



TYPOLOGIES OF MONEY LAUNDERING FROM ILLICIT TRAFFICKING IN NARCOTICS AND PSYCHOTROPIC SUBSTANCES IN NIGERIA



July 2023

A publication of the Nigerian Financial Intelligence Unit



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ACKNOWLEDGEMENTS

We extend our sincere appreciation to the following esteemed agencies, whose contributions have been instrumental in the completion of this report on money laundering typologies through illicit trafficking in drugs and psychotropic substances in Nigeria:

1. Economic and Financial Crimes Commission (EFCC)
2. Federal Ministry of Justice (FMoJ)
3. International Police Organisation – National Central Bureau (INTERPOL – NCB)
4. National Drug Law Enforcement Agency (NDLEA)
5. National Agency for Food & Drug Administration & Control (NAFDAC)
6. Nigeria Customs Service (NCS)
7. Nigeria Immigration Service (NIS)

This report represents a collaborative effort marked by diligence, expertise, and unwavering commitment to a critical issue that affects our nation. The importance of this endeavour cannot be overemphasized, as it provides a comprehensive understanding of money laundering typologies through illicit drugs trafficking, particularly in light of the high-risk findings from Nigeria's national risk assessment with respect to the predicate crime.

This study is a crucial source of information in a world where the dynamics of money laundering are ever evolving. It provides reporting entities and competent authorities the knowledge required to successfully detect and combat money laundering respectively.

Once again, we extend our heartfelt gratitude to these agencies for their invaluable contributions to this endeavour. Together, we stand prepared to face the challenges ahead and secure the integrity of our financial systems.

Finally, we would like to express our gratitude to all of the Nigerian Financial Intelligence Unit (NFIU) team members whose persistent work and commitment made this study possible. We appreciate their efforts to this project and their excellent dedication to professionalism and quality.

Thank you all for your support and contributions to this report on money laundering typologies through illicit trafficking in drugs & psychotropic substances in Nigeria.

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LIST OF ACRONYMS

ADSU	Anti-Drug and Smuggling Unit
AIDS	Acquired Immunodeficiency Syndrome
AML	Anti Money Laundering
ATS	Amphetamine-Type Stimulants
BDC	Bureau De-Change
CBN	Central Bank of Nigeria
CDD	Customer Due Diligence
CFT	Counter Financing of Terrorism
CMOs	Capital Market Operators
CPF	Counter Proliferation Financing
DNFBPs	Designated Non-Financial Businesses and Professions
DOGI	Directorate of General Investigation
DSS	Department of State Services
EFCC	Economic and Financial Crimes Commission
FARC	Colombia's Revolutionary Armed Forces
FATF	Financial Action Task Force
FinCEN	Financial Crimes Enforcement Network
FIs	Financial Institutions
FMoJ	Federal Ministry of Justice
GOA	Government Accountability Office
HIV	Human Immunodeficiency Virus
INCB	International Narcotics Control Board
INCSR	International Narcotics Control Strategy Report
INTERPOL-NCB	International Police Organisation – National Central Bureau
ITD	Illicit Trafficking in Drugs
KYC	Know Your Customer
MDMA	Methylenedioxymethamphetamine
MLPPA	Money Laundering (Prevention and Prohibition) Act 2022
NAFDAC	National Agency for Food and Drug Administration and Control
NAICOM	National Insurance Commission
NCS	Nigeria Customs Service
NDLEA	National Drug Law Enforcement Agency
NFIU	Nigerian Financial Intelligence Unit
NIRA	National Inherent Risk Assessment
NIS	Nigeria Immigration Service
NPF	Nigeria Police Force
NPS	New Psychoactive Substances
NSA	National Security Agency

OFC	Offshore Finance Centre
PCMD	Proceeds of Crime Management Directorate
POS	Point of Sale
PSPs	Payment Service Providers
SAR	Suspicious Activity Reports
SCUML	Special Control Unit against Money Laundering
SEC	Securities and Exchange Commission
STRs	Suspicious Transaction Reports
TPPA	Terrorism (Prevention and Prohibition) Act 2022
UNDOC	United Nations Office on Drugs and Crime
USD	United States Dollar
WHO	World Health Organization

CHAPTER 1: INTRODUCTION

Globally, the use of illicit drugs remains an issue of great concern. Research indicates that in the past 12 months, one in every 17 individuals aged 15-64 has used drugs, with an estimated 296 million users in 2021. The number has increased by 23 percent from 2011, mainly due to population growth. Among the drugs used, cannabis is the most widely-used with an estimated 219 million users globally. While men constitute the majority of cannabis users, women account for 42 percent of users in North America¹.

Additionally, in 2021, an estimated 36 million people used amphetamines, 22 million used cocaine, and 20 million used "ecstasy"-type substances. Female users are prevalent in amphetamine-type stimulants and non-medical use of pharmaceuticals, while men dominate opiates and cocaine use. Opioids continue to cause the most severe drug-related harm, including fatal overdoses. An estimated 60 million people engaged in non-medical opioid use in 2021, with 31.5 million using opiates primarily².

Most of the proceeds generated from drug trafficking accumulate in the country of consumption, with organised criminal groups profiting from the local sale of drugs. However, as the funds move towards these criminal groups who manage the larger scale shipments, the proceeds and the goods can de-couple and the proceeds may move through more complex money laundering schemes. Criminal groups that operate in an organized manner incur significant costs related to smuggling and procuring drugs and the creation of synthetic opioids (if they engage in clandestine production). These expenses include acquiring manufacturing tools and equipment and hiring specialized labor, such as chemists, to conduct the synthesis. The process may involve intermediary countries and companies facilitating precursor product smuggling. To ensure the arrival of these products, criminal organizations may resort to bribing officials. Regarding the different stages of money laundering, the placement phase typically occurs within the country where the consumer is located. The layering and integration phases often involve bulk cash smuggling, front companies, money value transfer services, trade-based money laundering, or correspondent banking arrangements (particularly for trade-related financial transfers). Criminal organizations use a variety of money laundering schemes, indicating that there is no one "business model" for these activities³.

The history of drug abuse in Nigeria dates back to the pre-colonization era when man settled from being a gatherer to a farmer. Among the first crops, he cultivated included intoxicants such

¹ https://www.unodc.org/res/WDR-2023/WDR23_Exsum_fin_SP.pdf

² *ibid*

³ <https://www.fatf-gafi.org/content/fatf-gafi/en/publications/Methodsandtrends/Money-laundering-fentanyl-synthetic-opioids.html>

as wine, strong tobacco and other hard substances. However, the introduction of illicit drugs in Nigeria did not originate within the country. World War II veterans who returned from Malaysia and Burma (present day Myanmar) brought concealed packets of cannabis as souvenirs, leading to the illegal cultivation of cannabis as farm produce. Although drug trafficking was low between the 60s and 70s, research shows that the 1980s saw the introduction of drugs like Cocaine, Heroin, and Hallucinogens into the country. The Nigerian Government took several measures to monitor drug production, circulation, distribution, and consumption in response⁴.

The illicit trafficking of narcotic drugs and psychotropic substances pose a significant global challenge, with severe social, economic, and security implications. This issue, intricately connected with money laundering activities, threatens the stability and development of nations worldwide. Nigeria, as a prominent regional economic power in Africa, has been grappling with the intricate web of illicit drug trafficking and its associated money laundering schemes.

Nigeria's geographical location, extensive transportation networks, and complex socio-economic dynamics make it vulnerable to drug trafficking and money laundering. Based on aggregate reporting to UNODC, by Nigeria and other countries, on the main cocaine trafficking routes during 2018-2021, trafficking of cocaine was reported from Nigeria to 20 countries or territories, including countries within the sub-region (Burkina Faso, Mali, Niger, Ghana, Senegal, Liberia), transit countries in Africa (Algeria, Ethiopia, Morocco), and countries and territories in the Asia-Pacific region (Australia, China, Hong Kong, India, Malaysia, Sri Lanka), in the Near and Middle East/ South-West Asia (Pakistan, Saudi Arabia, United Arab Emirates) and in Europe (Turkiye, United Kingdom⁵).

Illicit trafficking in narcotic drugs and psychotropic substances is an international term that includes many offences involving narcotic drugs and psychotropic substances such as the production, cultivation, import, smuggling and promotion. The term extends to include crimes related to tools and means of transporting used in the commission of the offences and the diversion of precursors and chemicals used in the illicit manufacture of narcotic drugs and psychotropic substances as well as crimes related to proceeds used in or resulting from illicit trafficking according to Article (3) of the United Nations Convention Against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances (1988) (Vienna Convention⁶).

According to the United Nations Office on Drugs and Crime (UNODC), Illicit drug trafficking is a global trade involving the cultivation, manufacture, distribution and sale of substances which are subject to drug prohibition laws. The rising prevalence of illegal drug trafficking across the globe

⁴ <https://peakng.com/history-of-drug-abuse-in-nigeria/>

⁵ https://www.unodc.org/documents/data-and-analysis/cocaine/Global_cocaine_report_2023.pdf

⁶ https://www.menafatf.org/sites/default/files/Illicit_Trafficking_and_ML_Eng.pdf

(IDT) is one of the major threats to security, economic growth, and human life. The majority of Nigeria's borders are porous, allowing for the simple entry, transportation, and exit of drugs. However, Nigeria's struggling economy, insecurity, high under-employment rate, poverty, inability of the government to provide for basic needs, high level of corruption, and prevalence of the "get rich quick" syndrome among young people are among the many problems that contribute to the state's illicit drug trafficking industry. According to WHO data, about 200,000 people per year die from drug abuse. More than 11 million disability-adjusted life-years are lost every year due to consumption of drugs (opiates, cocaine and amphetamines), equivalent to some 19 years per 100 drug use.⁷

Drug trafficking has profound negative effects, such as, increase in drug abuse and related psychological disorders, drug-induced crimes and generate illegal funds for criminals which can be deployed to corrupt public officials, undermine the integrity of national institutions, create distortions in the economy (e.g., inflation) create communal violence, fund insurgency and hijack political power. Through the transiting of illicit drugs, traffickers are able to develop new markets in the countries of transit thereby creating an active drug user population in the country of transit.⁸

The 2022 National Inherent Risk Assessment (NIRA) of Money laundering in Nigeria has identified drug trafficking as a high-risk predicate crime in Nigeria. The report highlights the proficiency of Nigerian drug cartels in dealing with and trafficking drugs, including psychotropic substances. The use of clandestine laboratories for methamphetamine production has been discovered in various locations in the country. As a result, Nigeria is becoming a significant consumer of hard drugs, transitioning from a transit country. The National Drug Law Enforcement Agency (NDLEA) has reported various drug syndicates operating with high levels of sophistication. Some cartels operate independently, using different laundering methods, with the possibility of connivance between the subjects of investigation, bank officials, and professionals like accountants and lawyers. The report also notes that drug trafficking generates many proceeds, with over 3 million USD worth of drugs seized between 2019 and 2021.

Similarly, it has been reported that Nigeria is a significant producer and consumer of cannabis⁹, which was confirmed by the NIRA findings. Four years ago, Nigeria had the highest number of cannabis consumers globally, with 10.6 million people using the drug. The 2022 World Drug Report reveals that illegal drug markets can negatively affect the municipal, community, or

⁷ https://www.unodc.org/documents/data-and-analysis/Studies/Illicit_financial_flows_2011_web.pdf

⁸ https://www.giaba.org/media/f/118_final-drugs-typologies-report-dev071811---english.pdf

⁹ Drug trafficking, consumption rate worry stakeholders | The Guardian Nigeria News - Nigeria and World News — News — The Guardian Nigeria News – Nigeria and World News

individual environment. The carbon footprint of indoor cannabis cultivation is much higher than outdoor cultivation, with estimates ranging from 16 to 100 times more. Additionally, the carbon footprint of 1 kilogram of cocaine is 30 times greater than that of cocoa beans. Environmentally harmful practices associated with illegal drug production include deforestation from cocoa cultivation and the generation of large amounts of waste during the production of synthetic drugs. This waste can be up to 30 times the volume of the finished product, and its disposal can directly or indirectly impact organisms, animals, and the food chain.

Thus, at every stage of the production and supply of class A narcotics¹⁰, there is intense competition between rival organized crime groups that frequently results in fatalities. Additionally, there is corruption across the entire drug supply chain, including the involvement of dishonest port and airport personnel.

Consequently, drug trafficking organizations frequently engage in a variety of other crimes, and the money made from selling illegal narcotics is used to finance these other crimes, such as purchasing illegal weapons and supporting terrorism. Drug trafficking-related crimes are typically violent, have a clear correlation to illegal usage of weapons and gang-related knife attacks, and traffickers frequently prey on the young and defenseless.

In the above light, raising awareness among reporting entities and law enforcement agencies about the different methods used by drug traffickers to move illegal drugs and launder their profits is crucial. To achieve this goal, a team of experts from agencies responsible for regulating and enforcing drug trafficking offences and monitoring suspicious transactions were selected to collaborate with NFIU in conducting this study in order to detect and prevent drug trafficking in Nigeria. The NFIU leverages section 3(1)(o) and 23(2)(b) of the Nigerian Financial Intelligence Unit Act, 2018 to conduct the study.

1.1 OBJECTIVE OF THE REPORT

The main purpose of this report is to investigate and understand the different types and methods used by individuals and criminal organizations involved in illicit drug trading in Nigeria. It will also examine the ways they conceal the proceeds generated from drug trafficking, using both traditional and modern methods of money laundering. By studying these patterns, law enforcement agencies, policymakers, and stakeholders can gain a better understanding and develop specific strategies to effectively disrupt and dismantle these criminal networks.

The report also aims to achieve the following objectives:

¹⁰ This is an illegal narcotic drug classified as being of the most harmful and addictive kind, possession or sale of which incurs the most severe legal penalties.

1. To analyze and understand criminal networks involved in drug trafficking, activities and their impact on Nigeria's public health, security, and economic stability.
2. Review the existing legal and regulatory frameworks to identify gaps and challenges in enforcing and implementing anti-money laundering, counter financing of terrorism, counter financing of proliferation (AML/CFT/CPF) measures.
3. Enhance International cooperation, information sharing, and capacity building crucial to combating illicit activities, focusing on Nigeria.
4. To highlight vulnerable sectors and jurisdictions involved in the organized crime of illicit drug trafficking and identify typologies related to drug trafficking and money laundering to facilitate evidence-based policy-making and targeted interventions.
5. To provide recommendations based on the findings to enhance the capacity of law enforcement and intelligence agencies, policymakers, reporting entities and stakeholders and promote collaboration to disrupt and dismantle criminal networks involved in money laundering through drug trafficking.

1.2 METHODOLOGY/ SCOPE/LIMITATION

To compile this report, an extensive review of existing literature, reports, open-source information and studies on illicit drug trafficking and money laundering in Nigeria has been conducted. Valuable insights from previous typologies reports, United Nations conventions such as the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, and other relevant international agreements have been incorporated to provide a comprehensive overview of the current landscape. The report also benefits from the analysis of questionnaire responses from drug enforcement agencies, investigative agencies, border control agencies and reporting entities identified to be vulnerable to money laundering through illicit trafficking in drugs & psychotropic substances.

CHAPTER 2: CONCEPTUAL FRAMEWORK FOR ILLICIT TRAFFICKING IN NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES

This section serves as a foundational component of the report by providing clear definitions of key terms and concepts related to illicit trafficking in narcotic drugs and psychotropic substances, as well as money laundering. A shared understanding of these terms is essential for effective communication and comprehension throughout the report. The definitions provided herein are based on established international conventions, scholarly literature, and legal frameworks.

2.1. DEFINITION OF NARCOTIC DRUGS: The Single Convention on Narcotic Drugs, 1961, and as amended by the 1972 Protocol stipulated in Article 1(j) that *“drug means any of the substances in Schedule I and II, whether natural or synthetic”* and in Article 1(u), the Single Convention stipulated that *“Schedule I”, “Schedule II”, “Schedule III” and “Schedule IV” mean the correspondingly numbered lists of drugs or preparations annexed to this Convention, as amended from time to time in accordance with Article 3¹¹”*.

The United Nations Convention Against Illicit trafficking in Narcotic Drugs and Psychotropic Substances, 1988, defined narcotic drugs in Article 1(n) saying *“Narcotic drug means any of the substances, natural or synthetic, in Schedules I and II of the Single Convention on Narcotic Drugs, 1961, and that Convention as amended by the 1972 Protocol amending the Single Convention on Narcotic Drugs, 1961”*.

2.2. DEFINITION OF PSYCHOTROPIC SUBSTANCES: Article 1(e) of the Convention on Psychotropic Substances, 1971 stated that: *“Psychotropic substance means any substance, natural or synthetic, or any natural material in Schedule I, II, III or IV. Article 1(g), the Convention stipulated that: “Schedule I”, “Schedule II”, “Schedule III” and “Schedule IV” mean the correspondingly numbered lists of psychotropic substances annexed to this Convention, as altered in accordance with Article 2¹²”*.

Drug Trafficking is a global illicit trade involving the cultivation, manufacture, distribution and sale of substances which are subject to drug prohibition laws.¹³

¹¹ The Single Convention on Narcotic Drugs, 1961, United Nations Publication, New York, 1979, and the Single Convention on Narcotic Drugs, 1961 as amended by the 1972 Protocol, United Nations Publication, New York, 1979.

¹² Convention on Psychotropic Substances, 1971, United Nations Publication, New York, 1979.

