

REVISED ANTI-MONEY LAUNDERING OPERATING MANUAL

of



Chapter 1 BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

DMCI Holdings Incorporated (the "Corporation"), in compliance with the Securities and Exchange Commission's ("SEC") Memorandum Circular No. 12, Series of 2004, entitled "Revised Anti-Money Laundering Operating Manual for Covered Institutions" (the "Manual") and to assist in the implementation of Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001" (the "Act"), apply the following principles:

- i. ***Know your customer:*** The Corporation shall obtain competent evidence of the customer's identity, and have effective procedures for verifying the bona fide identity of new customers.
- ii. ***Compliance with laws:*** The Corporation shall ensure that its business is conducted in conformity with high ethical standards, that laws and regulations are adhered to, and that service is not provided where there is good reason to believe that transactions are associated with money laundering activities.
- iii. ***Co-operation with law enforcement agencies:*** Within the legal constraints relating to customer confidentiality, the Corporation shall co-operate fully with law enforcement agencies. This includes taking appropriate measures allowed by law if there are reasonable grounds for suspecting money laundering. Disclosure of information by the Corporation for the purposes of the Act regarding covered transactions and suspicious transactions shall be made to Executive Director, Anti-Money Laundering Council, 5/F EDC Building, Bangko Sentral ng Pilipinas.
- iv. ***Policies, procedures and training:*** The Corporation shall adopt policies consistent with the principles set out in the Manual, and ensure that its staff, wherever located, are informed of these policies and adequately trained in matters covered herein. To promote adherence to these principles, the Corporation shall implement specific procedures for customer identification (Chapter 2), record keeping and retention of transaction documents (Chapter 3), and reporting of covered and suspicious transactions (Chapter 4).

Chapter 2 CUSTOMER IDENTIFICATION

Section 2.A. General

Section 2.A.1. The Corporation shall establish, document, and maintain a written Customer Identification Program (“CIP”) appropriate for its size and business that, at a minimum, includes each of the requirements under this Chapter. The Customer Identification Program shall be part of the Corporation’s anti-money laundering compliance program and included in their respective in its Operating Manual.

Section 2.A.2. The Corporation shall obtain and record competent evidence of the true and full identity, representative capacity, domicile, legal capacity, occupation or business purposes of clients, as well as other identifying information on those clients, whether they be occasional or usual, through the use of documents such as, but not limited to:

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

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

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

Section 2.A.3. Clients should be made aware of the Corporation’s explicit policy that business transactions will not be conducted with applicants who fail to

provide competent evidence of their identity, but without derogating from the Corporation's obligations to report suspicious transactions. Where initial verification fails to identify the applicant, or give rise to suspicions that the information provided is false, additional verification measures should be undertaken to determine whether to proceed with the business. Details of the additional verifications are to be recorded.

Section 2.A.4. When the Corporation acquires the business of another financial sector company or covered institution, either in whole or as a product portfolio, it is not necessary for the identity of all existing customers to be re-identified, provided that:

- i. all customer account records are acquired with the business; and
- ii. due diligence inquiries do not raise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied Philippine requirements.

Section 2.A.5. If during the business relationship, the Corporation has reason to doubt:

- i. the accuracy of the information relating to the customer's identity;
- ii. that the customer is the beneficial owner; or
- iii. the intermediary's declaration of beneficial ownership; or
- iv. if there are any signs of unreported changes,

the Corporation shall take further measures to verify the identity of the customer or the beneficial owner, as applicable. Such measures may include the following:

- a. referral of names and other identifying information to criminal investigating authorities; and
- b. review of disciplinary history and disclosure of past relevant sanctions

Section 2.A.6. The Customer Identification Program must include procedures for responding to circumstances in which the Regulated Intermediary cannot form a reasonable belief that it knows the true identity of a customer. These procedures should describe, among others, the following:

- a. when the Corporation should not open an account;
- b. the terms under which a customer may conduct transactions while the Corporation attempts to verify the customer's identity;
- c. when the Corporation should close an account after attempts to verify customer's identity fail;
- d. when the Corporation should file a Suspicious Transaction Report

Section 2.A.7. The Customer Identification Program must include procedures for providing customers with adequate notice that the Corporation is requesting information to verify their identities.

