2022

NATIONAL INHERENT RISK ASSESSMENT OF MONEY LAUNDERING IN NIGERIA

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Executive Summary

Nigeria continues to develop a robust and comprehensive Anti-Money Laundering (AML) regime, to promote the integrity of the financial and non-financial systems and help protect its citizens from the devastating impacts of Money Laundering on Nigerians.

In 2022, The Government of Nigeria conducted an inherent risk assessment on money laundering (ML) to increase awareness of the threats and vulnerabilities inherent in Nigeria's financial and non-financial sectors, particularly the reporting entities that have reporting of suspicion transaction obligations and other competent authorities responsible for investigating ML offences. This report provides an overview of the process, the methodology and scope of the assessment. The report responds to the gaps identified in the 2016 National Risk Assessment and the deficiencies noted in the 2019 Mutual Evaluation Report.

The inherent risk assessment consists of an assessment of the ML risk context of Nigeria as a whole (e.g., economy, geography, demographics) and its key economic sectors and financial products. It also takes into account the consequences of ML in Nigeria.

The overall inherent ML risks were assessed by matching the threats with the inherently vulnerable sectors and products through the ML methods and techniques that are used by money launderers and their facilitators to exploit these sectors and products. By establishing a relationship between the threats and vulnerabilities, a series of inherent risk scenarios were constructed, allowing for the identification of the sectors and products that are exposed to the highest ML risks.

The ML threat in Nigeria was assessed for Twenty-One (21) predicate offences that are high proceeds generating, as well as the threat from third-party money laundering. The ML threat was rated for each criminal activity against four rating criteria: the extent of the threat actors' knowledge, skills and expertise to conduct money laundering; the extent of the threat actors' network, resources and overall capability to conduct money laundering; the scope and complexity of the ML activity; and the magnitude of the proceeds of crime being generated annually from the criminal activity. The ML threat rating results are presented in Chapter 3.

The ML threats that were rated **Very High Risk** are Corruption and Bribery, Illicit Trafficking in Narcotics and Fraud.

While participation in an Organized Criminal Group, Trafficking in persons, Smuggling, Environmental Crimes, Illicit Arms Trafficking, Theft and Robbery, Forgery, and Tax Crimes were rated **as High Risk**.

Similarly, inherent ML vulnerabilities were assessed for different economic sectors and financial products. The Banking Sector and Real Estate Sector were assessed with a **Very High inherent risk rating**.

Virtual Assets Payment Service Providers (VASPs), International Money Transfer Operators

(IMTOs), Bureau De Change (BDC) operators, Payment Service Providers (PSPs), Car Dealers, Dealers in Precious Stones and Metals, Casinos/Lottery, Trusts & Company Service Providers (TCSPs), and the extractive sectors **were rated as High Risk**.

Chapter 6 of the report highlights the measures adopted by the Nigerian Government to prevent, detect, investigate and disrupt and recover illegal proceeds of crime ML in Nigeria. Nigeria has a comprehensive AML regime that provides a measured approach to combat ML risks. The AML regime entails a comprehensive Legal, Regulatory/Supervisory and well-funded Institutional framework to address preventive measures, enhance policy and coordination both domestically and internationally and ensure effectiveness in the enforcement of ML related matters.

This assessment was led by the Money Laundering Workstream, chaired by the Economic and Financial Crimes Commission (EFCC), of the National Inherent Risk Assessment Working Group with significant contributions from representatives of participating agencies and institutions.

Chapter 1: Overview of The Methodology

To assess and understand the inherent ML risks, the country employed a thorough analysis of the qualitative and quantitative data as well as expert opinions on ML. This assessment provided the basis to think critically and systematically about ML risks on an ongoing basis, and to promote a common understanding of these risks.

Nigeria adopted the McDonell-Nadeau Consultants methodology to assess the inherent ML risks for the predicate offences in Nigeria. The process included assessing the country's risk context and the main characteristics that expose sectors and products to inherent ML risks. The use of the experts to validate and reach consensus on the ratings was

In conducting the national inherent risk assessment, thirteen (13) workstreams were created to cover different sectors of the economy. Each workstream consisted of team members from relevant stakeholder agencies and the Nigerian Financial Intelligence Unit (NFIU) served as the Secretariat. Data from 2019 to 2021 was collected from competent authorities and other stakeholders to assess the various threats, vulnerabilities and consequence profiles, to support informed analysis and risk ratings.

A threat profile was developed for each of the 21 Financial Action Task Force (FATF) designated predicate offences to ML. A three pre-defined rating factors definitions table for ML threats as provided for in the MNC Risk Assessment Methodology were: Criminal Actors' Capacity; Scope of ML activity; and Estimated Proceeds of Crime (POC). This helped the work streams to streamline and clarify the data that was collected.

Discussions by experts on the ML threat assessment results was done on 21 profit-oriented crimes and third-party ML using the following criteria:
1. **Criminal Actors' Capacity**: the extent to which the threat actors have the resources and network to launder criminal proceeds (e.g., access to facilitators, links to organized crime).
2. **Scope of ML activity:** the extent to which threat actors are using financial institutions, DNFBPs and other sectors to launder criminal proceeds.
3. **Proceeds of Crime:** the magnitude of the estimated dollar value of the proceeds of crime being generated annually from the profit-oriented crime. As presented in Table 1, eight (8) profit-oriented crimes and third-party money laundering were rated as very high ML threat, eight (8) were rated high, four (4) were rated medium and one was rated low.

The following table is the summary of the results of the assessment using the overall rating calculation which were discussed and agreed to at the facilitated experts' workshops. The calculation is based on the assignment of a numerical value to represent ratings of Low (L=1), Medium (M=2), High (H=3) and Very High (VH=4) for each of the 3 rating factors, with an equal weight for each factor. The overall rating for each profile is simply the normalization of the ratings of the three factors.

Table 1: Ratings Guide

Very High	High	Medium	Low
(Equal to or more than 0.875)	(Between 0.625-0.875)	(Between 0.375-0.625)	(Equal to or less than 0.375)

Scope of the Report

Nigeria conducted an assessment of ML risk elements for the period 2019 to 2021. The assessment aimed at identifying and assessing the inherent ML risks for the period with the aim of better understanding the techniques, tendencies, patterns, and enablers of ML crimes to ensure that adequate controls can be introduced and implemented to mitigate identified risks.

Participants

Over sixty agencies and stakeholders comprising of government and private sector were involved in the inherent risk assessment process. The stakeholders are listed below;

Association of Bureau De Change Operators of Nigeria (ABCON)
Association of Nigerian Book Makers (ANB)
Bank of Industry (BOI)
Corporate Affairs Commissions (CAC)
Central Bank of Nigeria (CBN)
Code of Conduct Bureau (CCB)
Committee of Chief Compliance Officers of Capital Market Operators in Nigeria (CCCOCIN)
Defence Intelligence Agency (DIA)
Department of State Service (DSS)
Economic and Financial Crimes Commission (EFCC)
Federal Inland Revenue Service (FIRS)
Federal Ministry of Finance, Budget and National Planning (FMFB&NP)
Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development (FMHADMSD)
Federal Ministry of Mines and Steel Development (FMMSD)
Federal Ministry of Justice (FMOJ)
Federal Road Safety Corps (FRSC)
Hotel Owners Forum Abuja (HOFA)
Institute of Chartered Accountants of Nigeria (ICAN)
Independent Corrupt Practices and Other Related Offences Commission (ICPC)
Jewellery Marketers Association of Nigeria (JEMA)
Gemmologists and Jewellers Association of Nigeria (GJAN)
Ministry of Foreign Affairs (MFA)
Mining Cadastral Office (MCO)
Ministry of Interior Nigeria (MOI)
Ministry of Petroleum Resources (MPR)
National Agency for Food & Drug Administration & Control (NAFDAC)
Nigerian Army Intelligence Corps (NAIC)

National Insurance Commission (NAICOM)
National Association of Micro Finance Banks (NAMB)
National Agency for the Prohibition of Trafficking in Persons (NAPTIP)
National Judicial Institute (NJI)
Nigeria Navy (NN)
National Bureau of Statistics (NBS)
Nigerian Copyright Commission (NCC (Copyrights Commission))
National Commission for Refugees, Migrants and Internally Displaced Persons (NCRMIDP)
Nigeria Customs Service (NCS)
National Drug Law Enforcement Agency (NDLEA)
Nigeria Extractive Industries Transparency Initiative (NEITI)
Nigeria Export Processing Zones Authority (NEPZA)
National Environmental Standards and Regulations Enforcement Agency (NESREA)
Nigerian Financial Intelligence Unit (NFIU)
National Intelligence Agency (NIA)
Nigerian Institution of Estate Surveyors and Valuers (NIESV)
Nigerian Maritime Administration and Safety Agency (NIMASA)
National Identity Management Commission (NIMC)
Nigeria Immigration Service (NIS)
National Information Technology Development Agency (NITDA)
Nigerian Licensed Lottery operations Forum (NLLOF)
National Lottery Regulatory Commission (NLRC)
Nigerian Nuclear Regulatory Authority (NNRA)
Nigeria Police Force (NPF)
Nigeria Security and Civil Defence Corps (NSCDC)
Nigerian Upstream Petroleum Regulatory Commission (NUPRC)
Oil and Gas Free Zones Authority (OGFZA)
Office of the National Security Adviser (ONSA)
Office of the Secretary to the Government of the Federation (OSGF)
Presidential Artisanal Gold Mining Initiative (PAGMI)
National Pension Commission (PENCOM)
Risk Audit and Compliance Committee (RACC (NIA))
Real Estate Developers Association Nigeria (REDAN)
Special Control Unit against Money Laundering (SCUML)
Securities and Exchange Commission (SEC)
Technical Unit on Governance and Anti-Corruption Reforms (TUGAR)

Chapter 2: Risk Context for Money Laundering

National Money Laundering (ML) vulnerabilities include geographical, demographic, economic, socio-cultural and criminological characteristics. This includes specific vulnerabilities of the Nigerian financial sector, Designated Non-Financial Businesses & Professions (DNFBPs) services or products that can make it attractive to money launderers. Illicit actors exploit geographical, demographic, economic, criminological, socio-cultural vulnerabilities and rely on networks of enablers, including those who provide accounting, legal and other professional services in the financial and non-financial sectors. Countries face a range of ML vulnerabilities specific to their political, economic, social, technological and legal environments. In addition, inadequate preventive measures, human capital and institutional capacity challenges, and resource constraints may represent a vulnerability.

Background To Nigeria's Risk Context

Geographical Features: Nigeria, the 32nd largest country in the world is located in West Africa and shares border with Benin in the West, Niger in the North, Chad and Cameroon in the East. The country has six geo-political zones namely North-Central with 7 states, North-West with 7 states, North-East with 6 states, South-South with 6 states, South-East with 5 states and finally South-West (6 states) with a total of 36 states and a Federal Capital located in the North-Central.

Figure 1: The map of Nigeria showing its states, geopolitical zones and neighbouring countries

Th*e map of Nigeria showing its states, geopolitical zones and neighbouring countries[1]*

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[1] https://www.netmaps.net/digital-maps/nigeria-political-map/

While these borders can enhance trade relations between Nigeria and its neighbouring countries, they can also present predicate crime and ML challenges which include smuggling of arms and ammunition from conflict regions into Nigeria through these borders, influx of undocumented foreigners/machineries, smuggling of goods which has affected the local production in Nigeria and drug trafficking among others. According to the Organized Crime Index 2021, Nigeria has been identified as a transit route for illicit drugs in West Africa[2] and recently as a source for methamphetamine.

Nigeria shares maritime borders with five African countries, Cameroon, Benin, Ghana, São Tomé, and Príncipe, and Equatorial Guinea within the larger Gulf of Guinea and is vulnerable to piracy committed on the seas or close to its borders. The total economic cost of piracy in West Africa has been estimated as $777.1 million annually between 2015 and 2017[3]. The country's Coast lies on the Gulf of Guinea in the South and it borders Lake Chad to the North-East. West Africa loses $2.3Billion to Maritime Crime in three years between 2015 and 2017 as the Gulf of Guinea experienced an escalation of piracy, kidnapping and armed robbery at sea incidents in recent years[4].

A 2018 United Nations Office on Drugs and Crime (UNODC) report stated that attacks in the region more than doubled in 2018, accounting for all six hijackings worldwide, 13 of the 18 ships fired upon, 130 of the 141 hostages taken globally, and 78 of 83 seafarers kidnapped for ransom. According to the report, the economic effects on countries like Nigeria and its trading partners are especially burdensome. Another report stated that, in the last three months of 2018, 41 kidnappings were recorded in waters off Nigeria alone. In October 2018, 11 crew members were kidnapped from a container vessel 70 nautical miles off Bonny Island, Nigeria[5].

