



# Suspicious Transaction Report Quality Review

A 2017 Strategic Analysis Report that assesses the overall quality and effectiveness of the Suspicious Transaction Reports submitted by Covered Persons to the AMLC for the year 2016

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## SUMMARY

The steady rise of Suspicious Transactions Reports (STRs) received by the Anti-Money Laundering Council (AMLC) from covered persons (CPs) triggered the need to evaluate its quality. In 2013 alone, AMLC received roughly 100,000 STRs, which represents an increase from the STRs received in 2012 of about 434%. In 2016, a total of 132,306 STRs was submitted by 149 CPs to the AMLC while in 2017, the AMLC received a total of 287,252 STRs. The significant increase of more than 100% in 2017 is attributable to the increase in STR submissions related to swindling, violations of the Electronic Commerce Act of 2000, Anti-Graft and Corrupt Practices Act, drug trafficking and related offenses, qualified theft, smuggling, Anti-Child Pornography Act and Anti-Trafficking in Persons Act.

The AMLCS used STRs submitted in 2016 as sample data for the study. The AMLC Secretariat (AMLC) applied multiple descriptive and analytical techniques in determining the quality level of the submitted STRs. Assessment of the STRs was divided into macro and micro analysis parts. The macro analysis focused on the compliance of covered persons in terms of availability and consistency of mandatory information on the STRs. The micro analysis attempted to measure in quantifiable terms the quality of the STRs by individually rating the STRs and focusing the assessment on the top 15 CPs, in terms of the number of STRs submitted to the AMLC. Among the information evaluated are the account holder details, subject of suspicion, transaction type, reason for suspicion, predicate crime described in the narrative, and place of transaction.

The top 15 CPs, in terms of volume of STR filings, are mostly commercial/universal banks. The STRs filed by these CPs range from 1,557 to 46,076 STRs and comprise 87.39% or 115,619 records of the total STRs filed for 2016.

The analyses showed that only 70,241 or 53.09% of the total evaluated STRs for 2016 were deemed actionable, nearly half or 46.91% have insufficient details to warrant further action or investigation. Among the noted deficiencies are the absence of the subject of suspicion in roughly 41,000 or 31% of the total reports; missing account holder details in more than 9,000 or 7% of the total reports; inconsistent reason for suspicion vis-a-vis the predicate crime described in the narrative in about 47,000 or 35% of the total reports; and low quality/insufficient narratives in more than 42,000 or 32% of the total reports.

Some of the common reasons for filing STRs which may be considered low value are disputed credit card transactions; use of counterfeit cards; card skimming; online transactions fraud; and checks returned due to insufficient funds, closed account, spurious/altered. Said reports commonly have unknown perpetrator or subject of suspicion, hence, have no sufficient information to merit further action. These constitute more than 54,000 STRs or 40.82% of the total STRs in 2016. There are also STRs filed for reasons such as, forgeries and counterfeiting, frauds and illegal exactions and transactions, which do not correspond to the underlying predicate crime/suspicious indicator discussed in the narrative fields. About 14,000 or 11% of the total STRs in 2016 were found to possess these errors in classification of offenses. Some CPs particularly those involved in financing were also submitting STRs based merely on client behavior such as, client has no eye contact, seems nervous and unsure of his/her reply, or wants the transaction implemented immediately. These are generally viewed as low quality STRs due to insufficiency of information.

There is also an increasing trend in the use of the ZSTR transaction code. This is generally used merely to report the account details of the subject of suspicion and does not pertain to a particular suspicious transaction. More than 14,000 STRs or 11% of the total STRs in 2016 used this code. There

are also STRs filed in connection with an AMLC freeze order or bank inquiry; this accounts to about 5,000 or 4% of the total 2016 STRs. These STRs rarely provide details of the suspicious activity.

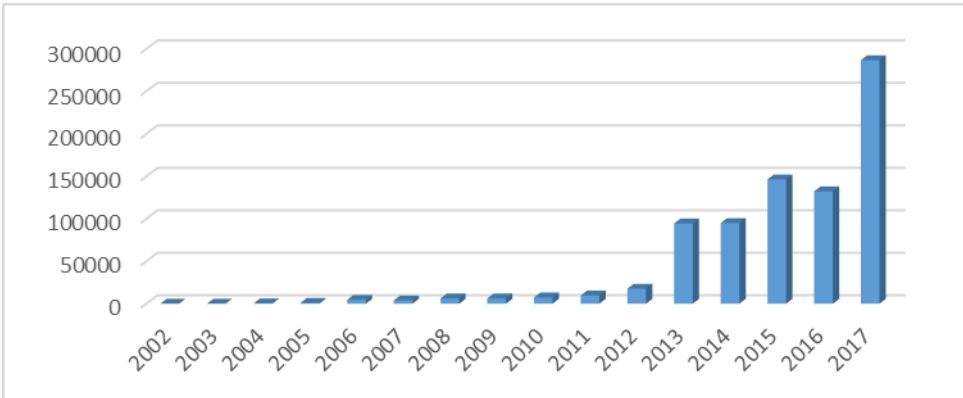
### I. BACKGROUND OF THE STUDY

Suspicious Transaction Reports (STRs) play a crucial role in the fight against money laundering and terrorism financing. STRs play an important part in the financial intelligence system that provides information when funds are being abused for illegitimate ends. The value of the STR depends on the quality of information it contains. Hence, the Anti-Money Laundering Council (AMLC) is committed to ensure that covered persons (CPs) file STRs of the highest quality<sup>1</sup>.

The Anti-Money Laundering Council (AMLC), through its Secretariat, is the central agency tasked to receive, analyze, and disseminate information relating to suspicious financial transactions. Rule 9 of the Revised Implementing Rules and Regulations of Republic Act 9160, as amended, also known as the Anti-Money Laundering Act (AMLA), as amended, requires covered persons (CP) to submit report of suspicious transactions of their clients. AMLC Resolution 107, Series of 2017 dated 15 November 2017, prescribes the new guidelines on reporting suspicious transactions. This requires that STRs must be submitted in the form prescribed by the AMLC Secretariat (AMLCs).

Figure 1 below shows the number of STRs received since the inception of AMLC in 2001. There is a steady growth in the number of STRs received by AMLC from 2002 to 2012. Noticeably, in 2013, the number of STRs received spiked to 434% compared to the total STRs in 2012. Further, trend suggests that the volume of STRs will continue to rise with the inclusion of additional predicate crimes by virtue of R.A. No. 10365<sup>2</sup>.

**Figure 1. Suspicious Transaction Reports, 2002 – 2017**



The steady rise in the number of STRs prompted the need to study its effectiveness. In 2016 alone, a total of 132,306 STRs were submitted by 149 covered persons to the AMLC. The volume more than doubled in 2017 with 287,252 STR submissions to the AMLC. The significant increase in 2017 is attributable to the increase in STR submissions primarily involving swindling, violations

<sup>1</sup> STRs must contain the information on the subject of suspicion, details of the suspicious transaction, and narrative of the events of the possible money laundering offence/terrorism financing. Basically, it intends to answer the “*who, what, where, when and how*” of the ML/TF offence.

