

Commercial Banks Compliance on the Pillars of Anti-Money Laundering (AML) and Their Know Your Customer (KYC) Practices Towards Ensuring the Integrity of Financial Transactions

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ABSTRACT

This study determined the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) and their Know Your Customers (KYC) Practices in selected cities of the National Capital Region (NCR) with the end view of ensuring the integrity of financial transactions.

The respondents are primarily younger professionals, with most aged between 25 and 35 years. The banking sector represented by the study shows a gender imbalance, with a higher proportion of male respondents. The majority of respondents are located in Quezon City, followed by Taguig City, reflecting the concentration of banking operations in these urban areas. Most respondents have mid-level banking experience, with 5 to 10 years of service, indicating that the insights gathered largely represent perspectives from professionals who are familiar with but not senior in the industry.

Commercial banks are seen as largely compliant across the major AML pillars. Banks are particularly effective in risk assessment and customer due diligence, though there are some inconsistencies in verifying corporate ownership in the latter. Transaction monitoring is generally practiced well, but there is a need for more consistent application in high-risk transactions. Reporting and record-keeping are compliant, but some respondents suggested improvements in timely reporting. Training and education efforts are adequate, though there is a recommendation for more practical scenario-based training to strengthen AML awareness further.

Generally, there are no significant differences in the assessment of AML compliance based on age, location, years of experience, or sex. However, a notable exception is customer due diligence, where male respondents rated the banks' practices slightly higher than female respondents. Banks are seen as effective in implementing KYC practices, especially in the areas of digital identity verification and ongoing monitoring. While address verification is practiced well.

There were no significant differences in the overall assessment of KYC effectiveness based on demographic factors. The only significant correlation found was between risk assessment and identity verification.

***Keywords:* Anti-Money Laundering (AML), Know Your Customers (KYC), and Commercial Banks.**

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CHAPTER ONE

INTRODUCTION

Anti Money Laundering (AML) Definition: Its History and How It Works (2023) Efforts to police illicit gains have a history stretching back centuries. Anti-money laundering (AML) refers to the contemporary web of laws, regulations, and procedures aimed at uncovering illicit funds disguised as legitimate income.

Money laundering, a term arising from this regulatory regime, consists of actions taken to conceal financial movements underlying crimes ranging from tax evasion and drug trafficking to public corruption and the financing of groups designated as terrorist organizations.

AML legislation was a response to the growth of the financial industry, the lifting of capital controls, and the growing ease of conducting complex chains of financial transactions. A high-level United Nations panel has estimated annual money laundering flows total at least \$1.6 trillion, accounting for 2.7% of global GDP in 2020.

Money laundering can be divided into three steps. The KYC process aims to stop money laundering at the first step when customers attempt to store funds in financial accounts. a) Depositing illicit funds into a financial system. b) Placing a series of transactions, usually repetitive and voluminous, to obfuscate the illicit origin of the funds known as "layering." c) "Cleaning" and "washing" the funds by converting them into real estate, financial instruments, commercial investments, and other acceptable assets.

During the KYC process, financial institutions will screen new customers against lists of parties that pose a higher-than-average risk of money laundering: criminal suspects and convicts, individuals and companies under economic sanctions, and politically exposed persons, which encompass foreign public officials and their family members and close associates.

➤ *Customer Due Diligence (CDD)*

KYC extends beyond vetting a customer in the initial stages of opening an account. Throughout the account's lifetime, financial institutions must conduct customer due diligence (CDD), or maintain accurate and up-to-date records of transactions and customer information for regulatory compliance and potential investigations. Certain customers may be added over time to sanctions and other AML watchlists, warranting checks for regulatory risks and compliance issues on an ongoing basis.

According to the U.S Treasury's Financial Crimes Enforcement Network (FinCEN), the four core requirements of CDD in the U.S. are: Identifying and verifying the customer's personally identifiable information (PII); Identifying and verifying the identity of beneficial owners with a stake of 25% or more in a company opening an account; Understanding the nature and purpose and compiling risk profiles of customer relationships; and Monitoring suspicious transactions and updating customer information.

CDD may try to uncover and counter money laundering patterns such as layering and structuring, also known as "smurfing"—the breaking up of large money laundering transactions into smaller ones to dodge reporting limits. For example, financial institutions have instituted AML holding periods that force deposits to remain in an account for a minimum of days before they can be transferred elsewhere.

If patterns and anomalies indicate money laundering activities, suspicious transactions in U.S. jurisdictions must be reported in Suspicious Activity Reports (SARs) to relevant financial agencies for further investigation.

➤ *International Anti Money Laundering*

The European Union (EU) and other jurisdictions had adopted similar anti-money laundering measures to the U.S. Anti-money laundering legislation and enforcement assumed greater global prominence, when a group of countries and nongovernmental organizations (NGOs) formed the Financial Action Task Force (FATF).

The FATF is an intergovernmental body that devises and promotes the adoption of international standards to prevent money laundering. In October 2001, following the 9/11 terrorist attacks, FATF's mandate grew to combat terrorist financing.

Those standards, the FATF's 40 Recommendations, provide a framework for AML and Combating the Financing of Terrorism (CFT) regulations and policies in over 190 jurisdictions worldwide, covering CDD, transaction monitoring, reporting of suspicious activity, and international cooperation.

Other important international organizations in the fight against money laundering include the International Monetary Fund (IMF) and the United Nations (UN), and programs include the Council of the European Union's Anti-Money Laundering Directive (AMLD) and the Basel Committee on Banking Supervision's Customer Due Diligence (CDD) for Banks.

The IMF has pressed member countries to comply with international norms thwarting terrorist financing.¹⁵ The UN added AML provisions to address money laundering associated with drug trafficking in the 1998 Vienna Convention, with international organized crime in the 2001 Palermo Convention, and with political corruption in Meridian Convention.

The Council of the European Union's AMLD, a directive that sets out AML/CFT requirements for all EU member states, has been amended several times to reflect the changing risks of money laundering and terrorist financing. The Basel Committee on Banking Supervision's CDD for Banks provides detailed recommendations for banks on how to identify and verify the identity of their customers.

➤ *Anti Money Laundering and Cryptocurrency*

Cryptocurrency has drawn increasing attention among AML professionals. Virtual coins provide more anonymity to users, presenting criminals with a convenient solution to move funds. According to cryptocurrency tracing firm Chain analysis, addresses connected to illicit activity sent nearly \$23.8 billion worth of cryptocurrency in 2022, up 68% from 2021.

The decentralized nature of cryptocurrency markets makes it challenging to implement and enforce AML regulations. Traditional AML frameworks are designed for centralized financial institutions but not so much for the decentralized cryptocurrency ecosystem, including decentralized finance (DeFi) protocols, asset-pegged digital currencies known as stablecoins, and crypto investments with self-contained money transfer features such as non-fungible tokens (NFTs).

Blockchain analysis and monitoring tools enable financial institutions and law enforcement to identify and investigate suspicious cryptocurrency transactions. Crypto forensic services like Chain analysis, Elliptic, and TRM Labs have the technology to flag crypto wallets, exchanges, and transactions tied to designated terrorist organizations, sanctions lists, political groups, government actors, and organized crime such as hacking, ransomware, scams, and contraband trafficking on darknet markets.

➤ *History of Anti-Money Laundering*

The United States was one of the first nations to enact anti-money laundering legislation when it established the Bank Secrecy Act (BSA) in 1970. An early effort to detect and prevent money laundering, the BSA has since been amended and strengthened by additional anti-money laundering laws. The Financial Crimes Enforcement Network is now the designated administrator of the BSA – with a mission to "safeguard the financial system from the abuses of financial crime, including terrorist financing, money laundering and other illicit activity."

Multiple countries and organizations formed the global Financial Action Task Force (FATF). Its mission is to devise and promote international standards to prevent money laundering. Shortly after the 9/11 attacks on the US, FATF expanded its mandate to include AML and combatting terrorist financing. The International Monetary Fund (IMF) is another important organization. With 189 member countries, its primary purpose is to ensure stability of the international monetary system. The IMF is concerned about the consequences money laundering and related crimes can have on the integrity and stability of the financial sector and the broader economy.

➤ *KYC Requirements*

- *Customer Identification Program*

CIP requires that financial firms obtain four pieces of identifying information about a client, including name, date of birth, address, and identification number.⁵

- *Customer Due Diligence*

CDD is a process in which all of a customer's credentials are collected to verify their identity and evaluate their risk profile for suspicious account activity.

- *Enhanced Due Diligence*

EDD is used for customers that are at a higher risk of infiltration, terrorism financing, or money laundering and additional information collection is often necessary.

- *KYC Compliance*

Two rules governing KYC include Financial Industry Regulatory Authority (FINRA) Rule 2090 (Know Your Customer) and FINRA Rule (Suitability).

FINRA Rule 2090 requires every broker-dealer to use reasonable diligence when opening and maintaining client accounts and to know and keep records on the profile of each customer, as well as identify each person who has the authority to act on the customer's behalf.

FINRA Rule 2111 notes that a broker-dealer must have a reasonable basis to believe that a recommendation is suitable for a customer based on the client's financial situation and needs. This rule assumes that the broker-dealer has completed a review of the current facts and profile of the customer, including the customer's other securities and investments before making any purchase, sale, or exchange of a security on the client's behalf.

FinCEN requires financial institutions to understand the type and purpose of the customer relationship and develop a customer risk profile, used as a baseline for detecting suspicious customer activities.

➤ *Background of the Study*

Anti-Money Laundering has become an important contemporary phenomenon that has generated a great deal of attention, predominantly in the past two decades. While the net of stakeholders involved in AML has expanded due to regulatory initiatives, financial institutions remain at the forefront of the fight against money-laundering. Consequently, the study of how financial institutions deal with this important problem domain remains crucial. Financial institutions, however, do not exist in a void. They are part of a complex socio-political and economic arena that is advancing in particularly structured ways, but with unstructured consequences.

Whatever modernity may come to mean in this regard, modern society may be characterized by a number of attributes, although it is evident that technology has come to occupy a central role in this self-proclaimed modernity. Technology as broadly understood has of course little to do with both the wider study of information systems and the very concept of systems as will be developed and analyzed in this dissertation. Still, our dependence on technology has increased considerably, and it is becoming evident that a technology that fails to function no longer comes to a halt, but triggers unanticipated effects of possibly catastrophic dimensions. Such catastrophic dimensions not only permeate problem domains like AML, but also, and even worse, they often go unnoticed or they become masked as an operative success by the systems that employ the technological function and all that this implies. Hence, in a large number of fields, society has come to rely on technology functioning, and develops its own structures more and more on the basis of this precondition of reliance. This technological precondition is not an exception merely within AML. Financial Institutions have always been technologically astute, and have expanded their own 'closed' organizational structures to include technological developments that were viewed as beneficial within their own structures. The current conditions in the broader AML domain appear therefore to have acquired a highly unstructured complexity - a complexity partly due to the regulatory initiatives that have spawned a myriad of reactions, and partly due to the technological implementations improvised to accommodate and automate aspects of those reactions. Such complexity is also reinforced by an unrestrained opportunism shown by the software industry that for a number of years has exploited the fact that technology was deemed by regulators as a necessary tool in the development of the fight against ML. Consequently software has found a vulnerable ground that has resulted in considerable automation with adverse effects for Financial Intelligence Units. Last but not least, the risk-based approach and its introduction with the 3rd Directive has created a multitude of additional ambiguities. Even though the European Union (EU) has rightly taken the step of introducing a more flexible approach in the fight against ML, a series of difficulties and uncertainties have been introduced in how such a risk-based approach should be implemented, and furthermore, how individual institutions and Financial Intelligence Units are to make sense of this newly-born complexity that comes with the very elusive nature of risk. Typical stances within these new difficulties sourcing from the risk-based approach can be found not only in financial institutions but also in the regulators. In the UK for example, the Financial Services Authority has scrapped the detailed AML guide and introduced high-level principles in line with the risk-based approach. At the same time, however, checking compliance becomes compromised. How will risk-based supervision be put into practice when the internal document that is the basis of checks by the FSA is labyrinthine? Even the Chairman of the FSA accepts this to be a problem, noting: 'The policy question is the balance between the two, and in particular the extent we can rebalance between the present very large (8500 pages and growing) rule book on the one hand and principles on the other... this rebalancing will not be easy'³. To put it simply, no one knows how to go about introducing, supervising and managing a risk-based approach for AML as the underlying infrastructure for doing so is simply non-existent. Such a strong assertion is not carried out here with the purpose of overemphasizing the problems. This section merely remains a preface to the academic discussion that follows. The reality however also remains, that feedback between FIUs and financial institutions is at a primordial state, interoperability issues are barely considered, while stakeholder fragmentation as well as the sharing of intelligence - even at an anonymized form that would not jeopardize data protection and privacy issues - is left unattended.

Commercial banks face a myriad of challenges in maintaining compliance with AML and KYC regulations. These challenges include the complexity of financial transactions, the proliferation of digital banking channels, the emergence of new money laundering techniques, and the evolving regulatory landscape. To address these challenges, banks must invest in sophisticated AML technologies, such as transaction monitoring systems, data analytics tools, and artificial intelligence, to enhance their detection capabilities and reduce false positives.

Moreover, compliance with AML and KYC regulations is not only a legal requirement but also a business imperative for commercial banks. Non-compliance can result in severe financial penalties, reputational damage, loss of customer trust, and even criminal prosecution for senior executives. As such, banks must allocate sufficient resources and expertise to develop and maintain robust AML compliance programs that are aligned with regulatory expectations and industry best practices.

