



Suspicious Transaction Report Quality Review

2017-2020
Data Discovery

HIGH

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QUALITY
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I. BACKGROUND AND SCOPE

In 2017, AMLC published its first Suspicious Transaction Report (STR) Quality Review for STRs submitted by covered persons in 2016.¹ This review covered STRs filed with the AMLC from the agency's inception in 2001 up to 2016. The objective of the 2017 STR Quality Review is to identify the inadequacies of the STRs filed and to recognize the features of high-quality STRs to provide guidance on how to improve the quality of STRs of covered persons. The quality of the STRs received by AMLC is given utmost importance as STRs are one of the primary sources of intelligence for financial crime surveillance and investigation. Moreover, good quality STRs enable the AMLC to prioritize and appropriately allocate its resources to its analyses.

The 2021 STR Quality Review, on the other hand, covers 2.4 million STRs, which the AMLC received from 2017 to 2020 from covered persons (CPs). The STR quality assessment is broken down into three (3) phases: (1) Descriptive Statistics; (2) Technical Compliance; and (3) Investigative Value. The study aims to provide a trend analysis for the covered periods; assess the technical compliance and investigative value of the STRs; and identify the reporting gaps and challenges of CPs to provide guidance on how to improve the quality of STRs.

This document is the study's first phase, which gives an overall description of common STR patterns and trends. This includes information on the breakdown of STRs by predicate crime, CP, industry group, and transaction type, among others. It also covers trend analyses and system issues observed during data mining as well as the timing of submission.

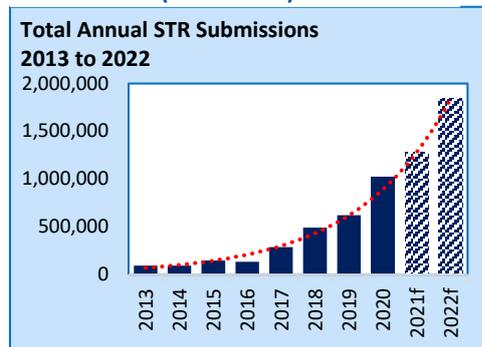
Part of the AMLC Registration and Reporting Guidelines (ARRG) technical compliance is the timeliness of submission. Since the timeliness of STR submissions is dependent on various factors and scenarios (as enumerated in Part 1, Item IV-F of the ARRG) and since some scenarios are not verifiable given the limited data, however, the timeliness of the reports is not part of the technical compliance score. Nevertheless, the timing of submissions is uniformly measured as the difference in the number of days between the upload and transaction dates. Descriptive statistics on the date range (e.g. within five days, within six to 10 days, within 11 to 60 days, and beyond 60 days) are presented, but judgment as to timeliness is not made.

STRs used in the study are as submitted by CPs. Although there were minor data transformations (i.e., date format, geographic location tagging, among others), there were no adjustments made on the transactions filed by the CPs (i.e., reasons for filing were not corrected based on the narratives, default names were left as such, etc.).

¹ A copy of the *Suspicious Transaction Report [STR] Quality Review (2017)* is available at <http://www.amlc.gov.ph/images/PDFs/STR%20QUALITY%20REVIEW.pdf>.

II. COMPARATIVE TREND

Figure 1. Annual STR Submission, 2013 to 2022 (forecasted)

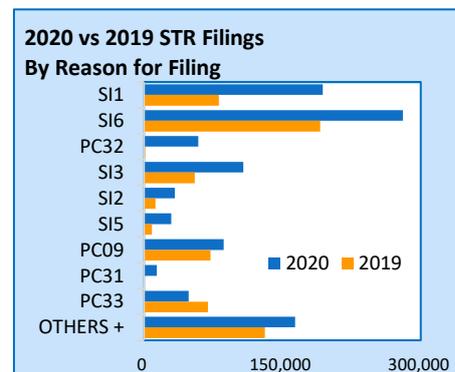
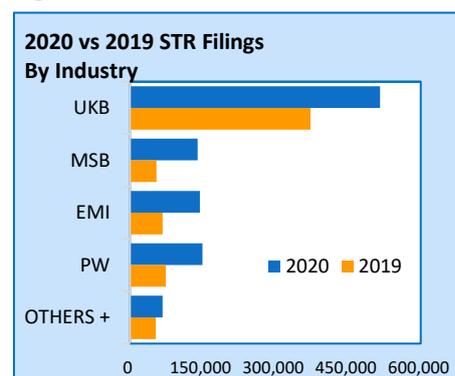


The annual growth of STRs from 2019 (estimated 623,000 STRs) to 2020 (estimated 1.01 million STRs) is 63%. This is higher compared with the growth rate of 2018 to 2019, which was at 27%. The surge in STRs in 2020 could be attributed to the more than doubled STR filings of pawnshops (PWs) (from 74,074 STRs in 2019 to 149,935 STRs in 2020), money service businesses (MSBs) (from 55,042 STRs in 2019 to 139,757 STRs in 2020), and electronic money issuers (EMIs) (from 67,518 STRs in 2019 to 144,294 STRs in 2020). The STR growth in these three (3) industries alone contributed 237,352 STRs in 2020, which is greater than the 143,457 increase in STRs filed by universal and commercial banks (UKBs). The combined increase of 380,809 STRs in these four (4) industries contributed 96% of the total 394,731 increase in 2020.

In terms of reason for filing, it was observed that predicate offenses related to online sexual exploitation of children significantly surged in 2020. Predicate Crime (PC) 32 (Violations of Special Protection of Children Against Abuse, Exploitation, and Discrimination Act) rose by 3,906% or 57,461 STRs from its 2019 level, while PC31 (Violations of the Anti-Child Pornography Act of 2009) grew by 11,126% or 14,019 STRs. Aside from PC31 and PC32, three (3) suspicious indicators (SIs) contributed the most to the increase in 2020 STRs, namely: SI1 (There is no underlying legal or trade obligation, purpose or economic justification), which increased by 139% (112,619 STRs); SI6 (The transaction is similar, analogous, or identical to any of the foregoing), which rose by 47% (89,708 STRs); and SI3 (The amount involved is not commensurate with the business or financial capacity of the client), which grew by 95% (52,508 STRs). The two (2) predicate crimes (PC31 and PC32) and three (3) suspicious indicators (SI1, SI3, and SI6) account for 326,315 of the 394,731 increase in STRs. On the other hand, PC33 (Fraudulent Practices and other Violations under the Securities Regulations Code Of 2000) decreased by 30% (20,880 STRs), considering that the upsurge in 2019 likely resulted from the Securities and Exchange Commission's intensified campaign against investment scams, yielding 69,326 STRs on PC33 in 2019.

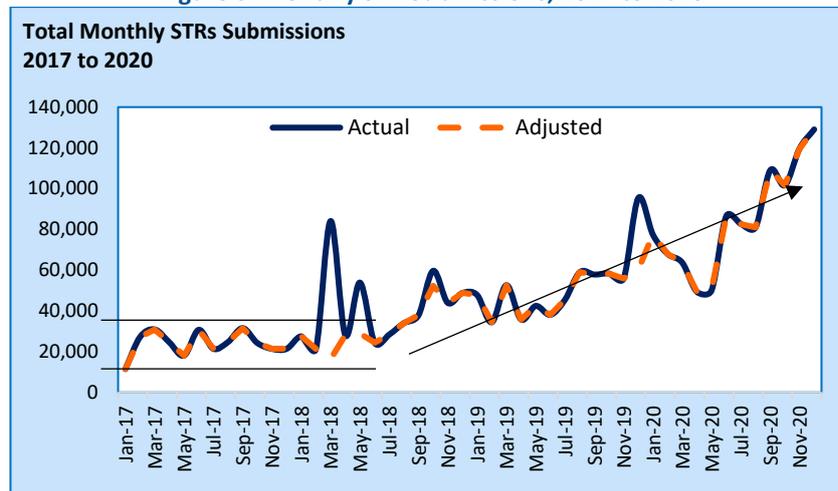
The growth of STRs has been exponential since 2013. The number of STRs in 2020 is approximately 10.7 times its 2013 levels. Based on historical trends, 2021 and 2022 STR submissions are expected to approximately grow by 26% and 44%, respectively. This means STRs could reach more than 1.2 million and 1.8 million by year-end 2021 and 2022, respectively, if there will be no intervention made by the AMLC and/or no change in current submission patterns.

Figure 2. 2020 and 2019 STR Distribution



The monthly STR trend is more erratic compared with the exponential upward annual trend. Figure 3 illustrates the monthly submissions from January 2017 to December 2020. As shown in Figure 3, there are spikes on certain months due to bulk submission of STRs by some CPs. Upon removal of these extreme values, it can be observed that from January 2017 to June 2018, STR submissions are in a tight range of 11,000 to 31,000 with a flatter trend compared with the months after June 2018, where STR filings take an upward drift.

Figure 3. Monthly STR Submissions, 2017 to 2020



The bulk submission of 67,822 STRs, which is 81% of the March 2018 total STR submissions, contributed to the sudden surge in March 2018. Majority of these filings are related to multiple unauthorized electronic cash card purchases, using counterfeit cards in various international locations between December 2017 to January 2018. In May 2018, there were 16,719 STRs related to unauthorized electronic cash card purchases through e-commerce fraud and/or counterfeit cards; and 8,311 transactions related to various investment scams. Another peak in 2018 is in October, when 17,944 STRs were filed, 7,838 of which contain narratives, stating that the user account triggered the internal alert system for a cumulative transaction value of PHP500,000. Monthly STR submissions in 2019 were smoother compared with 2018, except for a sudden spike in December with a bulk-filing of 34,909 STRs related to potential money mules/pass-through accounts.²

The upward drift of STR submissions temporarily halts from March to May 2020, where a sharp decline in STR filing is noticeable. This could be attributed to work arrangements and submission process adjustments due to the Luzon-wide lockdown in relation to the COVID-19 pandemic. Nevertheless, the submission rate bounced back with an upward trend, starting June 2020, when most lockdowns were lifted and when the economy transitioned to the new normal.

Discounting the aforementioned extreme bulk STR filings from the actual number of submissions, smoothed adjusted STR submissions (i.e., number of STRs, net of sudden bulk submissions) is shown in Figure 3. The adjusted monthly STR filing could be segmented into two (2) time series: January to August 2018; and September 2018 to December 2020. The first

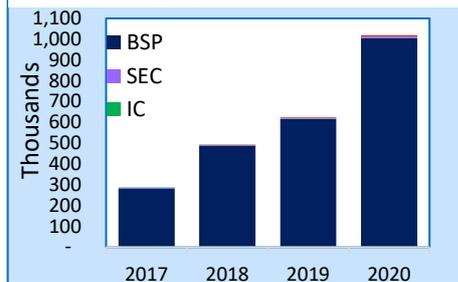
² The same narrative for money mule account typology is cited in AMLC's *COVID-19 Financial Crime Trend Analysis and Typologies Brief*.

segment has a tighter range of 11,434 to 33,959 STRs with an average monthly submission of 24,796 STRs.³ Starting September 2018, on the other hand, Figure 3 shows that monthly filings generally move toward an upward trend with a higher monthly average submission of 63,870 STRs; and a range of 34,396 to 129,051 STRs.

III. STR DISTRIBUTION

A. BY INDUSTRY GROUPS AND COVERED PERSONS

**Figure 4. STR Submissions
By Supervising Agency, 2017 to 2020**



Close to 99% of the submitted STRs from 2017 to 2020 were submitted by Bangko Sentral ng Pilipinas (BSP)-supervised CPs. The remaining 1% is shared by Securities and Exchange Commission (SEC)- and Insurance Commission (IC)-supervised; and appropriate government agency (AGA) 1⁴-regulated CPs. This is expected as 81% of registered CPs are BSP-supervised.⁵ As of this writing,⁶ there are 31 AGA2- and AGA3-supervised CPs, which are registered with the AMLC; and

68 designated non-financial business and professions (DNFBPs). None of these CPs, however, filed any STRs from 2017 to 2020. Nevertheless, these CPs filed 3,313 covered transaction reports (CTRs) during the same period. On the other hand, all STRs from AGA1-regulated CPs were filed by land-based casinos. Both AGA1-regulated ship-based and online casinos did not submit any STRs in the covered period.

Among SEC-supervised CPs, majority (83% to 95%) of the STRs from 2017 to 2019 were filed by financing companies, followed by investment houses and underwriters of securities with 3% to 13%; and broker-dealers with 1% to 2% share. In 2020, 90% of STR submissions from SEC-supervised CPs, however, originated from mutual fund and investment companies, largely attributed to the bulk filing of 7,006 STRs in January 2020.⁷

From 2017 to 2020, almost 100% of the STRs filed by IC-supervised CPs were submitted by insurance companies and professional reinsurers with occasional STR filings from insurance brokers and pre-need companies.

³ If bulk submissions are included, Segment 1’s average and range are 29,439 STRs; and 11,434 to 84,090 STRs, respectively.

