



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

## CIRCULAR NO. 1182 Series of 2023

Subject: **Amendments to Part Nine of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions – Enhancing the Provisions on Targeted Financial Sanctions**

The Monetary Board, in its Resolution No. 1443 dated 03 November 2023, approved the amendments to Part Nine of the Manual of Regulations for Banks (MORB) and relevant provisions of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), enhancing the regulations on targeted financial sanctions related to terrorism, terrorist financing, proliferation of weapons of mass destruction, and proliferation financing.

**Section 1.** Section 904/904-Q shall be amended to read, as follows:

### **904/904-Q DEFINITION OF TERMS**

Except as otherwise defined herein, all terms used shall have the same meaning as those terms that are defined in the Anti-Money Laundering Act, as amended, targeted financial sanctions (TFS)-related laws and their respective Implementing Rules and Regulations (IRR).

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- j.* *Customer/client* refers to any person who keeps or maintains an account, or otherwise transacts business with a covered person. It includes the following:
- (1) Beneficial owner, or any natural person who ultimately owns or controls a customer and/or on whose behalf an account is maintained or a transaction is conducted;
  - (2) Transactors, agents and other authorized representatives of beneficial owners;
  - (3) Beneficiaries of trusts, investment and pension funds, insurance policies, and remittance transactions;
  - (4) Persons whose assets are managed by an asset manager;
  - (5) Trustors/grantors/settlers of a trust;
  - (6) Insurance policy holders, whether actual or prospective; and

(7) Juridical person. The term juridical person shall refer to an entity other than a natural person as defined under the Civil Code of the Philippines, including corporate clients who keep or maintain an account with a covered person.

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hh. *Designated persons* refer to:

(1) Any person or entity designated as a terrorist, one who finances terrorism, or a terrorist organization or group under the applicable United Nations (UN) Security Council (UNSC) Resolutions (UNSCR) and their successor resolutions; or

(2) Any person, organization, association, or group of persons designated under Paragraph 3, Section 25 of the Anti-Terrorism Act of 2020 (ATA); and

(3) Any person or entity designated under UNSCR Nos. 1718 (2006) and 2231 (2015) and their successor resolutions.

ii. *Name Match* refers to an individual or entity whose name matches with a name in the UNSC Consolidated List, any list of designations made by the Anti-Terrorism Council (ATC) under Paragraph 3, Section 25 of the ATA, or those proscribed by the Court of Appeals under Section 26 of the ATA.

jj. *Property or Fund* refers to financial assets, property of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to, bank credits, traveler's cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends, or other income on or value accruing from or generated by such funds or other assets.

kk. *Potential Target Match* refers to an individual or entity whose identity matches most, but not all, of the identifier information provided in the UNSC Consolidated List, any list of designations made by the ATC under Paragraph 3, Section 25 of the ATA, or those proscribed by the Court of Appeals under Section 26 of the ATA.

ll. *Prohibition against dealing* prohibits any person from (1) dealing, directly or indirectly, in any way and by any means, with any property or funds that he knows or has reasonable ground to believe is owned or controlled by a designated person, organization, association or group of persons, including funds derived or generated from property or funds owned or controlled, directly or indirectly, by a designated person, organization, association or group of persons; or (2) making available any property or funds, or financial

services or other related services to a designated person, organization, association or group of persons.

- mm. Proliferation of Weapons of Mass Destruction (WMD) Financing/Proliferation Financing (PF)* refers to an action or circumstances when a person makes available an asset; or provides a financial service; or conducts a financial transaction; and the person knows that, or is reckless as to whether, the asset, financial service or transaction is intended to, in whole or in part, facilitate proliferation of WMD in relation to UNSCR Nos. 1718 (2006) (Democratic People's Republic of Korea or DPRK) and 2231 (2015) (Islamic Republic of Iran or Iran) and their successor resolutions.
- nn. Proliferation of WMD* refers to the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of WMD, in contravention of national laws or, where applicable, international obligations.
- oo. Sanctions risk* refers to the risk of losses arising from failure to implement relevant sanctions requirements, including TFS. This includes risks of potential breach, non-compliance/non-implementation or evasion of TFS obligations.
- pp. Targeted asset freeze* applies to named individuals, entities and bodies, restricting access to funds and economic resources. Someone subject to an asset freeze will be listed on the Consolidated List, designated or proscribed and posted under the Anti-Money Laundering Council (AMLC) or ATC websites.
- qq. Targeted Financial Sanctions (TFS)* refers to:

