Republic of the Philippines
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
Mandaluyong City, Metro Manila

SEC CIRCULAR NO. 12
Series of 2004

RE: Guidelines in the Preparation of the Revised Anti-Money Laundering Operating Manual for Covered Institutions

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Pursuant to the provisions of Republic Act No. 9194 amending Republic Act No. 9160 (also known as "The Anti-Money Laundering Act of 2001"), the Securities Regulation Code, the Corporation Code, Presidential Decree 902-A, as amended, the Investment Houses Law, the Investment Company Act, the Financing Company Act, and all other pertinent laws, rules and regulations administered and enforced by the Commission, the Securities and Exchange Commission ("Commission") hereby issues this Guidelines in the Preparation of the Revised Anti-Money Laundering Operating Manual ("Guidelines") to combat money laundering.

SECTION 1. All covered institutions as defined under the Anti-Money Laundering Act of 2001, as amended, shall be covered by the Guidelines in the preparation of their respective Anti-Money Laundering Operating Manual. These institutions are hereinafter referred to as "Regulated Intermediaries".

SECTION 2. All Regulated Intermediaries are hereby directed to update and amend their respective Anti-Money Laundering Operating Manual ("Operating Manual") that will serve as their new procedure on the implementation of the Anti-Money Laundering Act of 2001, as amended, and which shall comply with the attached Guidelines in the Preparation of the Revised Anti-Money Laundering Operating Manual for Covered Institutions

SECTION 3. Regulated Intermediaries shall submit to the Commission their respective revised Operating Manual, taking into consideration the amendments introduced by Republic Act No. 9194 to the Anti-Money Laundering Act of 2001, for evaluation of the Commission, on or before 29 October 2004.

SECTION 4. Regulated Intermediaries that have already revised and amended their Operating Manuals in conformity with the Guidelines need only to inform the Commission in writing and provide details of the latest filing with the Commission.

SECTION 5. The attached Guidelines does not serve as an Operating Manual itself but as a guide of the Regulated Intermediaries in the formulation of their Operating Manuals, taking into consideration their respective corporate structure. Therefore, all Regulated Intermediaries are directed to develop their individual Operating Manual and provide therein their specific procedures and policies that would achieve the ends prescribed in the said Guidelines.

SECTION 6. The provisions of the Anti-Money Laundering Act, as amended, shall be observed even while the revised Operating Manual is being reviewed and prepared by Regulated Intermediaries.

SECTION 7. A Regulated Intermediary that fails to submit its revised Operating Manual on the aforesaid date shall be subject to a penalty of Php500.00 per day of delay and which penalty shall continue until said statement and operating manual has been submitted.

SECTION 8. This Circular shall take effect immediately.

Mandaluyong City, 29 July 2004.

FOR THE COMMISSION:

LILIA R. BAUTISTA
Chairperson

GUIDELINES
IN THE PREPARATION OF THE
REVISED ANTI-MONEY LAUNDERING
MODEL OPERATING MANUAL
FOR SEC COVERED INSTITUTIONS

CHAPTER 1
INTRODUCTION

Section 1.1. The Securities and Exchange Commission ("Commission") hereby issues this guidelines in the preparation of the Revised Anti-Money Laundering Model Operating Manual for its Covered Institutions pursuant to the authority granted to it under the Anti-Money Laundering Act (Republic Act No. 9160, as amended by Republic Act No. 9194) and its regulatory and supervisory powers under the Securities Regulation Code ("SRC"), the Corporation Code, Presidential Decree 902-A, as amended, the Investment Houses Law, the Investment Company Act, the Financing Company Act and other pertinent laws, rules and regulations administered and enforced by the Commission.

Section 1.2. Except as otherwise defined herein, all terms used shall have the same meaning as those terms are defined in the Anti-Money Laundering Act of 2001, Republic Act No. 9160, hereinafter referred to as the "Act".

