



## **PLAYBOOK OF REPRESSION: CIVIL SOCIETY REPORT ON THE MISUSE AND ABUSE OF COUNTERING TERRORISM FINANCING MEASURES IN THE PHILIPPINES**

### **Executive Summary**

This report examines the incalculable damage on civic space and fundamental freedoms caused by the Philippine government's high-level political commitments to exit the Financial Action Task Force's (FATF) "Jurisdictions Under Increased Monitoring" or "Grey List." Pursuant to FATF recommendations on anti-money laundering and countering terrorism financing (AML/CTF), Philippine Congress enacted Republic Act No. 10168 (Terrorism Financing Prevention and Suppression Act) in 2012 and Republic Act No. 11479 (Anti-Terrorism Act) in 2020.

Previously, the lack of administrative designation and freezing of assets *ex parte* in these anti-terrorism laws were marked as "strategic deficiencies" during past Mutual Evaluation Reviews (MER) of the Philippines by the Asia Pacific Group (APG). However, the marginalization of civil society in the enactment of these laws was an instance of "policy laundering" or the embedding of standards drafted by the U.S. government and later adopted by the G7/8, United Nations (UN), the International Monetary Fund (IMF) and World Bank (WB) into the Philippine legal regime.<sup>1</sup> The domestic CTF regime thereafter became a potent weapon to suppress dissent and stifle civic space.

Under the National AML/CTF Strategy,<sup>2</sup> the current national action plan to enhance the Philippines' AML/CTF regime, the government has weaponized targeted financial sanctions and the criminalization of terrorism financing against development workers, human rights defenders, and civil society organizations (CSOs) as retaliation for their outspoken criticism of anti-people policies and their advocacy for economic, social, and cultural rights.

These well-documented harms, as discussed in this report, contradict and undermine the positive role of CSOs in protecting and uplifting marginalized communities and promoting human rights and social justice in the Philippines—efforts which have long been recognized and celebrated, both locally and internationally. While CSOs are disproportionately impacted by CFT measures, the Philippine government has failed to apply effective AML measures on those responsible for the proliferation of criminal activities and unlawful acts, including corruption, drug trafficking, and money laundering linked to Philippine Offshore Gaming Operators (POGOs).<sup>3</sup>

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<sup>1</sup> See Ben Hayes, Counter-Terrorism, 'Policy Laundering' and the FATF: Legalising Surveillance, Regulating Civil Society, Transnational Institute/Statewatch, 2012, 12.

<sup>2</sup> Executive Order No. 33, s. 2023.

<sup>3</sup> Jose Cielito Reganit, PDEA shows deep links between POGOs, drug syndicates at quadcom probe, Philippine News Agency, November 27, 2024, available at: <https://www.pna.gov.ph/articles/1238827> (Last accessed December 2, 2024). See also House inquiry exposes POGO corruption; Lucky South 99 'incorporator' cited in contempt, House of Representatives, August 8, 2024, available at: <https://www.congress.gov.ph/media/view/?content=5382&title=HOUSE+INQUIRY+EXPOSES+POGO>

This report is based on the initial results of a survey with 129 non-profit CSOs to date. Conducted using a non-probability sampling approach, the survey gathered responses from NGOs (59%), people's organizations (16%), church groups (4%), cooperatives (2%) and other types of CSOs from various regions. Most of them are small entities, with 75% having annual budgets below PHP 5 million, and their work primarily supporting vulnerable sectors such as women, farmers, fisherfolk, and indigenous peoples.

Key findings indicate that CSOs face significant barriers, including widespread red-tagging, surveillance, and harassment, all of which undermine their operations. A majority of respondents reported being red-tagged across various platforms (62%) and subjected to physical surveillance (57%). Over one-third of the respondents highlighted increasing regulatory burdens imposed by banks (34%), the Securities and Exchange Commission (SEC) (34%), and the Bureau of Internal Revenue (BIR) (21%). Additionally, many CSOs encountered difficulties in accessing or maintaining bank accounts due to new requirements or restrictions, with some accounts even being frozen.

The survey highlights the significant impact of these challenges on CSO operations and the communities they serve. Over 63% of respondents reported restricted staff mobility, and 40% noted that intimidation led to reduced community participation. Alarming, 33% of CSOs were accused of financing terrorism, and 17% faced legal cases for alleged terrorism financing. Despite these accusations, the majority of respondents perceived themselves as low or no risk for money laundering (64%) and terrorist financing (59%).

