



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 251 **Series of 2000**

Pursuant to Monetary Board Resolution No. 1116 dated July 6, 2000, the following rules and regulations for banks and non-bank financial institutions under the supervision and regulation of the Bangko Sentral ng Pilipinas (BSP) are hereby issued in order to combat money laundering:

1. When establishing business relations or conducting transactions (particularly opening of deposit accounts, accepting deposit substitutes, entering into trust and other fiduciary transactions, renting of safety deposit boxes, performing remittances and other large cash transactions), banks/Non-Bank Financial Institutions (NBFIs) should take reasonable measures to establish and record the true identity of their clients. Said client identification may be based on official or other reliable documents and records.

In cases of corporate and other legal entities, the following measures should be taken, when necessary:

- a. Verification of the legal existence and structure of the client from the appropriate agency or from the client itself or both, proof of incorporation, including information concerning the customer's name, legal form, address, directors, principal officers and provisions regulating the power behind the entity.
 - b. Verification of the authority and identification of the person purporting to act on behalf of the client.
2. In case of doubt as to whether their purported clients or customers are acting for themselves or for another, reasonable measures should be taken to obtain the true identity of the persons on whose behalf an account is opened or a transaction conducted.
 3. Unless otherwise prescribed under existing laws, anonymous accounts or accounts under fictitious names should not be kept/allowed. In case where numbered accounts is allowed (i.e. foreign currency deposits),

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banks/NBFIs should ensure that the client is identified in an official or other identifying documents.

4. The identity of existing clients or beneficial owners of deposits and other funds held or being managed by the bank should be renewed/updated at least every other year.
5. All necessary records on transactions, both domestic or international, should be maintained for at least five (5) years. Such records must be sufficient to permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of criminal behaviour.

Records on customer identification, account files and business correspondence should be kept for at least five (5) years after the account is closed.

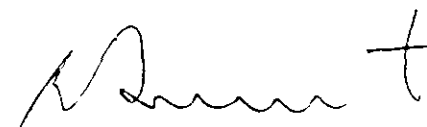
6. Special attention should be given to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help supervisors, auditors and law enforcement agencies.

If there is reasonable ground to believe that the funds are proceeds of a criminal or other illegal activity, they should be reported to competent authority, without violating any law. If the fund is held as deposit, the account should be closed.

7. Other suspicious transactions not involving deposits should be reported to competent authorities.
8. Banks/NBFIs should not, or should at least avoid, transacting business with criminals. Reasonable measures should be adopted to prevent the use of their facilities for laundering of proceeds of crimes and other illegal activities.
9. Programs against money laundering should be developed. These programs should include, as a minimum:
 - a. The development of internal policies, procedures and controls, including the designation of compliance officers at management level, and adequate screening procedures to ensure high standards when hiring employees;
 - b. An ongoing employee training program; and

c. An audit function to test the system.

This Circular shall take effect immediately.



RAFAEL B. BUENAVENTURA
Governor

7 July 2000