



APRIL
2023

ONLINE **SEXUAL ABUSE** AND **EXPLOITATION** OF CHILDREN IN THE PHILIPPINES

An Evaluation using STR Data

TABLE OF CONTENTS

TABLE OF ACRONYMS..... 3

EXECUTIVE SUMMARY..... 4

BACKGROUND OF THE STUDY 6

SCOPE AND METHODOLOGY 10

DATA PROFILE..... 15

OSAEC TYPOLOGIES..... 29

CONCLUSION 33

RECOMMENDATIONS..... 35

REFERENCES 36

TABLE OF ACRONYMS

AMLA	Anti-Money Laundering Act
AMLC	Anti-Money Laundering Council
AML/CFT	Anti-Money laundering and Countering the Financing of Terrorism
APG	Asia Pacific Group on Money Laundering
CICC	Cybercrime Investigation and Coordinating Center
CP	Covered Persons
CRC	Child Rescue Coalition
CSAEM	Child Sexual Abuse or Exploitation Materials
DFPAL	Digital Forensics Platform and Laboratory
EMI	Electronic Money Issuers
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
ICT	Information and Communications Technology
IP	Internet Protocol
LEA	Law Enforcement Agency
MER	Mutual Evaluation Report
ML/TF	Money Laundering and Terrorism Financing
MSB	Money Service Businesses
NCR	National Capital Region of the Philippines
OSAEC	Online Sexual Abuse and Exploitation of Children
PhP	Philippine Peso
POI	Persons of Interest
PPPP	Public-Private Partnership Program
RA	Republic Act
SA	Supervising Authorities
SEC	Securities and Exchange Commission
STR	Suspicious Transaction Report
TFPSA	Terrorism Financing Prevention and Suppression Act
UAE	United Arab Emirates
UN	United Nations
USD	US Dollar
VAWC	Violence Against Women and Children
VCE	Virtual Currency Exchanges

EXECUTIVE SUMMARY

Online sexual exploitation in the Philippines has a tremendous impact on the safety and well-being of children. The growing demand and availability of child sexual exploitation materials especially during the pandemic has exacerbated what is already a serious problem in the country. The AMLC conducted a descriptive analysis of the STRs as well as all other available information relating to OSAEC in the Philippines for the period covering the second half (2H) of 2020 until the end of 2022. This will be an update to previous AMLC studies, which were issued in March 2019 and November 2020, respectively.

This study determined that the number of OSAEC-related STR submissions by CPs generally increased, reaching 92,200 by the end of 2022, up from 204 in 2015. Similarly, over the time period under consideration, a total of 182,729 OSAEC-related STRs with an aggregate amount of PhP1.56 billion were used in this study. The majority, or 73%, of OSAEC-related STRs were proactively disclosed as a result of CP's internal screening and/or investigations on clients' transactions which were determined to be consistent with OSAEC typologies. Similarly, the remaining 27% were triggered by AMLC referrals as a result of constant collaboration with MSBs, banks, and EMIs.

From the current dataset, 87.25% (159,436 STRs) were identified as remittance transactions. On the counterparty side, foreign remittances associated with OSAEC-related STRs accounted for 81.11% or 129,312 by count, and 83.05% or PhP751.36 million of the aggregate PhP value. This suggests that the majority of child pornography-related transactions in the Philippines are cross-border in nature. Since 2015, the top source of OSAEC-related remittances in terms of volume and PhP value is the United States. Trailing behind a significant margin are the countries of United Kingdom, Australia, Canada. Notably, Australia and Canada have consistently ranked third and fourth since 2015.

While a greater proportion of OSAEC-related remittances originated from foreign sources, the current dataset also shows that there were several remittance transactions made across the different regions of the Philippines. The province of Cavite had the highest number of remittances sent domestically, accounting for 59.40% of total domestic transactions. This is followed by Cebu, Pampanga, Negros Occidental, and the City of Caloocan. In terms of PhP value, Davao Del Sur had the greatest portion of the overall OSAEC-related STR aggregate, accounting for 31.49% or PhP21.06 million. Davao del Sur is followed by Cavite, Cebu, Davao del Norte and City of Manila.

As to the Philippine destination of international remittances, Cebu, Pampanga, Cavite and Bulacan emerged as the top 4 recipient-locations in terms of the number and PhP value of transactions. Similarly, Cebu remained to be the leading destination of OSAEC-related proceeds which were carried out domestically. This is followed by Pampanga, Leyte, Bulacan and South Cotabato. Moreover, new locations have emerged in the top list such as South Cotabato (ranked 5th), Negros Occidental (ranked 6th), City of Caloocan (ranked 7th) and Laguna (ranked 9th).

In terms of PhP value, South Cotabato emerged as the top recipient of OSAEC-related domestic remittances, with the provinces of Cebu, Pampanga, Leyte and Bulacan trailing behind. Moreover, new identified locations receiving the highest OSAEC-related proceeds are Laguna, Bohol, and Negros Occidental (ranked 7th to 9th, respectively).

The pandemic increased, even necessitated, reliance on online services. Unfortunately, it also heightened the risks of cybercrime, particularly child sexual exploitation. Since 2015, MSBs have continued to be the preferred method for transferring funds intended for child pornography, accounting for 90.84% (165,983) and 58.89% (PhP917.7 million) of the aggregate count and PhP amount, respectively. The widespread availability of MSBs in most places, even in remote rural areas, makes them the preferred choice for OSAEC-related transactions. In terms of value, banks came in second to MSBs and were utilized for high-value transactions, accounting for 39.67% of all transactions. This is followed by EMIs with 1.44% or PhP22.4 million.

Additionally, this study discussed typologies which may guide the CPs and the public in detecting possible OSAEC-related activities. These include, but are not limited to: (1) transactions relative to child sexual abuse in religious institutions; (2) customers engaging in identified patterns for child exploitation; (3) individuals which were identified to have transactions with child exploitation offenders and facilitators; and (4) transactions indicating live-distance child streaming. Past studies made the country's law enforcement agencies more aware of these crimes. However, the prevalence of child sexual exploitation continues to climb. Thus, necessitating tighter monitoring, early detection, and prevention of these kinds of transactions.

The study recommends the following: 1) more stringent reporting of the CPs with relevant details such as the complete profile of the account holder or the customer, complete addresses of both the beneficiary and the counterparty, substantive narrative of events pertaining to OSAEC, parties involved in the transactions, and correct reason for filing; 2) continuous collaboration between the AMLC, LEAs, and other FIUs to identify child pornography-related patterns and financial flows; 3) improved information sharing among the AMLC, LEAs, and other FIUs through a centralized database system for monitoring and prevention of OSAEC-related cases; 4) maintenance of an OSAEC watchlist or a database of offenders and facilitators by key stakeholders which should include POIs referred by the AMLC as well as other relevant stakeholders; 5) promote awareness of OSAEC activities by communicating the study's findings to relevant stakeholders such as internal AMLC groups/divisions, appropriate LEAs, SAs, private participants to the AMLC's PPPP, and respective FIUs of other jurisdictions with transactional links to the country as identified in the study. A redacted version is also recommended to be posted on the AMLC website.

BACKGROUND OF THE STUDY

The internet may be a dangerous ground for kids. While the internet offers numerous advantages for children, it can also be their most dangerous environment. The issue on OSAEC remains to be an alarming global concern, with millions of children forced to perform sexual acts online or blackmailed for sexual reasons. Additionally, hundreds of millions of child sexual abuse materials are shared and traded online.¹

OSAEC² has been a real menace in the Philippines, even more so during the time of limited movement and financial desperation. The COVID-19 crisis has brought devastating impact on people's lives across the world. In addition to health hazards, people most especially children, are also exposed to increased risk of abuse, gender-based violence and sexual exploitation. The UNICEF Study titled "*Disrupting Harm in the Philippines*" mentioned that 20% of internet-using children between the ages of 12 and 17 experienced online sexual exploitation and abuse. Based on the report's population-scale estimates, as many as two million children may be subjected to serious cases of online sexual exploitation and abuse.³ Instances of these abuse include being blackmailed to engage in sexual activities, sharing of their sexual images without permission, or being forced to take part in sexual activities through promises of money or gifts⁴. Furthermore, data from the United States' National Center for Missing and Exploited Children identified the Philippines as the top "producer" of child sexual abuse materials globally, with 1.3 million in 2020 increasing to 3.1 million in 2021.⁵

The Philippines, on the other hand, has taken a significant step forward with the recent passage of RA 11930, which aims to prevent individuals from committing these heinous crimes, as well as to hold internet platforms, service providers, and internet cafes accountable if they fail to make a safe digital space for children. In addition, the measure will establish an "offenders registry" that will list sexual offenders against children who have been convicted and will impose harsher sentences ranging from six months to life imprisonment. Notably, money laundering activities related to OSAEC is also subject to prosecution under the AMLA. This means that those paying or handling the transaction for OSAEC may be held liable for the act, as they should have immediately reported it.⁶

Furthermore, the CICC has launched the country's first and most advanced DFPAL to aid in the fight against OSAEC. The DFPAL would help provide a solution to OSAEC by utilizing data fusion and 'big data AI,' focusing on crucial cases, using an intelligent case management system, digital forensics tool, open-

¹ <https://www.saferkidsph.org/learn-about-osaec/> (last accessed 11 April 2023).

² The term followed the recently approved RA 11930 or "Anti-Online Sexual Abuse or Exploitation of Children (OSAEC) and Anti-Child Sexual Abuse or Exploitation Materials (CSAEM) Act." Retrieved from <https://elibrary.judiciary.gov.ph/thebookshelf/showdocsfriendly/2/95572> (last accessed 10 January 2023).

³ A study on online child sexual exploitation and abuse called Disrupting Harm was carried out in six nations in Southeast Asia, including the Philippines, and seven in Eastern and Southern Africa. Retrieved from https://www.end-violence.org/sites/default/files/2022-04/DH_Philippines_ONLINE_FINAL.pdf (last accessed 19 January 2023).

⁴ <https://www.theguardian.com/world/2022/apr/21/one-in-five-older-children-philippines-online-sexual-abuse-study> (last accessed 05 March 2023).

⁵ <https://manilastandard.net/news/314254246/doj-to-fight-online-sexual-abuse-of-kids-go-after-parents-involved.html> (last accessed 05 March 2023).

⁶ https://lawphil.net/statutes/repacts/ra_11930_2022.html (last accessed 05 March 2023).

source intelligence, ancillary investigation tools, high-availability hybrid ICT infrastructure, and professional services.⁷

The AMLC, for its part, has conducted various studies on child pornography with the aim to detect and deter the said crime in the country through the use of financial information, particularly from STRs. The past studies of the AMLC include: (1) A Study on Child Pornography in the Philippines using STR Data covering the period of 2015 to 2018 (released in March 2019); and (2) Post-2019 Study on Child Pornography in the Philippines covering the period of 2019 until the first semester of 2020 (released in November 2020). Said studies featured crucial information on OSAEC such as key players, typologies, financial channels used as well as money flow. These have been disseminated to FIUs in other jurisdictions, various domestic LEAs and participants of the AMLC PPPP in order to spread awareness. In turn, some of the FIUs shared information from their end, leading to the expansion of the list of POIs identified in the past studies. In addition, the aforementioned studies have also led to the generation of leads, resulting in the investigation and arrest of some of the POIs.

APPLICABLE LAWS

The following are the existing legislations⁸, which are applicable in addressing and mitigating OSAEC cases in the Philippines:

1. *RA No. 11930, otherwise known as the “Anti-Online Sexual Abuse or Exploitation of Children and Anti-Child Sexual Abuse or Exploitation Materials Act”*,⁹

RA 11930 mandates social media platforms, electronic service providers, internet and financial intermediaries to block CSAEM and cooperate with law enforcement agents. The statute also equips law enforcement agencies with means for surveillance and investigation of OSAEC cases. It also creates the National Coordinating Center against OSAEC and CSAEM, and establishes protections and guarantees for child victims of OSAEC to meet any psycho-social needs.

RA 11930, in essence, closes fundamental gaps in existing laws and regulations concerning OSAEC by providing clear definitions that succinctly consider the often-ephemeral quality of OSAEC committed through the viewing or livestreaming of online content that does not require the offender to download or retain any form of child sexual abuse materials.

2. *RA No. 10175, otherwise known as the “Cybercrime Prevention Act of 2012”*¹⁰;

RA 10175 is characterized as the first domestic and general law, which comprehensively discusses and punishes cybercrime and cyber-related offenses, including content-related

⁷ <https://www.pna.gov.ph/articles/1176965> (last accessed 19 January 2023).