Section 2.A.8. The Customer Identification Program may include procedures specifying when the Corporation will rely on the performance of a banking institution of the Corporation's Customer Identification Program with respect to any customer of the Corporation that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions, provided that:

- a. Such reliance is reasonable under the circumstances;
- b. The banking institution is subject to the supervision and regulation by the Bangko Sentral ng Pilipinas;
- c. The banking institution enters into a contract with the Corporation requiring it to certify annually to the Corporation that it has implemented its anti-money laundering program and that it will perform specified requirements of the Corporation's Customer Identification Program; and
- d. The arrangement shall be submitted by the Corporation to the Commission for its approval prior to the implementation of the arrangement by the Corporation.

It is understood that the Commission reserves the right to disapprove arrangements between the Corporation and the banking institution or cancel existing arrangements when it has been proven to have been abused by the Corporations.

Section 2.A.9. Corporation shall maintain customer accounts only in the name of the account holder. It shall not open or keep anonymous accounts, fictitious names accounts, incorrect name accounts and similar accounts.

Section 2.A.10. Ruel 52.1 (6) (Customer Account Information Rule) of the Amended Implementing Rules and Regulations of the Securities and Regulation Code, which requires securities brokers and dealers to get specific personal and business information from clients, continues to remain in full force and effect.

Section 2.A.11. The Corporation shall ensure that they know their customers well, and accordingly, shall keep current and accurate all material information with respect to their customers by regularly conducting verification and update thereof.

Section 2.B. Personal Customers

Section 2.B.1 The Corporation shall obtain from all individual applicants the following information:

- name and/or names used;
- present address
- permanent address;
- mailing address;
- date and place of birth;
- nationality;
- nature of work, name of employer or nature of self-employment or business;
- tax identification numbers, Social Security number or Government Service and Insurance System number;
- specimen signature;
- sources of funds.

Section 2.B.2. The Corporation shall request individual applicants who present only photocopies of identifications and other documents to produce the original documents for verification purposes.

Section 2.B.3. Verification Without Face-to-Face Contact. –

- (a) Whenever possible, prospective clients should be interviewed personally.
- (b) The Corporation shall take particular care in opening accounts via the Internet, post or telephone or other such instances which may give rise to verification without face-to-face contact.
- (c) The customer identification procedures for non-face-to-face verification should be as stringent as those for face-to-face verification. The Corporation is duty-bound to inform such clients that identity verification measures apply as well to them.
- (d) The following are a number of checks which can be used by the Corporation to verify identity of prospective clients where there is no face-to-face contact:
- telephone contact with the applicant at an independently verified home or business number;
 - subject to the applicant's consent, telephone confirmation of the applicant's employment with the employer's personnel department at a listed business number;
 - income or salary details appearing on recent bank statements, Income tax returns or any other document evidencing income or compensation;
 - confirmation of the address through an exchange of correspondence or by other appropriate methods.

An initial deposit check drawn on another financial institution regulated by the Bangko Sentral ng Pilipinas will provide additional assurance as to identity.

- For non-Philippine residents who wish to open accounts without face-to-face contact, documents as enumerated in Section 2.A.2 issued by foreign authorities may be submitted, duly authenticated by the Philippine Consulate where such foreign authorities are located. The Corporation shall, however, inform the clients of the provisions of Section 2.A.2.
- Except in cases where no face-to-face contact is prohibited under existing laws, rules and regulations, no new accounts shall be

opened and created without a face-to-face contact unless full compliance with the requirements of Section 2.B.2 are met.