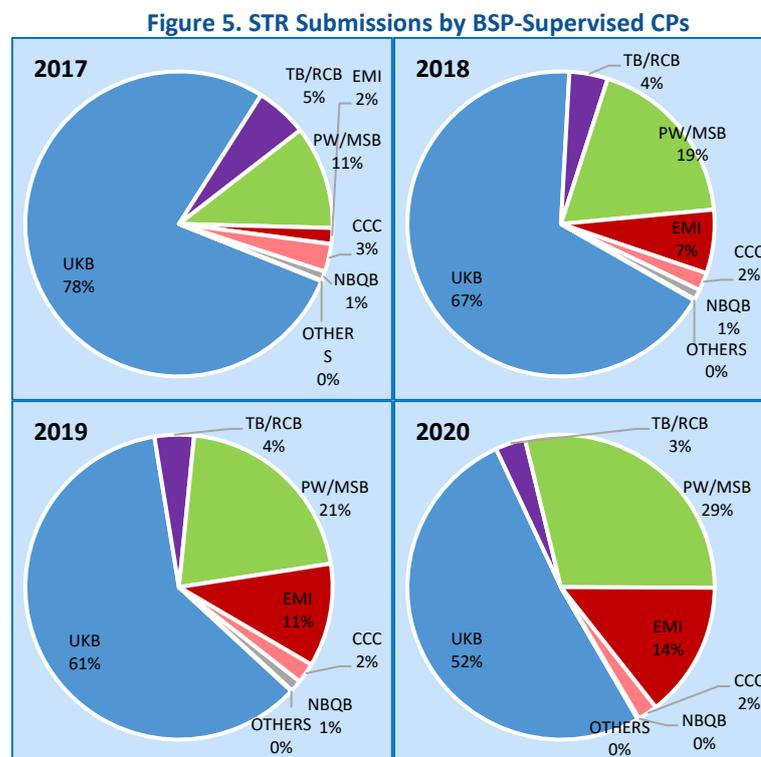
⁴ Appropriate government agencies (AGAs) regulate casinos. Three (3) AGAs (i.e., AGA1, AGA2, and AGA3) are mentioned in the *STR Quality Review*.

⁵ Per the Compliance and Supervision Group of the AMLC, as of August 2020, 2,665 of the registered covered persons (CPs) are under the supervision of the Bangko Sentral ng Pilipinas (inclusive of CPs with provisional registration), while the total number of registered CPs is 3,281.

⁶ Data is sourced from the Library Management System as of 19 January 2021, 11:20 am.

⁷ Regarding the narrative of the bulk submission, “the company identified that there is a high frequency of subscriptions and redemptions in the multiple folios of the client. The act may be considered a violation of the Securities Regulation Code, which in turn appears to fall within the list of unlawful activities under 2018 Implementing Rules and Regulations of Republic Act No. 9160.”

Compared with other supervising agencies where 83% to 100% of the STRs were submitted by only one industry group, the STR distribution for BSP-supervised CPs is more diverse as shown in Figure 5.



UKBs, which are the country’s largest financial institutions in terms of assets, account for majority of the STR filings of BSP-supervised CPs. Its share to the total filings, however, decreased from 78% in 2017 to 51% in 2020. The share of non-bank financial institutions (NBFIs), particularly pawnshops and MSBs, constantly increased from 11% in 2017 to 29% in 2020. Pawnshops and MSBs has consistently ranked second, behind UKBs, in terms of STR submissions from 2017 to 2020. The third ranking, however, has shifted from thrift, rural, and cooperative banks (TBs/RCBs) to EMIs. From 2017 to 2020, TBs/RCBs’ share gradually decreased from 5% to 3%, while EMIs’ share significantly increased from 2% to 14%. The share of other industry groups in the total STR filings has remained almost constant for the past four (4) years.

The shift in the STR filing distribution may indicate changing channels from large banks (i.e., UKBs) to certain NBFIs, which are more accessible and which have a wider physical presence in the Philippines. Preliminary data from the BSP indicates that as of end-December 2020, banks have 12,450 offices and branches (including head offices), while NBFIs have 13,639, 13,465 of which are composed of pawnshops and MSBs.⁸ Moreover, this may also reflect the effectiveness of AMLC’s information campaigns and issuance of warning letters, particularly to non-bank CPs. As an offshoot of the previous *STR Quality Review*, the AMLC issued warning letters to CPs, beginning the fourth quarter of 2018, on their STR filings. Further,

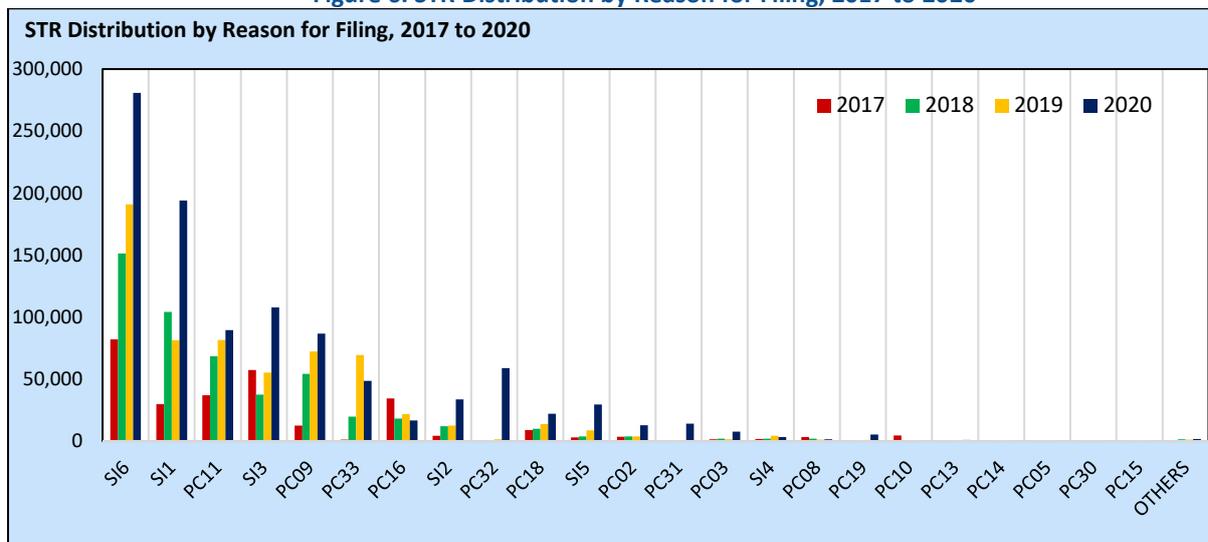
⁸<https://www.bsp.gov.ph/Statistics/Banking%20Statistics/Physical%20Network/1.1.aspx> Accessed on 19 January 2021.

the AMLC has continuously partnered with CPs through the Public-Private Partnership Program (PPPP). It is notable that five (5) of top 15 CPs filing STRs are participants of the PPPP.

B. BY REASON FOR FILING

As prescribed in Section 3 Reporting Procedures of the ARRG, there are six (6) possible options under suspicious circumstances (also known as suspicious indicators) and 34 for predicate crimes.⁹ The list of reasons for filing is extensive. Figure 6, however, shows that the STR distribution in terms of reason for filing is skewed toward SI6, which accounts for more than a quarter of the submitted STRs. No other predicate crime or suspicious indicator comes close in terms of the volume of STRs. The closest reason for filing is SI1, which only accounts for 17% of the total STRs. The predicate crime with the highest number of STRs is PC11, which contributes only 11%, which is less than half of the total number of STRs filed due to SI6. The reason for filing is biased toward suspicious indicators rather than identified predicate crimes. This unbalanced distribution may signal defensive filing; broad parameters in CPs’ transaction-monitoring systems; and/or lack of proper mechanisms for internal investigations. In terms of AMLC’s operations, this could impact the risk prioritization of STRs. The top 10 reasons for filing STRs vary annually, however, these reasons already account for 95%, 99%, 99%, and 97% of STR filing for 2017, 2018, 2019, and 2020, respectively.

Figure 6. STR Distribution by Reason for Filing, 2017 to 2020



(PC/SI in red font shown in Figure 6)

Code	Description	Code	Description
PC01	Kidnapping for Ransom	PC27	Violations of the Anti-Fencing Law
PC02	Drug Trafficking and Related Offenses	PC28	Violations of the Migrant Workers and Overseas Filipinos Act of 1995
PC03	Graft and Corrupt Practices	PC29	Violations of the Intellectual Property Code of The Philippines
PC04	Plunder	PC30	Violations of the Anti-Photo and Video Voyeurism Act of 2009
PC05	Robbery and Extortion	PC31	Violations of the Anti-Child Pornography Act of 2009
PC06	Jueteng and Masiao		
PC07	Piracy on the High Seas		
PC08	Qualified Theft		

⁹ <http://www.amlc.gov.ph/images/PDFs/AMLC%20Registration%20and%20Reporting%20Guidelines.pdf> Accessed 8 September 2020.

Code	Description	Code	Description
PC09	Swindling	PC32	Violations of Special Protection of Children Against Abuse, Exploitation, and Discrimination Act
PC10	Smuggling	PC33	Fraudulent Practices and other Violations under the Securities Regulations Code of 2000
PC11	Electronic Commerce Act of 2000	PC34	Felonies or Offenses of Similar Nature Punishable under the Penal Laws of other Countries
PC12	Hijacking and other Violations under RA 6235	SI0	The transaction is in any way related to an unlawful activity or offense under AMLA, as amended, that is about to be, is being or has been committed.
PC13	Terrorism and Conspiracy to Commit Terrorism	SI1	There is no underlying legal or trade obligation, purpose, or economic justification.
PC14	Financing of Terrorism	SI2	The client is not properly identified.
PC15	Bribery and Corruption of Public Officers	SI3	The amount involved is not commensurate with the business or financial capacity of the client.
PC16	Frauds and Illegal Exactions and Transactions	SI4	The transaction is structured to avoid being reported.
PC17	Malversation of Public Funds and Property	SI5	There is a deviation from the client's profile/past transactions.
PC18	Forgeries and Counterfeiting	SI6	The transaction is similar, analogous, or identical to any of the foregoing.
PC19	Violations of the Anti-Trafficking in Persons Act of 2003		
PC20	Violations of the Revised Forestry Code of the Philippines		
PC21	Violations of the Philippine Fisheries Code of 1998		
PC22	Violations of the Philippine Mining Act of 1995		
PC23	Violations of the Wildlife Resources Conservation and Protection Act		
PC25	Violation of the Anti-Carnapping Act of 2002		
PC26	Violations of the Decree Codifying the Laws on Illegal/Unlawful Possession, Manufacture, Dealing in, Acquisition or Disposition of Firearms, Ammunition or Explosives		

As illustrated in Figure 6, the top reason for filing STRs is consistently SI6, which accounts for an average of 29% of annual STR submissions. Although it was stated in the ARRG that SI6 is to be used together with additional information or reason, there were many issues observed in the usage of SI6 and its corresponding additional reason. One of the major concerns is using SI6 even when CPs have already identified the underlying predicate crime, such as when subjects have been convicted, arrested, or suspected of crimes like drug trafficking, and graft and corruption, among others. By using SI6 as the primary reason for filing even when the predicate crime is already known, CPs are tacitly downplaying the risks associated with the STRs, which will impact the internal risk assessment and prioritization of the AMLC's intelligence group. CPs using SI6 on STRs possibly related to high-risk predicate crimes, such as drug-related offenses; and terrorism and terrorism financing, could also delay the process of submitting know-your-customer (KYC) documents. Further discussion on various quality issues related to STRs using SI6 as reason for filing can be found in Section VI-A.

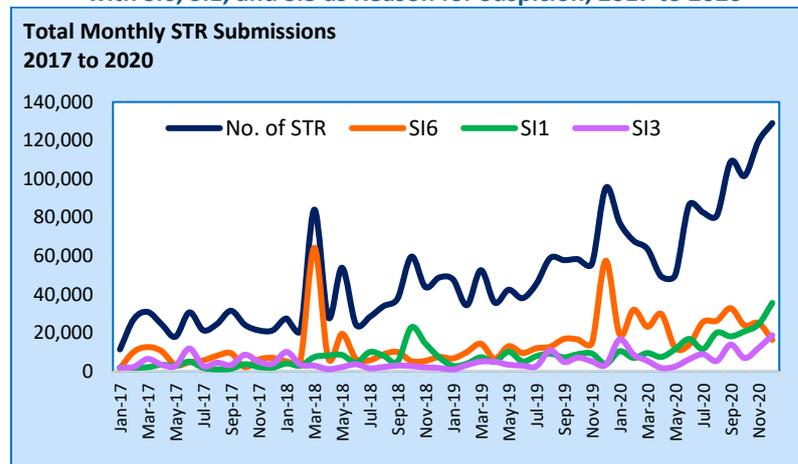
After SI6, rankings of the top reasons for filing vary annually. For instance, in 2017, SI3 ranked second, but SI3 only ranked fifth, sixth, and third in 2018, 2019, and 2020, respectively. Considering the aggregated STRs from 2017 to 2020, SI6 is followed by SI1, PC11, SI3, and PC9.

For the past four (4) years, reasons for filing STRs with less than 100 cumulative submissions are mostly related to environmental crimes, including: PC20 (Violations of the Revised Forestry Code of the Philippines) with 95 STRs; PC22 (Violations of the Philippine Mining Act of 1995) with 84 STRs; PC21 (Violations of the Philippine Fisheries Code of 1998) with 41 STRs; PC27 (Violations of the Anti-Fencing Law) with 11 STRs; PC7 (Piracy on the High Seas) with four (4) STRs.

Since SI6 accounts for more than a quarter of the total STR submissions, the monthly trend of the total STRs and the trend of SI6 from January 2017 to July 2020 follow the same pattern as shown in Figure 7. Around August 2020, however, the two (2) series began to diverge, where the total number of STR submissions continued to rise, while the number of STRs due to SI6 began to fall. As SI6 declined at the start of August 2020 and toward the end of 2020, SI1 and SI3 accelerated and supported the upward trend of the total STR submissions.

The upward trend of SI1 and SI3 toward the third and fourth quarters of 2020 may be attributed to the increased filing of CPs in relation to suspicious transactions during the pandemic, where many transactions had unjustified sources and uses of funds. For instance, businesses that were closed during lockdowns were still depositing unusual amounts of cash or receiving large amounts of funds without sufficient underlying justification, among others.

