and examination. In all these cases, both human and physical resources at the disposal of the agency or body in question were not commensurate to their mandated tasks.

US Department of State Money Laundering assessment (INCSR)

The Philippines is categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

The Republic of the Philippines is well integrated into the international financial system. Money laundering is a serious concern due to the Philippines' strategic location within international trafficking routes, public corruption, and the volume of remittances from Filipinos living abroad. Key gaps in the Philippines' AML regime include weak supervision over DNFBPs and strict bank secrecy laws. During the reporting period, the Bangko Sentral ng Pilipinas (BSP) added regulations to improve oversight over MSBs. BSP hopes to formalize these regulations through pending legislative amendments to its charter.

The Philippines requires continued enhancement of investigation, interagency cooperation, and prosecution capabilities to keep pace with current money laundering trends. Money laundering alone is not a criminal act in the Philippines and requires a predicate crime, creating a challenge for investigators targeting transnational criminal organizations.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The 2017 national risk assessment identifies drug trafficking, graft and corruption, investment scams, smuggling, tax evasion, intellectual property violations, environmental crimes, and illegal arms trafficking as the high-threat predicate crimes for money laundering. Illicit funds are primarily channeled through the banking sector. The inaccurate invoicing of foreign trade has also been cited as a significant money laundering mechanism. NPOs, dummy corporations, casinos, and MSBs are other venues for laundering money.

The Anti-Money Laundering Council (AMLC), the Philippines' FIU, works closely with the Philippine Drug Enforcement Agency (PDEA), the National Police (NP), and other government agencies to conduct financial investigations and to trace drug-related proceeds. In 2017, the AMLC issued five drug-related freeze orders valued at U.S. $14.2 million.

The Philippine Economic Zone Authority (PEZA) oversees approximately 300 economic zones, most of which are well regulated. However, local government units and development authorities regulate multiple other free zones or freeports where smuggling can be a problem. Due to separate authorities of the security and customs officials monitoring these zones, the NP or PDEA faces difficulty targeting organizations operating within them.

KEY AML LAWS AND REGULATIONS

KYC and STR provisions in the AML law and its implementing rules and regulations substantially meet international standards. Responding to international pressure, President Duterte signed Republic Act (RA) 10927, amending the 2001 Anti-Money Laundering Act (AMLA) to include casinos under the law. Proposed amendments to the BSP charter seek to explicitly provide the central bank supervisory authority, including AML enforcement authority, over non-bank financial entities, including all MSBs.

Following the 2016 heist in which hackers diverted U.S. $80 million in assets from Bangladesh's central bank through accounts in the Philippines, in January 2017, the BSP issued Circular 942, providing an updated framework for BSP oversight over MSBs. Circular 942 strengthens the registration, operations, and reporting obligations of MSBs. Among others, it requires them to register with the BSP and the AMLC in order to operate, and agree to abide by BSP and AML regulations. The BSP also issued Circular 944, governing the operations and reporting obligations of the growing virtual currency exchange market. BSP Circular 950 updates AML guidelines for BSP-supervised entities and sanctions and penalties for non-compliance. During 2017, the Philippines implemented the 2016 Revised Implementing Rules and Regulations of RA 9160, which includes additional CDD requirements and stricter documentation obligations.

The Philippines and the United States have entered into a bilateral MLAT.

The Philippines is a member of the APG, a FATF-style regional body.

AML DEFICIENCIES

The current AML regime does not cover certain entities and omits some predicate crimes for money laundering. For example, real estate dealers/brokers/agents and dealers in other high- value assets, such as automobiles, art, and antiques, are not covered entities. Tax evasion, falsification of public documents, and non-currency forgeries are not listed as predicate crimes.

Although the AMLA now covers casinos, ongoing deficiencies include the high (U.S. $100,000) single-transaction reporting threshold, the non-inclusion of junket operators as covered entities, and the exclusion of non-cash transactions for AML reporting purposes. Furthermore, the Philippines currently allows proxy gambling, a practice that permits a gambler to place bets via telephone or the internet rather than going into a casino. Additionally, the government-owned Philippine Amusement and Gaming Corporation plays a dual role as both a gaming establishments operator and the licensor/regulator of the Philippines' rapidly expanding gaming industry, raising conflict- of-interest issues.

The non-profit sector remains virtually unregulated for AML purposes. There is no single supervisory authority and monitoring is weak due to insufficient coordination and limited regulatory resources.

Bank secrecy laws also present obstacles for the AMLC when conducting money laundering investigations. As a result, accounts are often emptied before a freeze order goes into effect.

CDD requirements include enhanced due diligence for PEPs, their families, and associates assessed as high-risk for money laundering.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

While the Philippines has made progress enacting legislation and issuing regulations, limited human and financial resources and inadequate technical capacity constrain tighter monitoring, enforcement, and prosecution. Statistics suggest coordination among the AMLC and law enforcement agencies needs improvement. Only 16 money laundering cases were filed during 2017. The AMLC has pushed for broader amendments to the AMLA to help address technical gaps and operational constraints.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Philippines does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

EU White list of Equivalent Jurisdictions

The Philippines is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The Philippines was on the original IMF list of Offshore Financial Centres

US State Dept Narcotics Report 2017:

Introduction

The Philippines is facing a growing illicit drug problem. Reported usage of "shabu," the street name of methamphetamine, continues to grow as the nation's most widely trafficked illegal drug, and shabu addiction remains the most significant drug problem in the Philippines. Marijuana is the second most abused drug and there is limited cultivation of cannabis within the Philippines, mostly for local consumption. Cocaine is rare in the Philippines, due to high prices and limited demand, but club drugs, such as MDMA (ecstasy) and controlled pharmaceuticals have become more prevalent. Widespread poverty, corruption, and extremely porous borders create a lucrative environment for drug trafficking, with a relatively low risk of successful interdiction or prosecution.

The Government of the Philippines launched a controversial campaign against drug abuse and drug trafficking in 2016. Since Philippine President Rodrigo Duterte assumed office in June, the fight against illegal drugs and their impact on law and order has become the primary concern of the government, and police actions and vigilantism have resulted in more than 6,000 alleged extrajudicial killings. Law enforcement agencies, including the Philippine Drug Enforcement Agency (PDEA), the Philippine National Police (PNP) Anti-Illegal Drugs Group (AIDG), and local police forces, have initiated an unprecedented number of anti-drug operations. Furthermore, the government has promoted a zero-tolerance stance towards drugs, seeking to demonstrate ties between drug trafficking and corruption among government officials, law enforcement officers, and politicians.

International organized crime groups have established operational elements throughout the urban areas of the Philippines. Philippine law enforcement and justice sector agencies lack sufficient resources, staff, and effective investigative tools to identify, investigate, and prosecute transnational drug trafficking organizations. Restrictions imposed by the Anti-Wiretapping Act of 1965 continue to bar the use of judicially authorized interception of criminal communications, and procedures such as plea bargaining and drug-related asset forfeitures are rarely used. Many drug-related cases are dismissed for failure to follow the strict evidentiary procedures in the Comprehensive Dangerous Drugs Act of 2002. Judiciary reforms are currently under consideration by the Philippine Congress, including the use of wiretaps for drug cases, plea bargaining for cooperating defendants, and quicker destruction of seized drugs.

Conclusion

Despite increased cooperation among PDEA, PNP-AIDG, and the AFP which has enhanced the effectiveness of anti-drug operations, the U.S. government remains concerned about several aspects of the Philippine government's anti-drug campaign. While law enforcement agencies have responded to the pressure for more effective drug investigations by implementing a large number of new operations nationwide, successful prosecution of significant drug traffickers remains hampered due to the inability to use judicially authorized intercepts of criminal communications, limited use of plea bargaining, and an inefficient drug asset forfeiture system. Development of enhanced judicial investigative capabilities and imposition of money-laundering controls on casinos would allow the government to better combat sophisticated drug trafficking organizations. The United States recognizes the PHP's commitment to fighting drugs, but is concerned that the Philippine government's approach raises significant concerns relating to human rights and due process. It also does not address the public health aspect of substance use disorder, which requires additional attention from the Government of the Philippines.

Philippine law enforcement authorities will continue to face multiple challenges, including expansion of Mexican cartels into the methamphetamine trade and drug money laundering operations; continued construction of domestic large-scale clandestine methamphetamine production laboratories; and drug trafficking groups based in rural areas where little permanent law enforcement presence exists.

US State Dept Trafficking in Persons Report 2016 (introduction):

The Philippines is classified a Tier 1 country - is a country whose government fully complies with the Trafficking Victims Protection Act's (TVPA) minimum standards.

The Philippines is a source country and, to a lesser extent, a destination and transit country for men, women, and children subjected to sex trafficking and forced labor. An estimated 10 million Filipinos work abroad, and a significant number of these migrant workers are subjected to sex trafficking and forced labor—predominantly via debt bondage—in the fishing, shipping, construction, education, nursing, and agricultural industries, as well as in domestic work, janitorial service, and other hospitality-related jobs, particularly across the Middle East, Asia, and North America. Traffickers, typically in partnership with small local networks, engage in unscrupulous recruitment practices that leave migrant workers vulnerable to trafficking, such as charging excessive fees and confiscating identity documents. Traffickers use email and social media to fraudulently recruit Filipinos for overseas work. Illicit recruiters use student, intern, and exchange program visas to circumvent the Philippine government and destination countries' regulatory frameworks for foreign workers. Many victims experience physical and sexual abuse, threats, inhumane living conditions, non-payment of salaries, and withholding of travel and identity documents.

Forced labor and sex trafficking of men, women, and children within the country remains a significant problem. Women and children from indigenous families and remote areas of the Philippines are most vulnerable to sex trafficking and some are vulnerable to domestic servitude and other forms of forced labor. Men are subjected to forced labor and debt bondage in the agricultural, fishing, and maritime industries. Many people from impoverished families and conflict-areas in Mindanao, undocumented returnees, and internally displaced persons in typhoon-stricken communities are subjected to domestic servitude, forced begging, forced labor in small factories, and sex trafficking in Metro Manila, Metro Cebu, central and northern Luzon, and urbanized areas in Mindanao. Trafficking also occurs in tourist destinations such as Boracay, Angeles City, Olongapo, Puerto Galera, and Surigao where there is a high demand for commercial sex acts. Child sex trafficking remains a pervasive problem, typically abetted by taxi drivers who have knowledge of clandestine locations. Very young Filipino children are coerced to perform sex acts for live internet broadcast to paying foreigners; this typically occurs in private residences or small internet cafés and is facilitated increasingly by victims' close family relatives. NGOs report greater numbers of child sex tourists in the Philippines, many of whom are nationals of Australia, Japan, the United States, and countries in Europe; Filipino men also purchase commercial sex acts from child trafficking victims. Organized crime syndicates allegedly transport sex trafficking victims from China through the Philippines en route to other countries. The UN reports armed militia groups operating in the Philippines, including the New People's Army, the Moro Islamic Liberation Front, the Abu Sayyaf Group, and the Bangsamoro Islamic Freedom Fighters, continue to recruit and use children, at times through force, for combat and noncombat roles.