Section 1.3. The term "Regulated Intermediary/Intermediaries" shall refer to all Covered Institutions regulated by the Commission under the Securities Regulation Code, the Investment Houses Law, the Investment Company Act, the Financing Company Act, other laws and regulations implemented by the Commission and the Anti-Money Laundering Act of 2001. Regulated Intermediaries are, among others:

a. Securities Brokers, Dealers and Salesmen, Associated Person of a Broker or Dealer

b. Investment Houses and other similar entities managing securities or rendering services as Investment Agent, Advisor or Consultant

c. Mutual Fund Companies, Closed-End Investment Companies

d. Common Trust Fund Companies

e. Pre-Need Companies and agents

f. Financing companies and other companies dealing in other valuable objects, cash substitutes and monetary instruments or property, supervised or regulated by the Commission

The following definitions shall apply to the foregoing:

"Securities Broker" is a person engaged in the business of buying and selling securities for the account of others;

"Securities Dealer" means any person who buys and sells securities for his/her own account in the ordinary course of business;

"Securities Salesman" is a natural person, employed as such or as an agent, by a dealer, issuer or broker to buy and sell securities;

"Associated person of a broker or dealer" is an employee thereof who, directly exercises control of supervisory authority, but does not include a salesman, or an agent or a person whose functions are solely clerical or ministerial;

"Investment House" means any enterprise which engages or purports to engage, whether regularly or on an isolated basis, in the underwriting of securities of another person or enterprise, including securities of the Government and its instrumentalities;

"Mutual Funds" or an open-end investment company is an investment company which is offering for sale or has outstanding, any redeemable security of which it is the issuer;

"Closed-end Investment Company" refers to an investment company other than open-end investment company;

"Common Trust Fund" refers to a fund maintained by an entity authorized to perform trust functions under a written and formally established plan, exclusively for the collective investment and reinvestment of certain money representing participation in the plan received by it in its capacity as trustee, for the purpose of administration, holding or management of such funds and/or properties for the use, benefit, or advantage of the trustor or of others known as beneficiaries;

"Pre-Need Company or Issuer" means any corporation authorized or licensed to sell or offer for sale pre-need plans. Pre-need plans are contracts which provide for the performance of future service(s) or payment of future monetary consideration at the time of actual need, payable either in cash, or installment by the planholder at prices stated in the contract with or without interest or insurance coverage and includes life, pension, education, internment and other plans, which the Commission may, from time to time, approve.

Investment Advisor/Agent/Consultant shall refer to any person:

(1) who for an advisory fee is engaged in the business of advising others, either directly or through circulars, reports, publication or writings, as to the value of any security and as to the advisability of trading in any security or

(2) who for compensation and as part of a regular business, issues or promulgates, analyzes reports concerning the capital market, except:

a) any bank or trust company;

b) any journalist, reporter, columnist, editor, lawyer, accountant or teacher;

c) the publisher of any bonafide newspaper, news, business or financial publication of general and regular circulation, including their employees;

d) any contract market;

e) such other person not within the intent of this definition, provided that the furnishing of such service by the foregoing persons is solely incidental to the conduct of their business or profession.

(3) any person who undertakes the management of portfolio securities of investment companies, including the arrangement of purchases, sales or exchange of securities.

"Money Payment, Remittance and Transfer Companies" mean those intermediaries who offer to pay or transmit money on behalf of any person to another person resident in another country.

Section 1.4. The Commission, as the Supervising Authority of the Covered Institutions as enumerated under Section 3 (a)(3) of the Act, and where its supervision applies only to the incorporation of the Covered Institution, shall have the authority to require and ask assistance from the government agency having regulatory power and/or licensing authority over said Covered Institution for the implementation and enforcement of the Act and its Implementing Rules and Regulations.

CHAPTER 2
DESCRIPTION OF MONEY LAUNDERING

Section 2.1. Money Laundering is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the Act, so that they appear to have originated from a legitimate source.

Section 2.2. Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert a Regulated Intermediary to the money laundering activity:

(a) Placement - the physical disposal of cash proceeds derived from illegal activity.

(b) Layering - separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.

(c) Integration - the provision of apparent legitimacy to criminally-derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system appearing to be normal business funds.

Section 2.3. Because of the nature of the business relationships entered into by and among clients and the Regulated Intermediaries, which are no longer predominantly cash-based, they are less conducive to the initial placement of criminally derived funds than other financial industries such as banking. Most payments are made by way of checks from another financial institution and it can therefore be assumed that the first stage of money laundering has already been achieved. Nevertheless, the purchases by cash are not unknown and the risk of the business being used at the placement stage cannot be ignored. The business of these Regulated Intermediaries are most likely to be used at the second stage of money laundering, i.e. the layering process, as they provide a potential avenue which may allow a dramatic alteration of the form of funds – from cash in hand to cash on deposit, from money in whatever form to an entirely different asset such as securities, investment contracts, pension plans, insurance policies, stock certificates, pre-need plans, bearer and other negotiable instruments. Investment transactions incorporate an added attraction to the money launderer in that the alternative asset is normally highly liquid. The ability to liquidate investment portfolios containing both lawful and illicit proceeds, whilst concealing the criminal source of the latter, combined with the huge variety of investments available, and the ease of transfer between them, offers the sophisticated criminal launderer an ideal route to effective integration into the legitimate economy. Due diligence must, therefore, be exercised to prevent the use of these Regulated Intermediaries as instruments for money laundering.

