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# **ANTI-MONEY LAUNDERING OPERATING MANUAL**

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**NATCCO MUTUAL BENEFIT ASSOCIATION, INC.**

## ANTI-MONEY LAUNDERING OPERATING MANUAL

### INTRODUCTION

The National Confederation of Cooperatives Mutual Benefits Association Incorporated (NATCCO MBAI), being one of the covered institutions as a mutual benefit association, hereby adapts and submits this ANTI-MONEY LAUNDERING OPERATION MANUAL, pursuant to R.A. 9160 (as amended by R.A. 6194)

Except as otherwise defined herein, all terms used shall have the same meaning as those terms as defined in the Anti-Money Laundering Act (AMLA) of 2001, Republic Act No. 9160, as amended, hereinafter referred to as the “Act”;

Specifically the following definitions shall apply to the foregoing:

#### I. DEFINITION OF TERMS

For purposes of this Guidelines, the following terms are defined as follows:

A. **Anti-Money Laundering Act (AMLA)** refers to Republic Act No 9160' as amended by Republic Act Nos. 9194, 10167, 10365 and 10927'

B. **Anti-Money Laundering Council (AMLC)** refers to the financial intelligence unit of the Philippines which is the government agency tasked to implement the AMLA.

C. **Financing of Terrorism**, is a crime committed by a person who directly or indirectly, willfully and without lawful excuse, possesses, provides, collects or uses property or funds or makes available property, funds or financial service or other related services, by any means, with the inlawful and willful intention that they should be used or with the knowledge that they are to be used in full or in part:

(i) carry out or facilitate the commission of any terrorist act; (ii) by a terrorist organizations, association or group; or (iii) by an individual terrorist'

D. **Person** refers to any natural or juridical person

E. **Transaction** refers to any act establishing any right or obligation or giving rise to any contractual or legal relationship between the parties thereto. It also includes any movement of funds by any means with a covered Person.

F. **Competent authorities** refers to all public authorities with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the AMLC; the authorities that have the function of investigating and/or prosecuting money laundering unlawful activities and terrorist financing, and seizing/freezing and confiscating any monetary instrument or property that is in any way related to an unlawful activity; authorities receiving reports on cross-

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border transportation of currency & bearer negotiable instruments (BNIs); and authorities that have AMUCFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AMUCFT requirements'

**G. Covered transaction"** refers to:

1. A transaction in cash or other equivalent monetary instrument exceeding Five Hundred Thousand pesos (Php500'000 00) or its equivalent in any other currency; or
2. A transaction, regardless of frequency of payment (monthly, quarterly, semi-annually or annually), where the total premiums/fees paid for a policy, plan or agreement for the entire year exceeds Five Hundred Thousand Pesos (Php500,000.00) or its equivalent in any other currency.

**H. Suspicious Transaction** refers to a transaction, regardless of amount, where any of the following circumstances exists:

1. There is no underlying legal or trade obligation, purpose or economic justification;
2. The customer is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the customer;
4. Taking into account all known circumstances, it may be perceived that the customer's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
5. Any circumstance relating to the transaction which is observed to deviate from the profile of the customer and/or the customer's past transactions with the covered person;
6. The transaction is in any way related to an unlawful activity or any money laundering activity or offense that is about to be committed, is being or has been committed; or
7. Any transaction that is similar, analogous or identical to any of the foregoing.

Any unsuccessful attempt to transact with an ICRE, the denial of which is based on any of the foregoing circumstances' shall likewise be considered as suspicious transaction

**I. Customer** refers to any person who keeps an account' or otherwise transacts business with an ICRE. It includes the following:

1. Any person or entity on whose behalf an account is maintained or a transaction is conducted, as well as the beneficiary of said transactions;
2. Beneficiary of a trust, an investment fund or a pension fund;
3. A company or person whose assets are managed by an asset manager;
4. A grantor of a trust; and
5. Any insurance policy holder, pre-need plan holder or HMO enrolled member, whether actual or prospective

**J. Politically Exposed Person (PEP)** refers to an individual who is or has been entrusted with prominent public position in (1) the Philippines with substantial authority over policy, operations or

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the use or allocation of government-owned resources; (2) a foreign State; or (3) an international organization.

The term PEP shall include immediate family members, and close relationships and associates that are reputedly known to have:

1. Joint beneficial ownership of a legal entity or legal arrangement with the main/PrinciPal PEP;  
or
2. Sole beneficial ownership of a legal entity or legal arrangement that is known to exist for the benefit of the main/principal PEP

**K. Immediate Family Member of PEPs** refers to spouse or partner; children and their spouses; and parents and parents-in-law'

**L. Close Associates of PEPs**" refer to persons who are widely and publicly known to maintain a particularly close relationship with the PEP, and include persons who are in a position to conduct substantial domestic and international financial transactions on behalf of the PEP'

**M. Beneficial Owner'** refers to any natural person who:

1. Ultimately owns or controls the customer and/or on whose behalf a transaction or activity is being conducted; or
2. Has ultimate effective control over a legal person or arrangement.

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

**N. Official Document** refers to any of the following identification documents:

1. For Filipino citizens: Those issued by any of the following official authorities:
  - a. Government of the Republic of the Philippines' including its political subdivisions' agencies' and instrumentalities;
  - b. Government-Owned or -Controlled Corporations (GoCCs);
  - c. Covered persons registered with and supervised or regulated bY the BSP, SEC or IC;
2. For foreign nationals: Passport or Alien Certificate of Registration;
3. For Filipino students: School ID signed by the school principal or head of the educational institution; and
4. For low risk customers: Any document or information reduced in writing which the covered person deems sufficient to establish the customer's identity.

