



TYPOLOGIES REPORT ON TERRORISM FINANCING IN NIGERIA



DECEMBER 2023



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List of Acronyms

ACA	Anti-Corruption Agencies
ACCOBIN	Association of Chief Compliance Officers of Banks in Nigeria
AQIM	Al-Qaeda in the Islamic Maghreb
BHT	Boko Haram Terrorist
CBN	Central Bank of Nigeria
CMOs	Capital Market Operators
DIA	Defence Intelligence Agency
DNFBPs	Designated Non-Financial Businesses and Professions
DSS	Department of State Services
EFCC	Economic and Financial Crimes Commission
FATF	Financial Action Task Force
FI	Financial Institution
FDI	Foreign Direct Investment
FMOJ	Federal Ministry of Justice
GIABA	Inter-Governmental Action Group Against Money Laundering in West Africa
GTI	Global Terrorism Index
IDP	Internally Displaced Persons
INTERPOL	International Criminal Police Organization
IPOB	Indigenous People of Biafra
ISIL	Islamic State in Iraq and the Levant
ISIS	Islamic State of Iraq and Syria
ISS	Institute for Security Studies
ISWAP	Islamic State in West African Provenance
KFR	Kidnapping for Ransom
LEAs	Law Enforcement Agencies
ML	Money Laundering
NACTEST	National Counter-Terrorism Strategy

NC	North Central
NCTC	National Counter Terrorism Centre
NE	North East
NFIU	Nigerian Financial Intelligence Unit
NIRA	National Inherent Risk Assessment
NPF	Nigeria Police Force
NSA	National Security Adviser
NSAA	National Security Agencies Act
NSCDC	Nigeria Security and Civil Defence Corps
NW	North West
ONSA	Office of the National Security Adviser
PEPs	Politically Exposed Persons
POS	Point-of-sale
Res	Reporting Entities
SAR	Suspicious Activity Report
SEC	Securities and Exchange Commission
SS	South-South
SSS	State Security Service
STR	Suspicious Transaction Report
SW	South West
TF	Terrorist Financing
TFS	Targeted Financial Sanctions
UN	United Nations

Chapter One: Introduction

1.1 Background

Terrorism financing is a global menace that poses a significant threat to security, hinders economic development, and undermines financial market stability. The role of finance in terrorism cannot be underestimated. Without a steady flow of funds, terrorist organizations would struggle to sustain their operations as they rely on financial resources to acquire weapons, equipment, supplies, and services. Additionally, funds are crucial for maintaining their camps, supporting their members, and planning & executing attacks.

In Nigeria, terrorism financing is a pressing concern that demands immediate attention. This report aims to shed light on the different types of funding employed by terrorist organizations in the country by focusing on the emerging trends associated with the Islamic State in West African Province (ISWAP), Boko Haram Terrorist (BHT) activities prevalent in the northeastern region, and the Ansaru terrorist/Boko Haram groups that dominate the northwest and north-central regions. Furthermore, the report will discuss the activities of the Indigenous People of Biafra (IPOB), militant groups, and cultists that pose significant challenges in the southeastern, southern, and southwestern zones of Nigeria.

To effectively combat terrorism, it is of paramount importance to disrupt the flow of funds to these organizations. While cutting off the source of terror financing may not entirely eradicate terrorism, it can significantly impact the frequency and scale of attacks carried out by these groups. The Nigerian government has made efforts to curb the activities of such groups through legislative measures, utilizing the law as a tool to address these security threats.

However, despite these efforts, more needs to be done to effectively sever the various sources of finance available to terrorist organizations in Nigeria. This report highlights the urgency for stronger measures and strategies to combat terrorism financing, emphasizing the need for collaborative efforts between the government, financial institutions, and international partners. By implementing robust

mechanisms to detect and disrupt illicit financial activities, Nigeria can make significant progress in dismantling the financial networks that sustain terrorism within its borders.

The Nigerian Inherent Risk Assessment (NIRA) of Terrorist Financing 2022 found that terrorist groups such as the Islamic State in West African Province (ISWAP), Boko Haram (BH), Yan Bindiga, and Yan Tadda are most active in the Northern regions, specifically the North East, North West and North Central. In contrast, the Indigenous People of Biafra (IPOB) are primarily active in the South Eastern region. These groups operate in rugged terrain and across porous borders, aided by arms trafficking, illegal mining, poverty, unemployment, and extreme inequality. The report also notes that these groups exploit gaps in Nigeria's borders with Cameroon, Niger Republic, and Chad, where illegal cross-border activities related to Terrorism and Terrorist Financing (TF) occur. Furthermore, the report found that, in 2020 and 2021, about 1,527 and 2,600 people respectively were killed by bandits in the North Central region. Similarly, more than 35,000 people have been killed in northern Nigeria since 2009, when Boko Haram launched its insurgency aimed at overthrowing Nigeria's secular government. The group also established an Islamic state with at least 1.8 million internally displaced persons in Adamawa, Borno, and Yobe States. While it is difficult to quantify the value of terrorism financing, it is estimated that over N364million ransom payments were made to various bandit groups as well levies/taxies imposed on communities in one State in the North West between 2019 to 2021.

FATF Immediate Outcome 9 mandates countries to put measures in place and ensure that terrorist financing offenses and activities are investigated and persons who finance terrorism are prosecuted and subject to effective, proportionate, and dissuasive sanctions. Hence, identifying, assessing, and understanding terrorist financing (TF) risks is an essential part of dismantling and disrupting terrorist networks.

Consistent with Immediate Outcome 9 of the FATF, findings of the 2nd Mutual Evaluation Report of Nigeria 2021, and findings of the 2022 NIRA report of Terrorist Financing, the NFIU leverages its powers under the NFIU Act 2018 to, among others, analyse and make both proactive and reactive financial intelligence reports on TF promptly available to law enforcement, security, and intelligence agencies; monitor and undertake studies and risk assessments on emerging trends and patterns on the financing of terrorism; and advise the Government, Law enforcement and security agencies on the prevention of terrorism and terrorism financing.

1.2 Report Objectives

The study aims to achieve the following objectives:

- i. Identify the various methods and techniques employed for terrorist financing in Nigeria.
- ii. Identify relevant indicators and red flags to assist financial institutions and DNFBPs and VASPs in monitoring and reporting suspicious transactions related to terrorism financing
- iii. Enhance the understanding of law enforcement and security agencies on the mechanisms used to finance terrorism
- iv. Identify the current terrorism financing trends and patterns in Nigeria
- v. Enhance the understanding of terrorism financing risks among reporting entities, particularly financial institutions (FIs) and designated non-financial businesses and professions (DNFBPs).
- vi. Provide policy recommendations that will safeguard the financial system and populace against terrorist financing.
- vii. Educate the general public on precautionary measures to mitigate the risk of terrorist financing.

1.3 Methodology

This typology study on terrorism financing in Nigeria is initiated by the Nigerian Financial Intelligence Unit (NFIU) with cooperative efforts between the NFIU and the relevant stakeholders in the country.

This is a qualitative research study that relied heavily on the use of secondary source data from a team set up by the NFIU that engaged experts from the Defence Intelligence Agency (DIA), Department of State Service (DSS), Federal Ministry of Justice (FMOJ), National Intelligence Agency (NIA), Nigeria Police Force (NPF), Nigeria Security and Civil Defense Corps (NSCDC), and Office of the National Security Adviser (ONSA).

The team studied data and information collected from meetings with the above-mentioned stakeholders, accessed case studies from the NFIU database and the database of stakeholders above. The report also relied on the results of extensive analysis of academic publications and open-source documents. In the course of the study, the NFIU held several meetings with the working group members where expert opinions were shared and harnessed to aid the study.

The limitations encountered by the team include a lack of timely response and, in some cases, no response at all from stakeholders. Others are:

- 1.3.1 Incomplete Records:** Some stakeholders provided records that were not exhaustive, leading to the need for the team to rely on available secondary data to fill in the gaps.
- 1.3.2 Varied Data Standards:** Different stakeholders had different standards and formats for data, which made aggregation and analysis challenging.
- 1.3.3 Time Lags:** Some of the most recent incidents or cases might not have been fully documented or processed by the time of the study, leading to potential under-reporting of certain trends or events.
- 1.3.4 Unreported Cases:** In a country as vast as Nigeria, not all incidents of terrorist financing might be officially reported or documented. This could be due to fear, lack of awareness, or remoteness of certain areas.

1.3.5 Differing Interpretations: Given the nature of the topic, there were instances where stakeholders had different interpretations or categorizations of certain events or activities, leading to potential discrepancies in data.

These data gaps, while acknowledged, were mitigated as much as possible through triangulation of data sources, expert opinions, and thorough review processes. However, they highlight the need for ongoing studies and efforts to continually update and refine data on terrorist financing in Nigeria.

Chapter Two: Overview of Terrorist Financing in Nigeria, Legal and Institutional Framework in the Fight Against Terrorist Financing in Nigeria.

This chapter provides an overview of the types of terrorist financing activities in Nigeria, including the sources and methods of funding. The chapter also examines the laws and regulations specifically targeting terrorist financing in Nigeria. Finally, the chapter provides an overview of the institutional framework, the national strategies and the role of national and international organizations in the fight against terrorism and terrorism financing.

2.1 Terrorism Financing in Nigeria

Terrorist financing constitutes a significant threat to Nigeria's security, stability, and economic development. It is a means through which terrorist groups raise, move and utilize the financial resources needed to fund their activities, such as recruitment of new members, training, payment of stipends to their fighters and acquisition of weapons.

Similar to the activities of the terrorist groups, in developing this report, the team also considered the possible operations of lone wolf actors in Nigeria. However, information provided by law enforcement agencies and other competent authorities indicates that no activity has been observed relating to lone wolf actors in Nigeria.

Links with International Terrorist Groups

Due to factors such as porous borders and proximity to countries with active terrorist groups, Nigeria is exposed to terrorism financing threats emanating from other jurisdictions.

Groups like Boko Haram are known to have received funding internationally from foreign terrorist groups like Al-Qaeda in the Islamic Maghreb (AQIM) and the Islamic State in West Africa Province (ISWAP). In addition, terrorist groups in Nigeria derive

their funding from sympathizers, contributions from diaspora members as well as sales of souvenirs and cryptocurrency donations as in the case of IPOB¹.