Legal System: The Nigerian Legal System is based on the English[6] Common Law, Common law, Customary law and Sharia (Islamic) law which forms a mixed legal system. The Supreme Law of the Country is the Nigerian Constitution established on 29th May, 1999. The 1999 Nigerian Constitution provides the framework for the administration of both the Federal Government of Nigeria as well as the states. Others are Legislations (Ordinances, Acts, laws, decrees, edicts and bye-laws), Judicial precedents, Customary law, Islamic/Sharia law and received English law (common law, equitable doctrines and statutes of general application that were in force in England on 1 January 1900). International law such as treaties and conventions also form part of the Nigerian legal system after being ratified or domesticated by the legislature. In addition, foreign case precedents are also of persuasive effect in Nigerian courts, but they are not binding on the courts.

Economy and Investment Patterns: Nigeria is Sub-Saharan Africa's largest economy and relies heavily on crude oil[7] as its main source of foreign exchange earnings and government

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[2]Global Organized Crime Index 2021
[3] West Africa loses $2.3 billion to Maritime Crime in Three Years as Nigeria, UNODC rally multi-national efforts to thwart Piracy in the Gulf of Guinea
[4] https://www.unodc.org/nigeria/en/press/west-africa-loses-2-3-billion-to-maritime-crime-in-three-years-as-nigeria--unodc-rally-multi-national-efforts-to-thwart-piracy-in-the-gulf-of-guinea.html
[5] West Africa loses $2.3 billion to Maritime Crime in Three Years as Nigeria, UNODC rally multi-national efforts to thwart Piracy in the Gulf of Guinea
[6] Lanre Fogbound, Lagos State University General Studies Book of Readings Vol.2
[7] https://www.economy.com/nigeria/indicators

revenues. Nigeria is among the largest producers and exporters of crude oil and gas in the world. The petroleum sector, which is mainly state-controlled, dominates the economy and accounts for the major share of government revenues. At the same time, much of the economy is informal and small-scale. The size of the informal sector in Nigeria is estimated at about 65% of the economy[8].

Table 2: Market Share of cash, credit cards and other payment methods in Nigeria between 2017 and 2021.

Characteristic	2017	2019	2020	2021
Cash	97%	91%	69%	63%
E-wallet, Digital/mobile wallet	1%	2%	10%	13%
Retailer/bank financing	-	-	-	7%
Prepaid card	-	5%	6%	5%
Credit Card	-	-	3%	4%
Debit Card	2%	2%	-	-
POS financing	-	-	6%	-

An increasing share of Nigeria's growth is attributable to expansion in the non-oil sector, such as in agriculture, forestry and fishing; information and communication; manufacturing; mining and quarrying. Services is the largest sector of Nigeria's economy. Nigeria in recent years has offered attractive tax incentives primarily for the purpose of attracting foreign investments. These tax incentives include Reliefs in Personal Income Tax Act (PITA), Companies Income Tax Act, Capital Gains Tax Act and Value Added Tax Act, and the Voluntary Offshore Assets Regularization Scheme 2019 (VOARS).

The Nigerian extractive industries accounts for 5.19% to total real GDP in the fourth quarter 2021, down from figures recorded in the corresponding period of 2020 and down compared to the preceding quarter, where it contributed 5.87% and 7.49% respectively. Nevertheless, the sector contributed 7.24% to real GDP in 2021. See the National Inherent Risk Assessment of Money Laundering and Terrorist Financing in the Nigerian Extractive Sector for more details.

The Non-Oil sector contributed 94.81% to the nation's GDP in fourth quarter 2021, higher from share recorded in the fourth quarter of 2020 which was 94.13% and higher than the third quarter of 2021 recorded as 92.51%. The annual contribution in 2021 was 92.76%. This sector was driven in the fourth quarter 2021 mainly by Agriculture (crop production), trade, Information and Communication (Telecommunication), and Financial and Insurance (Financial Institutions)[9].

Trade's contribution to GDP was 15.66%, higher than the 15.46% it represented in the previous year, and higher than the 14.93% recorded in third quarter of 2021.

In the third quarter of 2021, most imported products were from Asia, Europe and America, these regions contributed 51.12%, 33.48% and 11.30% of the total imports respectively. Nigeria's import trade by direction showed that imported goods were mostly from China, India, the USA, Netherlands and Belgium, which respectively accounted for 29.95%

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[8] Policy Brief on Expanding the Tax Base in the Nigerian Informal Sector - CISLAC
[9] National Bureau of Statistics 2021

(N2,441.79 billion), 8.71% (N710.35 billion), 7.35% (N599.12 billion), 6.80% (N554.23 billion) and 5.32% (N434.11 billion).

In the third quarter of 2021, Nigeria exported products were mostly to Europe (N2,230.10 billion), Asia (N1,480.58 billion), Africa (N668.22billion), and America (N625.68billion). The five top exports partners were India, Spain, Italy, France, and the Netherlands, whose values stood at N758.18billion (14.78%), N627.01billion (12.22%), N446.04billion (8.69%), N363.23 billion (7.08%), and N242.49billion (4.73%) respectively. These five countries accounted for 47.50% of the total exports in third quarter, 2021.

Demography: The country is projected to have a dependency ratio of not less than 47%, yet a sizeable percentage of the active population remain dependent. It is on the premise of economic and social pressures on the active population which deepens the vulnerability of the country and makes attempts at money laundering and terrorism more likely among the active population. Nigeria has a net migrant figure of -60,000 which means her population is skewed in favour of emigration. Nigeria is home to approximately 250 ethnic groups who among them speak over 500 indigenous languages. Religiously, there is a balance between Muslims, mostly in the North of the country, and Christians mostly in the South. With her demographics, she generates untold interest amongst other nations and economic blocs of the world. Nigeria thus presents as a delightsome complexity – politically, economically and socially.

Socio-cultural Characteristics: Nigeria has made significant improvements to the quality of its elections since the transition to democratic rule in 1999. Nonetheless, there are roadblocks to a strong democracy in Nigeria at all levels of government. Conflict triggered by political competition and communal, ethnic, religious, or resource allocation rivalries poses a major threat to democracy.

Nigeria is a multi-ethnic and multi-religious state, which has created challenges, and therefore, the government has taken on a hybrid of English common law and Islamic law when dealing with legal issues to appease the diverse national population[10].

Criminological Features

Both ML and TF are considered high risk in the current NRA, 2022. In 2019 and 2020, 3,392 and 4,017 corruption cases were respectively investigated by EFCC, ICPC, NPF and CCB. Over 83 convictions were secured during the review period, which represents 18% approx. increase in number of cases. The EFCC in 2019 reported to have conducted 1,124 while in the year 2020 had 1,255 investigations of ML cases related to fraud both in the public service and private sectors which manifests in forms of Advance Fee Fraud (419), Business Email Compromise (Yahoo Yahoo), romance scam, corruption, extortion, diversion, conversion, bribery, et al.

A report by The Human and Environmental Development Agenda (HEDA) Resource center has revealed that Nigeria has been losing between $15 to $18 billion annually as a result of illicit

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[10] Ollennu, N. M. (1961). "The Influence of English Law on West Africa". Journal of African Law. 5 (1): 21–35. doi:10.1017/S002185530000293X. ISSN 0021-8553. JSTOR 745094

financial flow (IFF) and also a research report placed ISWAP's annual income at between $26 million to $34 million. The most prevalent ML predicate crimes in Nigeria include corruption, fraud (including significant levels of cybercrime like advance fee fraud), drug trafficking, maritime offences, armed robbery, arms trafficking, kidnapping, oil bunkering and human trafficking.

Corruption is endemic and systemic across all sectors of Nigeria's economy, comprising a threat in itself and enabling other illicit conduct. Most of the activities connected to these crimes are domestic, with money laundered both internally and outside the country. Proceeds generated from criminal activities conducted outside Nigeria and laundered into the country are far lower than those generated in Nigeria and transferred abroad[11]. More than 100 powerful individuals were exposed as having used anonymous companies to buy properties with a total worth of £350million in the United Kingdom alone. Secretive dealings among Nigeria's powerholders were previously reported as part of the Panama papers and FinCEN Files.

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[11] MER report 2021

Chapter 3: Assessment of Money Laundering Threats

The ML threat assessment shows that a broad range of ML based predicate offences prevalent in Nigeria are conducted by a variety of organized criminal groups (OCGs) threat actors. These criminal activities generate billions of dollars in proceeds of crime that are laundered. The assessment further shows Nigeria has an organized criminal rating score of 7.15 and ranks 2nd out of the 54 African countries and 5th in the world.[12]

Crimes such as ML, kidnapping for ransom, cattle rustling, human trafficking, drug trafficking, wildlife trafficking, illegal trafficking in arms, illegal mining, illegal bunkering, protection rackets, fraud, cybercrimes, environmental crimes, and marine piracy are just some examples of illegal activities carried out in an organized manner. Illicit trafficking in narcotics and drugs which appeared to have the highest rating is an organized crime that involves many jurisdictions and different types of disguises, different drug syndicates have been found to be operating at a high level of sophistication.

These organized criminal groups exploit almost all sectors within the economy, ranging from Manufacturing, Real Estate, Academia, Public Service and Financial/Banking sectors and have shown a high level of sophistication in their criminal operation. Each of the predicate offences below, as per the Financial Action Task Force (FATF) Methodology were subjected to a distinct ML threat profile, taking into account Nigeria's specific crime and ML context:

1. Terrorism, Including Terrorist Financing;
2. Participation in an Organised Criminal Group and Racketeering;
3. Trafficking In Human Beings and Migrants Smuggling;
4. Sexual Exploitation, Including Sexual Exploitation of Children;
5. Illicit Trafficking in Narcotic Drugs and Psychotropic Substances;
6. Illicit Arms Trafficking;
7. Illicit Trafficking in Stolen and Other Goods;
8. Corruption and Bribery;
9. Fraud;
10. Counterfeiting Currency;
11. Counterfeiting and Piracy of Products;
12. Environmental Crime;
13. Murder, Grievous Bodily Injury;
14. Kidnapping, Illegal Restraint and Hostage-Taking;
15. Robbery or Theft;
16. Smuggling (Including in Relation to Customs and Excise Duties and Taxes);
17. Tax Crimes (Related to Direct Taxes and Indirect Taxes);

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[12] https://ocindex.net/country/nigeria

18. Extortion;
19. Forgery;
20. Piracy;
21. Insider Trading and Market Manipulation

Money Laundering Predicate Crime Threat Assessment

Experts assessed the ML threat for 21 predicate offences related to Money Laundering using the following criteria:

1. **Criminal Actors Capacity**: Actors have demonstrated criminal knowledge, skills, expertise, networks and resources and for money laundering (ML) specifically in areas such as finance, trade, law, IT and are aware of anti-ML measures and controls, and therefore can use that knowledge and skills to avoid detection by authorities.

2. **Scope of the ML Activity**: The extent to which criminal actors are using financial institutions, virtual asset service providers, designated non-financial businesses or professions and other sectors to launder PoC including the movement of cash.

3. **Estimated Proceeds of Crime (PoC):** US$ value of PoC generated per predicate offences or professional ML.

As presented in the table below, three (3) predicate offences were rated as **very high** ML threat, nine (9) were rated **high**, eight (8) were rated **medium** and one (1) was rated **low**.

