



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1022

Series of 2018

Subject: Amendments to Part Eight of the Manual of Regulations for Banks/Manual of Regulations for Non-Bank Financial Institutions and Circular No. 980 dated 06 November 2017

The Monetary Board, in its Resolution No. 1905 dated 16 November 2018, approved the amendments to Part Eight of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), and Circular No. 980 dated 06 November 2017, as follows:

Section 1. Section X801/4801Q and X802/4802Q shall be amended to read, as follows:

"Section X801/4801Q Declaration of Policy. The Bangko Sentral adopts the policies of the State to (a) protect and preserve the integrity of the Philippine financial system, including the confidentiality of bank accounts; (b) ensure that the Philippines, in general, and the covered persons, in particular, shall not be used, as money laundering sites and conduit for the proceeds of unlawful activities as herein defined; (c) protect life, liberty and property from acts of terrorism and to condemn terrorism and those who support and finance it and reinforce the fight against terrorism by criminalizing the financing of terrorism and related offenses; (d) recognize terrorism and terrorist financing as inimical and dangerous to national security and the welfare of the people; and make the financing of terrorism a crime against the Filipino people, against humanity and against the law of nations; and (e) adhere to international commitments to combat financing of terrorism, specifically the International Convention for the Suppression of the Financing of Terrorism, as well as other binding terrorism related resolutions of the United Nations Security Council, pursuant to Chapter 7 of the United Nations Charter."

"Section X802/X4802Q Scope of Regulations. xxx.

xxx

Pursuant to xxx

If the host country does not permit the proper implementation of this Part or any of the provisions of the AMLA, as amended, the Terrorism Financing Prevention and Suppression Act (TFPSA), or their Implementing Rules and Regulation (IRR), and other Anti-Money Laundering Council (AMLC) and

Bangko Sentral issuances by reason of local laws, regulations or a supervisory directive, the covered person shall (1) formally notify xxx; and (2) xxx.

In cases where the minimum AML/CFT requirements of the host country are less strict, covered persons, including their foreign branches and majority-owned subsidiaries abroad, shall apply AML/CFT measures consistent with the AMLA and the TFPSA and their respective RIRR, and other AMLC and Bangko Sentral issuances, to the extent that the laws and regulations of the host country permit."

Section 2. Section X803/4803Q shall be amended to read, as follows:

"Section X803/4803Q Definition of Terms. xxx

xxx

- m. *Beneficial Owner* refers to any natural person(s) who ultimately owns or controls a customer and/or on whose behalf a transaction is being conducted; or those who has ultimate effective control over a juridical person or legal arrangement.

Ultimate effective control refers to situation in which ownership/control is exercised through actual or a chain of ownership or by means other than direct control.

Beneficial owner shall be:

- (1) The natural persons, if any, who ultimately have controlling ownership interest in a juridical person.

A shareholding or ownership interest of at least twenty percent (20%) in the customer held by a natural person shall be an indication of direct ownership. A shareholding or ownership interest of at least twenty percent (20%) in the customer held by a corporate entity, which is under the control of a natural person(s), or by multiple corporate entities, which are under the control of the same natural person(s), shall be an indication of indirect ownership.

- (2) The natural persons, if any, exercising control over the juridical person through other means, to the extent that there is a doubt under Item "(1)" above, as to whether the persons with the controlling ownership interest are the beneficial owners or where no natural person exerts control through ownership interests.

Control through other means, includes control exerted by means of trusts, agreements, arrangements, understandings, or practices, or when an individual can exercise control through making decisions about financial and operating policies. In addition, control also includes: (a) power to govern the financial and operating policies of

the enterprise under statute or an agreement; (b) power to appoint or remove the majority of the members of the board of directors or equivalent governing body; (c) power to cast the majority votes at a meeting of the board of directors or equivalent governing body; or (d) any other arrangement similar to any of the above.

- (3) The natural person(s) who hold the position of senior managing official(s) or equivalent ranks, where no person under Items "(1)" and "(2)" is identified, or if there is any doubt that the person(s) identified are the beneficial owner(s).

n. Politically exposed person or PEP xxx

xxx

Immediate family members of PEPs refer to individuals who are related to a PEP within the second degree of affinity or consanguinity.

