

ANTI-MONEY LAUNDERING POLICY
CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

I. Introduction

The attempted use of financial institutions like insurance companies to launder money is a significant problem that has resulted in the passage of stricter laws and increased penalties for money laundering. Pursuant to the provisions of Republic Act 9194 amending Republic Act No. 9160 (also known as “The Anti-Money Laundering Act of 2001”), its revised Implementing Rules and Regulations, the Insurance Code of 1978, as amended, and other pertinent laws, rules and regulations, this Anti-Money Laundering Manual is designed by CLIMBS Life and General Insurance Cooperative to establish principles and standards to protect against attempts of laundering money and financing terrorism through CLIMBS.

This Manual is to be used to create an understanding among employees concerning the risks of laundering money and the penalties for failing to comply with the procedures outlined herein. This Manual establishes the minimum standards to which CLIMBS must adhere. In any case where the requirements of applicable anti-money laundering laws establish higher standards, CLIMBS will adhere to those laws.

CLIMBS shall be served by an Anti-Money Laundering Compliance Officer or other designated business/supervisory personnel responsible for coordinating and monitoring day-to-day compliance with this policy and applicable Anti-Money Laundering laws and regulations. The Anti-Money Laundering Compliance Officer or other designated business/supervisory personnel may serve other functions and may serve multiple business units.

Unless specifically designated otherwise, the Vice President for Finance of CLIMBS shall be the Anti-Money Laundering Compliance Officer.

II. Definitions and Applications

Act – shall refer to Republic Act 9160 as amended by Republic Act 9194 entitled, “An Act Defining the Crime of Money-Laundering Providing Penalties and for Other Purposes.

Beneficial Owner – applies to the owner/controller of the policyholder as well as to the beneficiary to the contract.

Transaction – refers to the inquiries and application for an insurance policy, premium payments, request for changes in benefits, beneficiaries, duration, etc.

It is understood that the provisions of the Act and its revised implementing rules and regulations shall apply in all other cases not covered by this operating manual.

Person - refers to any natural or juridical person.

Covered transactions refer to:

1. A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand pesos (Php500,000) or its equivalent in any other currency; or
2. A transaction, regardless of frequency of payment (monthly, quarterly, semi-annually or annually), where the total premiums/fees for a policy, plan or agreement for the entire year exceeds Five Hundred Thousand pesos (Php500,000.00) or its equivalent in any other currency.

Suspicious Transaction- refers to a transaction, regardless of amount, where any of the following circumstances exists:

1. There is no underlying legal or trade obligation, purpose or economic justification;



CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Copyright © 2018 Anti-Money Laundering Policy. All Rights Reserved.

Do not copy, distribute or reproduce in whole or in part without prior written approval from CLIMBS.

Page 1 of 18

2. The customer is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the customer;
4. Taking into account all known circumstances, it may be perceived that the customer's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the customer and/or the customer's past transaction with the covered person;
6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be committed, is being or has been committed; or
7. Any transaction that is similar, analogous or identical to any of the foregoing.

Politically Exposed Person (PEP) - refers to an individual who is or has been entrusted with prominent public position in the Philippines with substantial authority over policy, operations or use or allocation of government-owned resources, a foreign State or an international organization.

The term PEP shall include immediate family members, and close relationships and associates that are reputedly known to have:

1. Joint beneficial ownership of a legal entity or legal arrangement with the main/principal PEP; or
2. Sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP.

Immediate Family Members of PEP - refers to spouse or partner, children and their spouses and parents and parent-in-law.

Close Associates of PEPs - refers to persons who are widely and publicly known to maintain a particularly close relationship with the PEP, and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP.

Official Document refers to any of the following identification documents:

1. For Filipino citizens: Those issued by any of the following official authorities:
 - a. Government of the Republic of the Philippines, including its political subdivisions, agencies, and instrumentalities;
 - b. Government-owned or controlled corporations (GOCCs);
 - c. Covered persons registered with and supervised or regulated by the BSP, SEC or IC;
2. For foreign nationals: Passport or Alien Certificate of Registration;
3. For Filipino students: School ID signed by the school principal or head of the educational institution; and
4. For low risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the customer's identity.