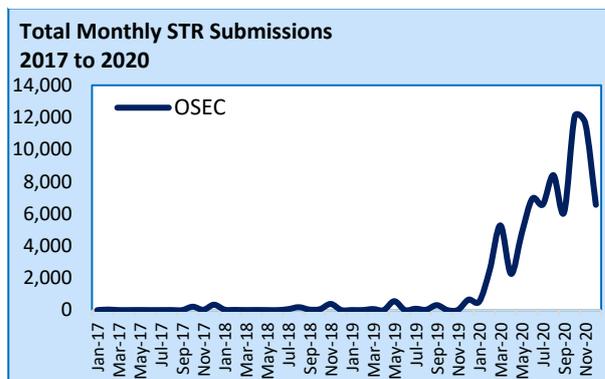
Figure 7. Comparison of STR Submission vs STRs with SI6, SI1, and SI3 as Reason for Suspicion, 2017 to 2020



SI1: There is no underlying legal or trade obligation, purpose, or economic justification.
 SI3: The amount involved is not commensurate with the business or financial capacity of the client.
 SI6: The transaction is similar, analogous, or identical to any of the foregoing.

STRs related to online sexual exploitation of children (OSEC)¹⁰ show a sharp increase, starting January 2020. It should be noted that since 2019, the AMLC has shared various OSEC-related operational studies and typology reports to CPs, financial intelligence units (FIUs), and other relevant domestic and international partners.

Figure 8. No. of OSEC-related STRs, 2017-2020



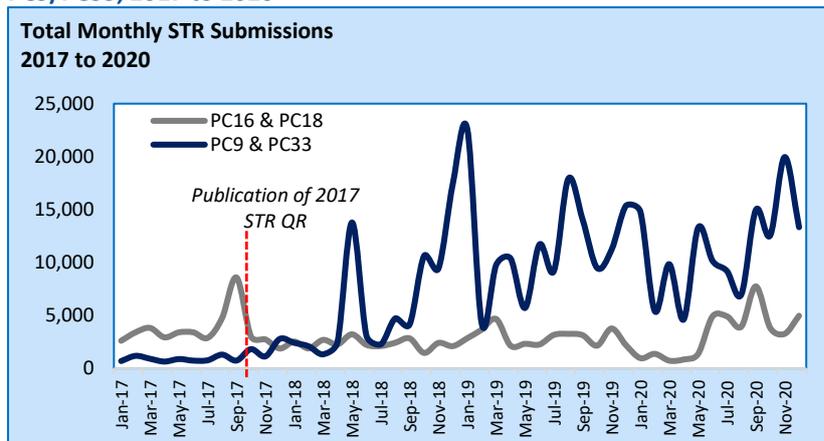
In 2020, the results of the studies were also presented in various webinars and knowledge-sharing forums, such as the Inter-Agency Council Against Trafficking Webinar Series on "Online Sexual Exploitation of Children: A Spotlight on International Cooperation and Financial Dimensions" in July 2020; and with the Association of Remittance Company Compliance Officers in October 2020. These studies significantly

increased the awareness of CPs on typologies and persons-of-interest (POIs), which triggered an increase in STR filings related to OSEC. In 2019, only 1,312 OSEC STRs were filed, triggered by an AMLC inquiry and/or spontaneous disclosure. This number significantly increased to approximately 25,540 STRs in 2020.¹¹

¹⁰ STRs related to the online sexual exploitation of children (OSEC) include PC30 (Violations of the Anti-Photo and Video Voyeurism Act of 2009), PC31 (Violations of the Anti-Child Pornography Act of 2009), and PC32 (Violations of Special Protection of Children Against Abuse, Exploitation, and Discrimination Act).

¹¹ Values for 2019 and 2020 are approximations of STR filing, triggered by AMLC inquiries and/or spontaneous disclosure, based on keyword searches on submitted narratives.

Figure 9. Comparison Between the No. of STRs Related to PC16/PC18 and PC9/PC33, 2017 to 2020



PC16: Frauds and Illegal Exactions and Transactions

PC18: Forgeries and Counterfeiting

PC9: Swindling

PC33: Fraudulent Practices and other Violations under the Securities Regulations Code of 2000

In the 2017 STR Quality Review, a special section was dedicated to defining PC16 (Frauds and Illegal Exactions and Transactions under Articles 213, 214, 215, and 216 of the Revised Penal Code, as amended), and PC18 (Forgeries and Counterfeiting under Articles 163, 166, 167, 168, 169, and 176 of the Revised Penal Code, as amended). The two (2) predicate offenses were identified as among the most

misused reasons for filing. Oftentimes, CPs use the two (2) reasons for filing transactions, which describe swindling. It is notable that the combined share of these two (2) predicate offenses to the total STR filing decreased from 15% in 2017 to 4% in 2020. On the other hand, filings on PC33 surged from 1,037 STRs or 0.4% of the total STRs in 2017 to 69,326 STRs or 11% in 2019, and 48,446 STRs or 5% in 2020. Further, STRs on PC9 also increased from 4% (12,483 STRs) in 2017 to 11% (54,164 STRs), 12% (72,163 STRs), and 9% (86,594 STRs) in 2018, 2019, and 2020, respectively. As shown in Figure 9, the combined STRs of PC16 and PC18 are higher than the STR filings related to PC9 and PC33 for January to November 2017. Towards the end of 2017, however, the trend reversed. It should be noted that the 2017 STR Quality Review, published on the AMLC website in October 2017, primarily intended to guide to CPs in filing high-quality STRs. The shift in the STR distribution for these predicate offenses could indicate that the 2017 STR Quality Review was somehow effective in clarifying commonly misused reasons for reporting.

C. BY TRANSACTION TYPE

It was observed that only 31% or 194 out of 627 transaction types were used during the period covered. Among the most reported transaction types are those related to cash and check transactions. The share of these transactions in the total STRs, however, have decreased over the years from 44% (127,309 STRs) in 2017 to 18% (187,177 STRs) in 2020. On the other hand, transactions related to remittances, including fund transfers within the same bank, have increased gradually from 12% (35,223 STRs) in 2017 to 27% (277,993 STRs) in 2020. The share of e-money related STRs also grew from only 5% (13,891 STRs) in 2017 to 15% (151,198 STRs) in 2020. The shift in the STR distribution in terms of transaction type, such as the decrease in cash and check transactions and rising remittances and e-money transactions, may signify the evolving schemes and channels used by perpetrators. Moreover, the significant number of STRs related to credit card transactions, which contributed 14% (338,609 STRs) to the total STRs over the last four (4) years, could indicate pervasive credit card fraud schemes, such as card-not-present, unauthorized purchase, and other schemes.

Casinos only started filing STRs in 2018 after the Casino Implementing Rules and Regulations (CIRR) of Republic Act No. 10927 was released in the fourth quarter of 2017. Since the release of the CIRR, 4,299 STRs have been filed by AMLC-registered casinos.

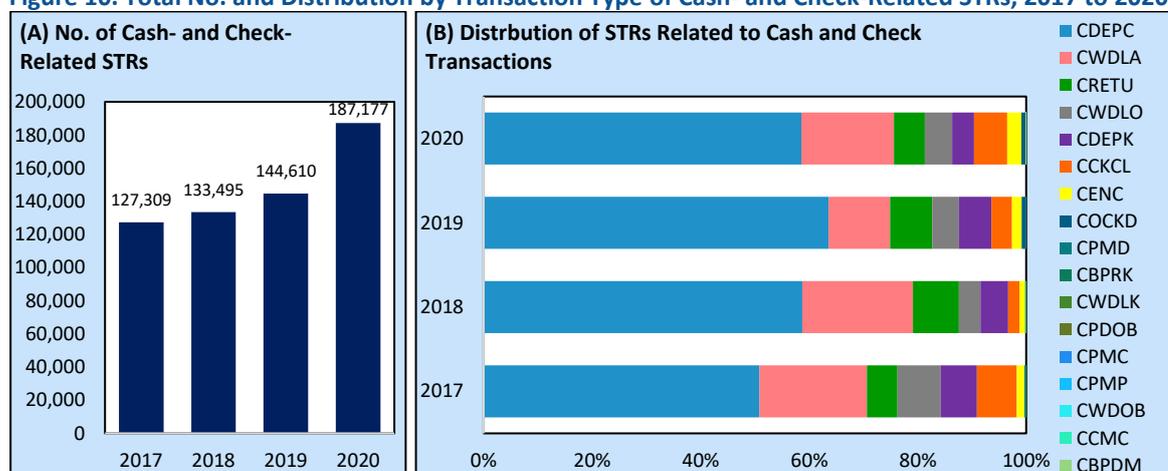
There are noted transaction types with less than 100 STRs filed from 2017 to 2020. These include STRs related to the buying of precious stones and metals with only one (1) STR and to trade-based transactions with seven (7) STRs. The succeeding subsections focus on analyzing the trend of selected transaction groups.

Table 1. STR Distribution by Transaction Type, 2017 to 2020

Transaction Groups	No. of STRs					% Share				
	2017	2018	2019	2020	TOTAL	2017	2018	2019	2020	TOTAL
Total	287,265	491,717	622,864	1,017,595	2,419,441	100%	100%	100%	100%	100%
Cash and Check	127,309	133,495	144,610	187,177	592,591	44.3%	27.1%	23.2%	18.4%	24.5%
Remittance and Fund Transfer	35,223	111,783	156,665	277,993	581,664	12.3%	22.7%	25.2%	27.3%	24.0%
E-money	13,891	147,249	116,964	151,198	429,302	4.8%	29.9%	18.8%	14.9%	17.7%
ZSTR	50,635	18,079	100,509	248,047	417,270	17.6%	3.7%	16.1%	24.4%	17.2%
Credit Card Transactions	53,582	75,664	96,565	112,798	338,609	18.7%	15.4%	15.5%	11.1%	14.0%
Casino	0	590	1,864	1,845	4,299	0.0%	0.1%	0.3%	0.2%	0.2%
Others	6,625	4,857	5,687	38,537	55,706	2.3%	1.0%	0.9%	3.8%	2.3%
Loan Transactions	3,927	1,294	1,544	4,473	11,238	1.4%	0.3%	0.2%	0.4%	0.5%
Bills Payment	375	360	1,376	3,689	5,800	0.1%	0.1%	0.2%	0.4%	0.2%
Foreign Currency Exchange	466	1,181	1,322	1,299	4,268	0.2%	0.2%	0.2%	0.1%	0.2%
Insurance Transactions	872	856	1,102	956	3,786	0.3%	0.2%	0.2%	0.1%	0.2%
Time Deposit	64	66	104	118	352	0.0%	0.0%	0.0%	0.0%	0.0%
Mutual Fund and Investments	453	280	97	6,854	7,683	0.2%	0.1%	0.0%	0.7%	0.3%
Bank Collection	29	81	36	40	186	0.0%	0.0%	0.0%	0.0%	0.0%
Trust	59	2	30	14	105	0.0%	0.0%	0.0%	0.0%	0.0%
Securities	64	26	27	40	157	0.0%	0.0%	0.0%	0.0%	0.0%
Payroll and Salary	300	663	24	20,615	21,602	0.1%	0.1%	0.0%	2.0%	0.9%
Treasury	16	46	20	438	521	0.0%	0.0%	0.0%	0.0%	0.0%
Trade-Based Transactions	0	1	5	1	7	0.0%	0.0%	0.0%	0.0%	0.0%
DNFBP Transactions	0	1	0	0	1	0.0%	0.0%	0.0%	0.0%	0.0%

1. CASH AND CHECK RELATED TRANSACTIONS

Figure 10. Total No. and Distribution by Transaction Type of Cash- and Check-Related STRs, 2017 to 2020



Cash- and check-related transactions, which total 592,591 STRs for 2017 to 2020 and which account for 24% of the total STRs, include:

	Code	Transaction
1	CDEPC	Deposit – Cash
2	CWDLA	Withdrawals – ATM
3	CRETU	Returned Check
4	CWDLO	Withdrawals – Over-the-Counter
5	CDEPK	Deposit – Check
6	CCKCL	Check-Clearing
7	CENC	Encashment
8	COCKD	On-Us Check Deposit
9	CPMD	Purchase of Manager’s Check (MC) /Cashier’s Check (CC) /Demand Draft (DD) /Traveler’s Check (TC) – Debit Memo
10	CBPRK	Bills Purchase/Discounting – Credit Memo
11	CWDLK	Withdrawal – Through Issuance of Check
12	CPDOB	Deposit – Through Other Local Bank
13	CPMC	Purchase of MC/CC/DD/TC – Cash
14	CPMP	Purchase Of MC/CC/DD/TC – Mixed Payment
15	CWDOB	Withdrawal – Through Other Local Bank
16	CCMC	Cancelled/Stale MC/CC/DD/TC
17	CBPDM	Bills Purchase/Discounting – MC/CC

Since 2017, these STRs steadily increased from 127,309 to 187,177 in 2020, showing a 47% growth rate. Out of the 17 cash and check transaction types, cash deposits have the most number of STRs at 51% (64,720 STRs), 59% (78,707 STRs), 64% (92,001 STRs), and 59% (109,576 STRs) from 2017 to 2020, respectively. In terms of estimated monetary value, however, the estimated value of check deposits for 2017 to 2020 is higher at PhP168 billion compared with cash deposits at PhP130 billion, despite the former’s share of between 4% and 7% to the number of cash- and check-related STRs. Aside from cash deposits, another driver for this group of transactions are withdrawals through ATM, which account for 20% (25,232 STRs), 20% (27,249 STRs), 11% (16,340 STRs), and 17% (31,947 STRs) for 2017, 2018, 2019, and 2020, respectively.