Close associates xxx

xxx

- t. *Originating financial institution* refers to the financial institution which initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the originator.

- u. *Beneficiary financial institution* refers to the financial institution which receives the wire transfer from the originating financial institution, directly or through an intermediary financial institution, and makes the funds available to the beneficiary.

- v. *Intermediary financial institution* refers to a financial institution in a serial or cover payment chain that receives and transmits a wire transfer on behalf of the originating financial institution and the beneficiary financial institution, or another intermediary financial institution.

- w. *Official document* refers to any of the following identification documents:

- (1) For Filipino citizens: Those issued by xxx official authorities:

(a) xxx

(b) xxx

(c) xxx

(d) Philippine Statistics Authority (PSA) under the Philippine Identification System (PhilSys)

xxx

- (5) Other identification document that can be verified using reliable, independent source documents, data or information.

- x. *Juridical person* refers to an entity other than a natural person as defined under Chapter 3 of the Civil Code of the Philippines, that can establish a

permanent customer relationship with any financial institution or otherwise own property.

- y. *Money or Value Transfer Service (MVTs) or Money Service Business (MSB)* refers to financial services that involve the acceptance of cash, checks, other monetary instruments or other stores of value, and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the service provider belongs.
- z. *Originator* refers to the account holder who allows the wire transfer from an account, or where there is no account, the person that places an order with the originating financial institution to perform a wire transfer.
- aa. *Philippine Identification Card (PhilID)* refers to the non-transferrable identification card issued by the PSA to all citizens and resident aliens registered under the PhilSys, which serves as the official government-issued identification document of cardholders in dealing with all government agencies, local government units, government and controlled corporations, government financial institutions, and all private sector entities.
- bb. *Cover payment* refers to a wire transfer that combines a payment message sent directly by the originating financial institution to the beneficiary financial institution with the routing of the funding instruction (the cover), from the originating financial institution to the beneficiary financial institution through one or more intermediary financial institutions.
- cc. *Serial Payment* refers to a direct sequential chain of payment where the wire transfer and accompanying payment message travel together from the originating financial institution to the beneficiary financial institution, directly or through one (1) or more intermediary financial institutions.
- dd. *Settlor/Grantor/Trustor* refers to a person who transfers ownership of his assets to trustees by means of a trust deed or similar arrangement.
- ee. *Source of Fund* refers to the origin of the funds or other monetary instrument that is the subject of the transaction or business or professional relationship between a covered person and its customer, such as cash on hand, safety deposit box with a covered person, and a particular bank or investment account.
- ff. *Source of Wealth* refers to the resource from which the customer's wealth, including all monetary instruments and properties, came, comes, or will come from, such as employment, business, investments, foreign remittance, inheritance and donation.
- gg. *Straight-through Processing* refers to payment transactions that are conducted electronically without the need for manual intervention."

Section 3. Subsection X805.1/4805Q.1 on Board and senior management oversight shall be amended to read, as follows:

"Subsection X805.1/4805Q.1 Board and senior management oversight. Notwithstanding xxx, it shall be the ultimate responsibility of the board of directors xxx these rules, the AMLA, as amended, the TFP SA and their RIRR. It shall ensure that ML/TF risks are effectively managed and that this forms part of the covered person's enterprise risk management system.

Senior management shall oversee xxx

- a. *Compliance office.* xxx
- b. *Group-wide Money Laundering and Terrorist Financing Prevention Program (MTPP).* Financial groups shall implement group-wide MTPP, which shall be applied to their branches and majority-owned subsidiaries as provided in Section X802/4802Q. The group-wide MTPP shall include the measures set out in Subsection X805.3/4805Q.3.

The group-wide compliance officer or in his absence, the compliance officer of the parent entity, shall oversee the AML/CFT compliance of the entire group with reasonable authority over the compliance officers of said branches, subsidiaries or offices."