Monetary Instrument shall include, but is not limited to the following:

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



Property refers to anything or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit, privilege, claim or right with respect thereto, including:

1. Personal property, including proceeds derived therefrom or traceable to any unlawful activity, such as, but not limited to:
 - a. Cash;
 - b. Jewelry, precious metals and stones and other similar items;
 - c. Works of art, such as paintings, sculptures, antiques, treasures and other similar precious objects;
 - d. Perishable goods and
 - e. Vehicles, vessels, aircraft or any other similar conveyance.
2. Personal property used as instrumentalities in the commission of any unlawful activity, such as:
 - a. Computers, servers and other electronic information and communication systems and
 - b. Any conveyance, including any vehicle, vessel and aircraft.
3. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or asset preservation order is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:
 - a. Derived from, or traceable to, any unlawful activity or
 - b. Used as an instrument in the commission of any unlawful activity.

Proceeds refers to an amount derived from any unlawful activity.

Monetary Instrument or Property Related to an Unlawful Activity refers to:

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

Related Accounts refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.

Materially-linked Accounts shall include the following:

1. All accounts or monetary instruments under the name of the person whose accounts, monetary instruments or properties are the subject of the freeze order or an order of inquiry;
2. All accounts or monetary instruments held, owned or controlled by the owner or holder of the accounts, monetary instruments or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another person;
3. All "In Trust For" accounts where either the trustee or the trustor pertains to a person whose accounts, monetary instruments or properties are the subject of the freeze order or order of inquiry;
4. All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments or properties are the subject of the freeze order or order of inquiry and
5. All other accounts, shares, units or monetary instruments that are similar, analogous or identical to any of the foregoing.

Offender refers to any person who commits a money laundering offense.

Money Laundering is committed by:



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

III. Money Laundering and Financing of Terrorism

1. Money Laundering covers all procedures to change, obscure or conceal the beneficial ownership or audit trail of illegally obtained money or valuables so that it appears to have originated from a legitimate source. Money Laundering is used also to hide the link between those who finance terrorism and those who commit terrorist acts.

Financing of terrorism can be defined as the wilful provision or collection by any means, directly or indirectly of funds with the intention that the funds should be used, or in the knowledge that they are used, to facilitate or carry out terrorist acts. Terrorism can be funded from legitimate income.

2. Stages of Money Laundering – the three (3) common stages of money laundering during which there may be numerous transactions made by launderers that could alert CLIMBS are:

Placement – the physical disposal of cash proceeds derived from illegal activity. The aim is to remove cash from the location of acquisition to avoid detection.

Owing to the nature of insurance contracts or policies, payment of premiums as well as settlement of insurance claims, and all other forms of insurance transactions, are presently no longer predominantly cash based, thus CLIMBS are less likely to be used in the placement stage than other financial institution.

Layering – is the separation of criminal proceeds from their source by the creation of layers of transactions designed to disguise the audit trail and provide the appearance of legitimacy.

The business of insurance is most likely to be used at the second stage of money laundering, the layering process, as they provide a potential avenue which may allow a dramatic alteration of the form funds – from cash on hand to cash in bank, from money in whatever form to an entirely different asset such as securities, investment contracts, pension plans, insurance policies, stock certificates, pre-need plans, bearer and other negotiable instruments.

Money laundering and the financing of terrorism using reinsurance could occur either by establishing fictitious (re)insurance companies or reinsurance intermediaries fronting arrangements and captives, or by the misuse of normal reinsurance transactions.



Integration – the final stage is the process at which the money is integrated into the legitimate economic and financial systems and is assimilated with all other assets in the system. Integration of laundered money into the economy is accomplished by making it appear to have been legally earned. Thus, exceedingly difficult to distinguish between legal and illegal wealth.

Insurance policies, particularly life insurance contracts, are treated not only as protection and saving instruments but also as investment contracts and as such, insurance transactions incorporate added attraction to the launderer in that the alternative asset is normally highly liquid.

The ability to liquidate investment portfolios containing both lawful and illicit proceeds while concealing the criminal source combined with the huge variety of investments and insurance products available, and the ease of transfer between them, offers the sophisticated criminal launderer an ideal route to effective integration into the legitimate economy. Due diligence must therefore be exercised to prevent the use of CLIMBS as instruments of money laundering.

3. Vulnerabilities in insurance

Life insurance and non-life insurance can be used in different ways by money launderers and terrorist financiers.

CLIMBS therefore should take adequate measures to deter, detect and report money laundering and the financing of terrorism.

The type of life insurance contracts that are vulnerable as vehicle for laundering money or terrorist financing are products which includes: unit-linked single premium contracts, purchase of fixed and variable annuities, single provision life insurance policies that store cash value and (secondhand) endowment policies.

Non-life money laundering or terrorist financing can be seen through inflated or totally bogus claims and through the use of reinsurance. An insurance policy might be used as collateral to purchase other financial instruments. These investments in themselves maybe merely one part of a sophisticated web of complex transactions with their origins in the financial services sector.