Chart: **Overall Money Laundering Threat Heat Map**

Figure 2: Ratings per Predicate Crime
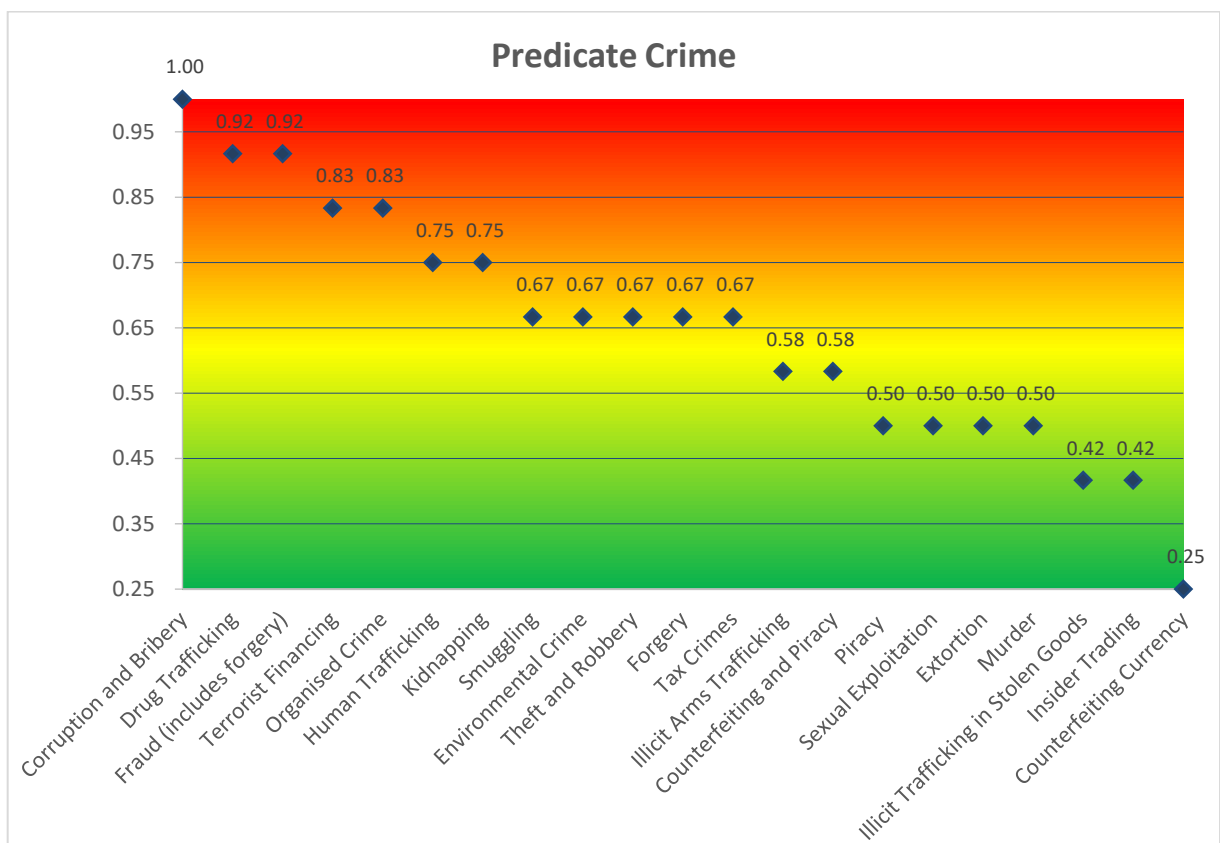
ML Threat from Corruption & Bribery

Corruption & Bribery in Nigeria is an incessant phenomenon. Corruption can take many forms, but all involve the abuse of public or private office for personal gain. Corrupt practices are prevalent at both public and private places. Corruption can take place at the highest levels of government or at a local level i.e., wherever somebody has the power to influence decision-making.

Criminal Actors' Capacity: In recent times, the most common form of corruption in Nigeria in terms of level of prevalence are embezzlement and theft from public funds, bribery, abuse of public power for private gain, illegal political party financing" and corruption in the extractive sector (oil, mining, etc.), most of which are perpetrated by Public Officers, the judiciary, the private and security agents with help from third-parties (natural or legal persons). A report entitled, 'Nigeria Corruption Index: Report of a pilot survey[13], measured the activities of corruption in four sectors, including the executive, legislature, the judiciary, and the private business enterprise.In the justice sector, the report shared the experiences of 901 respondents who reported experiences of being corruptly paid, demanded, or offered bribes up to N9.457 billion ($22,898,859.54). The money involved in the high-level corruption was classified into money demanded, offered, or paid. Demands are made by court officials including judges, while bribery offers and payments are made by lawyers and litigants.

During the year 2020, 1,307 cases were investigated and 35 convictions were secured and in 2021, 2,176 cases were investigated and 64 convictions secured by the EFCC. Corrupt transactions can be extremely simple or incredibly complex, involving shell companies in different countries. Actors use multiple channels (financial institutions, real estate sector, BDC, family members, domestic staff, friends) and sophisticated means to siphon and hide funds domestically or across the borders to foreign jurisdictions regarded as safe haven. In most cases, assets are acquired by them either in their own names or in the names of their relatives. In some cases, cash was stashed in their houses or relatives' houses.

Scope of ML Activity:

Table 3:Predicate crime investigation by ICPC

Description	2019	2020
Cases Investigated (per predicate offence, such as corruption, bribery, etc.)	588	357
Diversion, Conversion and Misappropriation of Public funds and Money Laundering	105	73
Bribery, Embezzlement, Extortion, Corruption and Money Laundering	25	26

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[13] Nigeria-Corruption-Index-Report-of-a-Pilot-Survey1.pd

Evidently more cases were investigated on the predicate offence in the year 2019 compared to 2020 with the absence of 2021 data.

Table 4: predicate crime investigations by NPF from 2019-2021

Year	Total Number of Cases Reported	Total Number of Convictions	Total Number of Cases Under Prosecutions	Number of Cases Under Investigation	Total Number of Forfeitures	Assets/Amounts Involved/Recovered [Value in Naira(USD)]
2019	7	1	1	6	-	4,000,000 ($9,658)
2020	34	47	4	30	-	200,000,000 ($484,273.22)
2021	29	49	17	12	-	5,000,000 ($12,106)

Significantly the year 2020 recorded the highest number of investigations under the years in review.

Table 5: Number of proactive and reactive IRs disseminated by the NFIU

Predicate Offence/Crime	No of Intelligence Disseminated		
	2019	2020	2021
Corruption	216	95	100
Money Laundering	5	63	20

Table 6: Recoveries/Seizures/Forfeited/Restrained by ICPC in 2021

Description	Amount (₦)	Sub-Total (₦)
Cash Recoveries/Cash Assets Recovered		
Cash (ICPC Recovery AC)	1,650,959,937.28 ($3,997,578.5)	
ICPC Tax Intervention	1,535,590,970.83 ($3,718,227.9)	
Rent Received on forfeited Assets	6,850,000 ($16,586)	
Cash Recovery (Other domiciliary account)	669,436,508.06 ($$1,620,950.89)	
		3,862,837,416.17 ($9,353,343.7)
Other Assets recovered/seized/forfeited		
Vehicles	77,100,000 ($186,687)	

Buildings (Completed & uncompleted)	1,347,498,640 ($3,262,787.5)	
Plots of land	120,864,000 ($292,655,10)	
Farms	34,770,000 ($84,190)	
Business	5,885,906,400 ($14,251,934.4)	
Jewelries	14,832,000 ($35,913)	
		7,480,971,040 ($18,114,169.9)
Cash restrained through ICPC Advisory		
Cash (other accounts) – Cash Restrained throughSSR	5,771,868,129.28 ($13,975,806)	
Cash (other accounts) – Cash Restrained throughinterim forfeiture	110,364,589.42 ($267,233)	
Cash (other accounts) – Cash Restrained throughBudget tracking	20,138,403,041 ($48,762,447)	
		26,020,635,759.70 ($63,005,486.2)
TOTAL	37,364,444,215.87	**37,364,444,215.87 ($90,472,999.9)**

The case below was referred from the CCB: Illustrates how the proceeds of fraud were laundered through high value goods: SUVs

Case Study 1: Laundering Proceeds of Corruption through High Value Assets

Mr. X, a former Director-General/CEO of Y Commission, a government agency in BB state; while holding the office as Director-General/CEO, and being a Public Officer, was also a director and sole signatory to the account of XY Investment Limited domiciled in YY Bank Plc.

XY Investment Limited was in charge of supply of Diesel to the said Commission and has executed several other fraudulent contracts awarded by Mr. X. Investigations revealed that the Director-General warehoused N300,000,000,000 ($726,409,840) in his company's Bank account, sourced from bribes offered to him as kickbacks.

Mr. X awarded the following contracts to his younger brother's company Z Ventures Limited without due process in abuse of office: Supply of furniture at the sum of N800,000,000 ($1,937,092).

> Procurement of Twelve (12) Bullet Proof SUVs for the Director- General and some Directors at the sum of N2,000,000,000 ($4,842,732), Purchase of two hundred units of Computers at the sum of N500,000,000 ($1,210,683) and Renovation of one of the State offices at the sum of N300,000,000 ($726,409).

The case study below[14] referred by the EFCC illustrates how the proceeds of embezzled government funds were laundered through Bureau De Change and Real Estate sectors:

Case Study 2: Laundering proceeds from Embezzlement through Bureau De Change and Real Estate

> On 20 October 2020, the Commission received a petition on criminal conspiracy and fraudulent diversion of N400 million ($968,346.5) by one of the government agencies. It was alleged that the Director General, 2 boardmembers and the Director Finance diverted the money.
>
> Investigation revealed that the N400 million was released by government for the establishment of 4 BioSource development centres. The N400 released by government was not part of the agency's budget so the conspirators found it difficult to spend the money from the GIFMIS platform. The conspirators led by the Director General approved that the N400 million be transferred to a private company X Limited thereafter, decided to move the N400 million to the bank account of a private company.
>
> Having successfully diverted the money into a private account, N396 million ($958,860) was then transferred to the account of Y Limited a Bureau De Change outfit. The balance of N4 million ($9,685) was shared to the owner of X Limited, he received N2 million ($4,842), one of theBoard members received cash of N1 million ($2,421.3) while the remaining N990,000 ($2,397) was transferred to XY Limited another company.
>
> The BDC converted the N396 million into USD and it was shared amongst the conspirators as follows; The Director General received N260 million ($629,555), The two board members received N96million ($232,451) and The Director Finance received N40million ($96,854).
>
> At the time of investigation, N63 million ($152,546) was recovered from three of the conspirators and a 4-bedroom duplex worth N114 million ($276,035) was forfeited by the Director General in repayment of his share of the loot. The Legal services department of the Commission is at an advance stagein drafting the charges and will soon file the matter in the appropriate court.

Table 7: statistics linked to the Predicate Offence by EFCC

S/N	Description	2019	2020	2021
1	Number of ML cases Investigated	1,112	1,307	2176
2	Number of Convictions	45	35	64
3	Abuse of office and ML	129	136	
4	Diversion, conversion and misappropriation of public funds and ML	833	848	1166
5	Bribery, embezzlement, extortion, corruption and ML	70	140	112

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[14] Source: EFCC

Data from investigated cases and feedback of experts suggests that the following regulated sectors are being used by the offenders of corruption & bribery to a limited extent; Financial Institutions, DNFBPs especially the real estate, Car Dealers and DPMS as demonstrated in the case studies, BDCs played a key role in laundering the proceeds of crime due to laxity in Customer Due Diligence and gaps in regulation.

A significant portion of transactions are carried out through cash. Use of Money/Value Transfer Systems (MVTS) was observed in some cases. This assertion is supported by the 2019 Second survey on corruption as experienced by the population titled "Corruption in Nigeria: patterns and trends'' carried out by the UNODC and National Bureau of Statistics[15] which reports that more than 93 per cent of all bribes paid in 2019 were paid in cash, a slightly larger share than in previous years. The average cash bribe paid is 5,754 Nigerian Naira (NGN), a sum equivalent to roughly $14 in Purchasing Power Parity (PPP). Overall, it is estimated that a total of roughly NGN 675 billion ($1,634,422,140) was paid in cash as bribes to public officials in Nigeria in 2019, corresponding to 0.52 per cent of the entire Gross Domestic Product (GDP) of Nigeria.

The actors involved in bribery and corruption are known for using different types of corporate vehicles to place, layer and integrate the proceeds of crime. The CCB has noticed that the individuals involved make use of religious homes, accomplices, associates, cronies, and relatives. The Nigerian financial crimes agency recovered at least $750 million in local and foreign currency linked to corruption and fraud in 2021[.16]

ML Threat from Illicit Trafficking in Narcotics, Drugs and Psychotropic Substances
Nigerian drug cartels have demonstrated high capacity in dealing and trafficking of narcotics, drugs and psychotropic substances. Activities such as cooking methamphetamine in a clandestine laboratory has been discovered in several places within the country in past years.

The National Drug Law Enforcement Agency (NDLEA) is a federal law enforcement agency in Nigeria under the Federal Ministry of Justice charged with eliminating the growing, processing, manufacturing, selling, exporting, and trafficking of hard drugs.

Criminal Actors Capacity: Experts from NDLEA reported that, Nigeria is moving from a transit country to a consumer of hard drugs, this is evident by the volume of proceeds of the crime.

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[15] https://www.unodc.org/documents/data-and-analysis/statistics/corruption/nigeria/Corruption_in_Nigeria_2019_standard_res_11MB.pdf

[16] Nigeria says it has recovered at least $750 million linked to corruption | WTVB | 1590 AM · 95.5 FM | The Voice of Branch County (wtvbam.com)

Case Study 3: Trafficking of Drugs by Courier

NDLEA intercepted 9.30 kilograms of cocaine worth over N2.7 billion ($4,653,768) at Nnamdi Azikiwe International Airport (NAIA) Abuja on Nov. 24 2021. A 32-year-old drug trafficker based in Country L. Mr. X was arrested with the consignment. Mr. X who hailed from Nigeria, lived in Country L where he worked as a miner. Mr. X was arrested during an inward joint search of xyz Airlines flight 911 at the Abuja airport. The drug which weighed 9.30kgcocaine, was wrapped in candy wraps and concealed in Mr.X luggage.