⁸ The collated legislations and definitions were mainly sourced from https://cdn.icmec.org/wp-content/uploads/2021/12/Philippines-Legal-Review-Position-Paper_Final-signed_Oct2021-compressed-1.pdf (last accessed 26 March 2023).

⁹ <https://www.philstar.com/headlines/2022/08/04/2200248/child-rights-groups-laud-passage-law-vs-online-abuse-kids> (last accessed 25 April 2023).

¹⁰ Cybercrime Prevention Act of 2012 (RA 10175), see <https://www.officialgazette.gov.ph/2012/09/12/republic-act-no-10175> (last accessed 26 March 2023).

offenses such as cybersex. Cybersex contemplates interactive prostitution and pornography, i.e., by webcam or livestreaming.

RA 10175 also treats child pornography committed through a computer system¹¹ as a prohibited act, the penalty of which shall be one (1) degree higher than that provided for in RA 9775.¹²

3. *RA No. 9208, otherwise known as the “Anti-Trafficking in Persons Act of 2003, as amended”;*¹³

RA 9208, as amended by RA 10364, defines and punishes acts of trafficking in persons, which includes using, procuring, or offering a child for prostitution, for the production of pornography, or for pornographic performances. Significantly, Sections 4 to 6 of the said law are predicate crimes under the AMLA.¹⁴

4. *RA No. 9775, otherwise known as the “Anti-Child Pornography Act of 2009”;*¹⁵

RA 9775 defines child pornography as “any representation, whether visual, audio, or written combination thereof, by electronic, mechanical, digital, optical, magnetic or any other means, of child engaged or involved in real or simulated explicit sexual activities.”¹⁶ It criminalizes the production, distribution, exportation, transmission, importation, intentional possession, and advertising of child pornography.¹⁷ Significantly, the acts punishable under Section 4 of the said law, which provides the unlawful or prohibited acts in relation to child pornography, are predicate crimes under the AMLA.¹⁷

5. *RA No. 9995, otherwise known as the “Anti-Photo and Video Voyeurism Act of 2009”;*¹⁸

RA 9995 makes it a crime to photograph or videotape a person or group of people engaging in a sexual act or similar activity, or to capture an image of a person's private area without the consent of the person/s involved and in circumstances where the person/s has/have a reasonable expectation of privacy. The same law also punishes the act of copying or reproducing such photo or video, even if such person/s gave approval to record or take photo or video coverage of the same. Notably, acts punishable under Section 4 of the said law are predicate crimes under the AMLA.¹⁹

¹¹ *Id.* at Sec. 4(c)(2).

¹² *Id.* at Sec. 8

¹³ Expanded Anti-Trafficking in Persons Act of 2012 (RA 10364), at <https://www.officialgazette.gov.ph/2013/02/06/republic-act-no-10364> (last accessed 26 March 2023).

¹⁴ Sec. 3(i)(19) of RA No. 9160, as amended by RA No. 10365, at <http://www.amlc.gov.ph/laws/money-laundering/2015-10-16-02-50-56/republic-act-10365> (last accessed 11 April 2023).

¹⁵ Anti-Child Pornography Act of 2009 (RA 9775), at <https://www.officialgazette.gov.ph/2009/11/17/republic-act-no-9775-s-2009/> (last accessed 10 March 2023).

¹⁶ *Id.* at Sec. 3(b).

¹⁷ *Id.* at Sec. 4.

¹⁸ Anti-Photo and Video Voyeurism Act of 2009 (RA 9995), at <https://dict.gov.ph/wp-content/uploads/2014/10/RA-9995-Anti-Photo-and-Video-Voyeurism-Act.pdf> (last accessed 10 March 2023).

¹⁹ Sec. 3(i)(30) of RA No. 9160, as amended by RA No. 10365, at <http://www.amlc.gov.ph/laws/money-laundering/2015-10-16-02-50-56/republic-act-10365> (last accessed 11 April 2023).

6. RA No. 7610, otherwise known as the “Special Protection of Children against Abuse, Exploitation and Discrimination Act”;²⁰

RA 7610 explicitly criminalizes child prostitution, child trafficking, and other forms of child abuse. This law also makes it illegal to hire, employ, use, persuade, induce, or coerce a child to perform in obscene exhibitions and indecent shows, whether live or in video, or to model in obscene publications or pornographic materials, or to sell or distribute such items. Notably, Sections 5, 7, 8, 9, 10 (c), 10 (d), 10 (e), 11, 12, and 14 of this law constitute predicate offenses under the AMLA.²¹

7. RA No. 9262, otherwise known as the “Anti-Violence Against Women and Their Children Act of 2004”²²; and

The purpose of RA 9262 is to address the prevalence of violence against women and children (VAWC) by their intimate partners, such as a husband or ex-husband, a live-in partner or a former live-in partner, a boyfriend/girlfriend or an ex-boyfriend/ex-girlfriend, a dating partner or a former dating partner. According to the legislation, VAWC is a public offense.²³

8. United Nations (UN) Declaration on the Rights of the Child.²⁴

Articles 12 to 17 of the Convention on the Rights of the Child, ratified by the Philippines in July 1990, protect freedom of expression and access to information, particularly those targeted at promoting the well-being and health of children. Likewise, Articles 19-23 and 32-40 advocate for children's specific protection from abuse, exploitation in pornographic performances and materials, and all forms of physical or mental violence.²⁵

OBJECTIVES OF THE STUDY

The study seeks to:

1. possibly detect and deter OSAEC in the country through the use of financial information;
2. determine the impact of the second report on the filing of STRs from 01 July 2020 to 31 December 2022²⁶, channels used by offenders to send money to facilitators, modus operandi of OSAEC in the Philippines, senders, and beneficiaries as well as the amounts of remittances

²⁰ https://cdn.icmec.org/wp-content/uploads/2021/12/Philippines-Legal-Review-Position-Paper_Final-signed_Oct2021-compressed-1.pdf (last accessed 11 March 2023).

²¹ Sec. 3(i)(32) of RA No. 9160, as amended by RA No. 10365, at <http://www.amlc.gov.ph/laws/money-laundering/2015-10-16-02-50-56/republic-act-10365> (last accessed 11 April 2023).

²² https://lawphil.net/statutes/repacts/ra2004/ra_9262_2004.html (last accessed 24 March 2023).

²³ <https://pcw.gov.ph/assets/files/2020/09/RA-9262.pdf> (last accessed 24 March 2023).

²⁴ UN Convention on the Rights of the Child, entered into force on Sep. 2, 1990, at <https://www.ohchr.org/EN/ProfessionalInterest/Pages/CRC.aspx> (last accessed 24 March 2023).

²⁵ Sourced from https://cdn.icmec.org/wp-content/uploads/2021/12/Philippines-Legal-Review-Position-Paper_Final-signed_Oct2021-compressed-1.pdf (last accessed 24 March 2023).

²⁶ The 2nd study pertains to “CHILD PORNOGRAPHY IN THE PHILIPPINES: Post-2019 Study using STR Data (STR data from 2019 to first semester of 2020)”. See <http://www.amlc.gov.ph/images/PDFs/2020%20DEC%20CHILD%20PORNOGRAPHY%20IN%20THE%20PHILIPPINES%20POST-2019%20STUDY%20USING%20STR%20DATA.pdf> (last accessed 26 March 2023).

related to OSAEC;

3. update the findings in the post-2019 study and identify new trends, financial red flag indicators and keywords related to OSAEC; and
4. share the result of the study to relevant stakeholders, such as internal AMLC groups/divisions, appropriate LEAs, SAs, members of AMLC's PPPPs, and respective FIUs of other jurisdictions with transactional links to the country as identified in the study.

SCOPE AND METHODOLOGY

With the aim of providing a macro-assessment of OSAEC-related financial activities, this study conducted a descriptive analysis of STRs filed by various CPs in relation to OSAEC covering the period of 01 July 2020 to 31 December 2022.

The initial dataset consisted of all STRs with OSAEC-related keywords in the narrative section, as well as STRs filed under the predicate crimes of "Anti-Child Pornography Act of 2009" and "Special Protection of Children against Abuse, Exploitation and Discrimination Act". The STRs were then subjected to an individual review determining the credibility and plausibility of the reason and narration of suspicion as submitted by the CPs, as well as the investigative trigger of the suspicious transaction reporting. This resulted in a filtered dataset comprising reports where there is reason to believe, based on the narrative, that OSAEC may be involved.

It should be highlighted that the dataset contains 23,816 generic-coded STRs²⁷ (13.03% of the total STR count) with transactions valued at PhP73.98 million (4.75% of the total STR PhP value). Whereas STRs with particular codes provide a clear description of the type of transaction (withdrawal, deposit, remittance, etc.) in relation to the reported amounts, generic-coded STRs can be read in a variety of ways depending on the narrative content.²⁸ In this study's analysis of typologies with generic-coded STRs, the STR narrative is examined more closely to ensure a more accurate evaluation.

The data was further processed to identify the jurisdictions/locations involved based on the reported addresses of the participants in the transaction. In the absence of the said data, the location was determined using the correspondent bank address, addresses as submitted by other CPs on the same sender/recipient, foreign currencies used in the STRs, or the branch location of the financial institution, as applicable. In cases where it is still not possible to identify the location, the word "Unknown" was used. Locations for offshore jurisdictions were reduced to country level, while locations within the Philippines were reduced to city level for places within the NCR, and provincial level for places outside the NCR.

²⁷ Generic-coded STRs include reports filed under the transaction codes ZSTR, ZSTRA and STRA.

²⁸ The transaction codes "ZSTR" and "ZSTRA" both stand for STR transactions. While ZSTRA is used to file attempted transactions, ZSTR is generally used for transactions filed on the basis of suspicious triggers (such as news report subjects, qualified theft, etc.), even when the subject has no financial transaction with the covered person at the time the suspicious activity was determined. In some cases, CPs appear to be using the ZSTR code as a blanket transaction code to cover different transactions with varying dates of several subject, having a common connection (similar beneficiary/counterparty). Meanwhile, the transaction code "STRA," which stands for STR per account, is used to report an account that is deemed suspicious.

For remittances, the roles of various parties involved in the said transactions, such as the sender and recipient, were identified. For this study, remittance transactions refer to all inter-account transfers as well as successful domestic and international inward and outward remittances²⁹, involving two different parties³⁰. Remittance transactions also include generic-coded STRs which met the following criteria: 1) both counterparty and beneficiary are identified; 2) counterparty and beneficiary are different persons; 3) the transaction amount is more than PhP1.00; and 4) the transaction was successfully consummated based on the STR narrative. As a result of the data cleaning process, a total of 159,436 transactions were identified as remittances.

To facilitate the analysis and to allow comparison, the PhP value was used as reference currency in the entire study. The transaction and upload dates were also converted into the corresponding transaction and upload years. For brevity, the STRs were also grouped into four (4) major categories based on the predicate crimes or suspicious circumstances linked to the suspicious transaction, namely:

- (1) *Child Pornography* (relative to Violations of the Anti-Child Pornography Act and Violations of the Special Protection of Children against Abuse, Exploitation and Discrimination Act);
- (2) *Human Trafficking and People Smuggling* (relative to Violations of the Anti-Trafficking in Persons Act of 2003);
- (3) *Photo and Video Abuse* (relative to Violations of the Anti-Photo and Video Voyeurism Act); and
- (4) *Other Circumstances Identified* (other related STRs and other suspicious circumstances)

As a result, the final dataset for the period of July 2020 to December 2022 included a total of 182,729 OSAEC-related STRs with an aggregate amount of PhP1.56 billion. Aside from the data contained in the STRs, this study also included online-sourced contents such as news articles and other research or studies on the topic, among others.

Furthermore, the analysis is guided by the following confidence level matrix and estimative language usage:

Analytic Judgments and Confidence Levels

FIU Intelligence Assessments use phrases such as “we judge”, “we assess” or “indicates” to convey analytical inferences (conclusions). These assessments are not statements of fact or proof, and do not imply complete knowledge. Analytic judgments are often based on incomplete information of varying quality, consistency, and reliability. Analytic judgments are distinct from the underlying facts and assumptions in which they are based and should be understood as definitive or without alternative explanation.

The AMLC assigns “high”, “moderate”, or “low” confidence levels to analytic judgments based on the variety, scope, and quality of information supporting that judgment.