Officials, including those in diplomatic missions, law enforcement agencies, and other government entities, allegedly have been complicit in trafficking or allowed traffickers to operate with impunity. Some corrupt officials, particularly those working in immigration, allegedly accept bribes to facilitate illegal departures for overseas workers, reduce trafficking charges, or overlook unscrupulous labor recruiters. Reports in previous years asserted police conduct indiscriminate or fake raids on commercial sex establishments to extort money from managers, clients, and victims. Some personnel working at Philippine embassies reportedly withhold back wages procured for their domestic workers, subject them to domestic servitude, or coerce sexual acts in exchange for government protection services.

The Government of the Philippines fully meets the minimum standards for the elimination of trafficking. The government convicted 42 traffickers, including five for online child sex trafficking and two for forced labor. Although pervasive corruption undermined efforts to combat trafficking, the government convicted two immigration officers and charged five officials allegedly complicit in trafficking. In an effort to prevent trafficking of migrant workers, the government increased its funding for the Commission on Filipinos Overseas (CFO) to facilitate anti-trafficking prevention campaigns for migrant workers, and authorities expanded training and awareness events for government officials, prospective employees, and the general public, doubling the number of persons reached. Officials proactively identified trafficking victims exploited within the country and assisted roughly 1,500 during the reporting period; however, it did not identify any foreign victims. Although domestic protection for male victims remained limited, the government opened and fully funded a temporary shelter for male Filipino trafficking victims in Saudi Arabia. To reduce the demand for commercial sex acts, justice officials prosecuted eight cases against foreign child sex tourists during the reporting year.

US State Dept Terrorism Report 2016

The Southern Philippines is currently identified by the US Secretary of State as a Safe Haven for International Terrorism.

Overview: The Philippines continued to make progress against terrorism in 2016, a period that included the orderly transfer of power through a fair and free election. The emergence of ISIS -affiliated extremist groups, persistent kidnappings by the Abu Sayyaf Group (ASG), attacks on government forces, and bombings, all indicated that domestic and international terrorism remained a serious problem. Terrorist acts included criminal activities designed to generate revenue, such as kidnapping for ransom, extortion, and bombings for hire. Philippine military and police counterterrorism efforts kept up pressure on terrorist organizations, but were unable to prevent numerous attacks against government, public, and private facilities, primarily in central and western Mindanao. Terrorist groups retained the ability and intent to conduct bombings, shootings, and ambushes against targets of their choice, as seen in a November 28 incident in which a bomb was discovered and disarmed near the U.S. Embassy in Manila.

President Duterte's focus on anti-narcotics and counterterrorism operations slowed progress towards shifting internal security functions from the Armed Forces of the Philippines (AFP) to the Philippine National Police (PNP). The PNP is responsible for ensuring peace and security throughout the country, including arresting terrorists and conducting terrorism investigations. The AFP, including special operation units, often supplants the PNP as the primary force tasked with counterterrorism operations, and coordination between the two services is improving, but remained a challenge in 2016.

The Philippine government's Comprehensive Agreement on the Bangsamoro with the Moro Islamic Liberation Front, if implemented, would have created a new Bangsamoro autonomous government in Mindanao. The agreement was not acted on by Congress before the end of the Aquino administration in June 2016. President Duterte has pursued a strategy focused on establishing regional autonomy through a constitutional shift to a federalist model and pursuing parallel peace negotiations with the Moro National Liberation Front, and the Communist Party of the Philippines/New People's Army (CPP/NPA). The government's goal is to reduce radicalization and the attraction of terrorist groups by providing greater political and economic autonomy for Muslim-majority areas of Mindanao. In August, the government and the CPP/NPA each declared unilateral cease-fires as negotiations continued.

The Philippine government recognized the threat posed by radicalized Philippine citizens supporting ISIS and ISIS supporters traveling to the Philippines to promote violent extremism in the country or seek safe haven. Members of numerous groups – including parts of the ASG; the Dawlah Islamiyah Lanao (DIL), commonly referred to as the Maute Group; and Ansar-al Khalifah Philippines – have pledged allegiance to ISIS. ISIS called on its supporters in Southeast Asia to join these groups and attack targets in the Philippines, and named former ASG leader Isnilon Hapilon as its regional leader.

Legislation, Law Enforcement, and Border Security: The 2007 Human Security Act (HSA) is the Philippines' key counterterrorism legislation. The HSA defines terrorism and provides for law enforcement investigation of terrorist suspects. Use of the law has been limited by strict procedural requirements in the HSA, including requirements to notify subjects of electronic surveillance and monetary damages for every day of detention if an individual is acquitted. No convictions under the HSA were reported during 2016, and no groups were designated as terrorist organizations in 2016. Efforts to amend the HSA to better conform to international standards was renewed following election-related delays. The National Bureau of Investigation (NBI) Reorganization and Modernization Act was enacted into law to meet the increasing demands of an expanded investigative and detective workload. The Cyber Prevention Act of 2012 and National Defense Act are among the priority pieces of legislation under the current administration.

Units with a specialized counterterrorism focus, including the NBI, the PNP Special Action Force (PNP-SAF), and the Bureau of Immigration have enhanced investigative, crisis response, and border security capacity. Multiple agencies have jurisdiction over counterterrorism efforts, leading to inefficient investigations and response to terrorist incidents. Responsibilities between law enforcement and military units involved in counterterrorism missions are often not clear, information sharing is moderate, and command and control arrangements often depend on personal relationships between incident commanders. The focus on counternarcotics has increased workload and operational tempo for security forces. Specialized law enforcement units possess some necessary equipment, but numerous unfulfilled needs remain, and sustainment and maintenance of equipment often exceeds fiscal and human resources. Law enforcement units have a mixed record of accountability and respect for human rights. The president's Anti-Terrorism Council (ATC) provides guidance to agencies responsible for enforcing terrorism laws, but its capacity to enforce coordination between agencies is limited. The ATC supported projects under the Chemical, Biological, Radiological, and Nuclear Center of Excellence in coordination with the UN Interregional Crime Justice and Research Institute (UNICRI).

The United States continued to work with the Philippine government to monitor and investigate groups engaged in or supporting terrorist activities in the Philippines. The Joint U.S. Military Assistance Group and the Pacific Augmentation Team provided equipment, training, and support to the government as it launched numerous operations, particularly in the Southern Philippines, to arrest and disrupt terrorist organizations. The Department of State's Antiterrorism Assistance (ATA) program provided critical counterterrorism training and equipment to the PNP-SAF, Anti-Kidnapping Group, Anti-Cybercrime Group, and EOD/K9 teams.

Philippine agencies actively coordinated with U.S. authorities, especially regarding suspected terrorists. The under-resourced law enforcement and judicial system, coupled with widespread official corruption, continued to limit domestic investigations and resulted in a small number of prosecutions and lengthy trials of terrorism cases. Philippine investigators and prosecutors lacked necessary tools to build strong cases, including a lack of clear processes for requesting judicially authorized interceptions of terrorist communications, entering into plea bargains with key witnesses, and seizing assets of those suspected of benefiting from terrorism.

The Office of Civil Defense and National Disaster Risk Reduction Management Council trained agencies responding to human-induced crisis, including terrorism.

The Philippines issues "e-passports," which constitute more than 65 percent of all valid passports in circulation. At Manila's main international airport, the Philippines participated in the INTERPOL Border Management Program and continued using its *i24/7* global police communications system to verify traveler data. The Bureau of Immigration installed the Mobile INTERPOL Network Database and Fixed INTERPOL Network Database systems in major airports and seaports.

DHS' Transportation Security Administration's aviation security technical assistance continued on multiple fronts, including delivery of an air cargo supply chain security course, joint security assessments with Philippine counterparts, and a partnership with the Department of State's ATA program to deliver Airport Security Management courses to Philippine agencies.

The Philippine government made some advancement in the procurement of body imaging technology and explosive trace detection units for use at Manila Ninoy Aquino International Airport. The Philippines does not require advanced passenger information, but was developing regulations to require it prior to arrival and departure.

Global Security Contingency Fund training to build investigative and maritime skills in the PNP and Philippine Coast Guard continued in 2016, enhancing the ability of the Navy, PNP, and the Coast Guard to integrate operations on the border.

The U.S. Coast Guard's International Port Security Program has actively engaged in the Philippines to assist with and assess the country's implementation of counterterrorism measures at international port facilities. The U.S. Coast Guard continued to work with the Philippines on additional capacity-building efforts.

Countering the Financing of Terrorism: The Philippines is a member of the Asia/Pacific Group on Money Laundering, a Financial Action Task Force-style regional body, and its financial intelligence unit – the Anti-Money Laundering Council (AMLC) – is a member of the Egmont Group of Financial Intelligence Units. In 2016, the Philippines published the first interagency *National Risk Assessment on Money Laundering and Terrorist Financing (2011-2014)*.

The Anti-Terrorism Council, the AMLC, the National Police's Directorate of Intelligence, Anti-Kidnapping Group, the National Bureau of Investigations, the Philippine Center on Transnational Crime (PCTC), and the Special Action Force, worked with U.S. agencies through the Joint Terrorist Financing Investigation Group to pursue investigations into suspected terrorist finance cases in 2016.

As indicated in the 2016 Regional Risk Assessment conducted by Australia's financial intelligence unit, criminal activity provides a key source of funding for terrorist individuals and organizations in the Philippines. Furthermore, illicit funds are often smuggled across porous land and maritime borders both within the Philippines and between countries in the region. The country is also addressing ongoing gaps regarding customer due diligence according to international standards.

The Philippines has implemented the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime and Taliban (1988) sanctions.