<sup>2</sup> Republic Act No. 10365, which took effect on 8 March 2013, was enacted by the Philippine Congress to make the AMLA more compliant to the FATF Recommendations.

of the Electronic Commerce Act of 2000, Anti-Graft and Corrupt Practices Act, drug trafficking and related offenses, qualified theft, smuggling, Anti-Child Pornography Act and Anti-Trafficking in Persons Act. Hence, AMLCS has embarked on a study to evaluate the quality of STRs focusing on STRs submitted to AMLC in 2016. The rationale behind the use of 2016 STRs was the full implementation of reporting *Format 1.0* in 2015<sup>3</sup>. Said format was intended to aid the AMLC in building cases from the STRs.

The STRs received by the AMLCS are profiled according to priority based on an internally developed classification of the predicate crimes and suspicious indicators<sup>4</sup>.

The AMLCS applied multiple descriptive and analytical techniques in determining the quality level of the submitted STRs.

## II. OBJECTIVE OF THE STUDY

The study identified the inadequacies of the STRs as well as those which are of good quality in order to provide guidance on how to improve the quality of STRs of covered persons.

The AMLCS classifies and prioritizes these STRs in order to give importance to more urgent high-risk STRs. However, in the course of the analysis, it was observed that a considerable number of STRs do not identify the potential underlying predicate crime or the suspicious circumstance linked to the reported financial activity. Some STRs do not even contain any information on the perpetrators. These gaps and inconsistencies are indicators of low quality or poorly crafted STRs.

## III. METHODOLOGY

Statistical research is conducted to determine the compliance of covered persons with the reporting guidelines set forth in the AMLA, as amended, and the related AMLC resolutions. The study uses descriptive statistics in order to present quantitative descriptions of data in a more manageable approach. It also intends to simplify the large data set and provide a concise quantitative summary of its characteristics.

The study determines the compliance rate and quality of STRs, in both macro and micro levels, of covered persons in reporting STRs. The macro level analysis studies the overall compliance of covered persons, particularly on the mandatory information required under the AMLC Reporting Procedure. On the other hand, the micro level analysis will establish the quality of STRs. The analysis, in both macro and micro levels, assesses the completeness of information particularly on the subject of suspicion, the details of the transaction, and the suspicious activity.

Different techniques are used in analyzing the quality of STRs submitted to the AMLC. The AMLCS employed data text mining treatment in order to pool STRs with related characteristics or common entity values. Among the data treatment conducted are enumerated below.

The data field for the *subject of suspicion* in the STR contains the name of the entity or individual suspected to be engaged in the unlawful activity and/or money laundering activity. AMLCS observed that a huge percentage of the STRs do not contain information on the subject of suspicion. In this case, the AMLCS employed text mining in order to identify the STRs with

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<sup>3</sup>Guidelines on the use Format 1.0 are discussed in Part 4 of the AMLC Registration and Reporting Guidelines (ARRG)

<sup>4</sup> STR definition and list of suspicious circumstances and unlawful activities (Annex A)

unknown subjects of suspicion.

1. STRs with “PERPETRATOR UNKNOWN”, “UNKNOWN”, “A CERTAIN JAYCEE”, “UNKNOWN CLIENT”, “UNIDENTIFIED SUBJECT”, “XXX”, “BOY SALISI – UNKNOWN”, “TO BE DETERMINED” indicated in the *Subject of Suspicion* field are grouped under “UNIDENTIFIED/UNKNOWN SUBJECT”.
2. STRs using “JOHN DOE”, “JANE DOE”, “JOHN DOES” and “JANE DOES” will use the subject name “JOHN OR JANE DOE(S)”.

In order to determine where the suspicious transaction took place, AMLCS will use the branch of the covered person/reporting institution. Under the revised reporting procedure, AMLC requires all CTRs/STRs to indicate the branch of covered persons where the transactions occurred<sup>5</sup>.

The *reason for suspicion* and *narrative* fields are mandatory fields which should contain details of the suspicious activity. A number of STRs show no pertinent details of the suspicious activity. Data text mining on these fields is also used to determine the common reasons for filing STRs.

While commercial banks/universal banks file most of the STRs, there appears to be a growing trend in STR reporting among the other covered persons particularly the money service business, financing companies, and rural banks.

For purposes of this study, covered persons falling under the categories of “FX DEALERS”, “MONEY CHANGERS”, “REMITTANCE AGENTS” and “PAWNSHOPS” will be collectively classified as *MONEY SERVICE BUSINESS (MSBs)*; RURAL BANKS and RURAL BANKS/COOPERATIVE BANKS will be categorized as *Rural Banks/Cooperative Banks*.

### **Macro Level of Assessment**

The macro assessment focuses on the compliance of covered persons with the mandatory information in the STRs, specifically, the (1) *acountholder*, (2) *subject of suspicion*, (3) parties in the *transaction*, (4) *place of suspicious transaction*, (5) *reason for suspicion*, and (6) the underlying predicate crime (PC) or suspicious indicators described in the *narrative vis-à-vis the reason for suspicion*. The degree of importance given for each information are as follows:

#### **Macro Level Information – Degree of Importance:**

Acountholder	20%
Subject of Suspicion	20%
Transaction	20%
Reason for Suspicion	20%
Predicate crime described on the Narrative (vis-à-vis the Reason for Suspicion)	10%
Place of transaction	10%
<b>Total</b>	<b>100%</b>

Compliance rating greater than 80% only implies existence and accuracy of data. This,

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<sup>5</sup> AMLC Reporting Procedure, pages 3-15, provides guidelines on how to properly report a covered or suspicious transaction. Covered and Suspicious transaction reports must reflect where the transaction occurred.

however, does not suggest effectiveness of the covered persons in the reporting of STRs. This type of assessment will be detailed in the micro level analysis of the STRs.

**Micro Level of Assessment**

The micro level analysis of STRs measures the quality and value of STRs in providing leads for investigation of predicate crimes. Certain STR fields are selected to measure, in quantifiable terms, the quality of the STRs received by the AMLC. It is viewed that high quality STRs should contain the information specified below. In measuring the quality, each variable/factor was given a rank based on its importance. The rankings are presented below:

**Micro Level Information – Degree of Importance:**

Subject Profile	30%
Transaction Code/Type	5%
Place of transaction	5%
Transaction Date	5%
Reason for Suspicion	15%
Narrative	40%
<b>Total</b>	<b>100%</b>

The rating in the individual fields are tabulated. An overall rating of 70% and above means that the STR is of good analytical value, while those falling below 70% are considered ineffective or low quality.

While only the aforesaid STR fields were considered for purposes of this study, it is not to say that the other STR fields/details are not important. A selection was made only to convert into quantifiable terms the quality of the STRs being submitted by the CPs to the AMLC.

#### IV. GENERAL FINDINGS

The AMLCS received 132,306 STRs from 149 CPs from 01 January 2016 to 31 December 2016. Majority of the STRs were submitted by Commercial Banks/Universal Banks, and Savings and Mortgage Banks accounting for 83.57% of the total STRs filed. In relation to this, 74.50% of the CPs are registered as Commercial/Universal Banks, Rural Banks and/or Cooperative RBS, MSBs, and Savings and Mortgage Banks. Table 1 shows the number of submitted STRs and CPs filing the STRs, categorized per industry type for 2016.