Section 2.C. Single Proprietorships, Corporations, Stock or Non-Stock and Partnerships

Section 2.C.1 Before establishing a business relationship, a company search and/or other commercial inquiries shall be made to ensure that the corporate/other business applicant has not been, or is not in the process of being dissolved, struck off, wound-up or terminated. In case of doubt as to the veracity of the corporation or identity of its directors and/or officers, or the business or its partners, a search or inquiry with the SEC or the relevant Supervising Authority/Regulatory Agency shall be made.

Section 2.C.2. The following relevant documents shall be obtained in respect of corporate/other business applicants that are regulated in the Philippines:

- Copies of the Certificate of Registration issued by the Department of Trade and Industry, for single proprietorship, or by the Securities and Exchange Commission, for corporations, including the Articles of Incorporation or Certificate of Partnership, as appropriate, copies of the By-Laws of the corporation; the latest General Information Sheet, which lists the names of directors/partners and principal stockholders, and secondary licenses if any; and other documents such as but not limited to clearance/certification from the Commission that the company is active and compliant with the reportorial requirements.

The originals or certified copies of any or all of the foregoing documents, where required, should be produced for verification;

- Sworn statement as to existence or non-existence of beneficial owners;
- Appropriate directors' resolutions and signed application forms or account opening authority containing specimen signatures;
- Where necessary, the Corporation may also require additional information about the nature of the business of clients, copies of identification documents of shareholders, directors, officers and all authorized signatories.

Section 2.C.3. For companies, businesses or partnerships registered outside the Philippines, comparable documents are to be obtained, duly authenticated by the Philippine Consulate where said entities are located.

Section 2.C.4. If significant changes to the company structure or ownership occur subsequently, or suspicions arise as a result of a change in the payment profile as reflected in a company account, further checks are to be made on the identities of the new owners.

Section 2.D. Shell Companies

Section 2.D.1. Shell companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted. The Corporation should note that shell companies may be abused by money launderers and therefore be cautious in their dealings with them.

Section 2.D.2. In addition to the requirement under Section 2.C.2., the Corporation should also obtain a Board of Directors' Certification as to the purposes of the owners/stockholders in acquiring the shell company. There must likewise be satisfactory evidence of the identities of the beneficial owners, bearing in mind the "Know-Your-Customer" principle.

Section 2.E. Trust, Nominee and Fiduciary Accounts

Section 2.E.1. The Corporation shall establish whether the applicant for business relationship is acting on behalf of another person as trustee, nominee or agent. The Corporation should obtain satisfactory evidence of the identity of such agents and authorized signatories, and the nature of their trustee or nominee capacity and duties.

Section 2.E.2. Where the Corporation entertains doubts as to whether the trustee, nominee or agent is being used as a dummy in circumvention of existing laws, it shall immediately make further inquiries to verify the status of the business relationship between the parties. If satisfactory evidence of the beneficial owners cannot be obtained, the Corporation shall consider whether to proceed with the business, bearing in mind the "Know-Your-Customer" principle. If they decide to proceed, they are to record any misgiving and give extra attention to monitoring the account in question.

Section 2.E.3. Where the account is opened by a firm of lawyers or accountants, the Corporation should make reasonable inquiries about transactions passing through the subject accounts that give cause for concern or from reporting those transactions if any suspicion is aroused. If a money laundering Suspicious Transaction Report is made to the Anti-Money Laundering Council (the "Council") in respect of such clients' accounts, the Council will seek information directly from the lawyers or accountants as to the identity of its client and the nature of the relevant transaction, in accordance with the powers granted to it under the Act and other pertinent laws.

Section 2.F. Transactions Undertaken on Behalf of Account Holders or Non-Account Holders

Section 2.F.1. Where transactions are undertaken on behalf of account holders of the Corporation, particular care shall be taken to ensure that the person giving instructions is authorized to do so by the account holder.

Section 2.F.2. Transactions undertaken for non-account holders demand special care and vigilance. Where the transaction involves significant amounts, the customer should be asked to produce positive evidence of identity including nationality, especially in cases where the client is not a Filipino, the purposes of the transaction and the sources of the funds.