According to him, during his preliminary interview,Mr. X left Nigeria in 2018 to settle in Country L where he now has a residence permit. He, however, added that economic pressure and the need to raise money to treat his mother for an eye problem led him to seek help from a friend in Liberia, it was the friend who introduced him to another friend based in Country E, who eventually gave him the drug todeliver in Abuja for a fee of N1 million ($2,421), he was initially scheduled to deliver the drug in Country C but was rerouted to Nigeria at the last minute.

Different drug syndicates have been found to be operating at a high level of sophistication. In some cases, cartels have been found to be operating independent of one another. Various laundering methods have been detected in the past years.

Scope of ML Activity:

The table below shows STRs received by the NFIU linked to the predicate crime, which shows a gradual decline in STRs filed to the NFIU:

Table 8: STRs received by the NFIU linked to the predicate crime

YEAR	NUMBER OF STRs
2019	16
2020	14
2021	12

Table 9: Number of proactive and reactive Intelligence Reports disseminated by the NFIU related to drug trafficking

Predicate Offence/Crime	No of Intelligence Disseminated		
	2019	2020	2021
Drug Trafficking	11	10	61

The case study below is an STR received by the NFIU and illustrates how the proceeds of drug trafficking were co-mingled in a business account.

Case Study 4: Suspicious Co-mingling of Proceeds from Drug Trafficking in Business Account

Mr KMN a national and resident of Nigeria aged 57 is a self-employed and business owner of Company DRJ ltd which is into retail sale of petroleum products. He is a low-risk customer. He commenced relationship with Bank K on 11-Jul-2013. Review of Mr KMN's account was triggered based on the alerted detection scenario for Aggregated Frequent and Small Transactions.

The review period covered transactions between 01 June 2021 to 30 July 2021 which evidenced numerous inflows from various counterparties. Account number 1: 0000000002 which is a USD account, received 2 credits alert from Mr JR, from 15-25 Jun 2021 totalling USD 13,500.00. Also, a credit alert from Mr. TU on 09-Jul-2021 amounting USD 10,000.00, likewise, a credit alert from Mr. IFO on 28-Jun-2021 amounting USD 10,000.00. On 30-Jun-2021 Mr. KMN's USD account witnessed a credit alert from Mr. CIU (0000000019USD) amounting USD 10,000.00, also a credit from Mrs SB on 07-Jul-2021 amounting USD 9,000.00, and 2 credit transfers from Mr CNC (00010000USD) from 29-Jun-2021 to 07-Jul-2021 totalling USD 8,800.00, lastly a credit from Mr AB on 13-Jul-2021 amounting USD 8,000.00. Account number 2: 000100000GBP received a cash deposit by Mr. DA on 23-Dec-2020 amounting GBP 2,240.00, and 4 debit card transactions from 04-May-2021 to 22-Jul-2021 totalling GBP 543.67 in Country ED.

Findings showed that Mr KMN was mentioned in an AD news publication in connection with drug trafficking and there were significant FX transactions observed in the account. Response to the enquiry raised confirmed that Mr. KMN converted all his naira with him to foreign currency hedge against naira. Although the transactions appear to align with the subject's profile, the AD media is considered to be material and cannot rule out the risk that the funds in the account may have been co-mingled with the proceeds of the alleged drug trafficking and risk of money laundering which the subject's transactions present.

The table below shows statistics provided by the NDLEA on predicate offence investigation. the Agency has been consistent in arrest of suspected persons and seizures of illicit substances. Available data shows an increase in predicate offence cases handled by the NDLEA, which shows that the country's fight against drug abuse is being intensified. The 2021 data for predicate investigations was still being collated at the time of the assessment.

Table 10: NDLEA Reported Cases on drug trafficking investigations

Year	Number of Cases
2019	9,444
2020	9,915
2021	Not available at the time of report

The Table below represents statistics on the summary of Narcotics seizures by the NCS.

Table 11: Statistics on the summary of narcotics seizures by the NCS

Description	2019	2020	2021
Total Number of Seizures	36	47	36
Bags		3051	918
Cartons	406	345	5
Bales		244	250
Pieces	20	2893	3190
Units	196	82	61
Litres	480	157	
Others	2817	22	4460
CIF Value (N)	N314,846,232.80 ($762,358)	N458,791,138.40 ($1,110,901)	N4,713,535,168 ($11,413,194)
Duty (N)	N94,268,286.20 ($228,258)	N30,872,394.60 ($747,53)	N609,458,486 ($14,757,22)
DPV (N)	N409,116,339 ($9,906,20)	N489,666,514 ($11,856,61)	N5,322,993,654 ($128,889,16)

Within the period under review, NDLEA received and responded to some requests for Mutual Legal Assistance from the following countries.

Table 12: NDLEA Cases received and responded to Internationally

S/N	Country	Mutual Legal Assistance
1	Switzerland	2
2	UK	1
3	Mauritius	1
4	Japan	1
5	India	2

Case Study 5: Request for Information from France FIU on Transfer of Funds from Nigeria to a Narcotic Drugs Transporter

In June 2019 the NFIU received a request from a counterpart FIU based on investigation involving narcotic drugs transport. It was reported that Ms. VBN and her partner were arrested by the Police in that country holding 1.6kg of heroin and 0.6kg of cocaine. Despite protest by Ms. VBN, transactions on her account appear related to narcotic drugs transport. It was reported by the FIU that on July 13th 2018 Ms. VBN account had received an inflow of 3,000 Euros from the account of Mrs. OSJ domiciled in Bank LAZ in Nigeria.

Analysis carried out by the NFIU revealed that Mrs. OSJ is a 91 years old widow and that one Mr. JWE, a 38 year old businessman listed as the son and next of kin to Mrs. OSJ

operates the account as is believed to be the ultimate beneficiary. Further analysis revealed that the referee to the account of Mrs. OSJ is an entity BXU Global Services Limited, a company that has Mr. JWE listed as a director.

Currency Transaction Reports (CTRs) on the account and others belonging to Mrs. OSJ show significant inflows and outflows on the Euro, USD, GBP and Naira denominated accounts. CTRs on the account of BXU Global Services Limited also show significant transactions

Transactions on the account of BXU Global Services Limited indicate foreign exchange sales and purchases.

Case Study 6: Request for Information from a Counterpart FIU on a Nigeria arrested for Drug Trafficking

In June 2020, the NFIU received a request from a counterpart FIU on Mr. DMD a 28 year old Nigeria whom was arrested and found in possession of heroin with an approx. market value of MUR 1.4Million ($31,008.68). Open source information show that Mr. DMD was charged to court in that country. It was stated that Mr. DMD had between 27 May 2019 and 29 January 2020 transferred through Money Transfer Service a cumulative amount of MUR65,100 ($1,441.90) to 3 beneficiaries Messrs. OPL, SJQ and FYA in Nigeria. Open source information on the arrest revealed that Mr. DMD was a tourist that never left and is believed to be part of network of Nigerians in operating in that country.

Analysis carried out by the NFIU revealed that one of the beneficiaries of funds from Mr. DMD, Mr. SJQ who claimed to be a Point of Sales (POS) operator received total inflows of N398,866,134.30 ($956,800.95) and total outflows of N452,625,156.85 ($1,095,971.22) between the period 1st January 2018 and 4th October 2021. From the total outflows, N129,051,801.27 ($312,481.66) were made in cash.

A request was made by the NFIU to domestic authorities to determine if the subjects are or have ever been investigated.

Significant amounts of cash seizures have been made particularly at the exit/entry points. The digital revolution carried out by the Central Bank of Nigeria tagged cashless policy meant that less cash is now in circulation as most transactions are carried out through the financial institutions and products. Credible remittance systems such as western union can be used for laundering without their knowledge, family and friends are the first set of people to look out for in ML investigation. Types and frequency of legal persons involved or abused include Remittance Systems, Financial Institutions, Law Firms, Bureau De Change, Property Developers, Accounting Firms. Although the incidence of the global corona virus pandemic significantly slowed down law enforcement activities, it can still be observed that an estimated value of over $3 million was seized during the review period.

ML Threat from Fraud

The most prevalent forms of fraud in Nigeria are: Mail Fraud (Business Email Compromise, email phishing)), Identity Fraud (Driver License Fraud), Debit/Credit card Fraud, Recruitment Scams, Voters Fraud, Internet Fraud (inclusive of romance fraud, cyber-squatting, electronic signature fraud, internet fraud et al witnessed in the following sectors- manufacturing, Real Estate, Extractive, Academia, Public Service andFinancial/Banking sector. Advance Fee Fraud is among the most common forms of Fraud and is often perpetrated with a primary objective of obtaining by false pretence.

Criminal Actors' Capacity: The actors are 90% male who operate both in individual capacities and syndicates of an apprenticeship structure where they train recruits in fraudulent tricks and practices. Fraudsters in Nigeria, especially those in cybercrimes and Advance Fee Fraud have been observed to receive support from hackers from Eastern Europe who supply them with technical knowhow, software, networks of physical and virtual communication meant to create an enabling environment and scenarios for their fraudulent practice. They usually have associates embedded in the networks they target to support and facilitate the execution of their operations. Expert opinion has it that Cybercrime Fraud is mostly perpetrated by young men between ages 19 to 45, while older perpetrators mostly engage in investments, insurance, lottery scams and loans fraud.

In cases where they act alone, they primarily use false documents and mis-information to lure their victims. They also have the so-called ''Yahoo-Yahoo Schools'' in some parts of the country, including Lagos, Kano, Federal Capital Territory, Rivers, Akwa-Ibom, Ogun States.

Fraudsters exhibit a high level of sophistication in their operations. This is evident in their broad range of operation in the most complex sectors and quick adaptability and manipulation of systematic rules, regulations and guidelines. Forgery of documents often goes hand-in-hand with these fraudulent schemes to create deceptive and false scenarios that aim to duplicate existing approved systems. In Nigeria, the banking system witnesses the highest number of fraudulent practices, followed by the Advance Fee Fraud (419/Yahoo Yahoo) and then fraud in the public sector in form of corruption.

Analysis of the data from the EFCC Cyber Crime unit further shows that the dominant form of internet crime is Online Dating/Romance Scam. Sixty Four percent(64%) of individuals arrested are involved in romance scams, followed closely by "Middleman Scam" and "Picking" which account for 8% and 7% respectively of those arrested.

Middleman Scam	Picking
The Middleman acts as a link between internet fraudsters around the globe and pickers.	A "picker" is someone who receives the proceeds of an illegal transaction sent to his account and forwards it to the scammer who initiated the transaction.

The 64% involved in the dating scam benefited to the tune of N8,310,000; $349,290 USD; £ 900; €10 and Cryptocurrency 0.17513 in 2021. A total of $12,512.49 was recovered from the e-wallet accounts of four (4) suspects within the period in review[17]. In 2021, eight (8) suspects were arrested in FCT for currency counterfeiting. Fake Naira notes and USD totalling ₦98,330,000.00 ($238,092) and $2,267,200.00, respectively were recovered from the suspects who have all being arraigned in Court.

Transactions are largely through the use of cash transfers via International Money Transfer Operators (IMTOs), web transactions, use of multiple ATM cards and other Payment Service Providers (PSPs). Further insight into experience knowledge of experts shows details of methods and vehicles used to launder proceeds of Cybercrime fraud from Nigeria to other parts of the world, including the use of foreign nationals living in Nigeria that send money abroad in the guise of profits from businesses. Also, money paid into Lotteries and cashed elsewhere, and original loans and credit platforms are duplicated, the funds are disbursed to individuals with fake identities, thereafter such loan repayments are done to launder the illicit funds.

The use of mobile wallets, gift cards and cryptocurrency serve as efficient untraceable tools to transfer stolen and fraudulent funds. Additionally, experts from the EFCC revealed the prevalent use of local Bureau De Change (BDCs) operators who have contacts in diaspora, account officers within banks and Pickers (grass root individuals who deliver cash) form a syndicate of Informal Value Transfer Systems (IVTSs).

The EFCC observed a prevalence of self-laundering and third-part laundering in most of its parallel investigations. It recorded in 2021 a total of 16,066 cases of fraud investigated for ML cases in 2020 for money laundering cases deduced from parallel investigations inclusive of all other predicate offences of fraud. Some fraud cases were convicted with jail sentences and fines. These cases usually come with additional charges such as identity theft, impersonation, fabrication, use of false evidence and attempts to avert justice. In some situations, defendants often plead not guilty to charges, leading to prolonged court cases and bail being granted.