**O. Monetary Instrument** shall include, but is not limited to the following:

1. Coins or currency of legal tender of the Philippines, or of any other country;
2. Credit instruments, including bank deposits' financial interest, royalties, commissions, and other intangible property;
3. Drafts, checks, and notes;

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4. Stocks or shares, participation or interest in a corporation or in a commercial enterprise or profit-making venture and evidenced by a certificate, contract' instrument' whether written or electronic in character, including those enumerated in Section 3 of the Securities Regulation Code;
5. A participation or interest in any non-stock, non-profit corporation;
6. Securities or negotiable instruments, bonds, commercial papers, deposit certificates, trust certificates' custodial receipts, or deposit substitute instruments, trading orders' transaction tickets, and confirmations of sale or investments and money market instruments;
7. Contracts or policies of insurance, life or non-life' contracts of suretyship, pre-need plans, and member certificates issued by mutual benefit association; and
8. Other similar instruments where title thereto passes to another by endorsement, assignment, or delivery'

**P. Property** refers to anything or item of value, real or personal, tangible or intangible, or any interest therein, or any benefit' privilege' claim' or right with respect thereto, including:

1. Personal property, including proceeds derived therefrom' or traceable to any unlawful activity, such as' but not limited to:
  - a. Cash;
  - b. Jewelry, precious metals and stones, and other similar items;
  - c. Works of art, such as paintings, sculptures, antiques, treasures, and other similar precious objects;
  - d. Perishable goods; and
  - e. Vehicles, vessels, aircraft, or any other similar conveyance.
2. Personal property, used as instrumentalities in the commission of any unlawful activity, such as:
  - a. Computers, servers, and other electronic information and communication systems; and
  - b. Any conveyance, including any vehicle, vessel, and aircraft.
3. Real estate, improvements constructed or crops growing thereon, or any interest therein, standing upon the record of the registry of deeds in the name of the party against whom the freeze order or asset preservation order is issued, or not appearing at all upon such records, or belonging to the party against whom the asset preservation order is issued and held by any other person, or standing on the records of the registry of deeds in the name of any other person, which are:
  - a. derived from, or traceable to, any unlawful activity; or
  - b. used as an instrumentality in the commission of any unlawful activity.

**Q. Proceeds** refers to an amount derived or realized from any unlawful activity.

**R. Monetary Instrument or Property Related to an Unlawful Activity** refers to:

1. All proceeds of an unlawful activity;

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2. All monetary, financial or economic means, devices, accounts' documents, papers, items, or things used in or having any relation to any unlawful activity;
3. All moneys, expenditures, payments, disbursements' costs' outlays, charges, accounts, refunds' and other similar items for the financing, operations, and maintenance of any unlawful activity; and
4. For purposes of freeze order and bank inquiry: related and materially-linked accounts.

**S. Related Accounts** refers to those accounts, the funds and sources of which originated from and/or are materially-linked to the monetary instruments or properties subject of the freeze order or an order of inquiry.

**T. Materially-linked Accounts** shall include the following:

1. All accounts or monetary instruments under the name of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or an order of inquiry;
2. All accounts or monetary instruments held' owned, or controlled by the owner or holder of the accounts, monetary instruments, or properties subject of the freeze order or order of inquiry, whether such accounts are held, owned or controlled singly or jointly with another Person;
3. All "In Trust For" accounts where either the trustee or the trust or pertains to a person whose accounts, monetary instruments' or properties are the subject of the freeze order or order of inquiry;
4. All accounts held for the benefit or in the interest of the person whose accounts, monetary instruments, or properties are the subject of the freeze order or order of inquiry; and
5. All other accounts, shares, units, or monetary instruments that are similar, analogous, or identical to any of the foregoing

**U. Offender** refers to any person who commits a money laundering offense.

**V. Unlawful Activity** refers to any act or omission, or series or combination thereof, involving or having direct relation, to the following:

1. *Kidnapping for Ransom* under Article 267 of Act No 3815' otherwise known as the Revised Penal Code, as amended;
2. Sections 4, 5, 6, 8, 9, 10, 11, 12,13, 14,15 and 16 of Republic Act No. 9165, otherwise known as the "Comprehensive Dangerous Drugs Act of 2002";
3. Section 3 paragraphs b, c, e, g, h and i of Republic Act No' 3019, as amended, otherwise known as the "Anti-Graft and Corrupt Practices Act";
4. *Plunder* under Republic Act No 7080, as amended;
5. *Robbery and Extortion* under Articles 294, 295' 296' 299' 300, 301 and302ofthe Revised Penal Code, as amended;
6. *Jueteng* and *Masiao* punished as illegal gambling under Presidential Decree No. 1602;
7. *Piracy on the High Seas* under the Revised Penal Code, as amended, and Presidential Decree No. 532;
8. *Qualified Theft* under Article 310 of the Revised Penal Code, as amended;

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9. *Swindling* under Article 315 and "Other Forms of Swindling" under Article 316 of the Revised Penal Code, as amended;
10. *Smuggling* under Republic Act No. 455, and Republic Act No. 1937, as amended, otherwise known as the "Tariff and Customs Code of the Philippines";
11. Violations under Republic Act No. 8792, otherwise known as the "Electronic Commerce Act of 2000";
12. *Hijacking* and other violations under Republic Act No. 6235' otherwise known as the "*Anti-Hijacking and Law; Destructive Arson; and 'Murde'*", as defined under the Revised Penal Code, as amended;
13. *Terrorism and Conspiracy to Commit Terrorism* as defined and penalized under Sections 3 and 4 of Republic Act No 9372;
14. *Financing of Terrorism* under Section 4 and offenses punishable under Sections 5, 6, 7 and I of Republic Act No' 10168, otherwise known as the "*Terrorism Financing Prevention and Suppression Act of 2012*";
15. *Bribery* under Articles 210, 211 and 211-A of the Revised Penal Code, as amended, and "Corruption of Public Officers" under Article 212 of the Revised Penal Code, as amended;
16. *Frauds and Illegal Exactions and Transaction*" under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended;
17. *Malversation of Public Funds and Property* under Articles 217 and 222 of the Revised Penal Code, as amended;
18. *Forgeries and Counterfeiting* under Articles 163' 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;
19. Violations of Sections 4 to 6 of Republic Act No' 9208' otherwise known as the "Anti-Trafficking in Persons Act of 2003' as amended";
20. Violations of Sections 78 to 79 of Chapter IV of Presidential Decree No. 705, otherwise known as the "Revised Forestry Code of the Philippines, as amended",
21. Violations of Sections 86 to 106 of Chapter VI of Republic Act No. 8550, otherwise known as the "Philippine Fisheries Code of 1998";
22. Violations of Sections 101 to 107, and 110 of Republic Act No' 7942, otherwise known as the "Philippine Mining Act of 1995";
23. Violations of Section 27(c), (e), (f), (g) and (i) of Republic Act No. 9147, otherwise known as the "Wildlife Resources Conservation and Protection Act";
24. Violations of Section 7(b) of Republic Act No. 9072, otherwise known as the "National Caves and Cave Resources Management Protection Act";
25. Violation of Republic Act No. 6539, otherwise known as the "Anti-Carnapping Act of 1972, as amended;
26. Violation of Sections 1, 3, and 5 of Presidential Decree No' 1866, as amended, otherwise known as the decree "Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing In, Acquisition or Disposition of Firearms, Ammunition or Explosives;
27. Violation of Presidential Decree No. 1612, otherwise known as the " Anti- Fencing Law;
28. Violation of Section 6 of Republic Act No 8042, otherwise known as the "Migrant Workers and Overseas Filipinos Act of 7995, as amended";

