



Bangko Sentral ng Pilipinas

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

**MEMORANDUM TO ALL BANKS
AND NON-BANK FINANCIAL INSTITUTIONS
UNDER BSP SUPERVISION**

The Anti-Money Laundering Council (AMLC), in its letter of 13 August 2004, stated that the Financial Action Task Force (FATF) observed inter alia that the obligation to file Suspicious Transaction Reports (STR) needs to be observed by all commercial banks. During the first and second meetings held on 14 May 2004 in Hong Kong and 13 June 2004 in Seoul, Korea, respectively, regarding the Philippines Implementation Plan on Money Laundering, the Chairman of FATF's Asia Pacific Review Group, repeatedly questioned the low number of STRs from banks and all institutions supervised by the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC) and the Insurance Commission (IC). Mr. Vicente S. Aquino, Executive Director of AMLC, surmised that this may be attributed to the covered institutions' erroneous understanding that they should only file STRs after they have established a link between the unlawful activity under the Anti-Money Laundering Act (AMLA), as amended, and the monetary instruments or property.

Thus, for the purpose of clarity, Mr. Vicente S. Aquino requests the BSP to disseminate to all concerned financial institutions clarification/information on the definition of Suspicious Transactions under the AMLA and its Revised Implementing Rules and Regulations, as follows:

"(b-1) 'Suspicious Transactions' are transactions with covered institutions, regardless of the amounts involved, where any of the following circumstances exist:

- "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 or financial capacity of the client;

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- "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 Act;
- "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 covered institution;
- "6. The transaction is in any way related to an unlawful activity or offense under this Act that is about to be, is being, or has been committed; or
- "7. Any transaction that is similar or analogous to any of the foregoing.

"It is clear, therefore, that only in item number 6, supra, that covered institutions should show that the transaction is "in any way related to unlawful activity or offense "before it could file an STR with the AMLC; the rest of the legal parameters/indicators do not require such nexus."

For your guidance.


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Deputy Governor

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