  - (1) *For TFS related to terrorism and TF:* both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and those proscribed by the Court of Appeals under Section 26 of the ATA.
  - (2) *For TFS related to PF:* both asset freezing and prohibition to prevent funds or other assets from being made available, directly or indirectly, for the benefit of any individual, natural or legal persons or entity designated pursuant to UNSCR and its designation process.
- rr. Target Match* refers to an individual or entity whose identity matches all the identifier information and is identified to be the designated person in the UNSC Consolidated List, any list of designations made by the ATC under Paragraph 3, Section 25 of the ATA, or those proscribed by the Court of Appeals under Section 26 of the ATA.

- ss. *UNSC Consolidated List* refers to the integrated list of individuals and entities subject to measures imposed by the UNSC, as relevant to the Philippines' sanctions regime. This includes those designated under UNSCR Nos. 1267/1989/2253 (Al Qaeda/ISIL Da'esh), 1988 (Taliban), 1718 (2006) (DPRK) and 2231 (2015) (Iran) and their successor resolutions.
- tt. *Weapons of Mass Destruction (WMD)* refers to chemical, biological, radiological, or nuclear weapons which are capable of high order of destruction or causing mass casualties. It excludes the means of transporting or propelling the weapon where such means is a separable and divisible part from the weapon.

**Section 2.** Section 911/911-Q of the MORB/MORNBFI shall be amended and read, as follows:

#### **911/911-Q RISK MANAGEMENT**

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**Risk assessment.** Consistent with risk-based approach, covered persons are required to identify, understand, and assess their ML/TF/PF<sup>1</sup> and sanctions risks or risks of potential breach, non-compliance, non-implementation or evasion of TFS obligations, arising from their customers, countries or geographic areas of operations and customers, products, services, transactions or delivery channels, among others. xxx

Based on the results of the risk assessment, the covered person shall take appropriate measures to manage and mitigate ML/TF/PF and sanctions risks and take enhanced measures on identified high risks areas, which should be incorporated in its MTPP. The risk assessment shall be made available to the Bangko Sentral during examination or in other circumstances deemed necessary as part of continuous supervision.

**New products and business practices risk assessment.** Covered persons are also required to identify and assess the ML/TF/PF and sanctions risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products. Such risk assessment should be an integral part of product or service development process and should take place prior to the launch of the new products, business practices or the use of new or developing technologies. Covered persons should take appropriate measures to manage and mitigate the identified risks.

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<sup>1</sup> A particular type of financial institution may be exempted from the requirements to identify, assess, monitor, manage and mitigate PF risks provided there is proven low risk of PF relating to such financial institution.

**Section 3.** Section 921/921-Q is hereby amended to read, as follows:

**921/921-Q CUSTOMER DUE DILIGENCE**

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***On-going monitoring of customers, accounts and transactions.***

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***Targeted Financial Sanctions (TFS) related to terrorism, terrorist financing (TF), proliferation of weapons of mass destruction (WMD), and proliferation financing (PF).*** Covered persons shall adopt appropriate policies and procedures to effectively implement TFS related to terrorism, TF, proliferation of WMD, and PF.

***TFS related to terrorism and TF.*** In relation to designated persons under relevant binding terrorism-related Resolutions, including UNSCR No. 1373 pursuant to Article 41 of the UN Charter and the ATA, covered persons, upon receipt of the notice of AMLC resolution on the issuance of sanctions freeze order, are required to freeze without delay the following:

- a. property or funds that are in any way related to financing of terrorism or acts of terrorism; or
- b. property or funds of any person, group of persons, terrorist organization, or association, in relation to whom there is probable cause to believe that they are committing or attempting or conspiring to commit, or participating in or facilitating the commission of financing of terrorism or acts of terrorism as defined under the Terrorism Financing Prevention and Suppression Act of 2012, the ATA and their respective IRRs.

