

Eli M Remolona: Getting out of the grey list - and staying out

Speech by Mr Eli M Remolona, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the Tuesday Club Meeting, Mandaluyong City, 11 March 2025.

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Good morning, Tuesday Club!

Thank you once again for having me here. Special thanks to Marichu for adjusting the schedule--it was for an important reason, which I'll be sharing today.

Two weeks ago, I went to Paris to appear before the Financial Action Task Force (FATF) Plenary Meeting. I was joined by Executive Secretary Bersamin, Securities and Exchange Commission Chairperson Aquino, and Insurance Commissioner Reynaldo Regalado. It was the culmination of our country's efforts to be stricken off from the FATF greylist.

What exactly is FATF and what is the greylist? The FATF was established in 1989 by the G-7 group of countries. The mandate of FATF is to develop international standards to combat money laundering. But over time, that mandate has expanded to include countering terrorism financing and proliferation financing.

What the FATF does to carry out its mandate is to evaluate countries, [under] what is called a Mutual Evaluation, to see if they meet FATF standards. Countries that have deficiencies are placed on a List of Jurisdictions Under Increased Monitoring, that is the official name for the greylist. That means we have some deficiencies in terms of compliance with anti-money laundering rules and anti-terrorism financing rules. The thing about being on the greylist is that [it] places on your correspondent banks-or banks abroad that are dealing with us-a heavy burden in terms of compliance against money laundering. In fact, you may remember 2012, I think. One major global bank was caught violating its compliance measures and it was fined something like \$1.9 billion. So, that is what comes with being on the greylist. Your banks have to be very careful [because of] the very strict compliance procedures-- [and] heavy fines [for non-compliance].

In 2021, the Philippines was placed on the greylist. That means the FATF gives us recommendations on things that we should do so we ourselves would comply with anti-money laundering measures. It is easier for the banks if we do a lot of the compliance part ourselves. That is the advantage of FATF greylist, if you are not complying, they tell you how to comply. So, they give you a list of what are called action items. In 2018, they gave us 18 action items that will help us figure out how to comply with money laundering processes.

These action items included oversight of money service businesses, oversight of casino junkets, oversight of designated non-financial businesses or professions (DNFBPs)- in other words, list the lawyers and the bankers involved in these things-and also non-profit organizations to make sure that even non-profit organizations comply with the items on the list. Law enforcement agencies were tasked to improve the confiscation of

proceeds of crimes, and the prosecution of money laundering and terrorism financing cases.

For context on what happened in 2021- Even 10 years before that, banks were already doing something called de-risking: they were already starting to cut off relationships with our banks. The correspondent banks abroad were cutting relationships with our banks here, which meant it was hard to send money here, it was hard to open accounts abroad, especially the smaller banks. The bigger banks somehow maintained the relationships with our banks because they could afford it. They could afford the compliance measures.

Then, in 2016 we had the Bangladesh heist. So, that brought us extra unwanted global attention. Actually, it was the 2016 Bangladesh heist that I think led to the greylist of 2021. So, we already suffered from measures that were being imposed on us even before the greylist. The greylist just made it official, and it allowed FATF to give us 18 items to get out of the greylist.

The good news from last month was not the end of a four-year ordeal; it was actually the end of a nine-year ordeal if you count from 2016.

So, we were told actually in 2021 [that] to get off the greylist by 2025 was too ambitious. We have consultants who were working with us. That was too ambitious, but we have to try. And so, under the leadership of President Marcos, the National Anti-Money Laundering and Counter Terrorism Financing Coordinating Committee (NACC) was reorganized in 2023, a scorecard system [was implemented] to hold the member agencies accountable for their deliverables. The Executive Secretary has been the chairman of NACC. I have been the vice chairman of NACC.

The directive of the President and the collaboration of national agencies in the NACC exemplifies the "whole-of-government" approach. This worked very well.

FATF also wanted to see high-level commitment. It was not just complying with 18 action items. They wanted to see evidence that there was commitment at the highest level. So, the banning of POGOs was a demonstration of that high-level commitment. That [banning POGOs] was not on the [FATF's] list [of action items for the Philippines]. Nonetheless, I think it was important in getting us off the greylist.

By October 2024, the FATF determined that the Philippines had satisfied the action plan. So, when it was not enough for the FATF to determine based on our reports on the action plan, they had to send a team to conduct an onsite assessment to validate what we have reported to them.

So, the team came here in January. That onsite team said, yes it is true, the Philippines has satisfied the action plan and then in February, there was a big meeting in Paris, which I attended. I gave one intervention and the executive secretary gave another intervention, and then after that, FATF decided that we are okay, we had met the expectations of FATF. There were no objections at all. So, it was a unanimous decision by FATF [for the Philippines to be removed from the greylist].

In fact, we are recognized for good behavior. [The Philippines is seen as] a regional leader in tackling money laundering and terrorism financing, so they [FATF] asked us to provide evaluators for the other countries in Asia that are still on greylist.

So, the official statement as you know came out on February 21, 5 pm Paris time, 12 midnight here. It was a weekend. But, if you looked at what happened to the peso before that weekend and after that weekend, I think it was anticipation of more investments coming into the Philippines.

Now, just because we are off the greylist does not mean that we are done. We have to make sure we do not get back into the greylist. In the past, we go in, we go out. This time, we are determined to stay out of the greylist. So, part of that means looking at our risks again. We call that national risk assessment.

So, we look at the whole economy to figure out what else can lead to risks of money laundering, what else can lead to terrorism financing and so on.

The next [FATF] evaluation [of the Philippines] will be in 2027. We want to make sure that we pass that evaluation.

In the meantime, we can reap the benefits of our delisting from the FATF greylist.

That delisting renews investor confidence. It paves the way for the restoration of correspondent bank relationships. So, it helps our OFWs, but it is more than that. It helps convince foreign investors to come in. Makes it easier for foreign banks to deal with our banks. So, I hope we can stay out of the greylist. We are determined to stay out of the greylist.

I think that is all I have for now. I am happy to take questions.