

[BSP CIRCULAR LETTER, April 11, 2003]

PRECAUTION ON THE REQUISITIONING OF UNUSUALLY LARGE VOLUME OF CHECK BOOKLETS

Recent cases of illegal investment schemes which victimized innocent investors of several billions of pesos underscore the need for banks to be vigilant in dealing with their customers since, in most of these cases, the use of checks had facilitated the accomplishment of the illegal activities by unscrupulous persons.

To attract investors, the perpetrators of these illegal investment schemes used post-dated checks as guarantee which provided the investor-victims with the false assurance that their investments, including the income accruing thereon will be recovered/paid. To meet their post-dated check requirements, the perpetrators of these pseudo investment schemes would have to requisition large volumes of check booklets from their depository banks.

In this connection, please be reminded that under existing Anti-Money Laundering regulations, banks are required, among other things, to prevent the use of their facilities for illegal activities and to adopt the "know-your-customer" (KYC) policy. The KYC policy requires banks not only to establish the identity of their clients but also to have background knowledge of their normal business transactions to be able to identify activities or transactions which are not consistent therewith.

Sec. 3 (b-1) of R.A. No. 9160, otherwise known as the "Anti-Money Laundering Law of 2001", as amended by R.A. 9194 provides, among other things, that the presence of 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 institution would render the transaction as a suspicious one. Therefore, requisitioning of *unusually* large volume of check booklets already falls within the above definition of a suspicious transaction subject to reporting.

On the other hand, any requisition of large volume check booklets, although not necessarily unusual, should already raise the red flag for further investigations. By applying the KYC programs, banks should be able to determine whether or not said requisition of large volume of check booklets is consistent with the known legitimate business activities of the client and should also be able to report those considered suspicious transactions.

For your guidance.

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