The property or funds referred to in the immediately preceding paragraph shall include all property or funds:

- a. that are owned or controlled by the subject of designation and is not limited to those that are directly related or tied to a particular terrorist act, plot or threat.
- b. that are wholly or jointly owned or controlled, directly or indirectly, by the subject of designation.
- c. derived or generated from funds or other assets owned or controlled, directly or indirectly, by the subject of designation.
- d. of persons or entities acting on behalf or at the direction of the subject of designation.

In case of asset freeze, covered persons are generally prohibited to:

- a. deal with the frozen funds or economic resources, belonging to or owned, held or controlled by a designated person;

- b. make funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person; and/or
- c. engage in actions that, directly or indirectly, circumvent the financial sanctions prohibitions.

The freeze orders shall also cover those persons or entities included in the subsequent updates, modifications and amendments to the UNSC Consolidated List, as well as those designated by the ATC under Section 25 of the ATA and those proscribed by the Court of Appeals under Section 26 of the ATA.

All covered persons shall submit to the AMLC a detailed written return, pursuant to, and containing details required under, Rule 16.c of the TFPISA IRR.

***TFS related to proliferation of WMD and PF.*** In relation to designated persons pursuant to UNSCR Nos. 1718 (2006) and 2231 (2015), and their successor resolutions, as well as any binding resolution of the Security Council, covered persons are required to:

- a. Freeze the following within a matter of hours from the time that the designation and the freeze order is published in the AMLC website:
  - (1) all funds or other assets that are owned or controlled by the designated persons, and not just those that can be tied to a particular act, plot or threat of proliferation of WMD and PF;
  - (2) those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons;
  - (3) the funds or other assets derived or generated from funds or other assets owned or controlled, directly or indirectly, by designated persons; and
  - (4) funds or other assets of persons and entities acting on behalf of, or at the direction of designated persons;
- b. Block or restrain specific properties or funds that are owned or controlled by a designated person from being transacted, converted, concealed, moved, or disposed; and
- c. Prohibit any person or entity from making any funds or other assets available for the benefit of designated persons, unless licensed, authorized or otherwise notified in accordance with the relevant UNSCR.

TFS related to terrorism, TF, proliferation of WMD, and PF, requires full application or implementation. The TFS shall be effective until the basis for its issuance has been lifted.

***General Requirements to Implement TFS related to terrorism, TF, proliferation of WMD, and PF.*** Covered persons shall adopt risk-based and proportionate measures to reinforce and

complement the full implementation of the TFS requirements which shall include, at a minimum, the following:

- a. *Sanctions Policies and Procedures.* Informed by the results of the sanctions risk assessment, covered persons shall adopt proportionate and risk-based sanctions policies and procedures approved by the Board of Directors or equivalent body/authority to facilitate implementation of TFS without delay.
- b. *Sanctions Screening Procedures.* As part of the customer due diligence process, covered persons shall develop sanctions screening system and procedures, which include, among others:
  - (1) Screening of (a) customers, including beneficial owners or any persons purporting to act on behalf of the customer and their authorized signatories, (b) transactors/non-accountholders transacting with the covered person, and (c) counterparties/other credentials or relevant information in wire transfers or trade transactions, at the minimum.
  - (2) Defining the timing of the conduct of screening such as (a) upon establishment of relationship or opening of an account, or at the latest prior to the first transaction, regardless of the customer risk profile, (b) periodically over the course of the relationship, especially whenever new designations or updates are issued, and (c) whenever there are updates to the client's information, such as change of ultimate beneficial owners or authorized signatories.

Sanctions screening procedures for transactions under the National Retail Payment System (NRPS) shall be governed by items "c(1)" and "c(2)" on AML Requirements of Section 803/801-Q of the MORB/MORNBFI, wherein the originating/sending institution and beneficiary/receiving institution shall be responsible for the appropriate screening of their respective clients.