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	34
World Governance Indicator – Control of Corruption	34

High corruption levels severely restrict the efficiency of businesses operating in the Philippines. Extensive bribery within the public administration and vague and complex laws make foreign companies vulnerable to extortion and manipulation by public officials. Favoritism and undue influence are widespread in the courts, leading to time-consuming and unfair dispute resolution, and to an uncertain business environment. Corruption plagues the customs administration, and fraud routinely occurs for companies when filing import and export documentation. The Anti-Graft and Corrupt Practices Act criminalizes active and passive bribery, extortion, abuse of office and conflicts of interest. Giving gifts, except for gifts of insignificant value given in line with local customs, is prohibited. Facilitation payments are not addressed by anti-corruption regulations and private sector bribery is not criminalized. The legislative framework for fighting corruption is scattered and is not effectively enforced by the weak and non-cooperative law enforcement agencies. **Information provided by GAN Integrity.**

US State Department

Corruption is a pervasive and long-standing problem in the Philippines. Recent government efforts have improved the country's ranking in Transparency International's Corruption Perceptions Index from 105 in 2012 to 94 in 2013. Nevertheless, corruption ranked second among the most problematic factors for doing business in the World Economic Forum's 2013-2014 Global Competitiveness Report, with inadequate supply of infrastructure ranked first.

The Philippines continues to implement anti-corruption reforms outlined in the Philippine Development Plan 2011-2016. Its 2012-2016 Good Governance and Anti-Corruption Cluster Plan further identifies specific measures to curb corruption through greater transparency and accountability in government transactions. Several bills supporting anti-corruption efforts are currently filed in Philippine Congress, including: freedom of information rights, whistle-blower protection, and strengthening the country's witness protection program. Since President Aquino took office in 2010, corruption charges have been filed against several high-profile public officials, including a former President and the Supreme Court Chief Justice, but there have been no convictions to date. Recent allegations against several lawmakers for misappropriating monies distributed as part of the Priority Development Assistance Fund (PDAF), commonly referred to as "pork barrel," have garnered strong public criticism and spurred mass protests. In 2013, the Supreme Court declared the PDAF "unconstitutional" and ordered the prosecution of lawmakers involved in the illegal disbursement of pork barrel funds.

The Philippine Revised Penal Code, the Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials aim to combat corruption and related anti-competitive business practices. The Office of the Ombudsman (http://www.ombudsman.gov.ph/) investigates and prosecutes cases of alleged graft and corruption involving public officials. Cases against high-ranking officials are brought before the special anti-corruption court, the "Sandiganbayan", while cases against low-ranking officials are filed before regional trial courts. The Office of the President can directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting, accepting and/or offering/giving a bribe are criminal offenses punishable by imprisonment, a fine, and/or disqualification from public office or business dealings with the government.

The Philippines ratified the United Nations Convention against Corruption in 2003. It is not a signatory to the OECD Anti-Bribery Convention.

Corruption and Government Transparency - Report by Global Security

Political Climate

In May 2010, Benigno Simeon Cojuangco Aquino III won the presidential elections by a wide margin. President Aquino was elected based on a campaign platform promising to tackle the country's high levels of corruption and deep-seated poverty by boosting foreign investment, reining in wasteful government spending, improving the civil service and investing in education. However, the New York Times reports in August 2013 that the Aquino government is now facing great pressure from citizens for failing its promise of fighting rampant corruption in the country after several high-profile corruption scandals have been exposed. One of the most recent corruption scandals came to light when a wealthy Manila businesswoman, Janet Lim-Napoles, was found guilty of diverting USD 140 million from poverty-reduction programs into her own and other politicians' pockets. The article reports that Ms Lim-Napoles established a fake organisation to receive the funds, and the relatives of some politicians have been involved in authorizing the payments. The same news article also reports that the Philippine Center for Investigative Journalism found that 504 members in the May national elections have been involved in different types of corrupt practices and 17 of them had been convicted. More strikingly, half of them were elected.

Former President Gloria Macapagal-Arroyo became deeply unpopular after vote rigging and abuse of power during her nearly 10 years in the government. In September 2007, former President Joseph Estrada (president before Ms Arroyo) was found guilty of corruption and malfeasance charges, only to be given a full pardon by former President Arroyo a few weeks later. According to Freedom House 2013, this pardon fuelled speculations of a secret deal between the two politicians, after it was revealed that the pardon was granted following a promise by Mr Estrada not to run for office again. In late 2011, Ms Arroyo faced charges of election fraud, and according to a BBC News article from July 2012, if convicted, Ms Arroyo could face life imprisonment. In a separate case, Ms Arroyo was accused of misusing USD 8.8 million in state lottery funds while in office, according to The Washington Post 2012. BBC News later reports in October 2012 that Ms Arroyo has been arrested in the hospital, and it was reported that she had tried to leave the country for medical treatment. In July 2010, Mr Aquino signed the Executive Order No. 1 (EO No. 1) establishing the Truth Commission, which will investigate corruption cases that flourished under former President Arroyo and her administration. However, in December 2010, the Supreme Court declared that EO No. 1 creating the Truth Commission was unconstitutional, as the Commission violates the Equal Protection Clause of the Constitution, as reported in a May 2011 news article by The Philippine Star.

The Philippines has a history of corruption and practically every government has had to struggle with the problem. Corruption in the Philippines is characterised by a combination of societal factors, institutional factors and an incentives system that contribute to corruption. According to a 2012 report released by Global Financial Integrity, due to illicit activities, such as corruption and tax evasion, the Philippines lost about USD 138 billion between 2001 and 2010. As an effort to tackle the problem of tax evasion, the Aquino Administration launched a high-profile campaign against tax evaders and smugglers to expose one case per week. Nevertheless, according to a 2010 news article by ABS-CBN News, these cases involve rather small amounts and none have thus far been brought to court. In January 2012, President Aquino approved the Good Governance and Anti-Corruption Cluster (GGAC) plan for 2012-2016, which will focus on transparency, accountability in government operations and citizen engagement. According to Global Corruption Barometer 2013, public officials/civil servants and the police are the two categories most prone to corruption. Furthermore, 31% of the households from the same survey perceive that the level of corruption in the Philippines has increased a lot in the past two years, and only 30% of the households perceive the government's efforts in fighting corruption as 'effective'. According to another household survey, Social Weather Stations' Survey Review 2012, 65% of the surveyed households stated that they are confident that the government can run without corruption, while 33% stated that corruption is part of the way the government works.

Business and Corruption

According to the World Economic Forum's Global Competitiveness Report 2013-2014, companies identify corruption as the second most problematic factor for doing business in the Philippines. Corruption is often encountered when interacting with public officials, according to the US Department of State 2013. According to Social Weather Stations' Survey of Enterprises on Corruption 2012, surveyed enterprises consider that there is a significant improvement in the government's fight against corruption between 2009 and 2012. Moreover, the surveyed business managers perceive that the level of corruption in the private sector to be lower than in the public sector; however, the level of corruption in the public sector fell significantly, while in the private sector the situation remains more or less unchanged. The level of corruption is more widespread at the national level than at the local level. In 2012, the most common type of private sector corruption was bribing local government officials in return for licenses and permits. However, the proportion of surveyed business executives solicited for different types of bribes fell from 60% in 2009 to 48% in 2012. It is also reported that the solicitation of bribes in relation to getting local and national government permits and licences has decreased.

According to the Social Weather Stations' 2012 survey, the majority of the surveyed business executives state that the level of transparency in bidding for a government contract had increased. For instance, the percentage of surveyed enterprises saying that it is very common to bribe government officials in order to secure contracts fell from 48% in 2009 to 41% in 2012. It is also reported that the solicitation of bribes in relation to getting local and national government permits and licences has decreased. Nevertheless, business executives surveyed by the Global Competitiveness Report 2013-2014 report that government officials often favour well-connected companies and individuals when deciding on policies and contracts and that public funds are often diverted to companies, individuals or groups due to corruption. Freedom House 2013 also notes that corruption and cronyism remains prevalent in business and government. This is also supported by the Bertelsmann Foundation 2012, which notes that the concentration of wealth within a small group of elite families, coupled with political donations, has led to concerns about their undue influence on both Philippine politics and business life. Given these reasons, companies are recommended to use a specialised public procurement due diligence tool in order to help mitigate the costs and risks of corruption involving public procurement processes in Ukraine.

Companies that are planning to invest in or are already doing business in the Philippines are highly recommended to implement integrity systems and conduct extensive due diligence when entering into business partnerships or contracting agents to facilitate business transactions in the country. The Philippine private sector acknowledges that corruption is a major problem that companies will need to deal with. This is indicated in Social Weather Stations' 2012 survey, where companies state that they are willing to spend 5% of their net income on anti-corruption programs. In addition, in March 2013, 1,700 companies signed an integrity pledge with the government, aiming to promote and abide by ethical and business standards, as reported by European Chamber of Commerce of the Philippines.

Regulatory Environment

The Philippines is characterised by cumbersome bureaucracy. Business executives surveyed in the World Economic Forum's Global Competitiveness Report 2013-2014 perceive the level of government administrative requirements as very burdensome. Although the establishment of a one-stop shop at the municipal level has eased the process of starting up a business, the average complexity and cost are still higher when setting up a company in the Philippines than in the rest of the East Asia and Pacific region. Starting a company requires 16 procedures and 36 days, at a cost of 18.1% of the GNI per capita, as illustrated in the World Bank & IFC's Doing Business 2013. According to Social Weather Stations' Survey of Enterprises on Corruption 2012, 71% of the surveyed enterprises consider that the current government administration is less corrupt compared with the 2011 survey. Foreign companies should note that foreign investment is restricted or limited in many sectors of the economy. Companies can consult the Department of Trade and Industry to see a full list of restrictions on foreign investment. The government has set up a Board of Investments (BOI) in an effort to promote foreign investment. The BOI offers investors regulatory and incentive system guidance. The Philippines is a member of the World Customs Organization (WCO) in an effort to improve its administration of customs. According to the World Bank & IFC's Doing Business 2013, the Philippine customs administration has become more efficient since the government improved the electronic customs system by adding functions, such as electronic payments and online submission of declarations, reducing the time and cost of trade compared to previous years.

Business executives surveyed in the Global Competitiveness Report 2013-2014 indicate that it is a challenge to obtain information about changes in government policies and regulations affecting their industries. The level of corruption in dealing with inspectors from various government agencies is fairly high in the Philippines. According to the United Nations Asia and Far East Institute's Corruption Control in Public Procurement July 2008, despite the passage of the Procurement Reform Law, public procurements, such as infrastructure projects and hospital supplies, have been exposed to corruption, therefore, companies should note that a lack of transparency still prevails in public procurement processes. Although the Philippine Government Electronic Procurement System (PhilGEPS) has been set up to increase transparency of the procurement regime, companies are, nonetheless, recommended to conduct extensive due diligence during the procurement process in order to mitigate the corruption risks associated with public procurement in the Philippines.