As part of their funds generating drive, the group also request for motorcycles and recharge cards from the families of kidnapped victims to aid their movement from one place to another and to recharge their phones to contact their targets respectively. The prevalent use of motorcycles by terrorists operating in the West African region has highlighted the exposure of the country to TF activities. A study has shown the high rate in which terrorists acquire motorcycles from Nigeria. For instance, a branch of IS Sahel currently based in northern Tillabéri, and one of the borders between Nigeria and Niger, is used for smuggling motorcycles and other goods to armed groups². This indicates the movement of funds by international terrorist groups and the utilization of such funds in Nigeria.

Highlighted herein are some typologies on a number of ways terrorist organisations operating in Nigeria in the course of their illicit activities have received varying degrees of support internationally.

2.2 Types of Terrorism Financing in Nigeria

2.2.1 Fund Raising

Terrorist organizations have access to a wide range of funding sources including legal and illegal channels, making it difficult to track their financial activities. Unlike money laundering, which relies on illegally obtained assets, terrorist financing does not solely depend on such resources. Things become even more complex when funds come from legitimate sources, as it is challenging to establish the illegal intent of their activities³. In Nigeria, terrorist groups have been known to obtain funding from

¹[https://www.nfiu.gov.ng/Home/DownloadFile?filePath=C%3A%5CNFIU%5Cwwwroot%5Cdocuments%5CNTR-O\(_N8CTXF](https://www.nfiu.gov.ng/Home/DownloadFile?filePath=C%3A%5CNFIU%5Cwwwroot%5Cdocuments%5CNTR-O(_N8CTXF)

² Eleanor Beavor, 2023. Motorbikes and armed groups in the Sahel: Anatomy of a Regional Market. Switzerland: Global Initiative Against Transnational Organized Crime.

³ Teichmann, F. M. J. (2019, May 7). Financing of terrorism through the banking system. *Journal of Money Laundering Control*, 22(2), 188–194. <https://doi.org/10.1108/jmlc-07-2017-0026>

local and external sources, including sympathizers, and criminal activities⁴. GIABA's 2020 Assessment of Counter-Terrorist Financing Capacities in West Africa identified seven ways terrorist groups raise funds in Nigeria including extortion, begging, smuggling, violent robbery, human trafficking, protection fees, and kidnapping for ransom, particularly by the ANSARU group. They also sell gold jewelry and precious metals obtained through raids, engage in livestock rustling, and abuse non-profit organizations, among other methods. They also sell seized land acquired through raids, engage in the transportation business, and trade in kola nuts and dry fish to raise money for their operations.

These extremist groups also engage in extortion and protection rackets as a means of financing their activities. These groups often target local businesses, government officials and individuals, demanding regular payments in exchange for protection or refraining from violence. This creates an environment of fear and coercion, enabling terrorists to maintain a steady flow of funds. In the Lake Chad region for example, insurgents have tapped into this source, establishing control over major trade routes, fishing communities, and regional networks⁵. The income generated through these ventures, which include farming and trade, is estimated to be in the millions of dollars annually (Tijani et al., 2014, Institute for Security Studies, 2019). Even in areas under the control of recognized authorities, the civilian population often finds itself coerced into remitting taxes to insurgent groups as a means of guaranteeing their safety. This forced taxation further solidifies the financial base of these terrorist organizations, lending them an air of legitimacy in the process⁶. Inhabitants residing in areas where the population has been infiltrated by terrorist find themselves

⁴ Onuh, P. A., Obiefuna, A. S., Nnaji, D. I., & A. Ifem, L. (2021, January 1). Engagement in licit ventures by terrorist organisations and terrorism financing in the Lake Chad region. *Cogent Social Sciences*, 7(1). <https://doi.org/10.1080/23311886.2021.1920708>

⁵ Salkida, A. (April 26, 2020). How Boko Haram sustains operations through international trade in smoked fish. Humangle. Retrieved October 25, 2020, from <https://humangle.ng/how-boko-haram-sustains-operations-through-international-trade-in-smoked-fish/>

⁶ Onuh, P. A., Obiefuna, A. S., Nnaji, D. I., & A. Ifem, L. (2021, January 1). Engagement in licit ventures by terrorist organisations and terrorism financing in the Lake Chad region. *Cogent Social Sciences*, 7(1). <https://doi.org/10.1080/23311886.2021.1920708>

entrapped in a paradoxical predicament. They are faced with the potential threat of violent retaliation from the militant group if they refuse to financially support them or disclose their activities to the authorities. Conversely, if they capitulate to compulsory levies imposed by the bandits or engage in work for them, they can be readily accused of sponsoring terrorism, an offense severely penalized under Nigerian law. This situation significantly contributes to the bandits' accumulation of multi-million-dollar illicit taxation⁷.

Additionally, insurgents, especially in the Lake Chad region, have also instituted microfinance schemes for local residents, particularly young people, to aid their participation in farming and other economic pursuits. This provision of micro-credit serves a twofold purpose. On one hand, it allows insurgents to accrue interests on the loans provided, while also gaining additional proceeds related to security and farmland access provisions collected post-harvest⁸. Furthermore, these schemes secure loyalty among the local residents and facilitate the ease of recruiting fighters, strengthening the insurgents' influence and manpower in the region. Beyond financial services, the insurgents also provide other amenities such as clean water, sanitation facilities, health care, and Islamic education⁹.

Similarly, illicit trade and smuggling of goods such as drugs, arms and contraband provide another significant source of revenue for terrorist organizations in the country. These groups often exploit porous borders to facilitate the movement of illegal goods across the region, generating substantial profits. The Islamic State's West Africa Province (ISWAP) has seized the opportunity to establish trade routes

⁷ Adeyemi Ibrahim. Ibrahim. (2022, October). Merchants Of Terror (1): Paying blood taxes, helpless communities sustain Nigeria's terrorists. PREMIUM TIMES. Retrieved March 28, 2023, from <https://www.premiumtimesng.com/news/headlines/557418-merchants-of-terror-1-paying-blood-taxes-helpless-communities-sustain-nigerias-terrorists.html?tztc=1>

⁸ International Crisis Group (2014). Curbing violence in Nigeria (II): the Boko Haram insurgency. Retrieved October 16, 2020, from https://www.ecoi.net/en/file/local/1091608/1226_1396951718_216-curbing-violence-in-nigeria-ii-the-boko-haram-insurgency.pdf

⁹ Institute for Security Studies (2019). Economics of terrorism in Lake Chad Basin. Retrieved October 24, 2020, from <https://issafrica.org/amp/iss->

and furnish security for local farmers, fishers, and traders. The Institute for Security Studies (2019) notes that even waged laborers are returning to contribute to the ISWAP-controlled economy. Livestock farmers find security in ISWAP's justice system, which metes out punishments for any transgressions against non-compliant civilians, even if the offenders are their own fighters (International Crisis Group, 2019). Herders pay a fee proportional to their livestock count. Specifically, for every 30 cows, one fully grown cow is given in exchange for a six-month guarantee of security and access to fertile pastures, a system known as *Hedaya*¹⁰.

Recent development revealed renewed investment drive by terrorists specifically the Islamic State of West Africa Province (ISWAP) in the real estate sector. This follows the directive of the head of province of ISWAP on the need for financial independence of IS- Province through boosting locally generated revenue amidst paucity of funds at the center. This directive translates to aggressive investment by the group in real estate, landed properties and farm houses. The motive is to create a legitimate front for the group where illicit funds will be laundered undetected.

Raising of terrorist funds can be classified into the following groups and categories¹¹.

Group	Subcategory
Willing donors	<ul style="list-style-type: none"> • Individuals (including foreign terrorist fighters and lone wolves) • Businesses • Non-profit organizations, charities, and associations
Sale of goods and services	<ul style="list-style-type: none"> • Legal products and services • Illegal products and services

¹⁰ Salkida, A. (April 26, 2020). How Boko Haram sustains operations through international trade in smoked fish. Humangle. Retrieved October 25, 2020, from <https://humangle.ng/how-boko-haram-sustains-operations-through-international-trade-in-smoked-fish/>

¹¹ El Khoury, Chady, ed. 2023. Countering the Financing of Terrorism: Good Practices to Enhance Effectiveness. Washington, DC: International Monetary Fund.

Criminal activity Crimes	<ul style="list-style-type: none"> • Committed by terrorists • Crimes committed by others
Unwilling or defrauded donors	<ul style="list-style-type: none"> • Individuals • Businesses • Non-profit organizations, charities, and associations

Most of the categories and subcategories highlighted above are utilized by terrorist and their financiers in Nigeria. Terrorist organizations often resort to various criminal activities for funding, including ransom kidnappings, bank robberies, and imposition of taxes in areas they control. kidnapping for ransom has become one of the most prevalent methods of terrorist financing in Nigeria. The extremist groups, such as Boko Haram, Islamic State in West Africa Province (ISWAP), The Indigenous People of Biafra (IPOB) and other criminal gangs, abduct individuals, including high-profile targets and foreign nationals, and demand ransoms for their release¹². These ransom payments provide a steady stream of income for terrorist organizations, enabling them to fund their operations, recruit new members, and purchase weapons and supplies. A study revealed that Nigerians paid approximately 18.34 million dollars in ransoms from 2011 to 2020. In the first half of 2021 alone, with 2,371 kidnappings, ransom demands reached an estimated 23.84 million dollars. The African Centre for Constructive Resolution of Conflict (ACCORD) has noted that multiple terrorist organizations have pivoted towards abduction as a significant source of funding¹³.

¹² Daily Trust (2021), "They are terrorists, not bandits", Jul 26, 2021, pp. 1-16.

¹³ The Authority. (2023, February). Terrorism Financing and CBN's Cash Limitation Policy in Nigeria. The Authority. Retrieved March 28, 2023, from <https://authorityngr.com/2023/02/20/terrorism-financing-and-cbns-cash-limitation-policy-in-nigeria-2/>

2.2.2 Movement of Terrorist Funds

Terrorist groups in Nigeria use various methods to finance their activities. This financing may be licit or illicit, may be in huge amounts or smaller amounts to transfer and receive funds. These methods may include cross-border cash smuggling via illegal bureau de change and other cash couriers¹⁴. Hawala, a traditional informal system of transferring funds without the use of banks, is widely used by terrorist groups in Nigeria to move funds across borders. Cash smuggling is another method used by terrorists to transfer funds, where cash is physically transported across borders. Front companies are also used to disguise the source of funding and to transfer funds to terrorist groups.