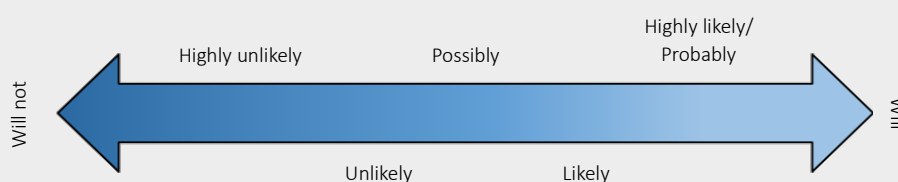
²⁹ Excluding returned inward and outward remittance transactions.

³⁰ Excluding remittances and transfers with same sender and beneficiary name.

- “**High confidence**” generally indicates a judgment based on multiple, consistent, high-quality sources of information and/or that the nature of the issue makes it possible to render solid judgment.
- “**Moderate confidence**” generally means the information could be interpreted in various ways, we have alternative views, or the information is credible and plausible but not sufficiently corroborated to warrant a higher level of confidence.
- “**Low confidence**” generally means the information is scant, questionable, or very fragmented and it is difficult to make solid analytic inferences, or we have significant concerns or problems with the sources.

Estimative Language

Certain words are used in this assessment to convey confidence and analytical judgment regarding the probability of a development or event occurring. Judgments are often based on incomplete or fragmentary information and are not fact, proof, or knowledge. The figure below describes the relationship of the terms to each other.



Considering the foregoing data availability and limitations, a moderate level of confidence is given on the analytical judgment presented in the succeeding discussions of prominent and notable typologies.

CAVEAT

The data provided in this report should not be interpreted as an assessment of the full amount of proceeds related to OSAEC. It must be noted that CPs may file STRs based on rejected transactions, intelligence received, or adverse news reports despite not having transactions with the subject. As such, the total reported volume and value may not necessarily represent the total volume and amount of actual transactions. A reported value of PhP1.00, zero (PhP0.00), or other nominal amounts is a normal occurrence in STR filings since these do not necessarily emanate from consummated financial transactions. Thus, the actual volume and amount of proceeds may be larger than represented in the sample of STRs used, which consists of both consummated and attempted transactions reported to the AMLC.

Moreover, the statements herein are not conclusive but are more descriptive of what has been observed on the gathered STRs. These STRs also need further verification and more in-depth investigation to substantiate likely linkage to a certain predicate crime.

DEFINITION OF TERMS

The following terms used in this report are hereby defined as follows³¹:

- **AMLA** - refers to RA No. 9160, as amended by RA Nos. 9194, 10167, 10365, 10927, and 11521.
- **AMLC** - refers to the Philippines' central AML/CFT authority and FIU, which is the government instrumentality mandated to implement the AMLA and TFPASA.
- **Child**- refers to a person below eighteen (18) years of age or those over but are unable to fully take care of themselves or protect themselves from abuse, neglect, cruelty, exploitation or discrimination because of physical, mental, intellectual or sensory disability or condition. Under RA 11930, a child shall also refer to (1) a person regardless of age who is presented, depicted or portrayed as a child as defined herein; and (2) computer-generated, digitally or manually crafted images, or graphics of a person who is represented or who is made to appear to be a child as defined herein.
- **Child sexual abuse** - refers to any form of communication through any platform or format, or any physical interaction between a child and any person when the child is being used for any act or activity inducing sexual stimulation or for the purpose of sexual gratification or in pursuit of the desire to have carnal knowledge of the child, regardless of the gender of the perpetrator or the victim, or the consent of the victim.
- **CSAEM/CSAM**- refers to any representation, whether offline, or by, through or with the use of ICT, by means of visual, video, audio, written, or any combination thereof, by electronic, mechanical, digital, optical, magnetic or any other means, of a child engaged or involved in real or simulated sexual activities, or depicting acts of sexual abuse or exploitation of a child as a sexual object. It shall also include materials that focus on the private body parts of a child. For purposes of RA 11930, CSAEM may interchangeably be referred to as CSAM.
- **Child sexual exploitation** - refers to any of the following acts even if consent appears to have been granted by the child:
 - (1) Child sexual abuse with consideration whether monetary or non-monetary consideration, favor or benefit in exchange for the opportunity to perform such abusive or exploitative act;
 - (2) Actual sexual intercourse with a child or children with or without consideration;
 - (3) Employing fraud, machination, undue influence, intimidation, threat or deception by any person to commit sexual abuse of or sexual intercourse with a child or children; or

³¹ Child, child sexual abuse, CSAEM/CSAM, and child sexual exploitation terminologies and definitions obtained from this source: https://lawphil.net/statutes/repacts/ra2022/ra_11930_2022.html (last accessed February 24, 2023).

Definitions for the terms facilitator and sex offender were derived from this site:

https://ijmstoragelive.blob.core.windows.net/ijmna/documents/studies/Final-Public-Full-Report-5_20_2020.pdf (last accessed 15 April 2023).

The definitions of AMLA, AMLC, CPs, Predicate Crime, STR, Suspicious Circumstance were sourced

from: <http://www.amlc.gov.ph/images/PDFs/2021-AMLC%20REGISTRATION%20AND%20REPORTING%20GUIDELINES.pdf> (last accessed 25 April 2023).

- (4) Any other similar or analogous acts related to child abuse, cruelty or exploitation or to be responsible for other conditions prejudicial to the development of the child.
- **CP** - refers to natural or juridical persons regulated under the AMLA, such as, but not limited to, financial institutions, insurance companies and brokers, securities dealer, designated non-financial businesses and professions, real estate developers and brokers, and casinos.
 - **Facilitator**- refers to any person who sexually abuses or exploits a child by offering CSAEM via the internet or conducting hands-on sexual exploitation in exchange for compensation; also known as the trafficker.
 - **Predicate Crime**- refers to the associated unlawful activities to money laundering defined under Section 3(i) of the AMLA.
 - **Sex Offender** - refers to any person who provides financial compensation to a facilitator/trafficker or child for any form of CSAEM or for any in-person sexual exploitation of a minor; also known as the customer.
 - **STR**- refers to a report on a suspicious transaction filed by a CP before the AMLC.
 - **Suspicious Circumstance**- refers to any of the following circumstances, the existence of which makes a transaction suspicious:
 - (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/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 AMLA;
 - (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 CP;
 - (6) the transaction is in any way related to ML/TF or related unlawful activity that is about to be committed, is being or has been committed;
 - (7) any transaction that is similar, analogous, or identical to any of the foregoing.

DATA PROFILE

VOLUME OF STR SUBMISSIONS

Since the release of the first study on child pornography in March 2019, the annual volume of OSAEC-related STR submissions continuously exhibited an upward trend between 2019 to 2022. Prior to 2019, the AMLC only received a small number which ranges from 204 to 1,344 STRs. The observed consistent rise in STR submissions could be evidence of the influence that the AMLC’s earlier studies had on the CP’s ability to file STRs in connection with OSAEC. **Figure 1** shows the yearly volume of OSAEC-related STRs for the period covering 2015 to 2022.

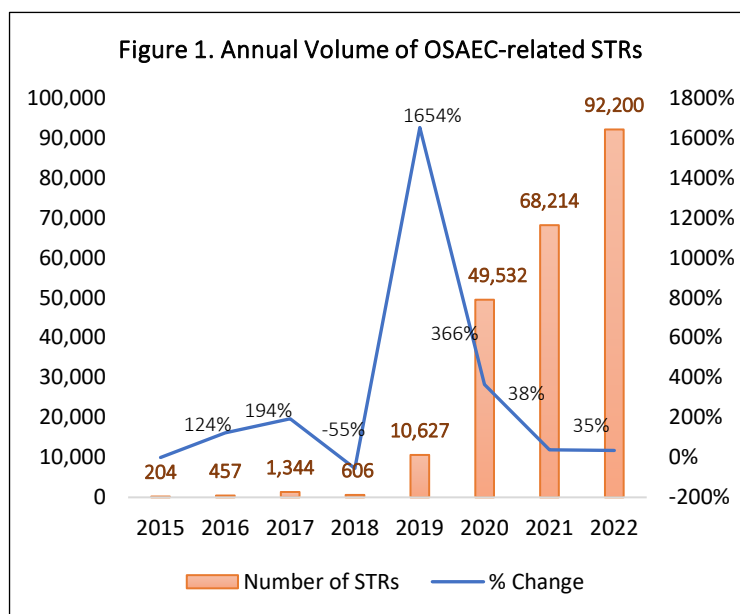


Table 1. Annual Breakdown of STRs from Jul 2020 to Dec 2022

Year	STR Volume	STR Value (in PhP)
2020	22,315	83,348,106.16
2021	68,214	996,705,339.80
2022	92,200	478,278,797.81
Total	182,729	1,558,332,243.77

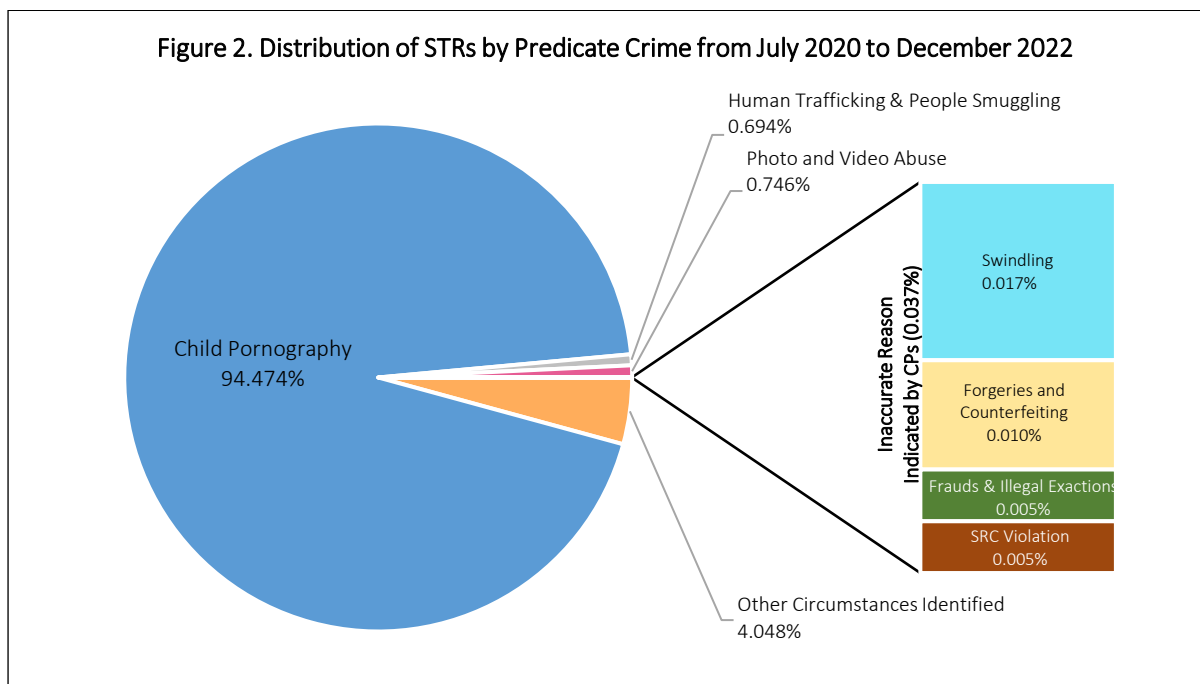
Between July 2020 and December 2022, a total of 182,729 STRs with an aggregate amount of PhP1.56 billion were submitted by various CPs in relation to OSAEC. **Table 1** shows the yearly breakdown of STRs covered in this study.

However, for year 2020, it must be noted that only STRs filed by CPs during the second semester (1 July to 31 December 2020) have been included in this paper. Said STRs accounted for 45% of the total STRs submitted in year 2020.³²

REASONS FOR STR SUBMISSIONS

CPs are required to declare their basis for filing a specific STR, either by identifying a specific predicate crime linked to the client/transaction or identifying a suspicious circumstance observed in the client’s transactional behavior or activity. For OSAEC-related cases, there can be a number of acceptable reasons for filing. **Figure 2** below shows the distribution of the 182,729 STRs per category of predicate crime/suspicious circumstance as defined in the Methodology section of this paper:

³² The AMLC’s second study on child pornography already included the STRs filed during the 1st half (1H) of 2020, which totaled to 27,217 STRs. This is equivalent to 55% of the total OSAEC-related STRs submitted in the said year.