According to the US Department of State 2013, foreign investors generally cite the Philippine judicial system as uncertain and inefficient, largely due to understaffing, corruption and long delays of court cases. Serious concerns have been raised concerning the sanctity of contracts and of property rights, based on allegations that judges accept bribes to rule in favour of one or the other party in a trial. Many foreign companies view the judiciary as a disincentive to investing in the Philippines, since settling an investment dispute may take up to several years before reaching a final settlement. Therefore, many companies seek out alternative dispute resolution possibilities. The Philippines is a member of the International Centre for the Settlement of Investment Disputes (ICSID) and a signatory to the New York Convention 1958. Nevertheless, it is reported that Philippine courts are disinclined to abide by the arbitration process and that the enforcement of decisions may take several years. Several disputes have been raised over water rights in relation to agricultural and industrial production. Access the Lexadin World Law Guide for a collection of legislation in the Philippines.

Section 3 - Economy

The economy has been relatively resilient to global economic shocks due to less exposure to troubled international securities, lower dependence on exports, relatively resilient domestic consumption, large remittances from about 10 million overseas Filipino workers and migrants, and a rapidly expanding outsourcing industry. The current account balance has recorded consecutive surpluses since 2003, international reserves remain at comfortable levels, and the banking system is stable.

Efforts to improve tax administration and expenditures management have helped ease the Philippines' debt burden and tight fiscal situation. The Philippines has received investment-grade credit ratings on its sovereign debt under the AQUINO administration and has had little difficulty financing its budget deficits. However, weak absorptive capacity and implementation bottlenecks have prevented the government from maximizing its expenditure plans, which the administration has been working to address. Although it has improved, the low tax-to-GDP ratio remains a constraint to supporting increasingly higher spending levels and sustaining strong growth over the longer term.

Economic growth has accelerated, averaging 6.0% per year from 2011 to 2015, compared with 4.5% under the MACAPAGAL-ARROYO government; and competitiveness rankings have improved. The Philippines has not sustained steady growth in foreign direct investment, which continues to lag regional peers.

Although the economy has grown at a faster pace under the AQUINO government, challenges to achieving more inclusive growth remain. The unemployment rate has declined somewhat in recent years but remains high, hovering at around 6.5%; underemployment is also high, ranging from 18% to 19% of the employed. At least 40% of the employed work in the informal sector. Poverty afflicts about a quarter of the population. More than 60% of the poor reside in rural areas, a challenge to raising rural farm and non-farm incomes. The AQUINO administration has been working to boost expenditures for education, health, transfers to the poor, and other social spending programs. Infrastructure remains underfunded and the government is relying on the private sector to help with major projects under its Public-Private Partnership program. Continued efforts are needed to improve governance, the judicial system, the regulatory environment, and the overall ease of doing business.

Notable achievements over the past year include passage of laws that liberalized the entry of foreign banks into the country; partially relaxed the cabotage law by allowing foreign vessels to ply import and export cargo within the archipelago; and passage of anti-trust legislation. Substantial progress has also been made towards passage of a Customs Tariff and Modernization Act to meet international standards and commitments, with strong prospects of enactment into law before President AQUINO steps down from office. However, the Philippine Constitution and other laws restrict foreign ownership in important activities/sectors - such as land ownership and public utilities.

Agriculture - products:

sugarcane, coconuts, rice, corn, bananas, cassava (manioc, tapioca), pineapples, mangoes; pork, eggs, beef; fish

Industries:

electronics assembly, garments, footwear, pharmaceuticals, chemicals, wood products, food processing, petroleum refining, fishing

Exports - commodities:

semiconductors and electronic products, transport equipment, garments, copper products, petroleum products, coconut oil, fruits

Exports - partners:

Japan 21.1%, US 15%, China 10.9%, Hong Kong 10.6%, Singapore 6.2%, Germany 4.5%, South Korea 4.3% (2015)

Imports - commodities:

electronic products, mineral fuels, machinery and transport equipment, iron and steel, textile fabrics, grains, chemicals, plastic

Imports - partners:

China 16.2%, US 10.8%, Japan 9.6%, Singapore 7%, South Korea 6.5%, Thailand 6.4%, Malaysia 4.8%, Indonesia 4.4% (2015)

Banking

As of September 2010, the banking sector was comprised of 38 commercial banks, 72 thrift banks, and 656 rural and cooperative banks, with combined assets of approximately US$ 145 billion (PhP6,419 billion). Although fewer in number, commercial banks dominate the banking sector as they account for almost 90% of total banking system resources. Nineteen (19) commercial banks (referred to as ―universal banks‖) have an ―expanded‖ commercial banking license, which allows them to perform the functions of an investment house (such as securities underwriting) in addition to regular commercial banking activities. Sixteen (16) commercial banks are licensed to engage in derivatives activities. Seventeen (17) of the commercial banks in the Philippines are foreign-controlled (14 foreign branch banks and three majority foreign-owned, domestically-incorporated subsidiaries). Additionally, there are four offshorebanking units (OBUs) in the country, as well as 13 foreign bank representative offices.

Four main types of banks operate in the Philippines: universal banks (UBs), commercial banks (KBs), thrift banks (TBs) and rural banks (RBs). Islamic banks are also operating in selected regions of the country.

Since 1997, the Central Bank has implemented policies to beef up loan loss provisions, tighten disclosure and reporting requirements, and increase minimum capitalization levels. The Central Bank continues to promote mergers/consolidation through regulatory incentives and a moratorium on the issuance of new bank licenses. It has also demonstrated greater resolve in weeding out weak financial institutions, especially in the less-capitalized thrift and rural banking sectors.

Stock Exchange

Membership in the Philippine Stock Exchange (PSE) is open to foreign-controlled stock brokerages incorporated under Philippine law. Offshore companies not incorporated in the Philippines may underwrite Philippine issues for foreign markets, but not for the domestic market. The Lending Company Regulation Act of 2007 requires majority Philippine ownership for such enterprises, to establish a regulatory framework for credit enterprises that do not clearly fall under the scope of existing laws. Current law also restricts membership on boards of directors for mutual fund companies to Philippine citizens.

Investments in any publicly-listed firm on the PSE are governed by foreign ownership ceilings stipulated in the Constitution and other laws. In 2010, the ten most actively-traded companies accounted for about 44 percent of trading value and 44 percent of domestic market capitalization. To encourage publicly-listed companies to widen their investor base, the PSE introduced reforms in 2006 to include trading activity and free float criteria in the selection of companies comprising the stock exchange index. The 30 companies included in the benchmark index are subject to review every six months.

Hostile takeovers are not common because most company shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also lessen the likelihood of hostile takeovers.

The Securities Regulation Code of 2000 strengthened investor protection by requiring full disclosure in the regulation of public offerings, and implementing stricter rules on insider trading, mandatory tender offer requirements, and the segregation of broker-dealer functions. The Code also significantly increased sanctions for securities violations, and mandated steps to improve the internal management of the stock exchange and future securities exchanges. Moreover, the Code expressly prohibits any one industry group (including brokers) from controlling more than 20 percent of the stock exchange's voting rights, though the PSE has yet to fully comply.

The enforcement of these strengthened laws is mixed. While there has been some progress from the creation of special commercial courts, the prosecution of stock market irregularities can be subject to delays and uncertainties of the Philippine legal system.

Section 4 - Investment Climate

Executive Summary

The Philippines is becoming a more attractive destination for foreign direct investment (FDI). The country's growing middle class quickly spends its disposable income in a stable political environment, helping gross domestic product soar to an average growth of 6.2 percent over the last six years. FDI reached USD 5.72 billion in 2015. The United States contributed more than any other country, at USD 731 million. The majority of investment inflows are in manufacturing, finance and insurance, real estate, wholesale and retail trade, and construction.

Thanks in part to a large, educated, English-speaking workforce, the Business Process Outsourcing (BPO) and tourism industries have experienced tremendous growth in recent years, with no signs of a slowdown. The Philippines has improved its investment climate under the Aquino Administration, making strides in good governance, transparency, and accountability. Major international credit ratings agencies have upgraded the Philippines' sovereign credit ratings to investment grade, citing robust economic performance, continued fiscal and debt consolidation, and improved governance.

Still, improvement is needed. The Philippines lags behind most ASEAN nations in attracting FDI because of limits on foreign ownership in many sectors of the economy (the Philippines was ranked number 8 of 10 ASEAN countries as a percentage of GDP in 2014). Poor infrastructure, including high power costs and slow broadband connections, regulatory inconsistency, and corruption are major constraints to investment. The Philippines' complex, slow, and sometimes corrupt judicial system inhibits the timely and fair resolution of commercial disputes. In addition, traffic and port congestion are a regular cost of business. Investors report the Philippine bureaucracy can be difficult and opaque, and business registration and procedures are slow and burdensome. Many report a more predictable business environment within the special economic zones, particularly those available for export businesses which are operated by the Philippine Economic Zone Authority (PEZA), which is known for its regulatory transparency, no red-tape policy, and "one-stop shop" services for investors.

Overall, the investment climate of the Philippines has improved in recent years. If the country can maintain its reform momentum, particularly after a new president takes office in June 2016, continue to improve its infrastructure and relax foreign ownership limitations, the prospects for investment into the Philippines will continue to brighten.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	95 of 168	http://www.transparency.org/country/#PHL_DataResearch_SurveysIndices
World Bank's Doing Business Report "Ease of Doing Business"	2016	103 of 189	doingbusiness.org/rankings

Global Innovation Index	2015	83 of 141	https://www.globalinnovationindex.org/content/page/GII-Home
U.S. FDI in partner country ($M USD, stock positions)	2014	USD 5.1 billion	http://bea.gov/international/factsheet/factsheet.cfm?Area=623
World Bank GNI per capita	2014	USD 3,500	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Millennium Challenge Corporation Country Scorecard

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) of $4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: http://www.mcc.gov/pages/selection/scorecards. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The Philippines actively seeks foreign investment to promote economic development, and has conducted road shows in the United States encouraging U.S. firms to invest. The Philippine investment landscape has noteworthy advantages, such as its free trade zones, including zones administered by the Philippine Economic Zone Authority (PEZA) (http://www.peza.gov.ph/), and its large, educated, English-speaking, relatively low-cost Filipino workforce. Philippine law treats foreign investors the same as their domestic counterparts, except in sectors reserved for Filipinos by the Philippine Constitution and Foreign Investment Act (detailed below). However, inadequate public investment in infrastructure and lack of transparency hinder foreign investment. Philippine regulatory regimes remain ambiguous in many sectors of the economy, and corruption is a significant problem. A complex, sometimes corrupt, and slow judicial system is also a major disincentive to investment.