Virtual assets are also used to finance terrorist activities. The attributes of anonymity and privacy inherent in the cryptocurrency system are what draw individuals, particularly those with illicit intentions, towards its use. The complete decentralization of cryptocurrency offers its own advantages of security and convenience for entities involved in activities such as drug trafficking, arms dealing, terrorist activities, money laundering, tax evasion, among others¹⁵. In the Nigerian context, the use of cryptocurrency is notably prevalent among IPOB. However, while IPOB has been observed to leverage cryptocurrency for their operations, it's essential to recognize that the appeal of cryptocurrency's attributes could make it a potential tool for other terrorist groups as well. Its decentralized nature and the anonymity it offer can be attractive for any group looking to raise funds discreetly.

Moving funds for terrorist financing can be domestic transfer, international transfers through other jurisdictions (as transit countries), and directed movement from one jurisdiction to another (without going through another country). Movement of funds can also be made using the formal financial sector, the informal financial sector or

¹⁴ Maza, K.D., Koldas, U. and Aksit, S. (2020), "Challenges of combating terrorist financing in the Lake Chad Region: a case of Boko Haram", SAGE Open, pp. 1-17, doi: 10.1177/2158244020934494.

¹⁵ Majumder, A., Routh, M., & Singha, D. (2019, April 30). A Conceptual Study on the Emergence of Cryptocurrency Economy and Its Nexus with Terrorism Financing. The Impact of Global Terrorism on Economic and Political Development, 125–138. <https://doi.org/10.1108/978-1-78769-919-920191012>

through domestic trade, international trade, movement of cash or physical assets and smuggling of cash or physical assets.¹⁶

2.2.3 Utilization of Terrorist Funds

Finance is an essential enabler for terrorist organizations such as Boko Haram, Ansaru, Islamic State West Africa and IPOB facilitating the procurement of weapons, food, training, and incentives for their fighters. Broadly speaking, utilization is the ultimate goal in the terrorism financing chain (raising, moving and utilizing). This is in view of the fact that, without the funds, the aim of the terrorists cannot be achieved. Thus, it is important to study and understand what the funds are used for as this will give insight on countering the financing of terrorism and terrorism itself.

It is worth noting that, in some cases, for instance, kidnapping, the raising process coincides with the utilization process. This is considering the fact that kidnapping is means through which terrorists raise funds. But, also, funds earlier raised are used to fund kidnapping processes.

This study has observed that raising of funds is not limited to raising for commission of terrorism acts but also other purposes, for instance, settling widows and families of dead members, purchase of luxury items, etc.

The proceeds of crime generated by ISWAP are largely deployed into the procurement of arms and ammunition in furtherance of their illicit activities. The arms and ammunition are procured by arms merchant from the popular fish market in Libya between N400,000 to N500,000 for AK47. Consequently, they are concealed in trucks and transported by couriers through Cameroon, Chad and Niger Republics.

¹⁶ El Khoury, Chady, ed. 2023. Countering the Financing of Terrorism: Good Practices to Enhance Effectiveness. Washington, DC: International Monetary Fund

2.3 Legal Framework in the Fight against Terrorist Financing in Nigeria

Terrorist financing remains a critical challenge to Nigeria's national security and stability. With groups such as Boko Haram, the Islamic State in West Africa (ISWAP), Indigenous People of Biafra (IPOB), Yan Bindiga, and Yan Ta'adda operating within the country, Nigeria has experienced significant human and economic losses. As terrorist organizations rely on financial resources to maintain and expand their operations, understanding and addressing the legal and regulatory frameworks that target terrorist financing is crucial.

Nigeria has taken various steps to combat terrorist financing with key legal and regulatory frameworks designed to prevent, detect, and prosecute such activities. Below is an overview of these frameworks:

2.3.1 **Terrorism (Prevention and Prohibition) Act, 2022:**

This Act criminalizes acts of terrorism and the financing of terrorism. It empowers law enforcement agencies to investigate, arrest, and prosecute individuals or entities involved in terrorist financing. The Act also provides for the freezing and forfeiture of assets linked to terrorism and terrorism financing. The Act makes robust provisions on the powers of law enforcement agencies and the powers of the Nigeria Sanctions Committee to identify and designate groups, individuals and entities as terrorists.

2.3.2 **Money Laundering (Prevention and Prohibition) Act, 2022:**

This Act criminalizes terrorist financing as a predicate offence to money laundering. It mandates financial institutions and DNFBPs to undertake robust customer due diligence measures, maintain records of transactions, and report suspicious activities to the relevant authorities when there is a suspicion of terrorist financing. The Act also mandates FIs and DNFBPs to identify and assess terrorist financing risks that may arise in relation to the development of new products and new business practices.

2.3.3 **The Nigerian Financial Intelligence Unit (NFIU) Act, 2018:**

This Act establishes the NFIU as an independent body responsible for receiving, analyzing, and disseminating financial intelligence reports on money laundering, terrorist financing and other relevant information to law enforcement, security & intelligence agencies, and other relevant authorities. The NFIU plays a crucial role in detecting and investigating terrorist financing activities as the Act establishes the Unit as the Secretariat to the Inter-Ministerial Committee on AML/CFT and the Nigerian Sanctions Committee.

2.3.4 Nigerian Financial Intelligence Unit (Administrative Sanctions) Regulations, 2023:

This regulation empowers the Nigerian Financial Intelligence Unit (NFIU) to impose sanctions for infractions. These infractions include non-compliance with obligations of reporting transactions which are suspected to involve the proceeds of a criminal activity, unlawful act, money laundering or terrorist financing.

2.3.5 Central Bank of Nigeria (CBN) (Anti-Money Laundering/Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions) Regulations, 2022:

This regulation provides AML/CFT compliance guidelines for FIs under the regulatory purview of the CBN. It mandates FIs to undertake CDD measures and identify & file STRs where funds are suspected to have been derived from terrorism and terrorism financing. It also mandates FIs to undertake targeted financial sanctions in relation to TF.

2.3.6 Securities and Exchange Commission (Capital Market Operators Anti-Money Laundering and Combating the Financing of Terrorism) Regulations, 2022:

This regulation provides AML/CFT compliance guidelines for capital market operators (CMOs) under the regulatory purview of the SEC. The regulation mandates

CMOs to adopt policies stating their commitment to comply with AML/CFT obligations under the relevant laws and regulatory directives. These obligations are reiterated within the regulation to include CDD measures, STR reporting and TFS measures in relation to terrorism and terrorism financing.

2.3.7 National Insurance Commission (Anti-Money Laundering, Countering the Financing of Terrorism and Proliferation of Weapons of Mass Destruction for Insurance Institutions in Nigeria) Regulations, 2022:

The regulation provides AML/CFT compliance guidelines for insurance companies under the regulatory purview of the NAICOM. The regulation mandates all insurance companies to comply with the requirements of all relevant Acts including the Terrorism (Prevention & Prohibition Act) 2022. The requirements for CDD measures, STR reporting and TFS measures in relation to terrorism and terrorism financing are highlighted within the regulation.

2.3.8 Economic and Financial Crimes Commission (Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction for Designated Non-Financial Businesses and Professions, and Other Related Matters) Regulations, 2022:

The regulation provides AML/CFT compliance guidelines for DNFBPs under the regulatory purview of the EFCC (SCUML). The regulation mandates DNFBPs to establish AML/CFT/CPF programmes designed on a risk-based approach which include CDD measures, appointment of a compliance officer, rendition of STRs to the NFIU, and implementation of TFS measures in relation to terrorism and terrorism financing.

2.3.9 Economic and Financial Crimes Commission (Special Control Unit Against Money Laundering Oversight and Monitoring of Non-profit Organizations that are at Risk of Terrorism Financing Abuse) Regulations 2023.

The Regulation outlines the obligations of NPOs at risk of TF abuse to include the conduct of risk assessment, obligation to develop counter-financing of terrorism programmes and strategies, record keeping and preservation, undertake risk-based management and operations, population and submission of counter-terrorism financing risk assessment questionnaires, and quarterly reporting of activities to SCUML.

Furthermore, the Regulation mandates NPOs at risk of TF to comply with the implementation of TFS related to terrorism and terrorism financing. Finally, the Regulation outlines criminal and administrative penalties to defaulting NPOs.

2.3.10 Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and Other Related Measures, 2022:

These regulations provide general guidelines for the effective implementation of United Nations Security Council Resolutions. Specifically, they prescribe the procedure for the freezing of funds, financial assets or other economic resources of any domestic or international terrorist, terrorist group or terrorism financier. Furthermore, they provide the procedure for the delisting of designated persons and the unfreezing of funds or other assets of persons and other entities that no longer meet the criteria for designation.

2.4 Institutional Framework in the Fight against Terrorism.

2.4.1 Defence Intelligence Agency (DIA)

The DIA was established in 1986 by the National Security Agencies Act (NSAA) which disbanded the Nigerian Security Organisation and created the DIA, NIA and

SSS (a.k.a. DSS) to handle relevant aspects of the national security and other related matters.

The DIA is charged with the prevention and detection of crime of a military nature against the security of Nigeria and the protection & preservation of all military classified matters concerning the security of Nigeria, both within and outside Nigeria.

As terrorism and terrorism financing are issues that are often of a military nature against the security of Nigeria, the DIA plays a vital role in the fight against terrorism in prevention, detection and intelligence-gathering.

2.4.2 Department of State Services (DSS)

The Department of State Services (DSS), also known as the State Security Service (SSS), was also created by the NSAA. Pursuant to the Act, the Service is charged with the prevention and detection, within Nigeria, of any crime against the internal security of Nigeria; and the protection and preservation of all non-military classified matters concerning the internal security of Nigeria. In addition, the SSS is charged to investigate threat of terrorist activities, subversion and economic crimes of national security dimension among other contemporary threats. In addition, the SSS is charged to investigate threat of terrorist activities, subversion and economic crimes of national security dimension among other contemporary threats.

It is the leading domestic intelligence agency in Nigeria, especially in matters of terrorism and terrorism financing. The DSS is responsible for the investigation of terrorism and terrorism financing.

