



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:
**Transactions
Involving
The Philippines**

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This Advisory is being issued to inform banks and other financial institutions operating in the United States of serious deficiencies in the counter-money laundering systems of the Republic of the Philippines. The impact of such deficiencies on the scrutiny that should be given to certain transactions or banking relationships involving the Philippines, in light of the suspicious transaction reporting obligations of financial institutions operating in the United States, is discussed below.

The Philippines is a southeast Asian archipelago with a population of approximately 77 million. Its economy, which generates an annual gross domestic product of over \$81 billion, is a mixture of agriculture, services, and manufacturing. Its banking system, supervised by the Bangko Sentral ng Pilipinas (the “BSP”), accounts for more than 80% of the Philippines’ financial sector.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of the Philippines suffers from serious systemic problems.

- Money laundering is not a crime under the law of the Philippines.
- Any current requirements that Philippine financial institutions verify the identity of their customers, or maintain complete records of those identities or of customers’ financial transactions, are at best ambiguous and very limited.
- The obligation of financial institutions operating in the Philippines to report suspicious transactions is also ambiguous at best.
- The Philippines’ bank secrecy laws make it virtually impossible for governmental authorities to obtain any financial information that is collected and maintained by banks about any bank “deposits” by customers.



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- Prior to July 6, 2000, the BSP had not issued any counter-money laundering regulations or guidelines. On that date, the BSP approved the issuance of a new bank circular that would require financial institutions to take measures to verify and record the identity of their customers and to report suspicious transactions to the “competent” Philippine authorities. The new BSP bank circular is currently under review by Treasury officials.

The deficiencies in the counter-money laundering systems of the Philippines have caused the Philippines to be identified by the Financial Action Task Force on Money Laundering (the “FATF”) as non-cooperative “in the fight against money laundering.” The FATF, created at the 1989 G-7 Economic Summit, is a 29 member international group that works to combat money laundering.

The Philippines has indicated an awareness of the impact of the deficiencies in its counter-money laundering systems, and is considering legislative changes that could remedy at least some of the structural deficiencies described above. In addition, as indicated above, the BSP has approved the issuance of a new bank circular that may remedy other of those deficiencies. The United States Treasury welcomes the release of the bank circular and looks forward to a period of rapid improvement in the counter-money laundering regime of the Philippines. Nonetheless, the Philippines’ legal, supervisory, and regulatory systems create significant opportunities and tools for money laundering and increase the possibility that transactions involving Philippine entities and accounts will be used for illegal purposes.

Thus, banks and other financial institutions operating in the United States should carefully consider, when dealing with transactions originating in or routed to or through the Philippines, or involving entities organized or domiciled, or persons maintaining accounts, in the Philippines, how the deficiencies of the counter-money laundering controls in the Philippines affect the possibility that those transactions are being used for illegal purposes. A financial institution subject to the suspicious transaction reporting rules contained in 31 C.F.R. 103.18 (formerly 31 C.F.R. 103.21) (effective April 1, 1996), and in corresponding rules of the federal financial institution supervisory agencies, should carefully examine the available facts relating to any such transaction to determine if such transaction (of \$5,000 or more, U.S. dollar equivalent) requires reporting in accordance with those rules. Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law. All institutions are particularly advised to give enhanced scrutiny to transactions or banking relationships that do not involve established, and

adequately identified and understood, commercial or investment enterprises.

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny for certain transactions or banking relationships, does not mean that U.S. financial institutions should curtail legitimate business involving the Philippines.

To dispel any doubt about application of the “safe harbor” to transactions within the ambit of this Advisory, the Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation, for purposes of the prohibitions against disclosure and the protection from liability for reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

United States officials stand ready to provide appropriate technical assistance to officials of the Philippines as they work to remedy the deficiencies in the Philippines’ counter-money laundering systems that are the subject of this Advisory.



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