Chapter 3 RECORD KEEPING

Section 3.1. The Corporation Customer Identification Program, as described in Chapter 2 hereof, must include procedures for making and maintaining a record of all customer relationships and transactions such that:

- i. requirements of the Act are fully met;
- ii. any transaction effected via the Corporation can be reconstructed and from which the Council will be able to compile an audit trail for suspected money laundering, when such a report is made to it;
- iii. the Corporation can satisfy within a reasonable time any inquiry or order from the Council as to disclosure of information, including without limitation whether a particular person is the customer or beneficial owner of transactions conducted through the Corporation.

Section 3.2. The following document retention periods shall be followed:

- i. All records of all transactions of covered institutions, especially customer identification records, shall be maintained and safely stored in an easily accessible place for five (5) years from the dates of transactions.
- ii. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed.
- iii. SRC Rule 52.1 (1) (Books and Records Keeping Rule) and Rule 52.1 (2) (Records Retention Rule) of the Amended Implementing Rules and Regulations of the Securities Regulation Code continue to be in full force and effect.

Section 3.3. Transaction documents may be retained as originals or copies, on microfilm, provided that such forms are admissible in court, pursuant to the Revised Rules of Court and the E-Commerce Act and its Implementing Rules and Regulations.

Section 3.4 Notwithstanding paragraph 3.2, if the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed.

Section 3.5 The Corporation shall designate at least two (2) persons responsible in the safekeeping of all records, reporting to the Commission any change in the person/s responsible, if there is any.

Chapter 4 COVERED AND SUSPICIOUS TRANSACTIONS

Section 4.1. The mandatory Covered Transaction Report (“CTR”) (**Annex “A”**) shall be filed before the Anti-Money Laundering Council for transactions in cash or other equivalent monetary instrument involving a total amount in excess of the threshold of P500,000.00 within one (1) banking day as provided under Section 3 (b) of Republic Act 9160, as amended.

Section 4.2. As provided in Section 3 (b-1) of the Act, the Corporation shall file a Suspicious Transaction Report (“STR”) (**Annex “B”**) before the Anti-Money Laundering Council, regardless of the amount of the transaction where any of the following circumstances exists:

1. There is no underlying legal or trade obligation, purpose, or economic justification;
2. The client is not properly identified;
3. The amount involved is not commensurate with the business of financial capacity of the client;
4. Taking into account all known circumstances, it may be perceived that the client’s transaction is structured in order to avoid being the subject of reporting requirements under the Act;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client’s past transactions with the covered institution;
6. The transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being or has been committed; or
7. Any transaction that is similar or analogous to any of the foregoing.

In this regard, the Corporation shall exercise due diligence by implementing adequate systems for identifying and detecting suspicious transactions.

Section 4.3. Suspicious transactions are likely to involve a number of factors which together raise a suspicion in the mind of the Corporation that the transaction may be connected with any unlawful activity. A list of examples of suspicious transactions is attached in **Annex “C”**.

The list is not intended to be exhaustive and only provide examples of the most basic ways in which money may be laundered. Identification of any of the transactions listed should prompt initial enquiries and, if necessary, further investigations on the source of funds.

Chapter 5

REPORTORIAL REQUIREMENTS

Section 5.1. The Corporation shall institute a system for the mandatory reporting of covered transactions and suspicious transactions pursuant to Chapter 4. The system shall be described in detail in the operating manual of the Corporation.

Section 5.2. The Corporation shall designate a Compliance Officer as defined in Section 7.2 hereof, at management level who will be in charge of the implementation of its Operating Manual and the application of the internal programmes and procedures, including customer identification programs, proper maintenance of records, reporting of covered and suspicious transactions to the Council, internal audits and training of employees.