2.4.3 Economic and Financial Crimes Commission (EFCC)

The EFCC Act 2004 empowers the Commission to enforce all economic and financial crimes laws, among other things. Functions of the Commission include the adoption of measures to identify, trace, freeze, confiscate or seize proceeds derived from terrorist activities. The Act also criminalizes terrorism and terrorism financing with imprisonment for life.

Furthermore, the Commission is charged with the responsibility of executing the provisions of other laws and regulations that are related to economic and financial crimes, including the Terrorism (Prevention and Prohibition) Act, 2022¹⁷.

2.4.4 Federal Ministry of Justice (FMOJ)

The Federal Ministry of Justice is the legal arm of the Federal Government of Nigeria primarily concerned with bringing cases initiated or assumed by the Federal Government before the Judiciary. The Complex Case Group (CCG) Department within the Unit is charged with the responsibility of prosecuting all terrorism and terrorism financing cases in Nigeria.

2.4.5 Nigerian Financial Intelligence Unit (NFIU)

The NFIU is the central body responsible for receiving, analysing and disseminating financial intelligence reports and other information to law enforcement, security and intelligence agencies. Incidental to the function of developing intelligence reports is the receipt of STRs from Reporting Entities (REs) on transactions suspected to involve the proceeds of terrorism and terrorism financing.

The NFIU is also the central coordinating body for Nigeria's Anti-Money Laundering, Counter-Terrorist Financing and Counter-Proliferation Financing (AML/CFT/CPF) framework¹⁸. Additionally, the NFIU is the Secretariat of the Inter-Ministerial Committee on AML/CFT and the Nigerian Sanctions Committee.

2.4.6 Nigerian Police Force (NPF)

The Nigerian Police Force is mandated to protect the safety and security of all persons, communities and property in Nigeria, and is generally empowered to enforce all laws and regulations.

In its exercise of these functions, the NPF has an Operational Department that is central to all Police operational activities in Nigeria especially in the areas of crime

¹⁷ <https://www.efcc.gov.ng/efcc/about-us-new/the-establishment-act>

¹⁸ <https://www.nfiu.gov.ng/Home/About>

prevention and maintenance of law and order. The Department is also responsible for planning and coordinating joint operations; formulating policies for the control and management of incidents such as civil disturbances, riots, disasters, elections, suppression of insurrection and trade union dispute; and implementation of policies on anti-terrorism¹⁹.

2.4.7 Office of the National Security Adviser (ONSA)

The NSAA creates the office of the National Security Adviser by providing for a coordinator on national security who is charged with the duty of advising the President on matters concerning the intelligence activities of the agencies; making recommendations in relation to the activities of the agencies to the President; correlating and evaluating intelligence reports relating to the national security and providing the appropriate dissemination of such intelligence within Government.

The Terrorism (Prevention and Prohibition) Act 2022 also outlines the role of the National Security Adviser to include the formulation of policies for the effective implementation of concerted counter-terrorism and terrorism financing efforts; ensuring the effective formation and implementation of the National Counter-Terrorism Strategy; provision of support to all relevant security, intelligence, and law enforcement agencies, and military services to prevent and combat acts of terrorism and terrorism financing in Nigeria.

Furthermore, the National Counter-Terrorism Centre is established in the office of the National Security Adviser, over which he exercises supervisory functions. The ONSA is also the Coordinating Office for Nigeria's Counterterrorism efforts and the National Centre for the Control of Small Arms and Light Weapons (NCCSALW), established as a replacement for the defunct Presidential Committee on Small Arms and Light Weapons and shall serve as the institutional mechanism for policy guidance, research, and monitoring of all aspects of Small Arms and Light Weapons²⁰.

¹⁹ <https://www.npf.gov.ng/departments/operations.php>

²⁰ Insecurity: FG approves National Centre for the Control of Small Arms and Light Weapons - Nairametrics

Finally, the National Security Adviser is a member of the Nigeria Sanctions Committee.

2.4.8 National Counter Terrorism Centre (NCTC)

The Terrorism (Prevention and Prohibition) Act, 2022 establishes the National Counter-Terrorism Centre (NCTC) within the Office of the National Security Adviser and empowers it as the coordinating body for counter-terrorism and terrorism financing in Nigeria, charged with the coordination of counter-terrorism policies, strategies, plans and support in the performance of the functions of the NSA.

The primary roles of the Centre include the establishment of a Joint Terrorism and Analysis Branch; establishment of a legal team to review and advise on counter-terrorism cases; coordination of the implementation of a national policy and action plan on preventing and countering violent extremism programmes; conduct public awareness on prevention and countering violent extremism and terrorism; and facilitation of capacity building for counter-terrorism and terrorism financing operations.

2.4.9 The Nigerian Armed Forces

The Nigerian Armed Forces comprises the Airforce, Army, and Navy, and is saddled with the main responsibilities of maintaining Nigerian territorial integrity and securing its borders from violation on land, sea, or air, also suppressing insurrection, and acting in aid of civil authorities to restore order²¹. They are solely responsible for kinetic approaches, power, and operations in the fight against terrorism and terrorism financing in Nigeria.

2.4.10 The Nigerian Sanctions Committee (NSC)

²¹[https://en.wikipedia.org/wiki/Nigerian_Armed_Forces#:~:text=\(b\)%20maintaining%20its%20territorial%20integrity,of%20the%20National%20Assembly%3B%20and](https://en.wikipedia.org/wiki/Nigerian_Armed_Forces#:~:text=(b)%20maintaining%20its%20territorial%20integrity,of%20the%20National%20Assembly%3B%20and)

The Nigerian Sanctions Committee is provided for by the TPPA 2022 and comprises the Attorney-General of the Federation; the Ministers for Finance, Foreign Affairs and Interior; the NSA; and Chief Executive Officers of relevant agencies.

The Act grants the Committee powers including the formulation and provision of general policy guidelines on designations made; recommendation of designations to the HAGF; taking appropriate measures to discharge Nigeria's obligations related to TFS; maintenance of a website where all related charges and updates to the United Nations Consolidated List & the Nigerian List will be posted and updated regularly. By integrating the NSC and TFS into the broader legal and regulatory framework, Nigeria has strengthened its capacity to choke off the financial lifelines of terrorist organizations and individuals.

Nigeria's proactive approach, as evidenced by the establishment of the NSC and the use of TFS, has led to the designation and seizure of funds related to both BHT and ISWAP. This underscores the nation's commitment to disrupting and preventing terrorist financing, ensuring that its response aligns with international best practices and obligations.

2.5 National Strategies for Countering the Financing of Terrorism in Nigeria

2.5.1 National CFT Strategy

The National Counter Financing of Terrorism (CFT) Strategy plays a pivotal role within the broader framework of Nigeria's efforts to counter terrorist financing. This strategy, developed in response to the evolving challenges of terrorist financing, outlines a comprehensive approach that encompasses legislative measures, inter-agency cooperation, and specific priority areas of action. It emphasizes the importance of enhancing the framework for effective detection, prevention, and disruption of terrorism financing channels. Furthermore, the strategy underscores the significance of fostering stronger partnerships with the private sector and enhancing mechanisms for international cooperation. By aligning with global best practices and leveraging technological advancements, the CFT strategy aims to fortify Nigeria's financial system against the threats posed by terrorist financing.

2.5.2 The National Counter-Terrorism Strategy (NACTEST)

Amidst the global challenges posed by terrorism, Nigeria has formulated the National Counter-Terrorism Strategy (NACTEST) to address the multifaceted threats of terrorism. This strategy recognizes the complexities of the 21st-century landscape, marked by technological advancements and the interconnectedness of societies. NACTEST is tailored to address Nigeria's unique challenges while aligning with international best practices. The strategy underscores the importance of a collective effort, emphasizing that the fight against terrorism requires both national resolve and international cooperation. It seeks to strike a balance between ensuring security and upholding international human rights standards. With the ongoing insurgency in the North-East and the evolving tactics of groups like Boko Haram, NACTEST provides a comprehensive framework to counteract these threats, ensuring that Nigeria's response is both robust and adaptive.

2.6 Role of Regional and International Organizations

Various regional and international organizations are involved in the fight against terrorist financing in Nigeria:

2.6.1 Inter-Governmental Action Group against Money Laundering in West Africa (GIABA): Nigeria is a member of GIABA, a regional body that aims to strengthen the capacity of its member states to prevent and combat money laundering and terrorist financing. GIABA assists Nigeria in implementing international AML/CTF standards, enhancing cooperation among member states, and providing technical assistance.

2.6.2 International Cooperation: Nigeria collaborates with international organizations such as Interpol and the UN to share intelligence, build capacity, and develop strategies to combat terrorist financing. Nigeria is a member of the United Nations and complies with its resolutions, including those related to terrorist financing, such as the UN Security Council Resolution 1373 (2001). Nigeria also

cooperates with other international organizations, such as the Financial Action Task Force (FATF), to align its AML/CTF framework with international best practices.

2.7 The Role of Informal Financial Systems in Terrorist Financing

Informal financial systems operate outside the traditional, regulated banking and financial services industry. These systems include a wide range of activities, such as money transfers conducted outside of formal banking channels, informal savings and lending schemes, and unregulated trade transactions. While they can serve legitimate economic purposes, particularly in places like Nigeria where formal banking services may be limited, they also have the potential to be exploited for illicit activities, including terrorist financing. In Nigeria, the informal financial sector is quite robust and diverse, consisting of systems such as Esusu, Adashe, and Ajo - traditional rotating savings and credit associations (ROSCAs), as well as informal money transfer systems, often run by local communities and extended families. These systems are deeply embedded in society due to their convenience, accessibility, and cultural acceptance, and because they often offer services that are not readily available from formal financial institutions

Terrorist groups often take advantage of these informal systems for financing their activities. This is due to several key characteristics of informal financial systems:

- a) **Anonymity:** Transactions carried out through these systems are usually not traceable because they are not typically recorded in a way that can be readily audited by regulators.
- b) **Accessibility:** Informal financial systems are often more accessible than formal ones, particularly in remote areas where formal banking services are scarce. This makes them an attractive option for terrorist organizations operating in these regions.

- c) **Speed and Flexibility:** Transactions can be conducted quickly and without the need for extensive documentation or verification processes, making it easier to move funds without detection.