**Table 1: Volume of STRs Submitted by CPs per Industry Type**

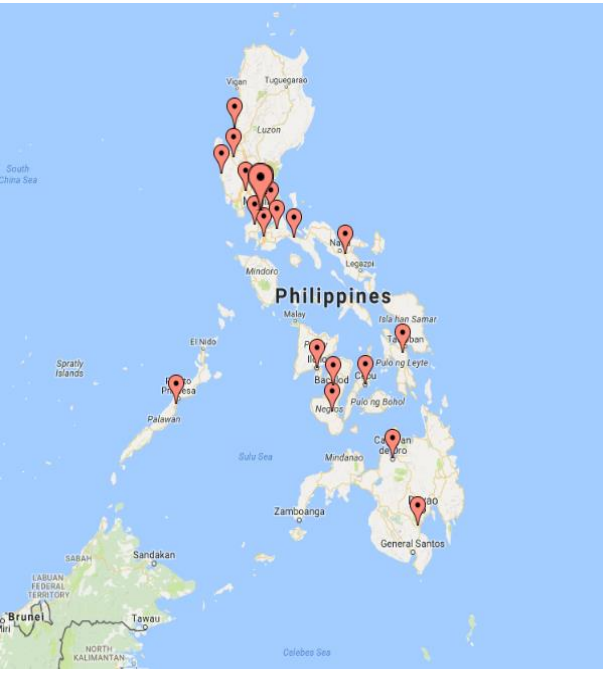
Covered Person - Industry Type	No. of STRs	Percentage	No. of CPs	Percentage
Commercial Banks/Universal Banks	93,480	70.65%	34	22.82%
Savings & Mortgage Banks	17,094	12.92%	21	14.09%
Credit Card Companies	7,148	5.40%	1	0.67%
Money Service Business (FX Dealers, Money Changers, Remittance Agents and Pawnshops)	4,593	3.47%	25	16.78%
Financing Companies and Financing Companies with Quasi-Banking Functions	2,851	2.15%	4	2.68%
Specialized Government Banks	2,634	1.99%	3	2.01%
Rural Banks and/or Cooperative RBS	2,426	1.83%	31	20.81%
Investment Houses with Quasi-Banking Functions	971	0.73%	1	0.67%
Insurance Companies & Professional Reinsurers	697	0.53%	13	8.72%
Stock Savings & Loan Associations	226	0.17%	3	2.01%
Non-Stock Savings & Loan Associations	86	0.07%	2	1.34%
Private Development Banks	60	0.05%	6	4.03%
Micro-Finance - Rural Banks	22	0.02%	2	1.34%
Brokers - Dealers	10	0.01%	1	0.67%
Transfer Agents	6	0.00%	1	0.67%
Mutual Fund/Investment Companies	2	0.00%	1	0.67%
<b>Total</b>	<b>132,306</b>	<b>100.00%</b>	<b>149</b>	<b>100.00%</b>

Another detail of the STR is the place where the transaction occurred. The reporting branch of the covered person is presumed to be the location where the subject made the transaction. Apparently, 44% of the total 2016 STRs were filed by the *head office* of the CPs, while the remaining 56% or 74,023 were filed by the presumed transacting branch of the subjects of suspicion. Of the 74,023 STRs, 36,645 or 28% of the total 2016 STRs, were filed by CPs located in Metro Manila. CPs located in Cavite and Cebu rank 2<sup>nd</sup> and 3<sup>rd</sup> at 5% and 3%, respectively, of the total STRs. Indicated below are the top locations that have the highest number of reported STRs.



**Table 2. Top 20 STR Locations**

LOCATION	NO. OF STRs
METRO MANILA	36,645
CAVITE	6,364
CEBU	3,495
LAGUNA	3,029
BULACAN	1,957
PANGASINAN	1,905
RIZAL	1,629
NEGROS OCCIDENTAL	1,626
PAMPANGA	1,605
CAGAYAN DE ORO	1,576
DAVAO DEL SUR	1,291
LEYTE	918
QUEZON PROVINCE	849
ILOILO	787
NEGROS ORIENTAL	696
CAMARINES SUR	644
BATANGAS	607
LA UNION	586
PALAWAN	575
ZAMBALES	496



The *transaction amount* is defined as the amount or money, either in local or foreign currency, that is involved in the transaction. Presumably, this should indicate the amount of the suspected illegal funds transacted in the financial system. Table 3 below shows the top twenty (20) locations in terms of PHP value of STRs.

**Table 3. Top 20 Locations in terms of PHP value of Transactions**

LOCATION	ESTIMATED AMOUNT
CAVITE	535,838,366,500.34
MISAMIS OCCIDENTAL	204,171,873,482.54
METRO MANILA	216,162,526,683.83
DAVAO DEL SUR	50,621,846,103.11
CEBU	5,721,163,642.70
PAMPANGA	5,507,921,399.82
RIZAL	3,162,428,166.73
LAGUNA	659,896,749.53
ILOCOS SUR	568,536,973.79
CAGAYAN DE ORO	506,423,838.13
TOKYO JAPAN	500,000,000.26
BULACAN	457,382,871.32
LA UNION	382,219,717.40
PANGASINAN	344,367,933.56
MAGUINDANAO	254,600,965.16
NUEVA ECIJA	238,300,935.27
AGUSAN DEL SUR	191,119,628.99
ILOCOS NORTE	189,658,557.36
LANAO DEL SUR	189,034,511.00
CAGAYAN VALLEY	188,658,650.03

## A. STR QUALITY – MACRO LEVEL ASSESSMENT

The overall assessment of the STR data fields determines the compliance rate of covered persons in the reporting of STRs. The succeeding table employed simple averaging of the compliance ratings of each covered person per industry type in order to determine the general level of compliance of the industry to the AMLC reporting format.

**Table 4: Macro Quality Assessment Compliance Rating Average per Industry Type**

Covered Person - Industry Type	Macro Quality Assessment Average
BROKERS - DEALERS	100%
COMMERCIAL BANKS/UNIVERSAL BANKS	70%
CREDIT CARD COMPANIES	53%
FINANCING COMPANIES AND FC WITH QB FUNCTIONS	67%
FX DEALERS, MONEY CHANGERS, REMITTANCE AGENTS and PAWNSHOPS	72%
INSURANCE COMPANIES & PROFESSIONAL REINSURERS	84%
INVESTMENT HOUSES WITH QB FUNCTIONS	77%
MICRO-FINANCE - RURAL BANKS	58%
MUTUAL FUND/INVESTMENT COMPANIES	95%
NON-STOCK SAVINGS & LOAN ASSOCIATIONS	88%
PRIVATE DEVELOPMENT BANKS	79%
RURAL BANKS AND/OR COOPERATIVE RBS	73%
SAVINGS & MORTGAGE BANKS	74%
SPECIALIZED GOVERNMENT BANKS	77%
STOCK SAVINGS & LOAN ASSOCIATIONS	62%
TRANSFER AGENTS	97%

## B. STR QUALITY - MICRO LEVEL ASSESSMENT

The micro analysis focused on the quality and value of STRs in providing leads for investigation of predicate crimes. The table below shows the STRs filed by CPs per industry classification, subdivided into *High Quality* and *Low Quality* percentages.