Other Investment Policy Reviews

The World Trade Organization conducted a Trade Policy Review of the Philippines in March 2012. It is available at: https://www.wto.org/english/tratop_e/tpr_e/tpr_e.htm.

Laws/Regulations on Foreign Direct Investment

The Board of Investments (BOI) (http://www.boi.gov.ph/) regulates and promotes investment into the Philippines. The Investment Priorities Plan (IPP), administered by the BOI, identifies preferred economic activities, which are approved every three years by the President. Government agencies are encouraged to adopt policies and implement programs consistent with the IPP.

The 1991 Philippine Foreign Investment Act (FIA) requires the publishing of the Foreign Investment Negative List (FINL), which outlines sectors in which foreign investment is restricted. The FINL consists of two parts. Part A details sectors in which foreign equity participation is restricted by the Philippine Constitution or laws. Part B lists areas in which foreign ownership is limited for reasons of national security, defense, public health, morals, and/or the protection of small and medium enterprises (SMEs). The current FINL was published in May 2015.

The 1995 Special Economic Zone Act allows PEZA to regulate and promote investments in export-oriented manufacturing and service facilities inside special economic zones, including grants of fiscal and non-fiscal incentives.

Further information about investing in the Philippines is available at http://investphilippines.gov.ph/.

Business Registration

Numerous agencies regulate business registration in the Philippines. Sole proprietorships must register with the Bureau of Trade Regulation and Consumer Protection (BTRCP) in the Department of Trade and Industry (DTI) (http://www.dti.gov.ph/), while corporations or partnerships must register with the Securities and Exchange Commission (SEC) (http://www.sec.gov.ph/). Other permits and licenses are issued by different agencies, making business registration cumbersome. It takes an average of 29 days to start a business in Quezon City in Metro Manila, according to 2016 World Bank's Ease of Doing Business.

Various Philippine laws promote development and assistance to micro-, small- and medium-sized enterprises (MSMEs). Republic Act No. 9501 defines MSMEs according to total asset value: micro – 3 million pesos or less (USD 67,000); small – above 3 million to 15 million pesos USD 335,000); medium – above 15 million. MSMEs whose capital is at least 60 percent Filipino-owned are entitled to special services such as a streamlined business registration process, credit financing, shared service facilities (i.e. machineries/equipment), and capacity building programs.

Industrial Promotion

The Philippines' Investment Priorities Plan (IPP) enumerates investment sectors entitled to incentives. The 2014-2016 IPP seeks to increase investments in infrastructure, agriculture, education, and health. The IPP list includes: manufacturing (e.g. motor vehicles, shipbuilding, aerospace, etc.), agribusiness and fisheries; services (e.g. creative industries, integrated circuit design, charging stations for e-vehicles, etc.); public infrastructure and logistics (airports, seaports, transport, etc.); Public-Private Partnership (PPP) projects; energy (development of energy sources, power generation plants, and ancillary services); low-cost housing; and hospitals. The BOI reviews projects and then determines incentives.

The PPP program aims to spur private-sector participation in government development projects, specifically in infrastructure. The Build-Operate-Transfer (BOT) law provides the legal framework for the program, and a Public Private Partnership (PPP) Center (http://ppp.gov.ph/) works to promote transparency and oversee project development and approval. The PPP Center has been slow to award contracts. As of April 2016, only 12 out of 51 proposed PPP projects have been awarded, with 16 contracts out for bid. In 2015, the U.S. Department of Commerce and the Philippine National Economic Development Authority (NEDA) (http://www.neda.gov.ph) signed a Memorandum of Cooperation on infrastructure collaboration in which potential U.S. investors will receive notification and information about forthcoming PPP infrastructure projects. For more information, see http://www.ita.doc.gov/infrastructure/.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreigners are prohibited from fully owning land under the 1987 Constitution, although the 1993 Investors' Lease Act allows foreign investors to lease a contiguous parcel of up to 1,000 hectares for 50 years, renewable one time for 25 additional years. The 2003 Dual-Citizenship Act allows dual citizens full rights to possess land. Still, ownership deeds continue to be difficult to establish, and the court system is slow to resolve land disputes.

The FINL bans foreign ownership in the following areas: mass media (except recording); small-scale mining; private security; marine resources, including the small-scale utilization of natural resources in rivers, lakes, and lagoons; and the manufacture of firecrackers and pyrotechnic devices. Only Philippine citizens can practice the following professions: law, pharmacy, radiologic and x-ray technology, criminology and forestry. In theory, foreigners may practice professions not prohibited under FINL provided their country allows the same reciprocal rights to Philippine citizens. In practice, however, language exams, onerous registration processes, and other barriers prevent this from taking place.

Other areas that carry varying foreign ownership ceilings include: private radio communications networks (20%); private employee recruitment (25 percent); contracts for the construction and repair of locally funded public works (25 percent); advertising agencies (30 percent); natural resource exploration, development, and utilization (40 percent, with exceptions); educational institutions (40 percent); operation and management of public utilities (40 percent); operation of commercial deep sea fishing vessels (40 percent); Philippine government procurement contracts (40 percent for supply of goods and commodities); construction of locally funded public works (25 percent with some exceptions); adjustment companies (40 percent); operations of Build-Operate-Transfer (BOT) projects in public utilities (40 percent); ownership of private lands (40 percent); rice and corn processing (40 percent, with some exceptions); and financing companies and investment houses (60 percent).

For reasons of national security, defense and public health, the Philippines limits foreign ownership to 40 percent in the following industries: manufacturing of explosives, firearms, military hardware, and massage clinics.

Retail trade enterprises with capital of less than USD2.5 million, or less than USD250,000 for retailers of luxury goods, are reserved for Filipinos. Foreign investors are prohibited from owning stock in lending, financing, or investment companies unless the investor's home country affords the same reciprocal rights to Filipino investors. Foreign ownership is capped at 60 percent for enterprises engaged in financing and securities underwriting, which are regulated by the SEC.

A law signed on July 2014 liberalized the entry of foreign banks into the Philippine market. If they can meet certain requirements, foreign banks are allowed to establish branches or own up to 100 percent of the voting stock of locally incorporated subsidiaries. However, a foreign bank that seeks to establish branches in the Philippines cannot open more than six branch offices each. The law also stipulates that a minimum 60 percent of the total assets of the Philippine banking system should, at all times, remain controlled by majority Philippine-owned banks. Ownership caps apply to foreign non-bank investors, whose aggregate share should not exceed 40 percent of the total voting stock in a domestic commercial bank and 60 percent of the voting stock in a thrift/rural bank. The 2007 Lending Company Regulation Act requires majority Philippine ownership for credit enterprises that do not clearly fall under the scope of existing laws.

Privatization Program

The Philippine Government's privatization program is managed by the Privatization Management Office (http://www.pmo.gov.ph/) under the Department of Finance (http://www.dof.gov.ph/). The privatization of government assets has to undergo a public bidding process. Apart from restrictions in the FINL, there are no regulations that discriminate against foreign buyers and the bidding process appears to be transparent.

Screening of FDI

Corporations or partnerships wishing to invest in the Philippines must register with the SEC, while sole proprietorships must register with DTI. A foreign enterprise seeking incentives under the Omnibus Investments Code must apply for registration with the BOI, while export-oriented manufacturing and service enterprises within economic zones must register with PEZA or another authorized economic zone administrator (see Section 16 – Foreign Trade Zones). In addition, foreign investors must register with the Central Bank (http://www.bsp.gov.ph) if the foreign exchange for repatriation of capital and remittance of earnings will be sourced from authorized agent banks or their affiliate foreign exchange corporations.

Competition Law

The Philippine competition law was enacted in July 2015, but the implementing rules and regulations were still being drafted as of April 2016. The law establishes a Philippine Competition Commission (PCC), an independent body mandated to resolve complaints on issues such as price fixing and bid rigging, and to stop mergers that would restrict competition. The Department of Justice (http://www.doj.gov.ph/) is responsible for the prosecution of criminal offenses involving violations of competition laws. Former National Economic and Development Authority Chairman Arsenio Balisacan will head the PCC.

2. Conversion and Transfer Policies

Foreign Exchange

The Central Bank has accelerated efforts to relax and streamline the Philippine foreign exchange regulatory framework. There are no restrictions on the full and immediate transfer of funds associated with foreign investments, foreign debt servicing, or payment of royalties, lease payments, and similar fees. The Central Bank follows a market-determined exchange rate policy, with scope for intervention to smooth excess foreign exchange volatility.

Remittance Policies

Central Bank regulations provide specific requirements for foreign exchange purchases from banks and from foreign exchange dealers, money changers, and remittance agents. No mandatory foreign exchange surrender requirement is imposed on export earners or other foreign currency earners, such as overseas workers.

The Financial Action Task Force (FATF) removed the Philippines from its "watch list" of countries with strategic deficiencies in countering money laundering and the financing of terrorism but continues to urge regulation of the country's growing casino industry for anti-money laundering/terrorism financing purposes. FATF is monitoring progress of pending legislation seeking to include casinos as covered institutions; however, the bill is unlikely to be enacted into law before President Aquino's term ends on June 30, 2016. A high profile international money laundering case in February, 2016 heightened interest in amending the laws.

3. Expropriation and Compensation

Philippine law allows expropriation of private property for public use or in the interest of national welfare or defense, and offers fair market value compensation. In the event of expropriation, foreign investors have the right to receive compensation in the currency in which the investment was originally made and to remit it at the equivalent exchange rate. However, the process of agreeing on a mutually acceptable price can be protracted in Philippine courts. There are no recent cases of actual expropriation involving U.S. companies in the Philippines.

On March 7, 2016, the Philippines passed a law that facilitates the acquisition of right-of-way sites for national government infrastructure projects. The law outlines procedures on providing "just compensation" to owners of expropriated real properties to expedite implementation of government infrastructure programs.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Philippines has a mixed legal system of civil, common, Islamic, and customary laws. It also has commercial and contractual laws.

The Philippine judicial system is a separate and independent branch of the government, made up of the Supreme Court (http://sc.judiciary.gov.ph/) and lower courts. The Supreme Court is the highest court and the sole constitutional body. The lower courts consist of (a) trial courts with limited jurisdictions (i.e. Municipal Trial Courts, Metropolitan Trial Courts, etc.); (b) Regional Trial Courts (RTCs); (c) Shari'ah District Courts (Muslim courts); and (d) Court of Appeals (appellate courts). Special courts include the "Sandiganbayan" (anti-graft court for public officials) and the Court of Tax Appeals. Several RTCs have been designated as Special Commercial Courts (SCC) to hear intellectual property (IP) cases, with four SCCs authorized to issue writs of search and seizure on IP violations, enforceable nationwide.