Scope of ML Activity:
The Table below shows STRs received by the NFIU linked to fraud

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[17] https://www.efcc.gov.ng/news/7159-lekki-now-hotbed-of-cyber-crime-efcc-402-suspects-arrested-in-three- months

Table 13: STRs received by the NFIU linked to fraud

Year	Number of STRs
2019	310
2020	651
2021	302

Number of proactive and reactive IRs disseminated by the NFIU

Table 14: Proactive and Reactive IRs disseminated by the NFIU

Predicate Offence/Crime	No of Intelligence Disseminated		
	2019	2020	2021
Fraud	108	187	238

Expert opinion has given a description similar to the above scenario with more details, whereby Lottery Game houses scam unsuspecting individuals and at the same time, launder such funds into layering stage. This is facilitated through collection accounts where money is pulled together, and subsequently loaned out to individuals with stolen identities with the aim of layering the funds through loaned businesses into the financial system.

See Table below on the total domestic disclosures comprising both reactive and proactive intelligence reports:

Table 15: Number of Intelligence Reports Related to Fraud

Year	Number of Intelligence Reports Related to Fraud
2019	108
2020	187
2021	202

Case Study 7: Lottery Game House Scam

The NFIU received information on one Mr. I by an agency who is into gaming business and uses the account as a collection account for his gaming entity. The subject receives huge daily lodgements into his account and usually sends multiples of ₦10,000,000 million ($24,213) transfers to his individual account.

Review of the account showed that a cumulative of ₦356,000,000 million ($862,006) cash lodgements were received in the month of July 2019 alone. The case was recommended to appropriate agencies including the tax authority.

International Disclosure

During the period under review, the following countries received the highest number of disclosures on fraud

Table 16: International Disclosures

S/N	Country	No. of Disclosures
1	USA	53
2	Japan	10
3	Malta	9
4	UK	5

The Table shows Fraud statistics from the NPF:

Table 17: Fraud statistics from the NPF

Year	Cases Reported	Suspects Arrested	Convictions	Cases Under Prosecutions	Cases Under Investigation	Number Of Forfeitures	Assets/ Amounts Involved/ Recovered	Cases Received from Other Agencies (e.g., DSS, EFCC, Army etc.)
2019	137	176	9	64	64		548,200,000	
2020	180	289	9	70	101		802,300,000	3 cases transferred to the Attorney General of the Federation
2021	269	384	6	38	225		532,540,000	

Table 18: Recoveries provided by NPF

2019	• **N13,647,001,596.15 ($33,044,387)** • **$9,561,306.75** • **£8,063.00** • **€22,029.90** • **RIYALS 156,731.20**
2020	• N1,495,042,727.05 ($3,620,045) • $392,035.97 • £15,050
2021	• N689,607,177.48 ($1,669,791) • $260,350.00 • £15,050

High Money Laundering Threats

ML Threat of Participation in an organised criminal group and racketeering

Transnational organized crime implies the movement of persons, goods, and services across sovereign national jurisdictions in a manner devoid of acceptable norms and standards[18]. In Nigeria, organized crimes are crimes that contravene certain provisions of the Penal Code and Criminal Code Acts covering criminal offences in the Northern and Southern regions. Other legislation against transnational organized crimes in Nigeria are; the National Drug Law Enforcement Act, Advance Fee Fraud and other related offences Decree 1999 , Anti Corruption Act 2000, MLP Act 2012, Trafficking in Persons (Prohibition and Enforcement) Administration Act, 2015, et al.

Criminal gangs from Nigeria appear to be smaller-scale freelance operations[19]. They typically do not follow the mafia-type model followed by other groups and appear to be less formal and more organized along familial and ethnic lines, thus making them less susceptible to infiltration from law enforcement. Organized crime in Nigeria includes activities by fraudsters, bandits, Area boys, the confraternities, Yahoo-boys, drug traffickers and racketeers, human traffickers and smugglers.

Criminal's Actors' Capacity. Transnational organized crime in Nigeria is highly sophisticated. Boko Haram, ISWAP, bandit groups and other unnamed kidnapping gangs around the country engage in wide-spread kidnappings for ransom payments while the black axe confraternity also known as the Neo-black movement is involved mostly in human trafficking, drug trafficking, fraud and racketeering. The "yahoo-yahoo boys" are involved in all forms of cybercrimes including Business Email Compromise (BEC) and Ransomeware Attacks. The yahoo-yahoo boys have introduced killing human beings for money rituals in their quest for ill-gotten wealth which is now trending among the youths aged 19 to 45, experts reported.

Investigations by law enforcement agents linked Nigerians participating in organised groups to Europe, America, Canada, South East Asia, the Middle East, North Africa, Sub Saharan Africa and other parts of the world sometimes collaborating with other nationals in carrying out their nefarious activities. Thus, offenders are organized and operate in syndicates involving different citizens.

Predicate Crime Investigation: Below table summarises 2019 and 2020 cases involving multiple parties in an organized structure. Cases investigated on ML predicate offences increased by 33% in 2020 as compared to 2019[20]. Some of the foreign nationals investigated

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[18] CONTENTS (unafei.or.jp)
[19] La Sorte, Mike. "Defining Organized Crime". AmericanMafia.com, May 2006.
[20] Source: EFCC

and convicted include Ghanaians, Pakistanis, Indians, Ukrainians, etc. In 2020, 1,450 organized crimes were investigated and 404 convictions were secured.

Table 19: Number of Cases

Year	Number of cases
2019	2,641
2020	3,502

Statistics of Banditry cases by the NPF in 2019,2020 and 2021

Table 20: Banditry Cases

Year	Total number of cases reported	Total number of suspects arrested	Total number of convictions	Total number cases under prosecutions	Number of cases under investigation
2019	2	3	-	-	2
2020	-	-	-	-	-
2021	82	66	-	-	82

Predicate offence Investigation of Advance Fee Fraud (AFF)

Table 21: Predicate offence Investigation of Advance Fee Fraud (AFF)

Year	Number of cases
2019	1,112
2020	1,307
2021	8,717

The kidnappers avoid ransom payments through the financial institutions ,rather, they receive cash and either launder the money themselves or using third parties, particularly the Bureau De Change Operators. Some even demand the ransom payment in virtual assets.

Case Study 8: Cybercrime Syndicate

Three suspects were arrested in Lagos following a joint INTERPOL-Group-IB and Nigeria Police Force cybercrime investigation. The Nigerian nationals were believed to be members of a wider organized crime group responsible for distributing malware, carrying out phishing campaigns and extensive Business Email Compromise scams.

The suspects were alleged to have developed phishing links, domains, and mass mailing campaigns in which they impersonated representatives of organizations. They then used these campaigns to disseminate 26 malware programmes, spyware and remote access tools, including AgentTesla, Loki, Azorult, Spartan and the nanocore and Remcos Remote

Access Trojans. These programmes were used to infiltrate and monitor the systems of victim organizations and individuals, before launching scams and syphoning funds. According to Group-IB, the prolific gang was believed to have compromised government and private sector companies in more than 150 countries since 2017.

Group-IB was also able to establish that the gang is divided into subgroups with a number of individuals still at large. While investigations are still ongoing, some 50,000 targeted victims have been identified so far.

The year-long investigation, dubbed 'Operation Falcon, saw INTERPOL's Cybercrime and Financial Crime units work closely with Group-IB to identify and locate threats, and ultimately, assist the Nigerian Police Force, via the INTERPOL National Central Bureau in Abuja, in taking swift action.

Case Study 9: Nigerian Organised Criminal Group involved in Fraud, Human Trafficking, Murder

A two-year investigation carried out by the British Broadcasting Corporation (BBC) on the Black Axe Organised Criminal Group revealed that it grew out of a student fraternity called the Neo Black Movement of Africa (NBM). The findings suggest that over time, Black Axe has become one of the most far-reaching and dangerous organised crime groups in the world.

Locally, Black Axe are referred to as a cult because of their secret initiation rituals and the intense loyalty of their members. They are also infamous for extreme violence. The mafia-style gang is tied to human trafficking, internet fraud and murder.

Black Axe's global expansion has been carefully constructed. The correspondence shows Axemen dividing geographic areas into zones, and designating local heads. Zonal heads collect dues - something akin to membership fees - from those in their jurisdictions, before sending the money back to leaders in their heartland in Nigeria's Benin City. It has spread throughout Europe and America, South America and Asia.

Organisations operating under the name of the NBM are registered around the world, including in the UK and Canada. The documents given to the BBC include receipts, bank transfers and thousands of emails showing Black Axe members collaborating on online scams around the world. Members share formats blueprints on how to conduct scams - with each other. Options include romance scams, inheritance scams, real estate scams and business email scams, in which the perpetrators create email accounts that appear to be those of the victim's lawyers, or accountants, in order to intercept payments.

Black Axe's international cybercrime network is likely to be generating billions of dollars in revenue for their members. In 2017 Canadian authorities say they busted a money laundering scheme linked to the gang worth more than $5bn. Nobody knows how many similar Black Axe schemes are out there. The leaked documents show members communicating between Nigeria, the UK, Malaysia, the Gulf States, and a dozen other

countries. Black Axe are reported to play a pivotal role trafficking those who travel illegally, moving them between their bases in Benin City, North Africa and Southern Italy.

The US has taken a more aggressive approach. FBI operations against Black Axe were launched in November 2019 and September 2021, eventually charging more than 35 individuals with multi-million-dollar internet fraud. Between September and December this year, the US Secret Service and Interpol launched an international operation to arrest a further nine suspected Black Axe members in South Africa.
Statements by the US justice department, in the course of its prosecution of Black Axe members since 2018, say that the NBM is a criminal organisation and part of the Black Axe. Similar statements have been made by authorities in Canada, who have said the NBM and Black Axe as the same.

ML Threat from Kidnapping, Illegal Restraint and Hostage Taking

Criminal Actors Capacity: Kidnapping is the confinement without legal authority of a person by one or more individuals, against the will of the confined person. In so doing, the perpetrator(s) often seek some financial, political or other benefits, such as the Kidnapping for Ransom (KFR) or the release of imprisoned member of a criminal syndicate. The actors of this predicate offence are sometimes sophisticated. Offenders can be organized or unorganized but, in most cases, are limited in number. This Predicate offence gives rise to other crimes like Trafficking in Persons for the Purpose of Organ removal which are much more sophisticated . Actors use multiple sectors and sophisticated means to hide funds across the borders to foreign banks.

Scope of ML Activity: Kidnapping, Illegal Restraint and Hostage-Taking are investigated and prosecuted by the DSS, the NPF and ONSA.

The table below shows predicate offence investigations by the DSS
Table 22: Predicate offence Investigation (Kidnapping for Ransom)

Agency	2019	2020	2021
DSS	11	7	10

This clearly shows that compared to 2019, there was about 36% decline in the number of cases investigated in 2020 and when compared to 2020, 30% increase in the number of cases investigated in 2021.

Case Study 10: Arrest of Couriers of Proceeds from Kidnapping

On 28th and 29th August, 2021, three (3) suspects were arrested in a hotel in X LGA for serving as couriers by conveying proceeds of crime, specifically, ransom money paid for the release of some abducted persons.

A total of ₦3,228,085.00 ($7,816) cash was recovered from the trio who admitted running

> errands for armed kidnappers despite knowing their antecedents. The suspects were remanded in prison while prosecution is ongoing.

Case Study 11: Arrest, Prosecution and Conviction of Kidnappers based on Intelligence

> On 1st February, 2019, three (3) persons were arrested in a hotel in X state for kidnapping an aide to the Governor. Their arrest was sequel to intelligence analysis which indicted the trio for 17th January, 2019 kidnap incident. The suspects were prosecuted and convicted accordingly.

Although the offenders of this predicate offence mainly deal in cash and avoid using any of the regulated sectors, the data of investigated cases and feedback of experts suggest that following regulated sectors are being used/abused by the offenders of Kidnapping, Illegal Restraint and Hostage-Taking to a limited extent; Financial Institutions, Exchange companies. DNFBPs especially the real estate and Dealers in Precious Metals and Stones (DPMS).

The sum of N262,600,000 ($635,850) was recovered by the Nigerian Police within the review period in respect to proceeds from kidnapping.

ML Threat from Trafficking in Persons and Smuggling of Migrants

Nigeria is a country of origin, transit and destination for human trafficking[21]. There is also evidence of internal trafficking. Destinations for trafficked Nigerians include the neighbouring West African and Central African countries, European countries, North Africa and Middle Eastern countries. Recently, South East Asia has also become an emerging destination for trafficked victims.