**Table 5: Overall Quality of STRs filed by CPs per Industry Type**

Covered Person - Industry Type	High Quality STRs	%	Low Quality STRs	%	Total STRs	%
COMMERCIAL BANKS/UNIVERSAL BANKS	56,608	60.56%	36,872	39.44%	93,480	100%
SAVINGS & MORTGAGE BANKS	8,111	47.45%	8,983	52.55%	17,094	100%
CREDIT CARD COMPANIES	10	0.14%	7,138	99.86%	7,148	100%
MONEY SERVICE BUSINESS	3,026	65.88%	1,567	34.12%	4,593	100%
FINANCING COMPANIES AND FC WITH QB FUNCTIONS	58	2.03%	2,793	97.97%	2,851	100%
SPECIALIZED GOVERNMENT BANKS	319	12.11%	2,315	87.89%	2,634	100%
RURAL BANKS AND/OR COOPERATIVE RBS	538	22.18%	1,888	77.82%	2,426	100%
INVESTMENT HOUSES WITH QB FUNCTIONS	936	96.40%	35	3.60%	971	100%
INSURANCE COMPANIES & PROFESSIONAL REINSURERS	469	67.29%	228	32.71%	697	100%
STOCK SAVINGS & LOAN ASSOCIATIONS	56	24.78%	170	75.22%	226	100%
NON-STOCK SAVINGS & LOAN ASSOCIATIONS	61	70.93%	25	29.07%	86	100%
PRIVATE DEVELOPMENT BANKS	31	51.67%	29	48.33%	60	100%
MICRO-FINANCE - RURAL BANKS			22	100.00%	22	100%
BROKERS - DEALERS	10	100.00%			10	100%
TRANSFER AGENTS	6	100.00%			6	100%
MUTUAL FUND/INVESTMENT COMPANIES	2	100.00%			2	100%
<b>Total</b>	<b>70,241</b>	<b>53.09%</b>	<b>62,065</b>	<b>46.91%</b>	<b>132,306</b>	<b>100%</b>

As can be seen above, only 53.09% or 70,241 of the STRs filed for 2016 have sufficient details and are considered actionable, while 46.91% or 62,065 have insufficient details to warrant further action or investigation.

### **C. SUMMARY OF DEFICIENCIES**

#### **Accountholder and Subject of Suspicion**

The account holder and subject of suspicion (STR subject) are both mandatory fields in the STR. Data in the name, address, and date of birth fields are considered essential information to establish the identity of the subject. However, 30.54% of the total number of STRs submitted in 2016 showed no information on the subjects of suspicion, while 7.07% of the STRs provided no information on the accountholders.

#### **Place of Transaction**

Another essential detail of the STR is the place where the transaction occurred. The reporting branch of the covered person is presumed to be the location where the subject made the transaction. Apparently, 44% of the total number of 2016 STRs were filed by the *head office* of the CPs, while the remaining 56% were filed by the presumed *transacting branch* of the subjects of suspicion.

### Reason for Suspicion

The *Reason for Suspicion* field of the STR has pre-defined values where the CP must choose the underlying predicate crime (PC) or suspicious indicator (SI) as enumerated. On the other hand, the *Narrative Field* should provide the details of the reason for suspicion. Based on initial assessment, the AMLCS has identified inconsistencies in the classification of STRs as reported by CPs. Table 6 shows the most common *reasons* for suspicion which seem not to correspond to the underlying PC/SI as discussed in the *Narrative* fields.

In line with the plan of the AMLCS to implement an Auto-Profiling System for STRs, the CP should endeavor to properly identify the suspicious indicators or predicate crimes of the AMLA, as amended, relevant to the suspicious activity in the narration. However, 35% of the total number of STRs submitted in 2016 showed inconsistencies between the suspicious activity indicator identified and the narration of the suspicious activity.

**Table 6. Reason for Suspicion vs. Underlying Predicate Crime**

REASON FOR SUSPICION	APPROPRIATE PREDICATE CRIME (BASED ON THE NARRATIVE)	NO. OF STRS
FORGERIES AND COUNTERFEITING	SWINDLING	7,822
	QUALIFIED THEFT	13
	DRUG TRAFFICKING & RELATED OFFENSES	1
FRAUDS AND ILLEGAL EXACTIONS AND TRANSACTIONS	SWINDLING	6,020
	ELECTRONIC COMMERCE ACT OF 2000	33
	QUALIFIED THEFT	12
	VIOLATIONS OF THE ANTI-TRAFFICKING IN PERSONS ACT OF 2003	8
	FELONIES OR OFFENSES OF SIMILAR NATURE PUNISHABLE UNDER THE PENAL LAWS OF OTHER COUNTRIES	2
QUALIFIED THEFT	SWINDLING	42
	DRUG TRAFFICKING & RELATED OFFENSES	2
SWINDLING	VIOLATIONS OF THE ANTI-CHILD PORNOGRAPHY ACT OF 2009	55
	VIOLATIONS OF SPECIAL PROTECTION OF CHILDREN AGAINST ABUSE, EXPLOITATION AND DISCRIMINATION ACT	18
	VIOLATIONS OF THE MIGRANT WORKERS AND OVERSEAS FILIPINOS ACT OF 1995	10
	QUALIFIED THEFT	5
	ELECTRONIC COMMERCE ACT OF 2000	2
	FRAUDULENT PRACTICES AND OTHER VIOLATIONS UNDER THE SECURITIES REGULATIONS CODE OF 2000	1
	ROBBERY & EXTORTION	1
	FORGERIES AND COUNTERFEITING	1
<b>Total</b>		<b>14,048</b>

Some CPs have a wrong appreciation of some Predicate Crimes particularly “*Forgeries and Counterfeiting*” and “*Frauds and Illegal Exactions*”.

The AMLA, as amended, considers *Forgeries and Counterfeiting* under Article 163 “Making and importing and uttering false coins”; Article 166 “Forging treasury or bank notes or other documents payable to bearer; importing, and uttering such false or forged notes and documents”; Article 167 “Counterfeiting, importing and uttering instruments not payable to bearer”; Article 168 “Illegal possession and use of false treasury or bank notes and other instruments of credit”; Article 169 “How forgery is committed”; and Article 176 “Manufacturing and possession of instruments or implements for falsification” of the Revised Penal Code (RPC), as amended<sup>6</sup>.

*Frauds and Illegal Exactions*, as predicate crime under the AMLA, refers to violations of Article 213 “Frauds against the public treasury and similar offenses”; Article 214 “Other frauds”; Article 215 “Prohibited transactions”; and Article 216 “Possession of prohibited interest by a public officer” of the Revised Penal Code, as amended<sup>7</sup>.