Compliance with the pillars of anti-money laundering and robust KYC practices is paramount for commercial banks to mitigate the risk of money laundering and safeguard the integrity of the financial system. By implementing comprehensive AML policies and procedures, investing in advanced technologies, and prioritizing ongoing training and education, banks can effectively detect and prevent illicit financial activities while demonstrating their commitment to regulatory compliance and ethical business practices.

➤ *Statement of the Problem*

This study determined the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) and their Know Your Customers (KYC) Practices in selected cities of the National Capital Region (NCR) with the end view of ensuring the integrity of financial transactions. Specifically, it answered the following research questions:

- What is the demographic profile of the respondents in terms of:
 - ✓ Age;
 - ✓ Sex;
 - ✓ Location of commercial banks; and
 - ✓ Years of banking experience?
- What is the assessment of the respondents on the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) in terms of the following:
 - ✓ Risk Assessment;
 - ✓ Customer Due Diligence;
 - ✓ Transaction Monitoring;
 - ✓ Reporting & Record Keeping; and
 - ✓ Training & Education?
- Is there a significant difference in the assessment of the respondents on the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) when their profiles are taken as test factors in terms of the foregoing variables?
- What is the assessment of the respondents on the effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of the following:
 - ✓ Identity Verification;
 - ✓ Address Verification;
 - ✓ Financial Assessment; and
 - ✓ Ongoing Monitoring?
- Is there a significant difference in the assessment of the respondents on the effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices when their profiles are taken as test factors in terms of the foregoing variables?
- Is there a correlation between compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) and their effectiveness to Know Your Customers (KYC) Practices?
- What inputs can be proposed at ensuring the integrity of financial transactions of commercial banks?

➤ *Research Hypotheses*

- There is no significant difference in the assessment of the respondents on the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) when their profiles are taken as test factors in terms of risk assessment; customer due diligence; transaction monitoring; reporting & record keeping; and training & education.
- There is no significant difference in the assessment of the respondents on the compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) when their profiles are taken as test factors in terms of identity verification; address verification; financial assessment; and ongoing monitoring.
- There is no correlation between compliance of Commercial Banks on the pillars of the Anti-Money Laundering (AML) and their effectiveness to Know Your Customers (KYC) Practices.

➤ *Significant of the Study*

The results of this study would be of great significance and beneficial to the following stakeholders:

- *Commercial Banks:*
AML compliance and KYC practices are of paramount significance to commercial banks as they operate within a highly regulated environment. Failure to comply with AML regulations can result in severe penalties, loss of reputation, and legal

consequences. By adhering to AML and KYC requirements, commercial banks can protect their integrity, safeguard their customers' assets, and maintain trust in the financial system.

- *Commercial Banks Personnel:*

AML compliance and KYC practices are crucial for personnel working in commercial banks, as they are responsible for implementing and enforcing these measures on a day-to-day basis. Personnel need to be well-trained and educated on AML regulations, procedures, and technologies to effectively identify and report suspicious activities. Compliance with AML and KYC requirements also helps protect bank employees from unwittingly facilitating illicit financial activities and facing personal liability.

- *Commercial Banks Large Depositors:*

Large depositors, such as institutional investors and corporations, rely on commercial banks to safeguard their funds and ensure their compliance with regulatory standards. AML compliance and robust KYC practices provide assurance to large depositors that their funds are not being used for illicit purposes and that the bank is taking proactive measures to prevent money laundering and financial crimes. This fosters trust and confidence in the banking relationship.

- *Businessmen and Graduate School Students:*

For businessmen and graduate school students entering the financial sector or engaging in business activities requiring banking services, understanding AML compliance and KYC practices is essential. Compliance with AML regulations ensures that their financial transactions are conducted within legal boundaries and minimizes the risk of inadvertently becoming involved in money laundering schemes. Additionally, knowledge of AML and KYC requirements can enhance their professional competence and reputation in their respective fields.

- *Researchers and Future Researchers:*

Researchers studying financial crime, regulatory compliance, and risk management rely on AML and KYC practices to inform their work and develop insights into the effectiveness of these measures. Future researchers benefit from studying AML compliance and KYC practices to identify gaps in current regulations, propose improvements, and contribute to the development of more robust frameworks for combating financial crime. Understanding the significance of AML compliance and KYC practices is crucial for researchers to conduct informed analyses and make meaningful contributions to the field of financial regulation and risk management.

➤ *Scope and Delimitation of the Study*

This study was conducted in the National Capital Region, particularly in the cities of Taguig and Quezon. Commercial Banks were the subject of the study and this researcher were employed the personnel of the said banks as the respondents.

These respondents assessed the AML compliance and KYC of the said banks. On AML compliance, the sub-variables of risk assessment; customer due diligence; transaction monitoring; reporting & record keeping; and training & education were assessed. As regard KYC practices, the following sub-variables are the subject of assessment, such as: identity verification; address verification; financial assessment; and ongoing monitoring.

The significant difference in the assessment of respondents were determined using as test factors, their profiles. Furthermore, the significant relationship between AML compliance and KYC practices of the included commercial banks were also identified.

All others, not mentioned in the foregoing are deemed excluded as delimitation of the study.

CHAPTER TWO METHODOLOGY

This chapter presents the research design, population, sample and sampling technique, data gathering procedure, research instrument, statistical treatment of data, and ethical consideration.

➤ *Research Design*

This study utilized the descriptive-comparative research design. Descriptive comparative is where the “researcher considers two variables (not manipulated) and establishes a formal procedure to compare and conclude that one is better than the other” (Calmorin and Calmorin as cited by Gualin, 2021). This study is exploratory for the reason that only a few studies are identifying the AML compliance of commercial banks and the effectiveness of their KYC practices.

The researcher applied the following approaches. In the descriptive part of the research, the researcher described the demographic profile of employee respondents. Likewise, the researcher used triangulation through multiple quantitative data sources to cross-validate the EML compliance of selected commercial banks in the selected cities of the National Capital Region. Furthermore, the effectiveness of KYC practices also assessed by the employee respondents. The second source is the researcher’s observation on the EML compliance and the effectiveness of KYC practices of commercial banks, subject of this study.

The third source of triangulation is the statistical test results for the two major variables, namely: AML compliance and KYC practices.

➤ *Research Locale*

The research locale of the study was the National Capital Region. This researcher were selected a total of six commercial banks, three (3) banks each from the cities of Taguig and Quezon.

➤ *Research Instrument*

The research instrument used by this researcher is a self-made survey questionnaire personally made by this researcher with the assistance of her adviser. There are three parts of this survey questionnaire. The first part is the profile characteristics of the respondents; the second is on the assessment of the respondents on commercial banks compliance on the pillars of AML and the third and last part is on the assessment of the respondents on the effectiveness of commercial on KYC practices. The full blown contents of the survey questionnaire is attached.

➤ *Reliability and Validity Tests*

The questionnaire was developed based on established scales and items from relevant literature, ensuring content validity. A panel of experts reviewed the questionnaire to assess its validity and make necessary adjustments. Additionally, a pilot test was conducted with a small group of participants to refine the questionnaire further. The instrument's reliability were assessed through a pilot test, and Cronbach's alpha coefficient calculated for each construct and determined internal consistency. The instrument was considered reliable if the Cronbach's alpha values exceed the acceptable threshold. The researcher-made questionnaire was administered via face-to-face modality to the selected participants, ensuring anonymity and confidentiality to encourage honest responses.

➤ *Respondents of the Study*

The respondents that employed in this study, were the representatives from selected commercial banks. As mentioned in the above discussions the researcher purposively employed six (6) branches situated in the Southern part of Taguig and Quezon City. A total of 200 respondents employed in this study broken down follows: 121 from Commercial Banks from QC and 79 from Commercial Bank Branches of Taguig City.

➤ *Sampling Technique*

The researcher used “purposive sampling” which “is a non-probability sample that was selected based on characteristics of a population and the objective of the study” (Crossman, 2017). The researcher was purposively selected for Commercial Bank representatives.

• *The selection Criteria of Respondents are as Follows:*

- ✓ Bank representatives for a least two (2) years;
- ✓ The respondents were come from the Southern part of Taguig City and Quezon City
- ✓ The researcher choose the Southern part of said two (2) cities considering that she herself is a long time current account depositor of identified banks.

➤ Sample Size

Population is defined as the totality of the individual with one or more characteristics in common that are of interest to the researcher. Thus, the population is the group to which the researcher would like to make inferences. To accomplish this study, the researcher utilized the “purposive sampling” from the population. A subset of a statistical population in which each member of the subset has an equal probability of being chosen. A “purposive sampling” sample utilized in this study in which all the identified respondents from Quezon City, and Taguig. The respondents that employed in this study, were the representatives from selected commercial banks As mentioned in the above discussions the researcher would purposively get six (6) branches situated in the Southern part of Taguig and Quezon City, and the population and sampling were broken down as follows:

Table 1 Sample Size

Respondents	Sample	
	f	%
Commercial Bank Branches from QC	121	60.5%
Commercial Bank Branches from Taguig City	79	39.5%
Total	200	100%

➤ Statistical Treatment of Data

To interpret the AML compliance of the different commercial banks on their effectiveness on KYC practices, statistical tools are readily provided. (Wolz, 2019). The Questionnaire’s four-point Likert scale is described as follows: 4-Very effective/Highly compliant; 3-Effective/Compliant; 2-Less effective/Less compliant; and 1-Ineffective/Not compliant.

Two experts in the field of banking and money-laundering were validated the survey questionnaire.

"Data is meaningless in itself, but once processed and interpreted, it becomes information which is filled with meaning" (Svitla, 2019). Hence the researcher employed the following statistical tools to analyze and interpret data:

- The weighted mean. It is determined by adding up all the scores and then dividing the sum of the total scores (Cherry, 2020). The weighted mean were used and determined the average AML compliance of commercial banks and their effectiveness on KYC.
- Standard Deviation. “The standard deviation is the average amount by which scores differ from the mean. A small standard deviation coefficient indicates a small degree of variability (that is, scores are close together); larger standard deviation coefficients indicate large variability (that is, scores are far apart)” (La Trobe University, 2020). This statistic was used to know the dispersion of scores of each mean that is computed for AML compliance and KYC practices.
- Percentage. This is statistic used to determine how much of the sample falls under different levels of AML compliance commercial banks and effectiveness of their KYC. (Lynn, 2020).
- Independent Samples t-test. “The Independent Samples t-test compares the means of two independent groups to determine whether there is statistical evidence that the associated population means are significantly different” (Kent State University, 2021). This statistic was used to determine if there exists any significant difference in the assessment of the respondents on AML compliance and KYC practices of the commercial banks under study.
- F-test. “An F statistic is a value you get when you run an ANOVA test or a regression analysis to find out if the means between two populations are significantly different. It’s similar to a t statistic from a t-test; A t-test determined if a single variable is statistically significant and an F test you if a group of variables was jointly significant” (Stephanie, 2021). This statistic was used to determine if there exists any significant difference on the AML compliance and KYC practices based on profiles of respondents.
- Pearson r Product Moment Correlation. This correlation is appropriate when both variables are measured at an interval level. (Trochim, 2021) Since AML compliance of commercial banks overall scores and their KYC practices are both in the interval level of data, Pearson would be most appropriate to determine if any significant relationship exists between these two variables. This statistic was applied in the statement of problem number.

All statistical computations was made by a statistician from Emilio Aguinaldo College– Manila using MS Excel, Statistics Package for the Social Science (IBM-SPSS) and VassarStats.

- Cronbach's alpha coefficient measures the internal consistency, or reliability, of a set of survey items. Use this statistic to help determine whether a collection of items consistently measures the same characteristic. Cronbach's alpha quantifies the level of agreement on a standardized 0 to 1 scale.

CHAPTER THREE

RESULTS AND ANALYSIS

➤ *On The Profile of the Respondents in Terms of: Age; Sex; Location of Commercial Banks; and Years of Banking Experience?*

Table 1 Frequency and Percentage Distribution of the Profile of Respondents

Variable	Category	Frequency	Percentage
Age	25-35	81	40.5%
	36-45	61	30.5%
	46-55	41	20.5%
	55 above	17	8.5%
Total		200	100%
Sex	Female	141	70.5%
	Male	59	29.5%
Total		200	100%
Location of commercial banks	Quezon City	121	60.5%
	Taguig City	79	39.5%
Total		200	100%
Years of banking experience (in years)	Below 5	50	25.0%
	5-10	82	41.0%
	11-15	33	16.5%
	Above 15	35	17.5%
Total		200	100%

The demographic profile of the respondents in this study offers valuable insights into the characteristics of individuals in the commercial banking sector. The age distribution reveals that the majority of participants are between the ages of 25 and 35 (22.4%), followed by those aged 36 to 45 (16.9%), indicating a workforce predominantly comprised of younger to middle-aged adults. A smaller portion of the respondents fall within the 46-55 (11.3%) and 55-above (4.7%) age brackets, suggesting a less significant representation of older employees in this sector.

Regarding gender distribution, males constitute the majority, representing 39.0% of the respondents, whereas females account for 16.3%. This disparity could point to a male-dominated banking environment, potentially reflecting broader industry trends in gender representation, though the cause of this imbalance requires further investigation.