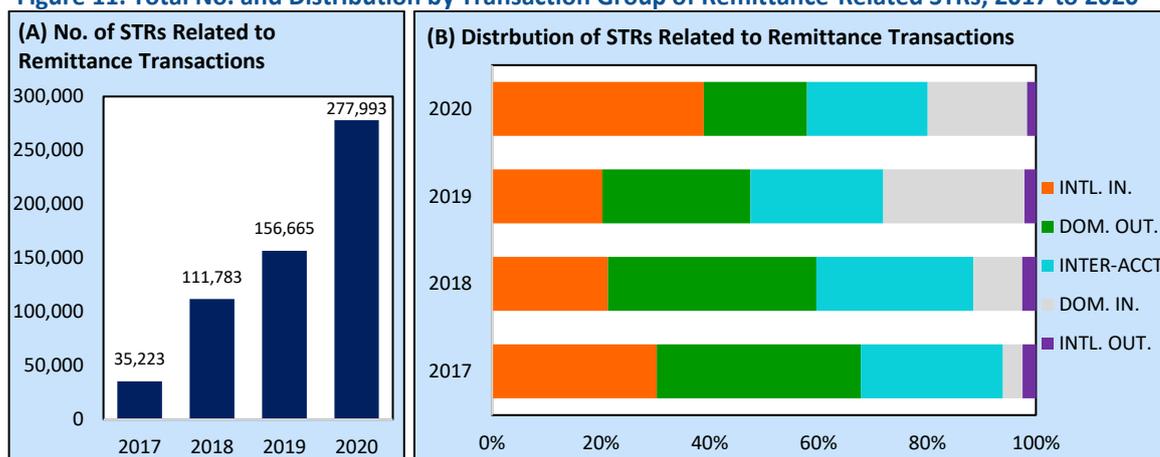
The reasons for filing STRs related to cash and check transactions vary over time. For instance, in 2017, SI1 is only at 14% (18,213 STRs), making it the top three (3) reason for filing for cash- and check-related transactions. In the following years, SI1 became the top reason for filing at 42% (56,685 STRs), 31% (44,987 STRs), and 38% (71,038 STRs) from 2018 to 2020, respectively. Other suspicious indicators that consistently ranked high are SI3 and SI6. SI3 is at 25% (31,261 STRs), 17% (22,363 STRs), 17% (23,950 STRs), and 19% (35,080 STRs) from 2017 to 2020, respectively, while SI6 is at 28% (32,528 STRs), 6% (8,641 STRs), 20% (28,513 STRs), and 9% (16,821 STRs).

Setting aside the various suspicious indicators, PC9 is the top predicate crime for STRs related to cash and check transactions. PC9 is at 5% (6,878 STRs), 19% (24,856 STRs), 13% (19,821 STRs), and 10% (19,521 STRs) from 2017 to 2020, respectively; and it is one of the leading predicate offenses across all periods. For 2017, the leading predicate crime related to cash and check transactions is PC11 at 9% or 11,866 STRs.

2. REMITTANCE-RELATED TRANSACTIONS

Remittance-related STRs increased from 35,223 in 2017 to 277,993 in 2020 with a total aggregate volume of 581,664 STRs and estimated value of PhP616 billion. The 19 transaction types related to remittance transactions listed below can be grouped into: (1) inter-account fund transfer (INTER-ACCT) (within the same institution), (2) domestic inward (DOM IN), (3) domestic outward (DOM OUT), (4) international inward (INTL IN), and (5) international outward remittances (INTL OUT).

Figure 11. Total No. and Distribution by Transaction Group of Remittance-Related STRs, 2017 to 2020



	Code	Group	Transaction
1	CTRIA	INTER-ACCT	Inter-Account Transfers (Same Bank)
2	RIRD	DOM IN	Returned Inward Remittance (Domestic)
3	RIRDA	DOM IN	Inward Remittance (Domestic) – For Further Credit to Another Account
4	RIRDC	DOM IN	Inward Remittance (Domestic) – Credit to Beneficiary's Account
5	RIRDE	DOM IN	Inward Remittance (Domestic) Credit to Beneficiary Account via Electronic Banking
6	RIRDP	DOM IN	Inward Remittance (Domestic) – Advise and Pay Beneficiary
7	RIIR	INTL IN	Returned Inward Remittance (International)
8	RIRIA	INTL IN	Inward Remittance (International) – For Further Credit to Another Account
9	RIRIC	INTL IN	Inward Remittance (International) – Credit to Beneficiary's Account
10	RIRIP	INTL IN	Inward Remittance (International) – Advise and Pay Beneficiary
11	RORD	DOM OUT	Returned Outward Remittance/Tt (Domestic)
12	RORDA	DOM OUT	Outward Remittance/Tt (Domestic) – For Further Credit to Another Account
13	RORDC	DOM OUT	Outward Remittance/Tt (Domestic) – Credit to Beneficiary's Account
14	RORDE	DOM OUT	Outward Remittance (Domestic) Credit to Beneficiary Account via Electronic Banking
15	RORDP	DOM OUT	Outward Remittance/Tt (Domestic) – Advise and Pay Beneficiary
16	ROIR	INTL OUT	Returned Outward Remittance (International)
17	RORIA	INTL OUT	Outward Remittance/Tt (International) – For Further Credit to Another Account
18	RORIC	INTL OUT	Outward Remittance/Tt (International) – Credit to Beneficiary's Account
19	RORIP	INTL OUT	Outward Remittance/Tt (International) – Advise and Pay Beneficiary

Domestic outward remittance is the most common remittance transaction type from 2017 to 2019, but its share to the total remittance-related STRs decreased over time from 37% (13,204 STRs) in 2017 to 27% (42,555 STRs) in 2019. In 2020, domestic outward remittances' share further declined to 19% (52,761 STRs), making it the third most common transaction group for 2020. Overall, for the past four (4) years, the remittance group with the most share is international inward remittance with 30% (174,555 STRs). Conversely, international outward

remittance’s share for 2017 to 2020 is just between 2% to 3%. STRs related to inter-account fund transfer increased from 9,202 STRs in 2017 to 61,679 STRs in 2020, however, its share to the total remittance related STRs slightly decreased from 26% in 2017 to 22% in 2020.

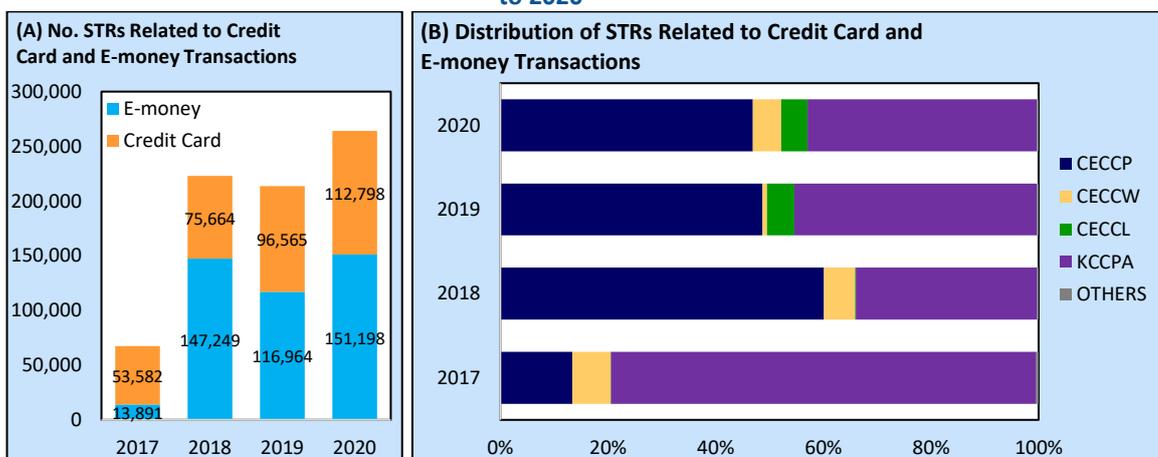
In 2020, STR distributions among inter-account transfer, domestic inward and outward, and international outward remittances are closely distributed to 24%, 26%, 27%, and 20%, respectively. This is not the case for 2017 and 2018, where distribution is dominated by one or two remittance group types. In 2017, domestic outward remittances contributed the most at 37%, followed by international inward remittances at 30%. On the other hand, in 2018, 38% were related to domestic outward remittances, while inter-account transfers accounted for 29% of remittance-related STRs.

Similar to cash- and check-related STRs, the reason for filing STRs related to remittance transactions also varies across time. In 2020 and 2018, the most common reason for filing STRs related to remittance transactions is due to SI1 at 25% (70,139 STRs) in 2020 and 38% (42,176 STRs) in 2018, while in 2019, the top reason is PC33 at 33% (51,008 STRs).

It is worthy to note that in 2020, the second most common reason for filing STRs related to remittance transactions is due to PC32 at 19%. This is a significant increase from zero (0) STRs in 2017 to 53,479 STRs in 2020. Aside from P32, related predicate offenses, such as PC31 and PC30, also rose in terms of number of filing. Combining PC30, PC31, and PC32, total remittance-related STRs grew from only 396 in 2017 to 58,487 in 2020 with a total estimated monetary value of Php617 million. Consistent with the trends observed in various studies on OSEC, the Philippines is seen as destination of foreign funds. This is reflected in the number of international inward remittances, relating to PC30, PC31, and PC32, which totals 55,581 STRs or 91% of the total remittance-related STRs associated with PC30, PC31, and PC32. The estimated value of these STRs is Php480 million.

3. CREDIT CARD AND ELECTRONIC TRANSACTIONS

Figure 12. Total No. and Distribution by Transaction Type of Credit Card and E-money Related STRs, 2017 to 2020



Code	Group	Transaction Description
CECCP	E-money	Electronic Cash Card – Purchase
CECCW	E-money	Electronic Cash Card – Withdrawal
CECCL	E-money	Electronic Cash Card – Loading

Code	Group	Transaction Description
KCCPA	Credit Card	Credit Card Purchases/Availments
OTHERS		
CPCL	E-money	Prepaid Card Loading
CPCC	E-money	Prepaid Card Reversal
CPCP	E-money	Prepaid Card Purchase
KCCPC	Credit Card	Credit Card Payment – Cash
KCCPE	Credit Card	Credit Card Payment – EP (Electronic Payment)
KCCA	Credit Card	Credit Card Cash Advance
KCCPK	Credit Card	Credit Card Payment – Check
KCCD	Credit Card	Credit Card Adjustment
KPAYM	Credit Card	Payment to Credit Card Merchants’ Check
KCCPB	Credit Card	Credit Card Purchase (Purchase of Credit Card Receivable) – Credit Cards
KPAYK	Credit Card	Payment to Credit Card Merchants’ Credit to Account

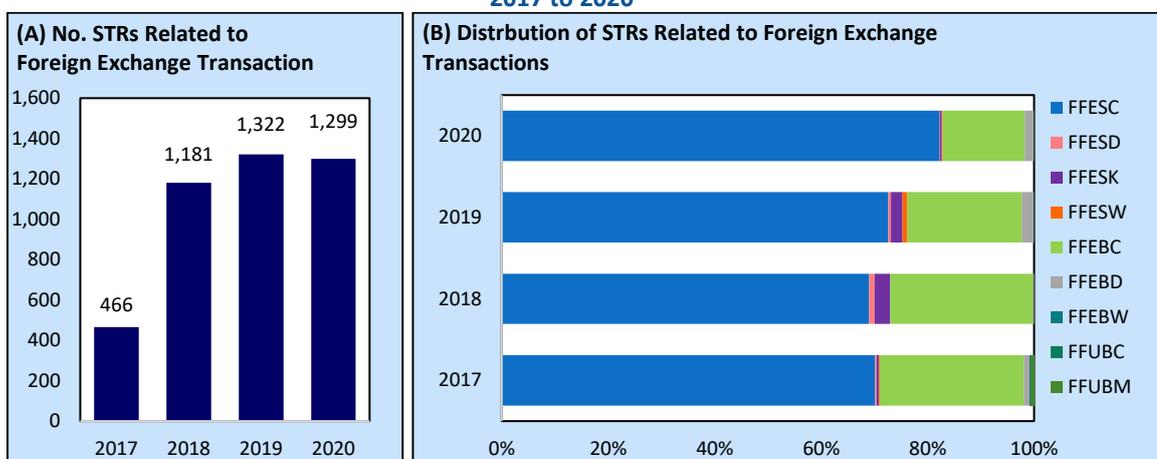
STRs related to electronic and cashless transactions rose in the past four (4) years. In 2017, only 13,891 and 53,582 STRs were related to e-money and credit card transactions, respectively. By 2020, e-money transactions increased tenfold with 151,198 STRs, and credit card transactions doubled with 112,798 STRs. Total estimated value of both groups is PhP125.4 billion.

The leading transaction types are related to purchases, namely, electronic cash card – purchases, which account for 48% (371,069 STRs) of the total STRs related to e-money and credit card transactions; and credit card purchases/availments, which contribute 44% (336,980 STRs). The estimated value of these transactions is PhP985 million and PhP114 billion, respectively. As seen in Figure 12B, transaction types have shifted from largely credit card-related in 2017 to a split between credit and e-money purchases in 2020. The shift in the trend may signify the evolving channels perpetrators use. As e-money becomes more mainstream, STRs related to e-money are also increasing.

In terms of reason for filing, the most common reason is SI6, which accounts for 47% (360,959 STRs), followed by PC11 at 28% (215,060 STRs); and PC9, PC18, and PC16 at 8% (61,706 STRs), 7% (51,301 STRs), and 6% (49,735 STRs), respectively. Although PC16 and PC18 are part of the top five (5) reasons for STR filing in this group of transactions, it should be noted that majority of the narratives relate more with PC9 or PC11. Some of these narratives include falsification of documents, phishing (i.e., e-mail, voice, text, etc.), unauthorized online purchases, card-not-present scheme, and e-commerce fraud, among others. Moreover, SI6 topped the reasons for filing due to the multiple bulk submissions of 345,086 STRs by a bank on compromised credit and debit card schemes.

