

PHILIPPINE FOREX RULES Regulators go for review

THE INQUIRER, Manila

Philippine regulators are reviewing foreign exchange rules to prevent money launderers from using the black market, the Philippine Daily Inquirer learned on Sunday.

Leading the review is the Philippine Central Bank, which is looking at better ways of tracking the flow of money into the Philippines, after the laundering through the country's financial system of \$81 million stolen by computer hackers from the American accounts of the central bank of Bangladesh last month.

The review is taking a look at the role that the black market possibly played in transferring the \$81 million from the Rizal Commercial Banking Corp. (RCBC) branch on Jupiter Street in Makati City, where the hackers had wired it, and transferring the dirty money to other banks and casinos.

Industry sources said the BSP had asked the Bankers Association of the Philippines (BAP) to suggest measures to better regulate the foreign exchange sector.

A BAP committee tasked to look into the matter met last week and decided to recommend an increase in the amount of foreign exchange that banks could sell to residents without prior BSP approval from \$120,000 to \$2 million.

"The BSP requires banks to ask

customers for documents to sell dollars over \$120,000 per day. If you allow banks to have a higher limit, and hopefully open it up without limit, corporations and the public in need of dollars need not buy from the black market," one banker said.

The BAP has long been proposing to increase the threshold for foreign exchange transactions without prior approval, but after the RCBC scandal bankers themselves are looking to raise the daily limit to \$2 million.

"We believe the bulk of the black market [or] money service broker deals are in that level, but [it's] best if they leave the amount open to prevent deals from going underground," the bankers said.

According to industry estimates, 85 percent of foreign exchange transactions in the Philippines are conducted outside the banking system.

But foreign exchange and money-changing services outside the banking system are not illegal.

They are required to be registered and are also covered by the anti-money laundering law like the banks.

Some argue that they need to be part of the entire ecosystem to grease the financial system.

But to prevent foreign exchange deals that are really meant to go underground, some bankers suggest the tightening of regulations for money changers.



Law enforcers carry election materials to different polling stations in Sylhet Sadar upazila. More than 717 union parishads across the country go to the polls today. The photo was taken yesterday afternoon.

PHOTO: SHEIKH NASIR

Cyber heist a big blow to efforts to lure investors

THE INQUIRER, Manila

The Philippines' failure to address loopholes in anti-money laundering safeguards could affect even foreign investments in the infrastructure space, a conduit for which is the Aquino administration's flagship Public Private Partnership (PPP) program.

PPP Center executive director Andre Palacios said there was concern over how a recent \$81-million cross-border money laundering scandal that hit the country could hurt efforts to lure foreign investors.

The scheme involved the theft of funds from Bangladesh's central bank, which passed through the Philippine financial system through Rizal Commercial Banking Corp. (RCBC) and was then laundered in local casinos.

The worries come as the program pushes a pipeline of 37 deals worth P1.31 trillion to build or modernise crucial airports, trains and expressways, apart from power, water and social infrastructure projects.

"There will be some negative implications on investor interest," Palacios said.

He clarified that the PPP Center was not directly involved in the matter and would not take an active lead in pushing for reforms in the law.

One lawmaker already warned that a blacklist by Paris-based Financial Action Task Force (FATF) places the country's financial sector and credit ratings at risk. Bangko Sentral ng Pilipinas Governor Amando Tetangco

Jr. said he was open to easing the bank secrecy law that was perceived to be hampering a probe launched by the Senate.

The cyber theft prompted the resignation of the central bank governor of Bangladesh and has placed the spotlight on the Philippines as a weak spot in the global battle to curb money laundering activities. Casinos in the Philippines are not covered by the Anti-Money Laundering Law.

Palacios said the PPP Center would do its part in explaining and allaying investor fears should the issue be raised in investment briefings and roadshows.

For his part, Astro del Castillo, First Grade Finance Inc. managing director, downplayed risks that the country would be demoted to the "gray" list of the FATF as both the government and private sector were cooperating to "plug the leaks."

But he noted that risks remained as a probe was still ongoing and the "real picture" has yet to emerge.

Luring foreign investors with deep pockets and technological expertise is a key part of sustaining the country's PPP program, whose projects continue to grow larger in scale and complexity.

Local conglomerates in the PPP space have already tapped global railway and airport companies in previous and ongoing bids.

In 2014, the world's biggest airport operators joined the auction for the Mactan Cebu International Airport contract, which was eventually bagged by Megawide Construction Corp. and India's GMR Infrastructure.

Wary of violence, CEC seeks help

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We train them for a short period. We don't have much control over them. So we don't get cooperation from them as per our expectations. That's why these incidents [violence and irregularities] have been happening," CEC Kazi Rakibuddin Ahmad told a press conference at the commission's media centre.

The police will be held responsible if any irregularities occur in the polling stations, he noted.

"Incidents of electoral violence are higher in our country and neighboring nations than in the developed ones. We can't minimise it," said the CEC adding that polls violence has been going on in Bangladesh for long and it would take time to change the situation.

"Elections have now become money-centric. That's why the person who has muscle power thinks himself to be the most eligible candidate," said Rakibuddin.

At least eight people were killed and around 500 injured in clashes between supporters of different UP chairman and councillor hopefuls since the announcement of the polls schedule on February 11.

Meanwhile, paramilitary Border

Guard Bangladesh has been deployed in most of the electoral areas to maintain law and order, said BGB sources.

In most of the incidents of violence, the BNP-nominees, AL rebels and their supporters came under attack allegedly by supporters of AL candidates during electioneering.

The EC on several occasions warned of taking tough action against any violence and irregularities, but it has taken only a few significant actions so far.

