

Customs exceeds collection target for August

THE Bureau of Customs (BoC) said it collected P75.642 billion in August, surpassing its target for the month by 4.7%.

The BoC had exceeded its target for the month of P72.275 billion, according to preliminary data.

In the eight months to August, the BoC collected P582.133

billion in revenue, up 4.24% from a year earlier. It also surpassed its target for the period by 2.54%.

The BoC attributed the performance to “efficient customs operations, enhanced trade activity, and robust revenue collection measures.”

“We will continue to monitor trade activity and implement measures to sustain this positive momentum in revenue collection,” Customs Commissioner Bienvenido Y. Rubio said in a statement.

The BoC also reported that it conducted 687 anti-smuggling

operations in the eight months to August, which yielded smuggled goods valued at P31.118 billion.

This year, the BoC expects to collect P874.166 billion. Last year, the agency collected P862.929 billion, exceeding its target by 19.6%. — **Luisa Maria Jacinta C. Jocson**

Chipmakers say incentive reform has had limited impact on FDI

By **Justine Irish D. Tabile**
Reporter

THE Semiconductor and Electronics Industries in the Philippines Foundation, Inc. (SEIPI) said reform of the incentive system has not yet made the industry attractive to foreign investors, who are also concerned about high costs.

“From the electronics industry perspective, the appeal (to the government) still is to study the effect of incentives rationalization and figure out why we’re still not getting as much foreign direct investment (FDI) compared to Vietnam, Thailand, or Malaysia,” SEIPI President Danilo C. Lachica told reporters last week.

Mr. Lachica said another factor behind the dearth of FDI is the high cost of power, logistics, labor and water.

Multinationals deciding where to locate chip operations will not look too favorably on the Philippines because of cost factors.

Such investors “have sites in different countries outside the Philippines and can compare the numbers,” Mr. Lachica said.

“If you have high operating costs, if you have high power costs, and if you don’t have some measures to mitigate that like incentives, then where do you think the CEO will place these new products?” he said.

He said the industry will end up producing legacy products and be left behind as technology turns over very rapidly.

Mr. Lachica said another challenge to the electronic industry is the tax imposed on the depreciated equipment which the industry donates to educational and government institutions.

“The depreciated equipment is still in good working condition and so to aid our students and government agencies, the companies want to donate it, but they are charged the full tax on the acquisition value, even if it’s worth zero today,” he said.

“I think the legislators have agreed (to act on this). But it just hasn’t happened,” he added.

He added that the application process to avail of research and development incentives is burdensome.

“The companies are not able to avail of that easily because what will happen is filing for reimbursement for these incentives is just too difficult for the company. So if you look at the availment rate of these incentives, it is not that high,” he said.

“The clock is running. We have eight and a half years or so for the transition period under the CREATE incentives rationalization, and after that we’re already seeing some expansion projects that are not coming here, investments are not as high as we’d like. So, that’s a big threat to our industry,” he said, referring to the Corporate Recovery and Tax Incentives for Enterprises (CREATE), a component of the comprehensive tax reform program.

The CREATE law made incentives targeted, performance-based, time-bound and transparent. It allowed qualified exporters to enjoy four to seven years of income tax holidays (ITH), followed by 10

years of 5% special corporate income tax or enhanced deductions.

Meanwhile, domestic enterprises are eligible for four to seven years’ ITH, followed by five years of enhanced deductions.

Asked what amendments SEIPI would like to insert in the implementing rules and regulations of the CREATE law, Mr. Lachica said measures that will address the high operating costs will be high on the list.

“Specific measures that would one address the high operating cost and two not make it difficult for the companies to (access) the incentives that will help reduce the operating cost,” he said.

According to Mr. Lachica, the industry is being required to implement an electronic tracking system which adds to the cost burden on the industry, reducing its competitiveness.

“These kinds of things reduce the competitiveness of the industry and make it more difficult. Our appeal to the government really is to have a risk-based (assessment before) making these regulations,” he said.

Enhanced OJT seen improving employability of K-12 graduates

NONPROFIT organization Philippine Business for Education (PBE) said enhancements to the on-the-job training (OJT) system are expected to improve the employability of Kinder to Grade 12 (K-12) program graduates.

“To help senior high school students become more employable, we really have to give them additional support and training,” according to Justine B. Raagas, PBE program director for workforce development, speaking on the sidelines of a forum last week.

Ms. Raagas said PBE has found that a strong OJT system or work immersion helps make

K-12 graduates attractive to employers.