A series of focus group discussions with a total of 205 participants from 90 CSOs in the National Capital Region, Northern Luzon, Visayas and Mindanao was also conducted to gather the views and insights on the state of Philippine civic space from the perspective of CSOs. The initial key findings are as follows:

- 1. The broad definitions of terrorism and terrorism financing have enabled the classification of assets belonging to red-tagged CSOs as “related accounts” involved in financing terrorism.**

Following the terrorist designation of the Communist Party of the Philippines, the New People's Army, the National Democratic Front of the Philippines (CPP-NPA-NDFP), along with their underground organizations, organs, units, and alleged members, several CSOs accused of being “fronts” for the CPP-NPA-NDFP have become targets of financial surveillance, *ex parte* asset freezes, and indefinite asset preservation orders applied to their bank accounts, funds, and properties. Freeze orders have been extended to the bank deposits of officers, staff, and even their family members. More recently, small business owners and ordinary individuals wrongfully accused of engaging in commercial transactions or dealings with the NPA have also

faced asset freezes and/or fabricated criminal charges for terrorism financing, often initiated by the military.

These actions, framed within the enforcement of FATF Recommendation 6 (Targeted Financial Sanctions Related to Terrorism and Terrorist Financing), raise significant concerns on due process. The overly expansive scope of properties under this Recommendation as well as UN Security Council Resolution 1373, among others, extends beyond funds or properties belonging to designated persons, encompassing virtually all assets that the government may arbitrarily interpret as being “maintained” for their benefit.<sup>4</sup>

This broad application undermines the fundamental mental element required to establish the crime of terrorist financing under international law.<sup>5</sup> It also exacerbates the already imprecise definition of terrorism, which allows armed conflict to be conflated with terrorism. As a result, legitimate activities of CSOs, including the provision of humanitarian assistance in conflict zones, are unjustly stifled.

**2. The current regulatory approach to the entire NPO sectors in the Philippines has devolved into a disproportionate mechanism of attack against civil society, under the pretext of compliance with FATF Recommendation 8 (Combating the Abuse of Non-Profit Organizations), which was rooted in flawed assumptions about civil society.**

Given its potential for draconian impositions on civil society, Recommendation 8 has been co-opted and aligned with the government’s counterinsurgency and counter-terrorism frameworks. This has resulted in burdensome requirements for accreditation and internal governance imposed by national government agencies, alongside restrictions on accessing foreign funding. Surveillance of CSOs has heightened, with their movements controlled through military and police checkpoints, and staff members being harassed in their offices, during fieldwork, while traveling or commuting, or even in their homes.

This infringement on the associational privacy of CSOs exposes them to heightened risks of red-tagging, harassment, surveillance, incarceration, forced surrender as “rebel returnees” and outright violence, including torture, enforced disappearances and extrajudicial killings. Sustained patterns of these abuses have been committed against CSOs, leading to forcible closures, staff trauma, and isolation from funders and partners. Some communities served by these CSOs have also distanced themselves due to surveillance, fracturing trust and undermining grassroots development. The stigmatization has spilled into government mechanisms for CSO participation,

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<sup>4</sup> Lian Buan, MLC freezes ‘related accounts’ of CPP-NPA, Rappler.com, December 27, 2020, available at: <https://www.rappler.com/philippines/amlc-freezes-related-accounts-cpp-npa/> (Last accessed December 2, 2024).

<sup>5</sup> Article 3, International Convention for the Suppression of the Financing of Terrorism (1999). The Philippines became a party to this Convention on October 18, 2001, when it deposited its instrument of ratification with the UN.

with some CSOs being excluded from consultations or disinvited from key platforms for engagement.

These actions are driven by a fundamentally flawed mindset that views NPOs as inherently “particularly vulnerable” to terrorism financing abuse, ignoring key updates to Recommendation 8 that limit its scope of application to only a sub-set of NPOs identified as facing a “high risk” of such abuse and emphasize the implementation of focused, proportionate, and risk-based measures to address identified risks. By disregarding these revisions, the regulatory framework in the Philippines is *ultra vires*, even by Recommendation 8 standards.