4. FOREIGN CURRENCY EXCHANGE TRANSACTIONS

Figure 13. Total No. and Distribution by Transaction Type of Foreign Currency Exchange-Related STRs, 2017 to 2020



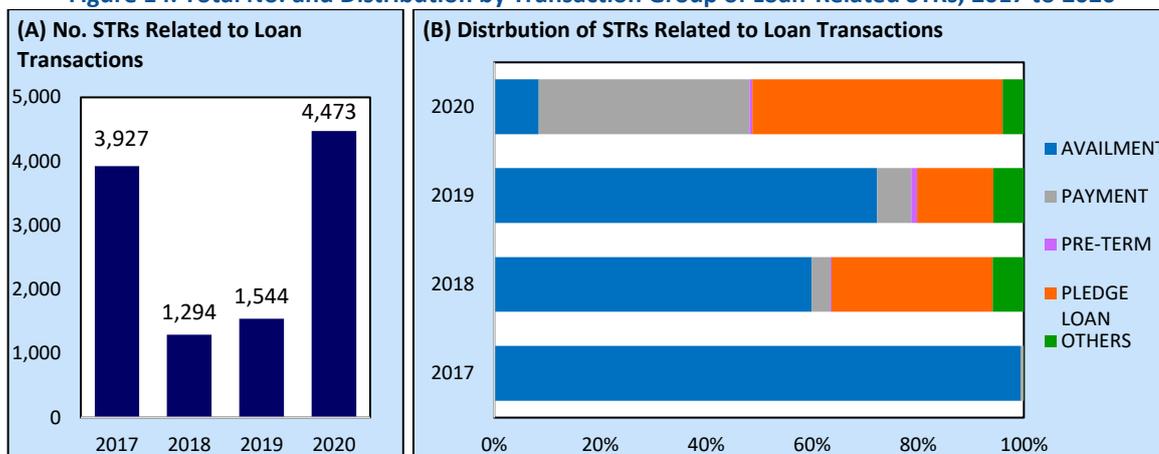
Code	Transaction
FFESC	Sell FX – Cash
FFESD	Sell FX Through Debit Memo-Credit to Account
FFESK	Sell FX – Credit Memo
FFESW	Sell FX – Wire
FFEBC	Buy Foreign Exchange – Cash
FFEBD	Buy Foreign Exchange – Debit Memo
FFEBW	Buy Foreign Exchange – Wire
FFUBC	Buy Foreign Exchange Using Other Currencies – Cash
FFUBM	Buy Foreign Exchange Using Other Currencies – Check

From 2018 to 2020, the annual number of STRs filed on foreign currency exchange transactions were in close range of 1,181 to 1,322. Compared with the 2017 level, however, the number of STRs significantly increased from only 466 STRs in 2017 to 1,181 STRs in 2018. The total STRs from 2017 to 2020 reached 4,268 STRs with a total estimated value of PhP4.4 billion, PhP2.3 billion of which are related to selling of foreign currency in cash (FFESC). The distribution has been consistent for the past four (4) years, where around 70% (327 STRs), 69% (815 STRs), 73% (960 STRs), and 82% (1,068 STRs) of the transactions from 2017 to 2020, respectively, are related to FFESC. This was followed by the buying of foreign currency in cash (FFEBC) at 27% (126 STRs), 27% (317 STRs), 22% (285 STRs), and 15% (200 STRs) from 2017 to 2020, respectively.

Majority (94%) of the STRs in this transaction group were filed due to various suspicious circumstances, such as SI1 at 48% (2,049 STRs); SI5 (There is a deviation from the client's profile/past transactions.) at 23% (973 STRs); SI2 (The client is not properly identified.) at 11% (470 STRs); SI3 at 7% (290 STRs); and SI4 (The transaction is structured to avoid being reported.) at 5% (197 STRs). In these transaction group, MSBs have contributed the most number of STRs.

5. LOAN-RELATED TRANSACTIONS

Figure 14. Total No. and Distribution by Transaction Group of Loan-Related STRs, 2017 to 2020



Code	Group	Transaction Description
LLNAC	Availment	Loan Availment (Regular/Foreign Currency Denominated Unit) – Cash
LLNAK	Availment	Loan Availment (Regular/Foreign Currency Denominated Unit) – Credit Memo
LLNAM	Availment	Loan Availment (Regular/Foreign Currency Denominated Unit) – MC/CC/OC
LLNAP	Availment	Loan Availment (Regular/Foreign Currency Denominated Unit) – Mixed Payment
LLNAW	Availment	Loan Availment (Reg/FCDU) – Wire
LLPRC	Payment	Loan Payment (Regular/Foreign Currency Denominated Unit) – Cash
LLPRD	Payment	Loan Payment (Regular/Foreign Currency Denominated Unit) – Debit Memo
LLPRM	Payment	Loan Payment (Regular/Foreign Currency Denominated Unit) – MC/CC/OC
LLPRP	Payment	Loan Payment (Regular/Foreign Denominated Unit) – Mixed Payment
LLTRC	Pre-Term	Loan Pretermination (Regular/Foreign Currency Denominated Unit) – Cash
LLTRD	Pre-Term	Loan Pretermination (Regular/Foreign Currency Denominated Unit) – Debit Memo
LLTRM	Pre-Term	Loan Pretermination – (Regular/Foreign Currency Denominated Unit) – MC/CC/OC
LPLRC	Pledge Loan	Pledge Loan Release – Cash
LPLRW	Pledge Loan	Pledge Loan Release – Wire
LLRRW	Others	Loan Renewal/Repricing
LRED	Others	Redemption
LARCC	Others	Cancellation of Contract to Sell of ROPA
LARF	Others	Foreclosed/Acquired Asset/ROPA
LARSP	Others	Sale Payment of Asset and ROPA

From 2017 to 2020, the number of STRs related to loan transactions totaled 11,238 STRs or 0.5% of the total STRs in the same period, having an estimated value of Php2.2 billion. Although the largest lenders in the Philippines in terms of credit value are banks, the combined STR filings of UKBs, TBs, and RCBs only ranked third (2,924 STRs), compared with the STR filings of financing companies (5,129 STRs) and pawnshops (3,040 STRs).

Table 2. STRs Related to Loan Transactions by Industry Groups, 2017 to 2020

Industry Group	2017	2018	2019	2020	Total
Financing Companies	3,520	563	937	109	5,129
Pawnshops		466	285	2,289	3,040
Universal and Commercial Banks	89	162	128	1,884	2,263
Thrift Banks	308	100	43	35	486
Rural and Cooperative Banks	4		151	20	175
Electronic Money Issuer				135	135

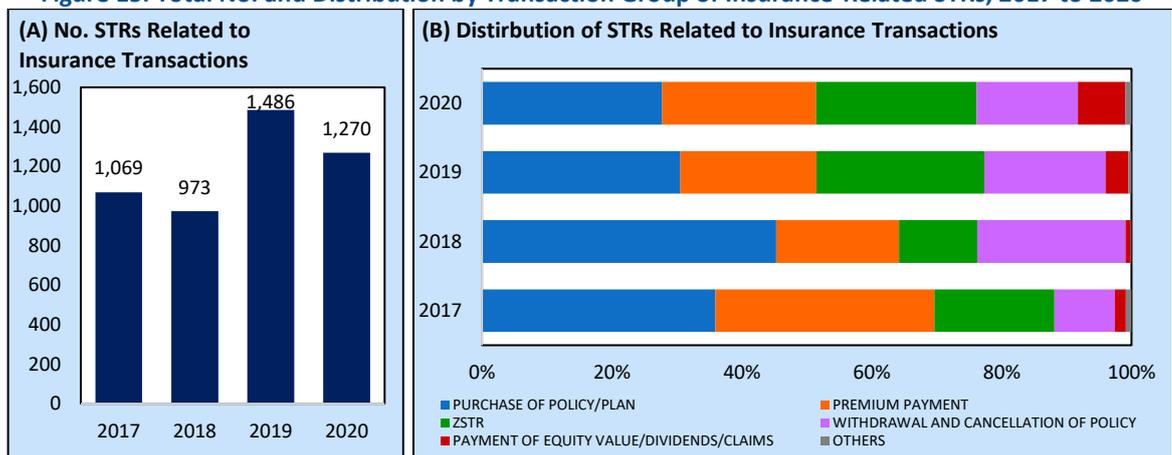
Industry Group	2017	2018	2019	2020	Total
Non-Stock Savings and Loan Association	6	3			9
Other Bank Types				1	1
TOTAL	3,927	1,294	1,544	4,473	11,238

In terms of transaction types, loan availments consistently contributed the most share of STRs from 2017 to 2019. In 2020, however, as submissions of pawnshops increased, pledge loans, which are pawnshop transactions, became the most common transaction type.

Similar with other transaction groups, the top reason for filing loan-related STRs is SI6 at 3,847 STRs or 34%. The bulk of this, however, is attributable to the submissions in 2017, which totaled 3,080 STRs. The number of loan-related STRs due to SI6 significantly decreased from 411 in 2018, 184 in 2019, and 172 in 2020. In 2019, the top reason for filing is PC9 at 641 STRs, while in 2020 the top reason is SI3 at 1,888 STRs.

6. INSURANCE-RELATED TRANSACTIONS

Figure 15. Total No. and Distribution by Transaction Group of Insurance-Related STRs, 2017 to 2020



From 2017 to 2020, IC-registered CPs filed a total of 4,798 STRs. Of which, 3,786 STRs used 38 insurance-related transaction types, while 1,012 STRs used a generic STR transaction code (ZSTR). As shown in Figure 15A, the annual trend of STRs submitted by IC-registered CPs does not show a specific upward or downward pattern.

To better illustrate the STR distribution of insurance-related STRs, similar transaction types were grouped together and are presented in Figure 15B. Consistently for the past four (4) years, STRs related to the purchase of insurance policy/plan¹² account for the majority of insurance-related STRs with shares ranging from 28% (352 STRs) in 2020 to 45% (441 STRs) in

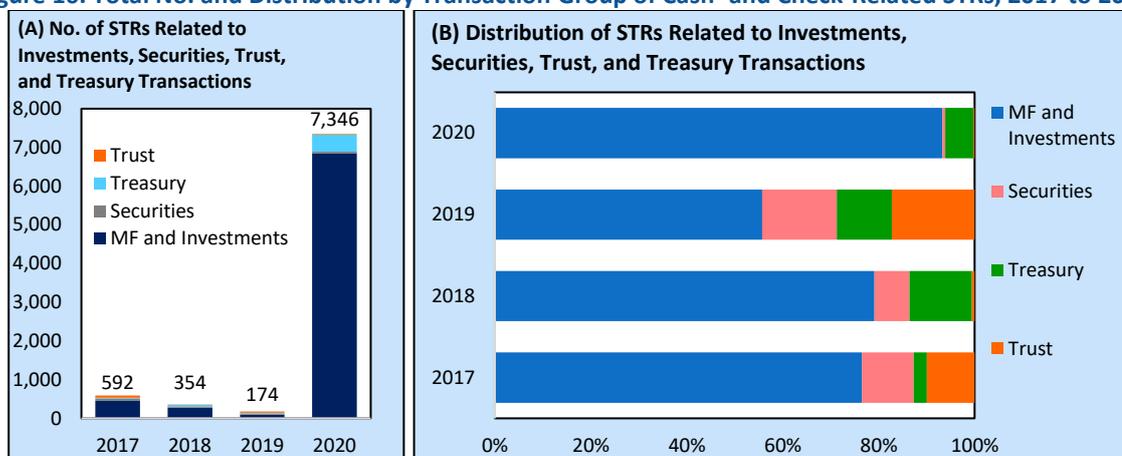
¹² The purchase of insurance policy/plan includes purchase of life, non-life, traditional, and pre-need plans, which were paid through cash, debit memo, manager's checks, credit card, wire/fund transfers, payment channels, and other modes of payment.

2018 and with an aggregate estimated value of PhP4 billion. Subsequently, premium payment¹³ accounts for 24% (1,158 STRs) with an estimated value of PhP694.2 million.

In terms of reason for filing, PC3 (Graft and Corrupt Practices) is consistently the top reason for filing at 36% (381 STRs), 34% (326 STRs), 26% (389 STRs), and 30% (387 STRs) from 2017 to 2020, respectively. Moreover, predicate offenses related to PC3 also surfaces as part of the top reasons for filing STRs, such as PC4 (Plunder) at 4% (182 STRs); PC15 (Bribery and Corruption of Public Officers) at 3% (166 STRs); and PC17 (Malversation of Public Funds and Property) at 1% (41 STRs). These four (4) predicate offenses yield 1,872 STRs or 39% of total STRs filed by IC-registered CPs.

7. INVESTMENTS, SECURITIES, TRUST, AND TREASURY-RELATED TRANSACTIONS

Figure 16. Total No. and Distribution by Transaction Group of Cash- and Check-Related STRs, 2017 to 2020



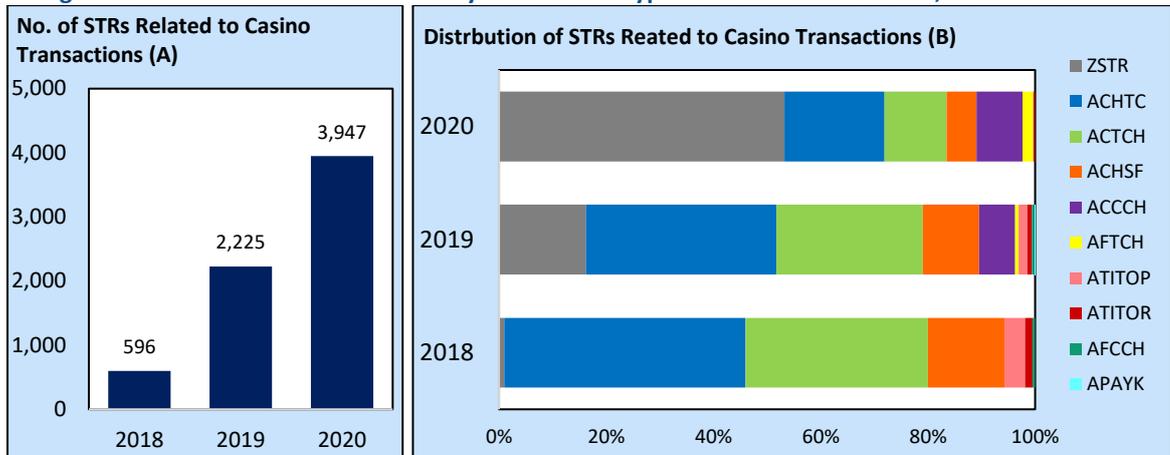
This group of transactions is composed of 42 transaction codes related to buying/selling of mutual fund investments, money market instruments, sovereign bonds, corporate bonds, common stocks, unit investment trust funds, and other trust, securities, treasury, and investment products. For the past four (4) years, STRs related to buying/selling of mutual fund, money market instrument, corporate and sovereign bonds contributed the greatest volume of STRs at around 91% (7,684 STRs).