Under Philippine law, a separate action must be filed for foreign judgments to be recognized or enforced. Philippine law does not recognize or enforce foreign judgments that run counter to existing laws, particularly those relating to public order, public policy, and good customs.

Bankruptcy

The 2010 Philippine bankruptcy and insolvency law provides a predictable framework for the rehabilitation and liquidation of distressed companies. Rehabilitation may be initiated by debtors or creditors under court-supervised, pre-negotiated, or out-of-court proceedings. The law sets the conditions for voluntary (debtor-initiated) and involuntary (creditor-initiated) liquidation. It also recognizes cross-border insolvency proceedings in accordance with the

UNCTAD Model Law on Cross-Border Insolvency, allowing courts to recognize proceedings in a foreign jurisdiction involving a foreign entity with assets in the Philippines. Regional trial courts designated by the Supreme Court have jurisdiction over insolvency and bankruptcy cases. The Philippines ranked 103 out of 189 economies in World Bank's 2016 Ease of Doing Business report in terms of resolving insolvency and bankruptcy cases.

Investment Disputes

Foreign investors describe the inefficiency and uncertainty of the judicial system as a significant disincentive to investment. Many investors decline to file dispute cases in court because of slow and complex litigation processes and corruption among some personnel. Stakeholders also report an inexperienced judiciary when confronted with complex issues such as technology, science, trade, and intellectual property cases.

Several laws on alternative dispute resolution (ADR) mechanisms (i.e., arbitration, mediation, negotiation, and conciliation) have been approved to decongest the court's clogged dockets. PPP contracts are required to include ADR provisions to make resolving disputes less expensive and time-consuming, particularly for large-scale capital-intensive infrastructure and development contracts.

International Arbitration

ICSID Convention and New York Convention

The Philippines is a member of the International Center for the Settlement of Investment Disputes (ICSID) and has adopted the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, or the "New York Convention." Foreign arbitral awards are enforceable upon application in writing to the regional trial court with jurisdiction. The petition may be filed any time after receipt of the award.

Duration of Dispute Resolution – Local Courts

Investment disputes can take years to resolve due to systemic problems in the Philippine judicial system. A lack of resources, understaffing, and corruption make the already complex court processes protracted and expensive.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Philippines does not have any measures that are inconsistent with Trade Related Investment Measures (TRIMS) commitments.

Investment Incentives

There are about 180 fiscal incentive laws in the Philippines. The Investment Priorities Plan lists investment areas entitled to incentives facilitated by BOI. Available fiscal incentives include an income tax holiday, tax credits, and deductions from taxable income. Non-fiscal incentives include: employment of foreign nationals; simplified customs procedures; importation of consigned equipment; and operation of a bonded manufacturing warehouse.

BOI-registered enterprises which locate in less-developed areas are entitled to "pioneer" incentives and can deduct 100 percent of the cost of necessary infrastructure work and labor expenses from its taxable income. Pioneer status can be granted to enterprises producing new products or using new methods, goods deemed highly essential to the country's agricultural self-sufficiency program, or goods utilizing non-conventional fuel sources. Furthermore, an enterprise with more than 40 percent foreign equity that exports at least 70 percent of its production may be entitled to incentives even if the activity is not listed in the Investment Priorities Plan. Export-oriented firms with at least 50 percent of their revenues derived from exports may register for additional incentives under the 1994 Export Development Act.

Philippine law also provides incentives for multinational enterprises to establish regional or area headquarters in the Philippines. Multinational entities that establish regional warehouses for the supply of spare parts, manufactured components, or raw materials for foreign markets also enjoy incentives on imports that are re-exported, including exemption from customs duties, internal revenue taxes, and local taxes.

Research and Development

Foreign entities' participation in research and development is limited by several laws and regulations that stem from "essentially" limiting the practice of professions, including engineering and teaching, to Filipino citizens. The "Balik Scientist" Program of the Department of Science and Technology (DOST) (http://bsp.dost.gov.ph/) allows natural Filipino-born scientists who have acquired foreign citizenship to return to the Philippines to help accelerate scientific, agro-industrial and economic development in the country. The DOST secures a special/temporary permit from the Professional Regulatory Commission (http://www.prc.gov.ph/) to allow these "foreign" scientists to practice their profession in the Philippines.

Performance Requirements

In general, only Filipino citizens are allowed to practice licensed professions but companies registered with the BOI and PEZA may employ foreign nationals in supervisory, technical, or advisory positions for five years from the date of registration (possibly extendable upon request). Top positions and elective officers of majority foreign-owned BOI-registered enterprises (i.e., president, general manager, and treasurer, or their equivalents) are exempt from the five-year limitation. Foreigners intending to work locally must secure an Alien Employment Permit from the Department of Labor and Employment (DOLE) (http://www.dole.gov.ph), renewable every year or co-terminus with the duration of employment (which in no case shall exceed five years). The BOI and PEZA can help facilitate a special non-immigrant visa with multiple entry privileges and extend visa facilitation assistance to foreign nationals, their spouses and dependents.

The 2003 Government Procurement Reform Act (GPRA) requires the public sector to procure goods, supplies, and consulting services from enterprises at least 60 percent Filipino-owned and infrastructure services from enterprises with at least a 75 percent Filipino interest. More recently, government agencies have required U.S. companies to submit Certificates of Reciprocity with their bid documents to certify that Philippine companies have equivalent rights in bidding on similar procurements with the U.S. Government. (Please contact businessphilippines@trade.gov for more information or assistance.) A single portal electronic procurement system, called the Philippine Government Electronic Procurement System (http://philgeps.gov.ph/), exists to provide transparency and efficiency in procurement procedures, but the U.S. and other countries continue to raise concerns about irregularities and inconsistent implementation of government procurement. The Philippines is not a signatory to the WTO Agreement on Government Procurement.

Data Storage

The Philippines has no data localization law and does not impose restrictions on cross-border data transfers. Sensitive personal information is protected under the 2012 Data Privacy Act, which provides penalties for unauthorized processing and improper disposal of data even if processed outside the Philippines.

6. Protection of Property Rights

Real Property

The Land Registration Authority (http://www.lra.gov.ph/) and the Register of Deeds, which facilitates the registration and transfer of property titles, are responsible for land administration. The Philippines recognizes and protects property rights, but the laws are weakly implemented. Multiple agencies are involved in property administration, which results in overlapping procedures for land valuation and titling processes. Property registration is tedious and costly. Record management is weak due to a lack of funds and trained personnel. Corruption is also prevalent among land administration personnel and the court system is slow to resolve land disputes. The Philippines ranked 112 out of 189 economies in terms of ease of property registration in the World Bank's 2016 Ease of Doing Business report.

Intellectual Property Rights

The Philippines remains off the United States Trade Representative's (USTR) Special 301 Watch List and has no physical markets listed in the 2015 Notorious Markets Report. However, intellectual property rights enforcement declined significantly in 2015. The total estimated value of seized counterfeit goods fell from USD302 million in 2014 to USD45 million in 2015. U.S. rights holders continue to report concerns about the availability of counterfeit items such as software, medicines, and clothing, as well as judicial inexperience in IPR enforcement.

The Intellectual Property (IP) Code provides the legal framework for IPR protection, particularly in the key areas of patents, trademarks, and copyright. The Intellectual Property Office (IPOPHL) (http://www.ipophil.gov.ph/) is the implementing agency of the IP Code. The Philippines generally has strong patent and trademark laws.

IPOPHL seeks to expand cooperation between the government and rights-holders to strengthen enforcement. IPOPHL's IP Enforcement Office (IEO) reviews IPR-related complaints and conducts visits to establishments reportedly engaged in IPR-related violations. Stakeholders report the IEO has been effective in streamlining the process of filing complaints, coordinating among enforcement agencies, and reducing possibilities for corrupt officers to request bribes.

Enforcement actions, however, are often not followed by successful prosecutions. IP infringement is not considered a major crime in the Philippines and takes a lower priority in court proceedings. Many stakeholders opt for out-of-court settlements (such as ADR) rather than filing a lawsuit that may take years to resolve in Philippine courts. IPOPHL has jurisdiction to resolve certain disputes concerning alleged infringement and licensing through its

Arbitration and Mediation Center. IPOPHIL reported that 42 percent of cases received in 2015 had successful mediation.

For additional information about treaty obligations and points of contact at local IP offices, see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Contact at Mission:

Brian Breuhaus, Economic Officer
Economic Section, U.S. Embassy Manila
Telephone: (+632) 301.2000
Email: ManilaEcon@state.gov

Local lawyers list:

http://manila.usembassy.gov/wwwha004.html

7. Transparency of the Regulatory System

In general, regulatory enforcement in the Philippines is weak, inconsistent, and unpredictable. Regulatory agencies are generally not statutorily independent, but are attached to cabinet departments or the Office of the President and, therefore, subject to political pressure. Many U.S. investors describe business registration, customs, immigration, and visa procedures as burdensome and a source of frustration. To counter this, several government agencies have established express lanes or "one-stop shops" to reduce bureaucratic delays.

All proposed laws must undergo public comment and review. Concerned government agencies are required to craft implementing rules and regulations (IRRs) through public consultation hearings after laws are passed. New regulations must be published in newspapers or in the government's official gazette before taking effect.

The Philippines follows the Philippine Financial Reporting Standards (PFRS), patterned after the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). The PFRS for SMEs is a reporting framework that applies specifically to small- and medium-sized enterprises.

The Philippine SEC requires an entity's Chairman of the Board, CEO, and CFO to assume management responsibility and accountability for financial statements. Financial statements are examined by independent auditors in accordance with PFRS. Certain regulatory agencies, such as the Central Bank, SEC, Insurance Commission (http://www.insurance.gov.ph/), and Bureau of Internal Revenue (http://www.bir.gov.ph/) enforce separate accreditation rules.

8. Efficient Capital Markets and Portfolio Investment

The Philippines supports the entry of foreign portfolio investments, including into local and foreign-issued equities listed on the Philippine Stock Exchange (PSE) (http://www.pse.com.ph). There are minimal requirements for the divestment of portfolio investments and the subsequent repatriation of capital. Investments in publicly listed companies are subject to foreign ownership restrictions specified in the Constitution and other laws.

There are generally no restrictions on outward portfolio investments by Philippine residents, defined to include non-Filipino citizens who have been residing in the country for at least one year, foreign-controlled entities organized under Philippine laws, and branches/subsidiaries/affiliates of foreign enterprises organized under foreign laws operating in the country. However, foreign exchange purchases from banks and foreign exchange subsidiaries/affiliates above USD60 million per investor, or per fund per year, require prior Central Bank approval.