IV. Policies, Procedures and Controls to Combat Money-Laundering and Financing of Terrorism

1. To combat money laundering and financing of terrorism, the Commission requires CLIMBS to have in place programs and systems which include the following:

“Know your Customer” principle – CLIMBS should institute effective procedures for obtaining true identification of customers. CLIMBS should not keep anonymous accounts or accounts in obviously fictitious names and should properly identify and record the true identity of their clients when establishing business.

Customer identification and measures depend on the risk attached to a type of customer or transaction. CLIMBS may apply reduced or simplified measures in the case of low risk customers. Simplified or reduced measures could be acceptable to various types of product or transactions such as:

- Life insurance policies where the annual premium is more than P____ or single premium of no more than P_____.



- Insurance policies for pension schemes if there is no surrender clause and the policy cannot be used as collateral.
- A pension, superannuation or similar scheme that provides retirement benefits to employees, where contributions are made by way of deduction from wages and the scheme rules do not permit the assignment of a member's interest under the same scheme categories. The Financial Action Task Force (FATF) recommendations require additional due diligence measures in relation to politically exposed person (PEPs). For this purpose, CLIMBS should have appropriate risk management systems to determine whether the customer is a PEP.

CLIMBS should create a customer profile which could serve as a reference to establish the purpose of the contract and to monitor subsequent transactions and events.

Customer due diligence measures that should be taken by CLIMBS includes:

- Identifying the customer and verifying that customer's identity using reliable, independent source documents, data or information.
- Determining whether the customer is acting on behalf of another person and then taking reasonable steps to obtain sufficient identification data to verify the identity of that other person.
- Identifying the (ultimate) beneficial owner and taking reasonable measures to verify the identity of the beneficial owner such that the insurer is satisfied that it knows who the beneficial owner is. For legal persons and arrangement insurers should take reasonable measures to understand the ownership and control structure of the customer.
- Obtaining information on the purpose and intended nature of the business relationship and other relevant factors.
- Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the insurer's knowledge of the customer and/or beneficial owner, their business and risk profile, including, where necessary, the source of funds.

The extent and specific form of these measures may be determined following a risk analysis based upon relevant factors including the customer, the business relationship and the transaction. Decisions taken on establishing relationships with higher risk customers and/or beneficial owners should be taken by senior management.

Where reliance on intermediaries and third parties is permitted, the following criteria should be met:

CLIMBS should take adequate steps to satisfy themselves that copies of identification data and other relevant documentation will be made available from the intermediaries and third parties are regulated and supervised.

Compliance with Law – CLIMBS management should ensure that business is conducted in conformity with high ethical standards, laws and regulations are being adhered to and that the service is not provided where there is good reason to suspect that transactions are associated with money laundering activities.

Cooperation with AMLC and the law enforcement agencies – within the legal constraints relating to customer confidentiality, CLIMBS shall cooperate fully with the Anti-Money Laundering Council, its Secretariat and law enforcement agencies and where there are reasonable grounds for suspecting money laundering, take appropriate measures which are consistent with the law.



Disclosure of information by CLIMBS for the purposes of the Act regarding covered transaction reports and suspicious transaction reports shall be made to the Executive Director, Anti-Money Laundering Council, Bangko Sentral ng Pilipinas.

Having in place adequate policies, procedures and training – CLIMBS shall adopt policies consistent with the principles set out in the Revised Manual, ensuring that its staff, wherever located, are informed of these policies and adequately trained in matters set forth herein. CLIMBS shall implement specific procedures for Customer Identification, Record Keeping and Reporting of Covered and Suspicious Transactions.