From 2017 to 2019, annual STRs volume from this transaction group ranges from 174 to 592. Despite the small volume of STRs, the total estimated value is PhP14.8 billion. In 2020, STR filing drastically increased to 7,346 with an approximate value of PhP840 million. This is due to the bulk submission of 6,251 STRs related to the buying mutual fund investments/shares. These STRs cited suspected PC33.

¹³ Premium payment includes insurance premium/plan payment made through various modes of payments (i.e., cash, manager’s checks, fund transfer, credit card, etc.)

8. CASINO-RELATED TRANSACTIONS

Figure 17. Total No. and Distribution by Transaction Type of Casino-Related STRs, 2017 to 2020



Code	Transaction Description
ZTR	STR Transactions
ACHTC	Chips to Cash
ACTCH	Cash to Chips
ACHSF	Safekeeping
ACCCH	Purchase of Chips – Credit Card
AFTCH	Fund Transfer to Chips
ATITOP	Ticket-In-Ticket-Out (TITO) Ticket Purchase
ATITOR	Ticket-In-Ticket-Out (TITO) Ticket Redemption
AFCCH	Foreign Currency to Chips
APAYK	Payment of Winnings via Demand Draft/Manager's Check

The STRs filed by casinos account for less than 1% of the total STRs submitted during the period covered, but it has been steadily increasing from 596 in 2018 to 3,947 in 2020. These STRs were filed by eight (8) land-based casinos. Figure 17B illustrates the STR distribution from 2017 to 2020. The STRs are concentrated in only five (5) transaction types. About 36% or 2,469 of the total STRs from 2018 to 2020 are ZSTRs. Two (2) of the most common reasons for filing ZSTRs are SI1 (1,042 STRs) and SI6 (1,023 STRs). Excluding the ZSTRs, chips to cash is the top transaction type at 1,794 or 27% of the total STRs submitted by casinos. This is followed by cash to chips at 1,269 STRs or 19% of the STRs; safekeeping at 537 STRs or 8%; and purchase of chips using credit card at 489 STRs or 7%. These four (4) transaction types total 4,089 STRs with an estimated value of Php8.4 billion.

IV. TIMING OF FILING

Like the CTR filing, it is also expected that STRs are filed within five (5) working days from occurrence thereof. Unlike CTRs with clear identifiable time of occurrence, which is the transaction date, however, the time of “occurrence” for STRs refers to the date of determination of the suspicious nature of the transaction, which determination shall be made not exceeding 10 calendar days from the date of transaction (Part I, IV-F of the ARR). The determination of suspicious transactions could be triggered by knowledge of the suspicious indicator and transaction-monitoring systems alerts, among others. A “reasonable period” of determination of the suspicious activity shall also be indicated in the CP’s Money Laundering and Terrorist Financing

Prevention Program (MLTFPP). In 2020, the AMLC issued Regulatory Issuance (ARI) A, B, and C No. 1, which amended certain provisions of the 2018 Implementing Rules and Regulations (IRR) of the Anti-Money Laundering Act of 2001 (AMLA), as amended. The provision relevant to the current study is in Section 9 of the 2020 ARI. To quote:

“Section 9. Section 2.2 of Rule 22 of the 2018 Implementing Rules and Regulations (IRR) of Republic Act No. 9160 is hereby amended to read as follows:

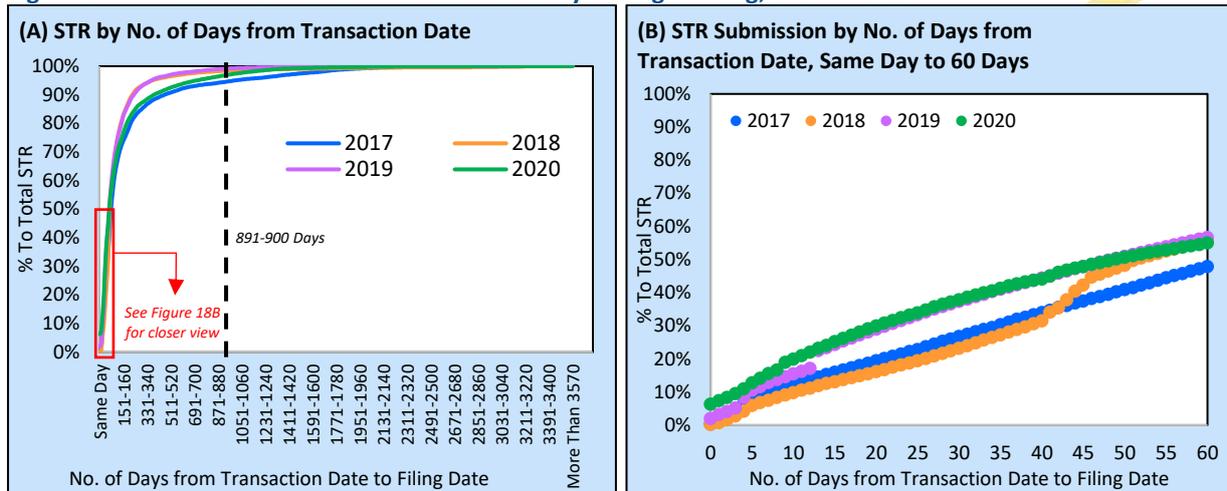
2.2. STRs shall be PROMPTLY FILED WITHIN THE NEXT WORKING DAY FROM THE OCCURRENCE THEREOF, WHICH FOR PURPOSES OF THIS RULE, SHALL BE THE DATE OF ESTABLISHMENT OF SUSPICION OR DETERMINATION OF THE SUSPICIOUS NATURE OF THE TRANSACTION.”

Due to various considerations and limited available information, this study cannot ascertain the timeliness of STR submissions in accordance with the ARRG, or ARI A, B, and C No. 1 Series of 2020. Proxy variables, however, were used to measure the number of working days from the date of the transaction up to the date of STR filing. It should be noted that the timing of filing is not fully reflective of the promptness of STR submissions. For instance, the transaction may have occurred over a year ago prior to filing but it was only triggered today by adverse media. The date of occurrence and/or date of determination of the suspicious nature of the transaction are not readily identifiable given the various considerations in the existing guidelines.

The number of working days¹⁴ from the transaction date to filing date has a wide range from same-day submission up to 31,333 days. Excessive gaps between the transaction date and filing date may be due to several factors, such as defensive filing of CPs; improper filing by using default values (e.g., 1 January 1900 as transaction dates); and misappreciation of the guidance on determination of suspicious activities (i.e., misinterpretation of the ARRG and ARIs), among others. Some CPs also filed transactions dating back from the account-opening, which could be as far back as 1997. Data quality issues related to transaction dates will be further discussed in second phase of the study. Figure 18 illustrates the STR distribution by the number of days from transaction to filing date.

¹⁴ The net working days considered non-reporting days (i.e., weekends, holidays, work suspensions, etc.) from 2014 to 2020 only. Hence, non-reporting days prior to 2014 will be included in counting the number of days from transaction to filing date.

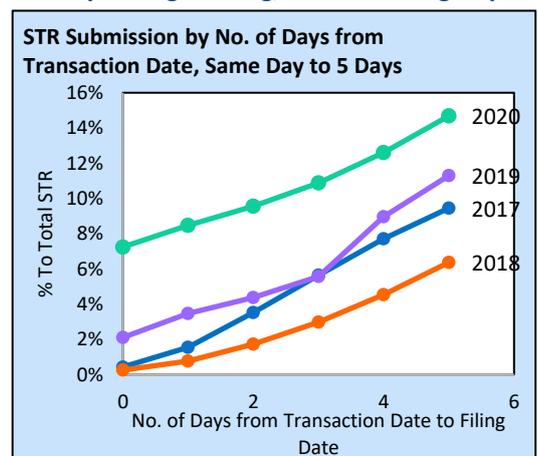
Figure 18. Cumulative Distribution of No. of STRs by Timing of Filing, 2017 to 2020



In 2017, 82.8% (237,776) of the STRs were filed within the same day up to 250 working days from the date of transaction, while this percentage increased to 91.5% (449,923) and 90.7% (565,206) in 2018 and 2019, respectively. There was, however, a decline to 85.1% (865,286) in 2020 for the same time frame. This means that 82% to 91% of the total STRs were filed within approximately one (1) calendar year from the date of transaction. There is a possibility that the decline in the timing of submission in 2020 could be attributed to the disruption of normal working conditions for both the AMLC and CPs due to COVID-19 lockdowns and work arrangement adjustments. From Figure 18A, it is noticeable that there is a significant gap between the date of transaction and filing date. Nevertheless, this gap seems to be improving year-on-year from 2017 to 2020. Figure 18B highlights the STRs filed within 60 working days from date of transaction. The trend is relatively improving from 2017 to 2020, generating 47.9% (137,524), 55.4% (272,514), 56.6% (352,682), and 55.0% (559,618) of the annual STR submissions, respectively. This means that between 2017 and 2020, 48% to 57% of STRs were filed within 60 working days from transaction date.

Moreover, STRs filed within five (5) working days from transaction date account for 8.1% (23,128) of the total STRs in 2017, which improved to 12.8% (130,378) in 2020. As shown in Figures 18B and 19, the line representing the 2020 data is higher compared with 2017 to 2019. This means that more STRs are being submitted closer to the date of transaction compared with previous years. It should also be noted that STR submissions in the Philippines are based on transactional-level data. Hence, CPs may opt to file all transaction records, including those transactions that took place prior to the identification or occurrence of the suspicious activity (e.g., account-opening date which could be more than a year for some long-standing clients, etc.).

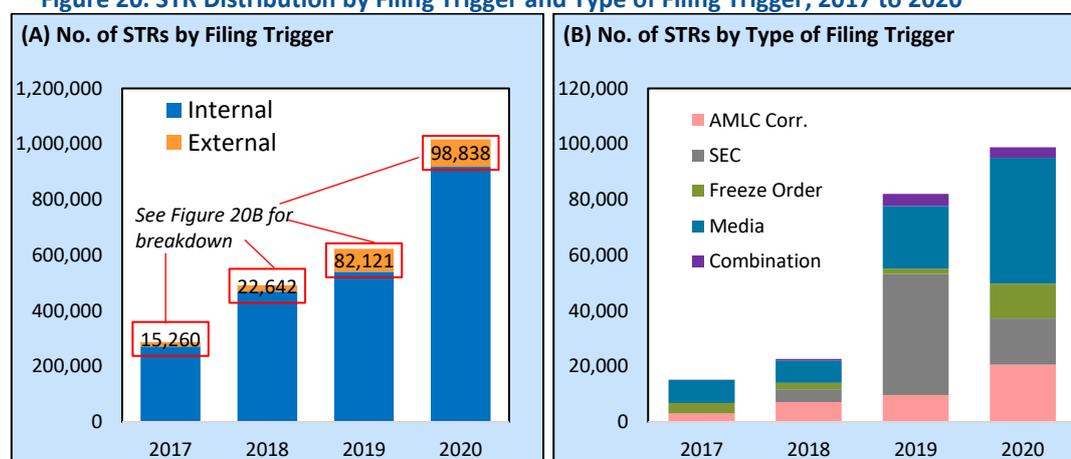
Figure 19. Cumulative Distribution of No. of STRs by Timing of Filing, first 5 Working Days



V. STR FILING TRIGGERS¹⁵

STR filings are not purely triggered by internal monitoring or investigation of CPs. Some filings are reactive and triggered by AMLC’s correspondences with the CPs, such as requests for KYC documents and other information (RKOI), freeze orders, and spontaneous disclosures in the form of strategic and operational intelligence reports. Aside from these, some CPs file STRs based on SEC advisories particularly on unlicensed investment scheme and/or investment scams, while other CPs also file STRs based on adverse media or news. As shown in Figure 20, the share to total STRs of externally triggered STRs increases through time. In 2017 and 2018, externally triggered STRs account for only 5% (15,260 in 2017, and 22,642 in 2018) of the annual STR submissions, while for 2019 and 2020, it increased to 13% (82,121) and 10% (98,838), respectively.