Section 4. Subsection X805.5/4805Q.5 on Risk Assessment shall be renumbered as X805.2/4805Q.2 and amended to read, as follows:

"Subsection X805.2/4805Q.2 Risk Assessment. Consistent with the risk-based approach, covered persons are required to identify, xxx. The assessment methodology xxx. The institutional risk assessment shall (a) consider all relevant risk factors, including the results of national and sectoral risk assessments; (b) xxx; and (c) xxx. The institutional risk assessment shall be conducted, at least once every two (2) years, or as often as the Board or senior management may direct, depending on the level of risks identified in the previous risk assessment, or other relevant AML/CFT developments that may have an impact on the covered person's operations.

Based on the risk assessment, the covered person shall take appropriate measures to manage and mitigate ML/TF risks and take enhanced measures on identified high risks areas, which should be incorporated in its MTPP. The risk assessment shall be made available xxx.

New products xxx."

Section 5. Subsection X805.2/4805Q.2 on Money Laundering and Terrorist Financing Prevention Program shall be renumbered as X805.3/4805Q.3 and amended to read, as follows:

"Subsection X805.3/4805Q.3 Money Laundering and Terrorist Financing Prevention Program (MTPP).

All covered persons shall adopt a comprehensive and risk-based MTPP geared towards the promotion of high ethical and professional standards and prevention of the covered person from being used, intentionally or unintentionally, for ML/TF activities. The MTPP shall include policies, controls and procedures to enable the covered persons to manage and mitigate the risks that have been identified in their risk assessment, including taking enhanced measures for those classified as posing higher risks. The MTPP shall also be consistent with the AMLA, as amended, the TFPSA, their respective RIRR and the provisions set out in this Part. It shall be in writing, xxx. Where a covered person has branches, subsidiaries, xxx group-wide basis, taking into account local business considerations, the requirements of the host jurisdiction and the level of country risk.

The MTPP shall xxx. The covered person must put xxx:

- a. xxx
xxx
- g. Cooperation with AMLC and Bangko Sentral;
xxx
- i. Policies and procedures for sharing information required for the purposes of customer due diligence (CDD) and risk management;
- j. A provision that the group-level compliance, audit, and/or AML/CFT functions should be provided with customer, account, and transaction information from branches and subsidiaries when necessary for AML/CFT purposes. This should include information on analysis of transactions or activities which appear unusual, if such analysis was done. Similarly, branches and subsidiaries should receive such information from these group-level functions when relevant and appropriate to risk management. The MTPP may require a potential and/or existing customer to sign a waiver on the disclosure of information within the group;
- k. Adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off;
- l. A mechanism to comply with freeze, bank inquiry and asset preservation orders, and all directives of the AMLC; and
- m. A mechanism to comply with the prohibitions from conducting transactions with designated persons and entities, as set out in the relevant United Nations Security Council Resolutions (UNSCRs) relating to the prevention and suppression of terrorism and terrorist financing and financing of proliferation of weapons of mass destruction.

Submission of the Revised and Updated MTPP. xxx

Henceforth, xxx."

Section 6. Subsection X805.3/4805Q.3 and X805.4/4805Q.4 shall be renumbered as X805.4/4805Q.4 and X805.5/4805Q.5, respectively. All references to the renumbered subsections are accordingly amended.

Section 7. Section X806/4806Q and Subsection X806.1/4806.1Q shall be amended, to read, as follows:

“Section X806/4806Q Customer Due Diligence

a. In conducting xxx

- (1) xxx
- (2) Identifying the beneficial owner and taking reasonable measures to verify the identity of the beneficial owner based on official documents, or using relevant information or data obtained from reliable sources, such that the covered person is satisfied that it knows who is the beneficial owner. The covered person should have a system to understand the nature of the customer’s business and its ownership and control structure, in case of juridical persons or legal arrangements.

Where the customer, or the owner of the controlling interest is a company listed in a stock exchange and subject to disclosure requirements (either by stock exchange rules or through law or enforceable means) to ensure adequate transparency of beneficial ownership, or is a majority-owned subsidiary of such a company, the covered person is not required to verify the identity of any shareholder or beneficial owner of such companies. The relevant identification data may be obtained from a public register, from the customer or from other reliable sources.

The covered person shall keep records of the actions taken in order to identify the beneficial owner.