V. Customer (Policyholder) Identification and Due Diligence

1. As a regular part of the application process for insurance. CLIMBS are required to obtain satisfactorily evidence of the true and full identity of insurance applicants, which information includes but not limited to:
 - a. For individual policyholder, names, addresses, telephone numbers, tax identification number, occupation, employer and duties, whenever applicable, original documents of identity issued by an official authority bearing the photograph of the client, e.g. official identification cards, current valid passports and driver's license which bears a photograph.
 - b. While identification documents easily obtained in any name like health or insurance cards, credit cards, provisional driving license and student identification cards may be used, the same should not be accepted as the sole means of identification.
 - c. The name of beneficiaries, when applicable, to the insurance contract and the relationship to the policy owner.
 - d. For corporate clients, incorporation or partnership papers, their domicile, legal basis for their existence and organizational structure including the identification of all persons purporting to act on their behalf. Any document submitted shall be certified as true copies from the issuing government agency.
 - e. Duly notarized special authorizations for representatives.
 - f. Other pertinent and reasonable documents as may be deemed necessary under the prevailing circumstances.
2. Clients should be made aware of CLIMBS' explicit policy that transactions will not be conducted with applicants in the event of failure to complete verification of any relevant subject or to obtain information on the purpose and intended nature of the business relationship, the CLIMBS should not conclude the insurance contract, perform the transaction, or should terminate the business relationship. CLIMBS should also consider making a suspicious transaction report to the Anti-Money Laundering Council.
3. When CLIMBS acquires the business of another financial institutions or insurance 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:
 - a. All client account protocol are acquired with the business and
 - b. Due diligence inquiries does not arise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied AMLC requirements.



4. If during the business relationship, CLIMBS has reason to doubt:
 - a. The accuracy of the information relating to the customer's identity
 - b. The client as the beneficial owner
 - c. The intermediaries' declaration of beneficial ownership or
 - d. For reason of any sign of unreported changes, then CLIMBS concerned shall take further measures to verify the identity of the customer or the beneficial owner, when applicable. Such measurements may include the following:
 - e. Referral of names and other identifying information to criminal investigations authorities, and
 - f. Review of disciplinary history and disclosure of past relevant sanctions,

Where CLIMBS has already commenced the business relationship and is unable to comply with the verification requirements, it should terminate the business relationship and consider making suspicious transaction report.

5. CLIMBS shall maintain accounts only in the true and full name of the account holder. They shall not open or keep anonymous accounts, fictitious name accounts, incorrect name accounts and all other similar accounts.
6. The following minimum information/documents shall be obtained from individual customers/policyholders:
 - a. Name
 - b. Present address
 - c. Permanent address
 - d. Date and place of birth
 - e. Nationality
 - f. Nature of work and name of employer or nature of self-employment business
 - g. Contact number
 - h. Tax identification number, SSS or GSIS number
 - i. Specimen signature
 - j. Source of fund(s)
 - k. Names of beneficiaries, whenever applicable
 - l. Proof of insurable interest, whenever applicable

Insurance applicants who present only photocopies of identification and other documents shall be required by CLIMBS to produce the original documents for verification purposes.

7. Verification without Face-to-Face Contact:
 - a. Whenever possible, prospective clients shall be interviewed personally.
 - b. CLIMBS shall take particular care in opening accounts via the internet, postal service or telephone or other such medium which may give rise to verification without face-to-face contact.
 - c. In accepting business from non-face to face customer, CLIMBS should use equally effective identification procedures as those available for face-to-face customer acceptance, supplemented with specific and adequate measures to mitigate the higher risk.
 - d. The following are number of checks, which can be used by CLIMBS 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.
- Salary details appearing on recent bank statements, income tax returns or any other document evidencing compensation.
- Confirmation of the address through an exchange of correspondence or by any other appropriate method.

Presentation of other existing insurance policies or contracts issued by other insurance institutions supervised by the Insurance Commission will provide additional comfort.

8. For non-residents, who seek to procure insurance in the Philippines, whenever applicable, and without face-to-face contact, documents as enumerated in Section 6 issued by foreign authorities may be submitted, duly authenticated by the Philippine Consulate where such foreign authorities are located. CLIMBS shall inform clients of the provisions of Title 4, Section 2.
9. No New Accounts shall be opened without face-to-face contact unless full compliance with the requirements of Section 6 is met and the original documents thereof are presented for verification purposes.

CLIMBS should take care particular care in situations where payment is:

- a. offered in cash
- b. offered by way of share where it is evident that the shares have been held for less than six (6) months
- c. by way of a third party check without any apparent connection with the prospective client
- d. By check where there is a variation between the policyholder, the signatory and prospective client.

VI. Corporation, Stock or Non-Stock and Partnership

10. 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 the event of doubt as to the identity of the company or its directors, or the business or its partners; a search or inquiry with the relevant Supervisory Authority/Regulatory Agency shall be made.
11. The following relevant documents shall be obtained in respect of corporate/other business applicant, which are subject to Philippine regulation.
 - a. Copies of the Certificate of Registration, including Articles of Incorporation or Certificate of Partnership, as appropriate copies of the By-Laws and Latest General Information Sheet which list the names of directors/partners and principal stockholders and secondary licenses.
 - b. The name(s) and address(s) of the beneficial owner(s) and/or the person(s) or whose instructions the signatories on the account are empowered to act.