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29. Violation of Republic Act No. 8293, otherwise known as the Intellectual Property Code of the Philippines, as amended;
30. Violation of Section 4 of Republic Act No' 9995, otherwise known as the Anti-Photo and Video Voyeurism Act of 2009";
31. Violation of Section 4 of Republic Act No' 9775, otherwise known as the "Anti-Child Pornography Act of 2009";
32. Violations of Sections 5, 7, 8, 9, 10 (c), (d) and (e), 11, 12 and 14 of Republic Act No. 7610, otherwise known as the "Special Protection of Children Against Abuse, Exploitation and Discrimination";
33. Fraudulent practices and other violations under Republic Act No. 8799, otherwise known as the "Securities Regulation Code of 2000;
34. Felonies or offenses of a nature similar to the aforementioned unlawful activities that are punishable under the penal laws of other countries.

In determining whether or not a felony or offense punishable under the penal laws of other countries is "of a similar nature" as to constitute an unlawful activity under the AMLA, the nomenclature of said felony or offense need not be identical to any of the unlawful activities listed above.

### **W. Money Laundering.** - Money laundering is committed by:

1. Any person who, knowing that any monetary instrument or property represents, involves, or relates to the proceeds of any unlawful activity:
  - a. Transacts said monetary instrument or property;
  - b. Converts, transfers, disposes of, moves, acquires, possesses or uses said monetary instrument or property;
  - c. Conceals or disguises the true nature, source, location, disposition, movement or ownership of or rights with respect to said monetary instrument or property;
  - d. Attempts or conspires to commit money laundering offenses referred to in (a), (b), or (c) above;
  - e. Aids, abets, assists in, or counsels the commission of the money laundering offenses referred to in (a), (b)' or (c) above; and
  - f. Performs or fails to perform any act as a result of which he facilitates the offense of money laundering referred to in (a), (b), or (c) above.
  
2. Any covered person who, knowing that a covered or suspicious transaction is required under the AMLA to be reported to the AMLC, fails to do so.

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### CHAPTER 1

#### DESCRIPTION OF MONEY LAUNDERING

**Section 1.1.** Money Laundering is a process intended to mask the benefits derived from serious offenses or criminal conduct as described under the Anti- Money Laundering Act, so that they appear to have originated from a legitimate source. Specifically, it covers all procedures to change, obscure or conceals the beneficial ownership or audit trail of illegally obtained money or valuables so that it appears to have originated from a legitimate source.

Money laundering is also used to hide the link between those who finance terrorism and those who commit terrorist acts. Financing of terrorism can be defined as the willful provision or collection, by any means, directly or indirectly, of funds with the intention that the funds should be used, or in the knowledge that they are to be used, to facilitate or carry out terrorist acts. Terrorism can be funded from legitimate income.

**Section 1.2.** Generally, the process of money laundering comprises three stages, during which there may be numerous transactions that could alert NATCCO MBAI to the money laundering activity:

- (a) **Placement** -the physical disposal of cash proceeds derived from illegal activity. The aim is to remove cash from the location of acquisition to avoid detection.
- (b) **Layering** - separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity.

The business of insurance is most likely to be used at the second stage of money laundering, the layering process, as they provide a potential avenue which may allow a dramatic alteration of the form of funds – from cash on hand to cash in bank, 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.

Money laundering and the financing of terrorism using reinsurance could occur either by establishing fictitious (re)insurance companies or reinsurance intermediaries, fronting arrangements and captives, or by the misuse of normal reinsurance transactions.

- (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. It is the final stage and the process at which the money is integrated into the legitimate economic and financial systems and is assimilated with all other assets in the system. Integration of

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laundered money into the economy is accomplished by making it appear to have been legally earned. Thus, it is exceedingly difficult to distinguish between legal and illegal wealth.

Insurance policies, particularly life insurance contracts, are treated not only as protection and savings instruments, but also as investment contracts and as such, insurance transactions incorporate added attraction to the launderer in that the alternative asset is normally highly liquid. The ability to liquidate investment portfolios containing both lawful and illicit proceeds, while concealing the criminal sources of the latter, combines with the huge variety of investments and insurance products 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 insurance institutions as instruments of money laundering.

**Section 1.3.** Due diligence must be exercised to prevent the use of the NATCCO MBAI as instrument for money laundering; hence it implements the following procedures to identify when it is being requested to “launder money”.

- Partner cooperatives should take all reasonable steps to enable them to establish, to their satisfaction, the true and full identity of each client/member, and of each client’s source of wealth, financial situation and investment, objectives at the time the relationship is established. Whenever possible, the prospective member should be interviewed personally after completing the Pre-membership seminar (CDA Rule on Common Bond of Interest).
- Any suspicion of such transactions should be communicated to the Compliance Officer. The following are some examples of suspicious transactions:
  - Large or unusual settlements of transactions in cash or bearer form;
  - Any transaction where the nature, size or frequency appears unusual;
  - Instructions to credit sales proceeds to an account different from that of the original source account or to a third party;
- If there are any suspicions about the activities of an existing or potential member, they should be reported immediately to the Compliance Officer. The procedures for reporting to the Compliance Officer are detailed in Section 7.1 of this Manual.
- Employees are prohibited from disclosing to a client or any other person that information has been passed to the Compliance Officer, management, or the regulatory authorities of anti-money laundering council.
- To ensure compliance with this requirement, all personnel will be required to sign a statement on breach of confidentiality provision of the AMLA. A copy of this signed statement will be filed together with the personnel 201 file.

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**Section 1.4.** Vulnerabilities in Insurance. Life and Non-life insurance can be used in different ways by money launders and terrorist financiers.

Insurance Institution therefore should take adequate measures to deter, detect and report money laundering and the financing of terrorism.

The type of life insurance contracts that are vulnerable as vehicle for laundering money or terrorist financing are products, which include: unit-linked single premium contracts, purchase of fixed and variable annuities, single provision life insurance policies that store cash value and (secondhand) endowment policies. Non-life money laundering or terrorist financing can be seen through inflated or legally bogus claims and through the use of reinsurance. An insurance policy might be used as collateral to purchase other financial instruments. These investments in themselves may be merely one part of a sophisticated web of complex transactions with their origins in the financial services sector.