- (3) Understanding xxx
- (4) Conducting ongoing due diligence on the business relationship and scrutiny of transactions undertaken throughout the course of the relationship to ensure that the transactions being conducted are consistent with the covered person’s knowledge of the customer, their business, and risk profile, including, where necessary, the source of funds.

Where a covered person is unable to comply with the relevant CDD measures, it shall (a) refuse to open an account, commence business relations or terminate the business relationship or perform the transaction; and (b) consider filing a suspicious transaction report (STR) in relation to the customer.

In cases where a covered person forms a suspicion of ML/TF and associated unlawful activities, and reasonably believes that performing the CDD process will tip-off the customer, the covered person need not pursue the CDD process, but should file an STR, closely monitor the account, and review the business relationship.

b. A covered person xxx

- c. "Business relations" xxx
- d. "Relevant business transaction" xxx
xxx

For this purpose, xxx

- e. *For existing customers.* Covered persons shall apply CDD requirements to existing customers on the basis of materiality and risk, and conduct due diligence on existing relationships at appropriate times, taking into account CDD measures previously undertaken as well as the adequacy of information and documents obtained.

Subsection X806.1/4806Q.1 *Customer acceptance and identification policy.*

Every covered person shall develop clear, xxx procedures, which shall include sanctions screening. Covered persons shall ensure that the financially or socially disadvantaged are not denied xxx. A covered person shall formulate a risk-based and tiered customer acceptance, identification and retention policy that involves reduced CDD for potentially low risk clients and enhanced CDD for higher risk accounts.

- a. *Criteria for type of customers: low, normal and high risk; Standards for applying reduced, average and enhanced due diligence.* xxx.

Enhanced xxx.

In designing xxx, shall be taken into account:

- (1) The nature xxx
- (2) Source of funds, source of wealth/nature of business, employment;
- (3) Public or xxx
- (4) Country of origin xxx
- (5) The existence xxx
- (6) Watchlist of individuals and entities engaged in illegal activities or terrorist related activities as circularized by the Bangko Sentral, AMLC, and other international entities or organizations, such as the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury and United Nations Security Council; and
- (7) Such other factors, e.g. xxx.

In assessing xxx

The covered person shall xxx

- b. *Enhanced due diligence (EDD)* xxx
- c. *Minimum validation procedures* xxx
- d. *Reduced due diligence.* Where lower risks of ML/TF have been identified, through an adequate analysis of risk by the covered person and based on the results of the institutional risk assessment, reduced due diligence procedures may be applied commensurate with the lower risk factors. The reduced due

diligence procedures shall not be applied in cases of suspicion of higher ML/TF risk scenarios.

Whenever xxx

(1) For individual customers, a covered person may open an account/establish relationship under the true and full name of the account owner/s or customers upon presentation of an acceptable identification card (ID) or official document as defined in this Part or other reliable, independent source documents, data or information: *Provided, That, for accounts used purely for digital or electronic payments, the covered person may define appropriate reduced due diligence procedures provided that ML/TF risks are effectively managed.*

(2) xxx

Xxx

e. *Restricted account. xxx*

In lieu of a valid ID, the covered person shall obtain the customer's complete name, birth date, address and nationality and ensure that it has in its records a clear photograph and signature or biometric of the customer.

xxx."

Section 8. Subsection X806.2/4806Q.2 on customer identification is amended to further align the regulations with the RIRR, as amended, and international standards, to read, as follows:

"Subsection X806.2/4806Q.2 Customer identification. Covered persons shall establish and verify the true identity of their customers based on xxx.

a. Minimum information/documents required:

(1) *New individual customers.* Covered persons shall xxx

Unless otherwise stated in this Part, average CDD requires that the covered person xxx:

- (a) name of customer and/or PhilSys Number (when available);
- (b) date and place of birth;
- (c) address;
- (d) contact number or information;
- (e) citizenship or nationality;
- (f) specimen signature or biometric of the customer; and
- (g) name, address, date and place of birth, contact number or information and citizenship or nationality of beneficiary or beneficial owner, whenever applicable;

