



BANGKO SENTRAL NG PILIPINAS

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

CIRCULAR LETTER NO. CL-2014- 047

To : All Banks and Non-Bank Financial Institutions under BSP Supervision

Subject : Anti-Money Laundering Council (AMLC) Resolution No. 64 dated 15 August 2014

Please be informed that the AMLC, in its Resolution No. 64 dated 15 August 2014 (copy attached), resolved to direct all covered persons to apply enhanced due diligence, pursuant to Rule 9.a.9.a in relation to 9.a.9.b of the Revised Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001, as amended, relative to the jurisdictions identified under the Financial Action Task Force (FATF) Public Statement dated 27 June 2014¹ and to take into account the information relative to the jurisdictions mentioned in the FATF's Compliance Document also dated 27 June 2014¹.

For your guidance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

02 September 2014

Att.: A/S

¹ Links to these documents are found in www.amlc.gov.ph



Anti-Money Laundering Council
Bangko Sentral ng Pilipinas Complex
Manila, Philippines

RESOLUTION NO. 64
Series of 2014

In the Memorandum dated 12 August 2014, the Secretariat reported to the Council that:

In an email dated 30 July 2014, the Asia/Pacific Group on Money Laundering (APG), pursuant to the advisory of the Financial Action Task Force (FATF) dated 29 July 2014, requested all APG members to provide comments on any new measures they have taken with regard to jurisdictions subject to a call for counter-measures [i.e. Iran, Democratic People's Republic of Korea (DPRK)] and jurisdictions with strategic Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) deficiencies that have not made sufficient progress in addressing the deficiencies (i.e. Algeria, Ecuador, Indonesia and Myanmar). Specifically, APG members are requested to provide:

- 1. The date and nature of the action taken (counter-measure, advisory, guidance, rule, etc);*
- 2. Brief summary of the content; and*
- 3. A link to the advisory or website.*

Members are also encouraged to advise of any actions their governments have taken based on the FATF's Compliance Document.

The FATF's call to its members and other jurisdictions is made pursuant to FATF Recommendation 19 which requires countries "to apply appropriate countermeasures when called upon to do so by the FATF". Under the Interpretative Notes to FATF Recommendation 19, examples of the countermeasures that could be undertaken by countries include the following, and any other measures that have a similar effect in mitigating risks:

- a. Requiring financial institutions to apply specific elements of enhanced due diligence.*
- b. Introducing enhanced relevant reporting mechanisms or systematic reporting of financial transactions.*
- c. Refusing the establishment of subsidiaries or branches or representative offices of financial institutions from the country concerned, or otherwise taking into account the fact that the relevant financial institution is from a country that does not have adequate AML/CFT systems.*
- d. Prohibiting financial institutions from establishing branches or representative offices in the country concerned, or otherwise taking into*

- account the fact that the relevant branch or representative office would be in a country that does not have adequate AML/CFT systems.
- e. Limiting business relationships or financial transactions with the identified country or persons in that country.
 - f. Prohibiting financial institutions from relying on third parties located in the country concerned to conduct elements of the CDD process.
 - g. Requiring financial institutions to review and amend, or if necessary terminate, correspondent relationships with financial institutions in the country concerned.
 - h. Requiring increased supervisory examination and/or external audit requirements for branches and subsidiaries of financial institutions based in the country concerned.
 - i. Requiring increased external audit requirements for financial groups with respect to any of their branches and subsidiaries located in the country concerned.

In the document entitled "Actions Taken by FATF Members and Other Jurisdictions" dated 11 June 2014 (Annex "C"), the FATF collated the actions taken by FATF members and other jurisdictions following the FATF public documents issued on 14 February 2014.

It is mentioned in the Introduction of the document dated 11 June 2014 that thirty (30) FATF members informed the FATF of the specific measures they have taken following the 14 February 2014 Public Statement while twenty-seven (27) of them reported various degrees of actions regarding the 14 February 2014 Compliance Document. Meanwhile, twenty-four (24) other jurisdictions have also taken specific measures following the Public Statement while fifteen (15) of them have taken measures regarding the Compliance Document.

In the Executive Summary, it is stated that these jurisdictions urged their reporting institutions to give special attention to business relationships and transactions with Iran. With regard to DPRK, majority of the FATF members and other jurisdictions reported that they called on their reporting institutions to be aware of the increased money laundering/financing of terrorism risks emanating from DPRK.

Majority of the responding jurisdictions explicitly requested their reporting institutions to carefully consider the risk arising from the jurisdictions listed in the Public Statement for not making sufficient progress with regard to their action plans, including for suspicious transaction reporting requirements.

With regard to the Compliance Document, jurisdictions made this document available to reporting institutions by publication in the website of their competent authorities, sending letters or issuance of circulars/advisories to the financial and non-financial sectors. While actions taken concerning jurisdictions identified in the Compliance Document are less strong than the actions taken as follow-up to the Public Statement, some delegations reported that they explicitly requested their

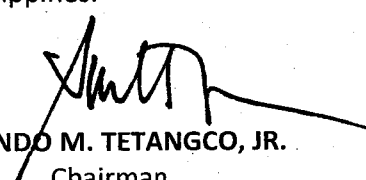
financial sector to take into account the information in the Compliance Document when conducting risk assessments.

We note Rule 9.a.9.a of the Revised Implementing Rules and Regulations (RIRRs) of the Anti-Money Laundering Act of 2001 (AMLA), as amended, on "Enhanced Due Diligence". Under this Rule, covered institutions are mandated to apply Enhanced Due Diligence to customers that are high risk for money laundering. Rule 9.a.9.b identifies a high-risk customer as "(A) customer from a country other than the Philippines that is recognized as having inadequate internationally accepted anti-money laundering standards, or does not sufficiently apply regulatory supervision or the Financial Action Task Force (FATF) recommendations, or presents greater risk for money laundering, its associated predicate offenses including corruption and terrorism financing".

To address the request of the APG Secretariat and in order to comply with FATF Recommendation 19, the Council resolved to:

1. direct all covered persons to apply enhanced due diligence pursuant to Rule 9.a.9.a in relation to 9.a.9.b of the Revised Implementing Rules and Regulations of the Anti-Money Laundering Act of 2001, as amended, relative to the jurisdictions identified under the Financial Action Task Force (FATF) Public Statement dated 27 June 2014 and to take into account the information relative to the jurisdictions mentioned in the FATF's Compliance Document also dated 27 June 2014;
2. request the Bangko Sentral ng Pilipinas, Insurance Commission and Securities and Exchange Commission to issue the necessary circulars with a similar directive to the entities and institutions under their respective supervision and regulation; and
3. authorize the AMLC Secretariat to notify and inform all covered persons of the herein issued directive through the posting of a notice of this Resolution in the AMLC website with a link to the FATF's Public Statement and Compliance Document.

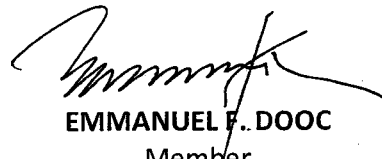
15 August 2014, Manila Philippines.


AMANDO M. TETANGCO, JR.
Chairman

(Governor, Bangko Sentral ng Pilipinas)


TERESITA J. HERBOSA
Member

(Chairperson, Securities and Exchange Commission)


EMMANUEL F. DOOC
Member

(Commissioner, Insurance Commission)