**3. The increasing spate of targeted financial sanctions and criminal charges against CSOs lacks a risk-based foundation and highlights inadequate government engagement with the NPO sector. Outreach to CSOs remains poor, with very limited participation in risk assessments or knowledge of the regulatory framework.**

According to the Terrorist Financing Sector Risk Assessment 2021 by the Securities and Exchange Commission (SEC), the threat of terrorist financing in Philippines’ NPO sector was assessed as “medium-low,” covering threat arising from Islamist extremism and communism in the Philippines. This assessment, however, is based on a mere 0.05% of the total STRs submitted to the Anti-Money Laundering Council (AMLC), the Philippines’ financial investigation unit (FIU), from 2017 to 2020—not only for terrorism and terrorist financing but for *all* suspected criminal misuse linked to NPOs.<sup>6</sup> Moreover, only 18 NPOs were identified as involved in terrorist financing-related STRs during this period.

Despite purportedly conducting risk-based audits of 21 NPOs in 2022,<sup>7</sup> the government has yet to publish any findings from these reviews. Even if all 21 audited organizations were deemed high-risk, this finding would not justify a “one-size-fits-all” approach for all 64,087 NPOs registered with the SEC. Furthermore, there have been no publicly disclosed risk assessments since 2021, in violation of FATF Recommendation 1 (Assessing Risks and Applying a Risk-Based Approach), which requires states to conduct regular assessments to adapt to evolving risks.

This lack of transparency is compounded by poor engagement with the sector; only 18% of surveyed respondents reported being consulted for national risk assessments, while 82% indicated no involvement. Additionally, only a small minority (8%) of respondents received government advice or guidance on preventing fund misuse. Perceived risk levels for money laundering and terrorist financing among CSOs were overwhelmingly low or negligible, with majority of respondents classifying themselves as posing low or no risk.

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<sup>6</sup> Securities and Exchange Commission, Terrorist Financing Sector Risk Assessment (2021), 35, available at: [https://www.sec.gov.ph/wp-content/uploads/2022/04/2022AMLD\\_NPO-Sector-Risk-Assessment.pdf](https://www.sec.gov.ph/wp-content/uploads/2022/04/2022AMLD_NPO-Sector-Risk-Assessment.pdf) (Last accessed December 3, 2024).

<sup>7</sup> EO 33, s. 2023, Strategic Objective 3 on Terrorism Financing.

**4. The implementation of FATF Recommendations across the financial sector, including those related to beneficial ownership<sup>8</sup> and customer due diligence,<sup>9</sup> has unduly hindered CSOs from accessing banking facilities and other financial and payment services, hampering their ability to deliver humanitarian aid, provide essential services, and advocate for marginalized communities.**

CSOs are facing termination or restriction of financial services by banks, often without substantiated evidence of risk. Banks are applying enhanced customer due diligence (CDD) measures in their dealings with NGOs, despite the absence of findings that they are high-risk customers or engaged in high-risk transactions.

Consultations with various CSOs facing asset freezes and civil forfeiture proceedings revealed one instance where a commercial bank was delegated the power to determine and freeze “related accounts” of depositors with similar names, even if their funds lack any material connection. Another incident involved the freezing of an NGO’s bank deposits simply because a designated individual served as one of its officers, based on beneficial ownership information. One bank refused to lift a preventive freeze order on an NGO’s account, despite the lapse of the legally prescribed 20-day period, citing the absence of an express order from the AMLC. Several CSOs have moreover reported that they were deterred from opening accounts or completing transactions due to burdensome reporting requirements and compliance protocols.

These banking practices have caused delays in accessing funds, leaving CSOs unable to pay salaries or sustain operational costs and disrupting their activities. Ultimately, the beneficiaries who depend on these CSOs for vital services are left unassisted.

**5. Trumped-up criminal cases, rife with absurd allegations of financing terrorism and fabricated evidence, underscore the Philippine government’s focus on “paper compliance” to meet arbitrary quotas for exiting the FATF grey list.**

Pre-configured and fabricated charges against dissenters and government critics, rather than an objective assessment of the country’s risk profile, have driven the sharp rise in the so-called identification, investigation, and prosecution of terrorism financing cases. The government’s overzealous pursuit of its strategic objective to strengthen mechanisms for identifying, investigating, and prosecuting terrorism financing—at the expense of CSOs—has resulted in a surge of freeze orders targeting religious groups and NGOs engaged in development work and disaster response, alongside a dramatic increase in criminal complaints and actions filed with the Department of Justice (DOJ) and anti-terror courts.