The originals or certified true copies of any or all of the foregoing document, where required, should be proceed for verification.

- Sworn statements as to existence or non-existence of beneficial owners.
- Appropriate board resolutions and signed application forms authorizing the opening of the account or transaction together with the specimen signatures.



- Where necessary, CLIMBS 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.

These requirements shall also apply in all cases involving holding companies.

12. If significant changes in the company structure or ownership occur subsequently or suspicious are aroused by change in the payment profile through a company account, further checks are to be made on the new owners.

VII. Transactions with Shell Companies

13. Shell companies are legal entities, which have no business substance in their own right but through which financial transactions may be conducted. CLIMBS should note that shell companies may be abused by money launderers and therefore should be cautious in their dealings with them.
14. In addition to the requirements under Part B, Section 11, CLIMBS should also obtain a Board of Directors' Certification as to the purposes of the owners/stockholders in purchasing the shell company. Likewise, there should be satisfactory evidence of the identities of the beneficial owners, being in mind the "know-your-customer" principle.

VIII. Trustee Nominee and Agent Accounts

15. CLIMBS shall establish whether the applicant for insurance is acting on behalf of another person as trustee, nominee or agent. CLIMBS should obtain satisfactory evidence of the identity of such agents and authorized signatories and the nature of their trustee as nominee, capacity and duties.
16. Where the account is opened by a firm of lawyers or accountants, the CLIMBS should not be precluded from making 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 Suspicious Transaction Report is made to the Council in respect of such client's accounts.

The Council will seek information directly from the lawyers or accountants as to the identity of its clients and the nature of the relevant transaction, in accordance with the powers granted to it under the act and other pertinent laws.

IX. Record Keeping

1. CLIMBS shall prepare and maintain a record relative to their customer relationships and transactions such that:
 - a. Requirements of the act are fully met
 - b. Any transaction effected directly by CLIMBS or thru its broker or agent can be reconstructed and from which the Council will be able to conduct an audit trail for suspected money laundering, when reports warrant the same.
 - c. The CLIMBS can satisfy within a reasonable time any inquiry or order from the Council as to disclosure of information, including but not limited to whether a particular person is the customer or beneficial owner of transactions.
2. The following document retention periods shall be period:
 - a. All records on the risk profile of each customer and/or beneficial owner and the data obtained through the CDD process, official identification document and the



- account files or business correspondences shall be maintained and stored safely for five (5) years from the dates of transactions.
- b. The document data or information collected is kept up to date and relevant by undertaking reviews of existing records particularly for higher risk categories of clients or business relationships.
 - c. With respect to closed accounts, the records on customer identification account files and business correspondences, shall be preserved and safely stored for at least five (5) years from the date when they were closed.
 - d. In case of long term insurance, records usually consist of full documentary evidence gathered by the insurer or on the insurer's behalf between entry and termination. If an agency is terminated, responsibility for the integrity of such records rests with insurer as product provider.
 - e. CLIMBS inclusive of agents or broker should follow the usual procedure and retain the records of those contracts which have been settled by maturity, claim or cancellation for a period of five (5) years after that settlement.
3. As regard to record of transactions, CLIMBS should ensure that they have in place adequate procedures:
 - a. To access initial proposal documentation including identity, address or other identifying information, the client financial assessment (the "fact find") client needs analysis copy of regulatory documentation details of the payment method, illustration of benefits and copy documentation in support of verification by the insurers.
 - b. To access all post-sale records associated with the contract through its maturity.
 - c. To access the details of the maturity processing and/or claim settlement which will include completed "discharge documentation".
 4. When CLIMBS or its insurance broker or agent sends or remits money to or receive money from its overseas customers, regardless of amount, it should record the following particulars regarding the transaction:
 - a. Transaction serial number
 - b. Currency and amount involved
 - c. Date and time of receiving by CLIMBS from customer or other persons purporting to act on their behalf, if any
 - c. Instruction details (including method of delivery and receipt) if any
 - d. Names, identification cards or passport numbers, as the case may be, telephone numbers and addresses of the customers or persons acting on their behalf, whether locally or abroad
 - e. Bank accounts involved, if any
 - f. Date and time of delivery and receipt, if any
 5. Transaction documents may be retained as originals or copies, on microfilms, or in electronic form, provided such forms are admissible in court, pursuant to the Revised Rules of Court and E-Commerce Acts and its Guidelines.
 6. The provision of any rule, regulation or law to the contrary notwithstanding, 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.