¹³ <https://www.unodc.org/unodc/en/drug-trafficking/index.html>

CHAPTER 3: NIGERIA'S LEGAL AND INSTITUTIONAL FRAMEWORK FOR COMBATTING ILLEGAL TRAFFICKING OF NARCOTICS AND PSYCHOTROPIC SUBSTANCES

Nigeria has implemented legal and institutional measures to prevent the illegal trafficking of narcotics and psychotropic substances within its borders. To this end, the country has ratified several international conventions: the United Nations Single Convention on Narcotics and

Controlled Substances (1961), the United Nations Convention on Psychotropic Substances (1971), and the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988). These conventions are meant to ensure that these substances are used exclusively for medical and scientific purposes and to prevent their diversion for illegal activities. By adhering to these conventions and domesticating them into National Legislation, Nigeria is taking a solid stance against illicit drug trafficking and prioritizing the safety and well-being of its citizens. Notably, below institutions recognize and implement illegal drug prohibition and AML/CFT laws and regulations in line with Nigeria's AML/CFT/CPF regime

3.1 THE NATIONAL DRUG LAW ENFORCEMENT AGENCY (NDLEA)

Until the advent of the National Drug Law Enforcement Agency (NDLEA), the Board of customs and Excise (now Nigeria Customs Service) and the Nigeria Police were the major drug interdiction organs of government, while the Federal Welfare Department was charged with the counseling, treatment and rehabilitation of drug dependent persons. From the activities of the Agency over the years, it is evident that government made no mistake in establishing the body that has become the reference point and the leading light in global efforts against drug cultivation, trafficking and abuse. The NDLEA, established by Decree No. 48 of 29th December 1989, is a federal law enforcement agency responsible for drug policy and control in Nigeria. Its mandate involves preventing the production, importation, exportation, sale, and trafficking of psychoactive substances.

To investigate ML-related cases through illicit drug trafficking, the Agency enforces the provisions of the Money Laundering (Prevention and Prohibition Act) 2022, Proceeds of Crime (Recovery and Management) Act 2022, Mutual Legal Assistance in Criminal Matters Act 2019, and other relevant laws. It created specialized departments such as the Directorate of Assets and Financial Investigation, which houses domestically and internationally trained and skilled financial investigators who are dedicated to investigating money laundering cases arising from illegal drug trafficking, tracing, investigating, and seizing of proceeds of crime. This Directorate is also tasked with offering mutual legal assistance when necessary.

Another specialized department created by the Agency under the Proceeds of Crime (Recovery and Management) Act, 2022 is the Proceeds of Crime Management Directorate (PCMD), which is responsible for confiscating proceeds of assets.

Also, the Agency created Digital Forensic Unit and Intelligence Data Centre to aid in detecting and investigating drug trafficking and Money Laundering, respectively.

The Agency also collaborates with financial institutions, Corporate Affairs Commission, National Identity Management Commission, and other relevant agencies in intelligence sharing. The Agency has equally executed MoU with Nigerian Customs Service, The INTERPOL, Gambia, India, Saudi Arabia, South Africa, etc.

The NDLEA has a National Drug Control Master plan (2021 – 2025) which is a strategic instrument for addressing the complex issues of drug trafficking, production, cultivation and use in Nigeria. The Plan contains four strategic pillars that culminate in an integrated multi-sectoral strategic and operational plan to comprehensively address drug issues in Nigeria. The pillars are: Supply Reduction; Drug Demand Reduction; Access to Controlled Medicines for Medical and Scientific Purposes; and Governance and Coordination. Each of the strategic pillars is anchored in one or two MDAs of the Government that will be responsible for achieving desired outcomes.

3.2 THE NATIONAL AGENCY FOR FOOD AND DRUG ADMINISTRATION AND CONTROL (NAFDAC)

NAFDAC, established by Decree No. 15 of 1993 and amended by Decree No. 19 of 1999, is responsible for regulating and controlling the production, importation, exportation, distribution, advertising, sale, and use of regulated products like food, drugs, cosmetics, medical devices, packaged water, chemicals, and detergents. It was officially established in October 1992. The Narcotic and Controlled Substances Directorate of NAFDAC ensures that narcotic and psychotropic substances are used solely for medical and scientific purposes and prevents misuse. This includes bulk and finished narcotics, psychotropic substances/drugs, and precursor chemicals, such as opioids for pain relief in patients with HIV/AIDS, cancer, sickle cell anemia, and more. The agency also collaborates with the NDLEA in the control of drug abuse and misuse in Nigeria

3.3 THE NIGERIA POLICE FORCE (NPF)

According to the 1999 Constitution of Nigeria, Sections 214 to 216 establish the Nigeria Police Force as the only police force in the country. The Nigeria Police Act 2020 regulates the Force, as mentioned in Section 4. The Police have the authority to prevent and detect crime, arrest wrongdoers, maintain law and order, safeguard lives and property, and enforce all laws and regulations they are directly responsible for. In cases of drug trafficking, the Police usually refer the cases to the NDLEA.

3.4 THE NIGERIA CUSTOMS SERVICE (NCS)

The Nigerian Customs Service (NCS) is an agency that was established by section 1 of the Nigeria Customs Service Act 2023. One of their primary functions is to prevent the smuggling of goods

including illegal drugs and weapons and safeguard businesses against illegal trade practices. They also collaborate with other government agencies to achieve the common goal of advancing Nigeria's interests. similar to the Police, in cases of illicit drug trafficking, NCS usually refer cases to the NDLEA. Furthermore, the NCS plays an important part in the country's economic life. The NCS' actions have an impact on almost every area of the economy, whether directly or indirectly. The NCS service's functions include, but are not limited to, the following:

- i. Collecting of revenue (import and Excise duties and other taxes)
- ii. Anti-smuggling activities
- iii. Security functions
- iv. Generating statistics for planning and budgeting purposes
- v. Working in collaboration with other agencies in all approved ports and border stations
- vi. Engage in Research, planning and enforcement of fiscal policies of government.

Import and exports shall where applicable, be subject to prohibitions and restrictions by the NCS relating to the protection of the health and life of humans, animals or plants; currency and other negotiable instruments as prescribed in the Money Laundering (Prevention and Prohibition) Act 2022; controlled goods imported or exported in line with relevant international laws, conventions and agreements, amongst others.

3.5 NIGERIA IMMIGRATION SERVICE (NIS)

The NIS has the authority to oversee immigration matters in Nigeria, as outlined in the Nigeria Immigration Act (NIA), Cap II Laws of the Federal Republic of Nigeria, 2015. The immigration Service is empowered by Section 2 of the Immigration Act, 2015. The Service is responsible for:

- i. Control of persons entering or leaving Nigeria
- ii. The issuance of travel documents and passports to Nigerians
- iii. The issuance of Residence Permit to foreigners in Nigeria
- iv. Border surveillance control and patrol (land, sea and air)
- v. Enforcement of laws and regulations with which they are directly charged
- vi. The performance of such paramilitary duties within or outside Nigeria as may be required of them under the authority of the Act or any other enactment.

In cases where they discover drug trafficking, they usually transfer the case to the NDLEA.

3.6 DEPARTMENT OF STATE SERVICES (DSS)

The DSS carries out its duties and responsibilities using Instrument SSS No.1 of 1999, as outlined in Section 6 of the National Security Agencies (NSA) Act 1986 Cap. 74, LFN 2004. Its main functions, among others, are focused on preventing and detecting any crime that threatens the internal security of Nigeria and investigating terrorism offences. Additionally, the department

works closely with other agencies to combat illegal drug trafficking. As with other agencies, cases of drug trafficking are referred to the NDLEA for prosecution.

3.7 THE ECONOMIC AND FINANCIAL CRIMES COMMISSION (EFCC)

The EFCC has been given the power to fight against financial and economic crimes by the Act. This includes the ability to investigate, prosecute, and punish those who engage in these offenses. The Commission is also responsible for enforcing other laws and regulations related to economic and financial crimes, such as the Economic and Financial Crimes Commission Establishment Act (2004), the Money Laundering (Prevention & Prohibition) Act 2022, the Advance Fee Fraud and Other Fraud Related Offences Act 1995, the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994, the Banks and other Financial Institutions Act 1991, and miscellaneous offenses.

3.8 NIGERIAN FINANCIAL INTELLIGENCE UNIT (NFIU)

The NFIU is the central body in Nigeria for receiving, requesting analysing and disseminating financial intelligence reports related to money laundering, terrorist financing, proliferation of weapons of mass destruction, associate predicate offences which include illicit trafficking in drugs and psychotropic substances to law enforcement agencies, security agencies, regulatory agencies and other competent authorities.

3.9 THE NIGERIAN CRIMINAL AND PENAL CODE

The Nigerian Criminal Code is the apex codified law in Nigeria for criminal investigation, trial and punishment of criminals. It is derived from the Nigeria Criminal Code Act 1916, Nigeria Penal Code Act 1960 and other criminal laws enacted by Nigerian Parliament from time to time. The latest consolidated version of the code is contained in Nigerian Criminal Code 1990. However, the Penal Code Act is the law concerning offences and their punishment in the Northern part of Nigeria.

3.10 LAWS FOR COMBATTING MONEY LAUNDERING AND TERRORISM FINANCING IN NIGERIA

In Nigeria, there are three essential laws regulating Money Laundering and the Financing of Terrorism. These are the Money Laundering (Prevention and Prohibition) Act, 2022 (MLPPA), Terrorism (Prevention and Prohibition) Act, 2022 (TPPA), and Nigerian Financial Intelligence Unit Act, 2018.

The MLPPA requires regulatory authorities like the Central Bank of Nigeria (CBN), Securities and Exchange Commission (SEC), Special Control Unit against Money Laundering (SCUML), and the National Insurance Commission (NAICOM) to ensure financial institutions and designated non-

financial businesses and professions comply with the provisions to combat money laundering and terrorist financing.

Financial Institutions (FIs) include banks, investment and securities companies, insurance firms, debt factorization and conversion firms, Bureau de Change, finance companies, money brokerage firms, and other businesses designated by the CBN.

Designated Non-Financial Businesses and Professions (DNFBPs) include automotive dealers, firms in the hospitality industry, casinos, consulting companies, jewelers, real estate agents, accountants, and tax consultants, among others.

FIs and DNFBPs must comply with the above stated laws and regulations to facilitate availability of accurate and timely information in ML/TF/PF financial investigations and conduct KYC/CDD/ on customers. They must report any transaction, lodgment, or transfer of funds above N5,000,000 or N10,000,000 for individuals and body corporates to the NFIU, for FIs and to SCUML for DNFBPs within seven days. Both FIs and DNFBPs must also disclose any suspicious transactions to the NFIU within a stipulated time. These requirements are detailed in the MLPPA, TPPA, and NFIU Acts.

4.1 THE 2023 WORLD DRUG REPORT¹⁴

According to the report, drug usage is still widespread globally, with one out of every 17 people aged 15-64 admitting to using drugs within the past year. The number of drug users has risen from 240 million in 2011 to 296 million in 2021, a 23% increase primarily due to population growth. Cannabis is the most commonly used drug, with approximately 219 million users in 2021. While men are most users, the gender gap is decreasing in some regions. The use of amphetamines, cocaine, and ecstasy-type substances has also risen, with females more likely to use amphetamines and non-medical pharmaceuticals. Males are more likely to use opiates and cocaine, and opioids are the most harmful and deadly drug, causing severe harm and fatal overdoses. Cannabis and opioids account for most drug use disorders and related treatments, resulting in most deaths attributed to drug use disorders. Adolescent drug use initiation can cause long-term adverse effects and faster dependence development. Cannabis usage among adolescents varies by region, with school students having a higher prevalence than the general population. Although the COVID-19 pandemic has decreased drug use among adolescents, changes in living conditions and drug-use patterns during the pandemic may have contributed to this trend.

Also, the report found that the production, trafficking, and use of methamphetamine are mainly concentrated in East and South-East Asia and North America, accounting for nearly 90% of all global seizures from 2017 to 2021. Although the traditional markets have stabilized, the drug trade has expanded to other sub-regions, including South-West Asia, the Near and Middle East, South-East Africa, and West Africa. Methamphetamine production is no longer limited to established markets, with clandestine laboratories found in South-West, South Asia, and Africa. An increasing number of countries report seizures of the drug, and criminals are adapting to overcome controls on ephedrine and pseudoephedrine by using other precursors. Consumption of methamphetamine has increased in South-Eastern Europe, while data for Western and Central Europe suggest a stabilization in 2020 and 2021.

Afghanistan remains the largest producer of illicit opium, accounting for 80% of the estimated global production in 2022, followed by Myanmar and Mexico. Although the international area under opium poppy cultivation has increased by more than 26%, global opium production has declined marginally due to less opium produced in Afghanistan due to droughts in early 2022. The 2023 opium harvest in Afghanistan may drastically drop following the 2022 national drug

¹⁴ [World Drug Report 2023 \(unodc.org\)](https://www.unodc.org/wdr2023/)

ban, with possible global consequences. Tramadol, a synthetic opioid used in pain management, has significant non-medical use in North, West, and Central Africa, the Near and Middle East, and South-West Asia. The non-medical use of tramadol is visible in the high proportion of people entering drug treatment for tramadol use disorders in several countries, including Egypt, Iraq, Nigeria, and the United Arab Emirates.

The report revealed that using the Internet and other digital communication tools, like darknet marketplaces, social media platforms, and encrypted messaging apps, is contributing to the drug trade in new ways. Although darknet marketplaces make up only a small portion of drug transactions, their rapid entry and exit from online environments and the increasing average payment for a single transaction suggest that they are becoming more specialized and popular among drug distributors. On the other hand, social media platforms are increasingly crucial for facilitating low-level drug transactions due to their popularity and direct accessibility for buyers. Different online platforms seem to be used for different types of drugs. New psychoactive substances are mainly accessed on specialized Internet shops and the dark web, while cannabis and cocaine are more commonly bought and sold on social media. This digital interconnectivity is changing how people purchase and access drugs, and it remains to be seen how this will affect drug use and trafficking patterns.

During the COVID-19 pandemic, drug services have used innovative approaches to maintain client contact while adhering to social distancing measures. These approaches include telehealth, such as telephone lines and online communication tools, and strategies to ensure access to medication and sterile injecting equipment, like increased take-home dosages and delivery services. Studies evaluating the impact of these strategies are emerging, mainly in high-income countries, and early results are positive. Patients are more likely to remain in treatment, new clients are being catered to, and patients report greater satisfaction with the service. Programs are also saving resources and overcoming traditional barriers to treatment, such as childcare, work commitments, transportation challenges, and stigma. However, challenges still need to be addressed, including the difficulty of implementing telehealth in low-income countries and among vulnerable populations, the lack of personal contact and physical examination, and the potential for limited medication diversion.

The report recommended Large-scale drug-use prevention initiatives that are school, family and community-based to reduce the risk of increasing drug use disorders, in particular in view of the current high prevalence level of mental health conditions. Higher socioeconomic groups have shown a greater propensity to initiate drug use than lower socioeconomic groups but it is the lower socioeconomic groups that pay the higher price, as they are more likely to suffer from drug use disorders. In order to be effective, the approach to treatment service provision must be voluntary and based on human rights.

As the drug phenomenon continues to evolve, States will need to redouble efforts to ensure access to quality services that are shown to reduce drug use disorders, both globally and nationally and across all subpopulations.

Reducing stigma faced by people who use drugs will make drug-related treatment and interventions more accessible and effective for people who need such services. Gains have been made during the pandemic to reduce barriers in accessing services, which have shown promise in attracting and retaining patients. » Given the disproportionate levels of harm and the large gap in accessing services experienced by certain populations who use drugs most intensively, additional effort is needed to design and implement policies and programmes addressing the specific needs of populations.

The report also reiterated that access to chemicals must be restricted, alternative development is crucial for farmers in drug-cultivating countries, and shared responsibility calls for donor support in rural areas of Afghanistan.

4.2 THE UNODC 2023 GLOBAL COCAINE REPORT¹⁵

In 2023, the UNDOC conducted a thorough global research on cocaine. Using quantitative and qualitative data on drug seizures and routes, as well as pricing and purity, which are made accessible to the UNODC via the annual report questionnaire and drug monitoring platform. The study also included debates and presentations from UNODC meetings and events, as well as qualitative evaluations undertaken by the research team through bilateral dialogues and interviews with important stakeholders and key informants. Secondary sources, such as study publications or evaluation reports published by national authorities, international organizations, and academics, augmented primary data.

According to the research, coca cultivation increased by 35% from 2020 to 2021, a record high and the greatest year-to-year growth since 2016. The increase is due to an increase in coca bush cultivation as well as advancements in the process of turning coca bush to cocaine hydrochloride.

The rapid increase in supply has been met by a corresponding increase in demand, with many locations experiencing a constant increase in cocaine users over the last decade. While the cocaine market remains concentrated in the Americas and portions of Europe, the research warns that Africa and Asia have a high potential for growth.

¹⁵ https://www.unodc.org/documents/data-and-analysis/cocaine/Global_cocaine_report_2023.pdf

The report also shows how law enforcement interceptions of cocaine shipments throughout the world have increased dramatically, with seizures now reaching a record high of about 2,000 tons in 2021.

The paper investigated the establishment of new cocaine trafficking hubs, finding that nations in Southeastern Europe and Africa, notably those in West and Central Africa, are increasingly being exploited as significant cocaine transit zones. The paper also demonstrates that North Sea ports such as Antwerp, Rotterdam, and Hamburg have surpassed traditional entry routes for cocaine into Western Europe in Spain and Portugal. Traffickers in Central America are increasingly broadening their routes, shipping more cocaine to Europe in addition to North America.

The paper also examined the methods of cocaine traffickers, with data indicating that the criminal environment is breaking into a large number of trafficking networks. The demobilization of combatants from Colombia's Revolutionary Armed Forces (FARC), which had previously dominated much of the country's coca-growing regions, opened the door for others to step in, such as new, local players, ex-FARC guerillas, or even international organizations from Mexico and Europe. Furthermore, the research indicates the proliferation of so-called "service providers," or specialized organizations who lend their expertise at all levels of the supply chain for a price.

4.3 FATF (2022), MONEY LAUNDERING FROM FENTANYL AND SYNTHETIC OPIOIDS¹⁶

The report found that the use of synthetic opioids by organized crime groups has significantly increased overdose-related deaths in recent years. In Canada and the United States alone, the trafficking of fentanyl has caused an epidemic that claims approximately 80,000 lives per year. In other regions, such as the Middle East and North Africa, sub-Saharan Africa, and South Asia, drugs like tramadol have caused similar public health crises with growing addiction rates. No single "business model" exists for synthetic opioid supply chains, and the methods used to launder profits vary depending on the country and drug involved.