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<sup>8</sup> Recommendations 24 and 25

<sup>9</sup> Recommendation 10

Based on available data, terrorism financing cases rose from 14 in 2023 to 66 in 2024—a staggering 371% increase. Majority of the accused and respondents in these cases are women, indicating a disproportionately adverse impact on women’s representation in civil society. Notably, moreover, several of these cases in Luzon have been dismissed outright by the court due to insufficient evidence. For instance, in one case, two human rights defenders were charged with terrorism financing for providing PHP 500 to an alleged NPA member in prison.

This surge in cases cannot be attributed to effective coordination among financial, intelligence, and law enforcement authorities, but rather to a deliberate strategy to fabricate evidence. This includes reliance on coerced and perjured testimonies from a network of “rebel returnees” and military assets. Many of these individuals are “professional witnesses” who profit from falsehoods, while others have provided testimonies under duress, during interrogations without legal counsel, or even following the abduction of activists.

**6. The architecture for targeted financial sanctions directly conflicts with the constitutional right to due process.**

The ATA and TFPISA grant broad powers to the AMLC to conduct inquiries into bank accounts and freeze assets without adequate procedural safeguards. This system operates largely in secret, leaving aggrieved parties without meaningful recourse until they are confronted with a civil forfeiture proceeding.

Inquiries into bank accounts and asset freezes under these laws are conducted *ex parte*, with limited protections for affected individuals. Owners of frozen assets can file petitions to challenge the freeze order only within 20 days of its issuance—not from the time they are made aware of the order. In practice, this timeframe is often unattainable due to delayed or inadequate notification. In one notable case, a court dismissed a petition from an NGO seeking to lift a freeze order, relying solely on the government's claim that the freeze was justified by beneficial ownership information provided by a bank, without further inquiry into the validity of the freeze order or the accuracy of the allegations that led to its issuance.

Moreover, the government has exploited FATF Recommendation 6, which allows for the protection of intelligence and closed-source materials, to justify sweeping non-disclosure of evidence in legal proceedings. This invocation of national security severely restricts the ability of affected parties to contest freeze orders or designations, as they are deprived of access to the critical information needed to challenge the legality or validity of the actions taken against them.

Based on these findings, the government’s mitigation measures against the alleged risks of terrorism and terrorism financing within the NPO sector resemble a

sledgehammer brought to bear on a proverbial nut—an excessive and misdirected approach that causes far more harm than it resolves.

The FATF, in the meantime, has positioned itself as a global enforcer of financial integrity, yet its impact in the Philippines demonstrates both its harmful consequences and critical failures. Beyond enabling the suppression of CSOs, the FATF has failed to hold the Philippine government accountable for abuses of its standards. It has also neglected to address systemic issues of corruption and financial crime, such as bribery tied to Philippine Offshore Gaming Operators (POGOs) and the unaudited use of confidential government funds.

By focusing on symbolic metrics for compliance, such as prosecution quotas and asset freezes, without requiring substantive action against entrenched corruption, FATF perpetuates an environment where repressive regimes weaponize its standards to curtail civic space under the guise of combating terrorism financing.

Furthermore, FATF’s operational framework of hardening coercive “soft law” standards, without itself being subject to meaningful accountability, has enabled governments to adopt repressive policies with impunity. Its lack of transparency and evasion of oversight have transformed what could be tools for financial integrity into instruments of political repression.

In the Philippines, this dynamic has further marginalized CSOs, whose work to empower communities and promote social justice has been criminalized through overly broad and vague counter-terrorism laws. While FATF’s Recommendations 6, 8 and 24 have been manipulated to disproportionately target CSOs, egregious abuses of public funds and financial systems remain hidden in plain sight.

Thus, what is presented as compliance with FATF Recommendations has instead become a playbook for repression in the Philippines. As it turns a blind eye to such misuse and abuse of its framework, FATF risks continuing its complicity in the erosion of democratic freedoms.