X. Covered and Suspicious Transactions

1. CLIMBS shall file before the Anti-Money Laundering Council Covered Transaction Report (CTR) for all transaction in cash or other equivalent monetary instrument involving a total amount in excess of Five Hundred Pesos (P500,000.00) within one (1) banking day.



2. As provided in the Act, CLIMBS shall also file a Suspicious Transaction Report (STR) before the Anti-Money Laundering Council, regardless of the amount involved, where any of the following circumstances exist:
 - a. There is no underlying legal or trade obligation, purpose or economic justification.
 - b. The client is not properly identified.
 - c. The amount involved is not commensurate with the business or financial capacity of the client.
 - d. Taking into account all known circumstances, it may be perceived that the client's satisfaction is structured in order to avoid being the subject of reporting requirements under the Act.
 - e. 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 institutions.
 - f. The transaction is in any way related to an unlawful activity or offense that is about to be, is being or has been committed or
 - g. Any transaction that is similar or analogous to any of the foregoing.

All covered transactions and suspicious transactions should be reported by CLIMBS to the AMLC within ten (10) working days from occurrence thereof.

Should a transaction be determined to be both a covered transaction and a suspicious, the covered institution shall be required to report the same as a suspicious transaction.

3. Suspicious transactions should be recognizable as falling into one or more of the following categories:
 - a. Any unusual financial activity of the customer in the context of his own usual activities.
 - b. Any unusual transaction in the course of some financial activity.
 - c. Any unusually-linked transactions.
 - d. Any unusual or disadvantageous early redemption of an insurance policy.
 - e. Any unusual employment of an intermediary in the course of some usual transactions or financial activity e.g. payment of claims of high commission to an unusual intermediary.
 - f. Any unusual method of payment.

XI. Reportorial Requirements

1. CLIMBS shall institute a system for the mandatory reporting of covered transactions and suspicious transactions under Title 6. This may include appointing a Compliance Officer who is responsible for reporting to the Council and is in charge of the implementation of its Operating Manual. In the event urgent disclosure is required, particularly when the account concerned is part of an on-going investigation, an initial notification should be made by telephone to the Executive Director, Anti-Money Laundering Council, Bangko Sentral ng Pilipinas.
2. The obligation to make the covered transaction and/or suspicious transaction report is on the employee, officer and/or director of CLIMBS. Such reporting must be done within ten (10) working days after initial detection of facts that may constitute a basis for filing such reports.
3. Where reporting covered or suspicious transaction to the AMLC, covered CLIMBS and their officers and employees are prohibited from communicating directly or indirectly, in any manner or by any means, to any person or entity, the media, the fact that a covered or suspicious transaction report was made, the contents thereof, or any other



information in relation thereto. Neither may such reporting be published or aired in any manner in form by the mass media, electronic mail, or other similar devices. In case of violation thereof, the concerned officer and employees of CLIMBS and media shall be held criminally liable.

4.
 - a. Where any employee or personnel, director or officer of CLIMBS knows that the client has engaged in any of the unlawful activities under the Act, the matter must be promptly reported to the Compliance Officer 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 Compliance Officer, on receiving such report, must promptly evaluate whether there are reasonable grounds for such belief and then immediately report the case to the Council unless the officer concerned considers and records an opinion that reasonable ground do not exist.
5. CLIMBS shall maintain a complete file on all transactions that have been brought to the attention of the Compliance Officer, including transactions that are not reported to the Council.
6. Under Section 13 of the Act, CLIMBS are required to disclose to an authorized officer knowledge, suspicion or belief that any fund, property or investment is derived from or used in any criminal conduct under the Act or any other matter on which such 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 laws, contract or 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.

CLIMBS, 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 consequence of the disclosure, where such is made in good faith and in the regular performance of their duties under the Act.

XII. Internal Control Procedures

1. CLIMBS are required to establish and implement internal control procedures aimed at preventing and impeding money laundering. Such procedures shall, among other things, ensure that CLIMBS 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 each insurance institution.
2. CLIMBS shall issue a clear statement of policies in relation to money laundering, adopting the current regulatory requirements; this statement should be communicated in writing to all management and relevant staff whether in branches, departments or subsidiaries and be reviewed on a regular basis.
3. CLIMBS shall see to it that their respective policies and procedures for dealing with money laundering and financing of terrorism reflecting the requirement under the Act and its implementing rules and regulations, are clearly set out and reflected in their Operating Manual.