Although growing, the Philippine stock market, with 265 listed firms, lags behind many of its neighbors in size, product offerings, and trading activity. The PSE launched a new industry-leading trading system powered by NASDAQ's X-stream trading technology in June 2015. The securities market is growing but remains dominated by government bills andbonds.

The Central Bank does not restrict payments and transfers for current transactions, subject to the submission of specified documentary requirements.

Credit is generally granted on market terms and foreign firms are able to obtain credit from the domestic market. However, some laws require financial institutions to set aside loans for preferred sectors (e.g. agriculture, agrarian reform, and MSMEs). To help promote lending at competitive rates to MSMEs, the Philippines enacted the Credit Information System Act, which established the legal and regulatory framework for a centralized credit information system that collects and disseminates information about the track record of borrowers and the credit activities of entities in the financial system. The system is in place, but not yet operational.

Money and Banking System, Hostile Takeovers

The banking system is stable. The Central Bank has broadly revised its risk-based capital framework in step with adjustments in the Basel Committee on Banking Supervision capital adequacy rules. Capital adequacy ratios are well above the 8 percent international standard and the Central Bank's 10 percent regulatory requirement. The non-performing loan ratio was at 2.1 percent as of end-2015. There is ample liquidity, with the liquid assets-to-deposits ratio estimated at 54 percent. Commercial banks constitute more than 90 percent of the total assets of the Philippine banking industry. The five largest commercial banks represented about 59 percent of the total resources of the commercial banking sector as of 2015.

Foreign residents and non-residents may open foreign exchange and local currency bank accounts. Although non-residents may open local currency deposit accounts, they are subject to conditions on the funding sources specified under Central Bank regulations.

Hostile takeovers are uncommon because most companies' shares are not publicly listed and controlling interest tends to remain with a small group of parties. Cross-ownership and interlocking directorates among listed companies also decrease the number of hostile takeovers.

9. Competition from State-Owned Enterprises

State-owned enterprises, known in the Philippines as government-owned and controlled corporations (GOCC), are predominant in the power, transport, infrastructure, communications, land and water resources, social services, housing, and support services sectors. There were 147 operational GOCCs as of 2016 (see list at http://gcg.gov.ph/site/goccclassification). The Philippine government derives substantial revenues from GOCCs, which are required to remit at least 50 percent of their annual net earnings (e.g. cash, stock or property dividends) to the national government. In 2014, the total assets of all GOCCs were 6.07 trillion pesos (about USD133 billion) and remitted 24.37 billion pesos (about USD541 million) dividends to the national government.

Private and state-owned enterprises generally compete equally, with some clear exceptions. The National Food Authority (http://www.nfa.gov.ph/) first allowed the private sector to import rice in 2002. The Government Service Insurance System (GSIS) (http://www.gsis.gov.ph) is the only agency, with limited exceptions, allowed to provide coverage for the government's insurance risks and interests, including those in BOT projects and privatized government corporations. Since the national government acts as the main guarantor of loans, stakeholders report GOCCs often have an advantage in getting financing from government financial institutions and some private banks. Also, most GOCCs are not statutorily independent, but attached to cabinet departments, and, therefore, subject to political interference.

OECD Guidelines on Corporate Governance of SOEs

The Philippines is not an OECD member country. The 2011 GOCC Governance Act was enacted to address problems experienced by GOCCs, including poor financial performance, weak governance structures, and unauthorized allowances. The law allows unrestricted access to GOCC account books and requires strict compliance with accounting and financial disclosure standards; establishes the power to privatize, abolish, or restructure GOCCs without legislative action; and sets performance standards and limits on compensation and allowances. The law also created the GOCC Commission on Governance (GCG) (http://gcg.gov.ph/) to formulate and implement GOCC policies. GOCC Board Members are limited to one-year terms, subject to reappointment based on a performance rating set by the GCG, with final approval by the President of the Philippines.

Sovereign Wealth Funds

The Philippines does not have sovereign wealth funds.

10. Responsible Business Conduct

Responsible Business Conduct (RBC) is regularly practiced in the Philippines, although no domestic laws require it. The Philippine Tax Code provides RBC-related incentives to corporations, such as tax exemptions and deductions. Various non-government organizations and business associations also promote RBC. The Philippine Business for Social Progress (PBSP) (http://www.pbsp.org.ph/) is the largest corporate-led social development foundation involved in advocating corporate citizenship practice in the Philippines. U.S. companies report strong and favorable responses to RBC programs among employees and within local communities.

OECD Guidelines for Multinational Enterprises

The Philippines is not an OECD member country. While the Philippine government strongly supports RBC practices among the business community, it has not endorsed the OECD Guidelines for Multinational Enterprises to stakeholders.

11. Political Violence

Terrorist groups and criminal gangs operate in some regions of the country. The Department of State publishes a consular information sheet and advises all Americans living in or visiting the Philippines to review this information periodically.

A travel warning is in place for those U.S. citizens contemplating travel to the Philippines:

http://travel.state.gov/content/passports/en/alertswarnings/philippines-travel-warning.html.

The Philippines' most significant human rights problems continued to be extrajudicial killings and disappearances at the hands of security forces and private armed groups; a dysfunctional criminal justice system with poor cooperation between police and investigators; few prosecutions and lengthy procedural delays; and improving but still widespread official corruption and abuse of power.

The Philippines held a national election May 9, 2016 for president, vice president, half the seats in Senate, House of Representatives, provincial governorships and a range of local offices. The election was largely peaceful. Davao Mayor Rodrigo Duterte was elected president, and he will take office July 1.

The New People's Army (NPA), the military arm of the Communist Party of the Philippines, is responsible in some parts of the country, mostly in Mindanao, for civil disturbances through assassinations of public officials, sporadic attacks on military and police forces, bombings, and other attacks. It frequently demands "revolutionary taxes" from local and, at times, foreign businesses, and attacks infrastructure such as power facilities and telecommunications towers.

Terrorist groups, including the Abu Sayaaf Group (ASG), Jema'ah Islamiyah (JI), and a Moro Islamic Liberation Front (MILF) splinter group called the Bangsamoro Islamic Freedom Fighters (BIFF), periodically attack civilian targets in Mindanao, kidnap civilians – including foreigners – for ransom, and engage in armed skirmishes with government security forces. These groups have mostly carried out their activities in the western and central regions of Mindanao, including the Sulu Archipelago. They are also capable of operating in some areas outside Sulu if they choose to do so.

12. Corruption

Corruption is a pervasive and long-standing problem in the Philippines. The country's ranking in Transparency International's Corruption Perceptions Index declined from 85 in 2014 to 95 in 2015. The World Economic Forum's 2015-2016 Global Competitiveness Report ranked corruption as among the top problematic factors for doing business in the Philippines. Some key officials of the Aquino Administration were embattled with corruption issues despite making anti-corruption efforts a flagship program of the government. The Bureau of Customs, known widely as the most corrupt agency in the Philippines, is also a particular concern.

The Philippines continues to implement anti-corruption reforms outlined in the Philippine Development Plan 2011-2016. Its 2012-2016 Good Governance and Anti-Corruption Cluster

Plan further identifies specific measures to curb corruption through greater transparency and accountability in government transactions. Several bills supporting anti-corruption efforts are currently pending in Congress. Government anti-corruption agencies routinely investigate public officials, but convictions by anti-corruption courts are limited, often appealed, and convictions can be overturned. Corruption charges have been filed against several high-profile public officials under the Aquino administration, with no convictions to date.

The Philippine Revised Penal Code, the Anti-Graft and Corrupt Practices Act, and the Code of Ethical Conduct for Public Officials aim to combat corruption and related anti-competitive business practices. The Office of the Ombudsman (http://www.ombudsman.gov.ph/) investigates and prosecutes cases of alleged graft and corruption involving public officials. Cases against high-ranking officials are brought before the special anti-corruption court, the “Sandiganbayan”, while cases against low-ranking officials are filed before regional trial courts. The Office of the President can directly investigate and hear administrative cases involving presidential appointees in the executive branch and government-owned and controlled corporations. Soliciting, accepting and/or offering/giving a bribe are criminal offenses punishable by imprisonment, a fine, and/or disqualification from public office or business dealings with the government.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The Philippines ratified the United Nations Convention against Corruption in 2003. It is not a signatory to the OECD Convention on Combating Bribery.

Resources to Report Corruption

Contact at government agency:

Office of the Ombudsman
Ombudsman Building, Agham Road, North Triangle, Diliman
Quezon City, Philippines 1101
Telephone: (+632) 479.7300
Email: pab@ombudsman.gov.ph / http://www.ombudsman.gov.ph/

Contact at Watchdog Organization:

Transparency International Philippines, Inc.
4/F Libran House Building
144 Legazpi St. cor. V.A. Rufino and Bolanos Sts., Legazpi Village
Makati City, Philippines
Telephone: (+632) 869.9702
Email: info@transparency-ph.org / http://www.transparency-ph.org/

13. Bilateral Investment Agreements

Bilateral Taxation Treaties

The Philippines has neither a bilateral investment nor a free trade agreement with the United States. The Philippines has bilateral investment agreements with 38 countries: Argentina, Australia, Austria, Bangladesh, Belgium and Luxembourg, Cambodia, Canada, Chile, China, Czech Republic, Denmark, Finland, France, Germany, India, Indonesia, Iran, Italy, Kuwait, Mongolia, Myanmar, Netherlands, Pakistan, Portugal, Republic of Korea, Romania, Russian

Federation, Saudi Arabia, Spain, Sweden, Switzerland, Syria, Taiwan, Thailand, Turkey, United Kingdom, and Vietnam.

The Philippines is a member of four ASEAN free trade agreements that include an investment chapter with trading partners Australia, New Zealand, Republic of Korea, and China. It also has an investment agreement with Japan under the Japan-Philippines Economic Partnership Agreement. The Philippines in 2016 was negotiating free trade agreements with both the European Free Trade Association (EFTA) and the European Union (EU).

Bilateral Taxation Treaties

U.S.–Philippines Tax Treaty

The Philippines has a tax treaty with the United States to avoid double taxation, provide procedures for resolving interpretative disputes, and enforce taxes in both countries. The treaty encourages bilateral trade and investment by allowing the exchange of capital, goods and services under clearly defined tax rules and, in some cases, preferential tax rates or tax exemptions.

