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OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR

CIRCULAR LETTER. CL-2021-044

To : **All BSP-Supervised Financial Institutions (BSFIs)**

Subject : **Anti-Money Laundering Council (AMLC) 2021
Suspicious Transaction Report (STR) Quality Review**

This is to disseminate the AMLC's Study on the 2021 STR Quality Review¹ covering STRs filed by covered persons (CPs) from 2017 to 2020. The study presents the trend analysis for the covered periods, assesses the technical compliance and investigative value of the STRs, and identifies the reporting gaps and challenges of CPs, with the overall objective of providing guidance on how to further improve the quality of STRs.

The study highlighted, among others, the following data quality and system issues:

1. Potential Over Usage of Suspicious Indicator (SI) 6 for Defensive Reporting

SI6 (i.e., the transaction is similar, analogous or identical to any of the foregoing) has been the top reason for filing of STRs, wherein 96 percent were concentrated on eleven CPs. SI6 serves as a catchall category which the CPs can use if none of the listed predicate crimes or SIs are applicable. However, the use of SI6 has been misused and abused by CPs as random sampling of STRs showed various misuses of SI6 that are not in accordance with the AMLC Registration and Reporting Guidelines² (ARRG) such as:

- a. Using SI6 as additional reason or leaving the additional reason blank;
- b. Additional reason provided was another or multiple suspicious indicators;

¹ The report is the Phase I of the study, which presents an overall description of the common STR patterns and trends, as well as breakdown of STRs by predicate crimes (PCs), CPs, industry group, transaction types, among others.

² ARRG, Part 4, Chapter 3: When the transaction is filed under SI6, CPs were reminded to "make sure that the reason for suspicion indicated in SI6 does not fall in any one of the Suspicious Indicators or Predicate Crimes before using SI6" and "followed by a semi-colon and the reason for suspicion".

- c. Additional reasons provided described another suspicious indicator which should have been used as reason for filing, instead of SI6;
- d. Using SI6 even when the predicate crime is already known;
- e. Using the narrative as the additional reason which describes a more appropriate predicate crime (e.g., drug trafficking, graft and corruption);
- f. Additional reason is vague;
- g. High-risk predicate crime enveloped in the additional reason;
- h. Additional reason was due to internal transactions monitoring system (TMS) and other listed indicators which should have been used instead of SI6; and
- i. Using SI6 for alleged cases and related parties which should have been filed under more descriptive predicate crimes (e.g., graft, terrorist financing/terrorism, qualified theft, swindling, carnapping).

Use of SI6 may downplay the risk and prioritization of the STRs. CPs using SI6 with high-risk crimes as additional reason will be able to circumvent the ARRG requirements of mandatory uploading of Know-Your-Customer documents for PC1 (Kidnapping for Ransom), PC2 (Drug Trafficking and other related offenses), PC12 (Hijacking, destructive arson, and murder, including those perpetrated by terrorists against non-combatant persons and similar targets), PC13 (Terrorism and conspiracy to commit terrorism), and PC14 (Financing of Terrorism).

2. Continuous Misreporting of Fraud Schemes and Activities

Some CPs still misreport swindling and fraud cases under the predicate offenses PC16 (Fraud and Illegal Exaction and Transactions) and PC18 (Forgeries and Counterfeiting) instead of PC9 (Swindling) and PC33 (Fraudulent Practices and Other Violations Under the Securities Regulations Code of 2000).

In view of the foregoing, BSFIs are reminded to further enhance their suspicious transaction reporting process and ensure proper filing of STRs using the appropriate suspicious indicator or predicate crimes, in accordance with the ARRG.

Copy of the report may be viewed and downloaded from the AMLC website: [http://www.amlc.gov.ph/images/PDFs/STR%20QUALITY%20REVIEW%20\(2017%20TO%202020\)%20DATA%20DISCOVERY.pdf](http://www.amlc.gov.ph/images/PDFs/STR%20QUALITY%20REVIEW%20(2017%20TO%202020)%20DATA%20DISCOVERY.pdf)

For information and guidance.

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 Deputy Governor

01 June 2021