CHAPTER 3
BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

Section 3.1 The Commission seeks to combat money laundering by requiring Regulated Intermediaries to apply the following principles:

i. Know your customer: Regulated Intermediaries shall obtain competent evidence of the customer's identity, and have effective procedures for verifying the bona fide identity of new customers.

ii. Compliance with laws: Regulated Intermediaries shall ensure that business is conducted in conformity with high ethical standards, that laws and regulations are adhered to, and that service is not provided where there is good reason to believe that transactions are associated with money laundering activities.

iii. Co-operation with law enforcement agencies: Within the legal constraints relating to customer confidentiality, Regulated Intermediaries shall cooperate fully with law enforcement agencies. This includes taking appropriate measures allowed by law if there are reasonable grounds for suspecting money laundering. Disclosure of information by Regulated Intermediaries for

the purposes of the Act regarding covered transactions and suspicious transactions shall be made to the Executive Director, Anti-Money Laundering Council, 5/F EDPC Building, Bangko Sentral ng Pilipinas.

iv. Policies, procedures and training: Each Regulated Intermediary shall adopt policies consistent with the principles set out in this Guidelines, and ensure that its staff, wherever located, are informed of these policies and adequately trained in matters covered herein. To promote adherence to these principles, Regulated Intermediaries shall implement specific procedures for customer identification (Chapter 4), record keeping and retention of transaction documents (Chapter 5), and reporting of covered and suspicious transactions (Chapter 6).

CHAPTER 4
CUSTOMER IDENTIFICATION

Section 4.A. General

Section 4.A.1. Regulated Intermediaries must establish, document and maintain a written Customer Identification Program ("CIP") appropriate for its size and business that, at a minimum, includes each of the requirements under this Chapter. The Customer Identification Program must be part of the Regulated Intermediaries' anti-money laundering compliance program and included in their respective Operating Manuals.

Section 4.A.2. Regulated Intermediaries shall obtain and record competent evidence of the true and full identity, representative capacity, domicile, legal capacity, occupation or business purposes of clients, as well as other identifying information on those clients, whether they be occasional or usual, through the use of documents such as, but not limited to:

a. identity documents, such as passports, birth certificates, driver's licenses, employment identification cards, and other similar identity documents, which are verifiable from the institution issuing the same;

   The identifying documents should provide evidence of true name or names used, permanent address, date of birth, nationality, and office address. They should include at least one identifying document bearing the photograph and signature of the client. The identifying documents which are considered most reliable are official identity cards and passports. While identification documents that are easily obtained in any name, e.g., medical cards, credit cards and student identification cards, may be used, but they should not be accepted as the sole means of identification.

b. incorporation and partnership papers, for corporate accounts. These documents should be certified as true copies from the issuing government agency;

c. special authorizations for representatives, which must be duly notarized;

d. other pertinent and reasonable documents as may be deemed necessary under the prevailing circumstances.

Section 4.A.3. Clients should be made aware of the Regulated Intermediaries' explicit policy that business transactions will not be conducted with applicants who fail to provide competent evidence of their identity, but without derogating from the Regulated Intermediaries' obligations to report suspicious transactions. Where initial verification fails to identify the applicant, or gives rise to suspicions that the information provided is false, additional verification measures should be undertaken to determine whether to proceed with the business. Details of the additional verification are to be recorded.

Section 4.A.4. When a Regulated Intermediary acquires the business of another financial sector company or covered institution, either in whole or as a product portfolio, it is not necessary for the identity of all existing customers to be re-identified, provided that:

i. all customer account records are acquired with the business; and

ii. due diligence inquiries do not raise any doubt as to whether the anti-money laundering procedures previously adopted by the acquired business have satisfied Philippine requirements.