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### CHAPTER 2

#### BASIC PRINCIPLES AND POLICIES TO COMBAT MONEY LAUNDERING

**Section 2.1.** The Security and Exchange Commission and the Insurance Commission seek to combat money laundering by requiring every Stock Broker/Dealer/Agent/Partners to apply the following principles:

- i. *Know the customer / Client:* NATCCO MBAI generally admits that satisfactory and competent evidence is properly obtained on the identity of cooperatives members and effective procedures have been applied for such verification especially on new members. NATCCO MBAI relies mainly on its cooperatives partners on the matter of getting full information of their members.
- ii. *Compliance with laws:* NATCCO MBAI ensures that laws and regulations especially those covered under the Anti-Money Laundering Act of 2001 as amended, are adhered to under a business environment of high ethical standards and that service shall only be provided to members. Where there is good reason that money laundering activities could be involved, no service can be provided.
- iii. *Co-operation with law enforcement agencies:* Should there be reasonable grounds for suspecting money laundering NATCCO MBAI shall fully cooperate with proper law enforcement agencies within the legal constraints relating to customer confidentiality. For purposes of the Anti-Money Laundering Act of 2001, as amended, disclosure of information regarding suspicious transactions and covered transactions shall be made to Executive Director, Anti-Money Laundering Council, 5<sup>th</sup> Floor, EDPC Bldg., Bangko Sentral ng Pilipinas
- iv. *Dissemination of Policies and procedures:* Policies and procedures to prevent and detect possible money laundering activities shall be properly disseminated to the officers and staff of NATCCO MBAI, which include its Compliance Officer registered with the Security and Exchange Commission and/or the Insurance Commission and all its cooperative partners.

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### CHAPTER 3

#### CUSTOMER IDENTIFICATION

**Section 3.1 GENERAL:** Additional efforts should be made to obtain satisfactory evidence of the true and full identity of clients through presentation 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 bearing a photograph and be pre-signed. The identifying documents that 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, they should not be accepted as the sole means of identification.

While official identity cards and passports are the most reliable among these documents cooperative officer should scrutinize these documents to ensure they are in fact genuine. If in doubt, immediately advise the Compliance Officer or Operations Head who will coordinate with the issuing agency/(ies) to determine and validate genuineness of the of the document.

As a rule, the original documents should be required and after carefully scrutinizing the originals, coop signs the photocopy to indicate that he has seen the original.

- 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 3.2. PERSONAL ACCOUNTS:** NATCCO MBAI admits its cooperative partner information for each personal/individual account vis:

- Member name and/or names/aliases used;

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- Residence addresses; telephone number
- Business addresses; telephone number
- Date and place of birth
- Nationality;
- Signature of the recruiter/officer/Consultant who introduced the member and signatures of members of Management Committee; and,
- Nature of work, name of employer or nature of self- employment or business;

For each member, NATCCO MBAI also admits its cooperative partners reasonable effort in obtaining the following information to the extent it is applicable to the member;

- Customer's tax identification numbers, Social Security number or Government Service and Insurance System number;
- Occupation of customer, name and address and telephone number of the employer;
- Annual income, Assets or net worth.
- Whether the customer is associated with another SB/SD (e.g. Officer, director, Advisor/Agent/Consultant, shareholder)
- Whether the customer is an officer or director (insider) of a company listed on the exchange (PSE);
- The customer's investment objective and other related information concerning the customer's financial situation and needs;
- Account type; if cash,
- Specimen signature;
- Clear photocopy of a valid ID with photo of the client is submitted (any government issued ID i.e. passport, driver's license, PRC)
- Client is in good financial standing;
- Client was highly recommended by Recruiter/officer/Consultant.

**Section 3.3. PARTNERSHIP:** - NATCCO MBAI partners only with cooperatives which are affiliates of NATCCO in so far as providing insurance services to their members.

**Section 3.3.1** Partner cooperatives are members in good standing with the NATCCO Network of Cooperatives in that these cooperatives are attending meetings, fora, and conferences sponsored by NATCCO and are updated in meeting their dues with NATCCO.

**Section 3.3.2** Customer identification and information of existing clients should be updated and/or amended at least once every five (5) years. This refers to change of residential or business address, new identification cards, new passport, additional business information, new business investment/venture, and the like.

**Section 3.3.3** As a policy, NATCCO MBAI only allows named account holders. Where it may not be avoided, particular care must be taken to ensure that the person giving instructions is authorized to do so

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by the accountholder. A Special Power of Attorney (SPA) or a signature-verified instruction in writing duly executed by the accountholder authorizing (or naming) a third party to transact in behalf of the accountholder should first be obtained.

*Section 3.4.* Additionally, as a policy, NATCCO MBAI only transact business with members who also are members of cooperatives affiliated with NATCCO.

## CHAPTER 4

### RECORD KEEPING

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**Section 4.1.** NATCCO MBAI shall prepare and maintain documentation on their members' relationships and transactions such that:

- i. The requirements of the Act are fully met;
- ii. Any transaction by NATCCO MBAI 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. NATCCO MBAI 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 member or beneficial owner of transactions conducted through the Company.

**Section 4.2.** The following document retention periods shall be followed:

- i. All documents submitted by cooperatives and the accounts of member and records of all their transactions, especially member identification records, shall be maintained and safely stored for five (5) years from the dates of transactions.
- ii. Records of NATCCO MBAI include:
  - General Ledger
    - Journal Vouchers
  - Coop Ledgers
    - Official receipts
    - Disbursement vouchers
    - Debit/credit memoranda
  - Trial Balance
  - Employment Application (for each Compliance Officer and Investment Advisor/Agent/Consultant)
  - Coop Account Information Form
  - Personnel file
  - Other documents that may be needed from time to time.

Checking and review of the documents is done by the personnel assigned to verify the accuracy and completeness of the book/record maintained by NATCCO MBAI. It is important that any material irregularity or missing

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or incomplete documents are noted and reported for immediate rectification/correction.

Any or all of NATCCO MBAI books and records should be immediately available upon request by the SEC and/or IC.

**Section 4.3.** Transaction documents may be retained as originals or copies or in electronic form, 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 4.4.** 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.