It has been observed that some CPs submitted STRs, involving spurious, forged, and returned check, citing *Forgeries and Counterfeiting* as their reason for reporting. The misapplication of the aforesaid articles of the RPC could be attributed to a layman’s understanding of forgeries. Transactions involving other activities like ATM Skimming, Credit Card Fraud, and Forged IDs were also reported as STRs under *Forgeries and Counterfeiting*.

Examples of these types of discrepancy in reason and narrative are:

**Reason:** The transactions is in any way related to Forgeries and Counterfeiting

**Narrative 1:** “THE CARDHOLDER DISPUTED PURCHASE/S VIA ONLINE/INTERNET TRANSACTIONS AND TRANSACTION AMOUNT IS PHP2000 OR BELOW. IDENTITY OF PERPETRATOR COULD NOT BE DETERMINED”

**Narrative 2:** “THE TRANSACTION WAS APPROVED AND POSTED TO CARDHOLDER'S ACCOUNT DESPITE ACCOUNT WAS ALREADY BLOCKED. IDENTITY OF PERPETRATOR COULD NOT BE DETERMINED”.

**AMLC Categorization:** Swindling

**Reason:** The transaction is in any way related to Frauds and Illegal Exactions

**Narrative 3:** SEVERAL FRAUDULENT TRANSACTIONS WERE PERPETRATED THROUGH COMPROMISED CREDIT CARD. THE MAGNETIC STRIPE DATA ON THE BACK OF THE CARD WAS COPIED USING A SKIMMING DEVICE AT A SUSPECTED COMMON POINT OF COMPROMISE MERCHANT ESTABLISHMENT. THE DATA ARE THEN TRANSFERRED TO ANOTHER CARD PLASTIC WHICH WAS USED BY THE FRAUDSTER/PERPETRATOR IN SEVERAL TRANSACTIONS. THE AMOUNT DISPUTED ARE THEN CONFIRMED FRAUDULENT IN NATURE. THE FRAUDULENT TRANSACTIONS WILL BE CONSIDERED AS LOSS BY THE BANK SINCE THE CARD USED IS FRAUD IN NATURE. THE REAL CARDHOLDER IS NOT AWARE ON THE SAID FRAUD TRANSACTIONS AND COLLECTION EFFORT IS NOT POSSIBLE. THE NAME ON THE RETRIEVED SALES SLIPS DIFFERS FROM THAT OF THE REAL CARDHOLDER.

**AMLC Categorization:** Swindling

Certain CPs filed STRs citing *Swindling* as reason for suspicion while elaborating this in the narrative as the alleged involvement of their subjects in child pornography or child abuse/exploitation.

**Reason:** The transaction is in any way related to *Swindling*

**Narrative 4:** THE COMPANY WAS REQUESTED TO COOPERATE TO AN ON-GOING CASE THRU

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<sup>6</sup> Elements of Forgeries and Counterfeiting are discussed in Annex B

<sup>7</sup> Elements of Forgeries and Counterfeiting are discussed in Annex C

PROVIDING TRANSACTION AND IDENTIFICATION RECORDS OF THE SUBJECT WHICH IS UNDER CRIMINAL INVESTIGATION. THE LETTER STATED THAT COURTS RECEIVED AN INTELLIGENCE INFORMATION FROM THE CENTER FOR MISSING AND EXPLOITED CHILDREN THAT THESE RECEIVERS WERE SUSPECTED OF RECEIVING PROCEEDS FROM LIVE STREAM OF SEXUAL ABUSE OF CHILDREN.

**Narrative 5:** COMPANY WAS REQUESTED TO PROVIDE CERTIFIED TRUE COPIES OF ALL DOCUMENTS PERTAINING TO THE REMITTANCE TRANSACTION OF THE RECEIVER. IT WAS STATED IN THE REQUEST LETTER THAT RECEIVER WAS SUSPECTED FOR OPERATING CHILD PORNOGRAPHY HUB BY LIVE STREAMING THE SEXUAL ABUSE OF MINORS TO CLIENTS IN A FOREIGN COUNTRY AND POSSIBLY IN OTHER COUNTRIES AS WELL WHERE SAID RECEIVER CHARGES HER CUSTOMERS A CERTAIN AMOUNT TO WATCH THE VIDEOS.

There seems to be an obvious error committed by the said CPs in citing *Swindling* when the transaction as described in the narrative actually refers to child pornography and child abuse/exploitation.

Among the common reasons of low value STRs are:

- Disputed Credit Card Transactions
- Use of Counterfeit Cards
- Card Skimming
- Online Transactions Fraud
- Returned Checks
  - Account Closed
  - Insufficient Funds
  - Spurious/Altered

*These constitute more than 54,000 STRs or 40.82% of the total STRs in 2016.*

Table 6 shows the total STRs filed for the reason *Disputed and/or unauthorized transactions using fictitious credit cards/card skimming fraud, checks issued and returned against closed account, insufficient funds and spurious checks*. 41% of the total STRs in 2016 were filed under these circumstances.

**Table 7: Total STRs filed on Reasons commonly used on Unknown Perpetrators**

Common Reasons for Filing STRs (mostly Unknown Perpetrators)	No. of STRs
DISPUTED/UNAUTHORIZED TRANSACTIONS; ONLINE TRANSACTIONS FRAUD; USE OF COUNTERFEIT CARDS; CARD SKIMMING	38,789
CHECKS RETURNED/ISSUED AGAINST CLOSED ACCOUNT/INSUFFICIENT FUND	14,570
SPURIOUS CHECKS/ALTERED CHECKS	1,021
<b>Grand Total</b>	<b>54,380</b>

Notably, the CPs often misuse the Suspicious Indicator: *“The transaction is similar, analogous or identical to any of the foregoing.”*, for transactions related to an underlying predicate crime/suspicious activity. This reason when used, should contain additional probable reason that is not identified in the list of PC/SI under AMLA. However, this is not the case as can be seen in the succeeding examples:

Reasons used by CP:

- a. "THE TRANSACTION IS SIMILAR, ANALOGOUS OR IDENTICAL TO ANY OF THE FOREGOING.; COUNTERFEIT CREDIT CARD"
- b. "THE TRANSACTION IS SIMILAR, ANALOGOUS OR IDENTICAL TO ANY OF THE FOREGOING.; COUNTERFEIT DEBIT CARD"
- c. "THE TRANSACTION IS SIMILAR, ANALOGOUS OR IDENTICAL TO ANY OF THE FOREGOING.; FRAUD APPLICATION"
- d. "THE TRANSACTION IS SIMILAR, ANALOGOUS OR IDENTICAL TO ANY OF THE FOREGOING.; CLIENT S TRANSACTIONS ARE NOT COMMENSURATE WITH THE DECLARED SOURCE OF FUNDS. MOREOVER TRANSACTIONS HAVE NO UNDERLYING LEGAL OR TRADE OBLIGATION PURPOSE OR ECONOMIC JUSTIFICATION"

The CPs should have chosen the proper SI/PC related to the reason for filing the STR. Reasons a. to c. above are fraud in nature and will fall under swindling as the related PC. On one hand, the CP could have directly chosen the closest SI in item d. instead of hedging between two suspicious indicators and incorporating both under "the transaction is similar, analogous or identical to any of the foregoing".