Section 4.A.5. If during the business relationship, the Regulated Intermediary has reason to doubt:

i. the accuracy of the information relating to the customer's identity;

ii. that the customer is the beneficial owner; or

iii. the intermediary's declaration of beneficial ownership, or

iv. if there are any signs of unreported changes,

said Regulated Intermediary shall take further measures to verify the identity of the customer or the beneficial owner, as applicable. Such measures may include the following:

a. referral of names and other identifying information to criminal investigating authorities;

b. review of disciplinary history and disclosure of past relevant sanctions.

Section 4.A.6. The Customer Identification Program must include procedures for responding to circumstances in which the Regulated Intermediary cannot form a reasonable belief that it knows the true identity of a customer. These procedures should describe, among others, the following:

a. when the Regulated Intermediary should not open an account;

b. the terms under which a customer may conduct transactions while the Regulated Intermediary attempts to verify the customer's identity;

c. when the Regulated Intermediary should close an account after attempts to verify customer's identity fail;

d. when the Regulated Intermediary should file a Suspicious Transaction Report.

Section 4.A.7. The Customer Identification Program must include procedures for providing customers with adequate notice that the Regulated Intermediary is requesting information to verify their identities. If appropriate, the Regulated Intermediary may use the following sample language to provide notice to its customers:

IMPORTANT INFORMATION ABOUT PROCEDURES
FOR OPENING A NEW ACCOUNT

To help the government fight money laundering activities, the Anti-Money Laundering Act, as amended, requires all Regulated Intermediaries to obtain, verify and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, business, TIN, SSS or GSIS Nos. and other information that will allow us to identify you. We may also ask to see your driver's license, passport or other competent evidence of identity bearing your photograph and signature.

Section 4.A.8. The Customer Identification Program may include procedures specifying when the Regulated Intermediary will rely on the performance of a banking institution of the Regulated Intermediary's Customer Identification Program with respect to any customer of the regulated Intermediary that is opening an account or has established an account or similar business relationship with the other financial institution to provide or engage in services, dealings or other financial transactions, provided that:

a. Such reliance is reasonable under the circumstances;

b. The banking institution is subject to the supervision and regulation by the Bangko Sentral ng Pilipinas;

c. The banking institution enters into a contract with the Regulated Intermediary requiring it to certify annually to the Regulated Intermediary that it has implemented its anti-money laundering program and that it will perform

specified requirements of the Regulated Intermediary's Customer Identification Program; and

d. The arrangement shall be submitted by the Regulated Intermediary to the Commission for its approval prior to the implementation of the arrangement by the Regulated Intermediary.

It is understood that the Commission reserves the right to disapprove arrangements between the Regulated Intermediary and the banking institution or cancel existing arrangements when it has been proven to have been abused by the Regulated Intermediaries.

Section 4.A.9. Regulated Intermediaries shall maintain customer accounts only in the name of the account holder. They shall not open or keep anonymous accounts, fictitious names accounts, incorrect name accounts and similar accounts.

Section 4.A.10. Rule 52.1 (6) (Customer Account Information Rule) of the Amended Implementing Rules and Regulations of the Securities Regulation Code, which requires securities brokers and dealers to get specific personal and business information from clients, continues to remain in full force and effect.

Section 4.A.11. Regulated Intermediaries shall ensure that they know their customers well, and accordingly, shall keep current and accurate all material information with respect to their customers by regularly conducting verification and update thereof.

Section 4.B. Personal Customers

Section 4.B.1 Regulated Intermediaries shall obtain from all individual applicants the following information:

- name and/or names used;
- present address;
- permanent address;
- mailing address;
- date and place of birth;
- nationality;
- nature of work, name of employer or nature of self-employment or business;
- tax identification number, Social Security number or Government Service and Insurance System number;
- specimen signature;
- sources of funds.

Section 4.B.2. Regulated Intermediaries shall request individual applicants who present only photocopies of identifications cards and other documents to produce the original documents thereof for verification purposes.

Section 4.B.3. Verification Without Face-to-Face Contact. –

(a) Whenever possible, prospective clients should be interviewed personally.

(b) Regulated Intermediaries shall take particular care in opening accounts via the Internet, post, or telephone, or other such instances which may give rise to verification without face-to-face contact.

(c) The customer identification procedures for non-face-to-face verification should be as stringent as those for face-to-face verification. Regulated Intermediaries are duty-bound to inform such clients that identity verification measures apply as well to them.