Criminal Actors Capacity: Nigerian trafficking syndicates including cultists, usually recruit young females from Nigeria and subject them to forced prostitution after being made to swear an oath never to reveal what they are into. Nigerian perpetrators of Trafficking in Persons (TIP) operating in syndicates sometimes collaborate with other nationals identified in Europe, South East Asia, the Middle East, North Africa, Sub Saharan Africa and other parts of the world in carrying out their nefarious activities. The syndicates operate mostly clandestinely with different individuals playing different roles which includes recruitment, facilitation of travel documents, movements, oath facilitation, reception/harbouring, exploitation, enforcement etc.

In most cases, offenders are organized and involve the services of different participants in the crime, ranging from recruiters, to the "juju-man'' (for swearing of oath) to peddlers (who facilitate the travel) to the final exploiter. Most often, towards the end of theirexploitation period, the victims are sold to another trafficker who commences a fresh tenure of

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[21] 2021 US State Department Trafficking in Persons Report

exploitation. They mostly use third parties to launder their ill-gotten funds rather than financial institutions.

Human Trafficking is a high profit, low risk business which allows traffickers to generally operate with impunity.[22] The role of NAPTIP and her statutory position is enshrined in the Trafficking inPersons (Prohibition) Enforcement and Administration Act (TIPPEA), 2015. The Agency collaborates with relevant competent authorities to prosecute ML cases, while Trafficking in Persons is investigated and prosecuted by NAPTIP as a predicate offence.

Scope of ML Activity: The Table shows Number STRs received by the NFIU linked to Trafficking in Persons

Table 23: Number STRs received by the NFIU

Year	Number of STRs
2019	9
2020	17
2021	16

Table 24: Number of proactive and reactive IRs disseminated by the NFIU

Predicate Offence/Crime	No of Intelligence Disseminated		
	2019	**2020**	**2021**
Human Trafficking	9	17	15

Table 25: Predicate Crime Investigations from NAPTIP

YEAR	NUMBER OF CASES
2019	203
2020	1032
2021	1107

Case Study 12: STR filed to the NFIU on a Foundation Suspected to be Involved in Child Trafficking

During review of FCY inflows, transfers were observed into the of MH children foundation account (000000020) by FA Inc. in Country Z. MH Children foundation is an adoption agency licensed by K State Government whereas FA Inc is an adoption agency registered by Country Z Government to assist render services to potential parents and organizations.

It was observed that funds were for services rendered by FA Inc on behalf of the potential parents. The account has witnessed several inward transfers from the same sender. However, the customer might be involved in some child trafficking through international adoption.

In the year 2019, two hundred and three (203) cases were fully investigated by NAPTIP. The

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[22] 2021 US State Department Trafficking in Persons Report

Agency prosecuted and secured convictions in 18 cases with 25 traffickers convicted. Procurement of persons for sexual exploitation had 38.9% of the total cases won while foreign travel which promotes prostitution had 22.2%.

Figure 3: 2019 Convictions by NAPTIP

2019 Convictions by NAPTIP

- Procurement of persons for sexual exploitation
- Foreign travel in promotion of prostitution
- Other convictions
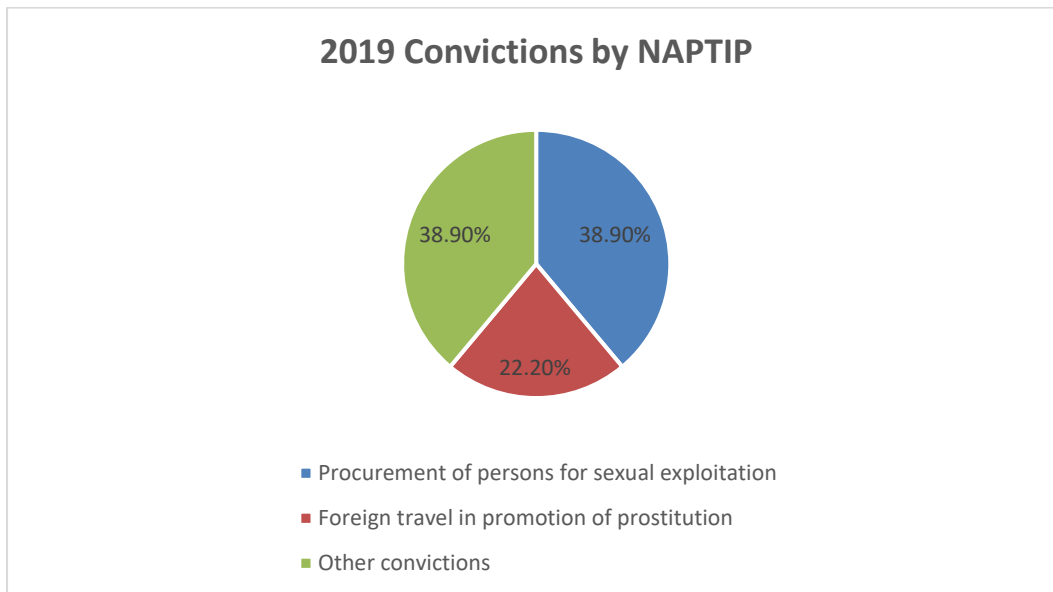
See below the cases and the percentage accounted for in total investigation figures;

Table 26: Cases and The Percentage Accounted For In Total Investigation Figures

YEAR	Cases	Percentage
2019	Foreign travel which promotes prostitution	22.7%
	child abuse	17.7%
	procurement of persons for sexual exploitation	9.4%
	External Trafficking	29.1%
	Buying and selling of human beings for any purpose	14.7%

The report for the year 2020 showed that a total number of one thousand and thirty-two (1,032) cases were received by the Agency, of which Foreign-Travels-which-promote-prostitution recorded the highest number with a total of one hundred and ninety-six (196) cases representing 19.0% of the total cases received. One hundred and forty-six (146) were for procurement of persons for sexual exploitation, making 14.1%. Child Abuse offence had a total number of one hundred and eighteen (118), representing 11.4% while employment of child as domestic worker and inflicting grievous harm had a total number of one hundred and seven (107) (10.4%) followed by buying or selling of human beings for any purpose and forced labour which had one hundred and two (102)(10.5%) and Seventy-Five (75) (7.3%) respectively. Violence against Persons had sixty-six (66) representing 6.4%. Cases that were rarely reported range from Recruitment of Persons for use in armed conflicts, trafficking in slaves, Offences by a corporate body and slave dealing.

Seven hundred and thirty-three (733) suspected traffickers were apprehended in the year

2020, comprising of four hundred and forty-two (442) males and two hundred and ninety-one (291) females. Seventy-eight (78) (17.6%) males and forty-four (44) (15.1%) females suspected traffickers were apprehended for foreign travel which promotes prostitution making it atotal of one hundred and twenty-two (122) followed by buying and selling of human being for any purpose with a total number of forty (40)(9.0%) males and sixty eight (68)(23.4%) females apprehended bringing it to total number of one hundred and eight(108) while eighty seven (87) (19.7%)males, seventeen (17)(5.8%) females suspected traffickers were apprehended for procurement of persons for sexual exploitation which brings the total to one hundred and four (104).

Employment of Child as domestic worker and inflicting grievous harm has a total number of Twenty-Nine (29) (6.6%) males and Fifty-nine (59) (20.3%) females suspected trafficker apprehended. The cases with the least suspected traffickers are recruitment of persons for use in armed conflicts, trafficking in slaves and illegal adoption (1) (0.3%) male and zero (0) female.

The Table below shows Migration/Anti-Human Trafficking and Child Labour (2021) statistics from NIS

Table 27: Migration/Anti-Human Trafficking and Child Labour (2021) statistics

S/N	Description	Male	Female	Total
1.	Migrants intercepted	-	-	**-**
2.	Smugglers arrested	9	5	**14**
3.	№ of victims rescued	92	185	**277**
4.	№ of suspected human traffickers apprehended	26	23	**49**
5.	№ of victims referred to NAPTIP	41	147	**188**
6.	№ of traffickers referred to NAPTIP	12	9	**21**
7.	№ of victims reunited with family	42	37	**79**
8.	**№ of victims/migrants repatriated**	**55**	**25**	**80**

Although the offenders of this predicate offence mainly deal in cash and avoidusing any of the regulated sectors, they however use Money/Value and Hawala Transfer Systems in some cases.

ML Threat from Smuggling, (including in relation to customs and excise duties and taxes)
Nigeria has international land borders of about 4,470 kilometres (2,513 miles) with Chad, Cameroon, Benin, and Niger, and a coastline of 774 kilometres (480 miles) with over 1,400

illegal routes which are largely unmanned[23]. The transnational nature of the crime and high proceeds encourages the actors to make the overall rating High.

Criminal Actors Capacity: The crime is high proceed yielding and the people involved are both males and females of age 25 and above. They take advantage of porous borders for the smuggling of cars, drugs, rice, second hand clothes, frozen foods and petroleum products, Fauna and Flora (pangolin scales, wet blue donkey skin, elephant tusk, high value timber). The borders that are most prevalent for smuggling are neighbouring countries like Benin Republic, Niger, Cameroun, Gabon and Equatorial Guinea. States in Nigeria that are prevalent for smuggling are Adamawa, Cross River, Oyo, Kwara, Kebbi and Sokoto. They act both individually and as well as in a group, they operate as a syndicate with every one having duties to perform all channelled to achieving theirgoals. Foreigners are also involved in the crime especially citizens from neighbouring African countries, China, Lebanon and India.

The NCS routinely intercepts smuggling; the criminals engaged in smuggling are well experienced and make use of allavailable means and try to ensure that they are one step ahead of theofficers. The criminals are hostile and in possession of arms and ammunitions and make use of cash to get access to various destination countries. They also use unapproved routes, false declaration and concealment inhiding the proceeds of crime and knowledgeable about the trade of smuggling. Smugglers use families that live by the border to move contraband into the country.

Scope of ML Activity: According to expert opinion, BDCs and Car Dealers are major sectors being used, they make use of third parties, NGOs and Companies in their operation. Also, the smugglers use cash in their operation but the amount cannot be estimated. See the vulnerabilities of BDCs and Car dealers.

ML Threat from Environmental Crime
Environmental crime is an illegal act that harms the environment, this includes but not limited to wildlife crime (Illegal wildlife trade in endangered species), Illegal mining, Pollution crimes (Dumping and illicit trade in hazardous waste), Illegal fishing, Illegal logging and the associated trade in stolen timber.

Illicit Wildlife Trading
There is a high pressure on Nigerian wildlife, where pangolins, forest elephants and other endangered species, are traded both domestically and internationally. Animals are hunted for bushmeat and body parts, such as pangolin scales and elephant ivory tusks. The country's deforestation has also led to further decrease in endangered animals.

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[23] www.thisdaylive.com/index.php/2016/11/20/nigeria-and-the-danger-of-porous- borders/#:
~:text=The%20porous%20borders%20are%20to%20blame%20for%20the,774%20kilometres%20%2
8480%20miles%29%2C%20which%20are%20largely%20unmanned.

Nigeria is not only a source of wildlife products, but also a major transit country. There appears to be geographic consolidation of trafficking routes across several markets, with Nigeria emerging as a key source/transit country for many shipments of protected species and products.

The size of Nigeria's borderline, landscape, sea and air- ports poses a serious challenge to compliance monitoring and enforcement with wildlife laws and regulations. The availability of international flight connections for passengers and cargo has the potential of making Nigeria a sub-regional wildlife trade hub and transit point.

The National Environmental Standards and Regulations Enforcement Agency (**NESREA)** is an environmental agency of the Federal Government of Nigeria that was established by law in 2007 to ensure a cleaner and healthier environment for Nigerians and responsible for the protection and development of the environment, biodiversity conservation and sustainable development of Nigeria's natural resources in general and environmental technology. The NESREA Act 2007 empowers the Agency to be responsible for enforcing all environmental laws, guidelines, policies, standards and regulations in Nigeria, as well as enforcing compliance with provisions of international agreements, protocols, conventions and treaties on the environment to which Nigeria is a signatory. NESREA investigates illegal wildlife trade and collaborates with competent authorities for joint investigations on the proceeds of the crime.

Several investigations have shown a convergence between IWT and transnational drug trafficking networks and/or illegal logging and associated trade (ILAT). However, the convergence of IWT with other types of transnational organized crime appears to take place only occasionally. Criminals engaged in this crime mostly deal directly with communities through payment of tokens in exchange for the items. There are several challenges in accurately estimating proceeds from the illegal wildlife trade (IWT). The figures from wildlife seizures represent only a segment of proceeds generated, and jurisdictions have only recently been subject to a common reporting standard (i.e., weight, number of pieces, number of seized items, etc.). Moreover, efforts to detect and quantify proceeds face challenges due to a lack of available and accurate data on wildlife trade numbers, and the fact that criminals often comingle funds from IWT with large flows of legal trade.

A significant portion of transactions are carried out through cash as the use of cash is mainly at the community levels where the goods are sourced. This is to avoid any form of audit trial that might expose the actors.