- c. *Sanctions Database.* Covered persons shall adopt and maintain suitable sanctions database (electronic and/or manual) that is commensurate to its risk profile and complexity of operations to facilitate screening of customers and their transactions.

The sanctions database must include, at the minimum, the following and their successor resolutions:

- (1) UNSC Consolidated List that includes UNSCR Nos. 1267/1989 (Al Qaeda), 1988 (Taliban), and 2253 (ISIL Da'esh) for TFS on terrorism and TF;
- (2) UNSC Consolidated List that includes UNSCR Nos. 1718/2006 (DPRK) and 2231/2015 (Iran) for TFS on proliferation of WMD and PF; and

- (3) Domestic designations by the ATC pursuant to UNSCR No. 1373 and Paragraph 3, Section 25 of the ATA, and those proscribed by the Court of Appeals under Section 26 of the ATA.

Covered persons shall adopt mechanisms to ensure that the sanctions database is accurate, complete, and up-to-date. All new designations shall be included in the sanctions database and checked or screened against existing customer base without delay to adhere to the TFS requirements under applicable laws and regulations.

Covered persons may consider including other unilateral sanctions lists (e.g., Office of Foreign Assets Control of the United States Department of the Treasury and European Union) based on the applicable laws and implementing regulations, internal policy and results of their sanctions risk assessment, in line with their risk profile and operations, for purposes of risk management and suspicious transaction (ST) reporting, among others.

- d. *Disposition of Matches and Handling of Freeze Order.* Covered persons shall adopt suitable name screening policies and procedures to determine name match, potential target match, and target match, as well as the corresponding actions to take, in accordance with the procedures, reporting requirements and timelines prescribed by the AMLC.

For name match, covered persons should have defined hierarchy of actions and references to disambiguate or resolve the name match. This includes inquiring or requesting additional information and identification documents from the customer and/or other reliable parties/relevant government agencies, such as the AMLC, to verify whether the name match is a potential target match or target match.

In case of potential target match, the covered person shall freeze without delay the funds or other assets of designated persons that it has control over and inform the AMLC on the same day the freeze is implemented. An ST report shall also be submitted to the AMLC, including for attempted transactions or dealings. A detailed electronic return shall be filed to the AMLC within twenty-four (24) hours from receipt of the AMLC's confirmation of the propriety of the freeze. In case no confirmation is received from the AMLC within thirty-six (36) hours from receipt of the information, the freeze shall be automatically lifted.

In case of target match, the covered person shall freeze the account or assets and file a detailed electronic return to the AMLC within 24 hours from effecting the freeze.



- e. *Delisting and Unfreezing.* A designated person may be delisted by the UNSC or its appropriate Sanctions Committee, or by other competent authorities, and the AMLC may issue unfreezing orders, both in accordance with the applicable laws and regulations. Accordingly, upon receipt of the unfreezing order from the AMLC, or upon knowledge of the delisting made by the UNSC or its Committee, or other competent authorities, the covered person holding the frozen funds and other assets shall implement the unfreezing order or unfreeze without delay, and submit a detailed report to the AMLC. The detailed report shall be filed within 24 hours from the lifting of the freeze order, and include the time and date of unfreezing and a list of the unfrozen funds and other assets. Covered persons shall refer to the delisting process and/or unfreezing procedures under applicable UNSC Committee and AMLC guidelines and issuances.

For uniform and effective implementation of TFS requirements, covered persons shall regularly refer to the relevant and up-to-date legislation as well as specific AMLC and BSP rules and regulations on TFS.

***Non-discrimination against certain types of customers.* xxx**

**Section 4.** The provisions on *Compliance with United Nations Security Council Resolutions (UNSCR)* under Section 923/923-Q of the MORB/MORNBFI are hereby deleted.

**Section 5.** This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

  
**MAMERTO E. TANGONAN**  
Officer-in-Charge

10 November 2023