(2) *New juridical persons.* xxx

(a) Customer information

- (i) Name of juridical person**
- (ii) Name, address, and citizenship or nationality of beneficial owner, if applicable, and authorized signatories;**

xxx

(b) Identification Documents

- (i) xxx**
- (ii) xxx**
- (iii) xxx**
- (iv) Latest General Information Sheet**

Xxx

(3) *For legal arrangements (e.g. Trust).* The following must be obtained:

(a) name of legal arrangement xxx

(b) xxx

xxx

In addition, the following rules shall apply for trustees:

- (a) *trustees of any express trust* shall obtain and hold adequate, accurate, and current information on the identity of the trustor/settlor/grantor, the trustee, the beneficiary or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust.**

Covered persons shall likewise obtain sufficient information, such as the full name, place and date of birth or date of registration of the beneficiary/ies of these trusts, or of similar legal arrangements. This is to ensure that covered persons will be able to identify and verify the identity of the beneficiary at the time of the payout or at the time of the exercise by the beneficiary of its vested rights.

- (b) *trustees of any trust* shall hold basic information on other regulated agents of, and service providers to, the trust, including investment advisors or managers, accountants, and tax advisors;**
- (c) trustees shall disclose their status when forming a business or professional relationship, or in carrying out an occasional transaction above the threshold under Item "d" of Section X806/4806Q; and**
- (d) trustees shall make available to competent authorities, to the extent allowed by law, information on the beneficial ownership and the assets of the trust to be held or managed under the terms of the business or professional relationship.**

- (4) *Identification and Verification of Agents and Authorized Representatives.* Covered persons shall verify that any person purporting to act on behalf of a customer is so authorized and shall identify and verify the identity of that person.

For this purpose, the covered person shall obtain the name, address and citizenship or nationality of agents and authorized representatives.

- b. Customer verification process. Covered persons shall verify the identity of the customer before or during the course of establishing a business relationship, or conducting transactions for occasional customers. They may complete the verification process after the establishment of the business relationship: *Provided, That:*

- (1) this occurs as soon as reasonably practicable;
- (2) this is essential not to interrupt the normal conduct of business; and
- (3) the ML/TF risks are effectively managed, taking into consideration risk and materiality.

- c. Valid identification documents. xxx

xxx

Relief in case of calamity. xxx

In customer identification process, covered persons shall implement appropriate systems of data collection and recording, such as: (1) photocopying/scanning of identification document presented; (2) using Information and Communication Technology (ICT) to capture and record the biometric and other personal information of customers; and/or (3) manual recording of identification information.

- d. *Face-to-Face contact.* Covered persons shall conduct face-to-face contact and/or personal interview at the commencement of the relationship. Face-to-face contact may likewise be conducted as soon as reasonably practicable so as not to interrupt the normal conduct of business, taking into account the nature of the product, type of business and the risks involved: *Provided, That* there are policies and procedures to address any specific risk associated with the same including a clear definition of instances when it will be allowed.

The use of ICT in the conduct of face-to-face contact and/or interview may be allowed: *Provided, That* the covered person has measures in place to mitigate the ML/TF risks and that the entire procedure is documented.

- e. *Outsourcing of the customer identification and verification procedures.* Subject to existing rules xxx as herein defined, the customer identification and verification procedures under Items "a", "b" and "d" above: *Provided, That* the ultimate responsibility for knowing the customer, keeping the identification documents, and managing attendant risks shall rest with the covered person and the following conditions are complied with.

For covered person counterparty:

(1) There is a written service level agreement approved by the board of directors or senior management of the covered persons and its counterparty;

(2) xxx.

xxx

f. *Third party reliance.* A covered person may rely on third parties to perform the CDD procedures under Item “(a) 1 to 3” of Section X806 /4806Q subject to the following rules:

(1) *Where the third party xxx*

(2) *Where the third party is a financial institution operating outside the Philippines that is other than covered persons referred to in Item “1” above but conducts business operations and activities similar to them. All the contents xxx.*

When determining in which countries the third party that meets the requirements above can be based, covered persons should consider available information on the level of country risk.

(3) For both Items “(1)” and “(2)” above, it shall, in addition to performing normal due diligence measures, do the following:

(a) Gather sufficient information about xxx or regulatory action. Satisfy itself that the third party is regulated, and supervised or monitored for, and has measures in place for compliance with CDD and record-keeping requirements;

(b) Document xxx

(c) Obtain approval xxx.

