

The Nigerian Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) Regulations 2018

Brief Overview

Recently, the Central Bank of Nigeria (“CBN”) developed a strong administrative sanctions regime by introducing the Anti-Money Laundering and Combating the Financing of Terrorism (Administrative Sanctions) Regulations 2018 (the “Regulation”). This is in line with its onerous mandate to eliminate the illegitimate use of the financial sector in Nigeria. The Regulations provide for stiffer penalties on banks and financial institutions, and imposes personal liability on their directors and key officials for 48 infractions, with the aim of effectively enhancing strict monitoring of money laundering and terrorist financing activities in Nigeria.

How the new AML and CFT Regime works

The Central Bank of Nigeria is to exercise a supervisory role over banks and financial institutions in order to determine whether there is/has been an infraction of any of the anti-money laundering and terrorist financing laws and regulations in Nigeria, to determine the seriousness and nature of the infraction, and to consider applicable sanctions.

In order to ensure immediate compliance with the regulation, banks and other financial institutions are required to do the following:

In Relation To Internal Governance

- Develop and approve an AML/CFT Program outlining policies and procedures in relation to Customer Due Diligence (CDD), record retention, detection of unusual and suspicious transactions, and the reporting obligations within the institution.
- Supervise and ensure that the policies and programs are implemented in all branches with necessary sanction for non-adherence.



- Formulate and issue codes of conduct and ethics to include ethical requirements relating to AML / CFT.
- Review and update the written policies and procedures every 3 years.
- Embed AML/CFT risk assessment in management framework, and allocate adequate resources to compliance functions
- Approve business development and expansion plans on the backdrop of money laundering and terrorist financing risks.
- Enforce policies prohibiting numbered accounts, anonymous accounts, fictitious accounts and shell companies.

In Relation To Employees

- Communicate written AML/CFT policies and procedures to employees, and provide update upon subsequent reviews.
- Appoint compliance officers (chief compliance officer and branch compliance officers) with the role of supervising the monitoring and reporting of suspicious transactions.
- Maintain an annual AML/CFT training program approved by the CBN and Nigerian Financial Intelligence Unit (“NFIU”) with compulsory attendance of all categories of employees including Board and management; organise professional AML/CFT training for the chief compliance officer and branch compliance officer.
- Ensure employee protection when an employee reports suspicious transactions.
- Ensure the internal audit department in charge of implementing and conducting oversight functions on AML/CFT compliance are academically qualified, professionally trained, well-experienced and competent.

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In Relation To Customers

- Implement customer due diligence and know your customer (CDD/KYC) measures for customer identification and verification upon establishment of business relations and upon subsequent risk-sensitive basis.

- Obtain and verify identity and information of beneficial owners in relation to accounts with an authorised representative; and examine the capacity of such representative to operate the account.

- Verify legal status of a body corporate by obtaining proof of incorporation from the Corporate Affairs Commission; determine the natural persons behind such corporation.

- Profile Customers and Accounts into risk categories with special focus on non-resident customers; private banking customers; legal persons or legal arrangements such as trusts; Politically Exposed Persons (PEPs), cross-border banking and business relationships, among others.



- Report all cash transactions in any currency above a threshold of N5,000,000 (Five Million Naira) for individuals and N10,000,000 (Ten Million Naira) for corporate bodies to the (EFCC).

- Receive, review and analyse periodic reports by AML Compliance Unit AML/CFT issues in order to generate management report and provide feedback.

- Ensure timely rendition of AML/CFT reports to the relevant authorities.

- Review and test compliance with AML/CFT, CDD/KYC

policies and procedures.

- Render quarterly return on compliance level of annual training to relevant authorities.

- Board-review and approve audit report on AML/CFT compliance.

Conclusion

Banks and other financial institutions are mandated to comply with these Regulations and to cooperate with the Central Bank of Nigeria (CBN), Nigerian Financial Intelligence Unit (NFIU), Economic and Financial Crimes Commission (EFCC) and other relevant government agencies. This aligns with international best practices, upholds the integrity of the Nigerian financial sector, and also restates the statutory obligations of these financial bodies in Nigeria.

In Relation To Record Keeping and Reporting Requirement

- Set up an internal management information system for detecting, monitoring and reporting terrorist financing, unusual and suspicious transactions.

- Maintain all transaction records both domestic and international for at least 5 years subject to request of the CBN and NFIU.

- Ensure record system is easily retrievable and upholds confidentiality and non-disclosure of information to unauthorised parties.



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