Based on the illustration above, majority of the STRs were filed under the category of Child Pornography, accounting for 94.47% of the total dataset. Meanwhile, STRs under the categories of Human Trafficking & People Smuggling as well as Photo & Video Abuse only had a minimal share of the aggregate number of STRs. This could be attributed to the CP’s competence to properly differentiate child pornography from other predicate crimes.

Figure 2 above also shows that there have been instances of different tagging of predicate crimes for OSAEC-related STRs. The details in the narrative portion of some STRs were found to be inconsistent with the reason set by the CP (i.e., Swindling, Forgeries and Counterfeiting, Frauds and Illegal Exactions and Violations of the Securities Regulation Code). The corresponding narratives of certain STRs explicitly discuss that the subjects/POIs may have a possible involvement in OSAEC, or their financial transactions suggest a likely nexus to OSAEC.

For the entire dataset, the proportion of STRs labelled as “Other Circumstances Identified” was 4.05%. This includes STRs that are reported for reasons other than the above-mentioned predicate crimes, but still with possible nexus to OSAEC. **Table 2** shows the breakdown of STRs under the said category.

Table 2. Breakdown of STRs under Other Circumstances Identified

Other Circumstances Identified	STR Volume	Percentage
Suspicious Circumstances ³³	7,161	96.81%
Swindling	213	2.88%
Violation of the Electronic Commerce Act	12	0.16%
Financing of Terrorism	9	0.12%
Similar Offenses Punishable in Other Countries	2	0.03%
TOTAL	7,397	100.00%

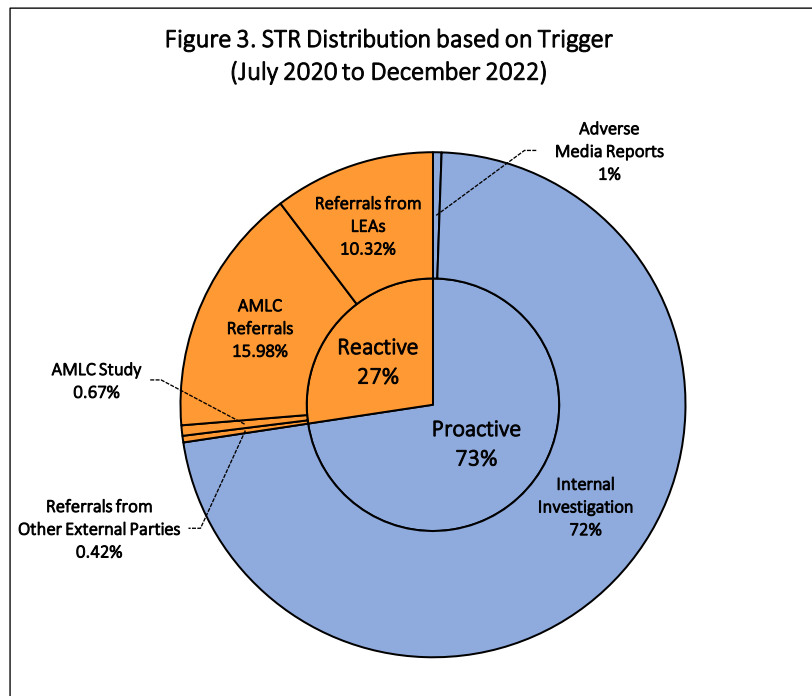
As can be seen in **Table 2**, 96.81% of the STRs falling under “Other Circumstances Identified” were submitted by CPs based on various suspicious circumstances they

³³ These either falls under 1, 2, 3, 4, 5 or 7 of the listed Suspicious Circumstances under the Definition of Terms section of this study.

have identified. Furthermore, it was observed that there are OSAEC-related STRs which were filed under other unlawful activities such as Swindling, Electronic Commerce Act Violations, Terrorism Financing and similar felonies/offenses which are punishable under the penal laws of other countries. This illustrates that OSAEC activities are not exclusive and may also overlap with other illicit activities. Cases under Swindling include a fraudster receiving funds from a confirmed OSAEC offender, and a possible romance scam involving a foreigner with intellectual disability who is allegedly being lured to become a sex trade worker. STRs under Electronic Commerce Violation involves selling of drop accounts³⁴ which can be used in illicit transactions such as child pornography and trafficking. Meanwhile, review of the transactions of a terrorism financing subject revealed possible involvement in OSAEC-related activities.

TRIGGER OF STR SUBMISSIONS

For the purpose of this paper, STR submissions may be classified as *Proactive* or *Reactive* depending on the trigger of the suspicious transaction reporting. Proactive reporting takes place when CPs take the initiative to file their client's financial activities as STRs due to CPs' internally developed detection processes. These include subjects of internal investigation which may be prompted by alerts or transaction monitoring rules designed to detect potentially suspicious activities, referrals from customer-facing employees, regulatory recommendations or findings, information obtained from internal hotlines and negative media information. Meanwhile, reactive reporting is the result of the CP receiving information, queries and referrals from external sources including the AMLC, foreign and domestic LEAs, other financial institutions and government agencies, among others.



As shown in **Figure 3**, 73% of OSAEC-related STRs from July 2020 to December 2022 were proactively reported to the AMLC. Majority of these STRs were filed by CPs due to results of their internal screenings and/or investigations on client transactions, which they found to be consistent with the typologies of OSAEC. This appears to be a positive outcome of earlier disseminated AMLC studies on child pornography which significantly raised the awareness of CPs on the said crime.

³⁴ Sold to a buyer for the purposes of layering transactions as a pass-through account.

On the other hand, 27% of the STRs in the dataset were reactively reported by CPs. Among the reactive STRs, majority were triggered by referrals from the AMLC. This could be a result of the constant coordination of the AMLC’s intelligence and investigation arms with various MSBs, VCEs and EMIs, in order to collect information and financial records relative to POIs of OSAEC cases. It was also observed that some STRs were filed due to the inclusion of their client’s name in the list of POIs which were provided by the AMLC as attachment to its first and second studies on child pornography.

PRIMARY FINANCIAL DISTRIBUTION CHANNELS

The tables below show a comparative distribution of financial channels identified in STRs related to child pornography between 2015 and 2022 covering the period of the AMLC’s first two and current studies on OSAEC:

Table 3. Transfer Channels by Volume

Transfer Channel	Volume of STRs (2H2020-2022)	Percent to Total Volume	Volume of STRs (2019-1H2020)	Percent to Total Volume	Volume of STRs (2015-2018)	Percent to Total Volume
MSBs	165,983	90.84%	36,831	97.32%	1,548	59.29%
EMIs	13,967	7.64%	512	1.35%	-	0.00%
BANKS	2,598	1.42%	444	1.17%	920	35.24%
INSURANCE BROKERS/COMPANIES	181	0.10%	-	0.00%	1	0.04%
VCEs	-	0.00%	57	0.15%	24	0.92%
STOCK SAVINGS & LOAN ASSOCIATIONS	-	0.00%	-	0.00%	118	4.52%
Total	182,729	100%	37,844	100%	2,611	100%

Table 4. Transfer Channels by PhP Value

Transfer Channel	PhP Value of STRs (2H2020-2022)	Percent to Total Value	PhP Value of STRs (2019-1H2020)	Percent to Total Value	PhP Value of STRs (2015-2018)	Percent to Total Value
MSBs	917,681,327	58.89%	159,967,904	89.42%	10,243,138	78.09%
BANKS	618,243,292	39.67%	6,487,294	3.63%	2,270,185	17.31%
EMIs	22,407,625	1.44%	12,381,074	6.92%	-	0.00%
INSURANCE BROKERS/COMPANIES	-	0.00%	-	0.00%	-	0.00%
VCEs	-	0.00%	54,470.00	0.03%	230,350	1.76%
STOCK SAVINGS & LOAN ASSOCIATIONS	-	0.00%	-	0.00%	373,692	2.85%
Total	1,558,332,244	100%	178,890,742	100%	13,117,365	100%

Majority of the STRs submitted between 01 July 2020 and 31 December 2022 originated from MSBs, which accounted for 90.84% and 58.89% of the total count and PhP value, respectively (**Tables 3 and 4**).

As observed in the prior AMLC study³⁵, MSBs have consistently been the main avenue in transmitting payments intended for child pornography since 2015. The availability of MSBs in most places, including isolated rural areas, makes them a preferred choice for OSAEC-related transactions. Relatively, MSBs are the most common means of transmitting small-ticket remittances both locally and abroad per the 2019 Development Academy of the Philippines study. Given that typical MSB customers include the unbanked, underbanked, and OFWs, they will naturally prefer to transact with the most accessible middleman who can send money at the lowest possible cost and in the shortest amount of time.³⁶

Noteworthy was the decrease in the MSB proportion to total (both in volume and PhP value) compared to the 2019 to 1H2020 study, as data shows that some of the people involved in child pornography also utilized EMIs and banks, accounting for 7.64% and 1.42% of the aggregate volume, respectively. The volume usage of pawnshop subsumed under MSBs is also worth noting since it captured a sizable piece of 20.60%. Coincidentally, pawnshops saw robust expansion in 2021, as indicated by the industry’s increased asset base, network, and capitalization during the year.³⁷

In terms of value, banks came in second to MSBs and were utilized for high-value transactions, accounting for 39.67% of all transactions, followed by EMIs at 1.44%. Although EMI usage grew, value percentage to total decreased to 1.44% (PhP22.41 million) compared to 6.92% (PhP12.38 million) in the 2nd AMLC study that covers 2019 to 1H 2020. Significantly, while percentage to total has declined in the current study, the absolute PhP value of EMIs increased by nearly a factor of two compared to the previous period.

REMITTANCE TRANSACTIONS

Out of 182,729 STRs covered in this study, 87.25% (159,436 STRs) were identified as remittance transactions³⁸. The next section will cover data, figures and statistics which were solely obtained from the remittance dataset.

Table 5. Breakdown of Remittance Transactions

As can be gleaned from **Table 5**, 87.52% of the OSAEC-related remittance transactions were reported as international, while only 10.95% of the remittances were reported as domestic. The unknown data, which accounts for 1.53% of the remittances, pertains to generic-coded STRs with no clear distinction as to the nexus of the transactions. Further scrutiny of the data shows that certain transactions which were reported as

Transactions	Count	Percentage
INTERNATIONAL	139,533	87.52%
DOMESTIC	17,460	10.95%
UNKNOWN ³⁹	2,443	1.53%
Grand Total	159,436	100.00%

³⁵ Please see

<http://www.amlc.gov.ph/images/PDFs/2020%20DEC%20CHILD%20PORNOGRAPHY%20IN%20THE%20PHILIPPINES%20POST-2019%20STUDY%20USING%20STR%20DATA.pdf> (last accessed 26 March 2023).

³⁶ MSBs typically meet the following specifications: rapid settlement and transaction processing; sender and recipient convenience; real-time cash settlement (as much as possible) between counterparties to eliminate/reduce pre-funding; accessible sending and payout locations; and reasonable remittance fees. Retrieved from, <https://coe-psp.dap.edu.ph/wp-content/uploads/2021/06/Money-Services-Regulatory-Review-Reports.pdf> (last accessed 26 March 2023).

³⁷ Pawnshops in the country have also expanded their products and services to include remittances, money changing, bill payment, and cash agency. Sourced from, <https://businessmirror.com.ph/2022/06/09/pawnshops-post-strong-growth-in-2021-bsp/> (last accessed 26 March 2023).

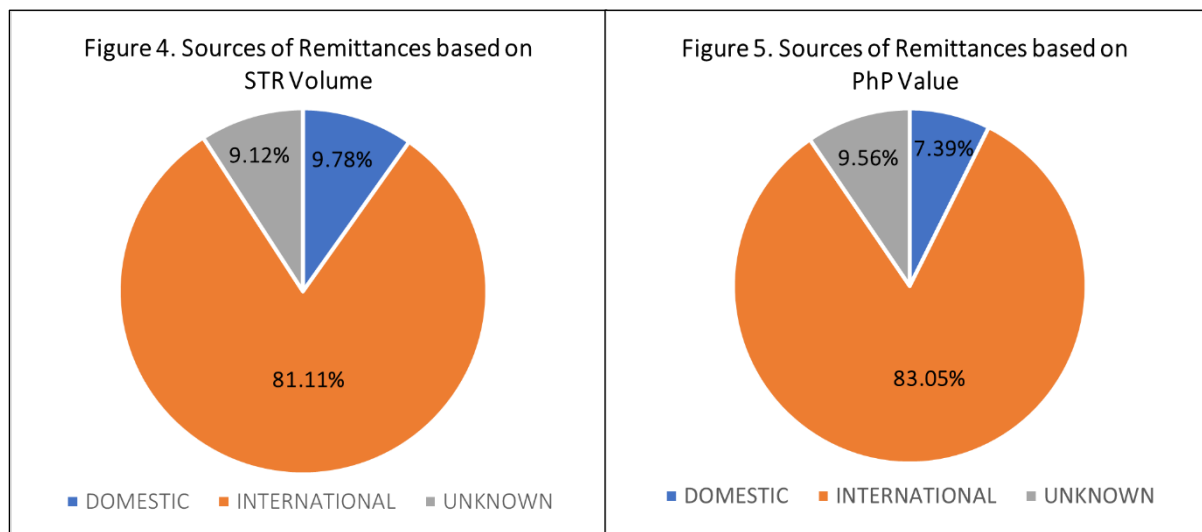
³⁸ As defined under the Scope and Methodology section of this study.