### **Narrative**

The *Narrative* is considered as one of the most important aspects of the STR. According to the AMLC Reporting Procedure, the *Narrative* field narrates the events leading to the suspicion including other information which might be of importance to the report.

However, the AMLCS noticed that 49% of the STR *narratives* submitted in 2016 have issues in terms of clarity and sufficiency. Some STRs contain vague narratives while, some have insufficient information which significantly compromised their investigative value.

### ***Examples of Low Quality Narratives:***

CPs have been submitting STRs based merely on suspicious client behavior, such as:

**Narrative 6:** "HINDI NAGSASABI NG TOTOO SI CLIENT AT HINDI CONCERNED SA PAGBABAYAD NG MONTHLY PAYMENT."

**Narrative 7:** "CLIENT'S COMPANION IS THE ONE FEEDING DETAILS ABOUT APPLICATION. INSISTS ON PAYING FOR THE SMALLEST POSSIBLE DOWNPAYMENT"

**Narrative 8:** "HINDI PO MAKAUSAP NG MAAYOS AT HALATANG NAGIISIP KUNG ANO ANG DAPAT SABIHIN PAIBA IBA ANG MGA SAGOT"

### **Other Considerations**

There are other factors and issues in reporting that could also contribute to the quality of STRs. Below are some of the identified issues.

- a. Increasing trend in the use of the ZSTR transaction code. Generally, this code is being used to disclose account details of the suspected perpetrator of the predicate crime or money laundering activity but no transaction is actually being reported as suspicious. As of 2016, 14,373 STRs or 11% of the total STRs were reported as ZSTRs.
- b. CPs submit STRs pursuant to AMLC Freeze Order or AMLC Bank Inquiry. Rarely do these STRs provide details of the suspicious activity.

## D. CHARACTERISTICS OF HIGH QUALITY STRs

- a. Complete Profile of the Subject of Suspicion / Account holder (i.e. name, address, and date of birth)
- b. Sufficient/Substantial narrative of the events leading to the suspicion, providing description of the following:
  - Profile of subject
  - Pattern of transaction
  - Nature of business
  - Source/s of income
  - Affiliations/associates
  - Internal database alerts
  - Open source information
  - All other information available to the CP
- c. Mandatory parties set per transaction type under the AMLC ARRG should be disclosed (i.e. beneficiary and/or counterparty in remittance and inter-account transfer transactions)
- d. The reasons for filing of STRs are specified in Sec. 35 of the AMLA as amended and in the AMLC Reporting Procedures. The CPs, therefore, must cite the reason for suspicion consistent with the details provided in the narrative field.

### *Examples of High Quality STRs*

The succeeding examples were selected since they possess the characteristics of a high quality STR. Sensitive information (e.g. name, date, age, amount, location/address, account details) were changed in order to protect the identity of the filing CPs. However, to give credence to the sample, the narrative sequencing was preserved.

#### *Example 1:*

**Accountholder:** Identified

**Subject:** Identified

**Transaction:** various codes (multiple STRs)

**Branch of Reporting Institution:** Head Office

**Reason:** THERE IS A DEVIATION FROM THE CLIENT'S PROFILE/PAST TRANSACTIONS.

**AMLC Categorization (Related PC based on the Narrative):** Matched the Reason indicated by the CP

**Narrative:** Mr. ABC is a 35 year old Filipino national and Philippine resident. He is currently the comptroller in Company A with a monthly salary of Php68,000. The main office of Company A is incorporated and registered in Country Red in 1949. In the Philippines it was established in 1965. It is the network of Company A which provides expert advice training and grant support to developing countries with increasing emphasis on assistance to the least developed countries. Company A also has accounts with the bank since 2001. A review of Mr. ABC's account between 1/1/2015 and 12/31/2015 showed a total of Php2.3 million credits. Bulk of the amount were funds transfers from Company A's account no. 123456789 totaling Php1.3 million which comprises 25 counts of funds transfers for his monthly salary and petty cash replenishment. According to the branch manager (BM) the purpose for receiving funds from Company A's account is to replenish Company A's petty cash as Mr. ABC is the custodian. The remaining credits were: (a) inward fund transfers (4 counts) from Company A's staff savings and loan fund account; (b) inward remittances (6 counts) and; (c) inward cheques (3 counts). During the same review period a total of Php2.3 million was withdrawn from the account where bulks of the withdrawals are through ATM (126 counts). There were 2 huge cash withdrawals made: (a) Php140k (USD2.9k) on 9/28/2015 and; (b) Php100k (USD2.1k) on 9/5/2015. BM informed that these were cash advances for the customer's travel to Country Blue, which was provided by Company A as part of the daily subsistence allowance. In addition there were 12 counts of monthly fund transfers originating from



Company A's staff payroll account totaling Php380K which appear to be a regular payment. Suspicious transaction indicators are identified as follows: (a) the payroll account appears to be continuously used for operational requirements of Company A, which is basically similar to the reason of the 1st STR filed in 2014 where the client's payroll account was used to disburse some funds related to typhoon relief operations ; (b) there is concern on appearance of conflict of interest given that the subject account of Mr. ABC is a payroll account and some of the funds credited represents petty cash funds of Company A for various projects and; (c) trigger review for the 1st STR was completed in 2015. BM of the customer at that time has explained that the use of the personal (payroll) account for typhoon relief was only temporary and will not recur moving forward. This is contrary to the current observation as the account appears to be persistently used for Company A's operations.

*Example 2:*

**Accountholder:** Identified

**Subject:** Identified

**Transaction:** CDEPC – Cash Deposit

**Branch of Reporting Institution:** Makibaka Branch

**Reason:** DRUG TRAFFICKING & RELATED OFFENSES

**AMLC Categorization (Related PC based on the Narrative):** Matched the Reason indicated by the CP

**Narrative:** Ms. Ab Def opened a personal account in October 2004 with Mena branch. Per account opening form (AOF); client is Filipino, married and is residing at 123 Alphabet Street Makibaka City. She is a housewife and her declared source of income is remittances from her husband, Mr. Jk Def in Country Blue. Account was eventually upgraded to a preferred account in January 2005. Ms. Ab Def opened a safety deposit box (SDB) and assigned her husband as deputy. Per Mr. Jk Def's personal details form (PDF); he is a Filipino citizen and is residing at 123 Alphabet Street Makibaka City. Mr. Def declared that he is a part owner of DEF Leasing, which is a registered business in the Department of Trade and Industry (DTI) database; DEF Leasing is located in Alphabet Avenue in Makibaka City. Business though was not found in Securities and Exchange Commission (SEC) database. Ms. Ab Def is classified as normal risk by the bank. No previous STRs filed against the client. Ms. Ab Def was screened against World-check; the bank's internal blacklist database and the public domain and yielded a positive hit due to her revoked credit card. NIL findings for world-check and adverse news from public domain. Husband was screened against world-check; the bank's internal blacklist database and the public domain and yielded a positive hit. Husband has an adverse news in relation to his arrest due to possession and trafficking of a large quantity of cannabis; together with 2 Country Blue nationals who are alleged to be members of a drug syndicate and 1 Filipino citizen. The article was from Alamin Newspaper and was published in December 2002. According to the news article, they were arrested in Mataba City in a buy bust operation last 12/19/2002; since Mataba Police gained information that the group of Mr. Jk Def is involved in a large scale distribution of cannabis in Mataba City. Total of 150 kilos of cannabis was confiscated from the group. Address of Mr. Jk Def was indicated in the news article and this matched with our records of client's husband and deputy of her SDBs. DEF Leasing was screened against world-check; the bank's internal blacklist database and the public domain and yielded nil results. The personal account of Ms. Ab Def was opened in October 2004. The transactions were reviewed from account opening to present to investigate if there are anomalous transactions. USD account no. 12345678 is no longer listed under the account of Ms. Ab Def with the bank. Per checking; account was closed last 8/16/2016. It can be observed that account is being funded by foreign currency deposits and telegraphic transfers from Country Blue/Bluish nationals. From October 2004 to May 2005; there were only 7 credits amounting to USD203,000. Funds were then transferred to Bluish nationals and some were used to invest in trust products (Bond Fund No. 1415161718). The trust account has been closed and is no longer listed under the account of Ms. Ab Def. Transactions were reviewed from Oct. 2004 to Jan. 2010 and it was observed that account is being funded by cash deposits and funds are used to pay for her credit cards. Mr. Ab Def immediately withdraws her funds right after proceeds were credited. Notable credits were from Dec. 2004 to Mar. 2005, which totaled to Php2.1 million.