Section 5.3. Covered Transaction and Suspicious Transaction reporting must be done by the Corporation within five (5) working days from occurrence thereof, unless the Commission prescribes a longer period not exceeding ten (10) working days.

Section 5.4. The Corporation's directors, officers, and employees shall not warn their customers that information relating to them has been reported or is in the process of being reported to the Council, or communicate, directly or indirectly, such information to any person other than the Council. Any violation of this confidentiality provision shall render them liable for criminal, civil and administrative sanctions under the Act.

Section 5.5

(a) Where any employee or personnel, director or officer of the Corporation knows that the client has engaged in any of the predicate crimes under the Act, the matter must be promptly reported to the Reporting Officer/s or Unit within the organization who, in turn, must immediately report the details to the Council.

(b) If there are reasonable grounds to suspect that the customer has engaged in an unlawful activity, the Reporting Officer/s or Unit, on receiving such a report, must promptly evaluate whether there are reasonable grounds for such belief and must then immediately report the case to the Council unless the officer/s or unit considers, and records an opinion, that such reasonable grounds do not exist.

Section 5.6. The Corporation shall maintain a register of all suspicious transactions that have been brought to the attention of its Compliance Officer, including transactions that are not reported to the Council.

Section 5.7. The Corporation shall likewise maintain a register of all covered transactions which are not reported to the Council pursuant to AMLC Resolution No. 292, Series of 2003.

Section 5.8. The registers shall contain details of the date on which the report is made, the person who made the report to its Compliance Officer, and information sufficient to identify the relevant papers related to said reports.

Section 5.7. Under Section 13 of the Act, where the Corporation discloses to an authorized officer a knowledge, suspicion or belief that any fund, property or investment is derived from or used in connection with any criminal conduct under the Act or any matter on which such a knowledge, suspicion or belief is based, such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed by law, contract or by rules of professional conduct. Furthermore, under Section 13 of the Act, no administrative, criminal or civil proceedings shall lie against any person for having made a suspicious transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under this Act or any other Philippine law. The Corporation, its directors and employees shall likewise not be liable for any loss arising out of such disclosure, or any act or omission, in relation to the fund, property or investment in consequence of the disclosure, where such is made in good faith and in the regular performance of their duties under the Act.

Chapter 6 INTERNAL CONTROL AND PROCEDURES

Section 6.1. The Corporation is required to establish and implement internal control procedures aimed at preventing and impeding money laundering. Such procedures shall, among others things, ensure that such intermediaries and their employees are aware of the provisions of the law, its implementing rules and regulations, as well as all reportorial and compliance control and procedures that shall be established by the Council the Supervising Authority and the Corporation.

Section 6.2. The Corporation shall see to it that their respective policies and procedures for dealing with money laundering, reflecting under the Act and its implementing rules and regulations, are clearly set out and reflected in their Operating Manual.

Section 6.3. Policies and procedures should cover, among others:

- Communications of firm policies relating to money laundering, including timely disclosure of information and internal audits to ensure compliance with policies, procedures and controls relating to money laundering;
- Account opening and customer identification, including requirements for proper identification;
- Maintenance of records;
- Compliance with the requirement of the AMLA, as amended, its Revised Implementing Rules and Regulations, and all Circulars issued by the Commission and the Anti-Money Laundering Council;
- Cooperation with the SEC and other relevant Authorities;

Section 6.4. The Corporation shall establish written internal reporting procedures which shall:

- (a) Enable all its directors, officers, employees, and all key staff to know to whom they should report any knowledge or suspicion of money laundering activity;
- (b) Ensure that there is a clear reporting chain under which suspicions of money laundering activity will be passed to the Compliance Officer, in accordance with the Reporting Procedures of the Corporation.
- (c) Require the Compliance Officer to consider any report in the light of all relevant information available for the purpose of determining whether or not it gives rise to a knowledge or suspicion of money laundering;
- (d) Ensure that the Compliance Officer has reasonable access to any other information which may be of assistance as to whether or not a suspicious transaction report is to be filed;
- (e) Require that upon determination of the suspicious nature of the report, the information contained therein is disclosed promptly to the Council;
- (f) Maintain a register of all reports pursuant to Section 5.6, 5.7 and Section 5.8 above