“Immersion is very important because it gives students a chance to interface with employers,” she said. “If we’re able to strengthen that and at the same time bring in private sector inputs, they will be more responsive, and the graduates will really learn the skill sets that are needed in the workplace.”

She said companies’ lack of experience in working with K-12 graduates is one of the reasons why they are reluctant to hire them.

“What we found is that they see the kids in the workplace, and they find out that they are

capable, that’s when they are able to hire. So, interface is very important, (as are) inputs to the curriculum to embed workplace-ready competencies,” she said.

Ms. Raagas said educational institutions could expand immersion programs to a minimum of one month.

“We do think that the 80 hours or the about two weeks length really just very surface-level. Lengthening it, I think, is something that would be up for discussion,” she said.

“What we’ve seen in our experience is that something as little as a month can actually already help,” she added.

A PBE project, YouthWorks PH indicates the effectivity of a one-month immersion period in raising employability.

“In some cohorts, it’s 70% employability, but in very recent cohorts almost 100% of the batch were hired immediately by the same company which trained them,” she said.

“Many of the companies that we talk to are highly encouraged to provide a stipend, transportation allowance or food allowance. But what we see is that it’s very important to provide these kinds of support — we call this wrap-around support,” she added. — **Justine Irish D. Tabile**

Manufacturing at scale in PHL seen as key to lowering cost of medicine

AYALA Healthcare Holdings, Inc. said local manufacturing at scale will be instrumental in lowering the overall cost of medicine, as will digitalizing the drug regulator.

Paolo Maximo F. Borromeo, the company’s president and CEO, was citing recommendations made by the Private Sector Advisory Council (PSAC).

The PSAC had proposed the digitalization of the Food and Drug Administration to expedite drug approvals; and to provide support for medicine to be manufactured in the Philippines.

According to Mr. Borromeo, Philippine manufacturers cannot as yet compete on scale with rivals from other countries.

“We were not able to give them much investment and attention before, so we were not able to make them big; therefore, we don’t have the right level of scale to be competitive,” he told *BusinessWorld* on Friday.

“Indonesia, Thailand, or India have scale. You can be more competitive with scale.

Traditionally, we find it hard to compete with imports,” he added.

Mr. Borromeo said the government can help scale up domestic drugmakers by giving them preference in procurement and making it easier for them to export.

“The government already provides incentives and other benefits to local manufacturers, but we need a little bit more. One is in finding partners for procurement. When there is government procurement for medicine, they should encourage procurement from local manufacturers,” he said.

He said the government should also make it easier for exporters to obtain permits and clearances in aid of helping Philippine manufacturers achieve scale.

“We have a lot of local manufacturers who want to export; they have a lot of products they want to sell outside of the country, but there are really many steps and barriers for our manufacturers to export,” he said. — **Justine Irish D. Tabile**

Further consultation needed on gas-power quota for Luzon grid

THE Department of Energy (DoE) said it continues to consult on a proposal to require Luzon distribution utilities to source an as-yet undetermined percentage of their power needs from gas-fired power plants.

“It’s just still a proposal... the team that is working on that is looking at the legal basis,” Energy Assistant Secretary Mylene C. Capongcol told *BusinessWorld* on the sidelines of an energy forum last week.

“There will be consultation and further study. (The goal is to ensure) that the energy supply is adequate, reliable, and sustainable,” she added.

Advocacy groups have claimed that the setting of a quota for power derived from gas bypasses the competitive selection process for power-supply agreements and will undermine the transition to renewable energy (RE).

“This department circular is unlawful because the DoE has no

power to do what it wants to do in the circular. Its bias for gas also violates the equal protection clause of the Constitution,” Gerry C. Arances, convener of Power for People Coalition, said in a Viber message.

Asked if a percentage has been set for power generated from gas, Ms. Capongcol said a working group is still conducting studies on the matter.

“There are no details yet... just to clarify, it is still under study. The review of the proposed policy is ongoing,” she added.

Meanwhile, Ms. Capongcol said that the DoE plans to release a notice of auction by November and conduct the actual bidding early next year for the third Green Energy Auction (GEA).

In July, the DoE announced that GEA-2 resulted in bids for 3,580.7 megawatts (MW) of RE capacity, well below the target of 11,600 MW. — **Sheldeen Joy Talavera**

OPINION

How generative AI can reshape the financial crime landscape

Financial crime is estimated to cost \$1.4-3.5 trillion worldwide.