(4) Covered persons may rely on a third party that is part of the same financial group under the following circumstances:

(a) the group applies CDD, record-keeping and MTPP requirements;

(b) the implementation of CDD and record-keeping requirements, and the MTPP is supervised at a group level by a competent authority, such as a Group Compliance Officer; and

(c) any higher country risk is adequately mitigated by the group’s AML/CFT policies.

A Bangko Sentral-accredited xxx

Notwithstanding xxx

g. *Private banking/wealth management.* xxx

h. *PEP.* xxx

- i. *Correspondent banking.* xxx
- j. *Fund/wire transfer.* Because of the risk associated with dealing with fund/wire transfers, xxx:

(1) Originating financial institution:

- (a) Shall not accept instructions to fund/wire transfer from a non-customer originator, for occasional transactions exceeding the set threshold as defined in this Part, unless it has conducted the necessary CDD to establish the true and full identity and existence of said originator;
- (b) Shall ensure that all wire transfers are always accompanied by the required information such that:
 - (i) Cross border and domestic fund/wire transfers and related message not exceeding P50,000.00 or its equivalent in foreign currency, shall include accurate and meaningful originator and beneficiary information. The following information xxx:
 - (aa) xxx
 - (bb)xxx
 - (cc) xxx
 - (ii) For cross border and domestic fund/wire transfers and related message amounting to P50,000.00 or more xxx;
 - (aa) xxx
 - xxx
- (c) May be exempted from the requirements of Item “(b)” above in respect of originator information, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries: *Provided*, That it includes the originator’s account number or unique transaction reference number and that the batch file contains the required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country;
- (d) Need not verify for accuracy the information mentioned in Item “b(i)” hereof. However, the originating financial institution shall verify the information pertaining to its customer where there is a suspicion of ML/TF;
- (e) Shall ensure that, for domestic wire transfers, the information accompanying the wire transfer includes originator information as indicated for cross-border wire transfers, unless this information can be made available to the beneficiary financial institution and relevant authorities by other effective means.

- (f) Shall only include the account number or a unique transaction reference number, where the information accompanying the domestic wire transfer can be made available to the beneficiary financial institution and appropriate authorities by other effective means: *Provided*, That this number or identifier will permit the transaction to be traced back to the originator or the beneficiary. The information shall be made available within three (3) working days from receipt of the request either from the beneficiary financial institution or from appropriate authorities;
- (g) Shall maintain all originator and beneficiary information collected, in accordance with Section X808/4808Q of this Part; and
- (h) Should not execute the wire transfer if the requirements under Item "j.(1)", as applicable, are not complied with.

(2) Intermediary financial Institution shall:

- (a) Ensure that, for cross-border wire transfers, all originator and beneficiary information that accompany a wire transfer are retained in the payment message.

Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, intermediary financial institution should keep a record of all the information received from the originating financial institution or another intermediary financial institution for at least five (5) years;

- (b) Take reasonable measures, which are consistent with straight-through processing, to identify cross-border wire transfers that lack required originator information or required beneficiary information;
- (c) Conduct transactional sanction screening on the payment parties, both for the originator and beneficiary;
- (d) Adopt risk-based policies and procedures for determining: (i) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (ii) the appropriate follow-up action.

(3) Beneficiary financial institution shall:

- (a) Verify the identity of the beneficiary, if the identity has not been previously verified and maintain this information in accordance with Section X808/4808Q of this Part. Should the originator and beneficiary be the same person, the beneficiary institution may rely on the xxx by the originating financial institution xxx.