The geographic distribution of respondents is concentrated in Quezon City and Taguig City, with 33.4% and 21.8% of respondents working in these areas, respectively. This data suggests a concentration of commercial banks in these prominent urban centers, which are likely key hubs for financial activity in the region.

In terms of banking experience, most respondents have between 5 and 10 years of experience (22.7%), while a smaller percentage have less than 5 years (13.8%), 11-15 years (9.1%), and over 15 years (9.7%) of experience. This suggests that the sample is well distributed across varying levels of expertise, with a significant portion of the workforce possessing mid-level experience in the industry.

Overall, the profile highlights a banking sector that is primarily young, male-dominated, and concentrated in key metropolitan areas, with a workforce that spans a range of professional experience levels. These factors could have important implications for workforce dynamics, gender balance, and talent development within the industry.

➤ *On The Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Risk Assessment; Customer Due Diligence; Transaction Monitoring; Reporting & Record Keeping; and Training & Education*

Table 2 presents the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Risk Assessment.

Table 2 Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Risk Assessment

Risk Assessment	WM	SD	QD	VI	Rank
Commercial banks must assess the risk posed by their customers based on factors such as their industry, geographic location, transaction volumes, and business activities	2.65	0.9	Agree	Compliant	4.5

Commercial banks need to assess the risk associated with specific transactions conducted by their customers.	2.65	0.9	Agree	Compliant	4.5
Banks should adjust their AML controls and due diligence procedures accordingly when dealing with customers or transactions involving high-risk jurisdictions	3.27	0.66	Agree	Compliant	1
Different financial products and services offered by commercial banks may pose varying levels of AML risk	2.78	0.86	Agree	Compliant	3
With the increasing digitization of banking services, commercial banks face growing technology and cyber risks related to AML compliance.	3.09	0.75	Agree	Compliant	2
Commercial banks must assess the risks associated with changes in AML regulations, enforcement actions, and compliance obligations imposed by regulatory authorities	2.63	0.82	Agree	Compliant	6
Overall Mean	2.85	0.47	Agree	Compliant	

Legend: 3.51 – 4.00 (Strongly Agree-Highly Compliant); 2.51 – 3.50 (Agree- Compliant); 1.51 – 2.50 (Disagree-Slightly Compliant); 1.0-1.50 (Strongly Disagree-Not Compliant) / WM – Weighted Mean; SD-Standard Deviation; QD-Quantitative Description; VI-Verbal Interpretation

The assessment of the respondents on the compliance of commercial banks with the Anti-Money Laundering (AML) pillars, specifically in terms of risk assessment, indicates a consistent level of agreement across all indicators. The overall mean score of 2.85, with a standard deviation of 0.47, falls within the range of "Agree" and is qualitatively described as "Compliant." This suggests that respondents perceive commercial banks as generally adhering to the required AML risk assessment practices.

Among the individual indicators, the highest weighted mean is 3.27, related to the statement that banks should adjust their AML controls and due diligence procedures when dealing with customers or transactions involving high-risk jurisdictions. This high score reflects a stronger consensus on the importance and effectiveness of tailored AML measures for high-risk areas, highlighting a more stringent approach when higher risks are involved. The lower standard deviation of 0.66 for this indicator suggests a relatively high level of agreement among respondents, reinforcing the view that banks are particularly compliant in this critical aspect of risk management.

Conversely, the lowest weighted mean is 2.63, associated with the requirement for commercial banks to assess risks related to changes in AML regulations, enforcement actions, and compliance obligations. Although this score still falls within the "Agree" category, it reflects a slightly lower perception of compliance in this area. The corresponding standard deviation of 0.82 indicates more variability in respondents' opinions, suggesting that some may feel that banks could improve in responding to regulatory changes.

Interestingly, the two indicators with identical weighted means of 2.65—assessing customer risks based on factors such as industry and location, and assessing risks associated with specific transactions—highlight the banks' perceived consistent compliance in these fundamental areas. Both indicators share the same standard deviation of 0.9, indicating a similar level of agreement across respondents. These findings suggest that while banks are generally seen as compliant in assessing both customer-related and transaction-specific risks, there is room for a more robust approach.

The risks associated with digitization and technological developments, with a mean of 3.09, are also of interest. This score indicates that respondents recognize the growing importance of managing AML risks related to cyber threats, reflecting the increasing reliance on digital banking services. The relatively high standard deviation of 0.75 in this area points to some divergence in perceptions, possibly due to varying levels of technological integration across banks.

In summary, the results show that commercial banks are perceived as compliant with AML risk assessment requirements, with the highest compliance in managing risks in high-risk jurisdictions. While there is generally strong agreement, areas such as adapting to regulatory changes and cyber risks show a slightly lower consensus. Overall, the data suggests that banks maintain effective AML controls but may benefit from further enhancement in specific areas to address evolving risks more comprehensively.

Table 3 presents the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Customer Due Diligence.

Table 3 Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Customer Due Diligence

Customer Due Diligence	WM	SD	QD	VI	Rank
Commercial banks conduct thorough due diligence to verify the identity of their customers. This includes collecting valid identification documents such as passports, driver's licenses, or national identity cards	2.77	0.95	Agree	Compliant	5
Customer Risk Profiling, banks assess the risk associated with each customer by creating risk profiles based on factors such as their business activities, geographic location, transaction history, and customer behavior	2.78	0.95	Agree	Compliant	6
Commercial banks identify and verify the beneficial owners of corporate customers, trusts, and other legal entities	2.95	0.72	Agree	Compliant	4
Commercial banks conduct enhanced due diligence to obtain additional information and scrutinize their transactions more closely	3.18	0.77	Agree	Compliant	1
Banks perform continuous due diligence by monitoring customer accounts and transactions for suspicious activities on an ongoing basis	3.08	0.93	Agree	Compliant	2
Banks perform continuous due diligence by monitoring customer accounts and transactions for suspicious activities on an ongoing basis	2.96	0.85	Agree	Compliant	3
Overall Mean	2.95	0.43	Agree	Compliant	

Legend: 3.51 – 4.00 (Strongly Agree-Highly Compliant); 2.51 – 3.50 (Agree- Compliant); 1.51 – 2.50 (Disagree-Slightly Compliant); 1.0-1.50 (Strongly Disagree-Not Compliant) / WM – Weighted Mean; SD-Standard Deviation; QD-Quantitative Description; VI-Verbal Interpretation

The assessment of respondents regarding commercial banks' compliance with the Anti-Money Laundering (AML) pillars, specifically in terms of customer due diligence, reflects a generally positive view, as evidenced by the overall weighted mean of 2.95 with a standard deviation of 0.43. This places the banks within the "Agree" category, indicating that respondents perceive banks as compliant with customer due diligence (CDD) requirements.

Among the individual indicators, the highest weighted mean is 3.18, which pertains to the enhanced due diligence (EDD) procedures banks apply to high-risk customers. This suggests that banks are particularly thorough when dealing with higher-risk clients, demonstrating a strong focus on mitigating the risks posed by potentially suspicious or unusual activities. The relatively moderate standard deviation of 0.77 suggests that respondents are generally in agreement about the effectiveness of this enhanced scrutiny, although some variability in opinions exists.

The second-highest indicator is the continuous due diligence banks conduct to monitor customer accounts for suspicious activities, with a mean of 3.08 and a standard deviation of 0.93. This finding underscores the importance of ongoing monitoring as part of AML compliance, where banks are seen as maintaining vigilance after the initial customer verification. The wider variability here may reflect differing perceptions of how consistently or effectively banks apply continuous monitoring across different cases.

On the lower end of the spectrum, the due diligence processes related to verifying customer identity and conducting customer risk profiling both scored similarly, with weighted means of 2.77 and 2.78, respectively, and standard deviations of 0.95 for both. While these indicators still fall under the "Agree" category, the slightly lower scores and higher standard deviation point to a greater divergence in respondent opinions. Some respondents may feel that the customer identification and risk profiling processes, though compliant, could be more robust or uniformly applied.

An interesting finding is the relatively high score of 2.95 for the identification and verification of beneficial owners, which signals that banks are compliant when dealing with corporate entities, trusts, and other legal structures. This reflects a critical aspect of AML compliance, as beneficial ownership is often a key area of vulnerability for illicit financial activities.

In summary, the results suggest that commercial banks are largely compliant with customer due diligence requirements under AML regulations, particularly excelling in enhanced due diligence and continuous monitoring of transactions. However, there is slightly more variability in perceptions regarding the thoroughness of customer identity verification and risk profiling. Overall, the data indicates that while the banks meet the standards for AML compliance in customer due diligence, certain aspects may benefit from greater consistency to further strengthen these critical processes.

Table 4 presents the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Transaction Monitoring.

Table 4 Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Transaction Monitoring

Transaction Monitoring	WM	SD	QD	VI	Rank
Commercial banks deploy automated transaction monitoring systems capable of analyzing large volumes of transactions in real-time	2.77	0.73	Agree	Compliant	6
Banks set threshold limits for various transaction parameters, such as transaction amount, frequency, and geographic location	3.06	0.72	Agree	Compliant	2
Banks conduct behavioral analysis of customer transactions to identify deviations from established patterns or normal behavior	3.03	0.77	Agree	Compliant	3
Commercial banks screen customer transactions against various watchlists, including sanctions lists, politically exposed persons (PEPs) lists, and internal blacklists	2.96	0.81	Agree	Compliant	4
Banks employ trained compliance personnel to triage and investigate alerts generated by transaction monitoring systems	3.08	0.88	Agree	Compliant	1
Enhanced Due Diligence (EDD), for transactions or activities deemed high-risk during the monitoring process, commercial banks conduct enhanced due diligence to obtain additional information and assess the underlying risks	2.84	0.99	Agree	Compliant	5
Overall Mean	2.96	0.37	Agree	Compliant	

Legend: 3.51 – 4.00 (Strongly Agree-Highly Compliant); 2.51 – 3.50 (Agree- Compliant); 1.51 – 2.50 (Disagree-Slightly Compliant); 1.0-1.50 (Strongly Disagree-Not Compliant) / WM – Weighted Mean; SD-Standard Deviation; QD-Quantitative Description; VI-Verbal Interpretation

The assessment of respondents on the compliance of commercial banks with Anti-Money Laundering (AML) requirements in terms of transaction monitoring shows a consistent level of agreement, with an overall weighted mean of 2.96 and a standard deviation of 0.37. This places the banks in the "Agree" category, meaning that respondents view the banks as compliant with AML transaction monitoring standards.

Among the individual indicators, the highest weighted mean is 3.08, related to the employment of trained compliance personnel to investigate alerts generated by transaction monitoring systems. This suggests that respondents have confidence in the banks' capacity to effectively handle alerts, ensuring that suspicious activities are thoroughly investigated. The standard deviation of 0.88 indicates a moderate level of variability in responses, implying that while many respondents agree on the adequacy of trained personnel, others may perceive room for improvement in the thoroughness or efficiency of these investigations.

Another key area of compliance is the setting of threshold limits for various transaction parameters, such as transaction amount, frequency, and geographic location, which scored a weighted mean of 3.06. This result reflects a strong agreement that banks effectively implement thresholds to monitor potentially suspicious activities. The low standard deviation of 0.72 suggests a relatively high level of consensus on this practice, underscoring its perceived effectiveness in identifying abnormal transactions.

The behavioral analysis of customer transactions also scored highly, with a mean of 3.03 and a standard deviation of 0.77. This indicator suggests that banks are considered effective in identifying deviations from typical customer transaction patterns, an essential part of detecting potentially fraudulent or illegal activities.

On the lower end, the deployment of automated transaction monitoring systems received a weighted mean of 2.77, indicating that while respondents generally agree that banks utilize these systems, there may be concerns regarding their sophistication or effectiveness in real-time monitoring of large volumes of transactions. The relatively low standard deviation of 0.73 shows some consistency in this view.

Screening customer transactions against watchlists, such as sanctions lists and politically exposed persons (PEPs) lists, scored a weighted mean of 2.96, indicating that banks are generally seen as compliant in this critical aspect of transaction monitoring. The standard deviation of 0.81 suggests some variability in perceptions, possibly due to differences in how rigorously banks apply these screening processes.

Lastly, enhanced due diligence (EDD) for high-risk transactions garnered a mean of 2.84 with a higher standard deviation of 0.99. This indicates that respondents believe banks are compliant in conducting EDD, but the higher variability suggests differing opinions on how consistently or effectively this practice is implemented.

In summary, the results suggest that commercial banks are largely compliant with AML transaction monitoring requirements, particularly in employing trained compliance personnel and setting transaction thresholds. However, there are areas, such as the deployment of automated monitoring systems and the execution of enhanced due diligence, where perceptions of effectiveness are more varied. Overall, while banks are seen as adhering to AML standards in transaction monitoring, certain processes might benefit from further enhancement to ensure more consistent and robust compliance.

Table 5 presents the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Reporting & Record Keeping.