Chapter 7 COMPLIANCE

Section 7.1. The Corporation shall appoint one or more senior persons, or an appropriate unit, to advise its management and staff on the issuance and enforcement of in-house instructions to promote adherence to the Act, its Implementing Rules and Regulations, their Operating Manual, including personnel training, reporting of covered and suspicious transactions, and generally, all matters relating to the prevention of money laundering.

Section 7.2. The Corporation shall appoint a senior officer as the Compliance Officer. Unless otherwise provided in their respective Manuals, the registered Associated Person of the Corporation covered by the SRC shall also be the Compliance Officer as contemplated herein. A Compliance Officer shall be:

- (a) A senior officer with relevant qualifications and experience to enable him to respond sufficiently well to inquiries relating to the relevant person and the conduct of its business;
- (b) Responsible for establishing and maintaining a manual of compliance procedures in relation to the business of the Corporation;
- (c) Responsible for ensuring compliance by the staff of the Corporation with the provisions of the Act, its Implementing Rules and Regulations, and the Corporation's Manual of Compliance Procedures established under Section 7.2 (b) above;
- (d) Responsible for disseminating to its Board, officers, and all employees memorandum Circulars, resolutions, instructions, and policies issued by the Council and the Commission in all matters relating to the prevention of money laundering;
- (e) The liaison between the Corporation and the Council in matters relating to compliance with the provisions of the Act and its Implementing Rules and Regulations;
- (f) Responsible for the preparation and submission to the Council written reports on the Corporation's compliance with the provisions of the Act and its Implementing Rules and Regulations, in such form as the Council may determine, and within such period as the Commission may allow in accordance with the AMLA, as amended.

Section 7.3. Notwithstanding the duties of the Compliance Officer, the ultimate responsibility for proper supervision, reporting, and compliance pursuant to the AMLA, as amended, its Revised Implementing Rules and Regulations shall rest with the Corporation and its Board of Directors.

Chapter 8 TRAINING

Section 8.1. The Corporation shall provide education and training for all its staff and personnel, including directors and officers, to ensure that they are fully aware of their personal obligations and responsibilities in combating money laundering and to be familiar with its system for reporting and investigating suspicious matters.

Section 8.2. The Corporation may, due to the scale and nature of its operations, assign the internal audit or training functions to another person (e.g. professional association, parent company or external auditors). Where the Corporation delegates its responsibilities for audit and training, due diligence is to be exercised to ensure that the persons appointed are able to perform these functions effectively and the fact of such appointment must be relayed in writing to the Council.

Section 8.3. Timing and content of training for various sectors of staff will be adapted by the Corporation as follows:

i. *New Staff*

A general appreciation of the background to money laundering, the need to be able to identify suspicious transactions and report such transactions to the appropriate designated point within the Corporation should be provided to all new employees, regardless of level of seniority.

ii. *Cashiers/Dealers' Representatives or Investment Representatives/Advisory Staff*

Personnel who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the Corporation's reporting system for such transactions. They should be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. "Front-line" staff should be made aware of the Corporation's policy for dealing with non-regular customers particularly where large cash transactions are involved, and the need for extra vigilance in cases under suspicious circumstances.

iii. *Supervisors and Managers*

A higher level of instruction covering all aspects of money laundering procedures should be provided to supervisors and managers. This will include the offences and penalties arising from the Act, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

Section 8.4. The Corporation shall, at least once a year, make arrangements for refresher training to remind key staff of their responsibilities and to make them aware of any changes in the laws and rules relating to money laundering, as well as the internal procedures of the Corporation.

Respectfully submitted, October 29, 2004.

DMCI HOLDINGS INCORPORATED

By:

(Original Signed)
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