³⁹ Generic-coded STRs with undetermined nexus to international or domestic locations.

international appears to be domestic, and vice versa. There are also transactions reported as international and domestic remittances that do not contain transactor locations. This led to the reclassification of some remittances, which yielded the figures presented below.

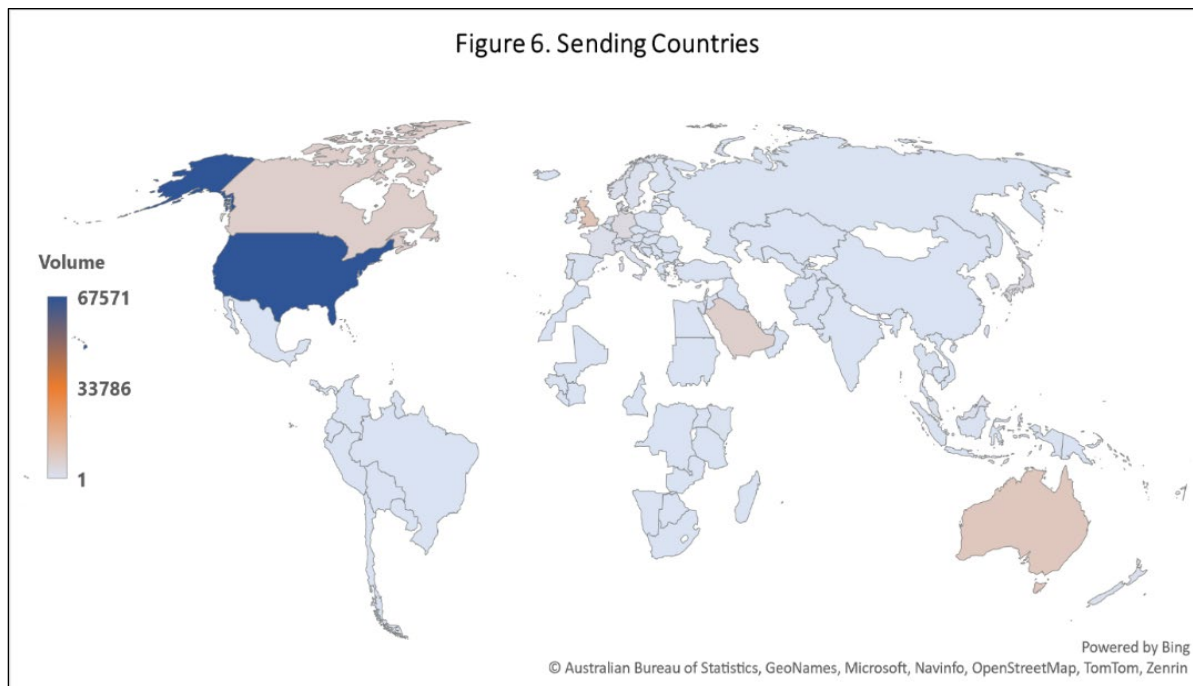
SOURCES OF REMITTANCES

Among the 159,436 remittance transactions, 129,312 STRs or 81.11% pertain to international remittances; 15,589 STRs or 9.78% pertain to domestic remittances; and 14,535 STRs or 9.12% represent unknown locations. **Figures 4** and **5** show the sources of remittances based on STR volume and PhP value, respectively.



1. INTERNATIONAL

Foreign remittances associated with OSAEC accounted for 81.11% of the total volume and 83.05% of the aggregate PhP value of the remittance transactions. This suggests that most OSAEC-related activities in the Philippines is transnational in nature. **Figure 6** indicates that the United States sent the most money to the country in relation to OSAEC.



Since 2015, the United States has been the top remitter to the country of OSAEC-related transactions as reported by the CPs. In the current study covering the second half of 2020 to end of 2022, the United States figured in 67,571 international remittances (52.25%) by count, while the United Kingdom, Australia, Canada, and Saudi Arabia trail by a considerable margin with 10,387 STRs (8.03%), 9,149 STRs (7.08%), 6,880 STRs (5.32%), and 6,715 STRs (5.19%), respectively. Notably, Australia and Canada have continuously placed third and fourth since 2015 (**Table 6**).

Table 6. Top 20 Counterparty/Sender Country by Volume

No.	2H2020 – 2022		2019- 1H2020		2015-2018	
	Counterparty	Volume of STRs	Counterparty	Volume of STRs	Counterparty	Volume of STRs
1	UNITED STATES	67,571	UNITED STATES	10,927	UNITED STATES	630
2	UNITED KINGDOM	10,387	SAUDI ARABIA	1,830	PHILIPPINES	187
3	AUSTRALIA	9,149	AUSTRALIA	1,731	AUSTRALIA	178
4	CANADA	6,880	CANADA	1,598	CANADA	101
5	SAUDI ARABIA	6,715	UNITED KINGDOM	1,401	UNITED KINGDOM	97
6	GERMANY	3,312	SINGAPORE	629	ISRAEL	61
7	JAPAN	2,816	UAE	556	SINGAPORE	36
8	SINGAPORE	1,831	ITALY	553	FRANCE	32
9	FRANCE	1,685	KOREA	548	GERMANY	29
10	NETHERLANDS	1,512	HONG KONG	454	THAILAND	24
11	NORWAY	1,307	JAPAN	444	SWEDEN	21
12	ITALY	1,264	GERMANY	410	SWITZERLAND	20
13	MALAYSIA	1,127	MALAYSIA	377	KUWAIT	19
14	SWEDEN	1,059	KUWAIT	362	NETHERLANDS	14
15	SOUTH KOREA	1,014	NORWAY	325	ICELAND	13
16	NEW ZEALAND	992	QATAR	317	NORWAY	10

No.	2H2020 – 2022		2019- 1H2020		2015-2018	
	Counterparty	Volume of STRs	Counterparty	Volume of STRs	Counterparty	Volume of STRs
17	DENMARK	975	FRANCE	307	NEW ZEALAND	9
18	HONG KONG	819	NEW ZEALAND	224	INDONESIA*	8
19	QATAR	806	NETHERLANDS	206	QATAR*	8
20	UAE	797	SWEDEN	181	UAE*	8

*In the first study on Child Pornography, Turkey and Belgium originally placed 19th and 20th, while Indonesia, Qatar and UAE were tied in the 18th spot.

By value of remittances, the top source of OSAEC-related remittances since 2015 has consistently been the United States, with the aggregate amount of remittances increasing significantly over the years. For the period under study, proceeds from United States totaled PhP413.50 million which represents 55.03% of the total value of remittances. This is followed by United Kingdom with PhP50.61 million (6.74%), Australia with PhP47.59 million (6.33%) Canada with PhP36.91 million (4.91%) and Saudi Arabia with PhP33.04 million (4.40%). It is also worth noting that the United Kingdom, which was previously in the sixth and fifth place in the previous studies, is now in the second rank (Table 7).

Table 7. Top 20 Counterparty/Sender Country by Value

No.	2H2020 – 2022		2019- 1H2020		2015-2018	
	Counterparty	PhP Value	Counterparty	PhP Value	Counterparty	PhP Value
1	UNITED STATES	413,503,125	UNITED STATES	39,653,456	UNITED STATES	3,450,701
2	UNITED KINGDOM	50,608,799	AUSTRALIA	7,562,409	AUSTRALIA	2,245,489
3	AUSTRALIA	47,587,583	CANADA	6,299,779	PHILIPPINES	1,317,091
4	CANADA	36,908,856	SAUDI ARABIA	6,141,282	CANADA	993,398
5	SAUDI ARABIA	33,044,739	UNITED KINGDOM	4,689,196	KUWAIT	488,477
6	JAPAN	23,019,607	NORWAY	3,072,646	UNITED KINGDOM	298,288
7	GERMANY	20,336,077	UAE	2,353,090	SINGAPORE	262,647
8	SINGAPORE	11,025,164	KOREA	2,264,781	INDONESIA	181,787
9	FRANCE	9,578,875	SINGAPORE	2,225,846	JAPAN	174,984
10	NETHERLANDS	8,496,503	ITALY	1,934,938	GERMANY	166,975
11	NEW ZEALAND	7,489,253	JAPAN	1,871,011	ISRAEL	148,455
12	NORWAY	6,521,701	MALAYSIA	1,668,964	FRANCE	142,965
13	DENMARK	6,450,266	KUWAIT	1,594,720	UAE	133,599
14	SOUTH KOREA	6,265,821	HONG KONG	1,566,295	THAILAND	124,861
15	ITALY	5,306,497	GERMANY	1,406,674	NETHERLANDS	117,791
16	MALAYSIA	4,977,266	FRANCE	1,330,069	SWITZERLAND	116,981
17	SWEDEN	4,823,455	QATAR	1,242,966	BRAZIL	86,296
18	HONG KONG	4,649,584	NETHERLANDS	721,049	NEW ZEALAND	82,755
19	UAE	4,261,961	NEW ZEALAND	717,197	QATAR	77,758
20	QATAR	3,976,055	SOLOMON	575,643	SWEDEN	56,769

2. DOMESTIC

While a greater proportion of OSAEC-related remittances originated from foreign sources, the current dataset also shows that there were several remittance transactions made across the different regions of the Philippines. The domestic remittances accounted for 9.78% of the total volume and 7.39% of the aggregate PhP value of OSAEC-related STRs. **Figure 7** illustrates the geographical distribution of STRs while **Table 8** lists down the top ten domestic sender locations by STR volume.

Emerging as the top domestic source of OSAEC-related proceeds is the province of Cavite, which previously did not form part of the top ten domestic sources⁴⁰. Remittances from Cavite accounted for 9,260 STRs or 59.40% of the total domestic remittances. This is followed by Cebu, Pampanga, Negros Occidental and the City of Caloocan, with 1,608 STRs (10.31%), 378 STRs (2.42%), 324 STRs (2.08%) and 296 STRs (1.90%), respectively.

Cebu, which previously topped the list of domestic sources of OSAEC-related proceeds in the last study, has now ranked second. Meanwhile, the province of Rizal, formerly second on the list, has dropped from the top ten (ranked 20th in the current study).

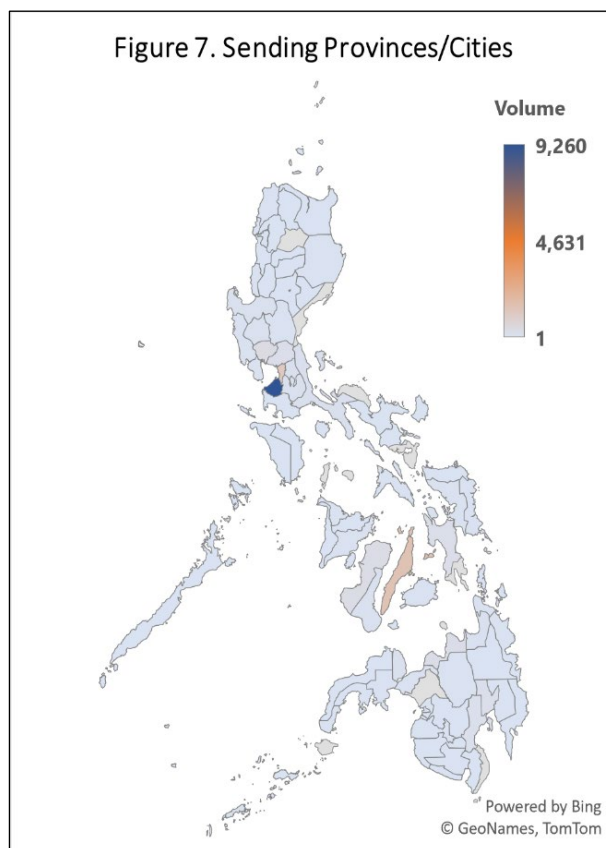


Table 8. Top 10 Domestic Counterparty/Sender by Volume

No.	2H2020- 2022		2019- 1H2020	
	Domestic Counterparty	Volume of STRs	Domestic Counterparty	Volume of STRs
1	CAVITE	9,260	CEBU	416
2	CEBU	1,608	RIZAL	271
3	PAMPANGA	378	BOHOL	204
4	NEGROS OCCIDENTAL	324	TAGUIG CITY	129
5	CITY OF CALOOCAN	296	DAVAO DEL SUR	109
6	MISAMIS ORIENTAL	262	BULACAN	106
7	CITY OF MAKATI	248	PAMPANGA	82
8	CITY OF PARAÑAQUE	229	ILOILO	74
9	LEYTE	212	MANILA CITY	68
10	BULACAN	210	QUEZON PROVINCE	57

⁴⁰ Cavite ranked 16th in 2nd Study on Child Pornography's list of domestic senders.