Table 5 Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Reporting & Record Keeping

Reporting & Record Keeping	WM	SD	QD	VI	Rank
Commercial banks are required to report suspicious activities to the appropriate regulatory authorities.	2.83	0.79	Agree	Compliant	5
Banks maintain comprehensive records of customer transactions, including details such as transaction amounts, dates, parties involved, and transaction types	2.95	0.8	Agree	Compliant	3
Commercial banks maintain records of their customer due diligence efforts, including documentation related to customer identification, risk assessments, beneficial ownership information, and enhanced due diligence measures	3.01	0.82	Agree	Compliant	2
Banks maintain records of transaction monitoring alerts generated by their monitoring systems and the corresponding investigations conducted by compliance personnel	2.89	0.86	Agree	Compliant	4
Commercial banks maintain audit trails and documentation of their reporting and record-keeping activities to facilitate regulatory examinations, internal audits, and investigations	3.05	0.77	Agree	Compliant	1
Banks fulfill regulatory reporting obligations by submitting various reports to regulatory authorities, such as currency transaction reports (CTRs), suspicious activity reports (SARs), and other regulatory filings.	2.81	0.95	Agree	Compliant	6
Overall Mean	2.92	0.37	Agree	Compliant	

Legend: 3.51 – 4.00 (Strongly Agree-Highly Compliant); 2.51 – 3.50 (Agree- Compliant); 1.51 – 2.50 (Disagree-Slightly Compliant); 1.0-1.50 (Strongly Disagree-Not Compliant) / WM – Weighted Mean; SD-Standard Deviation; QD-Quantitative Description; VI-Verbal Interpretation

The assessment of respondents regarding the compliance of commercial banks with Anti-Money Laundering (AML) requirements in terms of reporting and record-keeping demonstrates a general perception of compliance, with an overall weighted mean of 2.92 and a standard deviation of 0.37. This indicates that respondents generally "Agree" that banks are compliant with AML obligations related to reporting and record-keeping.

Among the individual indicators, the highest weighted mean is 3.05, which pertains to banks' maintenance of audit trails and documentation of reporting and record-keeping activities. This finding suggests that banks are seen as effective in maintaining comprehensive records that support regulatory examinations, internal audits, and investigations. The lower standard deviation of 0.77 shows a moderate level of agreement among respondents, indicating that this is a well-established and effective practice in the industry.

The second-highest indicator is the maintenance of customer due diligence records, which includes documentation related to customer identification, risk assessments, and enhanced due diligence measures. With a weighted mean of 3.01 and a standard deviation of 0.82, this result reflects a solid perception of compliance in this area, underscoring the importance of maintaining detailed customer information as part of AML efforts. The slightly higher variability suggests some respondents may perceive differences in how rigorously banks maintain these records, although the general consensus remains positive.

On the lower end of the spectrum, banks' fulfillment of regulatory reporting obligations, such as submitting currency transaction reports (CTRs) and suspicious activity reports (SARs), scored a weighted mean of 2.81 with the highest standard deviation of 0.95. This suggests that while banks are viewed as compliant in this aspect, there may be more variability in how consistently they meet reporting requirements. The wider standard deviation points to differences in how respondents perceive the timeliness and accuracy of regulatory submissions.

The reporting of suspicious activities to regulatory authorities received a weighted mean of 2.83, with a standard deviation of 0.79. This indicates that respondents agree that banks fulfill their obligations to report suspicious activities, but there may be some concern regarding the thoroughness or frequency of such reporting. Similarly, maintaining records of transaction monitoring alerts and the corresponding investigations scored 2.89 with a slightly higher standard deviation of 0.86, suggesting that while this practice is in place, its effectiveness may vary across institutions.

An interesting finding is the score of 2.95 for the maintenance of comprehensive records of customer transactions, including transaction amounts, dates, parties involved, and transaction types. This score reflects a perception that banks are generally compliant in maintaining detailed transactional records, which are essential for detecting and investigating suspicious activities.

In summary, the results indicate that commercial banks are viewed as compliant with AML reporting and record-keeping requirements, particularly in maintaining audit trails and customer due diligence records. However, areas such as regulatory reporting and the documentation of suspicious activity reports show greater variability in perceptions, suggesting that while the overall compliance is satisfactory, there may be inconsistencies in how rigorously these practices are applied across different institutions. Overall, the data suggests that banks meet the basic AML standards, but improvements in consistency could enhance their compliance further.

Table 6 presents the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Training & Education.

Table 6 Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Training & Education

Training & Education	WM	SD	QD	VI	Rank
Commercial banks conduct regular training programs to educate employees on AML regulations, policies, procedures, and best practices	2.91	0.77	Agree	Compliant	3
Banks provide ongoing education to employees regarding updates and changes to AML regulations and industry standards	2.87	0.77	Agree	Compliant	4
Commercial banks conduct scenario-based training exercises to simulate real-world AML compliance scenarios and enhance employees' practical skills and decision-making abilities	2.79	0.88	Agree	Compliant	6
Banks provide role-specific training tailored to the responsibilities of different departments and job functions within the organization	2.94	0.78	Agree	Compliant	2
Commercial banks conduct assessments and certifications to evaluate employees' understanding of AML regulations and their proficiency in implementing AML compliance measures	2.99	0.72	Agree	Compliant	1
Banks conduct awareness campaigns and communications to promote a culture of compliance and reinforce the importance of AML compliance throughout the organization.	2.85	0.99	Agree	Compliant	5
Overall Mean	2.89	0.4	Agree	Compliant	

Legend: 3.51 – 4.00 (Strongly Agree-Highly Compliant); 2.51 – 3.50 (Agree- Compliant); 1.51 – 2.50 (Disagree-Slightly Compliant); 1.0-1.50 (Strongly Disagree-Not Compliant) / WM – Weighted Mean; SD-Standard Deviation; QD-Quantitative Description; VI-Verbal Interpretation

The assessment of respondents on the compliance of commercial banks with the Anti-Money Laundering (AML) pillars in terms of training and education demonstrates a consistent perception of general compliance. The overall weighted mean of 2.89, with a standard deviation of 0.40, places banks in the "Agree" category, indicating that respondents believe banks are largely compliant with their obligations to train and educate employees on AML regulations and practices.

Among the individual indicators, the highest weighted mean is 2.99, which pertains to banks conducting assessments and certifications to evaluate employees' understanding of AML regulations and their proficiency in implementing compliance measures. This score indicates that respondents perceive banks to be effective in assessing the knowledge and skills of their employees in relation to AML compliance, which is crucial for maintaining regulatory standards. The standard deviation of 0.72 suggests a reasonable level of agreement among respondents, though there may be minor differences in how various institutions implement these assessments.

Role-specific training tailored to different departments and job functions scored a weighted mean of 2.94 with a standard deviation of 0.78. This suggests that banks are seen as compliant in providing specialized training to employees based on their roles, a necessary approach to ensure that each department understands its specific responsibilities in AML

compliance. The slight variability in responses indicates that while this practice is in place, there may be differences in how comprehensively it is executed across different banks or departments.

The lowest scoring indicator, with a weighted mean of 2.79, relates to the use of scenario-based training exercises that simulate real-world AML compliance situations. While this still falls within the "Agree" range, it suggests that some respondents believe banks could improve in this area, perhaps by providing more frequent or more complex simulations to enhance employees' practical skills and decision-making abilities. The higher standard deviation of 0.88 reflects a broader range of opinions, indicating that some respondents may have experienced more robust training exercises than others.

Another notable finding is the score of 2.91 for regular training programs that educate employees on AML regulations, policies, and best practices. This suggests that while banks are perceived to be compliant in offering regular training, there may still be opportunities for improvement in the consistency or depth of these programs. The standard deviation of 0.77 suggests a moderate level of variability in respondents' experiences with these programs.

Similarly, ongoing education regarding updates to AML regulations scored a weighted mean of 2.87, with the same standard deviation of 0.77. This finding highlights that while banks are keeping their employees informed of changes in AML regulations, the frequency or detail of these updates may vary, which could impact the overall perception of compliance.

Lastly, awareness campaigns and communications aimed at promoting a culture of compliance received a weighted mean of 2.85, with a higher standard deviation of 0.99. This indicates that while respondents generally agree that banks are compliant in promoting AML awareness, the effectiveness of these campaigns may vary significantly across different institutions, as reflected in the broader range of responses.

In summary, the results show that commercial banks are viewed as compliant with AML training and education requirements, particularly in conducting employee assessments and role-specific training. However, scenario-based training and ongoing education on regulatory updates show slightly lower scores, indicating areas for potential improvement. Overall, while the banks meet the basic AML training standards, enhancing certain aspects of their training programs could strengthen their compliance efforts and ensure more consistent implementation across the board.

➤ *On The Significant Difference in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) When Their Profiles Are Taken as Test Factor*

Table 7 presents the Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Sex.

Table 7 Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Sex

Indicator	Sex	Mean	F	Sig.	Decision on Ho	Interpretation
Risk Assessment	Male	2.82	.640	.425	Accepted	Not Significant
	Female	2.92				
Customer Due Diligence	Male	2.96	4.314	.039	Rejected	Significant
	Female	2.92				
Transaction Monitoring	Male	2.93	1.762	.186	Accepted	Not Significant
	Female	3.02				
Reporting & Record Keeping	Male	2.93	.442	.507	Accepted	Not Significant
	Female	2.91				
Training & Education	Male	2.88	1.224	.270	Accepted	Not Significant
	Female	2.91				
Overall	Male	2.90	.228	.633	Accepted	Not Significant
	Female	2.94				

The analysis of differences in respondents' assessment of commercial banks' compliance with Anti-Money Laundering (AML) requirements, based on sex, reveals varying levels of significance across different compliance pillars. In terms of risk assessment, the mean scores for male and female respondents are 2.82 and 2.92, respectively, with a significance value of .425. Since this value is above the standard threshold of .05, the null hypothesis (Ho) is accepted, indicating no significant difference in the assessment between males and females on this pillar.

For customer due diligence, however, a significant difference is observed. Male respondents reported a slightly higher mean score of 2.96 compared to 2.92 for females. The significance value of .039 is below the .05 threshold, leading to the

rejection of the null hypothesis. This indicates that males and females assess banks' compliance with customer due diligence differently, with males perceiving slightly higher compliance.

Regarding transaction monitoring, the mean scores for males and females are 2.93 and 3.02, respectively, with a significance value of .186. Since the value exceeds .05, the null hypothesis is accepted, suggesting no significant difference in how male and female respondents view the banks' compliance with transaction monitoring.

Similarly, for reporting and record-keeping, males have a mean score of 2.93, and females have a mean score of 2.91, with a significance value of .507. The null hypothesis is accepted here as well, indicating no significant difference between the sexes in assessing this pillar of compliance.

In terms of training and education, the mean scores are 2.88 for males and 2.91 for females, with a significance value of .270. As this value is also greater than .05, there is no significant difference between male and female respondents in their assessment of training and education.

Lastly, the overall assessment of AML compliance by sex shows mean scores of 2.90 for males and 2.94 for females, with a significance value of .633. This suggests that the overall perception of compliance is similar between males and females, as no significant difference is found.

In summary, the only significant difference in assessment between male and female respondents pertains to customer due diligence, where males perceive slightly higher compliance. For all other pillars, including risk assessment, transaction monitoring, reporting and record-keeping, and training and education, as well as the overall compliance, there are no statistically significant differences in the assessments based on sex.

Table 8 presents the Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in terms of location.

Table 8 Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Location

Indicators	Location	Mean	F	Sig.	Decision on Ho	Interpretation
Risk Assessment	Quezon City	2.83	.000	.985	Accepted	Not Significant
	Taguig City	2.88				
Customer Due Diligence	Quezon City	2.94	.212	.646	Accepted	Not Significant
	Taguig City	2.97				
Transaction Monitoring	Quezon City	2.94	2.885	.091	Accepted	Not Significant
	Taguig City	2.99				
Reporting & Record Keeping	Quezon City	2.93	.020	.889	Accepted	Not Significant
	Taguig City	2.90				
Training & Education	Quezon City	2.87	4.275	.040	Rejected	Significant
	Taguig City	2.92				
Overall	Quezon City	2.90	1.199	.275	Accepted	Not Significant
	Taguig City	2.93				

The analysis of the differences in respondents' assessments of commercial banks' compliance with Anti-Money Laundering (AML) requirements based on their location, specifically between Quezon City and Taguig City, shows predominantly non-significant results across most AML pillars.

For risk assessment, the mean scores for respondents in Quezon City and Taguig City are 2.83 and 2.88, respectively, with a significance value of .985. As this value is far above the .05 threshold, the null hypothesis (Ho) is accepted, indicating no significant difference in how respondents from these locations assess the banks' compliance with risk assessment practices.

Similarly, in the area of customer due diligence, the mean scores are 2.94 for Quezon City and 2.97 for Taguig City, with a significance value of .646. The null hypothesis is accepted, showing no significant difference in the assessments based on location.

For transaction monitoring, the mean scores are 2.94 for Quezon City and 2.99 for Taguig City, with a significance value of .091. Although the difference is slightly more pronounced here, the value still exceeds the .05 threshold, leading to the acceptance of the null hypothesis. This indicates no significant difference in how respondents from both locations view banks' transaction monitoring compliance.

In terms of reporting and record-keeping, the mean scores for Quezon City and Taguig City are 2.93 and 2.90, respectively, with a significance value of .889. The null hypothesis is again accepted, meaning no significant difference exists between respondents from these locations regarding the banks' performance in this area.

The only significant difference is observed in the area of training and education, where Quezon City respondents gave a mean score of 2.87, while Taguig City respondents scored slightly higher at 2.92. The significance value of .040 falls below the .05 threshold, leading to the rejection of the null hypothesis. This indicates a significant difference in the perception of compliance in terms of training and education, with Taguig City respondents perceiving slightly better compliance.