U.S. recipients of royalty income qualify for preferential tax rates (currently 10 percent) under the most favored nation clause of the United States-Philippines tax treaty. A preferential tax treaty rate of 15 percent applies to dividends and interest income. An entity must obtain a tax treaty relief ruling from the Bureau of Internal Revenue (BIR) to qualify for preferential tax treaty rates and treatment; tax practitioners find the requirements burdensome. Although the Supreme Court ruled in October 2013 against stricter regulations issued by the BIR in 2010 disqualifying late filings from preferential tax rate receivers, issues reportedly can arise during tax audits. The volume of tax treaty relief applications also has resulted in processing delays, with most applications reportedly pending for over a year. Concerns also exist about inconsistent taxation rulings.

The BIR rules and regulations for tax accounting have not been fully harmonized with the Philippine Financial Reporting Standards. The disparities between reports for financial accounting and tax accounting purposes are common issues in tax assessments and are an irritant between taxpayers and tax collectors. The BIR requires taxpayers to maintain records reconciling figures presented in financial statements and income tax returns.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

Businesses enjoy preferential tax treatment when located in export processing zones, free trade zones, and certain industrial estates, collectively known as economic zones, or “ecozones.” Businesses located in ecozones are considered outside customs territory and are allowed to import capital equipment and raw material free of customs duties, taxes, and other import restrictions. Goods imported into ecozones may be stored, repacked, mixed, or otherwise manipulated without being subject to import duties and are exempt from the Selective Preshipment Advance Classification Scheme. While some ecozones are designated as both export processing zones and free trade zones, individual businesses within them are only permitted to receive incentives under a single category.

Philippine Economic Zone Authority (PEZA)

PEZA currently operates 326 ecozones, primarily in the manufacturing, IT, tourism, medical tourism, logistics/warehousing, and agro-industrial sectors. PEZA manages three government-owned export-processing zones (Mactan, Baguio, and Cavite) and administers incentives to enterprises located in other privately owned and operated ecozones. Any person, partnership, corporation, or business organization, regardless of nationality, control and/or ownership, may register as an export, IT, tourism, medical tourism, or agro-industrial enterprise with PEZA, provided that the enterprise physically locates its activity inside any of the proclaimed ecozones. PEZA administrators have earned a reputation for maintaining a clear and predictable investment environment within the zones of their authority.

Bases Conversion Development Authority (BCDA) and Subic Bay Metropolitan Authority (SBMA)

The ecozones located inside former U.S. military bases were established under the 1992 Bases Conversion and Development Act. The BCDA (http://www.bcda.gov.ph/) operates the Clark Freeport Zone (Angeles City, Pampanga), the John Hay Special Economic Zone (Baguio), the Poro Point Freeport Zone (La Union), and the Bataan Technology Park (Morong, Bataan). The SBMA operates the Subic Bay Freeport Zone (Subic Bay, Zambales). Clark and Subic have their own international airports, power plants, telecommunications networks, housing complexes, and tourist facilities. These ecozones are independent of PEZA, though they offer comparable incentives. Enterprises already receiving incentives under the BCDA law are disqualified to receive incentives and benefits offered by other laws.

Other Zones

The Phividec Industrial Estate (Misamis Oriental, Mindanao) is governed by the Phividec Industrial Authority (PIA) (http://www.piamo.gov.ph/pia/), a government-owned and controlled corporation. Two lesser-known ecozones are the Zamboanga City Economic Zone and Freeport (Zamboanga City, Mindanao) (http://www.zfa.gov.ph/) and the Cagayan Special Economic Zone and Freeport (Santa Ana, Cagayan Province) (http://ceza.gov.ph/). The incentives available to investors in these zones are similar to PEZA incentives but administered independently. In addition to offering export incentives, the Cagayan Economic Zone Authority (CEZA) is authorized to grant gaming licenses.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2015	$291,983	2014	$284,777	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other

U.S. FDI in partner country ($M USD, stock positions)	2014	N/A	2014	$5,071	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Host country's FDI in the United States ($M USD, stock positions)	2014	N/A	2014	N/A	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total inbound stock of FDI as % host GDP	2014	20%	2014	12.5%	N/A

*Host Country Statistical Sources:

- http://www.nscb.gov.ph/sna/DataCharts.asp
- http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm
- http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm

Table 3: Sources and Destination of FDI

The Philippine Central Bank does not publish or post inward and outward FDI stock broken down by country. Total stock figures are reported under the "International Investment Position" data that the Central Bank publishes and submits to the International Monetary Fund (IMF)'s Dissemination Standards Bulletin Board (DSBB) using BPM6 concept. As of 2014, inward direct investments (i.e. liabilities) are USD57,093 million, while outward direct investments (i.e. assets) are USD36,217 million.

Host Country Statistical Sources:

- http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_liabilities.htm
- http://www.bsp.gov.ph/statistics/sdds/iip_bpm6_assets.htm

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	35,665	100%	Total Outward	6,864	100%
Singapore	7,258	20%	China,P.R.: Hong Kong	1,330	19%
Japan	6,415	18%	British Virgin Islands	1,193	17%
Netherlands	5,272	15%	China,P.R.: Mainland	1,070	16%

United States	4,204	12%	Cayman Islands	891	13%
China,P.R.: Hong Kong	2,590	7%	United States	815	12%
"0" reflects amounts rounded to +/- USD 500,000.					

Table 4: Sources of Portfolio Investment

The Philippine Central Bank disaggregates data into equity and debt securities but does not publish or post the stock of portfolio investments assets broken down by country. Total foreign portfolio investment stock figures are reported under the "International Investment Position" data that the Central Bank publishes and submits to the International Monetary Fund (IMF)'s Dissemination Standards Bulletin Board (DSBB) using BPM6 concept. As of 2014, outward portfolio investments (i.e. assets) are USD $10,553 million, of which USD $388 million is in equity securities and USD $10,165 million is in debt securities.

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	8,023	100%	All Countries	319	100%	All Countries	7,705	100%
United States	2,932	37%	United States	198	62%	United States	2,734	35%
Indonesia	1,535	19%	Luxembourg	59	19%	Indonesia	1,535	20%
China, P.R.: Mainland	678	8%	Netherlands	9	3%	China, P.R.: Mainland	673	9%
Cayman Islands	370	5%	China, P.R.: Hong Kong	8	2%	Cayman Islands	369	5%
China, P.R.: Hong Kong	234	3%	Australia	7	2%	China, P.R.: Hong Kong	226	3%

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments]

Legal system:

mixed legal system of civil, common, Islamic, and customary law

International organization participation:

ADB, APEC, APT, ARF, ASEAN, BIS, CD, CICA (observer), CP, EAS, FAO, G-24, G-77, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM, IPU, ISO, ITSO, ITU, ITUC (NGOs), MIGA, MINUSTAH, NAM, OAS (observer), OPCW, PCA, PIF (partner), UN, UNCTAD, UNDOF, UNESCO, UNHCR, UNIDO, Union Latina, UNISFA, UNMIL, UNMISS, UNMIT, UNMOGIP, UNOCI, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

The Bangko Sentral ng Pilipinas (BSP) administers the exchange control laws of the Philippines including establishing minimum and maximum rates for the foreign exchange dealings of banks. However, banks may set their own rates for trading foreign exchange with the public. The value of the peso generally floats freely, although intervention by the BSP does occur when deemed necessary.

Treaty and non-treaty withholding tax rates

Philippines has signed **41 agreements** (**41 DTC** agreements) providing for the exchange of information.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Australia	DTC	11 May 1979	17 Jun 1980	Yes	No
Austria	DTC	9 Apr 1981	1 Apr 1982	No	No
Bahrain	DTC	7 Nov 2001	14 Oct 2003	Yes	No
Bangladesh	DTC	8 Sep 1997	24 Oct 2003	Unreviewed	No
Belgium	DTC	2 Oct 1976	9 Jul 1980	Yes	No
Brazil	DTC	29 Sep 1983	7 Oct 1991	No	No
Canada	DTC	11 Mar 1976	21 Dec 1977	Yes	No
China	DTC	18 Nov 1999	23 Mar 2001	Yes	No
Czech Republic	DTC	13 Nov 2000	23 Sep 2003	Yes	No
Denmark	DTC	30 Jun 1995	24 Dec 1997	Yes	No
Finland	DTC	13 Oct 1978	1 Oct 1981	Yes	No
France	DTC	9 Jan 1976	24 Aug 1978	Yes	Yes
Germany	DTC	22 Jul 1983	14 Dec 1984	No	No
Hungary	DTC	13 Jun 1997	7 Feb 1998	Yes	No
India	DTC	12 Feb 1990	21 Mar 1994	Yes	No
Indonesia	DTC	18 Jun 1981	20 May 1982	Yes	No
Israel	DTC	9 Jun 1992	27 May 1997	Yes	No
Italy	DTC	5 Dec 1980	15 Jun 1990	Yes	No
Japan	DTC	13 Feb 1980	20 Jul 1980	Yes	No
Korea, Republic of	DTC	21 Feb 1984	9 Nov 1985	Yes	No
Malaysia	DTC	27 Apr 1982	27 Jul 1984	No	No
Netherlands	DTC	9 Mar 1989	20 Sep 1991	No	No
New Zealand	DTC	29 Apr 1980	14 May 1981	Yes	No
Nigeria	DTC	30 Sep 1997	not yet in force	Unreviewed	No
Norway	DTC	9 Jul 1987	23 Oct 1997	Yes	No
Pakistan	DTC	22 Feb 1980	24 Jun 1981	Unreviewed	No

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Poland	DTC	9 Sep 1992	7 Apr 1997	Yes	No
Qatar	DTC	14 Dec 2008	11 May 2011	Yes	No
Romania	DTC	18 May 1994	27 Nov 1997	Unreviewed	No
Russian Federation	DTC	26 Apr 1995	12 Sep 1997	Yes	No
Singapore	DTC	1 Aug 1977	16 Dec 1977	No	No
Spain	DTC	14 Mar 1989	12 Sep 1994	Yes	No
Sri Lanka	DTC	11 Dec 2000	not yet in force	Unreviewed	No
Sweden	DTC	24 Jun 1998	1 Nov 2003	Yes	No
Switzerland	DTC	24 Jun 1998	30 Apr 2001	No	No
Thailand	DTC	14 Jul 1982	11 Apr 1983	Unreviewed	No
Thailand	DTC	21 Jun 2013	not yet in force	Unreviewed	No
United Arab Emirates	DTC	21 Sep 2003	2 Oct 2008	Yes	No
United Kingdom	DTC	10 Jun 1976	23 Jan 1978	Yes	No
United States	DTC	1 Oct 1976	16 Oct 1982	Yes	No
Viet nam	DTC	14 Nov 2001	29 Sep 2003	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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