(d) The following are a number of checks which can be used by Regulated Intermediaries to verify identity of prospective clients where there is no face-to-face contact:

- telephone contact with the applicant at an independently verified home or business number;
- subject to the applicant's consent, telephone confirmation of the applicant's employment with the employer's personnel department at a listed business number;
- income or salary details appearing on recent bank statements, income tax returns, or any other document evidencing income or compensation;
- confirmation of the address through an exchange of correspondence or by other appropriate methods.

An initial deposit check drawn on another financial institution regulated by the Bangko Sentral ng Pilipinas will provide additional assurance as to identity.

(e) For non-Philippine residents who wish to open accounts without face-to-face contact, documents as enumerated in Section 4.A.2 issued by foreign authorities may be submitted, duly authenticated by the Philippine Consulate where such foreign authorities are located. Regulated Intermediaries shall, however, inform the clients of the provisions of Section 4.A.2.

(f) Except in cases where no face-to-face contact is prohibited under existing laws, rules and regulations, no new accounts shall be opened and created without face-to-face contact unless full compliance with the requirements of Section 4.B.1 and 4.B.2 are met.

Section 4.C. Single Proprietorships, Corporations, Stock or Non-Stock and Partnerships

Section 4.C.1 Before establishing a business relationship, a company search and/or other commercial inquiries shall be made to ensure that the corporate/other business applicant has not been, or is not in the process of being dissolved, struck off, wound-up or terminated. In case of doubt as to the veracity of the corporation or identity of its directors and/or officers, or of the business or its partners, a search or inquiry with the Commission or the relevant Supervising Authority/Regulatory Agency shall be made.

Section 4.C.2. The following relevant documents shall be obtained in respect of corporate/other business applicants that are regulated in the Philippines:

- Copies of the Certificate of Registration issued by the Department of Trade and Industry, for single proprietors, or by the Securities and Exchange Commission, for corporations, including the Articles of Incorporation or Certificate of Partnership, as appropriate; copies of the By-Laws of the corporation; the latest General Information Sheet, which lists the names of directors/partners and principal stockholders; and secondary licenses, if any; and other documents such as but not limited to clearance/certification from the Commission that the company is active and compliant with the reportorial requirements.

  The originals or certified copies of any or all of the foregoing documents, where required, should be produced for comparison and verification.

- Sworn statement as to the existence or non-existence of beneficial owners.

- Appropriate directors' resolutions and signed application forms or account opening authority containing specimen signatures;

- Where necessary, Regulated Intermediaries may also require additional information about the nature of the business of clients, copies of identification documents of shareholders, directors, officers and all authorized signatories.

Section 4.C.3. For companies, businesses or partnerships registered outside the Philippines, comparable documents are to be obtained, duly authenticated by the Philippine Consulate where said entities are located.

Section 4.C.4. If significant changes to the company structure or ownership occur subsequently, or suspicions arise as a result of a change in the payment profile as reflected in a company account, further checks are to be made on the identities of the new owners.

Section 4.D. Shell Companies

Section 4.D.1. Shell companies are legal entities which have no business substance in their own right but through which financial transactions may be conducted. Regulated Intermediaries should note that shell companies may be abused by money launderers and therefore be cautious in their dealings with them.

Section 4.D.2. In addition to the requirement under Section 4.C.2, Regulated Intermediaries should also obtain a Board of Directors' Certification as to the purposes of the owners/stockholders in acquiring the shell company. There must likewise be satisfactory evidence of the identities of the beneficial owners, bearing in mind the "Know-Your-Customer" principle.

Section 4.E. Trust, Nominee and Fiduciary Accounts

Section 4.E.1. Regulated Intermediaries shall establish whether the applicant for business relationship is acting on behalf of another person as a trustee, nominee or agent. Regulated Intermediaries should obtain competent evidence of the identity of such agents and authorized signatories, and the nature of their trustee or nominee capacity and duties.

Section 4.E.2. Where the Regulated Intermediary entertains doubts as to whether the trustee, nominee or agent is being used as a dummy in circumvention of existing laws, it shall immediately make further inquiries to verify the status of the business relationship between the parties. If satisfactory evidence of the beneficial owners cannot be obtained, Regulated Intermediaries shall consider whether to proceed with the business, bearing in mind the "Know-Your-Customer" principle. If the Regulated Intermediaries decide to proceed, they are to record any misgivings and give extra attention to monitoring the account in question.