## CHAPTER 5

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### COVERED AND SUSPICIOUS TRANSACTIONS

**Section 5.1.** It shall be mandatory that a **Covered Transaction Report (CTR)**, a copy of which is hereto attached as **Annex “A”**, covering single or multiple transactions in five (5) days, in cash or other equivalent monetary instrument, be filed before the Anti-Money Laundering Council, within one (1) banking day where the total amount involved is in excess of P500,000.00, the threshold limit provided under Section 3 (b) of R.A. 9160, as amended by RA 9194.

The CTR in AMLA Form requires three (3) signatories from NATCCO MBAI, to wit:

- 1.) The staff or officer who entertained or secured the account,
- 2.) The Compliance Officer, and
- 3.) A senior officer not less than the position of the Vice- President.

For online reporting thru electronic mail it's the sole responsibility of the Compliance Officer to keep the report confidential and safe from public exposure.

**Section 5.2.** As provided in Section 3 (b-1) of the Act, NATCCO MBAI 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 member is not properly identified;
3. The amount involved is not commensurate with the business or financial capacity of the member;
4. Taking into account all known circumstances, it may be perceived that the member'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 some 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.

**Section 5.3.** A suspicious transaction, as a general principle, relates to any transaction wherein there is a sense of apprehension or sense of mistrust considering the unusual nature or circumstances of the transaction and the behavioral factors on the persons with whom the transaction is being dealt with and thereby bringing some suspicion that the transaction may be connected with an unlawful activity. A list of examples of suspicious transactions is attached in **Annex “C”** hereof. The list is not exhaustive and it is left to the better judgment of NATCCO MBAI to gauge the nature of each and every transaction that they would be involved in.

## ANTI-MONEY LAUNDERING OPERATING MANUAL

### CHAPTER 6

### REPORTORIAL REQUIREMENTS

## ANTI-MONEY LAUNDERING OPERATING MANUAL

**Section 6.1.** NATCCO MBAI shall institute a system for the mandatory reporting of covered transactions and suspicious transactions by appointing the Compliance Officer who is registered with the SEC, and/or IC, who shall be responsible for reporting to the Council, after approval by the Board or the President or Chairman. If an urgent disclosure is required when there is an on-going investigation, an initial notification by telephone should be made to the Executive Director, Anti-Money Laundering Council, Bangko Sentral ng Pilipinas.

**Section 6.2.** Reporting of covered and suspicious transactions must be done by the Compliance Officer within five working days.

**Section 6.3.** NATCCO MBAI employees, Advisor/Agent/Consultant, Compliance Officer, and/or directors shall not warn their customers when information relating to them is being reported to the council or communicate directly or indirectly such information to any other 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 6.4.** NATCCO MBAI shall register or maintain a complete file on all covered and suspicious transactions that have been brought to the attention of the Compliance Officer, including transactions that are not reported to the Council. The register shall contain details of the date on which the report is made, the person who made the report to the Compliance Officer, and information sufficient to identify the relevant papers related to said reports.

The following are the list of files to be maintained

- Contracts
- Confirmation Invoices Official Receipts
- Check Vouchers
- Monthly Statement of Account
- Correspondence
- In/out receipts
- And any other Related Trade reports

## CHAPTER 7

### INTERNAL CONTROL AND PROCEDURES

## ANTI-MONEY LAUNDERING OPERATING MANUAL

**Section 7.1.** As a general internal control procedure, directors, officers, and staff of NATCCO MBAI shall report any information or suspicion of money laundering activity to the Internal Auditor and Compliance Officer, which is the designated Reporting officer. This should be formally transmitted to the either in hard copy report, memoranda or note, or via electronic means (inter-office email). Use of external emails in transmitting the report is prohibited to ensure no one else is provided a copy (including blind copies). Failure to comply with such requirement exposes the reporting personnel to breach of confidentiality in violation of the Anti Money Laundering Act and is punishable by fine no less than P500,000 but not more than P1,000,000 or imprisonment of no less than 3 three years but not more than 8 years.

In line with this requirement, all personnel will be required to sign a statement on breach of confidentiality provision of the AMLA. A copy of this signed statement will be filed together with the personnel 201 file.

**Section. 7.2.** It shall be the duty and responsibility of such reporting officer to evaluate any report in the light of relevant information available to determine whether there is a reasonable ground for a suspicion of money laundering. See Annex C for List of Suspicious Transactions.

**Section 7.3.** After a thorough evaluation and reasonable belief that there is really a basis for suspicion of money laundering, the Reporting Officer, Internal Auditor or Compliance Officer shall file the necessary reports promptly to the Council.

**Section 7.4.** Reporting officer shall maintain a register of all reports made to the Council as well as all reports made by the staff of their firm relative to suspicious transactions, whether or not such were reported to the Council.

## CHAPTER 8

## COMPLIANCE

## ANTI-MONEY LAUNDERING OPERATING MANUAL

**Section 8.1.** Reporting of Covered and Suspicious transaction must start from the Partner cooperative personnel, since these are the persons who really know the capacity of its member. The cooperative personnel after assessment of any Covered transaction shall report to the Reporting Officer (Compliance Officer). The Compliance Officer with the assistance of the senior officers of NATCCO MBAI shall report such covered or suspicious transactions to the council.

**Section 8.2.** The designated Reporting Officer, Internal Auditor or Compliance Officer should be fully knowledgeable on the conduct of business of securities, brokers/dealers. This would ensure that he/she will be able to impart the compliance procedures to the staff of their firm and be able to impart the Compliance procedures to the staff of the Company and be able to liaison effectively with the Council.

**Section 8.3.** Notwithstanding the duties of the Compliance Officer as the reporting officer, the ultimate responsibility for proper supervision, reporting and compliance with the Anti-Money Laundering Act as amended and its implementing Rules and Regulations, shall rest with NATCCO MBAI and its Board of Trustees.

## CHAPTER 9

### TRAINING OF STAFF

## ANTI-MONEY LAUNDERING OPERATING MANUAL

**Section 9.1.** NATCCO MBAI shall provide the necessary training, orientation to its Personnel and Compliance Officer. The Administrative Officer or its equivalent is responsible in disseminating to the staff the new procedures and guidelines needed by the company in combating money laundering. The Board of Trustees and officers are provided the necessary training because they should be part in preventing money laundering. The officers and staff are sent to orientations, training and seminars being offered by the regulatory bodies.