In terms of PhP value of remittances, the dataset for this study revealed that Davao Del Sur is the largest source of domestic remittances on child exploitation, totaling PhP21.06 million, or 31.49% of the aggregate remittances. Trailing behind are the provinces of Cavite with PhP19.15 million (28.64%), Cebu with PhP4.97 million (7.44%), Davao Del Norte with PhP3.55 million (5.31%) and the City of Manila with 1.95 million (2.91%).

It is worth noting that Davao Del Sur only had a small number of outward remittances (134 transactions), but the related PhP value represents a substantial portion of the aggregate amount of OSAEC-related domestic remittances. Majority of the significant transactions from the aforementioned province represent funds sent by a religious group whose founder and leader was charged with running a sex trafficking operation that allegedly subjected minors to physical and psychological abuse.

As shown in **Table 9**, next in the top 10 list of domestic sources for 2H of 2020 until end of 2022 is the province of Cavite with PhP19.15 million worth of remittances. This result appears to be consistent with the data from **Table 8** above, wherein Cavite emerged as the top domestic source of OSAEC-related remittances in terms of STR volume. It should also be noted that Rizal, which ranked first in the 2nd Study on Child Pornography, has dropped from the top 10 list (ranked 17th in this study).

Table 9. Top 10 Domestic Counterparty/Sender by Value

No.	2H2020- 2022		2019- 1H2020	
	Domestic Counterparty	PhP Value of STRs	Domestic Counterparty	PhP Value of STRs
1	DAVAO DEL SUR	21,060,572	RIZAL	749,180.00
2	CAVITE	19,151,542	CEBU	703,404.00
3	CEBU	4,972,558	DAVAO DEL SUR	416,839.00
4	DAVAO DEL NORTE	3,549,187	BOHOL	413,820.00
5	CITY OF MANILA	1,946,049	TAGUIG CITY	330,985.04
6	PAMPANGA	1,766,638	ILOILO	266,260.00
7	CITY OF PARAÑAQUE	971,771	MANILA CITY	224,862.00
8	BULACAN	961,045	PAMPANGA	208,440.00
9	MISAMIS ORIENTAL	828,939	BULACAN	185,691.20
10	QUEZON PROVINCE	738,496	QUEZON PROVINCE	184,390.00

DESTINATION OF PROCEEDS IN THE PHILIPPINES

Since 2015, the Philippines has been at the receiving end of OSAEC-related remittance transactions.⁴¹ **Figure 8** shows the distribution of the remittance transactions according to source and destination. For this study, a total of 139,585 remittances were sent to various individuals residing in different locations within the country. The majority or 75.52% of the total remittances received by the Philippines were from international sources; 2.94% were from domestic sources; and 9.09% were from unidentified or unknown sources.

⁴¹ Based on the findings in the AMLC's first and second studies on child pornography.

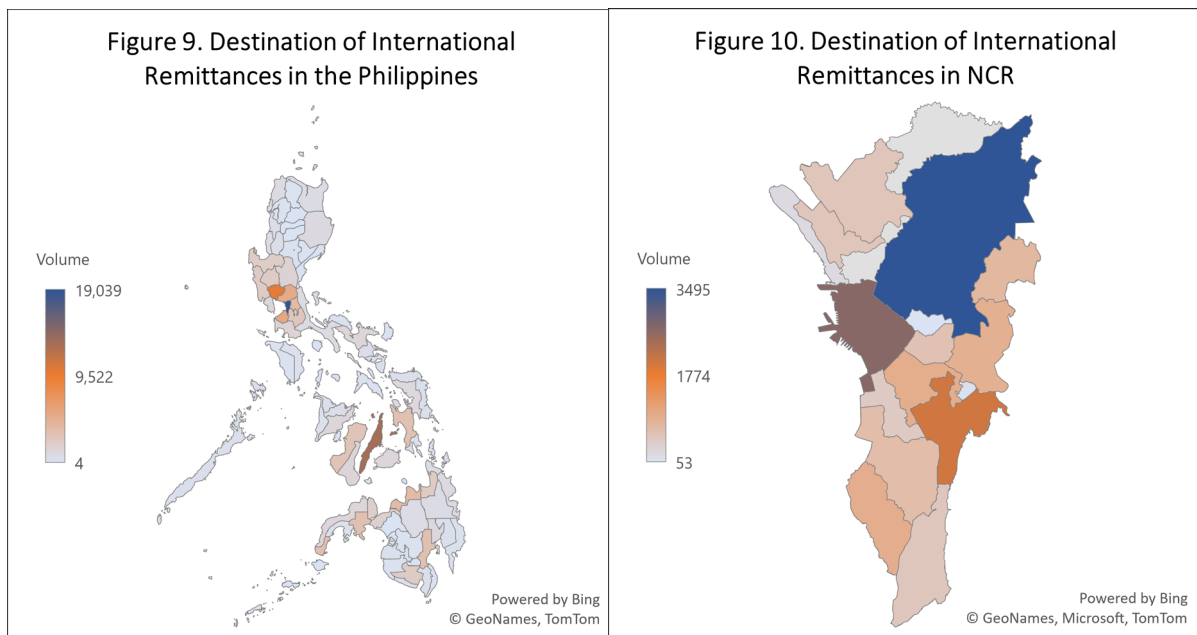
Figure 8. Distribution of Remittances in the Dataset

		Destination		
		International 29 STRs (0.02%)	Domestic 139,585 STRs (87.55%)	Unknown 19,822 STRs (12.43%)
Source	International 129,312 STRs (81.1%)		120,411 STRs 75.52%	8,901 STRs 5.58%
	Domestic 15,589 STRs (9.78%)	25 STRs 0.02%	4,687 STRs 2.94%	10,877 STRs 6.82%
	Unknown 14,535 STRs (9.12%)	4 STRs 0.00%	14,487 STRs 9.09%	44 STRs 0.03%

For the next section, the discussion will focus on remittances received by the Philippines from both international and domestic sources.

1. INTERNATIONAL SOURCES

Remittances sent to Philippine provinces and cities from offshore jurisdictions totaled 120,411 STRs or 75.52% of the aggregate remittances included in the dataset. The maps below provide an overview of the geographical distribution of international inward remittances received by various individuals in the Philippines (**Figure 9**) with particular focus on NCR (Metro Manila) (**Figure 10**).



Meanwhile, **Tables 10** and **11** show the top 10 Philippine destinations of OSAEC-related proceeds coming from international sources in terms of STR volume and PhP value, respectively.

Table 10. Top Provinces/Cities by Volume

Rank	2H2020 - 2022		2019 - 1H2020	
	Provinces/Cities	Count	Provinces/Cities	Count
1	CEBU	13,123	PAMPANGA	2,448
2	PAMPANGA	9,984	CEBU	1,786
3	CAVITE	5,489	BULACAN	1,672
4	BULACAN	5,205	CAVITE	1,549
5	MISAMIS ORIENTAL	3,853	QUEZON CITY	1,168
6	RIZAL	3,813	RIZAL	970
7	QUEZON CITY	3,495	CITY OF CALOOCAN	927
8	CITY OF CALOOCAN	3,359	CITY OF MANILA	687
9	ZAMBOANGA DEL SUR	3,264	LAGUNA	670
10	DAVAO DEL SUR	3,226	NUEVA ECIJA	664

Table 11. Top 10 Provinces/Cities by PhP Value

Rank	2H2020 - 2022		2019 - 1H2020	
	Provinces/Cities	PhP Value	Provinces/Cities	PhP Value
1	CEBU	65,685,860	PAMPANGA	9,643,388
2	PAMPANGA	62,705,614	BULACAN	6,702,344
3	CAVITE	34,066,104	CAVITE	5,828,260
4	BULACAN	30,871,827	CEBU	5,793,982
5	LEYTE	22,534,813	QUEZON CITY	4,351,048
6	MISAMIS ORIENTAL	19,834,070	NUEVA ECIJA	3,731,116
7	DAVAO DEL SUR	19,544,714	CITY OF CALOOCAN	3,272,719
8	RIZAL	19,374,078	RIZAL	3,213,015
9	CITY OF CALOOCAN	18,578,166	QUEZON PROVINCE	3,094,713
10	MISAMIS OCCIDENTAL	17,983,458	CITY OF MANILA	2,713,281

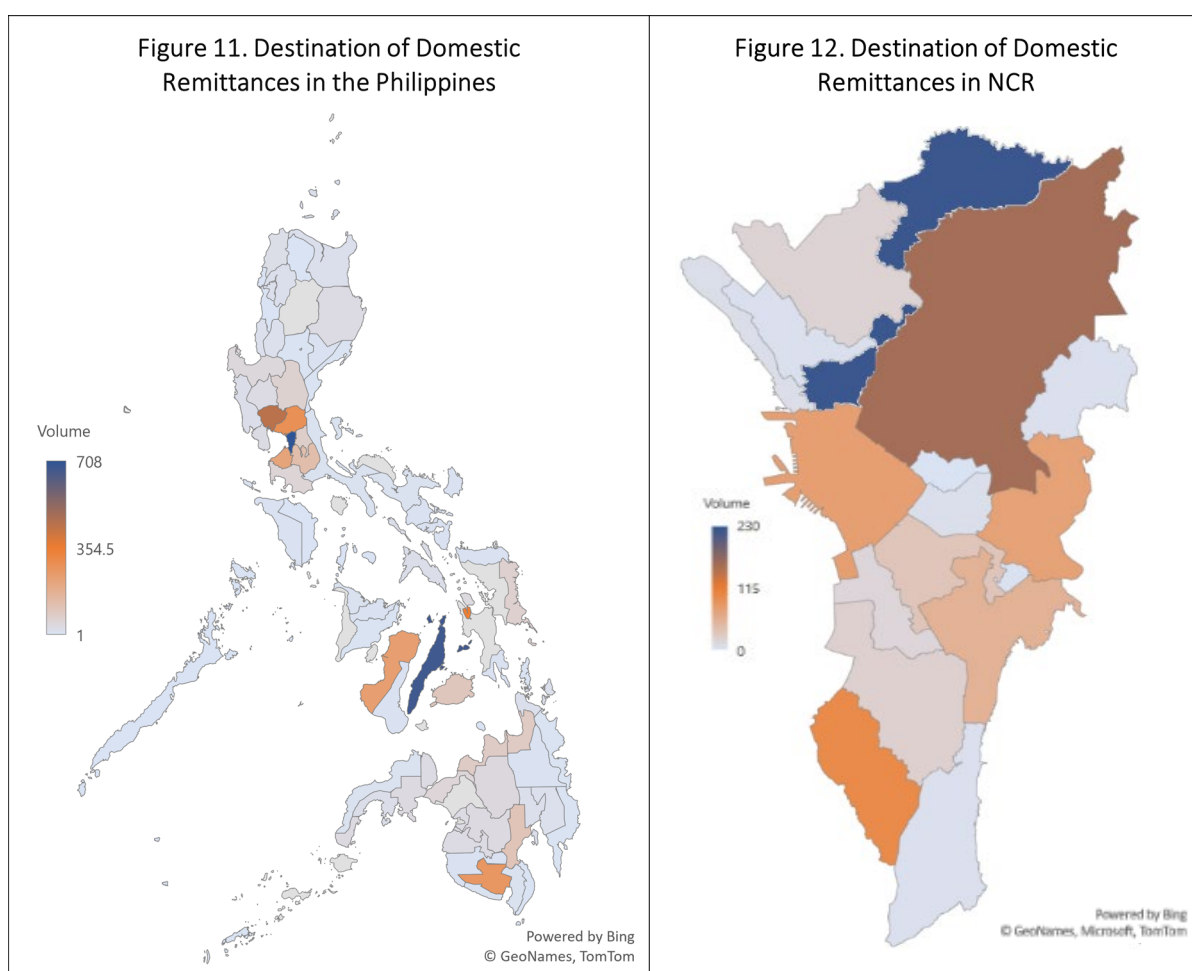
As illustrated above, the provinces of Cebu, Pampanga, Cavite and Bulacan emerged as the top 4 recipient-locations of international remittances in terms of number and PhP value of transactions. Remittances to Cebu accounted for 13,123 STRs with an aggregate value of PhP65.69 million, which represents 10.90% and 9.36% of the total volume and value of remittances coming from offshore locations. Following Cebu are Pampanga with 9,984 STRs (8.29%) totaling PhP62.71 million (8.94%), Cavite with 5,489 STRs (4.56%) totaling PhP34.07 million (4.85%), and Bulacan with 5,205 STRs (4.32%) totaling PhP30.87 million (4.40%).