Section 4.E.3. Where the account is opened by a firm of lawyers or accountants, the Regulated Intermediary should make reasonable inquiries about transactions passing through the subject accounts that give cause for concern, or from reporting those transactions if any suspicion is aroused. If a money laundering Suspicious Transaction Report is made to the Anti-Money Laundering Council ("Council") in respect of such client's account/s, the Council will seek information directly from the lawyers or accountants as to the identity of its client and the nature of the relevant transaction, in accordance with the powers granted to it under the Act and other pertinent laws.

Section 4.F. Transactions Undertaken on Behalf of Account Holders or Non-Account Holders

Section 4.F.1. Where transactions are undertaken on behalf of account holders of a Regulated Intermediary, particular care shall be taken to ensure that the person giving instructions is authorized to do so by the account holder.

Section 4.F.2. Transactions undertaken for non-account holders demand special care and vigilance. Where the transaction involves significant amounts, the customer should be asked to produce competent evidence of identity including nationality, especially in cases where the client is not a Filipino, the purposes of the transaction, and the sources of the funds.

CHAPTER 5
RECORD KEEPING

Section 5.1. The Regulated Intermediary's Customer Identification Program, as described in Chapter 4 hereof, must include procedures for making and maintaining a record of all customer relationships and transactions such that:

i. requirements of the Act are fully met;

ii. any transaction effected via the Regulated Intermediary can be reconstructed and from which the Council will be able to compile an audit trail for suspected money laundering, when such a report is made to it;

iii. the Regulated Intermediary can satisfy within a reasonable time any inquiry or order from the Council as to disclosure of information, including without limitation whether a particular person is the customer or beneficial owner of transactions conducted through the Regulated Intermediaries.

Section 5.2. The following document retention periods shall be followed:

i. All records of all transactions of covered institutions, especially customer identification records, shall be maintained and safely stored in an easily accessible place for five (5) years from the dates of transactions.

ii. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the dates when they were closed.

iii. SRC Rule 52.1 (1) (Books and Records Keeping Rule) and Rule 52.1 (2) (Records Retention Rule) of the Amended Implementing Rules and Regulations of the Securities Regulation Code continue to be in full force and effect.

Section 5.3. Transaction documents may be retained as originals or copies, on microfilm, provided that such forms are admissible in court, pursuant to the Revised Rules of Court and the E-Commerce Act and its Implementing Rules and Regulations.

Section 5.4. Notwithstanding Section 5.2 hereof, if the records relate to on-going investigations or transactions that have been the subject of a disclosure, they shall be retained beyond the stipulated retention period until it is confirmed that the case has been closed and terminated.

Section 5.5. The Regulated Intermediary shall designate at least two (2) persons responsible in the safekeeping of all records, reporting to the Commission any change in the person/s responsible, if there is any.

CHAPTER 6
COVERED AND SUSPICIOUS TRANSACTIONS

Section 6.1. The mandatory Covered Transaction Report ("CTR") **(Annex "A")** shall be filed before the Anti-Money Laundering Council for transactions in cash or other equivalent monetary instrument involving a total amount in excess of the

threshold of P500,000.00 within one (1) banking day as provided under Section 3 (b) of Republic Act 9160, as amended.

Section 6.2. As provided in Section 3 (b-1) of the Act, the Regulated Intermediary shall file a Suspicious Transaction Report ("STR") **(Annex "B")** before the Anti-Money Laundering Council, regardless of the amount of the transaction where any of the following circumstances exists:

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;

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.

In this regard, the Regulated Intermediary should exercise due diligence by implementing adequate systems for identifying and detecting suspicious transactions.

Section 6.3. Suspicious transactions are likely to involve a number of factors which together raise a suspicion in the mind of the Regulated Intermediary that the transaction may be connected with any unlawful activity. A list of examples of suspicious transactions is attached in **Annex "C".**

The list is not intended to be exhaustive and only provides examples of the most basic ways in which money may be laundered. Identification of any of the transactions listed should prompt initial enquiries and, if necessary, further investigations on the source of funds.

CHAPTER 7
REPORTORIAL REQUIREMENTS

Section 7.1. Each Regulated Intermediary shall institute a system for the mandatory reporting of covered transactions and suspicious transactions pursuant to Chapter 6.

The system shall be described in detail in the operating manual of the Regulated Intermediaries.