IWT Investigations have revealed the heavy involvement of logistics companies and shipping lines in the activities of IWT. A very culpable business line noticed in the illegal trade is importation/exportation of Agric produce (cashew nuts, etc.). The IWT goods are packed into

bags and stored behind/underneath other bags so that they are not visible when the container is opened. When cashew nuts are used, they may be mixed with pangolin scales and elephant tusks in the same bags. Each bag is marked with a number so that the customer knows which bags contain IWT goods and which bags contain fillers. The syndicate may also use ginger to conceal IWT goods.

See below Case Study referred by the NCS on Money Laundering Typology in Illicit Wildlife Trade:

Case Study 13: Illicit Wildlife Trafficking of Fauna and Flora by Organised Network and Laundering of Proceeds through Illegal Currency Exchange Operator

In January 2021, the Nigeria Customs Service (NCS) made a seizure of a 20 feet container of endangered species of fauna and flora valued at about N952,000,000.00 ($2,305,140), at Apapa Port in Lagos State Nigeria. Upon seizure, an arrest was made which happened to be the clearing agent acting on behalf of the exporter. The report of the seizure was filed to the Nigerian Financial Intelligence Unit for further analysis to build actionable intelligence, to aid a parallel financial investigation into the case.

Analysis of relevant financial transaction documents and call data record, created a strong link between the clearing agent and 2 other individuals – one a Nigerian who works as a shipping agent and another a Guinean national based in Lagos Nigeria, seen as an illegal wildlife trafficking kingpin. These individuals were seen as major sources of inflow into accounts of the clearing agent. The kingpin claimed to be in business of exportation, exporting farm produce like cashew nuts.

Financial transaction analysis revealed the following:

Multiple fund transfers from some Chinese national based in Nigeria, in favor of both the kingpin and the shipping agent.

Apart from the above stated, intelligence also showed that the kingpin received payments from Chinese and Vietnamese customers through a Nigeria-based money exchanger of Chinese origin.

The call data report also showed constant communication between the clearing agent and the shipping agent, especially on 21st January 2021, a day after the seizure was made.

Findings also showed that the syndicate used cashew nuts and timber to conceal IWT goods. The IWT goods are packed into bags and stored behind/underneath other bags so that they are not visible when the container is opened. When cashew nuts are used, they may be mixed with pangolin scales and elephant tusks in the same bags. Each bag is marked with a number so that the customer knows which bags contain IWT goods and which bags contain fillers. The syndicate may also use ginger to conceal IWT goods.

Intelligence suggests that the syndicate sells IWT goods to Chinese and Vietnamese buyers, as well as local buyers.

Intelligence suggests the syndicate source their IWT products locally from different parts

of Nigeria, including Kano, Yola, Kaduna, and Maiduguri. They use a warehouse in Maiduguri which belongs to their associate, to stock IWT goods

The syndicate claims to have contacts in many different countries including Cameroon, Gabon, South Africa, Angola, Mozambique, and Burundi, where most of the species are sourced from

The syndicate transports ivory from Cameroon to Nigeria via Calabar port to the south of Nigeria. Intelligence further suggests the group may have been moving ivory from Cameroon to Nigeria via Maiduguri in recent months. Although not confirmed, it's possible they stopped using the Calabar route due to the unrest there in October 2020]. Once the ivory shipments arrive in Maiduguri, they are divided into smaller shipments which are moved to Lagos separately by small trucks.

The syndicate has a number of customs officers who work in collaboration to ensure the consignments go through undetected.

Scope of ML Activity on IWT: Financial indicators for IWT vary by geography or are often specific to the commodity being trafficked or type of criminal network under review. At the same time, some financial activities and customer behaviours connected to IWT may be difficult to distinguish from other forms of crime. This has been a major challenge for reporting entities attempting to introduce IWT-specific transaction monitoring scenarios into their internal controls. Similarly, the ability of financial institutions to identify suspicious activity is affected by the limited open source and/or law enforcement information that can be used for confirmation. This generally has been responsible for the absence of Suspicious Transaction Reports linked to IWT activities.

Other reasons responsible for the absence of STRs in this sector are as follows;

I. The use of front companies that have connections to import – export industries to help justify the movement of goods and payment across borders (e.g., frozen foods).
II. The use of cash preferred as a means of payment rather than payment through the bank to purchase assets such as real estate, jewellery and vehicle etc.
III. High volume transactions conducted frequently by close relatives or close associates of convicted IWT.
IV. Multiple cash deposits on the 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.
V. The use of shell companies to conceal payments and comingling of proceeds with legitimate businesses.
VI. Allowing encrypted communications and non-face to face payments on online marketplaces hosted via social media sites, online vendor platform and the dart next.
VII. Involvement of multiple foreign bank accounts and foreign companies without legitimate reasons.
VIII. Multiple customers conducting international funds transfers to the same overseas beneficially.
IX. The use of telephone records obtained through court orders may show frequent communication using mobile devices (phone calls, text messages etc.) related to

banking activity.

X. Taking advantage of weak regulatory environments in some financial and incorporation centres to set up complex company structures (e.g., multiple layers of ownership, and multi- jurisdictional).

Vandalism and Illegal Oil Bunkering: The activities of militants plus the number of vandalized pipelines seems to be increasing yearly, despite all efforts to curtail this menace. Illegal Oil bunkering has resulted in continued unrest in the Niger Delta region as well as criminal activity such as kidnapping of expatriates working in the Oil Companies.

The Nigerian Security and Civil Defence Corps (NSCDC); a Para-military agency, is responsible for the protection of critical national assets and infrastructure. The Corps is statutorily empowered by law act No. 2 of 2003 and amended by act 6 of 4th June 2007. The menace of pipeline vandalism and illegal oil bunkering continue to blight the growth and stability of the Nigerian economy. Stolen Nigerian oil worth billions of dollars is sold every year in international markets with proceeds laundered in international financial centres. An estimated 42.25 million barrels per day (bpd) of crude oil was stolen from pipelines in the Oil producing states from 2019 – 2021 valued at $2.77 billion. (*See Extractive sector NIRA for more details on predicate offense*).

Criminal Actors Capacity: This involves different militant groups in creeks, commodity traders, international businessmen and some indigenous Oil servicing Companies. The Actors have made this activity as their means of lively-hood.

Criminal syndicates involved in wildlife crime continue to get more highly organized, and are often involved in other forms of serious crimes. Wildlife traffickers also continue to rely heavily on the bribery of officials (e.g., including rangers, customs agents, prosecutors, LEAs and judges), as well as complex fraud and tax evasion, to enable their crime.

The Table below shows statistics covering enforcements on the predicate offence from NSCDC

Table 28: enforcements on the predicate offence (oil bunkering) from NSCDC

Incidents	2019	2020	2021
Arrested Cases	1819	2318	2018
Investigated Cases	1819	1819	2018
Prosecution Cases	253	1069	210
Convictions	53	27	22

The Tables below shows statistics for Illegal Bunkering and Vandalism and for Illegal Mining from NPF

Table 29: Illegal Bunkering and Vandalism and for Illegal Mining from NPF

Year	Cases Reported	Suspects Arrested	Convictions	Cases Under Prosecution	Cases Under Investigation
2019	27	66		23	4
2020	8	12	1	4	3
2021	32	30		26	6

Illegal Mining

Table 30: Illegal Mining Statistics

Year	Total Number of Cases Reported	Total Number of Suspects Arrested	Total Number of Convictions	Total Number of Cases Under Prosecution	Number of Cases Under Investigation
2019	2	3		1	1
2020	4	10			4
2021	17	116		3	14

Case Study 14: STR Filed to the NFIU on suspected IWT

Transaction analysis of Mr. AOU's account within the period of July, 2020 to 14 Oct, 2020 noted a huge value of transactions that did not align with his profile. In the account, there were 7 self-inward remittances of total N4,440,000.00 ($10,750) from 06/07/2020 to 24/07/2020, Inward remittance of N1,083,300.00 ($2,623) on 26/08/2020 from Mr. UAM Inward remittance of N1,050,000.00 ($2,542) on 07/10/2020 from Mr.SI and 4 inward remittances from Mr. RM between 19/08/2020 to 28/09/2020 totalling N1,339,500.00 ($3,243) Upon enquiry for purpose of these fund transfers. Mr. AOU stated that he moved funds from his account with another bank. He is trying to consolidate funds. The remittance is for purchase of cows and he is in the business of exotic animals and similarly a farmer. Subject is only 25 years old and transactions are considered above his profile.

A review of the Subject's transactions showed that he executed business transactions in his personal account. The fact that the requested information response stated that Subject engages in trade of exotic animal. It's not clear what the Subject means by exotic animals but CDD records show that he is involved in agricultural business and account transactions indicate that he is a livestock (cow) dealer. Trading in exotic animals is a significant money laundering predicate, The review did not highlight concerns related to illegal wild life trade and the Subject may have used that expression in a loose sense, The transactions exceed the subject's profile and because of the execution of business transactions in personal account.

ML Threat from Forgery

Money Laundering elements are inherent in most forgery cases because the primary objective often has to do with obtaining money under false pretence, and the need to launder such illegal proceeds becomes equally important. In Nigeria, the sectors that witness the most reoccurrence of forgery include: Banking Sector, Real Estate. Civil/Public Service, Academia, Immigration, Air and Marine Transport and Logistics and Government Regulatory Licensing.

Criminal Actors Capacity: In Nigeria, the actors operate both individually and in groups with operational links comprising of manufacturers offorged documents, schemers and insider informants. Former Bankers are often featured in several reoccurring forgery. Forgery is often committed via a syndicate of State Actors, Domestic Criminal Networks, International Criminal Networks and with the dominance of internet and cyber operations of most sectors.

Forgery activities have been shown to be primarily motivated by the desire to secure the proceeds of crime or obtain money under false pretence. Actors have exhibited a high level of sophistication with virtual and physical networks of individuals to perpetrate their crime. According to reports, forgery cases cut across the banking/financial sector, extractive industries, manufacturing, public service, real estate and almost all works of life. This is attributed to globalization and seamless operational methods aided by internet connectivity, making any vulnerability and compromise of cybersecurity quite costly with multiplier effect within and across sectors. Review of STRs show a prevalence of incidences occurring in the banking/financial sector through physical and cybercrime, extractive industries, followed by real estate sector and the public service.

However, forgery in the Banking/Financial sectors occur in the form of cyber-crime, POS scams, compromised web transactions, fake banknotes, cheques and other banking instruments that hold monetary value with web transactions ranking the highest in frequency and amount[24]. In some cases, forgery cases occur alongside impersonation and stolen identity. Below are some of the different methods and most prevalent forms of Forgeries:

- Account falsification,
- Forgery of bank cheques, signatures, and other financial documents,
- Forgery of electronic documents and signatures(Cybercrime),
- Forgery of school certificates,
- Forgery of official government documents. (E.g.,Licenses, Permits, Certificates, etc.)
- Forgery of Medical Reports,
- Forgery of Real state documents.

Actors have shown a high level in laundering proceeds of crime through both financial transactions and physical cash. Financial transactions are consummated with false or proxy identities through accounts indirectly linked to them. In other cases, they use Informal Value

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[24] https://fitc-ng.com/wp-content/uploads/2021/10/Q2-frauds-and-forgeries-copy.pdf

Transfer Systems (IVTS) which enables them transfer funds outside the formal banking system without evidence of cash movement, formalities of due diligence and verification.

Scope of ML Activity:

Forgery in itself is yet to have trends of STRs filed on it as a predicate offence. Rather in most cases, it occurs as part of indicators for several other predicate offences, E.g., - Counterfeiting, Terrorism financing and Human Trafficking in organized crime settings. Forgery is mostly perpetrated as a means to an end in executing other predicate offences. The EFCC also observed a prevalence of self-laundering and third-part laundering in most of its parallel investigations. It recorded 268 cases in 2019 and 274 in 2020 for all money laundering cases deduced from parallel Investigations of forgery related predicate offences. The Table below shows Numbers of STRs linked to Forgery received by the NFIU

Table 31: STRs linked to Forgery

Year	Number of Cases
2019	5
2020	5
2021	8

The Table below shows a total number of Investigations carried out on cases related to Forgery offences and total number of convictions on cases related to Forgery from the **NPF and EFCC:**

Table 32: Number of Investigations Carried Out on Cases Related to Forgery Offences

S/N	Year	Investigated Cases (NPF)	Investigated Cases (EFCC)	Convictions (NPF)	Convictions (EFCC)
1	2019	20	268	14	235
2	2020	28	274	11	174
3	2021	52	367	11	510

***Note: the number of convictions were the fall out of the previous years.**

The cases are usually linked to additional charges such as fraud, obtaining money through false pretence, fabrication, use of fabricated evidence and attempts to avert justice. Predominantly there are instances where the use of cash, ATMs, PoS terminals. It is noteworthy that most cash involvement in perpetration of forgery comes in the form of Counterfeiting.