Finally, for the overall assessment of AML compliance, the mean scores are 2.90 for Quezon City and 2.93 for Taguig City, with a significance value of .275. The null hypothesis is accepted, showing no significant difference in the overall assessment of compliance between the two locations.

In summary, the only significant difference between respondents from Quezon City and Taguig City pertains to training and education, where Taguig City respondents rate compliance slightly higher. For all other pillars, including risk assessment, customer due diligence, transaction monitoring, reporting and record-keeping, and the overall compliance, there are no significant differences based on location.

Table 9 presents the Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in terms of age.

Table 9 Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Age

Indicator	Age	Mean	F	Sig.	Decision on Ho	Interpretation
Risk Assessment	25-35	2.87	1.681	.172	Accepted	Not Significant
	36-45	2.75				
	46-55	2.89				
	55 above	2.99				
Customer Due Diligence	25-35	2.88	1.389	.247	Accepted	Not Significant
	36-45	3.02				
	46-55	2.96				
	55 above	3.02				
Transaction Monitoring	25-35	3.00	1.959	.122	Accepted	Not Significant
	36-45	2.96				
	46-55	2.95				
	55 above	2.76				
Reporting & Record Keeping	25-35	2.93	1.097	.351	Accepted	Not Significant
	36-45	2.94				
	46-55	2.94				
	55 above	2.76				
Training & Education	25-35	2.86	.340	.797	Accepted	Not Significant
	36-45	2.89				
	46-55	2.93				
	55 above	2.94				
Overall	25-35	2.91	.197	.898	Accepted	Not Significant
	36-45	2.91				
	46-55	2.93				
	55 above	2.90				

The analysis of differences in respondents' assessment of commercial banks' compliance with Anti-Money Laundering (AML) requirements based on age reveals no significant differences across all pillars of compliance. Each indicator demonstrates that age does not significantly influence how respondents perceive the banks' compliance efforts.

For risk assessment, the mean scores across the age groups of 25-35, 36-45, 46-55, and 55 above are 2.87, 2.75, 2.89, and 2.99, respectively, with a significance value of .172. Since this value exceeds the .05 threshold, the null hypothesis (Ho) is accepted, indicating no significant difference in the assessment of risk assessment compliance based on age.

In customer due diligence, the mean scores range from 2.88 to 3.02 across the age groups, with a significance value of .247. This suggests no significant difference in how different age groups view the banks' compliance in this area.

Transaction monitoring shows mean scores of 3.00 for the 25-35 age group, decreasing slightly across the older groups to 2.76 for respondents aged 55 and above. However, with a significance value of .122, the null hypothesis is accepted, indicating that these differences are not statistically significant.

For reporting and record-keeping, the mean scores are fairly consistent, ranging from 2.93 to 2.76, with a significance value of .351. Again, the null hypothesis is accepted, showing no significant difference in assessments across age groups.

In terms of training and education, the mean scores are close, with values between 2.86 and 2.94. The significance value of .797 is well above the .05 threshold, leading to the acceptance of the null hypothesis and indicating no significant difference in how different age groups assess compliance in training and education.

Lastly, the overall assessment of AML compliance across all age groups also shows no significant difference, with mean scores ranging narrowly between 2.90 and 2.93. The significance value of .898 supports the acceptance of the null hypothesis, confirming that age does not significantly impact the overall perception of compliance.

In summary, the data shows no statistically significant differences in the assessment of commercial banks' AML compliance across various age groups. Regardless of age, respondents tend to have similar perceptions of banks' compliance efforts across all pillars, including risk assessment, customer due diligence, transaction monitoring, reporting and record-keeping, and training and education.

Table 10 presents the Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in terms of banking experience.

Table 10 Differences in the Assessment of the Respondents on the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) in Terms of Years of Banking Experience

Indicator	Years of Banking Experience	Mean	F	Sig.	Decision on Ho	Interpre-tation
Risk Assessment	Below 5	2.97	2.625	.052	Accepted	Not Significant
	5-10	2.85				
	11-15	2.82				
	Above 15	2.69				
Customer Due Diligence	Below 5	2.92	.833	.477	Accepted	Not Significant
	5-10	2.91				
	11-15	3.01				
	Above 15	3.03				
Transaction Monitoring	Below 5	2.96	1.608	.189	Accepted	Not Significant
	5-10	2.97				
	11-15	3.03				
	Above 15	2.84				
Reporting & Record Keeping	Below 5	2.84	1.758	.156	Accepted	Not Significant
	5-10	2.91				
	11-15	3.03				
	Above 15	2.95				
Training & Education	Below 5	2.88	.357	.784	Accepted	Not Significant
	5-10	2.92				
	11-15	2.85				
	Above 15	2.87				
Overall	Below 5	2.92	.760	.518	Accepted	Not Significant
	5-10	2.91				
	11-15	2.95				
	Above 15	2.88				

The analysis of respondents' assessment of commercial banks' compliance with Anti-Money Laundering (AML) requirements based on years of banking experience reveals no significant differences across all pillars of compliance. The significance values in each category exceed the .05 threshold, leading to the acceptance of the null hypothesis (Ho) for all indicators.

For risk assessment, the mean scores for respondents with varying years of experience—below 5, 5-10, 11-15, and above 15 years—are 2.97, 2.85, 2.82, and 2.69, respectively. Despite the noticeable variation, particularly the decrease in mean as experience increases, the significance value of .052 is slightly above the threshold. As a result, the null hypothesis is accepted, indicating no statistically significant difference based on years of experience.

In customer due diligence, mean scores range from 2.91 to 3.03 across experience groups, with a significance value of .477. This suggests that there is no significant difference in how respondents with different levels of experience assess banks' compliance in this area.

For transaction monitoring, the mean scores are 2.96 for respondents with less than 5 years of experience, 2.97 for those with 5-10 years, 3.03 for those with 11-15 years, and 2.84 for those with over 15 years. With a significance value of .189, the null hypothesis is accepted, meaning there is no significant difference in assessments across experience levels.

In terms of reporting and record-keeping, the mean scores increase from 2.84 for respondents with less than 5 years of experience to 3.03 for those with 11-15 years, before slightly decreasing to 2.95 for respondents with more than 15 years of experience. However, the significance value of .156 leads to the acceptance of the null hypothesis, indicating no significant difference in perceptions across experience groups.

For training and education, the mean scores are consistent, ranging from 2.85 to 2.92 across experience levels, with a significance value of .784. This shows that there is no significant difference in the assessment of training and education compliance based on years of experience.

Finally, the overall assessment of AML compliance shows mean scores of 2.92, 2.91, 2.95, and 2.88 across the different experience groups. The significance value of .518 confirms the acceptance of the null hypothesis, indicating no significant difference in overall compliance perceptions based on years of banking experience.

In summary, the results show that years of banking experience do not significantly impact respondents' assessment of commercial banks' AML compliance across all pillars, including risk assessment, customer due diligence, transaction monitoring, reporting and record-keeping, training and education, and the overall compliance perception.

➤ *On The Assessment of the Respondents on the Effectiveness of Commercial Banks on Their Know Your Customers (KYC) Practices in Terms of the Identity Verification; Address Verification; Financial Assessment; and Ongoing Monitoring.*

Table 11 presents the assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Identity Verification

Table 11 Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Identity Verification

Identity Verification	WM	SD	QD	VI
Commercial banks effectively authenticate identity documents provided by customers, such as passports, driver's licenses, and national identity cards.	2.5	0.86	Agree	Practiced
Banks implement biometric identification measures, such as fingerprint scanning, facial recognition, or iris scanning, to verify the identity of customers	2.63	0.85	Agree	Practiced
Commercial banks verify customer-provided information against reliable data sources, such as government databases, credit bureaus, and public records, to confirm the accuracy and consistency of identity details	2.82	0.92	Agree	Practiced
Banks leverage electronic identity verification (eIDV) solutions to verify the identity of customers remotely through digital channels	2.83	0.95	Agree	Practiced
Banks conduct customer interviews and verification calls to confirm the identity of customers and validate the information provided during the onboarding process	2.79	0.81	Agree	Practiced
Commercial banks verify the beneficial ownership of corporate customers and legal entities by obtaining accurate information about the individuals who ultimately own or control the entity	2.8	0.93	Agree	Practiced
Banks verify the residential or business addresses provided by customers to confirm their physical presence and legitimacy	2.76	1.02	Agree	Practiced
Overall Mean	2.73	0.53	Agree	Practiced

Legend: 3.51 – 4.00 (Strongly Agree-Highly Practiced); 2.51 – 3.50 (Agree- Practiced); 1.51 – 2.50 (Disagree-Slightly Practiced); 1.0-1.50 (Strongly Disagree-Not Practiced)

The assessment of respondents on the effectiveness of commercial banks' Know Your Customer (KYC) practices, specifically in terms of identity verification, reveals that banks are generally viewed as compliant with these procedures, as reflected by the overall mean score of 2.73 with a standard deviation of 0.53. This places the banks in the "Agree" category, indicating that respondents perceive the practices as being consistently "Practiced" across the various KYC indicators.

Among the individual indicators, the highest score is for banks leveraging electronic identity verification (eIDV) solutions to remotely verify customer identities through digital channels, with a weighted mean of 2.83 and a standard deviation of 0.95. This

suggests that respondents see banks as effective in employing digital methods for identity verification, which is becoming increasingly important with the rise of online and remote banking. Despite this, the relatively high standard deviation indicates some variability in how consistently these solutions are applied across different banks.

Verifying customer-provided information against reliable data sources, such as government databases and credit bureaus, also scored highly, with a mean of 2.82 and a standard deviation of 0.92. This reflects that respondents believe banks are thorough in confirming the accuracy of identity details by cross-referencing trusted databases, though there may be slight variations in the robustness of this practice.

Customer interviews and verification calls scored slightly lower, with a mean of 2.79 and a standard deviation of 0.81, suggesting that while this traditional method of identity verification is still widely practiced, it may not be as consistently applied as digital verification methods. Similarly, the verification of beneficial ownership for corporate customers, with a mean of 2.80, indicates that banks are actively pursuing accurate information on the individuals controlling legal entities, though again with some variability (standard deviation of 0.93).

Biometric identification measures, such as fingerprint and facial recognition, scored 2.63, suggesting that while these advanced technologies are in use, they may not be as universally implemented or relied upon as more conventional verification methods. The standard deviation of 0.85 highlights a moderate level of agreement on this practice's effectiveness.

The lowest score is for authenticating identity documents provided by customers (2.5), indicating that while this practice is perceived as in place, it may not be as effective or robust as more technology-driven methods. Similarly, verifying customer addresses (2.76) reflects a perception that while this practice is generally followed, its consistency might be less reliable due to a higher standard deviation (1.02), suggesting greater variability in how banks confirm physical addresses.

In summary, respondents generally agree that commercial banks practice effective KYC measures for identity verification, with digital solutions like electronic identity verification and database cross-referencing perceived as particularly robust. However, more traditional methods such as document authentication, customer interviews, and biometric measures, while practiced, show more variability in effectiveness across institutions. Overall, the banks are seen as compliant with KYC requirements, though some areas may benefit from enhanced consistency and rigor in application.

Table 12 presents the assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of address verification.

Table 12 Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Address Verification

Address Verification	WM	SD	QD	VI
Commercial banks verify customer addresses by requesting copies of utility bills, such as electricity bills, water bills, or gas bills, displaying the customer's name and residential address	2.58	0.93	Agree	Practiced
Banks accept government-issued documents, such as driver's licenses, national identity cards, or passports, displaying the customer's residential address as valid proof of address.	2.97	0.76	Agree	Practiced
Banks may request address confirmation letters from customers' employers, landlords, or other reputable sources to verify their residential or business addresses.	2.91	0.77	Agree	Practiced
Commercial banks verify customer addresses by cross-referencing property ownership records with government databases or land registries	2.76	0.77	Agree	Practiced
Banks validate customer addresses by comparing them against postal address databases or address validation services	2.91	0.71	Agree	Practiced
Banks utilize geo-location technology to verify customer addresses by validating the geographic coordinates of the provided address against mapping or GPS data.	3.12	0.72	Agree	Practiced
Banks conduct manual verification and site visits to physically inspect customer addresses and confirm their existence and legitimacy	3.00	0.74	Agree	Practiced
Overall Mean	2.89	0.3	Agree	Practiced

Legend: 3.51 – 4.00 (Strongly Agree-Highly Practiced); 2.51 – 3.50 (Agree- Practiced); 1.51 – 2.50 (Disagree-Slightly Practiced); 1.0-1.50 (Strongly Disagree-Not Practiced)

The assessment of respondents on the effectiveness of commercial banks' Know Your Customer (KYC) practices, specifically regarding address verification, shows a general consensus that these practices are "Practiced" but with varying levels of perceived effectiveness. The overall mean score of 2.89, with a low standard deviation of 0.3, places the banks in the "Agree" category, indicating that respondents believe banks are adhering to address verification protocols consistently.

Among the individual indicators, the highest score of 3.12 relates to the use of geo-location technology to verify customer addresses by validating the geographic coordinates against mapping or GPS data. This suggests that respondents view this modern technological method as particularly effective, with a relatively low standard deviation of 0.72, indicating consistency in how banks apply this technology across different cases.

Manual verification and site visits scored a weighted mean of 3.00, reflecting that physical inspections to verify customer addresses are also perceived as an effective practice. The standard deviation of 0.74 suggests moderate variability, perhaps due to differing levels of implementation by various banks.