It should be noted that Pampanga and Cebu continue to be the top two Philippine destinations in terms of STR volume, which is consistent with prior findings from the 2nd Study on Child Pornography, albeit in reverse as Pampanga previously ranked as the top-most destination while Cebu ranked second. New top locations include Misamis Oriental (ranked 5th), Zamboanga Del Sur (ranked 9th) and Davao Del Sur (ranked 10th).

In terms of PhP value, Cebu jumped from the fourth place in the previous 2019-1H2020 study to the top spot in the present study. Although the sequencing differed, the provinces of Pampanga, Cavite and Bulacan remain to be in the top four locations with the highest aggregate amount of OSAEC-related proceeds. New top destinations of OSAEC-related proceeds are Leyte (ranked 5th), Misamis Oriental (ranked 6th), Davao Del Sur (ranked 7th) and Misamis Occidental (ranked 10th).

2. DOMESTIC SOURCES

Remittance transactions within the Philippines accounted for 4,687 STRs, which is only 2.94% of the total number of remittances covered in this study. **Figures 11** and **12** display the geographical breakdown of domestic inward remittances received by various people in the Philippines with particular focus on NCR (Metro Manila).



For remittances coming from locations within the Philippines, **Tables 12** and **13** illustrate the top 10 destinations in the country in terms of STR volume and PhP value, respectively.

Table 12. Top 10 Provinces/Cities by Volume

Rank	2H2020 – 2022		2019 – 1H2020	
	Provinces/Cities	Count	Provinces/Cities	Count
1	CEBU	526	CEBU	565
2	PAMPANGA	441	SAMAR	237
3	LEYTE	346	LANAO DEL NORTE	156
4	BULACAN	272	BULACAN	127
5	SOUTH COTABATO	265	CAVITE	100
6	NEGROS OCCIDENTAL	236	PAMPANGA	99
7	CITY OF CALOOCAN	209	QUEZON CITY	89
8	CAVITE	151	LEYTE	80
9	LAGUNA	129	ABRA	73
10	QUEZON CITY	105	QUEZON	62

Table 13. Top 10 Provinces/Cities by PhP Value

Rank	2H2020 – 2022		2019 – 1H2020	
	Provinces/Cities	PhP Value	Provinces/Cities	PhP Value
1	SOUTH COTABATO	5,182,261	CEBU	978,597
2	CEBU	1,974,390	SAMAR	696,400
3	PAMPANGA	1,361,016	LANAO DEL NORTE	376,900
4	LEYTE	1,256,724	LEYTE	353,500
5	BULACAN	1,166,523	BULACAN	303,182
6	CAVITE	1,001,620	QUEZON CITY	247,209
7	LAGUNA	594,275	PAMPANGA	246,899
8	BOHOL	525,615	CAVITE	202,515
9	NEGROS OCCIDENTAL	455,801	QUEZON	199,565
10	CITY OF CALOOCAN	448,794	CALOOCAN CITY	159,772

Consistent with earlier findings in the 2nd Study on Child Pornography covering the period 2019 to 1H2020, Cebu remained to be the top destination of OSAEC-related proceeds which were carried out domestically. Remittances from Cebu accounted for 526 STRs or 12.34% of the total inward remittances from domestic locations. This is followed by Pampanga with 441 STRs (10.35%), Leyte with 346 STRs (8.12%), Bulacan with 272 STRs (6.38%) and South Cotabato with 265 STRs (6.22%). Moreover, new locations have emerged in the top 10 list such as South Cotabato (ranked 5th), Negros Occidental (ranked 6th), City of Caloocan (ranked 7th) and Laguna (ranked 9th).

In terms of PhP Value, South Cotabato emerged as the top recipient of OSAEC-related remittances, with a total of PhP5.18 million or 26.97% share in the aggregate amount of domestic inward remittances. Cebu, which previously ranked first in the previous study, came next with PhP1.97 million or 8.47% of the total value of domestic remittances. This is followed by Pampanga with PhP1.36 million (7.04%), Leyte with PhP1.26 million (6.54%) and Bulacan with PhP1.17 (5.71%). In addition, new Philippine localities in the current top 10 list are Laguna, Bohol and Negros Occidental (ranked 7th to 9th, respectively).

OSAEC TYPOLOGIES

MODUS OPERANDI

OSAEC activities typically involve three parties: 1) the sex offenders (the customers); 2) the facilitators (the traffickers); and 3) the child victim.

Sex offenders actively take part in the sexual abuse of minor(s) by requesting or ordering the abuse to be carried out in advance and/or by directing the abuse while it is being livestreamed. Additionally, they can establish CSAEM through recording the sexual abuse remotely, or through enticing, persuading and coercing minors to do so⁴². Facilitators, on the other hand, are mostly biological parents or relatives of the victim(s), who are economically motivated by their financial needs. Various social media platforms (e.g., Facebook), messaging apps, adult websites and online dating groups can be used by the facilitator in communicating with their customers and in exchanging CSAEM⁴³.

Figure 13. OSAEC Process



Details on the execution of the OSAEC activity will jointly be determined by the sex offender and facilitator, which includes the platforms to be utilized for communication and for the exchange of CSAEM, the kind of materials to be traded, how the exploitation will be performed, the price/cost of the materials, and the payment channel.

The amounts paid are generally small to prevent raising suspicion related to the transactions. Meanwhile, the increasing use of digital and mobile payments benefits OSAEC offenders by allowing them to pay and receive payments instantly and/or anonymously. Likewise, payment for sexual images or videos and livestreaming of child sexual abuse is made easier by the extensive network of money transfer businesses which were originally created to support remittances by migrant Filipino workers.⁴⁴

PROMINENT AND NOTABLE TYPOLOGIES

4.1. Child Sexual Abuse in a Religious Organization

Mr. Z is the head of Group X, a religious organization. The CP noted unusual and questionable transactions on Mr. Z's account including high volume of cash transactions with significant values, and dealings with several companies which do not belong to the same industry as Group X. Later on, Mr. Z became a subject of several adverse news articles due to his involvement in fraud/scam. He was also

⁴² https://ijmstoragelive.blob.core.windows.net/ijmna/documents/studies/Final-Public-Full-Report-5_20_2020.pdf (last accessed 15 April 2023).

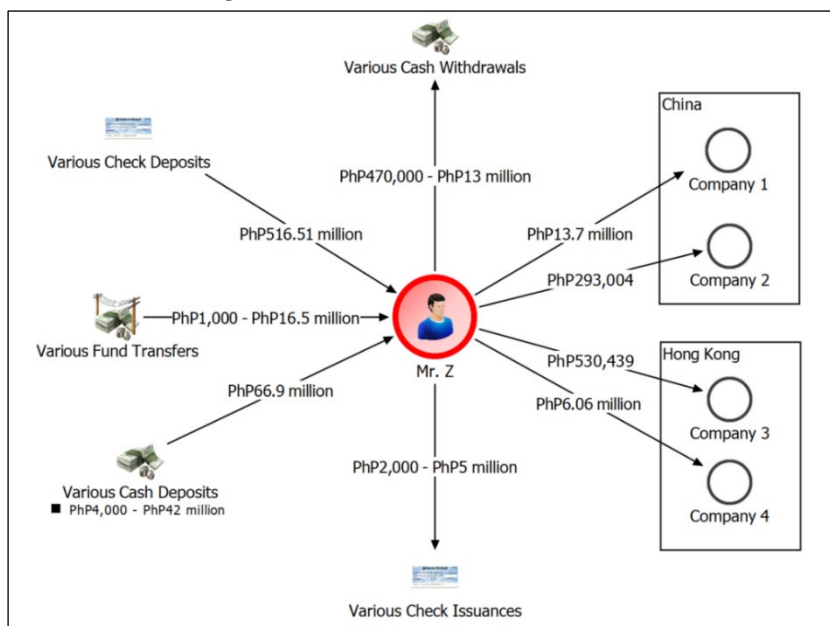
⁴³ [https://www.sciencedirect.com/science/article/pii/S0190740923000567#:~:text=3.,cases%20\(IJM%2C%202020a\)](https://www.sciencedirect.com/science/article/pii/S0190740923000567#:~:text=3.,cases%20(IJM%2C%202020a)) (last accessed 15 April 2023).

⁴⁴ https://www.end-violence.org/sites/default/files/2022-04/DH_Philippines_ONLINE_FINAL.pdf (last accessed 14 April 2023).

charged by prosecutors of a foreign country for sex trafficking activities, and has been sanctioned by a foreign government agency for engaging in egregious human rights violations for more than a decade, including a pattern of systemic and pervasive rape of girls as young as 11 years old, as well as additional physical abuse.

Reportedly, Mr. Z's USD and PhP accounts had large check deposits and fund transfers which do not have economic justification. Credits to his personal accounts include numerous cash deposits ranging from PhP4 thousand to PhP42 million and fund transfers ranging from PhP1 thousand to PhP16.5 million, while disbursements were conducted through outward remittances and fund transfer debits ranging from PhP26.9 million to PhP47 million. Other disbursements observed were cash withdrawals ranging from PhP470 thousand to PhP13 million, and cheque issuances ranging from PhP2 thousand to PhP5 million allegedly intended for etaxes⁴⁵ and bills payments⁴⁶,

Figure 14. Unusual Transactions of Mr. Z



operational expenses, worker compensation, and different materials for the continuous construction of Group X project. Likewise, the client has four active auto loan accounts with maturity dates in 2022, 2024, and 2025. Mr. Z's accounts have already been included in the CP's internal watchlist and may be recommended for closure once the US lawsuit progressed.

Additionally, Ms. E, who was alleged as the former leading church administrator in the United States that manages the collection of financial data from worldwide church operations, figured in suspicious transactions related to Group X. Apparently, Ms. E is the subject of an adverse media information in the US on allegations of being part of the dangerous and powerful criminal organization engaged in child sex, human trafficking, bulk cash smuggling, money laundering, forced labor and immigration fraud. Thus, her account is also under close monitoring by the CP and subject to closure once proven guilty.

Table 14 shows the aggregate transactions of PhP604.09 million from subjects related to Group X based on the STRs in this study.

⁴⁵ E-Tax is an online tax payment service that can be effectively developed by the Bureau of Internal Revenue. Retrieved from <https://www.lawinsider.com/dictionary/e-tax>. (last accessed 14 April 2023).

⁴⁶ The branch previously informed that it is the client's discretion to deposit cash/checks or conduct fund transfers. Lifted from an STR narrative which forms part of the study's database.