According to the report, criminal organizations use various tactics to move their illicit funds across borders, including cash smuggling, couriers, trade-based money laundering, and unauthorized money transfer services. They also use dark web vendor sites to sell their products and may take payment through virtual assets to remain anonymous. Laundering tactics may involve shell and front companies or procuring drugs and equipment with the proceeds. Unfortunately, many

¹⁶ <https://www.fatf-gafi.org/en/publications/methodsandtrends/documents/money-laundering-fentanyl-synthetic-opioids.html>

authorities do not fully understand the global money flows from opioids or how to identify potential procurement of chemicals or laboratory equipment.

To overcome the challenges, the report recommended that jurisdictions adopt the following measures:

Implement more rigorous risk assessment practices to establish stronger legal and regulatory frameworks aimed at combating illicit opioids. Competent authorities should enhance coordination and information sharing to tackle the methods used for laundering illegal proceeds from the emerging drug trade.

It is recommended that prosecutors and law enforcement agencies, who possess considerable knowledge in financial investigations, such as financial intelligence units, customs, anti-money laundering (AML), and counter-terrorism financing (CFT) authorities, receive extra training on the financial aspects of the precursor supply chain. This training should include the ways in which companies, like pharmaceutical and chemical importers, may intentionally or unknowingly supply raw materials to organized criminal groups.

Countries should identify and utilize existing bilateral, regional, and multilateral mechanisms to promote international cooperation in combating synthetic opioid supply chains.

It is important for countries to make sure that the private sector understands the potential dangers of new technologies, such as dark web marketplaces and digital assets, when it comes to money laundering related to drug trafficking. They should also implement measures to prevent criminals from gaining access to their business platforms or products.

4.4 THE 2022 NATIONAL INHERENT RISK ASSESSMENT OF MONEY LAUNDERING IN NIGERIA

The National Inherent Risk Assessment of Money Laundering report on the illegal trade of drugs in Nigeria is of great concern. It has been discovered that Nigerian drug cartels are highly skilled in dealing and trafficking hard drugs. In past years, there have been instances of methamphetamine being produced in secret labs in various parts of the country. The National Drug Law Enforcement Agency (NDLEA) is responsible for eliminating the production, distribution, and trafficking of hard drugs in Nigeria. According to NDLEA experts, Nigeria is no longer just a transit country for drugs but is also becoming a consumer. The report indicates that various drug syndicates operate with high levels of sophistication and sometimes independently.

However, there has been a significant increase in intelligence shared on the illegal trade of drugs, from 11 in 2019 to 61 in 2021. The report highlights that large amounts of cash have been seized, especially at entry and exit points. With the Central Bank of Nigeria's digital revolution, most

transactions are carried out through financial institutions and products. As a result, remittance systems such as Western Union can be used for money laundering without their knowledge. Family and friends are often the first people to be investigated in money laundering cases. The report also highlights the involvement of legal entities, such as financial institutions, law firms, Bureau de Change, property developers, and accounting firms, in these activities. Despite the significant slowdown in law enforcement activities due to the global coronavirus pandemic, over **\$3 million** worth of drugs were seized during the review period. The illegal trade of drugs is a severe problem that requires more stringent measures to be taken to combat it.

4.5 DRUG TRAFFICKING IN NIGERIA: ITS CAUSES AND EFFECTS ON THE CITIZENS (2022): NIGERIA AND DRUG CARTEL LINKS CLOSE TO THE SUMMIT OF POWER¹⁷

The study was conducted to investigate the role of Nigerian drug-trafficking organizations in the global drug trade, particularly their pioneering role in the participation of West African states. Nigeria gained the reputation of a "narco regime" during the military era due to its association with drug trafficking activities. The research approach used was a desk review, which involved analyzing reports and evaluations obtained from secondary data sources through content analysis. One of the study's significant findings was the identification of new trends adopted by Nigerian drug trafficking criminal groups, including the production and distribution of methamphetamine. The study also highlighted the utilization of Europeans with clean records as trafficking mules for narcotic drugs.

However, the study concluded that the Nigerian state had not been taken over by drug barons, attributing this to Nigeria's extractive economy primarily driven by its vast oil resources. The financial gains from the oil industry far surpass those from drug trafficking, making it less appealing for drug cartels to control the state apparatus.

The study's recommendations stress the need for comprehensive and localized approaches, institutional strengthening, and effective prosecution to combat drug-related crimes. Adopting a bottom-up approach for counter-narcotic policies was emphasized, which entails addressing the root causes and involving local communities in prevention and rehabilitation efforts. Furthermore, the study advocated strengthening relevant institutions responsible for monitoring illicit financial flows and money laundering activities linked to the drug trade. By doing so, authorities can enhance their capacity to detect and prevent drug money laundering.

¹⁷ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3481710

4.6 TRENDS IN ILLICIT DRUG TRAFFICKING IN NIGERIA HIGHLIGHTING THE IMPERATIVE OF RAISING THE RED FLAG (2019)¹⁸

The paper adopted strain theory which explains that individuals' failure to meet society's artistic goals can lead them into criminal behavior, such as drug trafficking, to achieve their goals. The report argues that all must have favorable conditions and equal opportunities to address this issue. The report also acknowledges that illicit drug trafficking in Nigeria dates back to World War 2 and that cannabis is the most widely patronized illegal drug produced in Nigeria.

According to the report, cocaine is brought into Nigeria from Latin American countries, while heroin and synthetic psychotropic substances are brought in from Asia. Cannabis is cultivated illegally in different parts of the country. The paper also discusses the entry and exit routes for drug traffickers in Nigeria.

The National Drug Law Enforcement Agency reported a substantial increase in individuals arrested for drug trafficking-related offenses. The paper recommends strengthening laws, promoting good governance, and fostering political will to combat drug trafficking. It also emphasizes the need for enhanced intelligence capabilities and cooperation among law enforcement agencies. A concerted effort involving various stakeholders is necessary to achieve a drug-free society in Nigeria.

4.7 THE UNODC 2018 SURVEY ON DRUG USE IN NIGERIA¹⁹

The United Nations Office on Drugs and Crime (UNODC) conducted a comprehensive study on drug use in Nigeria to provide information for developing evidence-based prevention, treatment, and care services. The study revealed a significant prevalence of drug use in the country, with cannabis, non-medical prescription opioids (tramadol, codeine, or morphine), and cough syrups containing codeine or dextromethorphan being the most commonly used drugs. *"The report estimates that 14.3 million people aged 15-64 used drugs in 2017, 14.4% of the population. Drug use in Nigeria is high compared to the global average, with men having higher rates of drug use than women. Drug use is most common among those aged 25-39, and prevalence is lowest among those under 24."*

The UNODC report identified gaps in accessing treatment and cares for people with drug use disorders, with two-thirds of high-risk drug users expressing the need for treatment but facing barriers such as cost, stigma, and limited availability of services. Drug use has adverse health

¹⁸https://www.researchgate.net/publication/335426130_Trends_in_Illicit_Drug_Trafficking_in_Nigeria_Highlighting_the_Imperative_of_Raising_the_Red_Flag

¹⁹ https://www.unodc.org/documents/data-and-analysis/statistics/Drugs/Drug_Use_Survey_Nigeria_2019_BOOK.pdf

consequences, including chronic conditions and poorer health status. Access to services to mitigate these consequences is limited, with low rates of HIV testing, counseling, and referral to antiretroviral therapy among high-risk drug users. Arrests for drug-related offenses, particularly drug possession, are common among high-risk drug users. The social consequences of drug use are also apparent, adversely affecting families, workplaces, and communities.

4.8 DRUG TRAFFICKING AND THE THREAT TO NIGERIA'S NATIONAL SECURITY (2016)²⁰

This review examines the relationship between drug trafficking, organized crime, and national security, highlighting the multi-dimensional implications of this issue. It emphasizes the importance of considering political, military, economic, social, and environmental factors when analyzing national security as security concerns evolve. Scholars suggest a holistic approach that considers economic, social, and ecological facets and political and military dimensions to address national security concerns. The review focuses on the connection between drug trafficking and national security in Nigeria and the Gulf of Guinea region. Drug trafficking poses a significant threat to Nigeria's national security, affecting law and order in certain areas and overlapping with other security challenges. Nigeria must collaborate with relevant states and establish international partnerships to counter drug trafficking. A comprehensive approach that combines law enforcement efforts, social interventions, and international cooperation is essential to effectively address this complex issue and safeguard Nigeria's security and development.

4.9 ILLICIT DRUG TRAFFICKING IN NIGERIA: OBSTACLE TO NATIONAL DEVELOPMENT AND SECURITY

The report highlights drug trafficking as a global phenomenon. A 2012 report by the International Narcotics Control Board (INCB), submits that Nigeria tops the list with the highest trafficking and drug use in West Africa. The report further indicates that in the last 15 years, West Africa became the new transit hub for cocaine coming from Latin America destined for Europe with Nigeria's commercial capital Lagos, emerging as the most active centre for air trafficking of cocaine. The report indicates that close to 50% of Africa's drug couriers arrested in Europe in 2011 were citizens of Nigeria. Nigeria however, topped the list of major transit routes of heroin destined for

²⁰ <http://cscanada.net/index.php/css/article/view/8974>

Europe. Nigeria is reported to have featured prominently among West African states that produce and export cannabis to countries in Europe.²¹

The report also identified the following channels of drug trafficking in Nigeria:

Smuggling through Porous Borders: Drugs are smuggled into the country through the various porous borders. Nigeria is bedeviled with porous borders as it shares common borders with Benin, Cameroon, Chad, and Niger that are known as countries that transit illegal drugs into the country. Illicit drugs are usually smuggled across the nation's land, air and sea ports. However, various types of drugs in heavy kilograms and grammes; cannabis, heroin, cocaine, methamphetamine and others are smuggled in and out of the country and they are sealed in ceramics, hair extensions, bags, sewing threads, basket handles and even swallowed by the traffickers.

Internet: Drugs are increasingly advertised and traded online on the dark web or markets. The drugs are booked on internets and later transported in parcels to end-users through the traffickers. These hard drugs are also parceled and shipped in and out of the country and at the same time, the drug barons "settle" some of the security agents that could serve as impediments to their business. Drugs are parceled in cartons, bags, food flasks and others.

Air Route: Illicit drugs are transported to the country through air routes. Those smuggled by air are usually wrapped in protective film and swallowed, to be excreted at the destination of the traffickers or are tucked away in the smugglers' luggage or inserted into their vagina or anus. That is why the former Chairman of National Drug Law Enforcement Agency, Alhaji Ahmad Giade, years back, ordered a close monitoring of passengers and goods on the Nigeria-Brazil route in the year 2015. The directive was given as operatives of the Agency apprehended four (4) suspected drug traffickers at the Murtala Muhammed International Airport, Lagos over illegal importation of 3.455kg of cocaine. The suspected drug traffickers were caught with the substance while returning from Brazil. Generally, Nigerian trafficking syndicates based in Brazil and other places in South America remain quite active in cocaine trafficking with these groups importing cocaine through containerized consignments and maritime shipping, air couriership and postal shipments.

²¹ Nwannennaya C and Abiodun TF, "Illicit Drug Trafficking in Nigeria: Obstacle to National Development and Security" Volume 5, Issue 1 (2017) page 2 <https://www.longdom.org/open-access/illicit-drug-trafficking-in-nigeria-obstacle-to-national-development-andsecurity-2332-0761-1000230.pdf> assessed on 22nd June 2023

CHAPTER 5 ANALYSIS OF QUESTIONNAIRE RESPONSES

This chapter presents a comprehensive analysis of questionnaire responses received from investigative authorities, border control agencies and reporting entities regarding the issues of illicit drug trafficking and money laundering in Nigeria. The questionnaires were designed to gather valuable insights and firsthand information from key stakeholders involved in combatting these criminal activities. The responses provide a unique perspective on the challenges, trends, and potential strategies that can be employed to address these issues effectively. This chapter aims to distil the findings from the questionnaire responses and present them in a coherent and informative manner.

5.1 THE NATIONAL DRUG LAW ENFORCEMENT AGENCY (NDLEA)

A respondent from NDLEA shared his knowledge of ML and IDT-related cases. He mentioned several common trends associated with IDT, including trade-based money laundering, currency smuggling, and the use of front/shell companies. The most vulnerable sectors, including financial institutions, hospitality, real estate, and automotive industries, were also identified. The respondent also shared strategies employed to detect and interdict drug trafficking activities, such as intelligence gathering, interdiction activities, and prosecution of offenders. Red flags and indicators of drug trafficking were also discussed, such as structural transfers, frequent travels overseas, and unexplained wealth with a low-income business.

The respondent highlighted emerging trends and technologies in ML techniques associated with illicit drug trafficking, including digital currency, POS banking agencies, e-banking, and pre-paid value cards. They also discussed the supply chain, which includes production, supply, trafficking, and demand reduction, explicitly focusing on drug barons. The agency collaborates with law enforcement agencies within and outside the country, financial institutions, and other relevant agencies. The agency provides specialized training for officers and conducts monthly ML training for selected officers on the emerging trends, patterns, and typologies of ML from IDT.

The agency faces several challenges, including insufficient resources, lack of comprehensive data, and difficulty securing asset forfeiture. The respondent recommended capacity-building training, enhancing inter-agency collaborations and international cooperation, and enacting stiffer laws in drug trafficking and terrorism financing, among others.

5.2 NIGERIA CUSTOMS SERVICE (NCS)

Of the 11 respondents who completed the questionnaire, 3 were highly familiar with IDT, 4 were familiar, 3 were somewhat familiar, and 1 was unfamiliar. Regarding encountering cases of IDT, 6 respondents occasionally encountered it, 4 said they rarely encountered it, and 1 said they had never encountered it.

Concerning IDT trends and patterns, most respondents reported various concealment methods, such as drug mules, false declarations, and unaccompanied passenger baggage.

Regarding collaboration with domestic and international stakeholders, 73% of respondents reported extensive collaboration, while 27% reported some collaboration.

For the nature of collaboration, jurisdictions involved, and challenges, 10 respondents mentioned good synergy with NDLEA, DSS, intelligence sharing between relevant agencies, and joint examination of cargo, baggage, and intelligence sharing at border stations, seaports, and airports. One respondent mentioned bad terrain as a significant challenge in the investigation.

In respect of suspicious behavior, 2 respondents did not mention any particular behavior, while the remaining 8 reported observed passengers' comportment, travel history, details on the route of their present trip, nervousness, mode of dressing, and unusual luggage packaging.

On drug trafficking investigations and interdiction training, 10 respondents reported lack of training, while one reported training in risk management and passenger selection.

According to the response, 70% of the respondents believe Nigeria's legal framework is highly effective, 20% believe it is somewhat effective, and 10% believe it is ineffective due to delays in the justice system. The respondents needed to determine if the agency had dedicated resources to combat IDT.

Also, from the 11 respondents, 9 mentioned challenges such as a lack of proper equipment to detect illicit drugs, rugged terrain that hinders investigations, insufficient financial investigations, and delays in convicting and punishing offenders.

The respondents suggested solutions such as improved financial investigations, the provision of e-scanners to detect illicit drugs, regular training, and increased collaboration domestically and internationally.

5.3 THE NATIONAL AGENCY FOR FOOD AND DRUG ADMINISTRATION AND CONTROL (NAFDAC)

Two respondents from NAFDAC shared their insights on money laundering trends associated with illicit trafficking in drugs. One respondent was very familiar with the concept of ML and had encountered such cases frequently, while the other was only familiar with such cases but rarely encountered them.

According to the respondents, cartels, middlemen, and couriers with local knowledge transport drugs across borders, often mixing them with other products to evade screening. Vulnerable groups are typically youths in the southern part of the country who abuse the banking sector.

To detect IDT, the respondents suggested deploying scan machines, infrared, and experienced personnel at the point of entry and interagency collaboration with NDLEA, Police, and DSS. Major red flags include conducting significant transactions in cash and using false documentation.

One respondent reported no cooperation with other law enforcement agencies, while the other reported extensive engagement through referrals and support. All respondents said the agency lacked dedicated resources for investigating money laundering cases related to the illicit trafficking of drugs.

Regarding the effectiveness of Nigeria's legal framework in combating IDF, one respondent found it effective, while the other did not. Their challenges include a lack of mandate to investigate the proceeds of IDT and insufficient financial support to conduct their operations. They recommended collaboration and synergy between law enforcement officers, more vital legislation and enforcement, capacity building of law enforcement officers, and provision of more equipment and training to prevent and deter money laundering through illicit trafficking in drugs.

5.4 NIGERIA IMMIGRATION SERVICE (NIS)

1 response was received from the NIS. The respondent is knowledgeable about ML and has encountered IDT in their work. He reports that drug trafficking patterns and methods often involve illegal routes through border towns, primarily using car or road transportation from Sokoto Ilela border town to Birnin Konni in Niger Republic. An emerging trend involves concealing drugs in crayfish bags to mask the odor, particularly cannabis certiva.

To detect and prevent drug trafficking, the respondent explains that they stop and search vehicles at checkpoints and rely on trustworthy informants. He also notes that drug traffickers typically don't transport their consignments in the exact vehicle as themselves, instead using bikes.

Regarding collaboration, the respondent states that his agency work extensively with other national and international law enforcement agencies, intelligence agencies, and intergovernmental organizations to combat illicit drug trafficking. Joint patrols with neighboring countries' security agents occur at borders, but communication gaps can hinder their activities.

The agency doesn't have dedicated resources for combating drug trafficking or provide specialized training to officers on investigations and interdiction. The respondent finds the Nigerian legal framework to combat IDT ineffective due to delays in dispensing justice.

Their primary challenge is the lack of training in modern methods for detecting and apprehending traffickers of illicit drugs.

5.5 CAPITAL MARKET OPERATORS (CMOs)

A total of 48 respondents completed the questionnaire, with 94% belonging to the compliance department. When asked about prevalent money laundering trends, 72% of respondents did not know such trends related to illicit trafficking in drugs and psychotropic substances. 20% identified investment in stocks, and 8% identified using Trusts, multiple accounts, and shell companies as prevalent trends. Regarding observed patterns linked to money laundering activities, 85% did not know, while 15% identified high usage of cash, increased transaction patterns, use of third parties, and sale of shares shortly after purchase.