With sophisticated methods deployed by criminals, government, regulators, and law enforcement often play catch-up to maintain trust in the financial system. There is an increasing need for change and innovation to tackle financial crime. Generative artificial intelligence (GenAI) has transformative capabilities for organizations, with business applications evolving rapidly. The financial industry is an early adopter of technology and is witnessing the increasing application of GenAI in fraud prevention, anti-money laundering (AML), counter terrorist and proliferation financing (CTPF), and cyber security, collectively referred to as FinCrime.

SUITS THE C-SUITE
ANURAG MISHRA

analyze and classify data, and augment case summaries.

GenAI can train on large real-time data sets that include both normal and anomalous transactions, and can then perform statistical analysis to determine what is normal and what is anomalous.

GenAI models can analyze behavioral data and process enormous amounts of customer transaction history to identify unusual events. Different fraud detection models can be evaluated to proactively detect emerging fraud patterns. GenAI can automatically flag a suspected fraud when deviations are found and

trigger a case examination. This reduces the manual effort required to retrieve, analyze, and present case summaries for decision-making.

Think of GenAI augmenting case examiners to detect fraud as it occurs, make faster and value-making decisions to prevent fraud, and reduce human error and biases.

It is much easier to personalize fraud detection models to customer personas with GenAI. This not only allows for a personalized banking experience but also makes it harder for criminals to scale and exploit weaknesses in the system. Eventually, GenAI can generate insights to strengthen FinCrime controls. This helps banks stay ahead of the curve, detect, and prevent fraud.

Malicious fraudsters are also employing GenAI technology to launch

highly personalized and specific attacks on their victims. For example, fraudsters could use GenAI to analyze publicly available information and simulate fake accounts, e-mails, and calls. As such, the technology can also increase individual and organizational vulnerability and susceptibility to fraud.

In the complex, digitally connected world, FinCrime poses systemic risks to the global economy. Business leaders can stay abreast of potential risks and respond with the power of GenAI to fight FinCrime.

TURBOCHARGED FINCRIME CAREERS

FinCrime operations are currently overly complex and manual. Detecting and preventing FinCrime is an onerous task compounded by complex policies, legacy technology, and inaccurate, voluminous and unstructured data. However, with GenAI, FinCrime roles are being elevated to the equivalent of the superhero status of saving the world in the following ways:

- Auto-detection of FinCrime will reduce manual effort.
- GenAI-generated case summaries will reduce manual effort and allow focus on investigation and decisions, solving and preventing FinCrimes.
- Automated monitoring removes stress and allows focus on decisions and actions.
- Remove the siloed view of fraud. Transactions occur across different product types, instruments, and modes. With GenAI, it’s possible to have one

collaborative, informed view of customer and rogue transactions that are in deviation.

• Regulatory changes and policies can be easily applied across customers, products, and modes of banking. Less time is required for compliance reporting to regulators.

• Anxiety of human oversight gets eliminated with better insights and traceability.

• Generates high-skilled jobs based on the interpretation of insights and faster augmented learning.

• Better risk assessment, response, and efficient management.

• Greater adaptability to changing strategies of criminals and fraudsters, ensuring trust in the financial system.

GenAI can supplement risk assessments and detection. While FinCrime experts will still have to manage the output produced, they will have more tools and information to analyze the results, detect FinCrime, and safeguard against risk.

While the technology significantly enhances organizations’ capacity to respond to FinCrime, employees and leaders should train on new skills, embrace collaboration of AI with humans to turbocharge outcomes and learn to deal with ethics, fairness, privacy, and AI-related bias and concerns.

THE FUTURE OF FINCRIME AND GENAI

Fighting FinCrime was hostage to intrinsic human inefficiency, manual errors, and administrative burden. However,

GenAI is empowering FinCrime fighting efforts with unprecedented speed and effectiveness. By utilizing LLM tools, professionals can seize opportunities to strengthen and expand the field.

While GenAI has considerable promise, it may take time for specific industries to adopt the technology on a large scale. Consequently, organizations should delineate ethical considerations and data protection policies to safeguard their assets while capitalizing on the technology’s power.

As FinCrime continues to evolve, business leaders must find the balance between efficiency and effectiveness, especially when dealing with risk. Organizations must be vigilant and utilize novel tools and technologies to adapt to and safeguard against the evolving digital landscape. Companies can remain competitive in the global market by seeking the advice of professionals with a deep understanding of FinCrime and AI and identifying GenAI-related opportunities and risks.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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