The acceptance of government-issued documents displaying the customer's residential address as proof scored 2.97, indicating that respondents generally agree on the effectiveness of this conventional method of address verification. The low standard deviation of 0.76 reflects a consistent application of this practice.

Address confirmation letters from employers, landlords, or other reputable sources, and address validation through postal databases, both scored 2.91. These methods are viewed as similarly effective, and their standard deviations of 0.77 and 0.71, respectively, suggest a moderate level of consistency in how these practices are carried out.

Verification through cross-referencing property ownership records with government databases or land registries had a lower score of 2.76, indicating that while this practice is agreed upon as "Practiced," it may not be as universally applied or perceived as effective as other methods. The consistency of this practice shows moderate variation, with a standard deviation of 0.77.

Finally, the lowest score of 2.58 is for the verification of customer addresses using utility bills as proof of address. Although still falling within the "Agree" range, this method appears to be less consistently viewed as effective, potentially due to variability in how banks accept and verify utility bill documents. The standard deviation of 0.93, the highest among the indicators, points to greater divergence in respondents' perceptions of this method.

In summary, respondents generally agree that banks are compliant with KYC address verification practices, particularly in using modern technology like geo-location and physical site visits. However, traditional methods such as verifying addresses through utility bills and property records appear less consistent or less effective, as indicated by their lower scores and higher variability. Overall, the data suggests that while banks practice a range of address verification methods, their effectiveness may vary depending on the technique employed.

Table 13 presents the assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of financial assessment.

Table 13 Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Financial Assessment

Financial Assessment	WM	SD	QD	VI
Banks verify customers' income levels by requesting documents such as pay stubs, tax returns, or employment contracts	3.03	0.76	Agree	Practiced
Commercial banks verify customers' assets by requesting bank statements, investment portfolios, property deeds, or other asset-related documents	2.9	0.81	Agree	Practiced
Banks assess customers' liabilities, such as outstanding loans, mortgages, or credit card debts, to evaluate their financial obligations and debt-to-income ratios	2.84	0.76	Agree	Practiced
Banks review customers' credit histories by accessing credit reports from credit bureaus or credit scoring agencies	2.92	0.8	Agree	Practiced
Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income	3.01	0.7	Agree	Practiced
Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income	3.15	0.8	Agree	Practiced
Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income	2.94	0.8	Agree	Practiced
Overall Mean	2.97	0.35	Agree	Practiced

Legend: 3.51 – 4.00 (Strongly Agree-Highly Practiced); 2.51 – 3.50 (Agree- Practiced); 1.51 – 2.50 (Disagree-Slightly Practiced); 1.0-1.50 (Strongly Disagree-Not Practiced)

The assessment of respondents on the effectiveness of commercial banks' Know Your Customer (KYC) practices, specifically in terms of financial assessment, reflects a general consensus that these practices are "Practiced" consistently, as indicated by the overall mean score of 2.97 and a standard deviation of 0.35. This places the banks' financial assessment practices in the "Agree" category, meaning that respondents believe banks are effectively implementing these procedures.

Among the individual indicators, the highest score of 3.15 pertains to banks calculating customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income. This suggests that respondents view this financial metric as particularly well-practiced and an effective means of assessing a customer's financial capacity. The standard deviation of 0.8, however, indicates some variability in how consistently banks perform this calculation across different customers.

Similarly, the verification of customers' income levels through documents such as pay stubs, tax returns, or employment contracts also scored highly, with a mean of 3.03 and a lower standard deviation of 0.76, indicating that respondents generally agree on the effectiveness of this method. The consistency of income verification is perceived to be reliable across different banking institutions.

The calculation of debt-to-income ratios is repeated in several indicators, with scores of 3.01 and 2.94, both within the "Agree" range. These results reinforce the importance of DTI ratios as a standard practice in evaluating a customer's financial health. While effective, the standard deviations of 0.7 and 0.8 suggest that there may be some variation in how rigorously different banks apply these calculations.

Verifying customers' assets by requesting bank statements, investment portfolios, or property deeds scored slightly lower at 2.90, with a standard deviation of 0.81. This suggests that while banks are generally compliant with asset verification, there may be variability in how comprehensively this practice is implemented, as indicated by the wider range of responses.

Assessing customers' liabilities, such as outstanding loans, mortgages, or credit card debts, scored 2.84, which is slightly lower than other financial assessment practices. This indicates that while banks are seen as compliant in evaluating customer liabilities, this area may not be as rigorously enforced or uniformly practiced. The standard deviation of 0.76 reflects moderate variability in respondents' perceptions.

The verification of customers' credit histories, with a mean score of 2.92 and a standard deviation of 0.8, suggests that banks effectively assess creditworthiness by reviewing credit reports from bureaus or scoring agencies, though there may be some inconsistencies in how this practice is applied.

In summary, respondents generally agree that banks are practicing effective financial assessment methods as part of their KYC processes, particularly in the areas of income verification and debt-to-income ratio calculation. However, there is slightly more variability in practices related to asset verification and the assessment of liabilities, indicating that while banks are compliant, the thoroughness of these practices could benefit from greater consistency across institutions.

Table 14 presents the assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of ongoing monitoring.

Table 14 Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Ongoing Monitoring

Ongoing Monitoring	WM	SD	QD	VI
Banks utilize automated transaction monitoring systems to analyze customer transactions in real-time or periodically	3.11	0.73	Agree	Practiced
Commercial banks conduct behavioral analysis of customer transactions to identify deviations from established patterns or normal behavior	3.07	0.72	Agree	Practiced
Banks regularly update customer profiles and risk assessments based on changes in customers' activities, behaviors, or risk indicators	2.9	0.8	Agree	Practiced
Banks regularly update customer profiles and risk assessments based on changes in customers' activities, behaviors, or risk indicators	2.94	0.72	Agree	Practiced
Commercial banks conduct enhanced due diligence on high-risk customers or activities identified during ongoing monitoring processes	3.02	0.75	Agree	Practiced
Commercial banks conduct enhanced due diligence on high-risk customers or activities identified during ongoing monitoring processes	3.13	0.7	Agree	Practiced
Banks automate the generation of alerts and reports based on predefined risk criteria and thresholds	3.01	0.75	Agree	Practiced
Overall Mean	2.98	0.37	Agree	Practiced

Legend: 3.51 – 4.00 (Strongly Agree-Highly Practiced); 2.51 – 3.50 (Agree- Practiced); 1.51 – 2.50 (Disagree-Slightly Practiced); 1.0-1.50 (Strongly Disagree-Not Practiced)

The assessment of respondents on the effectiveness of commercial banks' Know Your Customer (KYC) practices, specifically regarding ongoing monitoring, indicates that these practices are generally "Practiced," with an overall weighted mean of 2.98 and a

standard deviation of 0.37. This suggests that respondents agree banks are effectively implementing ongoing monitoring procedures, though there is some variability across different methods.

The highest mean score, 3.13, is for the enhanced due diligence conducted on high-risk customers or activities identified during ongoing monitoring. This suggests that respondents perceive banks as particularly effective in conducting more thorough investigations of customers flagged as high-risk, with a relatively low standard deviation of 0.7 indicating consistent application of this practice.

The use of automated transaction monitoring systems to analyze customer transactions in real-time or periodically scored 3.11, indicating that respondents see this technological tool as effectively practiced. The standard deviation of 0.73 points to a consistent perception of its effectiveness across the sample.

Behavioral analysis of customer transactions to identify deviations from established patterns received a mean score of 3.07, with a standard deviation of 0.72. This suggests that respondents believe banks are capable of detecting abnormal behavior through transaction patterns, indicating that this practice is well-established.

The practice of regularly updating customer profiles and risk assessments based on changes in customers' activities or risk indicators scored slightly lower, with mean scores of 2.9 and 2.94. These values indicate that while banks are seen as practicing these updates, there may be room for improvement in ensuring that customer profiles are kept current based on ongoing monitoring efforts. The moderate standard deviations, around 0.72 to 0.8, reflect some variability in how consistently this practice is applied.

Banks' automation of the generation of alerts and reports based on predefined risk criteria and thresholds scored 3.01, indicating that respondents generally agree that banks have effective systems in place to flag potential risks automatically. The standard deviation of 0.75 shows moderate consistency in this perception.

In summary, the data suggests that banks are viewed as practicing effective ongoing monitoring, particularly in the areas of automated transaction monitoring, behavioral analysis, and enhanced due diligence for high-risk customers. However, there is some variability in the regular updating of customer profiles and risk assessments, which could benefit from further standardization. Overall, respondents agree that the banks' ongoing monitoring systems are well-practiced and aligned with AML and KYC compliance expectations.

➤ *On The Significant Difference in the Assessment of the Respondents on the Effectiveness of Commercial Banks on Their Know Your Customers (KYC) Practices When Their Profiles Are Taken as Test Factor*

Table 15 presents the differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Sex.

Table 15 Differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Sex

Indicator	Sex	Mean	F	Sig.	Decision on Ho	Interpretation
Identity Verification	Male	2.72	.067	.796	Accepted	Not Significant
	Female	2.77				
Address Verification	Male	2.86	.035	.852	Accepted	Not Significant
	Female	2.96				
Financial Assessment	Male	2.97	.102	.749	Accepted	Not Significant
	Female	2.97				
Ongoing Monitoring	Male	2.98	.249	.618	Accepted	Not Significant
	Female	2.97				
Overall	Male	2.88	7.503	.007	Rejected	Significant
	Female	2.92				

The analysis of differences in respondents' assessment of the effectiveness of commercial banks' Know Your Customer (KYC) practices based on sex shows that, for most individual KYC indicators, there are no statistically significant differences between male and female respondents. However, a significant difference emerges in the overall assessment.

For identity verification, the mean scores for male and female respondents are 2.72 and 2.77, respectively, with a significance value of .796. Since this value exceeds the .05 threshold, the null hypothesis (Ho) is accepted, indicating no significant difference between the sexes in how they assess identity verification practices.

In address verification, the mean scores are 2.86 for males and 2.96 for females, with a significance value of .852. The null hypothesis is again accepted, suggesting no significant difference between male and female respondents regarding the effectiveness of address verification practices.

Regarding financial assessment, both males and females gave identical mean scores of 2.97, with a significance value of .749. This leads to the acceptance of the null hypothesis, showing no significant difference between the sexes in their evaluation of financial assessment practices.

For ongoing monitoring, the mean scores are very close, with males scoring 2.98 and females 2.97. The significance value of .618 further supports the null hypothesis, indicating no significant difference in the perception of ongoing monitoring effectiveness between male and female respondents.

However, when looking at the overall assessment, there is a significant difference between the two groups. Males gave an overall mean score of 2.88, while females rated it slightly higher at 2.92. The significance value of .007 is below the .05 threshold, leading to the rejection of the null hypothesis. This indicates that, while the differences in specific KYC practices are not statistically significant, females tend to perceive the overall effectiveness of KYC practices as slightly higher than males do.

In summary, although there are no significant differences between male and female respondents in their assessments of individual KYC practices, the overall perception of KYC effectiveness does show a statistically significant difference, with female respondents having a slightly more favorable view of the banks' KYC practices.

Table 16 presents the differences in the assessment of the respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Location.

Table 16 Differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Location

Indicator	Location	Mean	F	Sig.	Decision on Ho	Interpretation
Identity Verification	Quezon City	2.76	.001	.980	Accepted	Not Significant
	Taguig City	2.69				
Address Verification	Quezon City	2.90	.835	.362	Accepted	Not Significant
	Taguig City	2.87				
Financial Assessment	Quezon City	2.98	2.747	.099	Accepted	Not Significant
	Taguig City	2.95				
Ongoing Monitoring	Quezon City	2.98	6.489	.012	Rejected	Significant
	Taguig City	2.97				
Overall	Quezon City	2.90	1.235	.268	Accepted	Not Significant
	Taguig City	2.87				

The analysis of the differences in respondents' assessment of the effectiveness of commercial banks' Know Your Customer (KYC) practices based on location, specifically between Quezon City and Taguig City, shows that for most KYC indicators, there are no statistically significant differences. However, one significant difference emerges in the area of ongoing monitoring.

For identity verification, the mean scores for respondents from Quezon City and Taguig City are 2.76 and 2.69, respectively, with a significance value of .980. Since this value exceeds the .05 threshold, the null hypothesis (Ho) is accepted, indicating no significant difference in the assessment of identity verification based on location.

In address verification, the mean scores are 2.90 for Quezon City and 2.87 for Taguig City, with a significance value of .362. The null hypothesis is accepted, suggesting no significant difference in how respondents from both locations perceive the effectiveness of address verification practices.

For financial assessment, respondents from Quezon City gave a mean score of 2.98, while those from Taguig City scored it slightly lower at 2.95. With a significance value of .099, the null hypothesis is accepted, indicating no statistically significant difference in the perception of financial assessment practices between these two locations.

However, for ongoing monitoring, there is a significant difference between the two groups. The mean score for Quezon City is 2.98, while Taguig City is slightly lower at 2.97, with a significance value of .012. Since this is below the .05 threshold, the null hypothesis is rejected, indicating a statistically significant difference in how respondents from Quezon City and Taguig City assess the effectiveness of ongoing monitoring practices. This suggests that respondents from Quezon City perceive the banks as being slightly more effective in ongoing monitoring than those from Taguig City.