Regarding emerging trends, 78% of respondents did not know, while 22% identified crowdfunding, the use of real estate, and bitcoins as emerging trends. Regarding prevention and detection, 82% confirmed the presence of prevention measures such as KYC/EDD, with 54% identifying it as the most common measure. 28% identified other measures such as detection software, report rendition, training, and robust policies, while 18% did not respond.

The Respondents provided similar answers regarding the products and services used to assess the risk of money laundering linked to illicit drug trafficking, with one respondent mentioning a whistle-blowing platform. Regarding legal and regulatory reporting requirements, 52% confirmed filing reports to the NFIU, 20% to the SEC, and 5% to the EFCC. 10% claimed no knowledge of report rendition, while 26% had never filed reports to the NFIU, 17% rarely filed reports, and 57% filed reports frequently.

The most common information included in STR was the client's bio-data, according to 48% of respondents, with 52% including the account statement, BVN, and transaction amount. When asked about high-risk jurisdictions, 86% did not identify any, while 12% referred to the NCCT and other sanctions lists. Only 2% identified Latin America and the southwest and northwest parts of the country as high-risk areas.

When asked about training for recognizing and reporting IDT activities, 80% confirmed they had undergone training, while 20% had not. 39.5% had training every quarter, 14% twice a year, and 19% once a year, while less than 10% held training as needed.

85% of respondents confirmed that employees were encouraged to report suspicious transactions, but 15% indicated that this practice did not apply to their organizations. 65% admitted to collaborating with LEAs, mainly the NFIU and SEC. Regarding information sharing with organizations focused on combating ML, 73% confirmed participation, with only four respondents mentioning the NFIU and SEC.

Regarding challenges faced in ML prevention, detection, and reporting of transactions associated with illicit trafficking in drugs and psychotropic substances, only 7% of respondents identified a

lack of technology and skilled personnel as a significant challenge, while 13% mentioned a lack of information sharing and a central national database for offenders and convicts. Network failure of the reporting portal was identified as a challenge by 9% of respondents, while the remaining 91% had no difficulties with reporting.

5.6 PAYMENT SERVICE PROVIDERS (PSPs)

1 response was received from a PSP compliance department. The respondent neither responded to observed patterns of IDT nor emerging or evolving trends associated to ML through IDT.

In regards to measures put in place to detect ML activities related to IDT & STS, the respondent indicated sanctions screening, transaction monitoring and reporting. The respondent indicated risk mitigants are introduced on the features of the products and services to curb such possibilities.

On the legal and regulatory requirements for reporting suspected cases of ML through IDT, the respondent mentioned that his entity is compliant with the MLPPA and CBN AML/CFT/CPF Regulations 2022 on customers account statement, CDD and account opening documents although they have reported suspicious transaction activities to the NFIU and didn't provide any information of identified jurisdictions associated with ML through IDT.

The respondent confirmed trainings are developed, approved by the board and communicated to CBN and NFIU respectively. Staff trainings are conducted once a year with AML/CFT trainings being compulsory.

The respondent confirmed employees are encouraged to report suspicious activities via email to the compliance team. This is reviewed and approval of the CEO is obtained to have such transaction or activities filed as STR/SAR.

The respondent indicated there is an existing relationship and communication channel between them and the regulators, supervisory bodies and the law enforcement agencies. On participation in information sharing with networks or organizations specifically focused on combating money laundering through IDT the respondent confirmed positive.

No challenge is faced in the prevention of money laundering transactions associated with IDT nor in reporting money laundering transactions associated with IDT.

CHAPTER 6: MONEY LAUNDERING TYPOLOGIES AND CASE STUDIES OF ILLICIT TRAFFICKING IN NARCOTIC DRUGS AND PSYCHOTROPIC SUBSTANCES IN NIGERIA

This chapter delves into the intricate world of money laundering typologies associated with illicit trafficking in narcotic drugs and psychotropic substances. Money laundering plays a critical role in facilitating and concealing the proceeds generated from these illicit activities, posing a significant challenge for law enforcement agencies and financial institutions. To shed light on the diverse methods employed by criminals, this chapter presents a series of case studies classified according to unique typologies. The unique indicators, techniques and methods used in each case are also stated. By examining these real-world examples, we aim to enhance understanding, identify patterns, and provide insights into effective countermeasures against money laundering linked to drug trafficking.

6.1 TYPOLOGY₁: LAUNDERING THE PROCEEDS OF ILLICIT TRAFFICKING IN DRUGS THROUGH THE REAL ESTATE SECTOR

CASE STUDY 1 – USE OF REAL ESTATE AND BANK ACCOUNTS IN LAUNDERING OF FUNDS FROM DRUG TRAFFICKING

In 2022, **NDLEA** declared an officer of a sister Agency wanted for his alleged involvement in drug trafficking and tampering with drug exhibits (cocaine) weighing 25kgs. He was subsequently transferred to **NDLEA** by the authority of the sister Agency. Investigation revealed previous dealings in hard drugs. The investigation linked 32 bank accounts and 13 properties to the suspect. The bank accounts have been frozen while the properties have been seized. He is currently being prosecuted along with four others at the Federal High Court.

Indicators/techniques/methods

- Use of Banking instruments – Multiple bank accounts.
- Purchase of Real Estate.

Jurisdiction(s) Involved

Nigeria

CASE STUDY 2 – USE OF REAL ESTATE IN LAUNDERING PROCEEDS OF DRUG TRAFFICKING

Mr. AB was caught and arrested with 10kgs of cocaine which he imported into Nigeria from Brazil. During interrogation, he confessed that one **Mr. AI** (the Baron) was the owner of the drugs and was the person that sponsored his trip. **Mr. AI** was subsequently arrested after about one and half years of surveillance. In the course of the surveillance, investigations carried out

prior to his arrest revealed that 13 properties in different locations within Lagos were traced to him. The investigation revealed the properties were proceeds from his illicit drug business. He was charged to court and convicted.

Indicators/techniques/methods

- Purchase of Landed Properties.
- Use of Drug mules
- Possession of Cocaine

Jurisdiction(s) Involved

Brazil/Nigeria

CASE STUDY 3 – PURCHASE OF REAL ESTATE IN DRUG TRAFFICKING OPERATION

The **NDLEA** investigated a case which involved a drug baron commonly referred to as **Mr. HPS** whom was arrested in Lagos, Nigeria. **Mr. HPS** owns a lot of landed properties, despite not having any legitimate means of income. It was also discovered that he used real estate agents to acquire the properties which are listed in the names of members of his family.

As part of the investigative process, it was also discovered that he used cash for the settlement of the purchase prices.

Indicators/techniques/methods

- Use of cash
- Use of Real Estate Agents
- Use of Family Members

Jurisdictions Involved

Nigeria

CASE STUDY 4 – USE OF DRUG MULE OF DRUG TRAFFICKING OPERATION

Madam R.A was arrested at the Nnamdi Azikiwe International Airport, Abuja on suspicion of having ingested some wraps of narcotic substances. Enquiry on where she got the drugs from revealed that she was sponsored by **Chief XY**, a notorious and volatile drug baron who is in control of illicit drug trade in Lagos. **Chief XY** was traced and arrested.

Investigation further revealed that **Chief XY** had several landed properties in Lagos and several bank accounts. He acquired some of the properties in the name of some individuals to cover up his drug and money laundering activities.

He was prosecuted and convicted by the Federal High Court, Lagos.
Indicators/techniques/methods <ul style="list-style-type: none"> • Use of Banking Products – Multiple bank accounts • Investment in real estate- landed properties • Use of other individuals as a front. • Ingestion of hard drugs (Concealment) Jurisdiction(s) Involved Abuja, Nigeria

6.2 TYPOLOGY 2: USE OF AUTO DEALERSHIP

CASE STUDY 5 – CROSS-BORDER MOVEMENT OF CASH USING USED CARS AND INVESTMENT IN REAL ESTATE
<p>The NDLEA investigated a case involving Mr. G.O who is a drug baron that successfully traffics cocaine from Latin America to Nigeria. He uses various couriers to further send the illicit drugs to the United Kingdom and the proceeds in cash are concealed in used trucks and shipped back to Nigeria. Further investigation conducted by the agency revealed that Mr. B, a Bureau De-Change (BDC) operator exchanges the foreign currencies that are concealed in the used trucks to local currency. Mr. B does this on the condition that some Manager's Cheques made in various names be raised from his account. Mr. G.O then approaches Mr. C a property lawyer for the purchase of properties, and the manager's cheques from Mr. B's account were used to settle the purchase price.</p> <p>As part of the investigative process, it was discovered that Mr. B received over a million pounds in cash from Mr. G.O.</p> <p>He was tried and convicted by the Federal High Court.</p>
Indicators/techniques/methods <ul style="list-style-type: none"> • Cross-border cash movement of proceeds from illicit drug trade, concealed in used vehicles • Use of Bank Instrument (Managers Cheque) • Use of Professional (Property Lawyer) • Use of Currency Exchange (BDC)

Jurisdictions Involved

Latin America, Nigeria, United Kingdom

CASE STUDY 6 – LAUNDERING THE PROCEEDS OF ILLEGAL DRUGS THROUGH A CAR DEALERSHIP AND INVESTMENT IN INFORMATION TECHNOLOGY BUSINESS

The NDLEA investigated a case which involved a Nigerian drug cartel that traffics illegal drugs into the United States and sells them for cash. The drug cartel arranges to exchange the US dollars to Naira at a discounted rate to an Auto Dealer (residing in the US) for the currency to be collected in Nigeria (Naira).

As part of the investigative process, it was discovered that the Auto Dealer pays the drug cartel with Naira from his bank account in Nigeria (this eliminates the drug cartel from any further involvement in the arrangement). The drug cartel had already arranged for the purchase of a stake in reputable information technology firm in Nigeria and the deployment of many internet's broadband services in Nigeria. The money from the auto dealer's Nigerian bank account was used to pay the information technology firm. The auto dealer does not need to take the money into any financial institution in the United States. In fact, he usually uses the cash to purchase expensive used vehicles and other expensive beverages and ship them to Nigeria. A clearing company clears the vehicles and the beverages which are then sold in a car shop in Nigeria. The proceeds are then deposited into the auto dealer's account here in Nigeria.

Indicators/techniques/methods

- Use of cash
- Unlicensed currency exchange
- Purchase and importation of used vehicles
- Importation of expensive beverages
- Investment in IT Firm
- Abuse of the importation of used vehicles to Nigeria.
- Lack of regulation in the sales of used imported vehicles.

Jurisdictions Involved

United States/Nigeria

CASE STUDY 7– PURCHASE OF EXOTIC CARS, AND OTHER COMMERCIAL VEHICLES FROM PROCEEDS OF ILLICIT DRUG TRAFFICKING

Alhaji DTS was a notorious drug baron residing in the North East region of Nigeria. He was arrested in Yola Adamawa State while personally conveying some bags of Cannabis Sativa inside the booth of his car. Investigations conducted on his assets traced some exotic cars and landed properties to him. He also acquired some vehicles which were being used for commercial transportation, all from the proceeds of illicit drug business.

He was charged to court and convicted while his properties were forfeited to the Federal Government.

Indicators/techniques/methods

- Purchase of vehicles for commercial transport.
- Purchase of Exotic Cars
- Purchase of real estate.

Jurisdiction(s) Involved

Yola, Adamawa

CASE STUDY 8 – USE OF THE PROCEEDS OF DRUGS TO PURCHASE VEHICLES

Mr. AB was arrested in Jos with some quantity of Cocaine and Tramadol. Property linked to him include vehicles; 1 Toyota Sienna and 1 Toyota Camry. Further to this, the amount of **₦277,000.00** (Two hundred and seventy-seven thousand naira) was found in his possession. Upon further investigation, it was proven that the funds were proceeds from illicit drug business.

He was charged for drug trafficking and found guilty by the Federal High Court in Jos. The property was confiscated and forfeited to the Federal Republic of Nigeria.

Indicators/techniques/methods

- Purchase of Vehicles
- Use of Cash

Jurisdiction(s) Involved

Jos, Nigeria

6.3 TYPOLOGY 3: USE OF THE CAPITAL MARKET SECTOR

CASE STUDY 9 – PURCHASE OF STOCKS WITH PROCEEDS FROM ILLICIT DRUG TRADE

NDLEA received intelligence about the illicit drug trafficking activities of **Mr. XL**. He was arrested at his residence in Lagos after some days of surveillance with some quantity of Cocaine and Heroin.

As part of the investigative process, some documents relating to money laundering activities were discovered during the search of his room. Some of those documents revealed large volumes of investment in shares/stocks and the dividends paid to him in respect of those investments. Some evidences of regular wire transfers and structural deposits made by **Mr. XL** were discovered.

He was tried and convicted by the Federal High Court.

Indicators/techniques/methods

- Wire transfers and structured deposits
- Purchase of shares/stocks

Jurisdiction(s) Involved

Lagos, Nigeria

CASE STUDY 10 – USE OF FICTITIOUS TRANSACTIONS AND COMPROMISED STAFF OF FINANCIAL INSTITUTIONS TO LAUNDER THE PROCEEDS OF ILLICIT DRUG TRAFFICKING IN THE CAPITAL MARKET

The NDLEA investigated a case which involved a drug baron **Mr. O.I.** He was arrested for unlawful possession of narcotic drug and his assets investigated revealed that he used fictitious oil deals to provide legitimacy for the laundered proceeds.

As part of the investigative process, it was also discovered that he bribed officials of a bank and a stock broking firm to acquire over **30 million units of shares** using underaged nominees. It was also discovered that fictitious oil deals with reputable companies was used to obtain loans and subsequently the funds were diverted and used for the purchase of real estate.

Indicators/techniques/methods

- Use of compromised staff of financial institution to avoid KYC/due diligence
- Obtaining bank loans with fictitious oil deals to layer proceeds from illicit drugs trade
- Purchase of stocks with proceeds of crime using underaged nominees

- Purchase of real estate

Jurisdiction Involved

Nigeria

CASE STUDY 11 – LAUNDERING THE PROCEEDS FROM SALE OF PSYCHOTROPIC SUBSTANCE (TRAMADOL) IN STOCK PURCHASE

Following credible intelligence, **NDLEA** operatives stormed a property located at Victoria Garden City, Lekki Lagos on Friday 30th September 2022 belonging to a 52-year-old billionaire drug kingpin. A search of the expansive mansion led to the discovery of 443 cartons of Tramadol Hydrochloride 225mg, which contains thirteen million four hundred and fifty-one thousand four hundred and sixty-six (13, 451, 466) pills of the drug while some cartons were already burnt in a fire incident in the house same day, possibly to dispose of them before they were discovered. The drug kingpin, **Mr. XY** who is the chairman of **XYZ Motors Ltd**, was arrested in one of his six mansions in the same estate which is being used as a drug warehouse. Further investigations revealed that the suspect had previously shipped several containers of Tramadol into Nigeria. Investigation linked the suspect to 126 bank accounts which comprise of 32 personal bank accounts and 94 corporate accounts of which he was the principal signatory. The accounts were held in different currencies (Dollars and British pounds). The subject obtains bank loans to mask the proceeds of drugs. The proceeds from the sale of the substance are used to purchase high value stocks while enjoying the returns on investments as clean money.

The baron is currently standing trial before the Federal High Court while money laundering investigation is on-going.

Indicators/techniques/methods

- Use of loan facilities obtained from financial institutions to legitimize illegal operations
- Use of Banking Products – Multiple Personal/Corporate Accounts
- Purchase of Real Estate
- Use of Car Dealership as front company
- Purchase of high value stocks

Jurisdiction(s) Involved

Lagos, Nigeria

6.4 TYPOLOGY 4: USE OF BANK PRODUCTS

CASE STUDY 12 – USE OF LOAN FACILITY FOR TRADE BASED MONEY LAUNDERING OF PROCEEDS OF ILLICIT DRUG TRAFFICKING

The NDLEA investigated a case which involved **Mr. NNP**; a Nigerian drug baron that connives with a company from Latin America that poses as a paper manufacturing company. Investigation revealed that the company shipped reels of paper to Nigeria and usually conceals cocaine in the shipping containers. The company receives payments for the drug shipment through financial institutions from Nigeria, which is made possible by multiple invoicing of goods by **Mr. NNP**. The payments were made possible based on a credit arrangement entered with three financial institutions by **Mr. NNP**. As part of the investigative process, it was discovered that every of his financing for the paper comes from these facilities.

The baron uses various couriers to traffic the drugs to the UK and the cash proceeds are smuggled back to Nigeria. He uses various Bureau De-Change operators and other customers that buy paper from his company to layer the transactions. He also deposits large sums of cash into the three financial institutions. He normally uses the proceeds for the purchase of dilapidated structures in choice areas. He then demolishes it and builds an expensive structure in its place.

Investigation revealed that the baron has laundered over **£3 million pounds** using this scheme.

Indicators/techniques/methods

- Use of foreign shell companies
- Use of cash couriers from the UK
- Use of loan facilities obtained from financial institutions to legitimize illegal operations
- Use of Bureau De Change operators
- The manipulation of the value of properties

Jurisdictions Involved

Latin America, Nigeria, United Kingdom

CASE STUDY 13 – USE OF BANK LOANS TO FUND THE ILLEGAL IMPORTATION OF PSYCHOTROPIC SUBSTANCE (TRAMADOL) AND LAUNDERING THE PROCEEDS IN HIGH VALUE ASSETS AND LIQUIDATING THE LOAN

The **NDLEA** received a transferred case from the Intelligence Response Team of a sister agency **NMZ** involving two suspects, **Mr. AB** and **Mr. CD** whom were apprehended with cartons of Tramadol. However, the **NDLEA** discovered that the case file revealed the actual quantity of the tramadol seized to be 200 cartons as against 3 cartons physically provided by the sister agency. Further investigation conducted by the **NDLEA** uncovered the main baron behind the importation of the substance to be **Mr. EF**. It was also discovered that the suspect/baron had previously imported several shipping containers full of Tramadol for illegal sale in Nigeria. Examination of the financial activities of **Mr. EF** revealed that he obtains loans from Banks as a cover to fund his business. He then uses the proceeds from drug sales to liquidate the loan thereby injecting the drugs proceeds into the financial system.