**Section 9.2.** NATCCO MBAI shall determine the extent of training/orientation of its personnel with the priority being given to the Compliance Officer who would be directly be exposed to situations involving money laundering activities. Scope of training is on the following;

Scope of training:

Provisions of the AMLA and the IRR

The Company's AMLA Manual

The Company's Internal Supervision, Control, and Compliance Procedures

The Company's Corporate Governance Manual

Updates and changes on the AMLA

Updates and changes on Corporate Governance

Updates and changes on Internal Supervision, Control, and Compliance Procedures

Updates on BIR Regulations

Updates on PSE/SEC/IC Regulations

**Section 9.3.** Refresher training or orientations shall be made from time to time to constantly remind key staff of their responsibilities or if there are changes in the laws and rules in money laundering.

**ANTI-MONEY LAUNDERING OPERATING MANUAL**

**ANNEX “A”  
COVERED TRANSACTION REPORT  
(CTR)**

## ANTI-MONEY LAUNDERING OPERATING MANUAL

<b>COVERED TRANSACTION REPORT (CTR)</b> <i>(Complete all parts that apply—See instructions)</i>		Sec form No. _____ January 2002
1 Check all box(es) that apply:		
a <input type="checkbox"/> Amends prior report      b <input type="checkbox"/> Individual Person c <input type="checkbox"/> Multiple Persons              d <input type="checkbox"/> Corporation		
<b>Part I Person(s) Involved in Transaction(s)</b>		
<b>Section A - Individual Person</b>		
2 Individual's last name	3 First Name	4 Middle Name
5 Doing Business As	6 SSS, GSIS, TIN No.	7 Date of Birth
8 Address		9 Tel. Nos./Fax Nos.
10 Occupation/Business		11 Tel. Nos./Fax Nos.
12 Describe Method to Verify Identity		
a <input type="checkbox"/> Driver's License      c <input type="checkbox"/> Alien Registration b <input type="checkbox"/> Passport                  d <input type="checkbox"/> Others _____		
Issuing Authority _____		Number _____
Date Issued _____		Date of Expiry _____
<b>Section B - Multiple Persons</b>		
2 Last name	3 First Name	4 Middle Name
a	a.1	a.2
b	b.1	b.2
c	c.1	c.2
5 Doing Business As	6 SSS, GSIS, TIN No.	7 Date of Birth
a	a.1	a.2
b	b.1	b.2
c	c.1	c.2
8 Addresses		9 Tel. Nos./Fax Nos.
a	a.1	a.2
b	b.1	b.2
c	c.1	c.2
10 Occupation/Business		11 Tel. Nos./Fax Nos.
12 Describe Methods to Verify Identity		
First Individual		

**ANTI-MONEY LAUNDERING OPERATING MANUAL**

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- a  Driver's License    c  Alien Registration  
b  Passport            d  Others \_\_\_\_\_

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Issuing Authority \_\_\_\_\_ Number \_\_\_\_\_  
 Date Issued \_\_\_\_\_ Date of Expiry \_\_\_\_\_

**Second Individual**

- a  Driver's License    c  Alien Registration  
 b  Passport            d  Others \_\_\_\_\_

Issuing Authority \_\_\_\_\_ Number \_\_\_\_\_  
 Date Issued \_\_\_\_\_ Date of Expiry \_\_\_\_\_

**Third Individual**

- a  Driver's License    c  Alien Registration  
 b  Passport            d  Others \_\_\_\_\_

Issuing Authority \_\_\_\_\_ Number \_\_\_\_\_  
 Date Issued \_\_\_\_\_ Date of Expiry \_\_\_\_\_

<b>Section C : Corporation</b>		
13 Regulated Name	14 Registration No.	15 Date of registration
16 Address		17 Tel. Nos./Fax Nos.
18 Nature of Business		19 Tel. Nos./Fax Nos.
20 Describe Method to Verify Legal Existence		
a <input type="checkbox"/> Certificate of registration	c <input type="checkbox"/> City/Municipal permits	
b <input type="checkbox"/> Articles of Incorporation/By-Laws	d <input type="checkbox"/> Others _____	
<b>Part II Amount and Type of Transaction (s) Check all boxes that apply.</b>		
21 Amount of Cash _____		22 Date(s) of Transaction (s)
a <input type="checkbox"/> Philippine Peso		
b <input type="checkbox"/> US Dollar		
c <input type="checkbox"/> Others _____		

## ANTI-MONEY LAUNDERING OPERATING MANUAL

23 Account Numbers Involved and Affected	
24 Nature of Transaction: Describe. Use additional Sheets, if necessary.	
<b>PART III Covered Institution Where Transaction(s) Take Place</b>	
25 Name of Covered Institution	26 Nature of Business
27 Address	28 Tel. Nos./Fax Nos.
29 Name and Title of Person Who Made the Transaction	30 Date When Reported
31 Name and Title of Person Preparing this Report	32 Date This Report was Signed
33 Signature of Person Who Made the Transaction	34 Signature of Preparer
35 Name/Title of Person Approving this Report	36 Signature of Person Approving this Report
37 Copy of Authorization from Covered Institution of Persons Making, Preparing and Approving This Report	
a Attached    b Not Attached. Reasons _____	

## ANTI-MONEY LAUNDERING OPERATING MANUAL

### General Instructions

**Who Must File.**—Each covered institution must file SEC Form No \_\_\_\_\_ (CTR) for each transaction by, through, or to the covered institution which involves a transaction in Philippine currency or its equivalent in foreign currency of more than Php500, 000.00. Multiple transactions must be treated as a single transaction if the covered institution has knowledge that (1) they are by or on behalf of the same person, and (2) they result in currency received (Cash In) or currency disbursed (Cash Out) by the covered institution totaling more than Php500,000.00 in a series of transactions. A business day is a calendar day.

**Identification Requirements.**— **This is important!** All individuals conducting a reportable transaction(s) for themselves or for another person must be identified by means of an official document(s) from the covered institution as the person/s authorized to make such a report.

In completing the CTR, the covered institution must indicate on the form the method, type, and number of the identification of the account holder or customer used in the transaction. Statements such as “known customer” or “signature card on file” are not sufficient for form completion.

**When and Where To File.**—File this CTR within five (5) days from which the transaction occurred to:

**THE EXECUTIVE DIRECTOR  
ANTI-MONEY LAUNDERING COUNCIL  
BANGKO SENTRAL NG PILIPINAS  
ROXAS BOULEVARD PASAYCITY**

**Penalties.**—Civil and criminal penalties are provided by the law for failure to file a CTR or to supply information or for filing a false or fraudulent CTR.