Extremist groups like Boko Haram and Islamic State West Africa Province (ISWAP) have reportedly used informal financial systems to fund their operations. These groups have taken advantage of the lack of oversight and regulation in the informal sector to move money and finance terrorist activities. The 2022 NIRA observed amongst others one prominent element within these systems is the presence of illegal money exchangers who operate without any form of regulation, allowing them to bypass preventive measures. These unregulated money exchangers serve as conduits for transferring illicitly obtained funds for terrorist financing purposes.

In addition to illegal money exchanges, a distinct form of transaction reminiscent of the traditional Hawala system has emerged within Nigeria. This system involves illegal currency exchangers who accumulate funds, both in cash and through bank transfers, in the local currency. These currency exchangers establish networks of agents to facilitate their operations. They offer to purchase hard currencies such as USD, Dirham, and CFA outside of Nigeria. Once sellers of foreign currency confirm deposits in their local bank accounts, they subsequently transfer the foreign currency to locations predominantly controlled by these currency exchangers. Alternatively, the exchangers may direct the transfer of cash to designated individuals. This system operates in a manner that minimizes cross-border movement of funds and obscures transaction trails, making it exceedingly challenging for authorities to detect criminal activities embedded within this system, including terrorist financing.

The absence of regulatory measures within the informal financial systems inherently places them outside of traditional oversight, making it a ripe environment for exploitation. It is clear that combating the misuse of these systems for terrorist financing requires a two-pronged approach: strengthening regulatory frameworks where possible and bolstering law enforcement actions. Simply put, while regulatory measures can provide guidelines and frameworks for legitimate operations, it's the

law enforcement that would enforce compliance and crack down on illicit activities. The utilization of informal channels, including the Hawala-like system, enables terrorist financiers to evade traditional financial systems and exploit these vulnerabilities in the regulatory framework. Furthermore, the widespread use of cash, which inherently offers anonymity and circumvention of formal channels, poses an additional layer of challenge. Not only do regulatory mechanisms need to adapt, but law enforcement must also be equipped with the tools, knowledge, and resources to identify and intervene in suspicious cash-based activities.

Indirect methods are also employed to introduce cash into the financial system. Point-of-sale (POS) transactions, where cash is used to make purchases, serve as a way to convert cash into electronic funds. By conducting transactions through POS terminals, terrorists can move cash out of the informal economy and into the formal banking sector. This process provides an appearance of legitimacy to the funds while also allowing for easier transfer and concealment. Additionally, transactions with Designated Non-Financial Businesses and Professions (DNFBPs) contribute to the integration of cash into the financial system. DNFBPs include entities such as real estate agents, lawyers, accountants, and dealers in high-value goods. Terrorist financiers exploit these entities to convert cash into assets or conduct transactions that appear legitimate. For instance, they may purchase real estate properties or high-value assets using cash, thereby laundering the illicit funds and making them more difficult to trace. The use of cash in terrorist financing poses challenges for authorities due to the inherent difficulties in monitoring and regulating cash-based transactions. Cash transactions lack a comprehensive audit trail, making it challenging to track the flow of funds and identify suspicious activities. Moreover, the large informal economy in Nigeria provides ample opportunities for cash-based transactions, further complicating efforts to detect and disrupt terrorist financing activities.

2.8 Analysis of the Effectiveness of Existing Laws and Regulations in Preventing Terrorist Financing

Despite the existence of a robust legal and regulatory framework to combat terrorist financing, there are concerns about the effectiveness of these measures in practice. Some of the challenges include:

- 2.8.1 Implementation and Enforcement:** While Nigeria has enacted laws and regulations to address terrorist financing, there are concerns about the effectiveness of their implementation and enforcement. This may be due to inadequate resources, lack of capacity, or corruption within the relevant agencies.
- 2.8.2 Interagency Coordination:** Effective prevention of terrorist financing requires close coordination among various government agencies, such as the NFIU, CBN, and law enforcement agencies. However, there have been instances of weak coordination and information sharing among these agencies, which may hinder their ability to effectively combat terrorist financing.
- 2.8.3 Capacity Building and Training:** There is a need for continuous capacity building and training for relevant agencies, as well as financial institutions, to enhance their ability to detect and prevent terrorist financing. This includes improving the understanding of risks, implementing effective AML/CTF measures, and ensuring compliance with relevant laws and regulations.
- 2.8.4 Financial Inclusion and Informal Financial Channels:** A significant portion of Nigeria's population is unbanked or underbanked, which may lead to an increased reliance on informal financial channels. These channels, such as the hawala system or cash couriers, may be more vulnerable to exploitation for terrorist financing purposes.
- 2.8.5 Proliferation of Terrorist Groups:** The existence of several terrorist groups in Nigeria, such as Boko Haram, the Islamic State in West Africa (ISWAP), Indigenous People of Biafra (IPOB), Yan Bindiga and Yan Ta'adda presents a significant challenge in combating terrorist financing. These groups have been

known to employ diverse and complex financing methods, making it difficult for authorities to detect and disrupt their activities.

Overall, there is a need for greater implementation and enforcement of existing laws, enhanced interagency coordination, capacity building, and addressing the challenges posed to enhance the effectiveness of the counter terrorism financing regime.

Chapter Three: Typologies of Terrorist Financing, Analyses of Case Studies, Red flags and Indicators

3.1 Introduction

This chapter focuses on providing in-depth analysis and examination of several case studies that shed light on different typologies of terrorist financing in Nigeria. Each case study presents a specific scenario and highlights the methods, sources, and challenges associated with terrorist financing in that context. By studying these cases, we aim to enhance our understanding of the intricate nature of terrorist financing and identify potential vulnerabilities in the financial system that can be addressed through effective countermeasures.

3.2 Typologies

These are carefully selected case studies which cover a range of typologies and showcase the diverse strategies employed by terrorist groups to generate and move funds within Nigeria's financial landscape. Thorough analyses will be conducted to identify patterns, trends, and commonalities among these cases, providing valuable insights that can inform the development of targeted policies and strategies to effectively combat terrorist financing. By delving into these case studies, valuable insights will be gained as to the sources of funds, the methods used to move and disguise illicit proceeds, the integration of illicit funds into the formal economy, and the challenges faced by law enforcement agencies in detecting and preventing such activities. Furthermore, the effectiveness of existing countermeasures will be assessed, and areas for improvement will be identified to strengthen Nigeria's financial integrity framework.

Typology 1: The Use of Point-Of-Sale Agents (POS) to Finance Terrorism

In 2022, Mr. W and Mr. M were detained on suspicion of terrorism financing by a foreign Law Enforcement Agency (LEA) in neighbouring country C. They were linked to a slain **ISWAP** leader who later joined **Boko Haram's** ranks. They gathered and dispensed cash on the orders of the known terrorist. The funds were generated by **forced taxes and fines imposed on fishermen and farmers, as well as ransom payments made by family members of kidnapped victims**. It was discovered that some of the recipients had ties to Nigeria. The foreign LEA then worked with the Nigerian LEAs to conduct additional investigations on the suspected Nigerians. The Nigerian LEAs then forwarded the information about the subjects to the NFIU.

The NFIU examined the suspects' transactions and discovered that Agent X, a 29-year-old POS agent, was the primary recipient of monies, which he would then distribute to the other persons of interest. His bank account was found to have received more than **N1,000,000,000.00** (one billion naira only) in deposits. Mr Y, a suspected **Bureau De Change operator**, was witnessed moving monies directly to other members of the group, accounting for **40%** of the inflows to Agent X. Agent X would then distribute monies to other members in various terrorist hotspots throughout Nigeria. The majority of the subjects were likewise involved in **POS operations**, with two others **selling mobile phones/recharge cards and pharmaceuticals**. The sect uses these materials to carry out its tasks. Further investigation found that the subjects lived at Nigerian addresses.

Finally, the intelligence reports generated by the NFIU were immediately forwarded to the LEAs for further investigation.

Raising of Funds

- ✚ forced taxes and charges on fishermen and farmers
- ✚ ransom paid by family members of kidnapped victims

Movement of funds

- ✚ Currency swapping
- ✚ Cash Transactions
- ✚ Use of Bureau de change Operator
- ✚ Layering of funds through various bank accounts

Utilization Of Funds

- ✚ Purchase of mobile devices for terrorist members
- ✚ Purchase of medicines for members
- ✚ Payment for international transportation of supplies

Source: Foreign LEA, Local LEA & NFIU

Typology 2: The use of Automated Teller Machines for large cash withdrawals to finance terrorism

Between 2021 and 2022, XXX Bank reported 120 Suspicious Transaction Reports (STRs) to the NFIU with similar patterns of transactions involving several persons making multiple deposits in Katsina State across different accounts in the bank and proceeding to make ATM withdrawals in neighbouring countries with high-risk Terrorism Financing concerns.

Further analysis showed that between the same period, a total of **N165,880,251.55** (one hundred and sixty-five million, eight hundred and eighty thousand, two hundred and fifty-one naira and fifty-five kobo only) was deposited across the accounts in banks from the same persons.

Across the same accounts within the same period, ATM withdrawals making a total of **N174,654,063.25** (one hundred and seventy-four million, six hundred and fifty-four thousand, sixty-three naira and twenty-five kobo only) were made almost immediately predominantly in **Maradi, Zinger, Niamey**, in the **Republic of the Niger** and other withdrawals at **Cotonou** and **Jibia** in Nigeria.

Raising of Funds

- ✚ The initial sourcing of the funds could have been obtained through legal or illegal means. Legal sources might include personal savings, community contributions, or business revenue. Illegal sources could include fraud, theft, drug trafficking, smuggling, or other criminal activities.
- ✚ The raised funds were deposited into multiple accounts in XXX Bank by several individuals to avoid drawing attention to large, singular transactions that might trigger regulatory scrutiny.

Movement of funds

- ✚ The movement of the funds was facilitated primarily through ATM withdrawals. After the money was deposited into Nigerian accounts, it was withdrawn at ATMs, predominantly in the Republic of Niger, but also at

some locations in Nigeria and Cotonou. ATM withdrawals might have been chosen because they are generally less closely monitored than large transactions or wire transfers

Utilization Of Funds

- ✚ Given that these withdrawals occurred in areas known for high-risk terrorism financing and smuggling, it's possible that the withdrawn money was used to finance terrorism activities or procure illegal goods, such as small arms and light weapons.