A combination of different investigation techniques was deployed by the **NDLEA** in the course of the investigation including the use of phone tracking. **Mr. EF** was linked to 120 separate bank accounts (i.e., 17 personal bank accounts, 55 corporate bank accounts of which he was the principal signatory and 48 corporate bank accounts where other individuals were co-signatories). These accounts were held in different currencies (Dollars and British Pounds Sterling). Apart from the use of loans, the baron also used real estate and luxury vehicles to conceal funds realised. The baron was found to be linked to 25 different properties in Nigeria and 47 other valuable assets valued at over **₦26,000,000,000.00** (Twenty-six billion naira). These assets included exotics vehicles which were seized from him. Added to the above, the total of **₦450,000,000** (Four hundred and fifty million naira) was frozen in various linked accounts.

The suspects are currently standing trial before the Federal High Court.

In a separate case, the officers of the sister agency involved in the arrest and transfer of suspects **AB** and **CD** are currently standing trial on a charge of tampering with exhibits.

Indicators/techniques/methods

- Use of loan facilities obtained from financial institutions to legitimize illegal operations
- Use of Banking Products – Multiple Personal/Corporate Accounts
- Purchase of Real Estate

- Purchase of Luxury Vehicles

Jurisdictions Involved

- Overseas, Nigeria

CASE STUDY 14 – USE OF MULE’S BANK ACCOUNT TO LAUNDERING THE PROCEEDS OF ILLICIT DRUGS

The NFIU received a request for information from a sister agency on a young Nigerian lady **Ms. LGZ** who was arrested at Murtala Mohammed International Airport Lagos, Nigeria for attempting to smuggle 26.840Kilograms of cocaine from Sao Paulo, Brazil. Upon arrival in Nigeria the lady’s bags were searched and the illegal substance (cocaine) was found. In the course of interrogation, **Ms. LGZ** identified herself as a hair-stylist operating in Brazil. She confessed to the fact that she was given the drugs to smuggle into the Country for **N2,000,000.00** (Two million Naira only). She was reluctant to identify names of the people that gave her the drugs, but she mentioned that the drugs were to be handed over to another individual. The street value of the drugs was estimated at **N21,000,000,000.00**(Twenty-One billion Naira).

Analysis of her bank accounts showed she received large sums of money from different entities and individuals. Considering the profession she professes to be engaged in, the funds do not appear to be from legitimate sources. For some of the transactions, the individuals initiating the transfers could not be identified. It is suspected that the funds are proceeds of drug trafficking and her accounts are being used as conduit for funds realised from sale of illegal drugs.

Indicators/techniques/methods

- Use of Banking Products – Personal Account
- Multiple inflows from unrelated persons and entities

Jurisdiction(s) Involved

Brazil, Nigeria

CASE STUDY 15 – LAUNDERING THE PROCEEDS OF SALE OF PSYCHOTROPIC SUBSTANCES USING AGENCY BANKING

On 3rd February, 2023 the NFIU received a request for information from the NDLEA on subject **Mr. XCV** whom was being investigated for drug related money laundering. The subject was being investigated in connection with a seizure of large quantities of psychotropic substances in a state in Northern Nigeria.

Analysis carried out by the NFIU revealed that the subject who resides in the Federal Capital Territory maintains four (4) accounts in different banks. Within the period of 8th January 2019 and 1st March 2023, one of his accounts received inflows totaling **₦1,101,477,960.16** (one billion, one hundred and one million, four hundred and seventy-seven thousand, nine hundred-and sixty-naira, sixteen kobo only). From the total inflows, well over **₦400,000,000.00** (four hundred million naira only) were narrated as point of sale (POS) inflows while others were cash deposits; mostly by different individuals. Total outflows from this account within the same period amounted to **₦1,028,378,234.56** (one billion, twenty-eight million, three hundred and seventy-eight thousand, two hundred- and thirty-four-naira, fifty-six kobo only). From the total outflows, over **₦281,713,720.00** (two hundred and eighty-one million, seven hundred and thirteen thousand, seven hundred and twenty naira only) was paid to the accounts of different pharmacies, while other outflows were made to individual and entity accounts.

Similar transaction dynamics was also found in subject's second bank account.

The intelligence was disseminated to the NDLEA for further investigation.

Indicators/techniques/methods

- Deposits from multiple POS operators
- Multiple cash deposits by different persons.
- Huge payment from the account of an individual to accounts of pharmacies.

Jurisdiction(s) Involved

Nigeria

6.5 OTHER EMERGING TYPOLOGIES IN LAUNDERING PROCEEDS FROM ILLICIT DRUGS TRAFFICKING

CASE STUDY 16 – LAUNDERING THE PROCEEDS OF HEROINE USING INTERNATIONAL MONEY TRANSFER

Following a suspicious transaction report (STR) filed by a financial institution in the Republic of Mauritius to their FIU on **Mr. BFP** a 28-year-old Nigerian living in that country, a request was made 1st June 2020 to the NFIU for information. The STR was based on an open-source report on the alleged arrest of **Mr. BFP** by the Anti-Drug and Smuggling Unit (ADSU) for being in possession of 95 grammes of heroin worth **Rs 1.4 million**, concealed in a box of juice. Upon his arrest, he disclosed that another Nigerian man handed him the parcel in question. Other items in his possession were two laptops, two money transfer receipts from a currency exchange office in the name of another Nigerian residing in that country for the sum of **Rs 50,000**. **Mr. BFP** had allegedly arrived the country on May 13, 2019 as a tourist and never left.

An initial review of the subject's transaction by the FIU in Mauritius revealed that between 27th May 2019 and 29th January 2020 he made six (6) international money transfers totaling **Rs 65,150** to four (4) persons in Nigeria; three (3) of which bear the same surname as his and one other person that has an unrelated name.

Analysis carried out by the NFIU revealed that the recipient of funds with an unrelated name, **Mr. ZPQ** was profiled to be a Point-Of-Sale Operator who operates multiple bank accounts and receives significant inflows to his accounts from different persons. Most of the funds is withdrawn in cash. Transaction dynamics show that subject makes transfers between his accounts.

Indicators/techniques/methods

- Money Transfer from high-risk jurisdictions
- Use of Point-Of-Sale terminals
- Multiple cash withdrawals

Jurisdiction(s)Involved

Nigeria, Republic of Mauritius

CASE STUDY 17 – LAUNDER PROCEEDS OF DRUG TRAFFICKING IN JEWELLERY AND CLOTHING BUSINESS

The NDLEA arrested **Mr. AB** at Murtala Muhammed International Airport, Ikeja while trying to export some quantity of cocaine he ingested to London. On interrogation, **Mr. AB** disclosed **Madam T.I** as the owner of the drug found on him. **Madam T.I** was subsequently found and arrested. In the course of investigation, it was discovered that she had been into drug business for several years. She is linked to many shops in Balogun market and other places in Lagos where she deals in expensive jewelry and clothing materials, among others. It was also discovered that she invested some proceeds of her illicit drug business with Bureau De Change operators as a way of legitimising the funds. Some landed properties and supermarkets were equally traced to her.

She was successfully prosecuted and jailed by the court.

Indicators/techniques/methods

- Investment in jewelry and clothing business
- Investment in cash intensive business such as supermarkets
- Use of Bureau De Change Operators
- Purchase of Real Estate
- Use of BDC Operators

Jurisdiction(s) Involved

Nigeria, United Kingdom

6.6 ILLICIT DRUGS TRAFFICKING RELATED SUSPICIOUS TRANSACTION REPORTS FILED BY BANKS TO THE NFIU

CASE EXAMPLE 1: CUSTOMER TYPE (LEGAL PERSON)

Bank B filed a report regarding a potentially suspicious transaction by customer ABCD Limited. According to the report, the account was opened on January 16th, 2015, and primarily deals with automobiles. A review of the account's activity between September 28th, 2015, and January 11th, 2023, revealed a credit turnover of NGN27,037,156.04 and a debit turnover of NGN26,302,050.00. The account has two signatories, Mr. JD, and Mr. PD, who are also directors

alongside Mrs. JD. The account was recently reactivated on January 10th, 2023, at one of the bank's branches, and a sum of ₦50,000:00 was deposited on the same day.

According to the bank, Mr. JD, one of the signatories on the account, has been identified by the National Drug Law Enforcement Agency (NDLEA) as a drug baron. Open-source intelligence revealed that in September 2022, NDLEA operatives raided his home, where they discovered 443 cartons of Tramadol Hydrochloride 225mg containing 13,451,466 pills worth ₦8.860 billion in street value. Media reports indicate JD was granted bail in the sum of ₦100 million and one surety in like sum on November 25th, 2022. The STR leveraged that JD had been on NDLEA's watchlist before his arrest for his involvement in the tramadol drug cartel in Nigeria.

Given the concerning nature of this customer, the bank is apprehensive about the potential implications of the account reactivation if JD is found guilty. Due to the reestablished relationship, the bank could be culpable for benefiting from illicit funds.

CASE EXAMPLE 2: CONCEALMENT AND DISGUIISING OF IMPORTED DRUGS VIA THE PHARMACEUTICAL SECTOR

Bank C filed a Suspicious Transaction Report with the NFIU on customer D, profiled as a pharmacist at onboarding. A review of the customer's account revealed a credit turnover of ₦35,035,878.17 for a year (i.e., from Aug 25, 2021, to Aug 24, 2022). Actimize flagged accounts for excessive change in value. The customer at onboarding claimed to be the director at 1234 Pharmaceutical Limited, a pharmaceutical entity. An online search revealed that customer D and XXXX Pharmaceutical Limited were implicated in a case of illicit drug importation for which the NDLEA arrested him. Also, the customer was found to be the director at ABCD Pharmaceuticals Ltd.

Inflows into the customer's account Bank C reported a suspicious transaction by customer D, who claimed to be a pharmacist upon joining. Upon reviewing the customer's account, it was found that there was a credit turnover of ₦35,035,878.17 over a year (from Aug 25, 2021, to Aug 24, 2022). Actimize flagged the account for an excessive change in value. Additionally, an online search revealed that customer D was involved in an illicit drug importation case and was

arrested by the NDLEA. The customer also claimed to be the director at 1234 Pharmaceutical Limited and ABCD Pharmaceuticals Ltd.

Inflows into the account came from redemption proceeds from Money Market investments, personal bank accounts, and the corporate account of XXXX Pharmaceutical Limited. Outflows were for personal activities and investments in YYY Money Market. Further investigation using the customer's BVN showed they only had Bank C accounts.

The suspicion is based on the customer's association with the concealment and disguising of imported drugs and their subsequent arrest. As a result, the account was recommended for surveillance and risk reclassification.

CASE EXAMPLE 3: HIGH-RISK JURISDICTION FOR DRUG TRAFFICKING

Bank N has reported a suspicious transaction report (STR) on Mr. B, who has received regular inflows from SM II (MAURITIUS) into his account. These inflows are marked as 'PAYMENT OF ADVISORY FEE.' From January 23, 2019, to April 18, 2019, Mr. B received a total of USD 263,830.23 in his account. Mr. B is a partner at SC, a Nigerian company related to the companies in MAURITIUS, sending him the money. Although Mr. B is a resident of Mauritius and earns his income there, he claims that he advises his company to transfer part of his income into his account in Nigeria.

The bank has filed the STR because it is suspicious that monies meant for advisory fees are being regularly sent to Mr. B's account. It is also not economically viable for a company to pay USD263,830.23 within three months for advisory purposes. Moreover, Mauritius is an Offshore Finance Centre (OFC) and an Offshore Tax Haven, which has one of the lowest tax platforms globally. (<https://www.offshore-protection.com/mauritius-tax-havens>).

Although Mauritius is not on the FATF List of Countries that have been identified as having strategic AML deficiencies, the last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Mauritius undertaken in July 2018 found that Mauritius was compliant for only three and largely compliant for 11 of the

FATF 40 Recommendations. It was deemed highly effective for none and substantially effective for none of the Effectiveness & Technical Compliance ratings. (<http://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/ESAAMLG-MER-Mauritius-2018.pdf>).

The US Department of State's 2016 International Narcotics Control Strategy Report (INCSR) has deemed Mauritius a 'Monitored' Jurisdiction. The report found that major sources of laundered funds in Mauritius are crimes involving drug trafficking, theft of goods, conspiracy, forgery, swindling, Ponzi schemes, and corruption. Money laundering occurs in the banking system, the offshore financial sector, and the non-bank financial sector. Criminal proceeds are derived from both domestic and foreign illegal activities. – (<https://www.knowyourcountry.com/mauritius1111>).

CASE EXAMPLE 4: LARGE VOLUME TRANSACTIONS LINKED TO A DRUG BARON

Bank A reported an STR on a Drug Baron, Mr. L, who transferred the sum of NGN 4,850,000 from his TTTT Bank Plc account to Mr. K in his Bank H Plc account on May 13, 2021.

NGN 3,927,021,436.05 was received, and NGN 3,928,307,875.75 was transferred from the account to various individual and corporate entities. However, Bank A could not ascertain the economic activities that generated the inflows, and the purpose of all transfers from the account was also unknown.

According to the bank, the relationship between the customer and the senders of various funds, including the Drug Baron, Mr. L, was unknown. The relationship between the fund's multiple receivers and the customer was also unknown. There was also suspicion of FX transactions noticed on his accounts. The bank suspects that Mr. K may be one of the business partners of the Drug Baron, Mr. L.

6.7 JURISDICTIONS OF CONCERN

The UNODC global report on cocaine 2023, (Pg. 108), reported that Nigerian criminal networks play a crucial role in smuggling activities across West and North Africa while enjoying global support from a segment of the Nigerian Diaspora and an extensive network of drug couriers. These groups are known for trafficking small quantities using mules on passenger flights, and data from Brazil have shown that Nigerians are the most common foreign nationality of drug mules arrested at Brazilian airports since 2018. Nigerian trafficking groups are tribe-based cells of four or five members, with each member having a small number of people working for them

without knowing the core group's identity. These cells are believed to collaborate with larger groups outside the country, and Nigeria is regarded as a mid-level dealer, not a larger-level dealer.

Other jurisdictions of concern based on the analyzed case studies includes; Latin America, United Kingdom (UK), Dubai, UAE, Benin Republic, Togo, Oman, Mauritius, Mexico, Sinaloa, Qatar, Saudi Arabia, Thailand, India and Europe. Similarly, Illicit drug trafficking investigations from case studies have found that Abuja, Lagos, Plateau, and Adamawa are some states in Nigeria that feature in this activity²². See below heatmap:



6.8 TRENDS ASSOCIATED WITH ILLICIT DRUG TRAFFICKING

The following are the trends that Law Enforcement Agencies have observed while investigating drug trafficking cases in Nigeria:

1. Trade-Based Money Laundering such as false Invoicing and false Pricing
2. Currency smuggling through cash couriers and bulk cash smugglers
3. Capital Importation
4. Use of Front/Shell Companies

²² See 6.12 for more details.

5. Currency Refining such as changing of funds from a currency of weaker value to another with strong value or changing of smaller denomination to larger ones
6. Foreign Exchange Swap
7. Structuring
8. Charity Donations
9. Gambling
10. Digital Currency (Virtual Assets)

6.9 VULNERABLE SECTORS SUSCEPTIBLE TO MONEY LAUNDERING THROUGH ILLICIT TRAFFICKING IN DRUGS ACTIVITIES

During analysis and investigation, the authorities identified the sectors and industries in Nigeria that are vulnerable to money laundering through drug trafficking. See below list:

1. Financial institutions, including agency banking like point of sale (POS)
2. Hospitality e.g., Restaurants, hotels
3. Real estate.
4. Auto-mobile
5. Currency Exchange Houses (BDC)
6. Gate keepers e.g., Law and Accounting Firms etc.
7. Security brokers
8. Supermarkets
9. Casinos
10. Virtual Assets

6.10 EMERGING TRENDS OF MONEY LAUNDERING TECHNIQUES ASSOCIATED WITH ILLICIT TRAFFICKING IN DRUGS

Although technology has made transactions and financial inclusion easier, it has also increased the risk of money laundering. Law enforcement agencies have identified emerging trends

associated with money laundering through illicit drug trafficking. These trends pose a significant challenge to combatting the issue.

1. Digital currency: A report by the Government Accountability Office (GOA) shows evidence of a five-fold increase in the number of suspicious activity reports filed with the Financial Crimes Enforcement Network (FinCEN) that involve virtual currency and drug trafficking to almost 1,432 in 2020 from 252 in 2017. The report highlights concern that virtual currency is increasingly used to buy and sell illegal drugs on Dark Web market places and by drug cartels to launder their profits²³.
2. POS banking agency. This is a simple user friendly and cost-effective way of providing light banking services such as cash deposits, cash withdrawal, Funds transfer, bills payment, airtime recharge etc. All these make the process of money laundering very easy. There is no proper identification mechanism and know your customer (KYC) before performing transactions.
3. E-banking. The dangers of online transactions whether as digital currency, virtual banking system or other methods are difficult to address. The locations of the operators and websites are either unknown or located in the jurisdictions which will not be conducive to criminal investigation and as such has become a new way of money laundering.
4. pre-paid value cards. This includes smuggling of debit cards abroad. This method provides criminals new way of avoiding face to face contact with financial service providers who could identify them to police.