## E. CONCLUSION

The study showed an increasing trend in STR submissions from CPs. However, quality assessment of the 2016 STR dataset revealed that while CPs are generally adhering to the mandatory fields requirement, the value of information provided are sometimes not substantial. About 46.91% do not have sufficient information to warrant further action. Considering that STRs play an important role in the proactive approach to AML/CFT intelligence generation and investigative process, assessment of the 2016 dataset revealed a discouraging percentage of STRs with little or no potential value.

## F. NEXT STEPS

The AMLC, through its Secretariat, would reinforce the guidelines set forth in the ARRГ by providing specifics on how to properly narrate details of the circumstances leading to the suspicion.

- As a guide to the CPs, an STR should provide details in relation to the *5Ws and 1H (Who, What, Where, When, Why, and How)*.

### Who

For the subject profile, the data in the *name, address, and date of birth* fields are considered essential information for analysis and investigation. Thus, CPs should ensure that these information are provided when filing STRs. In addition, data for the *subject of suspicion* in the STR should contain the name of the entity or individual suspected to be engaged in the predicate crime and/or money laundering activity.

### What

The CPs should ensure that the *transaction code* field is filled-up with the appropriate code. Additional information, such as the *amount* and *currency code* used, should also be provided by the CP.

### Where

In order to determine where the place of the suspicious transaction occurred, AMLCS looks for the branch of the covered person/reporting institution where the transaction was made. This is the reason why the AMLC requires, under the revised reporting procedure, that all CTRs/STRs must be reported by the branch of covered persons where the transactions occurred. Further, in cases wherein the head office files the CTRs/STRs, the reporting guidelines emphasized that CT/ST report submission should identify the CP up to the branch level.

### When

The *transaction date* should be provided by the CP.

### Why

*Suspicious transaction*, as defined under the AMLA, as amended, should be filed by covered persons based on its suspicious indicator. In filing an STR, the CP should be able to properly assess if the activity falls under any of the suspicious indicators or predicate crimes of the AMLA, as amended. Thus, the CPs should be able to indicate the correct suspicious circumstance or predicate crime in relation to the reported transaction.

## How

The narrative should describe the basis for suspicion by providing details such as the pattern of transactions and description of the information in the account opening form, nature of business, sources of income, affiliations, internal database alerts on the subject, and open source information, which serve as the foundation that ML or TF has occurred or is about to occur. The CP should clearly describe the nature of the suspicious activity, taking into account important details such as the pattern of transactions and if available customer due diligence information. It may include the nature of business/profession, sources of income, affiliations, internal database alerts on the subject, open source information, and the like.

- The suspicious circumstance: “The transaction is similar, analogous or identical to any of the foregoing.” seems to be a source of confusion for CPs. CPs have been using this suspicious circumstance for STRs apparently related to a predicate crime covered under the AMLA, as amended.
- With the emerging trend in the use of *ZSTR*, the CPs should only use said STR type if there is NO transaction made by the subject. If there is a transaction made by the subject, the appropriate type of transaction should be used.
- The study shows that some of the CPs, particularly those under the category financing and lending companies, are submitting STRs based on specific indicators appearing to be clients’ behaviors or situations that might be related to money laundering or terrorist financing. Generally, STRs merely reported client’s suspicious behavior (e.g. client has not no eye contact, seem unsure or nervous of his/her reply) are found to be ineffective. These indicators are not sufficient to support the reason for filing of the STRs due to lack of relevant information. However, if the said indicators are observed along with other relevant data or indicators present in the transaction, then there could be enough information to suspect that the subject or transaction could be related to money laundering or terrorist financing.

**SUSPICIOUS TRANSACTION REPORTS**

Section 3 of the Republic Act 9160, as amended, defines "Suspicious Transaction" as a transaction, regardless of the amount where any of the following circumstances exists:

1. there is no underlying legal or trade obligation, purpose or economic justification;
2. the client is not properly identified;
3. the amount involved is not commensurate with the business or financial capacity of the client;
4. taking into account all known circumstances, it may be perceived that the client's transaction is structured in order to avoid being the subject of reporting requirements under the AMLA;
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 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

"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 and 302 of the 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;
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 Law"; "Destructive Arson"; and "Murder", 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 8 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 Transactions" 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 IV 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 2002, 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 1995, as amended";
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.

7. any transaction that is similar, analogous or identical to any of the foregoing.

**“Forgeries” and “Counterfeiting” under Articles 163, 166, 167, 168, 169 and 176 of the Revised Penal Code, as amended;**

**Art. 163. Making and importing and uttering false coins.** — Any person who makes, imports, or utters, false coins, in connivance with counterfeiters, or importers, shall suffer:

1. Prison mayor in its minimum and medium periods and a fine not to exceed P10,000 pesos, if the counterfeited coin be silver coin of the Philippines or coin of the Central Bank of the Philippines of ten centavo denomination or above.

2. Prison correccional in its minimum and medium periods and a fine not to exceed P2,000 pesos, if the counterfeited coins be any of the minor coinage of the Philippines or of the Central Bank of the Philippines below ten-centavo denomination.

3. Prison correccional in its minimum period and a fine not to exceed P1,000 pesos, if the counterfeited coin be currency of a foreign country. (As amended by R.A. No. 4202, approved June 19, 1965).

The elements of the crime under this article are:

1. That there be false or counterfeited coins.
2. That the offender either made, imported, or uttered such coins.
3. That in case of uttering such false or counterfeited coins, he connived with the counterfeiters or importers.

**Section Three.** — Forging treasury or bank notes, obligations and securities; importing and uttering false or forged notes, obligations and securities.