Source: NFIU

Typology 3: The use of online transactions for Terrorism Financing

A customer held two bank accounts with two licensed institutions. A day before a terrorist attack, the customer structured a number of cash withdrawals from different ATMs to avoid detection. Later, the terrorist attempted to purchase flight tickets to high-risk jurisdictions using two credit cards, but the transactions were declined by both cards since the amount was in excess of the cards' credit limit.

Thus, the terrorist proceeded and succeeded to purchase different and cheaper flights. The terrorist then completed a bank transfer, and attempted another two transfers, of over €1,000 to a local charity that had potential links to terrorism. The person also made other transactions to purchase jewellery, designer clothing, and escort services. Various other purchases were attempted and declined because these were in excess of the card's credit limit. It also emerged that various purchases were made by the terrorist for firearms.

Raising of Funds

- ✚ The initial source of the funds is unclear. They may have come from previous criminal activities, personal savings, or potential contributions from other members of a terrorist group.

Movement of funds

- ✚ The funds were moved through various transactions designed to evade detection.
- ✚ **Bank Transfer to Potentially Linked Charity:** The individual transferred over, €1,000 to a local charity suspected of having links to terrorism. This indicates the movement of funds to potentially directly support terrorism activities. Such organizations can be used as fronts to launder money and finance terrorist activities.

Utilization Of Funds

- ✚ **Attempted and Successful Transactions:** The person attempted to use two credit cards to buy flight tickets to high-risk jurisdictions, possibly indicative of intent to participate in, support, or escape from terrorist activities. The transactions were declined due to exceeding the credit limit, but the individual eventually managed to purchase cheaper flights, indicating the movement of funds from the bank accounts to the airline company.
- ✚ **Luxury Purchases:** The person made several purchases related to jewelry, designer clothing, and escort services. These purchases could be a method of laundering money (by reselling the items), or perhaps to deplete the funds quickly for reasons only known to the individual.
- ✚ **Purchase of Firearms:** The individual also used the funds to purchase firearms. This directly suggests that the funds were utilized to arm themselves, potentially for the purpose of carrying out a terrorist act.

Source: NFIU

Typology 4: The Use of Faith-Based Organizations to Finance Terrorism

A European country recently banned the activities of a faith-based charity organization in that country on an accusation of financing terrorism - after many years of monitoring and investigation of the NPO. The charity organization was reported to have funded the activities of terrorist organizations in the Middle East and the Horn of Africa.

In April 2021, Abu Dawud (Not real name), who holds dual citizenship of Nigeria and another West African country was seen to have received a wire transfer of \$37,573.20 from the affiliate of the banned organization operating from one of the countries in the Middle East. Abu Dawud is the head of the local branch of the charity organization in Nigeria. FIU information exchanges revealed that a representative of the banned NPO who resides in the European country had attempted to wire funds directly to Abu Dawud in Nigeria on four different occasions but the transactions were blocked.

The representative then wired the funds to the middle eastern affiliate, from where the fund was wired to Abu Dawud in Nigeria. Further analysis revealed that Abu Dawud had earlier received funds in local currency of about N190,745,347.37 from different companies operating in Nigeria. The companies were all identified to be affiliated with money exchangers – an indication that Abu Dawud may have received funds routed through money exchangers (unlicensed BDC operators) from similar sources. This evidenced a well-organized network moving potential TF funds aimed at avoiding detection by international financial organizations.

Techniques and procedures for raising funds

-  Inflows from the Parent organization.

Payment transfer methods and techniques

- ✚ Use of wire transfers
- ✚ Use of unregistered Bureau De Change Operators.

Funds Utilization Mechanism

- ✚ The monies were disbursed to members.

Source: LEA, NFIU & OSINT

Typology 5: Unauthorised Conduct of Arms Deal.

A report of an International NGO with a presence in Nigeria was involved in the unauthorised use of arms for shooting practice for its staff at a hotel in within a residential area in the North Eastern part of the country, predominantly known for Boko Haram/ ISWAP activities. A preliminary investigation by the Nigerian Police Force indicted the INGO. The government suspended the operations of the INGO and set up a panel of inquiry with legal representatives from all relevant parties, the Government is yet to release the white paper report of the panel investigation.

Techniques and procedures for raising funds

- ✚ Grants Inflows from the Parent organization.
- ✚ Donations from other NGOs

Payment transfer methods and techniques

- ✚ Use of contractors
- ✚ Use of Bank transfers

Funds Utilization Mechanism

- ✚ The payment of rentals of premises by donors
- ✚ Subscription of life insurance policy for national staff
- ✚ Transfer of skills to staff.

Source: LEA, NFIU & OSINT

Typology 6: Large movement of cash by NGOs.

A report was flagged by security agencies at a Nigerian International Airport due to a huge amount of cash movement belonging to an INGO. Investigations were carried out by the EFCC and seizures of large cash were made. Analysis reveals that the NGO use a company not licensed as a money service provider by the Central Bank of Nigeria was used to convey the funds.

Techniques and procedures for raising funds

- ✚ Grants/donations from INGO

Payment transfer methods and techniques

- ✚ Use of a third-party company not licensed by the Central Bank of Nigeria to move funds.
- ✚ Use of local NGOs as money service providers to move funds.

Funds Utilization Mechanism

- ✚ Cash disbursements to beneficiaries with no details for verification.

Source: LEA & OSINT

Typology 7: Kidnap for Ransom

A reporting institution submitted a suspicious transaction report to the NFIU regarding Subject **X**, a publisher in the north-central region of Nigeria. The report states that between November 2021 and August 2022, **X** account received about **N2,000,000,000.00** (Two billion naira only) across all of his Nigerian bank accounts. The deposits came from a range of depositors. Several beneficiaries received the money shortly afterward. Further investigation found that **X**, through his affiliated company **T**, had financial ties to **Z**, a well-known bandit negotiator. The funds transferred to **Z** were purportedly for travel expenses.

An additional examination of **Z's** Suspicious Transaction Report from the financial institution GT found that, like **X**, he had received over **N2,000,000,000.00** (Two billion naira only) between 2018 and 2021 and had demonstrated the same pattern of speedy transfers to numerous beneficiaries. **G** is associated with several schools, a foundation, and more. In negative news reports, **X** and **Z** are both referred to as self-appointed negotiators.

After extensive deliberation, the FIU sent an intelligence report to the LEA for additional inquiry into both Negotiators.

Furthermore, about 2022, **X** assisted with the freeing of Boko Haram Sect hostages who had been taken during an attack on a train in central Nigeria (Abuja-Kaduna State Road). According to open-source intelligence, subject **X** received **N21,000,000.00** (twenty-one million naira only) from one group of train attack victims' families and **\$420,000.00** (four hundred and twenty thousand dollars only) from the relatives of victims. On his way to a secret meeting with top terrorist leaders in Cairo, Egypt, **X** was subsequently detained by the Law Enforcement Agency. In his home, authorities found military equipment, cash in both local and foreign currencies, and guns.

Because of his continuous interaction and active involvement with terrorists, the LEA's investigation revealed that the money he had in his possession was related to **financing terrorism**.

The outcome of the case's prosecution

- ✚ The appropriate Law Enforcement Agency forwarded the case to court for further prosecution.

Fundraising techniques/methods

- ✚ Typically, funds are generated by ransom payments made to X by the family of the kidnapped victims.

Techniques/methods for transferring payments

- ✚ Transfers to multiple recipients are made immediately.
- ✚ Cash concealment at the subject's premises
- ✚ Money couriers

Funds Mechanism of Utilization

- ✚ The funds are used to purchase the terrorists' weapons and motorcycles.
- ✚ The funds are used for the logistics.
- ✚ To further their terrorist campaign/recruitment of new members

Source: NFIU &LEA

Typology 8: Use of Betting Platforms to move proceeds of Kidnapping for Ransom (KFR)

A betting platform, XC, filed a Suspicious Transaction Report (STR) on customer A, a 24-year-old residing in the North-Central region of Nigeria. Customer A received over **N350,000.00** in his betting wallet, suspected to be a kidnap ransom paid by the victim's relatives. Customer A attempted to transfer the funds to his bank account but was declined. The funds' source is the victim's relatives, and customer A is linked to the betting wallet, raising concerns of potential involvement in the kidnapping and ransom collection. Post analysis, the NFIU forwarded the report to a Law Enforcement Agency for a thorough investigation.

Source of Funds:

- ✚ The main source of funds in this case study is the victim's relatives who paid a ransom of over **N350,000**. The funds were instructed to be paid into customer A's betting wallet as a means of facilitating the transaction.

Movement of Funds:

- ✚ Initially, the funds were transferred from the victim's relatives to customer A's betting wallet. However, when customer A attempted to transfer the funds from the betting wallet to his bank account in Bank A, the transaction was declined by the platform, indicating suspicious activity.

Utilization of Funds:

- ✚ The intended utilization of the funds, in this case, is suspected to be for kidnap ransom. The funds' ultimate purpose was to benefit either customer A, who may be responsible for the kidnapping and collecting the ransom, or to pass the funds to the actual kidnapper.

The outcome of prosecution of the case:

An investigation is still ongoing as the case has been transferred to the competent Law Enforcement Agency for an onward investigation into the case to determine

the full extent of customer A's involvement in the kidnap for ransom incident, as well as any potential links to organized crime/other illicit activities.

Typology 9: Kidnap for Ransom by Yan Bindiga.

Some suspected Yan Bindiga were being investigated for Kidnapping, Illegal Restraint, Hostage-taking, and Ransom Collection by the Anti-Kidnapping Unit of Nigeria Police (NPF), Operatives of the FIB-Intelligence Response Team with the aid of intelligence generated from NFIU arrested two members of the kidnapping. Nigeria Financial Intelligence Unit (NFIU) intelligence, revealed that between 8th and 12th June 2023, subject X reportedly received three million naira (N3,000,000.00) in ransom payments.

An unspecified source noted a significant transaction of nearly three million naira (N2,999,900.00) on the 12th of June. The subject transferred 2.7 million naira (N2,700,000.00) to an individual Y in three separate payments on the same day.