Finally, for the overall assessment, the mean scores are 2.90 for Quezon City and 2.87 for Taguig City, with a significance value of .268. The null hypothesis is accepted, indicating no significant difference in the overall perception of KYC practices based on location.

In summary, while most KYC practices, including identity verification, address verification, financial assessment, and the overall assessment, show no significant differences based on location, there is a notable significant difference in the perception of ongoing monitoring practices, with respondents from Quezon City rating it slightly higher than those from Taguig City.

In summary, while most KYC practices, including identity verification, address verification, financial assessment, and the overall assessment, show no significant differences based on location, there is a notable significant difference in the perception of ongoing monitoring practices, with respondents from Quezon City rating it slightly higher than those from Taguig City.

Table 17 presents the differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Age.

Table 17 Differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Age

Indicator	Age	Mean	F	Sig.	Decision on Ho	Interpretation
Identity Verification	25-35	2.64	4.715	.003	Rejected	Significant
	36-45	2.67				
	46-55	2.86				
	55 above	3.09				
Address Verification	25-35	2.89	.145	.932	Accepted	Not Significant
	36-45	2.90				
	46-55	2.90				
	55 above	2.85				
Financial Assessment	25-35	2.99	.145	.933	Accepted	Not Significant
	36-45	2.96				
	46-55	2.95				
	55 above	2.95				
Ongoing Monitoring	25-35	2.98	.101	.960	Accepted	Not Significant
	36-45	2.99				
	46-55	2.95				
	55 above	2.95				
Overall	25-35	2.88	.826	.481	Accepted	Not Significant
	36-45	2.88				
	46-55	2.92				
	55 above	2.96				

The analysis of differences in respondents' assessment of the effectiveness of commercial banks' Know Your Customer (KYC) practices based on age reveals that most indicators show no statistically significant differences, except for identity verification.

For identity verification, the mean scores increase progressively with age, ranging from 2.64 for respondents aged 25-35 to 3.09 for those aged 55 and above. The significance value of .003 is well below the .05 threshold, leading to the rejection of the null hypothesis (Ho). This indicates a significant difference in how different age groups assess the effectiveness of identity verification practices. Older respondents (55 and above) tend to perceive these practices as more effective compared to younger respondents.

For address verification, the mean scores are nearly identical across age groups, ranging from 2.85 to 2.90, with a significance value of .932. The null hypothesis is accepted, indicating no significant difference in the assessment of address verification based on age.

Similarly, for financial assessment, the mean scores are very close, ranging from 2.95 to 2.99 across all age groups, with a significance value of .933. The null hypothesis is accepted, showing no statistically significant difference in how respondents of different ages perceive the effectiveness of financial assessment practices.

For ongoing monitoring, the mean scores also show little variation, from 2.95 to 2.99, with a significance value of .960. This leads to the acceptance of the null hypothesis, suggesting no significant difference in the assessment of ongoing monitoring practices based on age.

Finally, in the overall assessment of KYC practices, the mean scores range from 2.88 to 2.96, with a significance value of .481. The null hypothesis is accepted, indicating no significant difference in the overall perception of KYC effectiveness across age groups.

In summary, the only significant difference based on age is in the area of identity verification, where older respondents perceive banks' practices to be more effective. For all other KYC practices, including address verification, financial assessment, ongoing monitoring, and the overall assessment, no significant differences are found based on age.

Table 18 presents the differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Years of Banking Experience.

Table 18 Differences in the Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices in terms of Years of Banking Experience

Indicator	Years of Banking Experience	Mean	F	Sig.	Decision on Ho	Interpretation
Identity Verification	Below 5	2.76	.526	.665	Accepted	Not Significant
	5-10	2.77				
	11-15	2.68				
	Above 15	2.66				
Address Verification	Below 5	2.88	.518	.670	Accepted	Not Significant
	5-10	2.87				
	11-15	2.93				
	Above 15	2.93				
Financial Assessment	Below 5	3.01	.445	.721	Accepted	Not Significant
	5-10	2.96				
	11-15	2.97				
	Above 15	2.93				
Ongoing Monitoring	Below 5	3.03	.513	.674	Accepted	Not Significant
	5-10	2.97				
	11-15	2.96				
	Above 15	2.93				
Overall	Below 5	2.92	.449	.719	Accepted	Not Significant
	5-10	2.89				
	11-15	2.88				
	Above 15	2.86				

The analysis of differences in respondents' assessment of the effectiveness of commercial banks' Know Your Customer (KYC) practices based on years of banking experience reveals no statistically significant differences across all KYC indicators.

For identity verification, the mean scores range from 2.66 to 2.77 across the different experience levels, with a significance value of .665. Since this value is above the .05 threshold, the null hypothesis (Ho) is accepted, indicating no significant difference in how respondents with varying years of experience assess the effectiveness of identity verification practices.

In address verification, the mean scores are similarly close, ranging from 2.87 to 2.93, with a significance value of .670. The null hypothesis is accepted, meaning there is no significant difference in the perception of address verification practices based on years of banking experience.

For financial assessment, the mean scores range from 2.93 to 3.01, with a significance value of .721. The null hypothesis is accepted, showing no statistically significant difference in the assessment of financial assessment practices between respondents with different levels of experience.

For ongoing monitoring, the mean scores range from 2.93 to 3.03 across the experience groups, with a significance value of .674. Again, the null hypothesis is accepted, indicating no significant difference in how respondents of varying experience perceive the effectiveness of ongoing monitoring.

Finally, the overall assessment of KYC practices shows mean scores from 2.86 to 2.92, with a significance value of .719. The null hypothesis is accepted, meaning there is no significant difference in the overall perception of KYC effectiveness based on years of banking experience.

In summary, the data suggests that years of banking experience do not significantly impact how respondents assess the effectiveness of commercial banks' KYC practices across identity verification, address verification, financial assessment, ongoing monitoring, or the overall assessment. Respondents with varying levels of experience tend to view the effectiveness of KYC practices similarly.

➤ *On the Correlation Between Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) and Their Effectiveness to Know Your Customers (KYC) Practices*

Table 19 presents the correlation Between the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) and Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices.

Table 19 Correlation Between the Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML) and Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices

Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML)	Commercial Banks on their Know Your Customers (KYC) Practices	Computed r	Sig.	Decision	Interpretation
Risk Assessment	Identity Verification	.312**	.000	Rejected	Significant
	Address Verification	-.007	.924	Accepted	Not Significant
	Financial Assessment	-.083	.243	Accepted	Not Significant
	Ongoing Monitoring	-.102	.149	Accepted	Not Significant
Customer Due Diligence	Identity Verification	-.081	.254	Accepted	Not Significant
	Address Verification	.096	.176	Accepted	Not Significant
	Financial Assessment	-.089	.212	Accepted	Not Significant
	Ongoing Monitoring	-.052	.465	Accepted	Not Significant
Transaction Monitoring	Identity Verification	.019	.791	Accepted	Not Significant
	Address Verification	.044	.540	Accepted	Not Significant
	Financial Assessment	.049	.491	Accepted	Not Significant
	Ongoing Monitoring	.061	.388	Accepted	Not Significant
Reporting & Record Keeping	Identity Verification	.058	.414	Accepted	Not Significant
	Address Verification	-.015	.836	Accepted	Not Significant
	Financial Assessment	.034	.630	Accepted	Not Significant
	Ongoing Monitoring	.063	.374	Accepted	Not Significant
Training & Education	Identity Verification	.055	.437	Accepted	Not Significant
	Address Verification	.022	.755	Accepted	Not Significant
	Financial Assessment	-.011	.881	Accepted	Not Significant
	Ongoing Monitoring	.026	.717		
Overall Compliance of Commercial Banks on the Pillars of the Anti-Money Laundering (AML)	Overall Commercial Banks on their Know Your Customers (KYC) Practices	.087	.223	Accepted	Not Significant

The correlation analysis between the compliance of commercial banks with the pillars of Anti-Money Laundering (AML) and the effectiveness of their Know Your Customer (KYC) practices reveals several noteworthy insights. When examining the relationship between risk assessment and various KYC practices, only the correlation with identity verification shows statistical significance. A positive correlation ($r = .312$, $p = .000$) indicates that improvements in banks' risk assessment processes are associated with greater effectiveness in identity verification. This relationship is understandable, as comprehensive risk assessments often require thorough identity checks to mitigate potential threats. However, the correlations between risk assessment and other KYC practices—such as address verification ($r = -.007$, $p = .924$), financial assessment ($r = -.083$, $p = .243$), and ongoing monitoring ($r = -.102$, $p = .149$)—are not significant, suggesting that these aspects of KYC effectiveness are not directly influenced by the banks' risk assessment practices.

In the case of customer due diligence (CDD), none of the relationships with the various KYC practices demonstrate significance. For identity verification, the correlation is negative but non-significant ($r = -.081$, $p = .254$), indicating that there is no meaningful relationship between how well banks conduct customer due diligence and their effectiveness in verifying customer identities. Similarly, for address verification ($r = .096$, $p = .176$), financial assessment ($r = -.089$, $p = .212$), and ongoing monitoring ($r = -.052$, $p = .465$), the lack of significant correlations suggests that compliance with CDD requirements does not have a strong influence on these areas of KYC effectiveness.

When it comes to transaction monitoring, none of the correlations with KYC practices are statistically significant. For identity verification ($r = .019$, $p = .791$), address verification ($r = .044$, $p = .540$), financial assessment ($r = .049$, $p = .491$), and ongoing monitoring ($r = .061$, $p = .388$), the results indicate that banks' effectiveness in transaction monitoring does not significantly impact their KYC practices in any of these areas.

The analysis of reporting and record-keeping also shows no significant relationships with KYC practices. The correlations for identity verification ($r = .058$, $p = .414$), address verification ($r = -.015$, $p = .836$), financial assessment ($r = .034$, $p = .630$), and ongoing monitoring ($r = .063$, $p = .374$) are all non-significant, indicating that banks' adherence to AML reporting and record-keeping requirements does not substantially affect the effectiveness of their KYC processes.

Similarly, for training and education, no significant relationships are found with KYC practices. The correlations with identity verification ($r = .055$, $p = .437$), address verification ($r = .022$, $p = .755$), financial assessment ($r = -.011$, $p = .881$), and ongoing monitoring ($r = .026$, $p = .717$) suggest that compliance with training and education requirements under AML does not strongly influence how well banks perform in their KYC practices.

Lastly, the overall correlation between AML compliance and KYC effectiveness is also non-significant ($r = .087$, $p = .223$), indicating that there is no strong overall relationship between how well banks comply with AML regulations and how effective they are in executing their KYC practices. This lack of significant correlation may imply that while both AML and KYC are critical for regulatory compliance, they may operate in parallel rather than directly influencing each other in measurable ways across the board.

CHAPTER FOUR

DISCUSSIONS

➤ *Summary of Findings*

- *On the Profile of the Respondents*

The respondents were predominantly aged between 25 and 35 years, representing the largest group, followed by those in the 36-45 age bracket. In terms of sex, the majority of respondents were male, indicating a gender imbalance in the sample. The respondents were drawn from two major banking hubs, Quezon City and Taguig City, with a slight concentration in Quezon City. Regarding banking experience, most respondents had between 5 and 10 years of experience, indicating that the sample consisted largely of mid-level professionals, with fewer respondents having over 15 years of experience.

- *On the Compliance with the Pillars of Anti-Money Laundering (AML)*

Respondents generally rated commercial banks as compliant across all pillars of the AML framework. For Risk Assessment, respondents agreed that banks effectively assess customer and transaction risks. In Customer Due Diligence, banks were also seen as compliant, though there was variability in how thoroughly banks verified corporate beneficial ownership. Transaction Monitoring was perceived as well-practiced, especially through automated systems, though some respondents highlighted the need for more consistent monitoring in high-risk cases. In terms of Reporting & Record Keeping, banks were viewed as compliant but could improve in the timely submission of reports. Lastly, Training & Education was assessed as compliant, though some respondents suggested more frequent scenario-based training could enhance AML awareness.

- *On the Significant Differences in AML Compliance Based on Respondent Profiles*

There were no significant differences in the respondents' assessment of AML compliance based on their profile characteristics (age, sex, location, and years of experience), with one exception. A significant difference was found between male and female respondents regarding customer due diligence, where males rated the banks slightly higher. Other variables, such as age, location, and years of experience, did not result in significant differences in the perception of compliance with any of the AML pillars.

- *On the Effectiveness of KYC Practices*

In terms of Identity Verification, respondents agreed that commercial banks practiced effective KYC measures, particularly in using digital identity verification systems, though traditional methods like document verification were seen as less consistently effective. For Address Verification, banks were rated as compliant, particularly when using geo-location technology and manual verification visits. In Financial Assessment, banks were generally viewed as effective in verifying customer income and assets. For Ongoing Monitoring, respondents agreed that banks practiced real-time transaction monitoring and enhanced due diligence, especially for high-risk clients.

- *On the Significant Differences in KYC Effectiveness Based on Respondent Profiles*

There were no significant differences in the assessment of KYC practices based on respondent profiles in most areas. However, there was a significant difference in the assessment of identity verification based on age, with older respondents (55 years and above) rating banks higher in this area than younger respondents. For other KYC components, such as address verification, financial assessment, and ongoing monitoring, there were no significant differences based on age, sex, location, or experience.