### Specific Instructions

1. Because of the limited space of the CTR, it may be necessary to submit additional information on attached sheets. Submit this additional information on plain paper attached to the CTR. Be sure to put the covered institution’s, individual’s or organization’s name and identifying number (e.g., items 2, 3, 4, and 6 of the CTR) on any additional sheets so that if it becomes separated, it may be associated with the CTR.

2. Amounts may be aggregated. The threshold limits for mandatory filing of a covered transaction report an amount in excess of Php500, 000.00. This covers the following transactions:

- a. A single, series or combination of transactions a total amount in excess of Php500, 000.00 or an equivalent in foreign currency based on the prevailing exchange rate where the client is not properly identified and/or the amount is not commensurate with his business or financial capacity, or is without any underlying legal or trade obligation, purpose, origin or economic justification.
- b. A single, series or combination or pattern of unusually large and complex transactions in excess of Php500, 000.00 or an equivalent in foreign currency based on the prevailing exchange rate, especially cash deposits and investments having no credible purpose or origin, underlying trade obligation or contract.

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3. Enter the full address of the covered institution where the transaction occurred. If there are multiple transactions, provide information on the office or branch where any one of the transactions has occurred.
  
4. The CTR shall be signed by the employee(s) who dealt directly with customer in the transaction and who made the initial internal report within the covered institution, the Compliance Officer of the covered institution, who made the necessary evaluation of the transaction and a senior official of the covered institution with a rank not lower than senior vice-president, who approved the filing of the CTR

**ANTI-MONEY LAUNDERING OPERATING MANUAL**

**ANNEX “B”  
SUSPICIOUS TRANSACTION REPORT (STR)**

## ANTI-MONEY LAUNDERING OPERATING MANUAL

<b>Suspicious Transaction Report</b>		<b>SEC FORM NO.</b> _____ January 2002	
1 Check box below only if correcting a prior report. Corrects Prior Report (see Part V under How to Make a Report)			
<b>PART I Reporting Covered Institution Information</b>			
2 Name of Covered Institution			
4 Address of Covered Institution		5 Tel. Nos. /Fax Nos.	
6 Address of Branch Office(s) where transaction occurred		7 If institution closed, date closed  MM / DD / YYYY	
8 Account number(s) affected		Date Opened    Closed?	
a _____		Yes    c _____	
b _____		No    d _____	
9. Nature of Transaction(s)/Account(s)			
<b>PART 2 Suspect Information</b>			
10 Last Name or Name of Entity		11 First Name	12 Middle
13 Address		14 SSN, GSIS or TIN	
15 Date of Birth  MM / DD / YYYY	16 Phone Number – Residence	167 Phone Number - Work	
18 Occupation/Type of Business		19 Admission/Confession? a Yes            b No	



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34 Contact Number	35 Date Received
36 Signature of Person Receiving This Report	

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37 Copy of the following documents attached

a  Customer Identification: Enumerate

b  Relevant Documents supporting the suspicious transactions: Enumerate

c  Copy of Authorization from Covered Institution of Persons Making, Preparing and Approving This Report

## ANTI-MONEY LAUDERING OPERATING MANUAL

### PART IV: Suspicious Transaction Information Explanation/Description

#### Explanation/description of known or suspected violation of law or suspicious transaction.

**This section of the report is critical.** The care with which it is written may make the difference in whether or not the described conduct and its possible criminal nature are clearly understood. Provide below a chronological and **complete** account of the possible violation of law, including what is unusual, irregular or suspicious about the transaction, using the following checklist as you prepare your account. **If necessary, continue the narrative on a duplicate of this page.**

- a. **Describe** supporting documentation and retain for 5 years.
- b. **Explain** who benefited, directly or indirectly, from the transaction, how much, and how.
- c. **Retain** any confession, admission, or explanation of the transaction provided by the suspect and indicate to whom and when it was given.
- d. **Retain** any confession, admission, or explanation of the transaction provided by any other person and indicate to whom and when it was given.
- e. **Retain** any evidence of cover-up or evidence of an attempt to deceive federal or state examiners or others.
- f. **Indicate** where the possible violation took place (e.g., main office, branch, other).
- g. **Indicate** whether the possible violation is an isolated incident or relates to other transactions.
- h. **Indicate** whether there is any related litigation; if so, specify.
- i. **Recommend** any further investigation that might assist law enforcement authorities.
- j. **Indicate** whether any information has been excluded from this report; if so, why?
- k. If you are correcting a previously filed report, describe the changes that are being made.
- l. **Indicate** whether currency and/or monetary instruments were involved. If so, provide the amount and/or description of the instrument (for example, bank draft, letter of credit, domestic or international money order, stocks, bonds, traveler's checks, wire transfers sent or received, cash, etc.).
- m. **Indicate** any account number that may be involved or affected.

#### Description of the Suspicious Transactions and Chronology of Events Leading to the Suspicion Using the Guidelines Enumerated Above

### PART V: Suspicious Transaction Report Instructions

**Safe Harbor Provisions of the Anti-Money Laundering Act of 2001, Republic Act No. 9169, under Section 9** © provides complete protection from criminal, civil and/or administrative liability for all reports of suspected or known criminal violations and suspicious activities to appropriate authorities, including supporting documentation.

Specifically, the law provides that a covered institution, and its directors, officers, employees and agents, that make a disclosure of any possible violation of law or regulation, shall not be liable to any person under any law or regulation of the Philippines or any constitution, law, or regulation of any country or political subdivision thereof, for such disclosure or for any failure to notify the person involved in the transaction or

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any other person of such disclosure, when such reporting was done in good faith and in the regular performance of their duties and responsibilities under the Act.

The law further requires that a covered institution, and its directors, officers, employees and agents who, by means of a suspicious transaction report, report suspected or known criminal violations or suspicious activities may not notify any person involved in the transaction that the transaction has been reported. Any breach of this confidentiality provision shall render them criminally, civilly and administratively liable under the law.

In situations involving violations requiring immediate attention, such as when a reportable violation is ongoing, the covered institution shall immediately notify, by telephone, appropriate law enforcement and covered institution supervisory authorities in addition to filing a timely suspicious transaction report.