A clear pattern of large deposits followed by immediate, smaller withdrawals to various individuals was observed, raising suspicion of illegal activities.

subject X was identified for suspected involvement in the kidnapping and ransom collection.

Techniques and procedures for raising funds

✚ The source of the funds is ransom payments for kidnapped individuals. Between 8th and 12th June 2023, the subject reportedly collected three million naira (N3,000,000.00) in ransom payments.

Payment transfer methods and techniques

✚ The movement of the funds is outlined in the case study. On the 12th of June, a deposit of almost three million naira (N2,999,900.00) was made to the subject's account from an unspecified source. That same day, the subject transferred a majority of these funds (N2,700,000.00) to Y. This was done in three separate transactions, a method often used to avoid raising suspicions or triggering financial thresholds that could lead to an investigation.

Funds Utilization Mechanism

- ✚ The recurring pattern of large deposits followed by smaller withdrawals to various individuals suggests that the money could be used to pay these individuals, potentially for their involvement in the criminal operation.

The outcome of the prosecution of the case:

Two of the kidnappers were arrested and are assisting the police in investigation and to get other members of the gang and recover more arms.

Source: NFIU, LEA & OSINT

Typology 10: Terrorism Financing through Menial Legal Activities

Mr. Ben (fake name) was apprehended and investigated for his alleged involvement in Boko Haram activities. The case reveals that he underwent weapon training in the North-eastern part of Nigeria, and engaged in farming activities, remitting taxes and levies to the group for seven years. He later relocated to Cameroon after the clash between **Boko Haram** and **ISWAP** factions. To evade arrest, he moved to south-western of Nigeria and operated as an Okada rider (Commercial motorcyclist). Subsequently, he was arrested, investigated, and his case file was transmitted for prosecution.

Source of Funds:

1. Income from Farming Activities: Mr. Ben's (fake name) funds originated from the farming activities he was engaged in. The taxes and levies he remitted to the **Boko Haram** group indicate a significant source of financial support.

Movement of Funds:

1. Remittance to Boko Haram: Mr. Ben (fake name) regularly remitted taxes and levies to the Boko Haram group for a duration of seven years. The funds were likely transferred through informal channels or direct transactions to the group.

Utilization of Funds:

1. Support for Boko Haram Activities: The remitted funds were utilized to support Boko Haram's activities, including financing their operations, procurement of weapons, recruitment efforts, and sustaining their presence in the region.
2. Subject also used the funds to support himself and pay for his transportation. Thereby limiting his receipt of funds from the group.

Source: LEA

Typology 11: Use of Proxy to receive funds on Behalf of a Known Terrorist

The Nigeria Financial Intelligence Unit received a request for financial intelligence on subject C from a Nigeria Law Enforcement Agency (LEA) RTD. She is the spouse of a known terrorist from the **Islamic State of West Africa Province (ISWAP)**. Due to allegations that she distributed money to combatants' spouses and widows after receiving money on her husband's orders, Subject C was under investigation for allegedly supporting terrorism. Subject C was also observed sending money to another female cash courier who is being held by the LEA for engaging in similar illegal behaviour, as well as to known terrorist G.

Following receipt of the request, the NFIU examined a bank account associated with subject C and discovered that she lives in the country's north-central region. Between 2022 and 2023, her account had an influx of over **N30,000,000.00** (thirty million naira only) and an outflow of the same amount. The account received repeated bank transfers and Automated Teller Machine (ATM) payments from various individuals and proceeds to make quick transfers to other recipients as well as withdraw monies in the name of unknown individuals. These transactions were usually made using POS and ATM terminals. The NFIU provided a detailed intelligence report to the requesting LEA for additional inquiry.

Techniques and procedures for raising funds

- ✚ Typically, funds were raised from various sympathizers and deposited into the subject's account.

Payment transfer methods and techniques

- ✚ Transfers to numerous recipients are completed instantly.
- ✚ Money transporters

Funds Utilization Mechanism

✚ The monies are used to pay the salaries of terrorist fighters' widows and wives.

Source: NFIU & LEA

Typology 12: Use of Affiliates to Crowdfund for Terrorist Activities

The Nigeria Financial Intelligence Unit received several requests for financial intelligence NFIU from the Office of the National Security Adviser (ONSA) and other Competent Authorities relating to the generation of funds by the outlawed group Indigenous People of Biafra (IPOB) to conduct illegal operations in the country and to further support the activities of its militant wing, **Eastern Security Network (ESN)**. Available intelligence suggests a fundamental shift in strategy by the dissident group to rely more on its diaspora affiliates for funding to sustain its unlawful activities. This has led to the continuous supply of resources to the proscribed group heightening insecurity in the South-East region.

Following receipt of the request, NFIU confirmed that the diaspora affiliates of the group have spread over 22 (twenty-two) countries across the globe. Further analysis exposed 27 entities across the globe registered in the name of the group, the US and the UK had the highest number of registrations, having 7 and 6 registered entities respectively.

The analysis further indicates that the group has several bank accounts in different countries where funds are being received from various contributors with the narrations “Monthly Dues, Services and for ESN” among others, then later disbursed for various operations. It was confirmed that one of the major sources of revenue for the group is **crowdfunding** by several individuals abroad, mostly Nigerians.

It was observed that over \$160,000 (One hundred and sixty thousand Dollars) was disbursed to Transmission, Media, and Broadcasting companies in Bulgaria, South Africa, and the United Kingdom. The Analysis profiled the leader of the group, his addresses, and mobile numbers abroad with other 53 individuals associated with the dissident group. The report was forwarded to Law Enforcement for further investigation.

Techniques and procedures for raising funds

- ✚ Typically, funds were raised from various sympathizers and deposited into the subject's account with narrations as “Monthly dues”

Payment transfer methods and techniques

- ✚ Transfers to numerous recipients are completed instantly.
- ✚ Money transporters

Funds Utilization Mechanism

- ✚ The monies are disbursed to Transmission, Media and Broadcasting companies in Bulgaria, South Africa and United Kingdom.

Source: NFIU & LEA

3.3 Terrorism Financing Indicators /Red flags:

The following are some activities that point towards involvement in terrorism financing, necessitating filing of STR or further investigation by the Law Enforcement Agencies (LEAs):

- ✚ Transactions by persons known to be associating with persons identified or known to be terrorists or terrorist financiers.
- ✚ Any form of tax collection or compulsory donations by unauthorized persons especially in areas prone to terrorism including from fishermen and farmers.
- ✚ Involvement of Bureau De Change operator(s) in facilitating financial transfers within suspected terrorist network(s).
- ✚ Deposit of funds into multiple accounts in a Bank by several individuals to avoid drawing attention to large, singular transactions that might trigger regulatory scrutiny.
- ✚ POS operators receiving huge influx of funds and subsequent cash withdrawals and distribution of unidentified persons.
- ✚ Depositing money in Nigeria and withdrawals in high-risk countries using ATM machines suggests movement of funds for terrorist activities such as procurement of arms and ammunitions
- ✚ Persons recruiting individuals to open multiple bank accounts, in order to avoid detection. This use of intermediaries is a common method to obscure the true source or destination of funds and evade authorities' scrutiny.
- ✚ Transfer of funds to charity organization(s) with suspected links to terrorism. Terrorist organizations often use charities as fronts to move funds for their activities.
- ✚ The movement of large amounts of cash by individuals in high-risk areas could suggest the movement of funds for terrorist purposes.
- ✚ Receipt of extraordinarily high amounts of funds across multiple domestic bank accounts within a specific time frame. The significant volume of funds raises

suspicion of potential involvement in illicit activities, including terrorism financing.

- ✚ The use of diverse depositors can suggest attempts to obfuscate the true source and purpose of the funds.
- ✚ The swift transfer of funds received to various beneficiaries. Rapid movement of funds is a common tactic employed in terrorism financing to avoid detection and traceability.
- ✚ Persons consistently indicating interest in negotiating ransom in kidnapping cases.
- ✚ Large, Unexplained Deposits received from unspecified sources can often indicate illicit activities, including terrorism financing.
- ✚ Structuring of Transfers to customers in high-risk areas or jurisdictions. This practice, often referred to as "structuring" or "smurfing," is used to evade financial thresholds that could trigger automatic reporting or investigation by financial institutions or regulatory authorities.
- ✚ Repetition of a Suspicious Pattern: Subjects/customers observed to have repeated the same pattern of large deposits followed by immediate smaller withdrawals to various individuals within certain timeframe. Repetitive suspicious transaction patterns are strong indicators of systematic illicit activities, including terrorism financing.
- ✚ Distribution of Funds to Combatants' Spouses and Widows: This suggests a role in providing financial support to individuals associated with the terrorist organization and potentially indicates involvement in terrorism financing activities.
- ✚ Crowdfunding for unknown purpose.
- ✚ Frequent inflow and outflows from Point of Sales (POS) operators operating in remote areas where economic activities are low;
- ✚ Individuals other than bank officials encouraging people to open multiple accounts and also requesting for ATM cards on all the accounts;

- ✚ Reactivation of dormant account with huge lodgments that are not commensurate with the previous income of the account holder;
- ✚ Customers without clear sources of income, but receiving inflows that are not commensurate with their declared jobs
- ✚ Acquisition and conveyance of Petroleum Motor Spirit (PMS), fertilisers, urea or other precursor-type materials by unauthorized person to obscure locations known for criminal activities
- ✚ Funds deposited by commodity merchants, specifically on those suspected to have emanated from red flag or high-risk zones
- ✚ Transactions be it inflow or outflows by persons using POS machines during nocturnal hours;
- ✚ Swapping of cattles for other valuables.
- ✚ Movement of funds entirely unrelated to employment or other financial arrangements
- ✚ Payments for travel to and from conflict zones or neighbouring regions
- ✚ Large or frequent donations to charities with connections to conflict zones or neighbouring regions
- ✚ Payments to media outlets or bookstores associated with propagating radicalism, extremism or violence (e.g. for the consumption or the creation of propaganda materials, printers, pamphlets, flags, etc.)
- ✚ A change in currency usage such as a sudden shift to financial instruments that are less transparent
- ✚ Use of wire transfers to or from high-risk countries or between individuals located in the same jurisdiction
- ✚ Buying or selling high value goods (e.g. cultural property) from conflict zones or neighbouring regions
- ✚ Deposit transactions made in location that is at a great geographical distance from where the accounts or owners are domiciled
- ✚ Unexpected amounts of cash held on business premises or domestic residence