4. Instructions Manual should set out insurance institutions' policies and procedures for:
 - a. selling insurance products including all types of bonds and contracts of suretyship
 - b. customer identification
 - c. record keeping and maintenance
 - d. acceptance and processing of insurance proposals
 - e. issuance of insurance policies
 - f. compliance with the requirements of the Act, and its revised implementing rules and regulations
 - g. cooperating with the Commission and other relevant authorities

5. CLIMBS shall establish written internal reporting procedures, which shall:
 - a. Enable all its directors, officers, employees, all key staff to know 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 of reporting procedures of the insurance institutions.
 - 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 knowledge or suspicion of money laundering.
 - d. Ensure that the Compliance Officer has reasonable access to any other information which may be of assistance in the determination as to whether or not suspicious transaction is to be filed.
 - e. Require that upon determination of the suspicious nature of the report, the information contained herein.
 - f. Maintain a record of all reports made to the Council, as well as all reports made by its own staff relative to covered and suspicious transactions, whether or not such were reported to the Council. Said register shall contain details of the date on which the report is made, the person who makes the report and information sufficient to identify relevant papers.

XIII. Compliance

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

2. Each covered institution shall appoint a senior officer as the Compliance Officer. A Compliance Officer shall:
 - a. Be a senior officer with relevant qualifications and experience to enable him to respond sufficiently to inquiries relating to the relevant person and conduct of the covered institution's business.

He should at least:

 - Be well versed in the different types of transaction which CLIMBS handles and which may give rise to opportunities for money laundering.
 - Has undergone an in depth training concerning relevant aspects of the AML Act, its revised IRR and international standards.
 - b. Be responsible for establishing and maintaining a manual of compliance procedures in relation to the business of CLIMBS.
 - c. Be responsible for ensuring compliance by the staff of CLIMBS with the provision of the Act and its revised implementing Rules and Regulations.



- d. Act as a liaison between the CLIMBS and the Council in matters relating to compliance with the provisions of the Act and its revised implementing rules and regulations.
- e. Prepare and submit to the Council written reports on the CLIMBS compliance with the provisions of the Act and its revised implementing rules and regulations, in such form and submitted at such time as the Council may determine.

XIV. Training

- 1. CLIMBS 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 the financing of terrorism and to be familiar with its system of reporting and investigating suspicious matters.

CLIMBS shall have adequate screening procedures when hiring employees.

- 2. CLIMBS may, due to the scale and nature of their operations, assign the internal audit or training functions to another person (e.g. professional association, parent company or external auditors). Where a CLIMBS delegates its responsibilities for audit and training due to diligence is to be exercised to ensure that the person appointed are able to perform these functions effectively and the fact of such appointment must be relayed in writing to the Council.
- 3. Timing and content of training for various sectors of staff will need to be adopted by CLIMBS for its own needs. The following training programs are recommended:
 - a. 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 insurance institutions. This training shall be provided to all new employees, regardless of level of seniority.

- a. Sales/Advisory Staff

Members of the staff who are dealing directly with the public, whether as members of staff, agents or brokers, are the first point of contact with potential money launderers and their effort are therefore vital to the strategy in the fight against money laundering. They should be aware of their legal responsibilities including the insurance institution’s reporting system for such transactions.

Training should be provided on areas that may give rise to suspicions and on the procedures to be adopted when a transaction is deemed to be suspicious. It is vital that “front-line” staffers are made aware of the CLIMBS 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.

- a. Processing staff

These members of staff who receive completed proposals and checks for payment of the single premium contribution must receive appropriate training in the processing and verification procedures. The identification of the proposer and the matching against the check received in settlements are, for instance, key processes. Such staff should be aware that the offer of suspicious funds accompanying requests to undertake an insurance contract may need to be reported to relevant authorities irrespective of whether or not funds are accepted of the proposal proceeded with staff must know what procedures to follow.

- a. Administration/Operations Supervisors and Managers



A higher level of instruction covering all aspects of money laundering procedures should be provided to those with the responsibility of managing staff. This will include the acts or omissions punishable under the Act and the penalties therefore, procedures relating to service of production, freeze orders and inquiries, other processes allowed under the Act as well as the requirements for the retention of records.

a. On-going training

CLIMBS should make arrangements for refresher training courses at regular intervals to ensure that the staffers do not forget their responsibilities. A twelve or six monthly review of training or alternately, a review of the instructions for recognizing and reporting covered transactions and suspicious money laundering transactions can be considered for the purpose.

XV. Internal Audit

To test with the CLIMBS’ internal policies, procedures and controls, an audit function shall be in place by CLIMBS. It is important that the audit function is independent and adequately resourced.