Table 14. Transactional Details of Group X and Associates

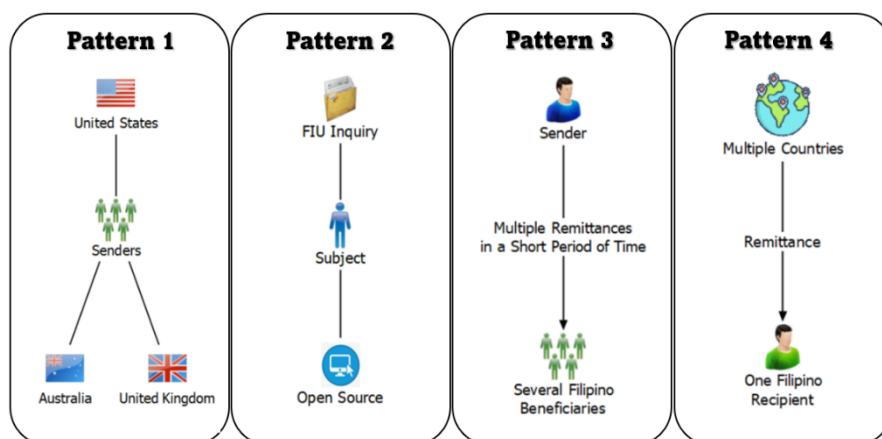
Subject Names	Transaction Dates	Total STRs	Total Value (In PhP Millions)
Group X	August - December 2020	23	237.05
	February, April, June, July, August 2021	12	346.45
	December 2022	1	20.59
Ms. E	February 2022	1	-
TOTAL		37	604.09

4.2. Several Customers Engaging in Previously Identified Patterns of Child Exploitation

MSB1 submitted 3,794 STRs with transactions valued at PhP19.71 billion on multiple consumers as a result of its proactive inquiry into various users who may have transacted in patterns historically linked to child exploitation. First, several consumers in the Philippines received transactions from individuals mostly in the United States,

Australia, and the United Kingdom between 09 January and 17 August 2021. Approximately 96% of all transactions appear to be related to possible child exploitation concerns. Second, transactions that may be associated with child exploitation as a result of open-source research

Figure 15. Identified OSAEC Transaction Patterns



and earlier FIU inquiry on an alleged registered sex offender. Third, on 24 June 2021, a certain Foreigner S sent five transactions totaling USD540, including fees, to five Filipino recipients in 11 minutes. In addition, on 07 July 2021, Foreigner S sent five transactions totaling USD820, including fees, to five receivers in seven minutes. This type of pattern also occurred on other dates (i.e., 17 June 2021, 29 June 2021). Fourth, consumers from multiple geographical locations were sending funds to one receiver.

4.3. Transacting with Reported Child Offenders and Facilitators

Ms. MN, a 45-year-old resident of Leyte, is a subject of STRs filed by the MSB2 Group for receiving international remittances from foreign individuals, who also had been sending several remittances to other Filipino recipients for unjustifiable purposes. In addition, Ms. MN was also accused of being affiliated with a certain individual who was suspected to be an OSAEC facilitator.

Records thus revealed that Ms. MN was claiming international remittances from four (4) foreign individuals, namely Mr. C, Mr. K, Mr. J, and Mr. M (Table 15). Financial institutions MSB1 and MSB3 were used to send the funds. Moreover, the stated reasons for the transactions were mostly for expense allowance and meals, and the reported connection was either as a friend or boyfriend.

Figure 16. Network of Ms. MN

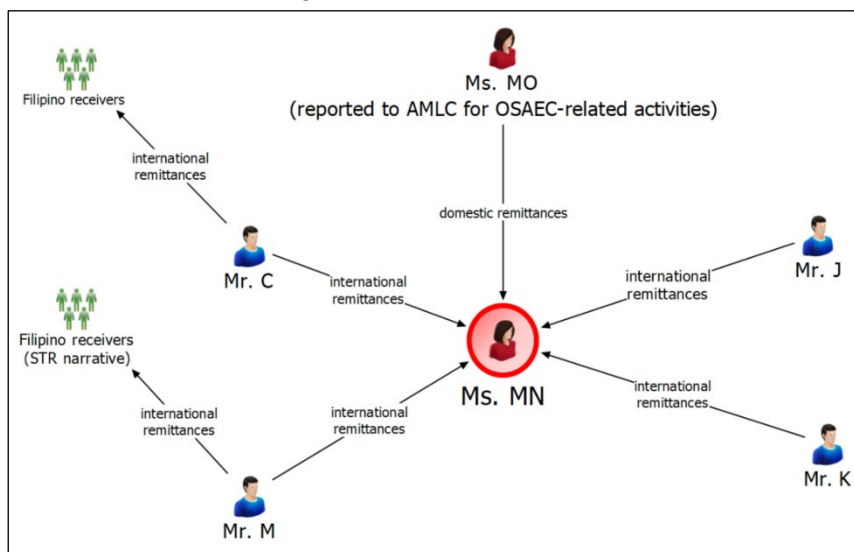


Table 15. Summary of Remittances

Subject Names	Transaction Dates	Total STRs	Total Value (In PhP Millions)
Mr. K	July, October-November, 2020	3	4,538.72
Mr. J	February	1	2,345.78
Mr. M	August, November 2021	2	1,600.00
Mr. C	March, July-September, October-November	27	103,579.08
TOTAL		33	112,063.58

In detail, Ms. MN was intending to claim a remittance coming from Mr. M, the declared purpose of which is allowance from boyfriend. After due diligence, the branch employee discovered that the sender's identity was categorized as a blacklisted individual under the offense of child pornography. As a result, the remittance was not successfully completed by the branch employee and was not released to the supposed recipient.

Additionally, Mr. M along with Mr. C were also noted for sending foreign remittances to other Filipino receivers. Declared purposes for said transactions include expense allowance, grocery allowance, and assistance coming from a friend, boyfriend, and brother-in-law.

Further, Ms. MN also received remittances from a certain Ms. MO, who was previously reported to AMLC for a similar offense.

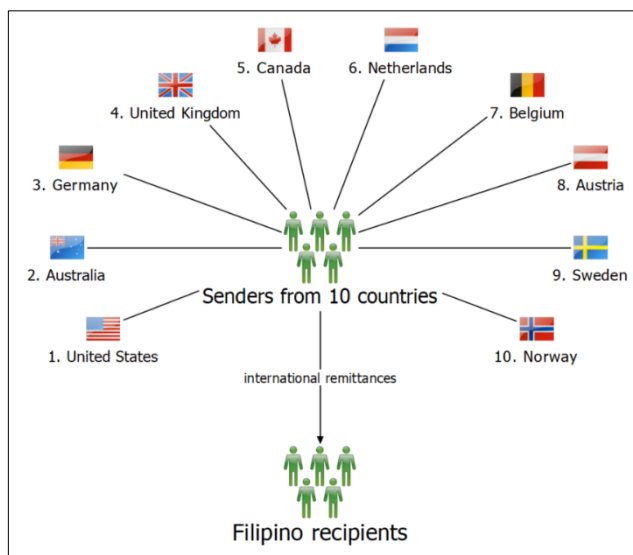
4.4. Transactions Indicate Live-Distance Child Streaming

MSB4 filed STRs on individuals in the Philippines who figured in transactions indicative of live-streaming child exploitation. Relative to this, MSB4 matched the foreign offenders of these transactions to CRC's

list of IP addresses which purportedly shared CSAM through peer-to-peer file sharing networks.⁴⁷ MSB4's intelligence unit specifically matched the CRC IP addresses with their clients who sent digital transactions using the same IP during overlapping time periods, and whose activity was indicative of live distance streaming child exploitation based on a set of pattern-based characteristics.

In addition, between 25 August 2021 and 21 August 2022, MSB4 reported that approximately 179 individuals in the Philippines received 1,676 transactions from approximately 43 individuals in 10 countries, primarily the United States. Allegedly, all senders included in the STR shared CSAM, and all Philippine-located payees have received transactions from these high-risk senders in patterns that are consistent with live-distance child sexual exploitation. Out of the 10 sender countries identified in this case, the top three source countries by count are United States, Australia, and Germany (Figure 17).

Figure 17. Ten Countries as Identified by MSB4



Conclusion and Recommendations

CONCLUSION

A steady increase in the volume and PhP value of OSAEC-related STRs from 2015 to 2022 has been observed. While this may be due to CPs' increased awareness of identified OSAEC patterns, typologies, and red flag indicators in AMLC's past studies, other published studies relating to exploitation of children, as well as the passage of RA 11930; the fact remains that these numbers indicate that the safety and wellbeing of children are in grave peril.

From 2H 2020 to end of 2022, the majority, or 73%, of OSAEC-related STRs were proactively disclosed as a result of CPs' internal screening and/or investigations of client transactions that they determined to be consistent with OSAEC typologies. Similarly, the remaining 27% were triggered by AMLC referrals as a result of constant collaboration with MSBs, banks, and EMIs.

Foreign remittances associated with OSAEC-related STRs constituted the majority of the overall STR volume and PhP value. This indicates that majority of child pornography activities in the Philippines are cross-border in nature. Notably, the United States has been the leading remitter of OSAEC-related transactions to the country, as reported by the CPs, in terms of both volume and PhP value since 2015.

⁴⁷ Since its inception, CRC has detected 72.5 million unique IP addresses worldwide that are sharing and downloading sexually inappropriate photographs and videos of minors. Seen from, <https://childrescuecoalition.org/the-issue/> (last accessed 13 April 2023).

Likewise, the United Kingdom, Australia, Canada and Saudi Arabia trail by a wide margin from 2H of 2020 to end of 2022.

While a bigger percentage of remittances associated with OSAEC came from international sources, the current dataset also demonstrates that there were numerous remittance transactions made throughout the various regions of the Philippines. During the study period, the province of Cavite had the highest number of domestic senders of child exploitation remittances; followed by Cebu, Pampanga, and Negros Occidental and the City of Caloocan. In terms of PhP value, Davao Del Sur had the greatest portion of the overall OSAEC-related STR aggregate followed by Cavite, Cebu, Davao del Norte and City of Manila.

As to the Philippine destination of international remittances, Cebu, Pampanga, Cavite and Bulacan emerged as the top 4 recipient-locations in terms of number and value of transactions. Similarly, Cebu remained to be the leading destination of OSAEC-related proceeds which were carried out domestically. This is followed by Pampanga, Leyte, Bulacan and South Cotabato. Moreover, new locations have emerged in the top list such as South Cotabato, Negros Occidental, City of Caloocan and Laguna.

In terms of PhP Value, South Cotabato emerged as the top recipient of OSAEC-related domestic remittances, with the provinces of Cebu, Pampanga, Leyte and Bulacan trailing behind. Moreover, new identified locations receiving the highest OSAEC-related proceeds are Laguna, Bohol, and Negros Occidental.

The pandemic prompted the increase and reliance on online services, but it also increased the hazards of cybercrime, particularly child sexual exploitation. In terms of aggregate count and PhP value, MSBs remain as the preferred channel for transferring funds. Since 2015, MSBs have become the primary means of facilitating the fund transfers intended for child pornography, as evidenced by the first AMLC study. In terms of value, banks came in second to MSBs and were utilized for high-value transactions, followed by EMIs.

Additionally, this study distinguishes typologies based on the significance of the amounts involved and/or frequency of reports on the suspicious activity/scheme as well as weight of the crime involved. These include, but are not limited to (1) transactions relative to child sexual abuse in religious institutions; (2) customers engaging in identified patterns for child exploitation; (3) individuals which were identified to have transactions with child offenders and facilitator/s; and (4) transactions indicating live-distance child streaming. Through past studies, the country's LEAs have been made aware of possible perpetrators/facilitators of these crimes, but the prevalence of child sexual exploitation continues to climb, necessitating tighter oversight of transactions possibly associated with OSAEC.

RECOMMENDATIONS

The following actions are recommended for adoption based on the analysis of STR data utilized in this study:

To the Covered Persons

STR filing should contain relevant details such as the complete profile of the account holder or the customer, complete addresses of both the beneficiary and the counterparty, substantive narrative of events pertaining to OSAEC, parties involved in the transactions, and correct reason for filing.

CPs are encouraged to take the best possible actions upon establishing their client's connection with OSAEC. Likewise, the sharing of red flags and OSAEC-relevant keywords with CPs to improve the quality and quantity of reporting and enable FIUs to identify and act on substantive suspicious reports.

To the LEAs and Other FIUs

Continuous collaboration between the AMLC, LEAs, and other FIUs to identify child pornography-related topics and financial flows.

Enhance information sharing between LEAs and other FIUs via a centralized database system for monitoring and prevention. Furthermore, key stakeholders should maintain a watchlist database of offenders and facilitators, which should include POIs referred by the AMLC as well as other relevant stakeholders.

Study's Dissemination

To continue to raise awareness about the risks associated with OSAEC activities in the country by communicating the study's findings to various stakeholders such as internal AMLC groups/divisions, relevant LEAs, SAs, and private partners in the AMLC's PPPP, and respective FIUs of other jurisdictions with transactional links to the country as identified in the study. A redacted version is also recommended to be posted on the AMLC website.

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