Figure 20. STR Distribution by Filing Trigger and Type of Filing Trigger, 2017 to 2020



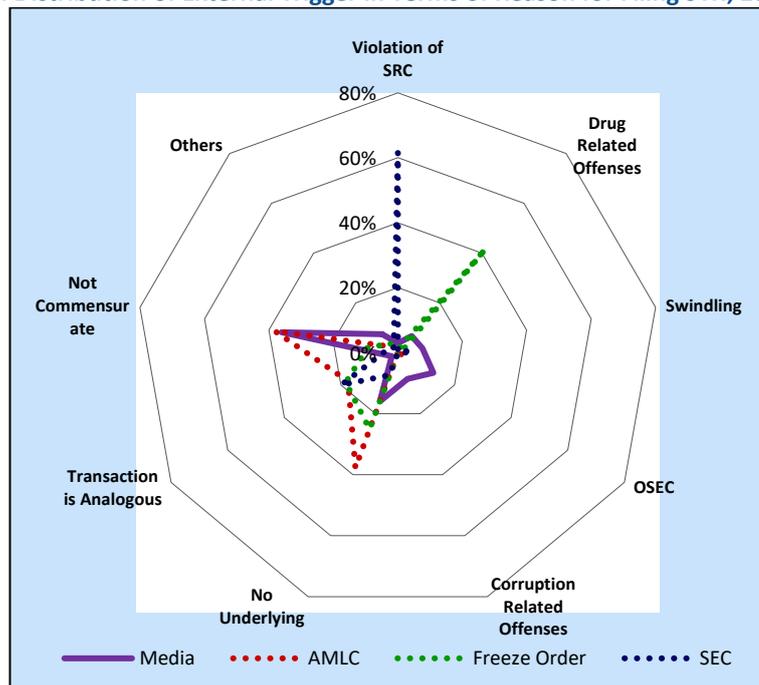
From 2017 to 2020, out of the total 2.4 million STRs filed, about 2.5% (61,138 STRs) have been triggered by AMLC correspondences and freeze orders; 2.7% (64,724 STRs) by SEC advisories; and 3.5% (84,060 STRs) by adverse media. Aside from these STRs, 0.4% (8,939 STRs) were triggered by a combination of at least two external factors, namely AMLC correspondences, freeze orders, SEC advisories, and adverse media. The surge in SEC advisory-triggered STRs in 2019 was brought about by the intensified information campaign and public advisories of the SEC on investment scams. On the other hand, in 2020, AMLC-triggered STRs increased from 9,728 in 2019 to 20,665 STRs. The increase could partially be attributed to the various spontaneous disclosures and typology publications of the AMLC, such as studies on child pornography, COVID-19 financial crime trends, and online casinos, among others. In addition, media-triggered STRs also surged in 2020 due to various high-profile cases that were publicly reported, such as the Wirecard and Philhealth cases. These cases triggered possible defensive reporting from CPs.

As shown in Figure 21, the distribution of these externally triggered STRs in terms of suspicious indicators and predicate offenses have intrinsic relationships. For instance, 62% (39,941 of the 64,724 STRs) of the SEC advisory-triggered STRs are related to PC33, while 42%

¹⁵ The statistics mentioned in this section are approximations as the current reportorial format does not require specifying the data on trigger for filing STRs (i.e., internal monitoring and investigation, adverse media, regulators and law enforcements’ investigation, etc.). Nevertheless, keywords were used to search the narrative of each STRs to identify which could be the possible trigger of the filing.

(8,501 of the 20,434 STRs) of STR filings triggered by freeze orders are related to PC2 (Drug Trafficking and Related Offenses). STRs triggered by adverse media were often associated with SI3 (The amount involved is not commensurate with the business or financial capacity of the client) and SI1 (There is no underlying legal or trade obligation, purpose, or economic justification). Aside from these suspicious indicators, adverse media also influenced the filing of STRs related to OSEC¹⁶ at 13% (10,519) of the total adverse media-triggered STRs (84,068); and STRs related to corruption¹⁷ at 9% (7,219 STRs). Meanwhile, 40,704 AMLC-triggered STRs were mainly filed under SI3 (15,490 STRs) and SI1 (15,312 STRs) at 38% of the total AMLC-triggered STR filings. SI6 (The transaction is similar, analogous, or identical to any of the foregoing) is at 18% (7,111), and STRs due to OSEC are at 2% (907).

Figure 21. Distribution of External Trigger in Terms of Reason for Filing STR, 2017 to 2020



It must be noted that statistics mentioned in this section may be understated as not all STRs explicitly state the trigger for filing in the narratives. Although the citation of the reporting trigger in the narrative is useful for assessing the effectiveness and impact of AMLC’s studies and requests, it should be noted that mentioning the trigger (i.e., adverse media, AMLC requests, among others) in the narrative of the STRs without supporting information and without evidence of internal analysis and investigation is not in line with the ARRG. Part I Item E of the ARRG states that “covered persons shall formulate a reporting chain under which a suspicious transaction or circumstance will be processed, analyzed, and investigated.” Thus, including the trigger in the narrative could be an important piece of information, but without supporting evidence of proper internal analysis, investigation, and escalation, this could signal defensive reporting.

¹⁶ OSEC-related predicate offenses include violations of the Anti-Photo and Video Voyeurism Act of 2009 (PC30), violations of the Anti-Child Pornography Act of 2009 (PC31), and violations of Special Protection of Children Against Abuse, Exploitation and Discrimination Act (PC32).

¹⁷ Corruption-related offenses include Graft and Corrupt Practices (PC3), Bribery and Corruption of Public Officers (PC15), Plunder (PC4), and Malversation of Public Funds and Property (PC17).

VI. DATA QUALITY AND SYSTEM ISSUES

A. POTENTIAL OVERUSE OF SI6 FOR DEFENSIVE REPORTING

It was observed that consistently from 2017 to 2020, SI6 has been the top reason for filing, accounting for 29% or 704,954 of the total STRs during the period. About 96% (674,372) of these STRs are concentrated in only 11 CPs. It is also noticeable that STRs related to SI6 for each CP significantly accounted for its total STR submission. A closer look on the STR filing of some CPs show a very limited distribution of the STRs in terms of reason for filing. As seen in Table 3, a sample case shows that since 2018, the CP has not submitted any STRs for other predicate offenses and/or suspicious indicators except for SI6. In 2017, the CP filed STRs due to PC18 and PC16. There is a probability that the STRs filed due to PC16 and PC18 were for fraud, scams, and unauthorized transactions with either PC9 or PC11 as the more appropriate reason.

Table 3. STR Submission of a Sample Covered Person, 2017 to 2020

Reason for Filing	TOTAL	2017	2018	2019	2020
The transaction is similar, analogous or identical to any of the foregoing (SI6)	109,836	133	495	40,623	68,585
Frauds and illegal exactions and transactions (PC16)	4,222	4,222			
Forgeries and counterfeiting (PC18)	9	9			
There is a deviation from the client's profile/past transactions (SI5)	1	1			
TOTAL	114,068	4,365	495	40,623	68,585

SI6 serves as a catchall category that the CPs can use if none of the listed predicate crimes and suspicious indicators are applicable. The use of SI6, however, has been misused and abused by CPs. Per Part 4, Chapter 3 of the ARRG, when the transaction is filed under SI6, CPs are reminded to “make sure that the reason for suspicion indicated in SI6 does not fall in any one of the suspicious indicators or predicate crimes before using SI6” and is “followed by a semi-colon and the reason for suspicion.” Random sampling of STRs from 2017 to 2020 shows various misuses of SI6, which are not in accordance with the ARRG. Some of the observed misuses are discussed below. Under each category are random samples directly lifted from the CPs’ submission, but were redacted to mask personal/institutional identity information.

- 1. Using SI6 as an additional reason or leaving the additional reason blank**
 - a. The transaction is similar, analogous or identical to any of the foregoing.; The transaction is similar analogous or identical to any foregoing
 - b. The transaction is similar, analogous or identical to any of the foregoing.;
 - c. The transaction is similar, analogous or identical to any of the foregoing.;na
 - d. The transaction is similar, analogous or identical to any of the foregoing.; none

- 2. Additional reason is another or multiple suspicious indicators**
 - a. The transaction is similar, analogous or identical to any of the foregoing.; The transactions have no underlying legal or trade obligation purpose or economic justification. Moreover, the amounts involved are not commensurate with the business or financial capacity of the client
 - b. The transaction is similar, analogous or identical to any of the foregoing.; The transactions have no underlying legal or trade obligation purpose or economic justification and amounts involved are not commensurate with the financial

capacity of the client. Moreover, client's transaction appeared to be structured in order to avoid being the subject of AML reporting requirements.

3. Additional reason is describing another suspicious indicator which should have been used as reason for filing instead of SI6

- a. The transaction is similar, analogous or identical to any of the foregoing.; The XXX Limited is suspected of structuring its transactions with ZZZ Limited to avoid bank scrutiny.

In the example above, the CP could have indicated SI4 as the reason for suspicion instead of SI6.

- b. The transaction is similar, analogous or identical to any of the foregoing.; Customer is reported to be involved in suspicious activities. The account transactions are not commensurate with her profile

In the example above, the CP could have indicated either SI3 or SI5 as the reason for suspicion instead of SI6.

4. Using SI6 even when the predicate crime is already known

- a. The transaction is similar, analogous or identical to any of the foregoing.; The said client was arrested and detained in police station due to estafa
- b. The transaction is similar, analogous or identical to any of the foregoing.; The transaction is similar, analogous or identical to any of the foregoing. The client has been charged before the Sandiganbayan for Violation of Republic act No. 3019, the Anti-graft and Corrupt Practices Act.
- c. The transaction is similar, analogous or identical to any of the foregoing.; the client has been charged before the Sandiganbayan for Violation of Republic Act No 3019 (the Anti-Graft and Corrupt Practices Act)
- d. The transaction is similar, analogous or identical to any of the foregoing.; PC9
- e. The transaction is similar, analogous or identical to any of the foregoing.; E-commerce fraud
- f. The transaction is similar, analogous or identical to any of the foregoing.; PC31

5. Using the narrative as the additional reason, which describes a more appropriate PC (e.g., drug trafficking, graft and corruption)

- a. The transaction is similar, analogous or identical to any of the foregoing.; On XXX, Legal and Compliance was notified of a newspaper report relative to alleged drug involvement and freezing of account of a certain client. Upon checking of record, client is a policyholder of a lapsed term insurance policy with effective date XXX amounting to PHPXXX and with monthly premium of PHPXXX. According to the news item, client is associated to a convicted drug lord who allegedly used to facilitate more than PHPXXX in transactions of drug related matter over the past decade.
- b. The transaction is similar, analogous or identical to any of the foregoing.; On XXX, we received report on the purchase of health insurance policy of a politically exposed person (PEP). The payment of monthly premium amounts to PHPXXX paid thru credit card. Insurance coverage is PHPXXX. PEP is the current mayor of a town in XXX who is the brother and immediate family of the current governor. There is a pending graft and corruption case against the current governor for allegedly allowing XXX.

6. Additional reason is vague

- a. The transaction is similar, analogous or identical to any of the foregoing.; Due to the foregoing we are filing this STR.
- b. The transaction is similar, analogous or identical to any of the foregoing.; It is highly probable that the funds or at least a portion thereof of the client and her family may have been derived from illegal activities.
- c. The transaction is similar, analogous or identical to any of the foregoing.; Money laundering
- d. The transaction is similar, analogous or identical to any of the foregoing.; Not received

7. High-risk PC enveloped in SI6's additional reason

- a. The transaction is similar, analogous or identical to any of the foregoing.; The said client is in jail due to selling of prohibited drugs
- b. The transaction is similar, analogous or identical to any of the foregoing.; name appears to be related to a terrorist
- c. The transaction is similar, analogous or identical to any of the foregoing.; OFAC transaction
- d. The transaction is similar, analogous or identical to any of the foregoing.; possible terrorist financing/illegal drugs

8. Additional reason is due to internal transactions monitoring system (TMS) and other listed Sis, which should have been used instead of SI6

- a. The transaction is similar, analogous or identical to any of the foregoing.; Client's account transactions have no underlying legal or trade obligation purpose or economic justification. Moreover, client's transactions were alerted in the SAS AML system under the credit card gambling scenario.
- b. The transaction is similar, analogous or identical to any of the foregoing.; Client's transactions alerted in the SAS AML system. Moreover, transactions have no underlying legal or trade obligation purpose or economic justification.

9. Using SI6 for alleged cases and related parties, which should have been filed under more descriptive PCs/SIs (e.g., graft, TF/T, qualified theft, swindling, carnapping)

- a. The transaction is similar, analogous or identical to any of the foregoing.; The client is alleged one of the former PEP's dummies
- b. The transaction is similar, analogous or identical to any of the foregoing.; The client is allegedly worked for a known terrorist's brother-in-law.
- c. The transaction is similar, analogous or identical to any of the foregoing.; Client's account was allegedly used in fraudulent activity. Moreover, transactions have no underlying legal or trade obligation purpose economic justification.
- d. The transaction is similar, analogous or identical to any of the foregoing.; Bank personnel was involved in an unlawful activity for alleged unauthorized withdrawal
- e. The transaction is similar, analogous or identical to any of the foregoing.; Client submitted fake KYC documents and appears to be the alleged leader of a carnapping syndicate in XXX.

Using SI6 as the reason for filing may downplay the risk and prioritization of STRs. In addition, CPs, which use SI6 with high-risk crimes as additional reason (e.g., items 5, 7, and 9

listed above) circumvents the ARRГ requirements of mandatory uploading of KYC documents for the following predicate crimes:

- PC1 – Kidnapping for ransom
- PC2 – Drug trafficking and other related offenses
- PC12 – Hijacking, destructive arson; and murder, including those perpetrated by terrorists against non-combatant persons and similar targets
- PC13 – Terrorism and conspiracy to commit terrorism
- PC14 – Financing of terrorism

As shown in the random samples above, even when CPs have already identified the predicate crimes or other suspicious indicators, the transactions were still filed under SI6. Moreover, some CPs reported the additional reason due to TMS alerts. CPs should be cognizant that the AMLC has no information on the parameters and vetting process of their respective internal alert systems. Submitting STRs merely due to TMS alerts without further investigation and undergoing proper escalation process is not keeping in line with Part I, Item E of the ARRГ. These submission behaviors could indicate potential defensive reporting by CPs.

Further investigation by the supervising agencies and possible open dialogue with the CPs should be conducted to identify reason(s) for using SI6 instead of directly filing under the appropriate suspicious indicator or predicate crime. Moreover, the AMLC may issue further guidelines on the use of SI6.