3.4 TF Trends and Patterns

Raising of Funds

- ✚ Forced taxes and charges on fishermen and farmers
- ✚ Collection of ransom from family members of kidnapped victims
- ✚ Cattle/livestock rustling
- ✚ Control of Agricultural activities around the Lake Chad region including fishing
- ✚ looting small villages and farms for food items. Attacking army barracks and formations for arms
- ✚ Collection of 10% return on investment (ROI) from businessmen operating in areas under their influence
- ✚ Exploitation of International NPOs providing relief materials for Internally Displace People (IDPs) in the North.
- ✚ Trading in motorcycles and scrap metals
- ✚ Personal savings, community contributions, or business revenue.
- ✚ Illegal sources including fraud, theft, drug trafficking, smuggling, or other criminal activities.
- ✚ Inflows/Grant from the Parent organization.
- ✚ Funds raised from various sympathizers.
- ✚ Fire arms trafficking
- ✚ Donations from foreign terrorist groups they are linked or affiliated with
- ✚ Sale of gold jewelries and precious metals acquired through raids on various communities

Movement of funds

- ✚ Use of Point of Sales (POS) operators especially those operating in remote areas

- ✚ Use of illegal money exchangers operating within the Bureau De Change Sector (BDC) in Nigeria
- ✚ Use of new payment methods such as Fintech, virtual assets, cryptocurrencies
- ✚ Use of wire transfers
- ✚ Use of Hawala operators
- ✚ Use of a third-party companies not licensed by the Central Bank of Nigeria to move funds.
- ✚ Abuse of NGOs
- ✚ Use of professionals such as health workers and appointed advisers on economy and investment
- ✚ Laundering of proceeds of fraud/bank account hacking
- ✚ Use of Money couriers
- ✚ Use of road transport workers to Move funds in Cash
- ✚ Transfer of goods and other valuables in exchange for arms, ammunitions and other logistics supplies

Utilization Of Funds

- ✚ Recruitment of new members
- ✚ Purchase of Arms and Ammunitions
- ✚ Purchase of motorcycles and other logistic supplies
- ✚ Building of terrorist camps
- ✚ Purchase of mobile devices for terrorist members
- ✚ Provision of medical supplies and illicit drugs for members
- ✚ Payment of salaries of terrorist fighters' widows and wives.
- ✚ Payment for training of members

- ✚ Payment for international transportation of supplies
- ✚ Luxury Purchases such as jewelry, designer clothing, and escort services.
- ✚ The payment of rentals of premises.
- ✚ Funds are used for promoting terrorist campaign
- ✚ Investments in real estates for future benefits
- ✚ Provision for weak and vulnerable in the area controlled by the group.
- ✚ Payment of informants

Chapter Four: Conclusion and Recommendations

4.1 Conclusion

Terrorist financing has negative effects on both Nigeria's economy and national security. It leads to the loss of lives and properties, undermines the rule of law, and discourages potential foreign investors due to the instability caused by terrorist activities. Terrorism financing impacts economic growth in several ways, including decreased foreign direct investment, disruption of economic activities in affected areas, and the allocation of significant resources towards counter-terrorism efforts that could have been used for other development projects and social services. Additionally, terrorism financing can negatively impact Nigeria's tourism sector, as potential tourists are deterred from visiting the country.

Terrorist financing also has an impact on national security. It supports the growth and proliferation of terrorist groups, which contributes to the instability of the country and the region. For instance, Boko Haram's activities have caused a humanitarian crisis in the northeast region of Nigeria, leading to the displacement of over two million people. Terrorism financing also threatens Nigeria's stability and security by enabling extremist groups to carry out attacks, eroding public trust in government institutions and security forces, exacerbating regional instability, creating social tensions, increasing radicalization and recruitment, and causing human rights abuses. The diversion of resources meant for social services and development projects to counter-terrorism efforts has hindered Nigeria's overall development, exacerbating existing social inequalities. In summary, terrorism financing is a significant threat to Nigeria's economy and national security, leading to loss of lives and property, undermining the rule of law, and threatening the country's stability and regional security.

Accordingly, all relevant players must come together to implement measures to cut the sources of funding and thereby disrupt the activities of these terrorists and terrorist organizations.

4.2 Recommendations

To mitigate the adverse effects of terrorism and terrorism financing in Nigeria, the following recommendations are suggested:

4.2.1 Policy Makers

- Enhance Institutional Capacities of agencies with mandates to combat terrorism financing
- Human Resources: Enhance the number and capacity of dedicated specialists in the field of Counter-Terrorist Financing (CFT) within law enforcement agencies and the judiciary. This would ensure that professionals are equipped with the latest knowledge and skills to identify, investigate, and prosecute terrorist financing activities effectively.
- Budgetary Allocation: Allocate additional financial resources specifically towards CFT activities. This could be directed towards training programs, purchasing of specialized investigative tools, investment in technology for forensic analysis and facilitating inter-agency collaborations.
- Professionalization of CFT Prosecutors: Establish a dedicated unit or division of specialized CFT prosecutors within the Federal Ministry of Justice. Such a division would focus solely on prosecuting cases of terrorist financing, ensuring that these cases receive the necessary attention and expertise. Additionally, the prosecutors should be engaged from the onset of every TF investigation to guide evidence collection.
- Continuous Training and sensitisation: Organize regular workshops, seminars, and training sessions for all stakeholders involved in the fight against terrorist financing. This would ensure they are updated with the latest trends, techniques, and challenges in CFT.

- Strengthen the responses of ECOWAS Member States against illicit trade in small arms and light weapons in West Africa, including strengthening cross-border co-operation and collaboration.
- Increase technical assistance to national specialized agencies, including NFIU. In particular, support the development of specific courses on terrorist financing, financial analysis, organized crime, financial investigations to enhance the investigative, prosecutorial, and intelligence-gathering capacities of specialized personnel.

4.2.2 Law Enforcement Agencies

- Put in place an effective mechanism to implement the relevant FATF recommendations for countering terrorist financing; especially the generation, movement and utilization of funds within the country.
- Enhance training on investigation techniques and experience of prosecution authorities in dismantling terrorists and their sources of funding.
- Increase informal cooperation between relevant competent authorities within the sub-region and dedicate specific human resources for regional cooperation on TF
- Collect quantitative and qualitative information on terrorist financing and terrorist activity in order to gauge the scope of the issues and to identify trends. This should also include the sharing of information within the region in order to identify regional trends or shifts in activity.
- Improve border surveillance and security at national borders and develop synergy with neighboring countries.
- The Joint Standing Committee on Terrorism Financing should forward TF case studies as they occur to the National Counter Terrorism Center and NFIU for continuous monitoring and improvement of the TF typology.

4.2.3 Supervisory Authorities

- Sensitise Financial Institutions, DNFBPs and VASPs on indicators, trends and patterns of terrorism financing to enhance their ability to detect suspicious transactions report
- Deepen the implementation of AML/CFT measures, especially customer identification and reporting of suspicious transactions to effectively combat terrorist financing.
- Strengthen the CBN cashless payment systems from which potential terrorism-related transactions could be detected, investigated, or prevented, lack of access to cash for payment of ransom, robust system that could trace the transfer of money for ransom across all FI and DNFBPs.
- Strengthen collaboration with BDC operators and other cash-based businesses to help follow the money.
- Proper monitoring of cash-based businesses through on spot monitoring and evaluation and audit of books check in locations identified to have high TF risks.
- International collaboration with foreign actors (supervisors of FIs, VASPs and DNFBPs) to be able to monitor transactions using mediums such as western union, monitor foreign remittances of citizens living abroad especially from high-risk countries.
- Put in place effective regulatory and monitoring mechanisms to ensure effective supervision of the activities and transactions of NGOs and charities without retarding their important functions, including the adoption and implementation of standard guidelines and procedures for the monitoring and supervision of the operations of NGOs and charities, covering those operating internationally, in order to ensure that they are not being used as conduits for terrorist financing.

- Enhance cooperation between NGOs, CSOs and regulatory/supervisory agencies to enhance capacity building particularly targeting red flags and indicators of terrorism and terrorist financing.
- Foster collaboration with LEAs, and prosecutors to ensure information gathering for development of TF typologies to ensure that reporting entities are made aware of the typologies of TF (particularly raising and moving).
- When conducting examinations, ensure that reporting entities understand the current indicators, trends and patterns relating to terrorism financing within their sectors.
- Supervisors should ensure that reporting entities monitor trends and indicators and sensitize their staff accordingly.

4.2.4 Reporting Entities

- Deepen the implementation of AML/CFT measures, especially customer identification, customer due diligence (CDD), and reporting of suspicious transactions to effectively combat terrorist financing.
- Include TF trends and indicators in training manuals.
- Train staff to understand the various indicators, trends and patterns of terrorism financing to ensure effective reporting of qualitative Suspicious Transactions Reports to the NFIU
- Have a system in place for monitoring and reporting new TF trends and indicators.

4.2.5 Security Agencies

- Establish early warning systems within security and intelligence services to serve as vigilance tools in identifying and countering potential and real threats of terrorist financing.
- Establish an effective Inter-agency collaboration and parallel investigation on the fight against Terrorism and Terrorism Financing.

- Align the mandate of the Joint Standing Committee on TF with the existing structures such as the JTAB, National Security Council, JIC etc. this can be done by ensuring that efforts are not duplicated and committee sticks to its mandates. Furthermore, the committee can be tasked to liaise with the established structures to advise on TF related issues.
- Security agencies with investigative powers should carryout financial investigations as a standard operating procedure. The Military and other agencies without a mandate to investigate TF should ensure that mechanisms are in place and used effectively to provide timely intelligence to relevant LEAs.
- Work with supervisors and reporting entities in understanding the nature of TF within the informal financial sector.
- Put in place a mechanism for engaging locals and encourage the reporting of persons who collect levies on behalf of terrorist groups.
- Increase the use of undercover operatives in detecting terrorism financing within villages and rural areas.
- Work with community leaders in sensitizing locals on TF indicators, trends and patterns.
- Collaborate with National Orientation Agency in improving the understanding of the general public on the dangers of making available funds to terrorist or terrorist organization

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