6.11 TYPES OF DRUGS ACCORDING TO ESTIMATED PROCEEDS OF CRIME SEIZED AND DESTROYED BETWEEN 2021 AND 2023 BY THE NDLEA

The NDLEA provided information about the various types of drugs prevalent in Nigeria and the quantity and monetary value of drugs seized and destroyed between January 2021 and April 2023. This information is been presented in the table below:

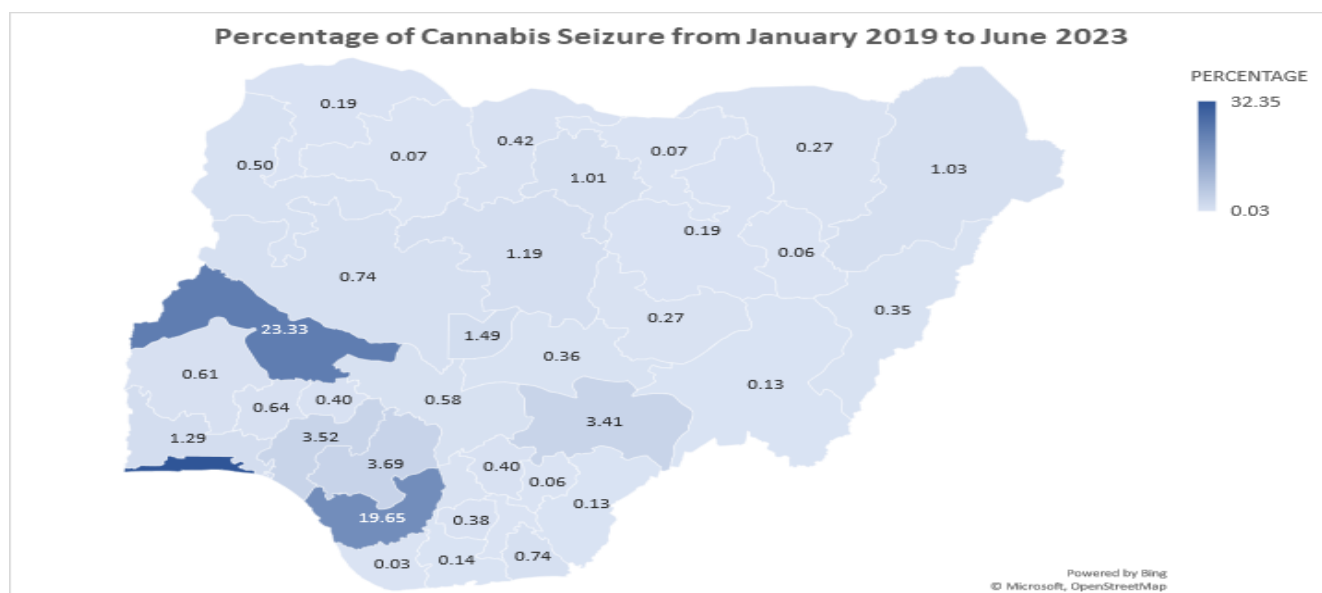
²³ <https://www.forbes.com/sites/tedknutson/2022/01/10/crypto-increasingly-used-in-humandrug-trafficking-says-gao/?sh=449317b6637e>

	Drug Type (January 2021-April 2023)	Quantity Seized/Destroyed	Monetary Value (Naira)
1	Cannabis	5,882,505 kgs	52,882,424,720.10
2	Cocaine	2994.79kgs	30,752,420,385.60
3	Tramadol	9654.14kgs	216,019,750,750.00
4	Heroin	216.39kgs	1,191,984,315.00
5	Methamphetamine	1,559.24kgs	4,737,659,025.50
6	Diazepam	4897.72kgs	24,488,600.00
7	Rohypnol	785.73kgs	1,470,886,560.00
8	Codeine	98619.95kgs	3,120,335,218.00
	Total		310,199,949,574.20

6.12 DRUG TRAFFICKING HEAT MAP IN NIGERIA

This section provides a visual depiction of total seizures²⁴ reported by the NDLEA across the 36 States of Federation, including the FCT. These seizures include those made at the various ports of entry/departure in the states they were made.

Cannabis

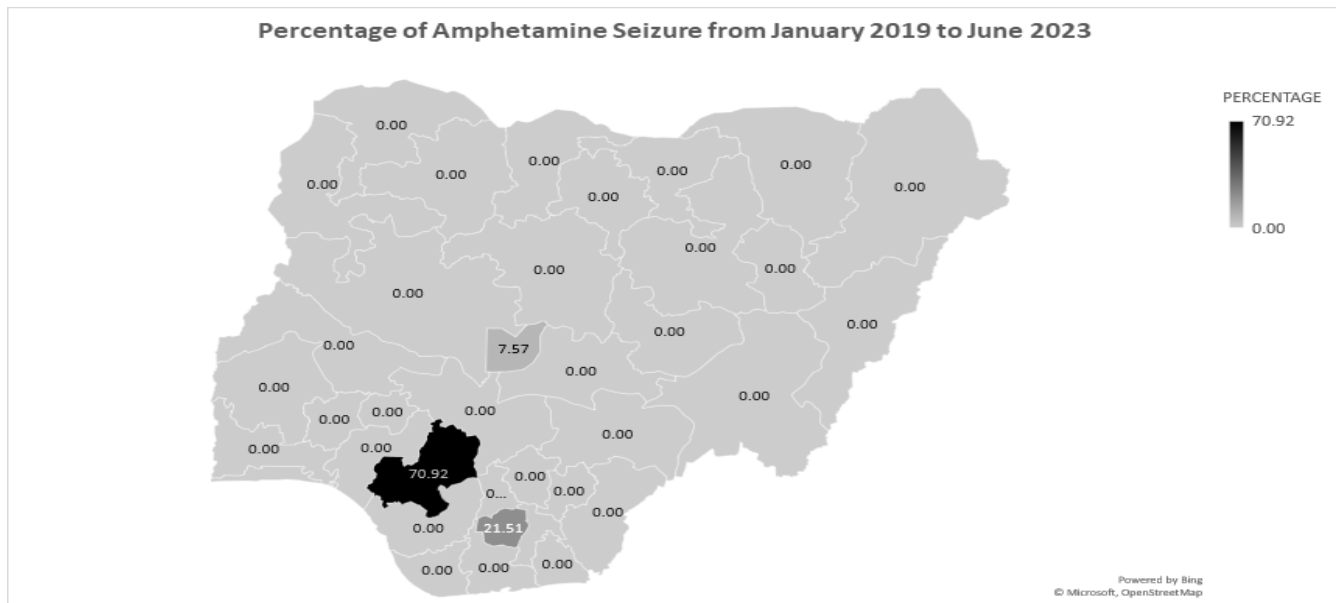


Above is the percentage of Cannabis seizure from 2019 to June 2023. The NDLEA has seized cannabis in all 36 states and the FCT. The chart reveal that Lagos State has the highest

²⁴ The totals do not include seizures made by the NDLEA's Directorate of General Investigation (DOGI).

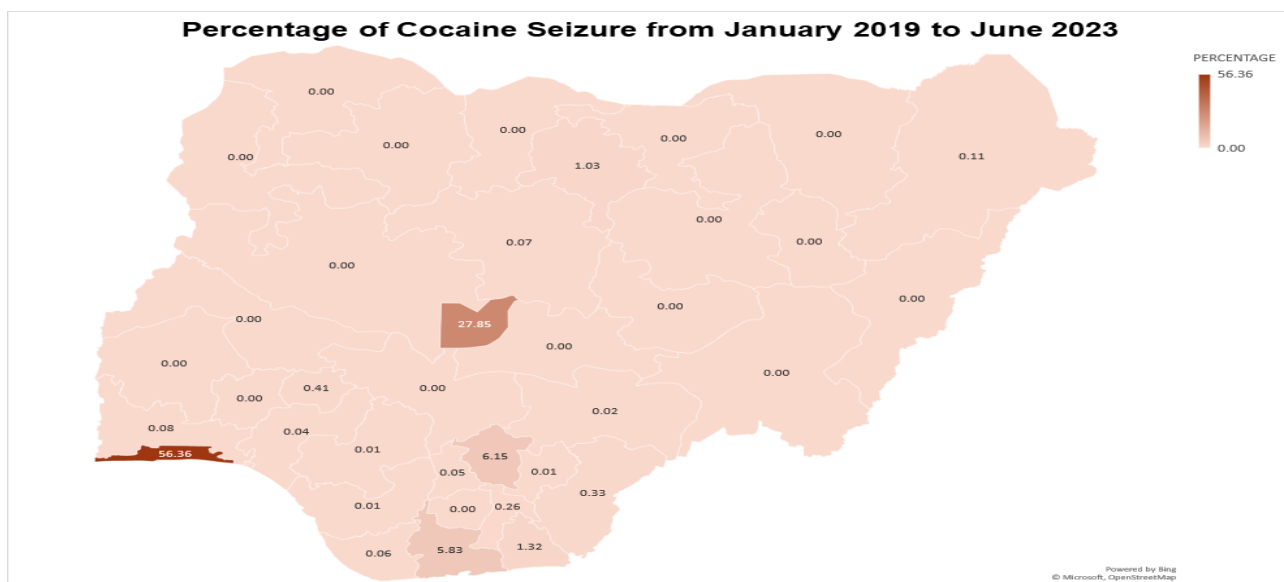
percentage of seizure with 32.35%, followed by Kwara State with 23.33%, other states include Delta State, Benue State, and the FCT with 19.65%, 3.48%, and 1.19%, respectively.

Amphetamine



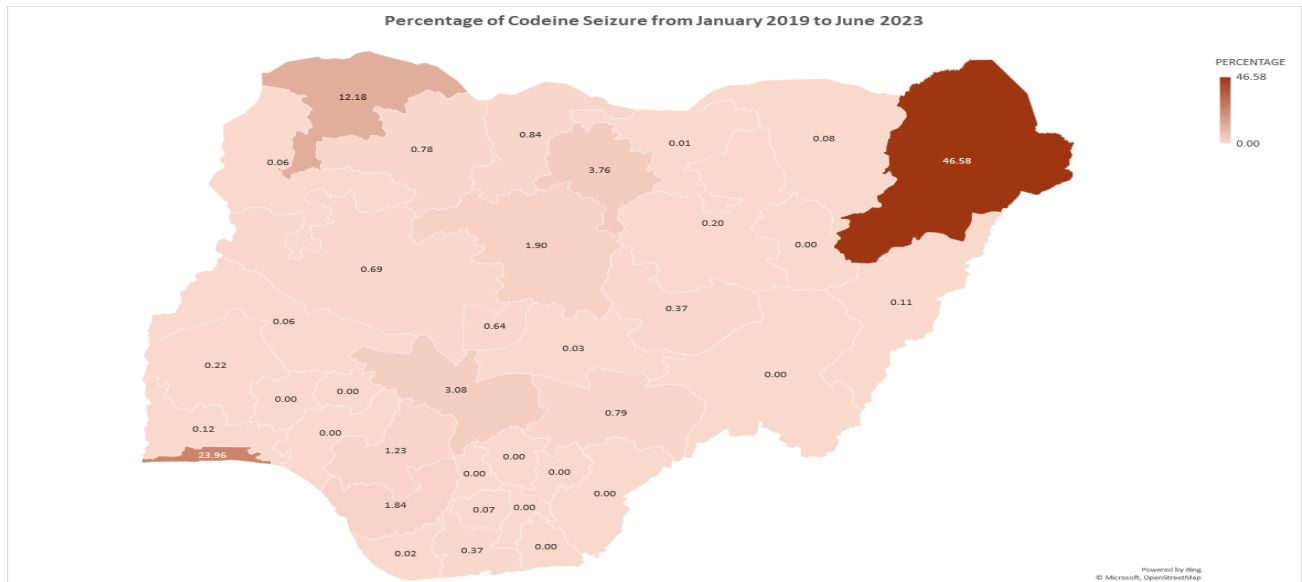
The attached map depicts total NDLEA seizures for Amphetamine from 2019 to June 2023. As can be seen, the majority of the seizures were made in Edo State (70.92%), followed by Imo State (21.51%), and the FCT (7.57%), which are the three States where Amphetamine was seized within the time frame.

Cocaine



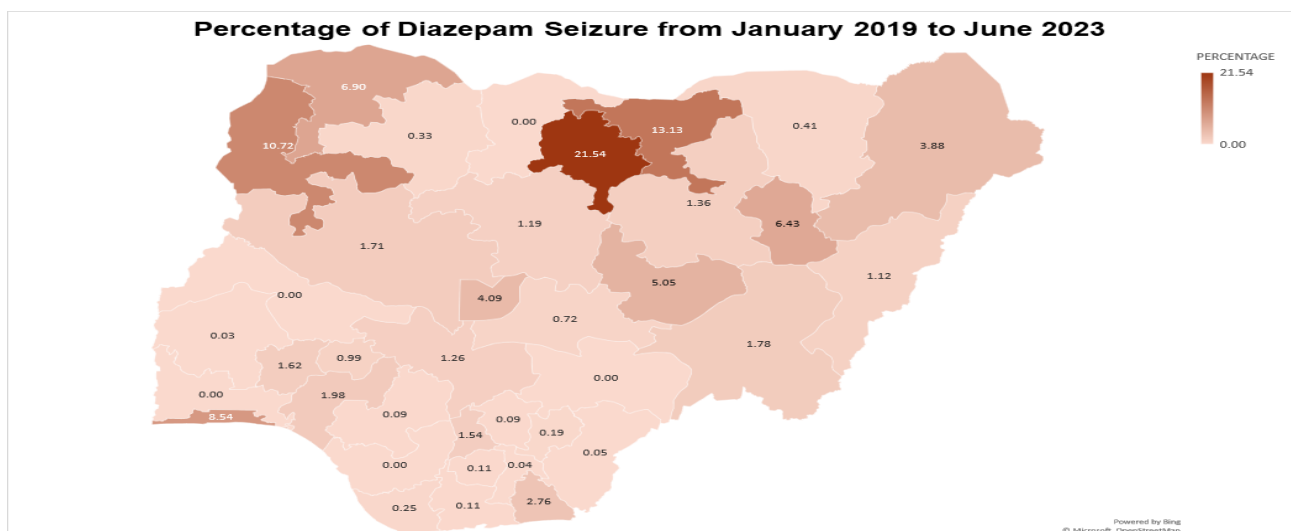
The majority of cocaine seizures were recorded in Lagos (56.36%) and Abuja (27.85%), followed by Enugu with 6.15% and Rivers with 5.85%. There were no cocaine seizures in 18 states across the country.

Codeine



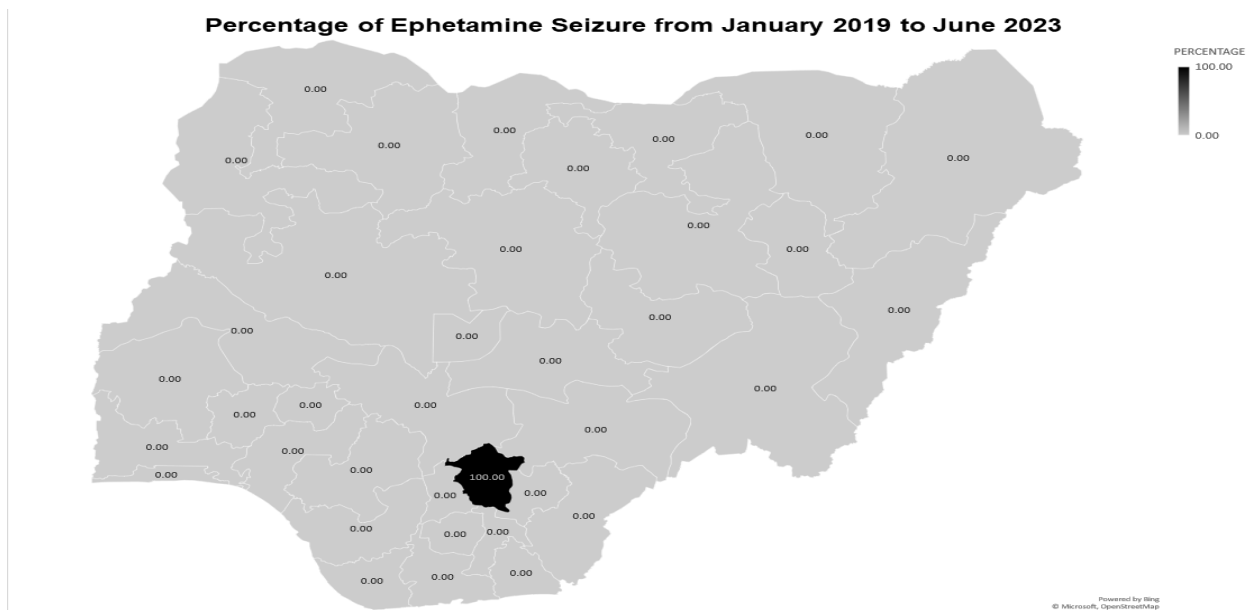
According to the map above, Borno State is a high-risk location for Codeine seizures, accounting for 45.58% of total seizures in the country, followed by Lagos at 23.96% and Sokoto at 12.18%. Kano, Kogi, and Kaduna also saw large codeine seizures, with 3.76%, 3.08%, and 1.90%, respectively.

Diazepam



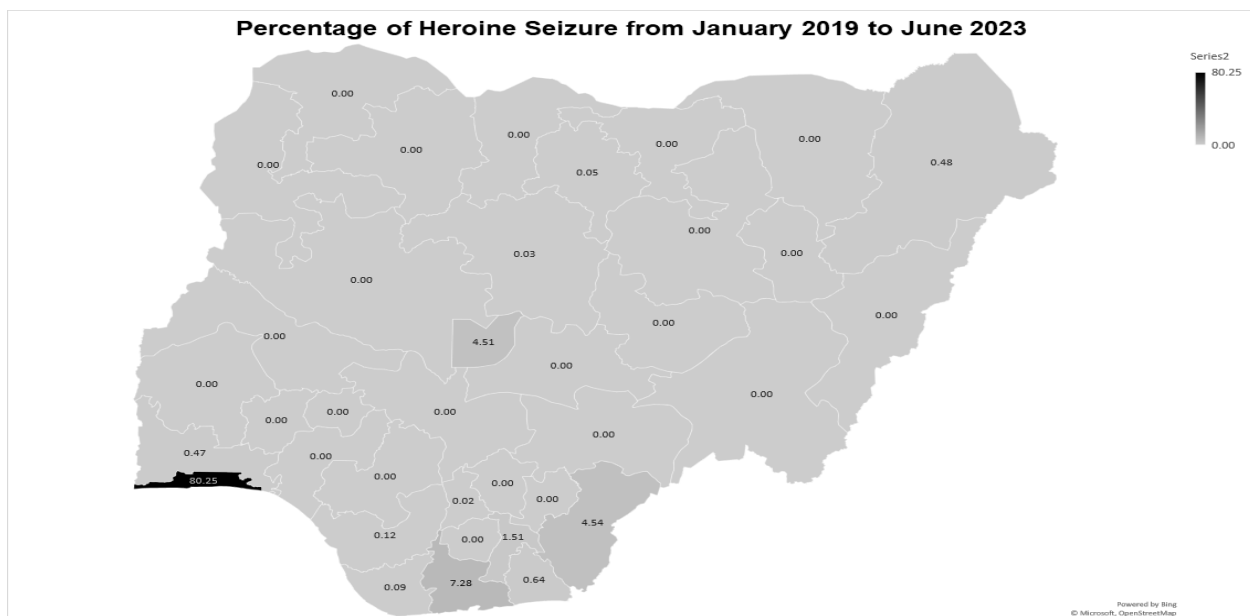
The attached map depicts total NDLEA seizures for Diazepam from 2019 to June 2023. As can be seen, the majority of the seizures were made in Kano State with 21.54%, followed by Jigawa State with 13.13% and Kebbi with 10.72%. other places include Lagos, Sokoto, Gombe, Plateau and Borno State with 8.54%, 6.90%, 6.46%, 5.05%and 3.88% respectively.