Section 7.2. Each Regulated Intermediary shall designated a Compliance Officer as defined in Section 9.2 hereof, at management level who will be in charge of the implementation of its Operating Manual and the application of the internal programmes and procedures, including customer identification programs, proper maintenance of records, reporting of covered and suspicious transactions to the Council, internal audits and training of employees.

Section 7.3. Covered Transaction and Suspicious Transaction reporting must be done by the Regulated Intermediary within five (5) working days from occurrence thereof, unless the Commission prescribes a longer period not exceeding ten (10) working days.

Section 7.4. Regulated Intermediaries, their directors, officers and employees, shall not warn their customers that information relating to them has been reported or is in the process of being reported to the Council, or communicate, directly or indirectly, such information to any person other than the Council. Any violation of this confidentiality provision shall render them liable for criminal, civil and administrative sanctions under the Act.

Section 7.5.

(a) Where any employee or personnel, director or officer of the Regulated Intermediary knows that the client has engaged in any of the predicate crimes under the Act, the matter must be promptly reported to its Compliance Officer who, in turn, must immediately report the details to the Council.

(b) If there are reasonable grounds to suspect that the customer has engaged in an unlawful activity, the Compliance Officer, on receiving such a report, must promptly evaluate whether there are reasonable grounds for such belief and must then immediately report the case to the Council unless he considers, and records an opinion, that such reasonable grounds do not exist.

Section 7.6. Each Regulated Intermediary shall maintain a register of all suspicious transactions that have been brought to the attention of its Compliance Officer, including transactions that are not reported to the Council.

Section 7.7. Each Regulated Intermediary shall likewise maintain a register of all covered transactions which are not reported to the Council pursuant to AMLC Resolution No. 292, Series of 2003.

Section 7.8. The registers shall contain details of the date on which the report is made, the person who made the report to its Compliance Officer, and information sufficient to identify the relevant papers related to said reports.

Section 7.9. Under Section 13 of the Act, where Regulated Intermediaries disclose to an authorized officer a knowledge, suspicion or belief that any fund, property or investment is derived from or used in connection with any criminal conduct under the

Act or any matter on which such a knowledge, suspicion or belief is based, such disclosure shall not be treated as a breach of any restriction upon the disclosure of information imposed by law, contract or by rules of professional conduct. Furthermore, under Section 9 of the Act, no administrative, criminal or civil proceedings shall lie against any person for having made a suspicious or covered transaction report in the regular performance of his duties and in good faith, whether or not such reporting results in any criminal prosecution under this Act or any other Philippine law. Regulated Intermediaries, its directors and employees shall likewise not be liable for any loss arising out of such disclosure, or any act or omission, in relation to the fund, property or investment in consequence of the disclosure, where such is made in good faith and in the regular performance of their duties under the Act.

CHAPTER 8
INTERNAL CONTROL AND PROCEDURES

Section 8.1. Regulated Intermediaries are required to establish and implement internal control procedures aimed at preventing and impeding money laundering. Such procedures shall, among other things, ensure that such intermediaries and their employees are aware of the provisions of the Act, its implementing rules and regulations, as well as all reportorial and compliance control and procedures that shall be established by the Council, the Supervising Authority and each Regulated Intermediary.

Section. 8.2. Regulated Intermediaries shall see to it that their respective policies and procedures for dealing with money laundering, reflecting the requirements under the Act and its implementing rules and regulations, are clearly set out and reflected in their Operating Manual.

Section 8.3. Policies and procedures should cover, among others:

- Communications of firm policies relating to money laundering, including timely disclosure of information and internal audits to ensure compliance with policies, procedures and controls relating to money laundering;
- Account opening and customer identification, including requirements for proper identification;
- Maintenance of records;
- Compliance with the requirement of the AMLA, as amended, its Revised Implementing Rules and Regulations, and all Circulars issued by the Commission and the Anti-Money Laundering Council;
- Cooperation with the Commission and other relevant Authorities.

Section 8.4. Regulated Intermediaries shall establish written internal reporting procedures which shall:

(a) Enable all its directors, officers, employees, and all key staff to know to whom they should report any knowledge or suspicion of money laundering activity;

(b) Ensure that there is a clear reporting chain under which suspicions of money laundering activity will be passed to the Compliance Officer, in accordance with the Reporting Procedures of the Regulated Intermediary.

(c) Require the Compliance Officer to consider any report in the light of all relevant information available for the purpose of determining whether or not it gives rise to a knowledge or suspicion of money laundering;

(d) Ensure that the Compliance Officer has reasonable access to any other information which may be of assistance in the determination as to whether or not a suspicious transaction report is to be filed.