Experts blamed lax enforcement of law against perpetrators for rising incidents of violence ahead of the polls.

"The Election Commission, the police administration and political parties are equally responsible for any violence and irregularities," eminent local government expert Tofail Ahmed told The Daily Star.

Seeking anonymity, an election commissioner said as committing violence is a criminal offence, police are mainly responsible for checking it.

CHAIRMAN HOPEFUL KILLED
Independent UP chairman aspirant Santi Priyo Tripura, 40, was killed in Bandarban yesterday, raising the death toll in polls-related violence to eight.

The killing came a day after

Inspector General of Police AKM Shahidul Hoque warned that action would be taken against anyone if found involved in violence.

Elections to around 643 unions will be held on March 31 in the second phase, around 681 unions on April 23 in the third phase while around 2,200 more unions will go to polls in three other phases till mid-June.

Chairman aspirants are contesting the elections with party symbol, while councillor hopefuls are taking part in the polls independently.

The ruling AL and its archrival BNP have picked grassroots leaders for chairman posts. They will fight the battle of ballots with the AL's electoral symbol 'boat' and the BNP's 'sheaf of paddy'.

54 ELECTED UNCONTESTED
At least 54 AL candidates have already been elected chairman uncontested in the first phase. The BNP, however, could not field candidates in over 110 unions.

The EC did not find anything wrong with so many AL aspirants being elected unopposed as it claimed that the commission has nothing to do with it if anyone did not want to con-

test the polls.

Talking to The Daily Star, former election commissioner Shakhawat Hussain said the EC should have investigated the reasons why such a huge number of chairmen were elected uncontested as the UP polls are considered to be the most competitive elections at the grassroots.

The EC on March 9 issued a show cause notice to AL lawmaker Azizul Huq Arzu (Pabna-2) for violating the electoral code of conduct.

On March 16, police as per directives from the EC filed a case against AL MP Shawkat Hasanur Rahman Rimon (Barguna-2) for flouting the electoral law.

Besides, the EC on March 2 asked the LGRD ministry to suspend Abdul Alim, chairman of Phulgazi upazila in Feni, for influencing the polls there. The ministry suspended the chairman on March 6.

Leaders of Workers Party of Bangladesh and Jatiya Samajtantrik Dal, components of AL-led 14-party alliance, expressed concern whether the UP elections would be held in a fair manner, according to newspaper.

BB's Achilles' heel

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the SWIFT platform. They use both the SWIFT and the VPN to be linked with the RTGS, although most countries prefer the SWIFT system.

"We used both the systems to be more inclusive," he told this newspaper.

Nevertheless, it is evident that the link between the BB's SWIFT platform and the RTGS might have helped the hackers to plant the malware into the central bank's network. Investigators are currently looking how it got into

the SWIFT platform.

Mirza Abdullal Baqui, special superintendent of the Criminal Investigation Department (CID), told The Daily Star: "It is a priority of our investigation to find out if the malware got into the SWIFT system through the RTGS. It will be investigated. We are also looking into other areas."

The CID, which is investigating the money laundering case filed by the BB, held several meetings with BB officials. It also held talks with two representatives of the SWIFT who arrived in

Bangladesh on Thursday.

The SWIFT is doing its own investigation to see how their system was compromised, said Baqui, adding that the SWIFT representatives would submit a report of their findings to the central bank.

Talking about the nature of the crime and the investigation, a former central banker said, "Hackers are criminals but very talented. So, the CID investigation team should include cyber security experts for an effective probe."

An interim report by US-based World Informatix Cyber Security and FireEye said the hackers installed a malware and deployed three sophisticated tools into the central bank's SWIFT servers to harvest credentials.

They detected the first suspicious log-in into the BB system on January 24. Five days later, the hackers installed SysMon, an advanced background monitor, in SWIFTLIVE and left running for a full day, apparently to steal information.

INTRA-BCL CLASH College student shot dead

2 Chhatra League men suffer bullet injuries in Noakhali

STAFF CORRESPONDENT

A college student was shot dead and two activists of Bangladesh Chhatra League suffered bullet wounds in a clash between two BCL factions at Begumganj in Noakhali last night.

The dead was identified as Fazle Rabbi Rajib, 22.

Police said Noakhali District BCL activists Mohammad Wasim and Mohammad Yasin, along with their friend Rabbi, went to College Para at Begumganj in the evening to settle an intra-BCL feud.

At one stage, a youth named Saju, belonging to their rival BCL group, opened fire on them.

Rabbi died on the spot. Wasim and Yasin were hit by bullets and whisked off to a local hospital.

No case was filed over the incident, Saiful Islam, sub-inspector of Begumganj Police Station, told this correspondent.



Students of the Government Girls' School in Bogra town queue up for casting ballots in the election to the students cabinet yesterday. Inset, a student of the school casting her vote.

Schools elect students cabinets

BSS, Dhaka

The first phase of the students cabinet elections were held at 18,133 secondary schools and madrasas across the country yesterday.

Education Minister Nurul Islam Nahid visited Motijheel Girls High School in the city during polling.

"The polls will help develop democratic values of our children. It will also help them develop leadership qualities from their childhood which would make them successful professionals," the minister said.

Students councils at primary schools are functioning well and they are contributing to boost academic atmosphere and maintain discipline at educational institutions, he added.

The government introduced students cabinet elections last year to replicate the successes of students council, he mentioned. "We have got very good results from the students cabinets."

Education ministry sources said each student cabinet is composed of eight members. All its members will be elected through direct vote.

All students from class VI to X have been included in the voter list. Each eligible voter will cast a total of eight votes. The number of total voters is 97,44,495, including 52,74,275 females.

PHOTO: STAR