### WHEN TO MAKE A REPORT:

1. All covered institutions falling under Section 3 (a)(3) of the Anti-Money Laundering Act of 2001, Republic Act No. 9160 are required to make this report following the discovery of:
  - a. **Violations involving any amount.** Whenever the covered institution detects any known or suspected violation of any the predicate crimes under the Act, or pattern of criminal violations, committed or attempted against the covered institution or involving a transaction or transactions conducted through the covered institution, where the covered institution believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the covered institution was used to facilitate a criminal transaction, and the covered institution has a substantial basis for identifying the suspect, which may include one of its directors, officers, employees, agents or other institution-affiliated parties as having committed or aided in the commission of a criminal act regardless of the amount involved in the violation.
  - b. **Violations aggregating Php500,000.00 or more where a suspect can be identified.** Whenever the covered institution detects any known or suspected predicate crime violation, or pattern of criminal violations, committed or attempted against the covered institution or involving a transaction or transactions conducted through the covered institution and involving or aggregating Php500,000.00 or more in funds or other assets, through one transaction or a series of transactions, where the covered institution reasonably believes that it was either an actual or potential victim of a criminal violation, or series of criminal violations, or that the covered institution was used to facilitate a criminal transaction, and the covered institution has a substantial basis for identifying a possible suspect or group of suspects, which may include one of its directors, officers, employees, agents or other institution-affiliated parties. If it is determined prior to filing this report that the identified suspect or group of suspects has used an alias, then information regarding the true identity of the suspect or group of suspects, as well as alias identifiers, such as drivers' licenses or social security numbers, addresses and telephone numbers, must be reported.
2. The covered institution shall use as guidelines the examples of suspicious transactions attached as Annex "B" to the Commission's Circular No. \_\_\_\_\_.

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These are not intended to be exhaustive and only provide 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.

3. A covered institution is required to file a suspicious transaction report no later than **five (5) calendar** days after the date of initial detection of facts that may constitute a basis for filing a suspicious transaction report. If no suspect was identified on the date of detection of the incident requiring the filing, a covered institution may delay filing a suspicious transaction report for an additional **ten (10)** calendar days to identify a suspect. In no case shall reporting be delayed more than **twenty (20)** calendar days after the date of initial detection of a reportable transaction.

### HOW TO MAKE A REPORT:

1. Send each completed Suspicious Transaction Report to:

**THE EXECUTIVE DIRECTOR ANTI-MONEY LAUNDERING COUNCIL  
BANGKO SENTRAL NG PILIPINAS  
ROXAS BOULEVARD  
PASAY CITY**

2. For items that do not apply or for which information is not available, leave blank.
3. If you are correcting a previously filed report, check the box at the top of the report (line 1).
4. Complete the report in its entirety and include the corrected information in the applicable boxes. Then describe the changes that are being made in Part IV.
5. If more space is needed to report additional suspects, attach copies of PART IV to provide the additional information.
6. **Identification Requirements for Persons Preparing and Making the Report.— This is important!** All individuals conducting a reportable transaction(s) for themselves or for another person must be identified by means of an official document(s) from the covered institution as the person/s authorized to make such a report.

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**ANNEX “C”  
EXAMPLES OF SUSPICIOUS TRANSACTIONS**

## ANTI-MONEY LAUNDERING OPERATING MANUAL

### GENERAL COMMENTS

The list of situations given below is intended mainly to highlight the basic ways in which money may be laundered. While each individual situation may not be sufficient to suggest that money laundering is taking place, a combination of such situations may be indicative of such a transaction. Further, the list is by no means complete or exhaustive and will require constant updating and adaptation to changing circumstance and new methods of laundering money. The list is intended solely as an aid, and must not be applied as a routine instrument in place of common sense.

### EXAMPLES OF SUSPICIOUS TRANSACTIONS:

#### I. Transactions Which Do not Make Economic Sense

1. Transactions not in keeping with the customer's normal activity, the financial markets in which the customer is active and the business which the customer operates.
2. Buying and selling of securities with no discernible purpose in circumstances which appear unusual.
3. Transactions not in keeping with normal practice in the market in which they relate, e.g., with reference to market size and frequency, or at off-market prices, early termination of products at a loss due to front end loading or early cancellation, especially where cash had been tendered and/or the refund check is to a third party.
4. Other transactions linked to the transaction in question which could be designed to disguise money and divert it to other forms or to other destinations or beneficiaries.
5. The entry of matching buys and sells in particular securities, wash sales, creating an illusion of trading. Such wash trading does not result in a bona fide market position and might provide "cover" for a money launderer.
6. Wash trading through multiple accounts of the same customer with the same or different broker(s) might be use to transfer accounts by generating offsetting losses and profits in different accounts.
7. Unusual transfers of positions between accounts, whether or not commonly owned.
8. Abnormal settlement instructions, including payment to apparently unconnected parties, and/or where such instructions for settlement are not in accordance with the usual practice of the market or the Regulated Intermediary.

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### II. Transactions Involving Overseas Jurisdiction

1. A customer introduced by an overseas bank, affiliate, Regulated Intermediary or other investor, all of which are based in countries where production of drugs, drug trafficking or graft and corruption may be prevalent.
2. A large number of security transactions across a number of jurisdictions.

### III. Transactions Involving Unidentified Parties

1. A personal customer for whom verification of identity proves unusually difficult and who is reluctant to provide details.
2. A corporate/trust customer where there are difficulties and delays in obtaining copies of the accounts or other documents of incorporation.
3. Any transaction in which the counterparty to the transaction is unknown.
4. Settlement either by registration or delivery of securities to be made to an unverified third party.
5. Customers who wish to maintain a number of trustee or customers' accounts that do not appear consistent with their type of business, including transactions that involve nominee names.
6. A number of transactions by the same counterparty in small amounts relating to the same security, each purchased for cash, then sold in one transaction, the proceeds being credited to an account different from the original account, the owner of which is unverified.

### IV. Miscellaneous

1. Large or unusual transactions in cash or bearer forms, remittances and transfers of funds.
2. The use of a customer of an intermediary to holds funds that are not being used to trade in securities.
3. A customer who deals with an intermediary only in cash or cash equivalents rather than through banking channels.
4. A customer who opens several accounts, in his own name or that of a nominee/s, trustee/s, agent/s, or dummy/ies, that do not appear to be consistent with their type of business.
5. The known background of the person conducting the transaction is not consistent with the transaction, and/or any unusual behavior in conducting the transaction;

## **ANTI-MONEY LAUDERING OPERATING MANUAL**

6. The production of seemingly false identification in connection with any transaction, the use of aliases and a variety of different addresses;
7. A client with no discernible purpose for using the covered institution's service, where such service can easily be provided elsewhere with more convenience to client.