Ephedamine



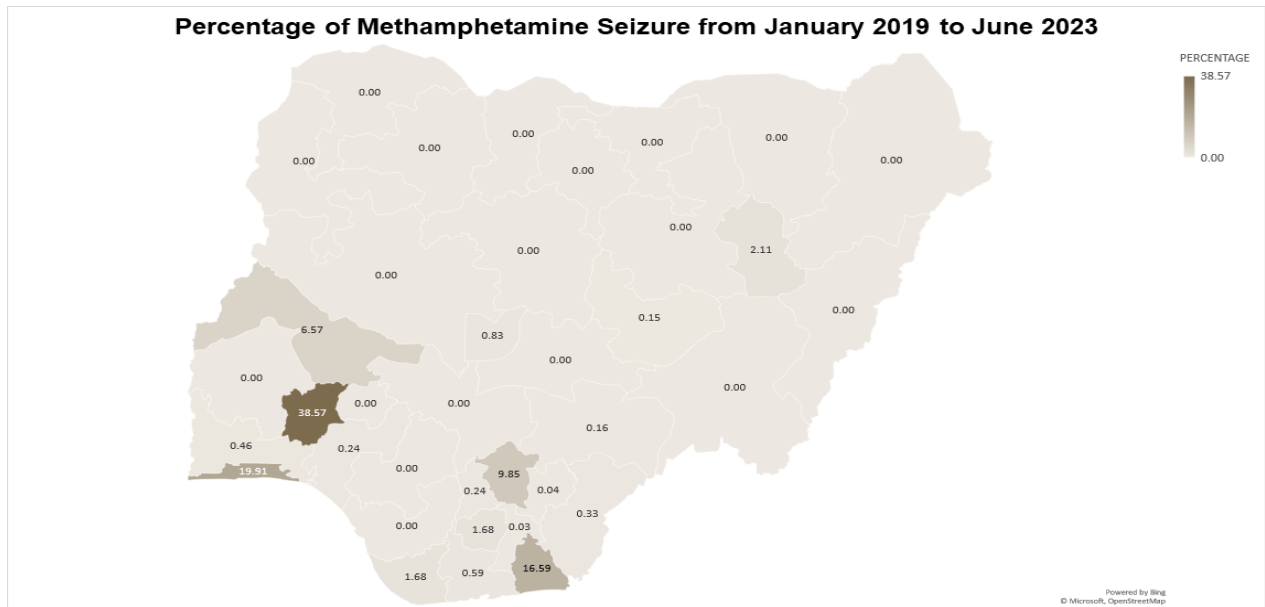
All the seizure for this substance (**Ephedamine**) was in in Enugu State.

Heroin



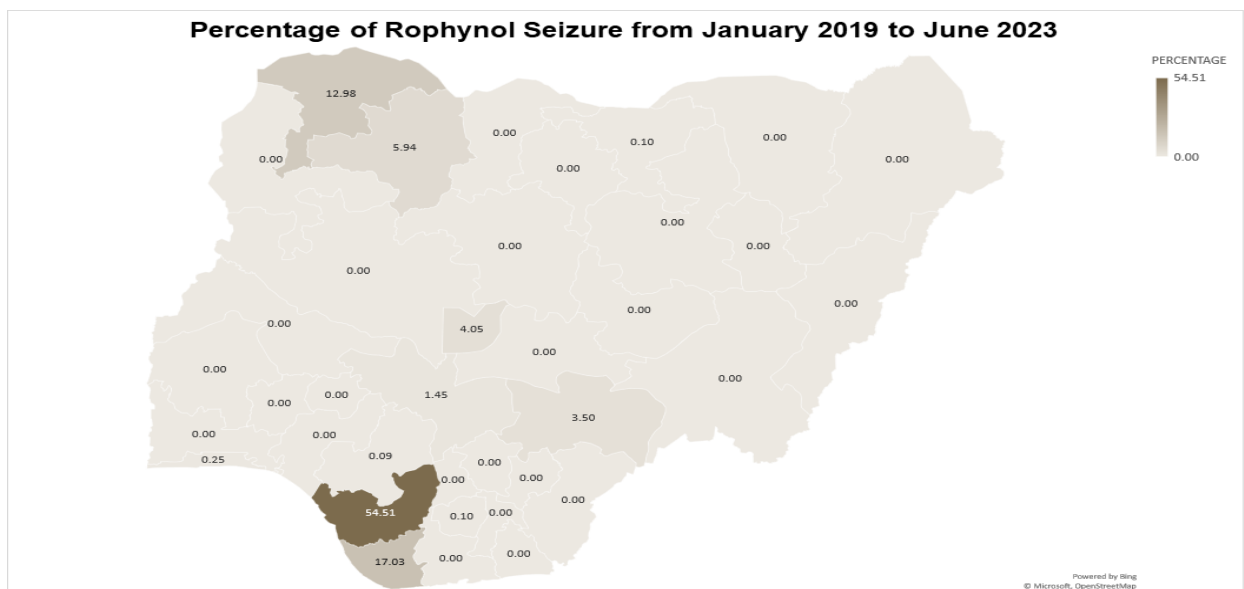
From the above map, 80.25 of total heroine seized by the NDLEA is from Lagos, other places with significant seizures include Rivers State, Cross River and Abuja with 7.28%, 4.54% and 4.51% respectively.

Methamphetamine



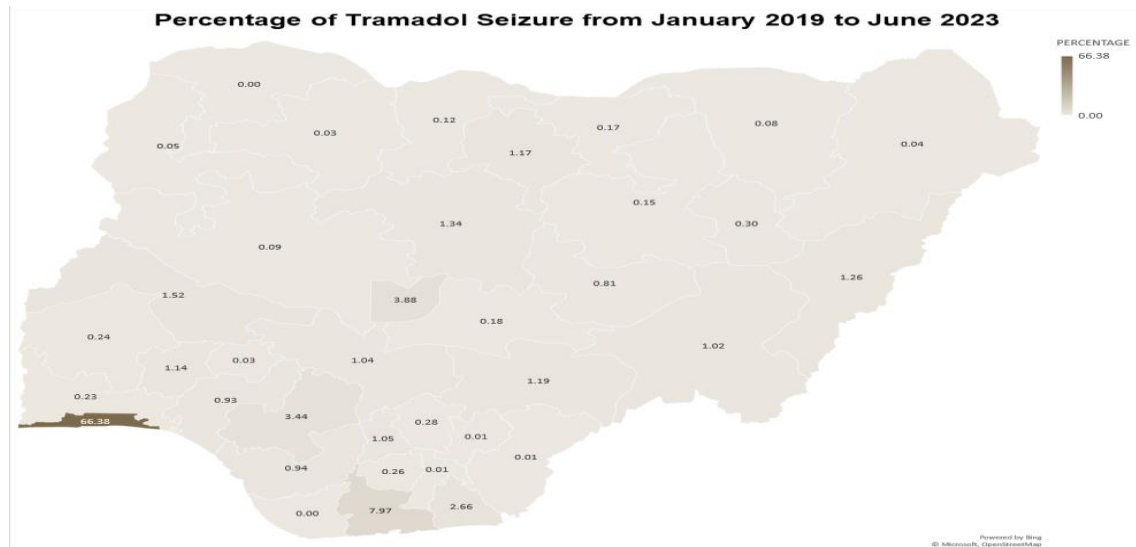
Above is the percentage of Methamphetamine seizure from 2019 to June 2023, 38.57% of the meth seizures was in Osun State followed Lagos, Akwa Ibom, Enugu, and Kwara State with 19.91%, 16.59%, 9.85 and 6.57% respectively.

Rophynol



From 2019 through June 2023, the map illustrates total NDLEA seizures for Rophynol. Delta State accounted for 54.51% of all seizures, while Bayelsa State accounted for 17.03%. Rophynol was also seized in Sokoto, Zamfara, Abuja, Benue, and Kogi state, with 12.98%, 5.94%, 4.05%, 3.50%, and 1.45%, respectively.

Tramadol



The majority of Tramadol was recovered in Lagos (66.38%), however Rivers, Abuja, Edo, Akwa Ibom, and Kaduna all saw substantial seizures with 7.97%, 3.88%, 3.44%, 2.66%, and 1.34%, respectively.

CHAPTER 7: CONTEMPORARY ISSUE ON DRUG TRAFFICKING IN NIGERIA

The Word Drug Report 2023²⁵ highlights the global challenge posed by synthetic drug markets since the early 20th century. Advancements in the pharmaceutical and chemical industries have contributed to the discovery and proliferation of mind-altering substances. New pharmaceuticals have advanced medicine and expanded opportunities for unauthorized supply and use. In 1971, the Convention on Psychotropic Substances aimed to extend controls over new synthetic drugs, many of which originated from pharmaceuticals, but the issue persists. The most widely used synthetic drugs worldwide are methamphetamine and Methylenedioxymethamphetamine (MDMA), with regional market concentrations. The market once dominated by heroin has been reshaped by synthetic opioids like fentanyl in North America and tramadol in North and West Africa. The primary concern in the Near and Middle East is amphetamine in "captagon," while

²⁵ <https://www.unodc.org/unodc/en/data-and-analysis/world-drug-report-2023.html>

South America has seen the growing distribution of synthetic drugs like ketamine and other New Psychoactive Substances (NPS) stimulants and hallucinogens.

Over the past 40 years, the pharmaceutical and chemical industries have seen significant growth, particularly in Asia. China is the world's largest producer of active pharmaceutical ingredients, making over 2,000 products and accounting for a quarter of global output. India's active pharmaceutical ingredient production share is slightly smaller. However, regulators must address the issue of limiting the diversion of psychoactive substances and precursor chemicals, as there is limited oversight and a lack of specific regulations. The manufacture and sale of essential substances, known as pre-precursors, pose a challenge for control due to their many legitimate uses and the availability of inexpensive, non-controlled precursor chemicals.

The illegal manufacture of synthetic drugs is facilitated by access to industrial-scale equipment, such as tableting machines. Few countries have implemented effective regulations on the sale, transfer, or possession of these devices. Criminals have been found to use this equipment to illegally manufacture tablets containing synthetic drugs, such as Amphetamine-Type Stimulants (ATS), unapproved benzodiazepines, and fentanyl.

Another non-traditional market for methamphetamine undergoing an expansion is Africa, where the number of countries reporting drug use almost tripled from 4 to 11, between 2010–2011 and 2020–2021. Overall, 14 African countries reported the use of methamphetamine in the period 2011–2021 – almost a quarter of all 58 countries in the region. Methamphetamine trafficking also seems to be on the increase in Africa. 26 countries in the region reported seizures of the drug in the period 2011–2021 – almost triple the number in the period 2000–2010, accounting for nearly half of all the African countries. The overall largest aggregated quantities of methamphetamine seized in the region over the past decade were in Mozambique and South Africa, followed by Nigeria.

Although methamphetamine and ATS remains of only secondary importance in Africa, given that most African countries suffer primarily from a large number of falsified pharmaceutical stimulants used for non-medical purposes being peddled on their streets, several pockets have emerged in recent years where the use of and trafficking in methamphetamine have been gaining in significance. These pockets are located, for example, in Nigeria and some of its neighboring countries, as well as in South Africa, Mozambique, the United Republic of Tanzania, Kenya and Egypt.

It appears that trafficking in methamphetamine is already widespread in Africa, with 26 countries identified as either the origin, departure, transit, or destination of the drug over the last decade (2012–2021). Nigeria and South Africa were the most frequently mentioned countries, followed by Benin, Ghana, Cameroon, Niger, Mozambique, and Kenya. Ephedrine and pseudoephedrine

preparations, commonly used in the illegal production of methamphetamine, have also been seized in recent years in West and Central Africa (Nigeria, Ghana, and Benin) and Southern Africa (South Africa and Mozambique).

Furthermore, it is worth noting that Nigeria, Egypt, South Africa, and Ghana were among the top 10 largest importers of ephedrine in the world (in terms of volume notified through the INCB Pre-Export Notification Online system) between November 2021 and November 2022 while Egypt was among the 10 largest importers of pseudoephedrine notified through the same system. In the same period, Indian authorities stopped exporting a significant shipment of 2.5 tons of ephedrine destined for Uganda, far exceeding the country's annual legitimate requirement.

To corroborate the above, a total of 28 clandestine methamphetamine laboratories were officially reported to have been dismantled in Africa within the period 2012–2021, 15 of them in South Africa and 13 in Nigeria, but there are indications that clandestine methamphetamine manufacture may also be taking place in other countries in the region. The Democratic Republic of Congo, Kenya, Mozambique, South Africa and the United Republic of Tanzania, as well as Nigeria, Benin and other countries in West Africa, were identified by other countries in Africa, Asia and Europe as countries of origin of the methamphetamine seized on their territory in the period 2010–2019, although the possibility cannot be ruled out that some of these countries were only transit or departure countries.

Also, the 2022 World Drug Report from the United Nations Office on Drugs and Crime (UNODC) has identified two epidemics of non-medical opioid use: illicitly manufactured fentanyl in North America and tramadol in North and West Africa, the Middle East, and Southwest Asia. Although currently limited to certain areas, most countries with established markets for opioid use may be at risk of synthetic opioids being introduced under specific conditions. Criminal organizations also sell fentanyl as a component in counterfeit drugs, including fake Xanax, which can be lethal due to varying dosage levels. Tramadol, a synthetic opioid not under international control, is another concern. Opioid disorders are prevalent in West, Central, and North Africa, the Middle East, and Southwest Asia, and tramadol seizures accounted for 54% of global pharmaceutical opioid seizures by weight from 2016 to 2020. The misuse of tramadol is caused by diverting pharmaceutical supplies to illicit recreational use. While there is evidence of the rapid spread of non-medical tramadol use, there is still a lack of knowledge about its trade, use, and impact on health, drug-related deaths, and overdoses.

CHAPTER 8: VULNERABILITIES AND CHALLENGES IN THE FIGHT AGAINST ILLICIT DRUG TRAFFICKING IN NIGERIA

Law enforcement agencies, border control agencies, anti-corruption agencies, reporting entities, and the NFIU have identified several challenges that hinder the fight against illicit drug trafficking in Nigeria. These challenges include:

Lack Of Sufficient Resources to Prioritize ML Investigations in Drug Trafficking Cases

Sufficient resources to pursue asset recovery cases have become a significant challenge, as practitioners are inadequately staffed, insufficiently trained, and inexperienced in asset recovery processes. When more than one agency is involved, agencies' and departments' specific roles and functions often need to be better defined. The lack of qualified personnel to conduct financial investigations stemmed from a lack of financial resources, the failure of political or law enforcement leadership to prioritize financial investigations, and general personnel issues such as difficulty in recruiting qualified and experienced investigators, lack of relevant knowledge, and inadequate training of prosecutors and judges.

Lack Of a Quick Freeze Mechanisms

Because assets can be moved within minutes and at the click of a button, investigators must act time-sensitively. Any delay in executing a freezing request after the suspect has been arrested or tipped off can be fatal to the recovery of assets. Unfortunately, current processes are not sufficiently agile to address this reality, particularly for tracing, freezing, or seizing assets. Practitioners understand that this approach impairs efforts to preserve assets by informing the asset holder before the necessary provisional measures occur. They would have been moved when a response is received to restrain assets.

Lack of Comprehensive Data in Asset Recovery Cases

The real success of Nigeria's asset recovery efforts is difficult to measure due to a substantial lack of transparency in data on recovered assets. Civil society has repeatedly expressed concerns that relevant agencies and the government fail to release data on recovery processes, including descriptions of the cases, status, amounts, and, most importantly, how the large recovered quantities will be used. This is quite worrisome, especially for domestically recovered assets. At the international level, countries of destination have to some extent, negotiated with Nigeria to the effect that returned assets should be reinvested in social projects.

Lack of Clearly Defined Institutional Framework

The need for a centralized institutional framework for asset recovery is, similar to the anti-corruption one, arguably unclear and inefficient. Several agencies, including the Independent

Corrupt Practices Commission, the Economic and Financial Crimes Commission, and other law enforcement agencies, share the asset recovery portfolio. This results in overlapping roles and rivalry among agencies. The newly established Asset Recovery Management Unit under the Attorney General's Office has been given an overview of the asset recovery portfolio. However, this is limited by a need for more resources and capacity, a standard asset recovery policy, and a centralized database of recovered assets.

The Challenge of Management of Special Assets

The challenge of managing certain types of assets, such as buildings, could be very costly. Seized assets cannot be sold or used before a final judicial forfeiture or confiscation order due to the fear that the owners' fundamental rights could be violated if they must be returned upon acquittal or non-confirmation of charges. The cost of managing such property to keep them in good condition until the final order of forfeiture is quite demanding.