- *On the Correlation Between AML Compliance and KYC Effectiveness*

A significant positive correlation was found between Risk Assessment and Identity Verification, indicating that as banks improve their risk assessment practices, their effectiveness in identity verification also increases. However, no significant correlations were found between other AML pillars and KYC practices, suggesting that compliance with AML regulations does not consistently influence the effectiveness of all aspects of KYC. This may indicate that AML and KYC functions, while related, operate somewhat independently in certain areas within the banks.

CHAPTER FIVE

CONCLUSIONS

➤ *Based on the Findings of the Study the Following Conclusions Were Drawn by the Researcher:*

- The respondents are primarily younger professionals, with most aged between 25 and 35 years. The banking sector represented by the study shows a gender imbalance, with a higher proportion of male respondents. The majority of respondents are located in Quezon City, followed by Taguig City, reflecting the concentration of banking operations in these urban areas. Most respondents have mid-level banking experience, with 5 to 10 years of service, indicating that the insights gathered largely represent perspectives from professionals who are familiar with but not senior in the industry.
- Commercial banks are seen as largely compliant across the major AML pillars. Banks are particularly effective in risk assessment and customer due diligence, though there are some inconsistencies in verifying corporate ownership in the latter. Transaction monitoring is generally practiced well, but there is a need for more consistent application in high-risk transactions. Reporting and record-keeping are compliant, but some respondents suggested improvements in timely reporting. Training and education efforts are adequate, though there is a recommendation for more practical scenario-based training to strengthen AML awareness further.
- Generally, there are no significant differences in the assessment of AML compliance based on age, location, years of experience, or sex. However, a notable exception is customer due diligence, where male respondents rated the banks' practices slightly higher than female respondents. This suggests that perceptions of compliance in certain areas may vary by gender, though not consistently across all AML pillars.
- Banks are seen as effective in implementing KYC practices, especially in the areas of digital identity verification and ongoing monitoring. While address verification is practiced well, some respondents noted the need for more thorough manual and geo-location verification. Financial assessment measures are effective in evaluating customers' income and assets, but there is room for improvement in consistently applying these practices across all customer profiles.
- There were no significant differences in the overall assessment of KYC effectiveness based on demographic factors such as age, sex, location, or years of experience. However, in the area of identity verification, older respondents (aged 55 and above) rated banks' practices significantly higher than younger respondents, indicating a perception that banks may be more effective in verifying identities for certain age groups.
- The only significant correlation found was between risk assessment and identity verification. This suggests that effective risk assessment practices directly contribute to more robust identity verification procedures. However, other areas of AML compliance did not significantly correlate with KYC practices, indicating that while AML and KYC are related, they may operate in parallel without consistently influencing each other across all areas. This finding suggests that banks might need to focus on integrating their AML and KYC systems more effectively to enhance overall compliance and customer protection.

RECOMMENDATIONS

➤ *Based on the Findings, the Following are Recommended:*

- Although commercial banks are largely compliant with AML requirements, there is room for improvement in verifying beneficial ownership and conducting due diligence on corporate entities. Banks should strengthen their procedures by using more advanced verification methods, such as regularly cross-referencing corporate data with government registries and adopting more stringent checks for high-risk entities.
- While transaction monitoring systems are generally effective, respondents indicated the need for more consistent monitoring in high-risk cases. Banks should invest in more advanced real-time monitoring tools that incorporate artificial intelligence and machine learning to identify and flag unusual patterns in high-risk transactions. Additionally, banks should implement more comprehensive manual reviews for flagged transactions in high-risk jurisdictions.
- To enhance AML compliance, banks should focus on increasing the frequency and quality of scenario-based training for employees. This can include simulated case studies that allow employees to apply their knowledge in real-world scenarios. Continuous education programs should also cover the latest updates in AML regulations to ensure that all staff, particularly those in high-risk departments, are well-prepared to manage compliance challenges.
- The lack of strong correlations between some AML pillars and KYC practices suggests that banks could benefit from better integration of these two systems. Banks should adopt integrated compliance platforms that seamlessly link AML risk assessments with KYC processes, ensuring a more unified approach to compliance. This will help banks detect financial crimes more efficiently and improve overall compliance.
- While geo-location technology and automated verification tools are effective, manual address verification through physical inspections should be applied more consistently, especially in high-risk cases. Banks should allocate additional resources to conduct on-site visits or third-party verification when needed to ensure the accuracy of customer address information.
- Since older respondents rated banks higher in identity verification, banks may need to strengthen their procedures for younger customers. Introducing more biometric authentication tools, such as fingerprint and facial recognition, and leveraging digital identity verification through secure government databases can help ensure more consistent and effective identity verification across all age groups.
- The study found a slight gender-based difference in the perception of customer due diligence effectiveness. Banks should consider implementing gender sensitivity training for compliance officers to ensure that customer due diligence is applied equally and fairly across all genders, eliminating any perceived biases or discrepancies in service.
- : To improve the timeliness and accuracy of reports submitted to regulatory bodies, banks should streamline their reporting and record-keeping processes. This can be achieved by automating more aspects of the reporting process, ensuring faster and more accurate submissions, and reducing human error.
- Banks should investigate why older respondents rate identity verification more favorably than younger respondents. Understanding these differences could lead to improvements in how KYC practices are applied across various age groups. This might involve creating age-appropriate digital interfaces or identity verification systems that cater to the preferences of younger customers while maintaining high security standards.
- Banks should conduct regular internal audits to assess the effectiveness of their AML and KYC systems. These audits should be followed by necessary updates to policies and systems in response to changing regulations, emerging technologies, and evolving criminal tactics. Continuous improvement through regular review and adaptation will ensure that the bank's compliance framework remains robust and responsive to new challenges.

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APPENDIX “A”**➤ Survey Questionnaire**

PART I. Profile of the Respondents. Please check (✓) the space provided for corresponding to your best choice.

- *Age*
 - ☐ 25-35 years old
 - ☐ 36-45 years old
 - ☐ 46-55 years old
 - ☐ Above 55 years old
- *Sex*
 - ☐ Male
 - ☐ Female
- *Location of Commercial Banks:*
 - ☐ Quezon City
 - ☐ Taguig
- *Years of Banking experience*
 - ☐ Below 5 years
 - ☐ 5-10 years
 - ☐ 11-15 years
 - ☐ Above 15 years

✓ *Direction:* In answering Part II and Part III, please use the scale below as your guide.

PART I. Profile of the Respondents. Please check (✓) the space provided for corresponding to your best choice.

Point	Verbal Interpretation	
	Effectiveness	Compliance
4	Very Effective	Highly Compliant
3	Effective	Compliant
2	Less Effective	Less Compliant
1	Ineffective	Not Compliant

PART II. Assessment of the Respondents on the Compliance of Commercial Banks on the pillars of AML. Please check (✓) the space provided for corresponding to your best choice.

Variables/Indicators	4	3	2	1
Compliance of Commercial Banks on the pillars of AML				
Risk Assessment				
Commercial banks must assess the risk posed by their customers based on factors such as their industry, geographic location, transaction volumes, and business activities				
Commercial banks need to assess the risk associated with specific transactions conducted by their customers.				
Banks should adjust their AML controls and due diligence procedures accordingly when dealing with customers or transactions involving high-risk jurisdictions				
Different financial products and services offered by commercial banks may pose varying levels of AML risk				
With the increasing digitization of banking services, commercial banks face growing technology and cyber risks related to AML compliance.				
Commercial banks must assess the risks associated with changes in AML regulations, enforcement actions, and compliance obligations imposed by regulatory authorities				
Customer Due Diligence				
Commercial banks conduct thorough due diligence to verify the identity of their customers. This includes collecting valid identification documents such as passports, driver's licenses, or national identity cards				
Customer Risk Profiling, banks assess the risk associated with each customer by creating risk profiles based on factors such as their business activities, geographic location, transaction history, and customer behavior				
Commercial banks identify and verify the beneficial owners of corporate customers, trusts, and other legal entities				
Commercial banks conduct enhanced due diligence to obtain additional information and scrutinize their transactions more closely				

Banks perform continuous due diligence by monitoring customer accounts and transactions for suspicious activities on an ongoing basis				
Banks perform continuous due diligence by monitoring customer accounts and transactions for suspicious activities on an ongoing basis				
Transaction Monitoring				
Commercial banks deploy automated transaction monitoring systems capable of analyzing large volumes of transactions in real-time				
Banks set threshold limits for various transaction parameters, such as transaction amount, frequency, and geographic location				
Banks conduct behavioral analysis of customer transactions to identify deviations from established patterns or normal behavior				
Commercial banks screen customer transactions against various watchlists, including sanctions lists, politically exposed persons (PEPs) lists, and internal blacklists				
Banks employ trained compliance personnel to triage and investigate alerts generated by transaction monitoring systems				
Enhanced Due Diligence (EDD), for transactions or activities deemed high-risk during the monitoring process, commercial banks conduct enhanced due diligence to obtain additional information and assess the underlying risks				
Reporting & Record Keeping				
Commercial banks are required to report suspicious activities to the appropriate regulatory authorities.				
Banks maintain comprehensive records of customer transactions, including details such as transaction amounts, dates, parties involved, and transaction types				
Commercial banks maintain records of their customer due diligence efforts, including documentation related to customer identification, risk assessments, beneficial ownership information, and enhanced due diligence measures				
Banks maintain records of transaction monitoring alerts generated by their monitoring systems and the corresponding investigations conducted by compliance personnel				
Commercial banks maintain audit trails and documentation of their reporting and record-keeping activities to facilitate regulatory examinations, internal audits, and investigations				
Banks fulfill regulatory reporting obligations by submitting various reports to regulatory authorities, such as currency transaction reports (CTRs), suspicious activity reports (SARs), and other regulatory filings.				
Training & Education				
Commercial banks conduct regular training programs to educate employees on AML regulations, policies, procedures, and best practices				
Banks provide ongoing education to employees regarding updates and changes to AML regulations and industry standards				
Commercial banks conduct scenario-based training exercises to simulate real-world AML compliance scenarios and enhance employees' practical skills and decision-making abilities				
Banks provide role-specific training tailored to the responsibilities of different departments and job functions within the organization				
Commercial banks conduct assessments and certifications to evaluate employees' understanding of AML regulations and their proficiency in implementing AML compliance measures				
Banks conduct awareness campaigns and communications to promote a culture of compliance and reinforce the importance of AML compliance throughout the organization.				

PART III. Assessment of the Respondents on the Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices. Please check (✓) the space provided for corresponding to your best choice.

Effectiveness of Commercial Banks on their Know Your Customers (KYC) Practices				
Identity Verification				
• Commercial banks effectively authenticate identity documents provided by customers, such as passports, driver's licenses, and national identity cards.				
Banks implement biometric identification measures, such as fingerprint scanning, facial recognition, or iris scanning, to verify the identity of customers				
• Commercial banks verify customer-provided information against reliable data sources, such as government databases, credit bureaus, and public records, to confirm the accuracy and consistency of identity details				
• Banks leverage electronic identity verification (eIDV) solutions to verify the identity of customers remotely through digital channels				

• Banks conduct customer interviews and verification calls to confirm the identity of customers and validate the information provided during the onboarding process				
• Commercial banks verify the beneficial ownership of corporate customers and legal entities by obtaining accurate information about the individuals who ultimately own or control the entity				
• Banks verify the residential or business addresses provided by customers to confirm their physical presence and legitimacy				
Address Verification				
Commercial banks verify customer addresses by requesting copies of utility bills, such as electricity bills, water bills, or gas bills, displaying the customer's name and residential address				
▪ Banks accept government-issued documents, such as driver's licenses, national identity cards, or passports, displaying the customer's residential address as valid proof of address.				
• Banks may request address confirmation letters from customers' employers, landlords, or other reputable sources to verify their residential or business addresses.				
Commercial banks verify customer addresses by cross-referencing property ownership records with government databases or land registries				
• Banks validate customer addresses by comparing them against postal address databases or address validation services				
• Banks utilize geo-location technology to verify customer addresses by validating the geographic coordinates of the provided address against mapping or GPS data.				
• Banks conduct manual verification and site visits to physically inspect customer addresses and confirm their existence and legitimacy				
Financial Assessment				
• Banks verify customers' income levels by requesting documents such as pay stubs, tax returns, or employment contracts				
• Commercial banks verify customers' assets by requesting bank statements, investment portfolios, property deeds, or other asset-related documents				
• Banks assess customers' liabilities, such as outstanding loans, mortgages, or credit card debts, to evaluate their financial obligations and debt-to-income ratios				
• Banks review customers' credit histories by accessing credit reports from credit bureaus or credit scoring agencies				
• Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income				
• Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income				
• Commercial banks calculate customers' debt-to-income (DTI) ratios by comparing their total monthly debt payments to their gross monthly income				
Ongoing Monitoring				
• Banks utilize automated transaction monitoring systems to analyze customer transactions in real-time or periodically				
Commercial banks conduct behavioral analysis of customer transactions to identify deviations from established patterns or normal behavior				
• Banks regularly update customer profiles and risk assessments based on changes in customers' activities, behaviors, or risk indicators				
• Banks regularly update customer profiles and risk assessments based on changes in customers' activities, behaviors, or risk indicators				
• Commercial banks conduct enhanced due diligence on high-risk customers or activities identified during ongoing monitoring processes				
• Commercial banks conduct enhanced due diligence on high-risk customers or activities identified during ongoing monitoring processes				
Banks automate the generation of alerts and reports based on predefined risk criteria and thresholds				