Adding to the issues mentioned above, 45% or 186,368 STRs of the ZSTRs from 2017 to 2020 were reported due to SI6. This has been generally increasing from only 17,494 STRs in 2017 to 4,224 in 2018, 60,470 in 2019, and 104,180 in 2020. These STRs may contain investigative value but may hinder the analysis of the case as it does not provide both the transaction type and the predicate offense or suspicious indicator. ZSTR is still the transaction code used even if the narrative submitted mentioned specific transactions (e.g., check deposit, purchase of insurance, loan avilment, etc.). It should be noted that among the available transaction codes in the ARRГ, ZSTR has the least number of mandatory fields. For instance, if the CP filed an STR with the transaction of purchasing insurance, the CP is required to submit details on the policy owner, insured party, beneficiary, subject of suspicion, amount of the annual premium, policy effectivity and maturity dates, insurance type and terms, reason for suspicion, and narrative. On the other hand, the mandatory fields for ZSTR are only reason for filing, narrative, and subject of suspicion name (if the accountholder or policy owner is not known).

Moreover, some CPs maybe using SI6 combined with ZSTRs for defensive reporting with minimal investigative values. For instance, CPs also use SI6-ZSTR combination in filing customer violations of internal company policies, terms, and/or conditions. These violations of internal terms and conditions for promotional programs of CPs may not always be indicative of suspicious indicators, predicate offenses, and/or red flags as enumerated in the ARRГ. In addition, this filing combination is also used by some CPs to submit STRs due to adverse news and/or AMLC inquiry without evidence of recognizing suspicious or unusual transactions and further internal analysis and investigation as recommended in Part 1, Items D to E of the

ARRG.¹⁸ The following are actual but redacted sample filings of STRs reported due to SI6 while using ZSTR as transaction code:

1. Transactions were mentioned in the Narratives but still reported as ZSTRs

a. **[Reason for Filing (RF)]** *The transaction is similar, analogous or identical to any of the foregoing.*

[Narrative (N)] *Client transactions are not commensurate with the declared source of funds. Moreover, client transactions had no underlying legal or trade obligation purpose or economic justification. The client opened savings account no. XXX on XXX and submitted complete business papers such as SEC Certificate of Incorporation, Articles of Incorporation, Secretary’s Certificate, Treasurer’s Affidavit, By-laws, Mayor’s Permit, and Identification Documents of signatories as proof of identity. Per customer information record, the client is engaged in buying selling distributing importing-exporting and marketing at wholesale of all kinds of goods. One of the majority stockholders of the company is XXX. In the review of the statement of account of the client it was noted that there were four thousand three hundred twenty two (4322) instances of credit and debit to account transacted in different branches of XXX from the time the account was opened to present that are not commensurate with his declared source of funds. This triggered the branch of account to conduct enhanced due diligence and investigate the account of the client. According to the client the said deposits represent business related transactions. It is worthy to mention that the branch received a letter from a law enforcement agency (LEA) indicting one of the stockholders of the company in drug related activities. Moreover, on XXX, there was a report on the arrest of XXX conducted by two LEAs for suspecting him as drug financier and collector.*

b. **[RF]** *The transaction is similar, analogous or identical to any of the foregoing.; Suspected drug [personality]*

[N] *A suspected drug [personality, ABC,] based on several news report was found to have an existing credit card and personal loan accounts. To date outstanding balances are PHPXXX and PHPXXX, respectively. ABC’s credit card account was issued in XXX and has a credit limit of PHPXXX. Transactions for the past twelve (12) months are considered normal. ABC’s personal loan of PHPXXX with a 24 month term was granted last XXX and amortization is up to date. Due to circumstances brought about by the said negative news and considering that it is a high-profile case the bank decided to file a suspicious transaction report.*

c. **[RF]** *The transaction is similar, analogous or identical to any of the foregoing.;*

[N] *The client 's source of deposit with a bank allegedly came from the proceeds of the check issuance from the wife of an investment scam founder. On XXX, bank was informed by the regional operation head on the source of funds of XXX special savings*

¹⁸ ARRG Part I Item D. Recognizing Suspicious or Unusual transactions.

The key is knowing enough about the customer’s business to recognize that a transaction, or a series of transactions is unusual and, from an examination of the unusual, whether there is a suspicion of money laundering. Where a transaction is inconsistent in amount, origin, destination, or type with a customer’s known, legitimate business or personal activities, etc., the transaction should be considered unusual, and the covered person should be put on alert. Item E. Internal Analysis, Investigations and Escalation.

Covered persons shall formulate a reporting chain under which a suspicious transaction or circumstance will be processed, analyzed, and investigated. Said chain should include the designation of a Board Level or approval Committee or the Chief Compliance Officer as the ultimate decision maker on whether or not the covered person should file a report to the AMLC.

deposit. Accordingly, on XXX, XXX issued a check to XXX which was deposited to the bank. After the said deposit, XXX availed of the bank's special savings deposit on XXX with initial placement of PHPXXX to date the amount is outstanding.

- d. **[RF]** The transaction is similar, analogous or identical to any of the foregoing.;
[N] PC33 on XXX, the Securities and Exchange Commission (SEC) issued an advisory informing the public to stop investing in the scheme offered by XXX operated by XXX, XXX, XXX, XXX, and XXX. XXX is offering and selling securities in the form of investment contracts where investors are offered 1300% interest per month or a total of 15600% interest annually. Per SEC Advisory, the said company is not authorized to solicit investments from the public. XXX was established on XXX and is registered with SEC as a corporation with principal office address at XXX. The company is engaged in distribution/trading of agricultural products. On XXX, XXX applied for an auto loan with the amount of PhpXXX for a XXX. The loan was booked on XXX. The account was processed reviewed confirmed and approved by authorized officers of XXX consumer lending group in accordance with bank policies. As of date the loan payment is updated. XXX, president and CEO, was referred by XXX consumer lending group to the Branch for the opening of a savings account that will be used for the automatic debit arrangement of the monthly amortization of the auto loan. Branch performed the proper KYC and opened the account on XXX. A summary of XXX transactions is shown below: Date tran type amount XXX check deposit PhpXXX; XXX check deposit PhpXXX; XXX cash deposit PhpXXX; XXX check deposit PhpXXX; XXX cash deposit PhpXXX; XXX check deposit Php XXX; XXX to XXX journal withdrawal representing auto loan amortization PhpXXX to Php XXX totaling PhpXXX. Due to the clients' alleged violation of Securities Regulation Code (SRC) which is a predicate crime under the AMLA, the bank deemed it necessary to file a STR on the subject accounts.

In the STR Example 1.a., the CP mentioned "4,322 instances of credit and debit card that are not commensurate with his declared source of fund," but not all 4,322 transactions were reported using the actual transaction, rather 953 of these were filed as ZSTR (3,046 STRs were reported as cash deposits, 11 STRs were check deposits, and 312 were cash withdrawal-OTC). In the same manner, Example 1.b. mentioned that there were two (2) business relationships with the client and that there were transactions for each relationship. Nevertheless, the CPs only reported one (1) ZSTR on the subject with reason for filing submitted as SI6, despite stating in the narrative that the client was subject of an adverse media as a "suspected drug [personality]." Moreover, the CP reported only a nominal value of PhP1 in the ZSTR filed. Examples 1.c. and 1.d. follow the same pattern. The above examples clearly show that a corresponding unlawful activity or predicate crime is present and it should have been used by the CP instead of SI6. Moreover, given that there were actual monetary transactions with the CPs, appropriate transaction codes with corresponding transaction amount should have been used instead of ZSTR and PhP1, respectively.

Although the ZSTR is useful in the intelligence-gathering process, transactional-level reporting provides more investigative value and information on the flow of funds and the financial spending patterns of the subject(s). When CPs aggregate the reporting into ZSTRs, AMLC analysts will be blind-sided on what type of financial transactions were involved. It also makes tracking the flow of funds more challenging as the needed information are not easily extractable.

2. ZSTR was filed with very scant narratives

- a. **[RF]** The transaction is similar, analogous or identical to any of the foregoing.;
[N] Rejected transaction with fingerprint duplicity
- b. **[RF]** The transaction is similar, analogous or identical to any of the foregoing.; The client was subjected to an AMLC Inquiry
[N] Subject to AMLC Inquiry
- c. **[RF]** The transaction is similar, analogous or identical to any of the foregoing.; the patron withdrew her front money deposit
[N] The patron withdrew all of her front money deposit in cage

Part I, Items D and E of the ARRG provides guidance on the CP’s responsibilities to (1) recognize the suspicious or unusual transactions, and (2) conduct internal analysis, investigation, and escalation. For the sample STRs mentioned above, it is not evident that the CPs conducted due diligence and/or enhanced due diligence in the analysis and investigation of the STRs prior to filing. For instance, in Example 2b, the CP’s narrative simply stated “subject [of] AMLC Inquiry” without any explanation on who, what, why, where, when, and how the transaction became suspicious.

B. CONTINUOUS MISREPORTING OF FRAUD SCHEMES AND ACTIVITIES

As discussed in Section IV-B of this study, there were significant improvements in filing STRs related to fraudulent activities after the release of the 2017 STR Quality Review, which included a guide in reporting PC16 (Frauds and Illegal Exactions and Transactions), and PC18 (Forgeries and Counterfeiting). Prior to the 2017 STR Quality Review, this misreporting is systemic across CPs. Sampling of the STR narratives still show evidence that CPs still misreport swindling and fraud cases as PC16 and PC18. Closer examination of submissions in more recent years, however, reveal that persistent misreporting is isolated only to a few relatively larger institutions, such as multi-branch MSBs, EMIs, banks, and credit card companies.

A closer review of the STR narratives filed by these CPs reveal that majority of the transactions were related to various credit card fraud schemes. Sample STR narratives are as follows:

PC18 (Forgeries and Counterfeiting)

- CHARGEBACK RECEIVED FROM BANK WITH REASON CODE CHIP LIABILITY SHIFT (COUNTERFEIT TXN). CHARGED TO OPERATIONAL LOSS AS CARD 00000000 REPORTED FRAUDULENT TRANSACTION RESULTED FROM THE USE OF COUNTERFEIT CARD AT A NONCHIP DEVICE AND THE VALID ISSUER CARD WAS AN EMV CHIP CARD. MERCHANT DBA: XXX
- THE CARDHOLDER DISPUTED HAVING RECEIVED AND USED HIS CREDIT CARD FOR ANY TRANSACTIONS. COURIER XXX MESSENGER
- THE CARDHOLDER DISPUTED PURCHASE/S MADE VIA ONLINE/INTERNET TRANSACTIONS. IDENTITY OF PERPETRATOR COULD NOT BE DETERMINED UPDATED REF NO.: XXX
- UNAUTHORIZED ONLINE TRANSACTIONS CONDUCTED ELECTRONICALLY ON THE INTERNET.

- THE CREDIT CARD OF CARDHOLDER WAS INTERCEPTED AND USED BY THIRD PARTY.

PC16 (Frauds and Illegal Exactions and Transactions)

- A TOTAL NUMBER OF 29 ACCTS WERE REPORTED. FRAUD CASES ARE CARD NOT PRESENT (24 ACCTS) SKIMMING (5 ACCTS) CARD NOT PRESENT FRAUD NAMES ARE AS FOLLOWS PERSON (1) to (24) SKIMMING FRAUD CASE NAMES ARE AS FOLLOWS PERSON (1) to (5)
- AN UNEMPLOYED WOMAN FROM XXX WAS COMPLAINED BY A MALE FOREIGN CITIZEN OF BEING A FRAUDSTER. ACCORDING TO THE REPORT THE COMPLAINANT PRIVATE INFORMATION WAS BEING HACKED. HE WAS CONTACTED THROUGH SOCIAL MEDIA ACCOUNT (FACEBOOK MESSENGER) BY AN INDIVIDUAL WHO HE DOESN'T KNOW AND THEY GOT A PRIVATE VIDEO OF HIM. THE VICTIM WAS THREATENED AND ORDERED TO SEND A MONEY THROUGH MSB1 UNDER THE NAME OF THE SUBJECT CONSUMER OTHERWISE THEY WOULD RELEASE THE VIDEO IN PUBLIC. BASED ON TRANSACTION ANALYSIS. SUBJECT HAS BEEN RECEIVING FROM THREE (3) UNIQUE FOREIGN NAMES RELATED ALL TO HER AS FRIENDS. ALL TRANSACTIONS WERE CLAIMED AT MSB2.
- THERE WERE SEVERAL FRAUDULENT TRANSACTIONS REPORTED FOR INVESTIGATION VIA SKIMMING FRAUD (3 ACCOUNTS) AND CARD NOT PRESENT FRAUD (17 ACCTS). SKIMMING FRAUD NAMES ARE AS FOLLOWS PERSON (1) TO (3). 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. FOR CARD NOT PRESENT FRAUD NAMES ARE AS FOLLOWS PERSON (1) TO (17). CHARGEBACK PROCESS WERE CONDUCTED TO RECOVER THE AMOUNT INVOLVED.BASED ON INVESTIGATION RESULT 12 ACCOUNTS WILL BE CHARGED BACK TO THE MERCHANT VIA ACQUIRING BANK.4 ACCOUNTS WERE CONFIRMED LOSS BOTH BY MERCHANT AND THE BANK.FOR THE ACCT OF XXXX.BASED ON INVESTIGATION RESULT THE TRANSACTIONS AMOUNTING TO PHP XXXX WERE SUCCESSFULLY CHARGEDBACK TO THE MERCHANT WHILE TRANSACTIONS AMOUNTING TO PHP XXXX WILL BE COLLECTED FROM THE CARDHOLDER SINCE THE TRANSACTIONS WERE VALID AND PURCHASES ARE MADE BY THE CARDHOLDER.AMOUNT PHP XXXX WILL BE ABSORBED AS LOSS BY THE BANK SINCE RE PRESENTMENT FROM SECURED MERCHANTS CONFIRMED THAT TRANSACTIONS WERE UNAUTHORIZED.

From these observations, it can be inferred that the reporting guide published with the 2017 STR Quality Reviews has been effective as it significantly reduced the systemic misreporting of PC18 and PC16. As illustrated above, however, there are still a few CPs that continue to misreport the two (2) predicate offenses. A dialogue with these CPs and the issuance of reminders for all CPs on how these PCs should properly be reported are highly recommended.