Exhibit A

Risk Assurance Guidelines and Results of Product Portfolio and Service Review

Each product and service associated with CLIMBS’ portfolio will need to be reviewed in conjunction with the Guidelines provided below. The review will be conducted with the Anti-Money Laundering Compliance Officer and staff from various functional areas.

All new products and/or services that are added to CLIMBS’ portfolio will have to be run through the Risk Assessment process.

Risk Assessment Guidelines

The following activities should be undertaken as a means of assessing the risk for exposure to money laundering:

- a. Determine the expected use of each product feature and service that are provided by CLIMBS.
- b. Identify whether the product or service has a means for distribution of funds: i.e. loans, cash values, large amount for return of premium, etc.
- c. Establish different categories of customers, i.e. who are the buyers of the product or service and how is it marketed.
- d. Evaluate the solicitation procedures, i.e. how are enrolments facilitated and what underwriting procedures are followed.

After analyzing the data collected, each product and service will then be assigned a “Risk Factor” of high, medium, low or no risk.

Exhibit B

Know Your Customers Guidelines

For any “covered product”, CLIMBS shall gather and maintain information during the application process, which accurately identifies the customer. Such information may be contained in application or other forms executed by the customer in the process of applying for CLIMBS products. If the identity of the customer cannot be determined with sufficient certainty, we should not enter into a business relationship with that customer.



For any covered product, the company must have sufficient information on all policyholder to answer the following:

1. Who is the customer and what information do we have to accurately identify them e.g. customer's name, customer's address, customer's phone number, group or individual customer ID, name of product or service, account/policy number, industry/occupation, social security/tax ID or other unique identifier, date of birth of individual customer.

If we do not have appropriate information to obtain the customer's identification, then we should not enter into a business relationship with that customer.

2. Are the product or service features appropriate for the customer?

If no, then we should not enter into a business relationship with that customer.

3. Are funds paid out of proportion to the expected premium cost or amount?

If yes, then we should not enter into a business relationship with that customer.

4. Do you anticipate that there will be large distribution of funds from the relationship?

If yes, then we should understand why before entering into a business relationship with that customer.

5. Is the insurance issued proportional to the risk being insured?

If no, then we should not enter into a business relationship with that customer.

Exhibit C

Suspicious Transactions Guidelines "Red Flags"

If any of the following scenarios occur, immediately contact the Anti-Money Laundering Compliance Officer.

1. The customer seeks to make purchases with large amounts of cash, cash equivalents or checks drawn on different accounts.
2. The customer refuses or is reluctant to complete an application or to otherwise provide all the required information, or the information provided is false, inconsistent or suspicious in nature.
3. The customer attempts to purchase an insurance policy in an amount that is far beyond his, her or its apparent means that has no obvious purpose, or where the source of nature of the funds to be used is suspicious.
4. The customer wishes to buy an insurance product, but is less concerned with the cost, long term performance, or economic terms than in early surrender or cancellation.
5. The customer seeks to cancel a contract without regard to penalties.
6. The customer demands policy loan or surrender value quickly after policy issuance.
7. There is no apparent relationship between the policyholder/owner and the insured or beneficiary.
8. The source of the customer's funds is unclear or inappropriate or does it corresponds with the customer's known business activities and financial situation.



CLIMBS LIFE AND GENERAL INSURANCE COOPERATIVE

Copyright © 2018 Anti-Money Laundering Policy. All Rights Reserved.

Do not copy, distribute or reproduce in whole or in part without prior written approval from CLIMBS.

Page 17 of 18

- 9. Any activity involving suspected fraudulent sales activities on the part of the agent and/or broker.
- 10. Failure to comply with application submission or underwriting procedures and guidelines.

Exhibit D

Suspicious Transaction Report (STR) Worksheet

The questions contained on the Suspicious Transaction Report Worksheet will facilitate the process of determining whether a suspicious activity report, or another report, is required to be filed under the Anti-Money Laundering Policy. If you suspect that money is being laundered through one of CLIMBS' products and services or through one of our business relationships, then complete the form to the best of your ability and submit it to the Anti-Money Laundering Compliance Officer.

Please remember to keep this process confidential. Release of this form or the information contained on it to anyone outside of the CLIMBS is strictly prohibited.

Prepared by: Blesilda Lagang-Cumba Assistant Compliance Officer	Reviewed by: Reynaldo G. San Andres Compliance Officer
Attested by: Noel D. Raboy President and CEO	Approved by: Board Resolution No. ____, series of ____ Date:
Date Revised: _____	Supersedes: _____