**Art. 166. Forging treasury or bank notes or other documents payable to bearer; importing, and uttering such false or forged notes and documents.** — The forging or falsification of treasury or bank notes or certificates or other obligations and securities payable to bearer and the importation and uttering in connivance with forgers or importers of such false or forged obligations or notes, shall be punished as follows:

1. By reclusion temporal in its minimum period and a fine not to exceed P10,000 pesos, if the document which has been falsified, counterfeited, or altered, is an obligations or security of the United States or of the Philippine Islands.

The word "obligation or security of the United States or of the Philippine Islands" shall be held to mean all bonds, certificates of indebtedness, national bank notes, fractional notes, certificates of deposit, bills, checks, or drafts for money, drawn by or upon authorized officers of the United States or of the Philippine Islands, and other representatives of value, of whatever denomination, which have been or may be issued under any act of the Congress of the United States or of the Philippine Legislature.

2. By prison mayor in its maximum period and a fine not to exceed P5,000 pesos, if the falsified or altered document is a circulating note issued by any banking association duly authorized by law to issue the same.

3. By prision mayor in its medium period and a fine not to exceed P5,000 pesos, if the falsified or counterfeited document was issued by a foreign government.

4. By prision mayor in its minimum period and a fine not to exceed P2,000 pesos, when the forged or altered document is a circulating note or bill issued by a foreign bank duly authorized therefor.

**Art. 167. Counterfeiting, importing and uttering instruments not payable to bearer.** — Any person who shall forge, import or utter, in connivance with the forgers or importers, any instrument payable to order or other document of credit not payable to bearer, shall suffer the penalties of prision correccional in its medium and maximum periods and a fine not exceeding P6,000 pesos.

The elements of the crime under this articles are:

1. That there be an instrument payable to order or other documents of credit not payable to bearer.
2. That the offender either forged, imported or uttered such instrument.
3. That in case of uttering, he connived with the forger or importer.

**Art. 168. Illegal possession and use of false treasury or bank notes and other instruments of credit.**

— Unless the act be one of those coming under the provisions of any of the preceding articles, any person who shall knowingly use or have in his possession, with intent to use any of the false or falsified instruments referred to in this section, shall suffer the penalty next lower in degree than that prescribed in said articles.

The elements of the crime under this articles are:

1. That any treasury or bank note or certificate or other obligation and security payable to bearer, or any instrument payable to order or other document of credit not payable to bearer is forged or falsified by another person.
2. That the offender knows that any of those instruments is forged or falsified.
3. That he performs any of these acts:
  - a. Using any of such forged or falsified instruments; or
  - b. Possessing with intent to use any of such forged or falsified instruments.

**Art. 169. How forgery is committed.** — The forgery referred to in this section may be committed by any of the following means:

1. By giving to a treasury or bank note or any instrument, payable to bearer or order mentioned therein, the appearance of a true genuine document.

2. By erasing, substituting, counterfeiting or altering by any means the figures, letters, words or signs contained therein.

**Art. 176. Manufacturing and possession of instruments or implements for falsification.** — The penalty of prision correccional in its medium and maximum periods and a fine not to exceed P10,000 pesos shall be imposed upon any person who shall make or introduce into the Philippine Islands any stamps, dies, marks, or other instruments or implements intended to be used in the commission of the offenses of counterfeiting or falsification mentioned in the preceding sections of this Chapter.

Any person who, with the intention of using them, shall have in his possession any of the instruments or implements mentioned in the preceding paragraphs, shall suffer the penalty next lower in degree than that provided therein.



**“Frauds and Illegal Exactions and Transactions” under Articles 213, 214, 215 and 216 of the Revised Penal Code, as amended**

**Art. 213. Frauds against the public treasury and similar offenses.** — The penalty of *prision correccional* in its medium period to *prision mayor* in its minimum period, or a fine ranging from 200 to 10,000 pesos, or both, shall be imposed upon any public officer who:

1. In his official capacity, in dealing with any person with regard to furnishing supplies, the making of contracts, or the adjustment or settlement of accounts relating to public property or funds, shall enter into an agreement with any interested party or speculator or make use of any other scheme, to defraud the Government;

2. Being entrusted with the collection of taxes, licenses, fees and other imposts, shall be guilty or any of the following acts or omissions:

(a) Demanding, directly, or indirectly, the payment of sums different from or larger than those authorized by law.

(b) Failing voluntarily to issue a receipt, as provided by law, for any sum of money collected by him officially.

(c) Collecting or receiving, directly or indirectly, by way of payment or otherwise things or objects of a nature different from that provided by law.

When the culprit is an officer or employee of the Bureau of Internal Revenue or the Bureau of Customs, the provisions of the Administrative Code shall be applied.

The elements of Art. 213, paragraph 1, which is frauds against public treasury, are:

- a. That the offender be a public officer.
- b. That he should have taken advantage of his office, that is, he intervened in the transaction in his official capacity.
- c. That he entered into an agreement with any interested party or speculator or made use of any other scheme with regard to (1) furnishing supplies, (2) the making of contracts, or (3) the adjustment or settlement of accounts relating to public property or funds.
- d. That the accused had intent to defraud the Government.

The elements of illegal exactions:

- a. The offender is a public officer entrusted with the collection of taxes, licenses, fees, and other imposts.
- b. He is guilty of any of the following acts or omissions:
  - 1) Demanding, directly or indirectly, the payment of sums of different from or larger than those authorized by law; or
  - 2) Failing voluntarily to issue a receipt, as provided by law, for any sum of money collected by him officially; or
  - 3) Collecting or receiving directly or indirectly, by way of payment or otherwise, things or objects of a nature different from that provided by law.

**Art. 214. Other frauds.** — In addition to the penalties prescribed in the provisions of Chapter Six, Title Ten, Book Two, of this Code, the penalty of temporary special disqualification in its maximum period to perpetual special disqualification shall be imposed upon any public officer who, taking

advantage of his official position, shall commit any of the frauds or deceits enumerated in said provisions.

Elements:

- a. That the offender is a public officer.
- b. That he takes advantage of his official position.
- c. That he commits any of the frauds and deceits enumerated in Arts. 315 to 318.

**Art. 215. Prohibited transactions.** — The penalty of *prision correccional* in its maximum period or a fine ranging from 200 to 1,000 pesos, or both, shall be imposed upon any appointive public officer who, during his incumbency, shall directly or indirectly become interested in any transaction of exchange or speculation within the territory subject to his jurisdiction.

Elements:

- a. That the offender is an appointive public officer.
- b. That he becomes interested, directly or indirectly, in any transaction of exchange or speculation.
- c. That the transaction takes place within the territory subject to his jurisdiction.
- d. That he becomes interested in the transaction during his incumbency.

**Art. 216. Possession of prohibited interest by a public officer.** — The penalty of *arresto mayor* in its medium period to *prision correccional* in its minimum period, or a fine ranging from 200 to 1,000 pesos, or both, shall be imposed upon a public officer who directly or indirectly, shall become interested in any contract or business in which it is his official duty to intervene.

This provision is applicable to experts, arbitrators and private accountants who, in like manner, shall take part in any contract or transaction connected with the estate or property in appraisal, distribution or adjudication of which they shall have acted, and to the guardians and executors with respect to the property belonging to their wards or estate.