(e) Require that, upon determination of the suspicious nature of the report, the information contained therein is disclosed promptly to the Council.

(f) Maintain a register of all reports pursuant to Section 7.6, 7.7 and Section 7.8. above.

CHAPTER 9
COMPLIANCE

Section 9.1. Each Regulated Intermediary shall appoint one or more senior persons, or an appropriate unit, to advise its management and staff on the issuance and enforcement of in-house instructions to promote adherence to the Act, its Implementing Rules and Regulations, their Operating Manual, including personnel training, reporting of covered and suspicious transactions, and generally, all matters relating to the prevention of money laundering.

Section 9.2. Each Regulated Intermediary shall appoint a senior officer as the Compliance Officer. Unless otherwise provided in their respective Manuals, the registered Associated Person of Registered Intermediaries covered by the SRC shall also be the Compliance Officer as contemplated herein. A Compliance Officer shall be:

(a) A senior officer with relevant qualifications and experience to enable him to respond sufficiently well to inquiries relating to the relevant person and the conduct of its business;

(b) Responsible for establishing and maintaining a manual of compliance procedures in relation to the business of the Regulated Intermediary;

(c) Responsible for ensuring compliance by the staff of the Regulated Intermediary with the provisions of the Act, its Implementing Rules and

Regulations, and the Regulated Intermediary's Manual of Compliance Procedures established under Section 9.2. (b);

(d) Responsible for disseminating to its Board, officers and all employees memorandum circulars, resolutions, instructions, and policies issued by the Council and the Commission in all matters relating to the prevention of money laundering;

(e) The liaison between the Regulated Intermediary and the Council in matters relating to compliance with the provisions of the Act and its Implementing Rules and Regulations;

(f) Responsible for the preparation and submission to the Council written reports on the Regulated Intermediaries' compliance with the provisions of the Act and its Implementing Rules and Regulations, in such form as the Council may determine, and within such period as the Commission may allow in accordance with the AMLA, as amended.

Section 9.3. Notwithstanding the duties of the Compliance Officer, the ultimate responsibility for proper supervision, reporting and compliance pursuant to the AMLA, as amended, its Revised Implementing Rules and Regulations shall rest with the Regulated Intermediary and its Board of Directors.

CHAPTER 10
TRAINING

Section 10.1. The Regulated Intermediary shall provide education and training for all its staff and personnel, including directors and officers, to ensure that they are fully aware of their personal obligations and responsibilities in combating money laundering and to be familiar with its system for reporting and investigating suspicious matters.

Section 10.2. A Regulated Intermediary may, due to the scale and nature of their operations, assign the internal audit or training functions to another person (e.g. professional association, parent company or external auditors). Where a Regulated Intermediary delegates its responsibilities for audit and training, due diligence is to be exercised to ensure that the persons appointed are able to perform these functions effectively and the fact of such appointment must be relayed in writing to the Council.

Section 10.3. Timing and content of training for various sectors of staff will need to be adapted by the Regulated Intermediary to its own needs. The following training programs are recommended:

i. *New Staff*

A general appreciation of the background to money laundering, the need to be able to identify suspicious transactions and report such transactions to the appropriate designated point within the Regulated Intermediary. This training shall be provided to all new employees, regardless of level of seniority.

ii. *Cashiers/Dealers' Representatives or Investment Representatives/Advisory Staff*

Personnel who deal directly with the public are the first point of contact with potential money launderers. Their efforts are therefore vital to the Regulated Intermediaries' reporting system for such transactions. They should be trained to identify suspicious transactions and on the procedure to be adopted when a transaction is deemed to be suspicious. "Front-line" staff should be made aware of the Regulated Intermediary's policy for dealing with non-regular customers particularly where large cash transactions are involved, and the need for extra vigilance in cases under suspicious circumstances.

iii. *Supervisors and Managers*

A higher level of instruction covering all aspects of money laundering procedures should be provided to supervisors and managers. This will include the offences and penalties arising from the Act, procedures relating to service of production and restraint orders, internal reporting procedures, and the requirements for verification of identity and the retention of records.

Section 10.4. Regulated Intermediaries shall, at least once a year, make arrangements for refresher training to remind key staff of their responsibilities and to make them aware of any changes in the laws and rules relating to money laundering, as well as the internal procedures of the Regulated Intermediary.