- (b) Take reasonable measures, which may include post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers that lack required originator or beneficiary information, as applicable; and
 - (c) Adopt risk-based policies and procedures for determining: (i) when to execute, reject, or suspend a wire transfer lacking required originator or beneficiary information, as applicable; and (ii) the appropriate follow-up action.
- (4) In case a Money or Value Transfer Service (MVTs) provider controls both the originating and the beneficiary side of a wire transfer, it shall:
- (a) consider all the information from both the originating and beneficiary sides in order to determine whether an STR has to be filed; and
 - (b) file an STR in any country affected by the suspicious wire transfer, and make relevant transaction information available to the AMLC.
- k. *Buyers of cashier's, manager's or certified checks. Xxx*
 - l. *Second endorsed checks. xxx*
 - m. *Foreign exchange dealers/money changers/xxx*
 - n. *Other high risk customer, jurisdiction or geographic location. xxx*

Covered persons shall apply countermeasures (such as conduct of enhanced due diligence, limit business relationship or financial transactions with the identified country or persons in that country) proportionate to the risks when called upon to do so by the FATF, or independently of any call by the FATF to do so, when warranted.

- o. *Shell company/shell bank/bearer share entities. xxx*
- p. *Numbered accounts. xxx*
- q. *Prohibited accounts. xxx*
- r. *Compliance with United Nations Security Council Resolutions (UNSCR):* As part of CDD process, covered persons shall adopt appropriate policies and procedures:
 - (1) To implement targeted financial sanctions without delay to comply with UNSCR, adopted under Chapter VII of the Charter of the United Nations, relating to the prevention, suppression and disruption of proliferation of weapons of mass destruction and its financing;
 - (2) To ensure that individuals/entities be prohibited from making any types of transactions or services for the benefit of designated persons and entities owned or controlled, directly or indirectly, by designated persons or entities; and persons and entities acting on behalf of, or at the direction of, designated persons or entities pursuant to relevant UNSCR such as 1267 (1999) and its successor resolutions, and 1373 (2001);and

- (3) To report to AMLC the actions taken in compliance with the prohibition requirements of the relevant UNSCRs, including attempted transactions.”

Section 9. Subsections X806.3/4806Q.3 shall be amended to read, as follows:

“Subsection X806.3/4806Q.3 *On-going monitoring of customers, accounts and transactions.*

- a. Covered persons shall, on the basis of materiality and risk, ensure that pertinent identification information and documents collected under the CDD process are kept up-to-date and relevant, by undertaking reviews of existing records, particularly for higher risk categories of customers. The covered person shall document the actions taken in connection with updating of customer’s records/information, and accordingly update customer’s risk profile.

Covered person shall xxx account activity. Thus, a risk-and-materiality-based on-going monitoring of customer’s accounts and transactions, including periodic sanction screening, should be part of a covered person’s customer due diligence.

- b. Enhanced due diligence. xxx

xxx

(3) xxx

xxx

(d) knowing that xxx as herein defined.”

Section 10. Section X808/4808Q and Subsections X808.1/4808Q.1, X808.4/4808.4Q shall be amended to read, as follows:

“Section X808/4808Q Record Keeping. xxx

Said records and files xxx. Covered persons shall undertake the necessary adequate security measures to ensure the confidentiality of such file, including all information shared by the group-wide compliance. Covered persons shall prepare and maintain xxx.”

“Subsection X808.1/4808Q.1 *Closed accounts and terminated relationships*

Covered persons shall maintain and safely store all records of customer identification, and transactions documents, including the results of any analysis undertaken, for at least five (5) years following the closure of the account, termination of the business relationship or after the date of the occasional transaction.”

“Subsection X808.4/4808Q.4 *Form of records.* xxx

Covered persons shall, likewise, keep the electronic copies xxx

For low risk customers, it is sufficient that covered persons shall maintain and store, in any form, a record of customer information and transactions, but should be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal activity."

Section 11. Section X810/4810Q shall be amended to read, as follows:

"Section X810/4810Q. Bangko Sentral Authority to Check Compliance with the AMLA, as amended.

In the course of a xxx under its supervision or regulation with the requirements of these rules, the AMLA, as amended and the TFPSA, their respective RIRR, and other AMLC and Bangko Sentral issuances.

xxx"

Section 12. The provisions of item c (4) of Subsections X1205.5/41205Q.5/4705S.5/4705P.5/4805N.5 are hereby deleted.

Section 13. All references to the term MLPP shall be replaced with MTPP.

Section 14. Effectivity. This Circular shall take effect immediately after its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:


NESTOR A. ESPENILLA, JR.
Governor

26 November 2018