Lack of Trust and Transparency

The lack of trust and transparency in managing criminal assets and inadequate national procedures and structures tailored toward managing seized or confiscated complex assets has become an extreme challenge. In the last decade, the issue of recovery of proceeds of crime has gained more prominence; several countries have improved their practices and offered innovative models. It is, therefore, timely to discuss and share these impediments for collective improvements.

Difficulty In Securing Assets Before Forfeiture

Efforts toward asset confiscation are of little value if no asset is available for appropriation. Given that help can be hidden or moved out of reach in a short period and that an investigation and confiscation can take years (offering the target ample time to move or dissipate assets), measures must be taken early enough to secure the assets that may become subject to a confiscation order. If steps can be taken as close to the beginning of the case, and, where feasible, secure the assets until the conclusion of the confiscation proceedings.

Cost-Benefit Analysis for Assets

Challenges in cost-benefit analysis for assets will require proper management because it is an expensive activity that has the potential to cost more than the value of the assets being managed. Generally, assets should be kept from being seized or restrained if the likely costs of maintaining, storing, or managing them will exceed or substantially diminish the return on confiscation. Some jurisdictions have set thresholds to avoid restraint or seizure of low-value assets or refuse to restrain or seize certain types of assets (such as livestock). Others will appoint a depository holder, escrow agent, or custodian for assets that are too risky or expensive to administer, or they will permit the seizure and sale of certain items.

Budgetary Restrictions

One crucial aspect to consider before initiating an asset tracking and recovery project is usually the availability of funds. Asset tracking and recovery often turn out to be quite cumbersome. It requires that additional local experts be employed, large volumes of documents may have to be translated, the costs of managing and maintaining frozen/seized assets or funds must be considered, taking possession and returning the assets or funds may involve considerable costs, etc. Finally, the procedure can take a very long time, often years.

Lack of Human Resources

Inadequate human resources within most criminal investigative bodies in Nigeria and the lack of highly experienced experts in private practice also create a barrier. Comparatively, few practitioners have significant, relevant, and valuable experience in cross-border asset tracking and recovery. While the monetary restrictions of governments leave little hope for improvement concerning proper staffing of state authorities who are active in this legal field, recently developed and growing worldwide networks, such as the ICC Fraud Net, are making strides towards extinguishing this type of restriction in private practice sooner.

Complex Illicit Drug Trafficking Investigations

Criminal organizations and drug suppliers now have more opportunities to trade and exchange information due to increased access to chemicals and related equipment and the expansion of internet-based communications and encryption technologies which makes it hard to detect and investigate. They are even using online platforms on the open web to identify vendors of precursor chemicals or suppliers of other equipment needed to produce or process synthetic products²⁶.

Other Challenges Include:

1. Offenders are not being quickly brought to justice, which fails to deter young people from committing crimes.
2. Border control agencies need advanced tools to detect illegal drugs.
6. Some agencies do not have sufficient resources dedicated to specialized ML training.
3. Some reporting entities don't submit STR reports to the NFIU.
4. Certain law enforcement officers and reporting entities lack knowledge about ML/TF.
5. Punishments for offenders are not strict enough to act as a deterrent.

²⁶ Ibid

CHAPTER 9: CONCLUSION AND RECOMMENDATION

9.1 CONCLUSION

Illicit drug trafficking is a serious global issue that undermines the integrity of financial and non-financial institutions. This crime is difficult to track due to its fluid nature and various types, as Chapter 3 of the report outlines. To address this problem, policymakers, the judiciary, relevant law enforcement, border-control and intelligence agencies, anti-corruption agencies, civil society organizations, the private sector, and reporting entities need to work together to reduce the use of illicit drugs and money laundering associated with them in Nigeria. The study reveals that drug trafficking not only leads to the death of victims but also threatens Nigeria's security and generates large amounts of illicit financial flows. Therefore, the Nigerian government must prioritize efforts to combat high-risk crimes. Additionally, prevention methods such as research, advocacy, awareness-raising, treatment, and social support programs should be strengthened to reduce the demand for illicit drugs.

9.2 RECOMMENDATION

To address the challenges identified in this report, below are some recommendations for policymakers, the judiciary, law enforcement agencies, regulatory agencies and reporting entities to combat drug trafficking and money laundering effectively.

9.2.1 Recommendation to Policy Makers

First, In the face of quick advancements in drug control regulations, especially in medical usage, keeping public health as the top priority is crucial. Policymakers should dedicate resources to law enforcement agencies to conduct specialized investigations into money laundering. They should also strengthen legal and institutional measures to ensure comprehensive statistics are transparently and timely reported on asset recoveries and management and ensure that recovered assets are effectively managed for sustainable development. Policymakers must allocate resources to relevant agencies to intensify drug education and raise awareness of drug abuse's health and social consequences in institutions and communities.

To tackle the problem of illegal border crossings and smuggling of goods through vehicles and animals in Nigeria, it is essential to establish efficient border controls, customs, and excise systems that can regulate the movement of people and goods across Nigerian borders, including the use of technology.

Regional and international cooperation plays a key role in curbing illicit financial flows as well as detection, identification, recovery, return and effective management of assets linked to illicit drug trafficking located in foreign jurisdictions.

Similarly, Nigeria's international cooperation plan should include jurisdictions of concern and sign asset-sharing agreements with high-risk jurisdictions linked to illicit drug trafficking to improve information exchange and develop clear extradition plans to facilitate the return of proceeds of crime from drug trafficking. Policy makers should enact and implement stiffer laws on drug traffickers and enhance inter-agency collaborations and international cooperation on drug trafficking at a higher level.

Furthermore, policymakers should provide alternative development measures to alleviate poverty in vulnerable communities. Additionally, public enlightenment through the media can help cut down on the target market of drug traffickers, and monitoring blogs and websites can clamp down on their activities through the dark web. Creating jobs and providing social security for vulnerable populations is also crucial. Policymakers should also prioritize professional development and capacity building for law enforcement officers.

9.2.2 Recommendations to The Judiciary

For the judiciary, the timely dispensation of justice is essential to deter offenders and ensure the prompt recovery and final forfeiture of assets in drug trafficking cases.

9.2.3 Recommendation to Law Enforcement Agencies

Law enforcement agencies should enhance inter-agency collaboration with stakeholders to facilitate financial investigations, prosecution, and recovery of assets in drug trafficking cases. Realtime information sharing should be encouraged amongst sister-law enforcement agencies. They should also be transparent in reporting recovered assets and cooperate with international stakeholders through well-defined legal instruments to facilitate information exchange in drug trafficking cases. The NDLEA should promptly provide feedback to intelligence agencies and agencies which refer drug trafficking cases to them to encourage intelligence and information sharing.

Law enforcement agencies need to focus on the wider ecosystem of illicit drug markets, rather than just individual cells or shipments which requires complex analysis and cooperation among national and international agencies. Ports are important checkpoints for drug smuggling, and synthetic drug manufacture demands increased monitoring of drug markets. Assessing the quality and type of drugs sold is increasingly important for law enforcement to understand suppliers' strategies.

Also, Law enforcement responses need to keep pace with astonishingly agile criminal business models and the proliferation of synthetic drugs, which are cheap and easy to bring to market.

9.2.4 Recommendations for Regulatory Agencies

Regulators/supervisors should ensure that reporting entities, especially the most vulnerable to abuse know the risks of new technologies (including dark web market places and digital assets) in facilitating money laundering linked to drug trafficking and take appropriate measures to deny criminals access to their business platforms or products. They should continuously identify and assess money laundering risks relating to drug trafficking (as a whole) while considering new developments in drug trafficking.

Discover effective methods for sharing information that can assist reporting entities, particularly DNFBPs, in detecting and reporting suspicious activity linked to the trafficking of illegal drugs.

Use existing mechanisms to encourage reporting entities to share red flags and indicators with relevant stakeholders. This includes confidential or sensitive information, which will be subject to appropriate legal safeguards.

Ensure reporting entities have robust compliance policies and procedures outlining the steps needed for client identification and beneficial ownership information. These should include the frequency of updating and ongoing monitoring of high-risk business relationships for transactions and identifying underground banking structures.

Apply administrative sanctions to reporting entities that fails to abide by AML/CFT/CPF rules and regulations.

9.2.5 Recommendations to Reporting Entities

To effectively identify and intercept illicit drug trafficking activities, it is crucial for reporting entities to report Suspicious Transaction Reports (STRs). Understanding what constitutes reasonable suspicion is essential and can be linked to various risk indicators such as the behavior of a subject, transactions, products, high-risk or grey-listed jurisdictions, attempted transactions, or a combination of these. Reporting entities can improve their understanding of these indicators by participating in continuous training, referring to STR indicators issued by the NFIU, and reviewing documents from relevant AML/CFT international stakeholders. The STRs should be promptly submitted to the NFIU and meet the high-quality standards outlined by existing laws and regulations.

Consequently, reporting entities should take note of the following red flags/indicators associated with transactional patterns of drug trafficking to guide their reporting of STRs²⁷:

²⁷ Refer to NFIU guidance on drug trafficking indicators in relation to money laundering and terrorist financing for additional information <https://www.nfiu.gov.ng/images/Downloads/downloads/drugindicators.pdf>

MONEY LAUNDERING RED FLAGS/INDICATORS ASSOCIATED WITH TRANSACTIONAL PATTERNS OF DRUG TRAFFICKING
<ol style="list-style-type: none"> 1. Source of fund is not consistent with known legitimate in- come. 2. Attempt to disguise the real owner or parties to the transactions 3. Transactions involving people with criminal records. 4. Use of foreign bank without legitimate reasons. 5. Structuring of payment. 6. Significant level of cash deposits not consistent with known legitimate income or with unconvincing explanation for source of funds. 7. Significant funding for company not consistent with known legitimate income. 8. Incorporation of several companies within a short period of time in high-risk jurisdictions. 9. Involvement of multiple foreign bank account and foreign companies without legitimate reasons. 10. International funds transfers to a country of interest to authorities 11. Large cash withdrawals within a short time frame 12. Multiple customers linked by common addresses, conducting international funds transfers to the same overseas beneficiary. 13. Multiple customers conducting international funds transfers to the same overseas beneficiary 14. Multiple international funds transfers to a high-risk jurisdiction 15. Multiple cash deposits on same day or within a short period of time by same or similar individuals into a specific account, and these deposits are made in different branches located within a short distance of each other. 16. High volume transactions conducted frequently by close relative or close associate of convicted drug trafficker. 17. Use of cash preferred as means of payment rather than payment through the banks for purchase of assets such as real estate, shares, etc. 18. Rapid purchase of assets followed by rapid sale of same assets. 19. High demand for foreign currency by individuals for unspecified or undisclosed purpose 20. Real estate acquisition through a property lawyer 21. Issuance of managers cheques in favour of several unrelated beneficiaries which are later liquidated to acquire property 22. Importation of luxury of used vehicles without a corresponding payment through a financial institution. 23. Large acquisition of shares using under aged nominees 24. Multiple invoicing of a good and service for duplicated payments justified by amendments of payment terms or described as charges for late payment. 25. Purchase of landed properties in favor of different family members

1. Source of fund is not consistent with known legitimate in- come.
2. Attempt to disguise the real owner or parties to the transactions
3. Transactions involving people with criminal records.
4. Use of foreign bank without legitimate reasons.
5. Structuring of payment.
6. Significant level of cash deposits not consistent with known legitimate income or with unconvincing explanation for source of funds.
7. Significant funding for company not consistent with known legitimate income.
8. Incorporation of several companies within a short period of time in high-risk jurisdictions.
9. Involvement of multiple foreign bank account and foreign companies without legitimate reasons.
10. International funds transfers to a country of interest to authorities
11. Large cash withdrawals within a short time frame
12. Multiple customers linked by common addresses, conducting international funds transfers to the same overseas beneficiary.
13. Multiple customers conducting international funds transfers to the same overseas beneficiary
14. Multiple international funds transfers to a high-risk jurisdiction
15. Multiple cash deposits on same day or within a short period of time by same or similar individuals into a specific account, and these deposits are made in different branches located within a short distance of each other.
16. High volume transactions conducted frequently by close relative or close associate of convicted drug trafficker.
17. Use of cash preferred as means of payment rather than payment through the banks for purchase of assets such as real estate, shares, etc.
18. Rapid purchase of assets followed by rapid sale of same assets.
19. High demand for foreign currency by individuals for unspecified or undisclosed purpose
20. Real estate acquisition through a property lawyer
21. Issuance of managers cheques in favour of several unrelated beneficiaries which are later liquidated to acquire property
22. Importation of luxury of used vehicles without a corresponding payment through a financial institution.
23. Large acquisition of shares using under aged nominees
24. Multiple invoicing of a good and service for duplicated payments justified by amendments of payment terms or described as charges for late payment.
25. Purchase of landed properties in favor of different family members

26. Operation of bank accounts and stock broking firms in fictitious names, under false or lost documents, or by persons and organizations, acting on behalf of real owners of the funds;
27. Presentation of documents for financial transactions with essential deficiencies from a legal point of view.
28. Indirect settlements of contracts by the contractor through third parties.
29. Transfer of funds to an account inconsistent with typical business of the account owner (for example, an agricultural company, producing cereal, receives money for motor vehicles).
30. Opening accounts in financial institutions by individuals, depositing large amounts of cash, which are further transferred outside the country to the accounts of “front” companies which, in turn, transfer them to a different location. Later on, the funds are returned to the country, where they originate from, i.e. they move in circle.

COMMON STREET NAMES FOR DRUGS

Reporting entities and the general public should be aware of the following: common street names for drugs and report to appropriate authorities when they feature in transaction narratives or other channels:

Slang Terms for Alcohol

- Booze
- Juice
- Hooch
- Sauce
- Rotgut

Street Names for Cocaine

- Blow
- Bump
- Charlie
- Coke
- Snow
- Toot
- Coca
- Soda Cot

Street Names for Crack

- Candy
- Flake
- Rock

Street Names for Heroin

- Brown Sugar
- China White
- Chiva
- Dope
- H
- Hell Dust
- Horse
- Junk
- Negra
- Skag
- Skunk
- Smack
- Tar
- Thunder
- White Horse

Street Names for Inhalants

- Dusters
- Gluey
- Huff
- Laughing Gas
- Poppers
- Rush
- Snappers
- Whippets

Street Names for Ketamine

- Cat Tranquilizers
- Cat Valium
- Jet K
- K
- Kit Kat
- Purple
- Special K
- Vitamin K

Street Names for Khat

- Abyssinian Tea
- African Salad
- Catha
- Chat

- Cat
- Oat

Street Names for LSD

- Acid
- Blotters
- Blue Heaven
- Cubes
- Dots
- Mellow Yellow
- Microdot
- Window Pane
- Yellow Sunshine

Street Names for Cannabis

- Aunt Mary
- Blunt
- Bud
- Chronic
- Dope
- Ganja
- Grass
- Green
- Herb
- Hydro
- Indo
- Joint
- Kif
- Mary Jane
- Pot
- Reefer
- Sense
- Sinsemilla
- Skunk
- Smoke
- Trees
- Weed

Street Names for MDMA

- Adam
- Beans
- Clarity
- Disco Biscuit

- E
- Eve
- Molly
- Lover's Speed
- Peace
- STP
- X
- XTC
- Uppers

Street Names for Mescaline

- Peyote
- Buttons
- Cactus
- Mesc

Street Names for Methamphetamine

- Batu
- Biker's Coffee
- Black Beauties
- Chalk
- Chicken Feed
- Crank
- Crystal
- Fire
- Glass
- Go Fast
- Ice
- Meth
- Methlies Quick
- Shards
- Speed
- Stove Top
- Tina
- Trash
- Tweak
- Whiz
- Yellow Barn

Street Names for Dextromethorpan

- CCC
- Dex

- Poor man's PCP
- Robotripping
- Robo
- Skitties
- Triple C
- Velvet

Street Names for Phencyclidine (PSP)

- Angel Dust
- Boat
- Hog
- Love Boat
- Peace Pill
- Sherm
- Mixed with marijuana: Zombie Weed.

Street Names for Psilocybin

- Little Smoke
- Magic Mushrooms
- Purple passion
- Shrooms

Street Names for Steroids

- Arnolds
- Juice
- Gym Candy
- Pumpers
- Roids
- Stackers
- Weight Gainers

Street Names for Synthetic Cannabinoids

- K2
- Spice
- Black Mamba
- Bliss
- Bombay Blue
- Fake Weed
- Fire
- Genie
- Moon Rocks
- Smacked

- Yutacan
- Zohai

Street Names for Prescription Opioids (Painkillers)

Codeine

- Captain Cody
- Cody
- Schoolboy
- Codeine syrup mixed with alcohol: Lean, Sizzurp, and Purple Drank
- Codeine mixed with sedative glutethimide: Doors and Fours, Loads, Pancakes and Syrup

Fentanyl

- Apache
- China Girl
- China White
- Dance Fever
- Friend
- Goodfella
- Jackpot
- Murder 8
- Tango and Cash
- TNT

Methadone

- Amidone
- Fizzies
- Wafer
- Methadone mixed with MDMA: Chocolate Chips Cookies

Morphine

- Dreamer
- Emsel
- First Fine
- God's Drug
- Hows
- M
- M.S
- Miss Emma
- Mister Blue
- Monkey

- Morf
- Morpho
- Unkie
- White Stuff

Oxycodone

- Hillbilly Heroin
- Kicker
- O.C
- Oxycet
- Oxycotton
- Oxy
- Percs
- Roxy

Street Names for Prescription Sedatives

Barbiturates

Barbiturates like pentobarbital and phenobarbital

- Barbs
- Block Busters
- Christmas Trees
- Goof Balls
- Phennies
- Pinks
- Red Birds
- Red Devils
- Reds
- Reds and Blues
- Tooies
- Yellow Jackets
- Yellows

Benzodiazepines

- Benzos
- Blue V
- Candy
- Downers
- Sleeping Pills
- Tranks
- Rohypnol: Roofies, Roofinol, Rope, Rophies

Street Names for Prescription Stimulants

Amphetamine

Amphetamine like Adderall and Benzedrine:

- Bennies
- Black Beauties
- Crosses
- Hearts
- LA Turnaround
- Speed
- Truck Drivers
- Uppers