Case Study 15: Forgery of Land Documents

Justice X of the Y State High Court, convicted and sentenced one Mr. XX to one year Imprisonment with an option of N150,000 ($363) fine for fraud. The convicted was first arraigned on Tuesday, November 19, 2020 on a six-count charge that borders on forgery and obtaining money by false pretence to the tune of N6,000,000.00 ($14,528). He had pleaded not guilty, prompting the commencement of the trial. At the resumed hearing on

October 14, the prosecuting counsel, Mr. YY prayed the court for leave to substitute the earlier charge with an amended one count charge.

The amended charge states that Mr. XX sometime in February, 2019 in Y State within the jurisdiction of this Honourable Court dishonestly induced one Mr. Z by deceiving him to deliver the sum of N6,000,000.00 ($14,528) allegedly being payment for sale of a plot of land, situated in Y State measuring xxx size and bearing the name of one Mr. YXZ and thereby committed an offence under the Laws of Y State 1994 and punishable under Section 000 of the same Law. The defendant pleaded "guilty" to the amended charge when it was read to him. Justice X thereafter convicted him as charged and sentenced him to one year in prison. The prosecution was triggered by petitions from two complainants alleging that the defendant fraudulently received cash sums of N5m ($12,106) and N1m ($2,421) respectively from them as part payments for three plots of land.

ML Threat from Robbery & Theft

Criminal Actors Capacity: Robbery & Theft can be organized or unorganized and often linked to other offenses such as Kidnapping and dealing in Narcotics. Robbery & theft is not transnational, the actors of this predicate offence are mostly groups of individuals who work together.

Awawa Boys and One Million Boys robbery gangs have been known for their notorious robbery activities around Lagos and its surroundings. They operate mostly at night and they target dark roads where they split themselves strategically and wait for unsuspecting passersby. Only four of five of them usually make the first approach and ask their victim(s) to release all their belongings. Any attempt to resist is usually met with a swift, vicious attack by more members of the gang.

The ranks of the Awawa boys' robbery have been increasing at an alarming rate recently according to our sources. Dropouts, unemployed and homeless young boys and girls in their hundreds are seeking refuge with the gang in search of adventure, and as most of them claim, a means of survival. The offenders mainly deal in cash and avoid using any of the regulated sectors.

ML Threat from Tax Crimes

In Nigeria, tax evasion is punishable under Section 40 of the Federal Inland Revenue Service (Establishment) Act 2019. Section 41 of the Act also made it a criminal offence to hinder or assault any authorized tax officer in the performance of his duties. Additionally, the laws governing each of the different tax types also stipulate the appropriate penalties for tax crimes and violation of any of the provisions of the tax laws. These are usually fines, imprisonment, or a combination of both.

In line with the provision of Section 13 of the Companies Income Tax Act 2019, Nigerian

companies are subject to tax in Nigeria on their worldwide income whether or not the income is accrued in, derived from, brought into, or received in Nigeria. On the other hand, the profits of a non-Nigerian company shall be taxable in Nigeria to the extent that such profit is derived from Nigeria. In some cases, Nigerian companies shield their income generated abroad from taxation in Nigeria by hiding them in tax havens and secret jurisdictions outside the country.

Nigeria is a signatory to the Multilateral Competent Authority Agreement (MCAA) on the Common Reporting Standard (CRS). This will allow Nigeria to automatically receive information on the bank accounts and other financial investments held in other countries by Nigerian tax residents. Thereby beaming light on the taxable gains or incomes of Nigerian tax residents stashed away offshore. FIRS recovered over N10,000,000.000 ($24,213,661) during the review period

Criminal Actors Capacity: Criminal networks which involve Individuals, corporations, trusts, and other entities engage in diverse schemes to perpetrate tax frauds. The schemes are broadly aimed at either evading tax liabilities or making fictitious tax refund claims. Even though Nigeria has some of the most profitable and well- capitalized companies in Africa, the tax remittance rate is still very low. Nigeria's tax to GDP ratio remains the lowest in Africa and one of the lowest in the world at 6%.

A critical look at the lifestyles and spending habits vis-a-vis the amount of taxes remitted by some Nigerians demonstrates gross under- statement and under-remittance of taxes which translates to tax evasion. Tax evasion schemes take different forms. While many of the fraud schemes are based on simple mechanics of tax evasion, some are sophisticated and overly complex. They may sometimes involve complicities and highly organized criminal syndicates and arrangements. Some of the tax evasion mechanisms used by Nigerian taxpayers from FIRS investigations include:

- Manipulation of accounting records, including understatement of turnover and overstatement of costs,
- Use of complex structures for transactions,
- Non-registration for VAT and non-remittance after charging,
- non-payment of CGT on assets disposal,
- Transfer of assets overseas,
- Use of offshore companies in tax havens,
- Registration of assets in nominee names in order to evade taxes in the country, etc.,
- operating shell companies,
- Trade based money Laundering mostly in Real Estate Industries

Scope of ML Activity:

The following are the trends observed in the STRs filed by reporting entities to the NFIU in 2021:

I. Frequent and substantial wire transfers from/to high tax jurisdiction without a legitimate commercial purpose.

II. Transactions involving Tax havens.

III. Round-tripping or circular transactions where funds are reinvested into the original jurisdiction after being deposited in a foreign entity (often in a tax haven with no record keeping requirements).

IV. Sudden increase in volume of transactions evidenced by large income inflows without corresponding increase in tax payments.

V. Tax evasion linked to Current accounts maintained by non-tax sector businesses; education, agriculture, health and PEPs suspected and charged for corruption[25].

Case Study 16: Use of Minor Account to Evade Tax

Subject W operates an account with F bank Plc. In the course of our investigation, the following were discovered: The customer received NGN 8,000,000 ($19,370) on 27th of August 2021 from an oil & gas entity owned by Subject W's father. Subject W has received cumulative inflow of NGN124,589,150.55 ($301,675) from inception (11-01-2016) to date.

In response to our due diligence enquiries, the account officer confirmed that customer W's father is using this account for savings and investment purposes.
Our review shows that subject W is a minor, and the father who is the signatory to the account is using the account to run his oil & gas business which is a red flag, as this could be used as disguise for money laundering and tax evasion

The Table below shows Predicate Crime Investigations on Tax Related Issues from FIRS

Table 33: Predicate Crime Investigations on Tax Related Issues from FIRS

Year	Number of Cases
2019	1041
2020	739
2021	728

The number of tax investigation cases indicated above relates to those that were initiated in each year. Some of the cases are still ongoing as not all cases commenced are concluded in the same year**.**

The Table below shows statistics of Investigation of Tax Related Issues by EFCC

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[25] More details are in Banking Sector profile

Table 34: statistics of Investigation of Tax Related Issues by EFCC

Year	Number of Cases
2019	25
2020	104
2021	NIL

The Table below shows Additional Tax Liabilities Raised from ML investigations by FIRS

Table 35: Additional Tax Liabilities Raised from ML investigations by FIRS

Year	Assessment (In N)	Assessment (In USD)
2019	24,315,010,934.25	0.0
2020	43,949,609,722.14	20,090,828.00
2021	155,366,343,822.21	25,237,067.00

In addition to the cash recovered, other assets were also recovered by the EFCC related to ML and Tax crimes and prosecution as contained in the table below:

The Table below shows Number of Assets recovered by EFCC

Table 36: Number of Assets recovered by EFCC in relation to Tax Crimes

Assets Description	2019	2020
Automobile	3	3
Real Estate	1	9
Land	1	-
Hospital	1	-
Jewelries		34

Table 37: Number of proactive and reactive disseminations

Predicate Offence/Crime	No of Intelligence Disseminated		
	2019	**2020**	**2021**
Tax Evasion	19	47	157

The case of Company A was referred to the Commission (EFCC) and the sum of N965,945,550 ($2,338,907) was recovered as pay as you earn- PAYE on behalf of the FIRS.

The Commission on 22nd of march, 2021 received a copy of a letter from the coordinating Director, Executive Chairman's group FIRS addressed to the Managing Director that Company BC limited provided a Whistle blower information regarding an alleged non-remittance of company income tax and Tertiary Education tax by Company C from 31st December, 2018 to 30thJune, 2019 amounting to **$420,995,422.57** (Four Hundred and twenty million, Nine Hundred and Ninety five Thousand, Four Hundred and twenty two Dollar, fifty seven cents). that at the last reconciliation exercise between BC and FIRS on (December31, 2021), BC's outstanding tax liability stood at **$384,028,275.12 (**Three hundred and eighty four million and twenty eight thousand two hundred and seventy five dollars twelve cent) which the naira equivalent is **N156,979,238,021.41** (One hundred and fifty six billion nine hundred and seventy nine million two hundred and thirty eightthousand twenty one naira forty kobo) at exchange rate of **$408.77** (four hundred and eight dollar seventy seven cent)**.**

The tax type includes PPT- **$159,352,606.93 (**One hundred and fifty nine million three hundred and fifty two thousand six hundred   and   six   dollars   ninety   three   cent) CIT- **$392,534,275.62** (Three hundred and ninety two million five hundred and thirty four thousand two hundred and seventy five dollars sixty two cent) , EDT-**$150,845,402.82** (One hundred and fifty million eight hundred and forty five thousand four hundred and two dollars eighty two cent), late returns penalty-**$1,203.61** (One thousand two hundred and three dollars sixty one cent).

Proceeds of Crime from Predicate Crimes

Gaps encountered during the assessment was an inability to properly quantify the proceeds of crime related to each of the predicate offences. This was due to an absence of a methodology of systematically recording the proceeds as they are detected and a lack of desegregation of amounts. However, aggregate estimations were made by experts from various LEAs and ACAs using factors like the magnitude/prevalence of the crime, the recoveries made by the LEAs, and credible reports.

Authorities did note that methodologies and systems are being put in place for determining proceeds of crime associated with each predicate offence, the outcome of which will aid in the update of the risk assessment.

Table 38: Predicate crime ratings

Crime	Overall rating	Estimated PoC
Corruption and Bribery	VH	Expert view estimated that the PoC from corruption would run into 100 million dollars.
Illicit trafficking in narcotic drugs and psychotropic substances	VH	Estimated value of over $3 million was seized during the review period.
Fraud	VH	Over 48 million dollars annually.
Terrorist Financing	H	
Participation in an Organised Criminal Group	H	
Trafficking in Persons and Smuggling of Migrants	H	
Kidnapping	H	
Smuggling	H	
Environmental Crime	H	
Theft and Robbery (Includes stolen good trafficking)	H	
Forgery	H	
Tax Crimes	H	Over 20 million dollars from recoveries made by the FIRS

Chapter 4 Assessment of The Inherent Vulnerabilities of Money Laundering– Nationally and By Sectors

National Money Laundering (ML) vulnerabilities relate to geographic, demographic, economic, socio-cultural and criminological characteristics of a country. This will include specific vulnerabilities of the financial sector, DNFBP services or products that make it attractive to money launderers. Illicit actors seek to exploit these vulnerabilities and rely on networks of enablers, including those who provide accounting, legal and other professional services in the financial and non-financial sectors. Countries face a range of ML vulnerabilities specific to their political, economic, social, technological and legal environments. In addition, inadequate preventive measures, human capital and institutional capacity challenges, and resource constraints may represent a vulnerability.

While being mindful of the contextual vulnerabilities of Nigeria, experts assessed the inherent ML vulnerabilities of sectors, using the following five rating criteria:

Sector's inherent characteristics: The importance of the sector in the domestic economy and whether its structure and locations of operations support moving funds rapidly;

Nature of products and services provided by the sector: The nature of the products and services carry varying levels of inherent vulnerabilities (prior to mitigating controls);
Nature of the clientele: The inherent vulnerabilities associated with the sector's clientele profile;

Geographic reach of sector's activities: The exposure to high-risk jurisdictions and locations of concern;

Nature of Delivery Channels: The extent to which the delivery of products and services can be conducted with anonymity (face-to-face, non-face-to-face, use of third parties) and complexity (e.g., multiple intermediaries with few immediate controls).

The assessment indicates that there are significant numbers of sectors that are inherently vulnerable to money laundering. Of the 20 rated sectors, the overall ML vulnerability was rated "Very High (VH)" for 2 sectors, "High (H)" for 9 sectors, "Medium (M)" for 5 sectors, and "Low (L)" for 4 sectors (see figure 3 below). Inherent vulnerabilities and risks are, however, the subject of control measures provided by the AML regime, including through preventive measures and effective supervision.

Figure 4: Sectoral Vulnerabilities
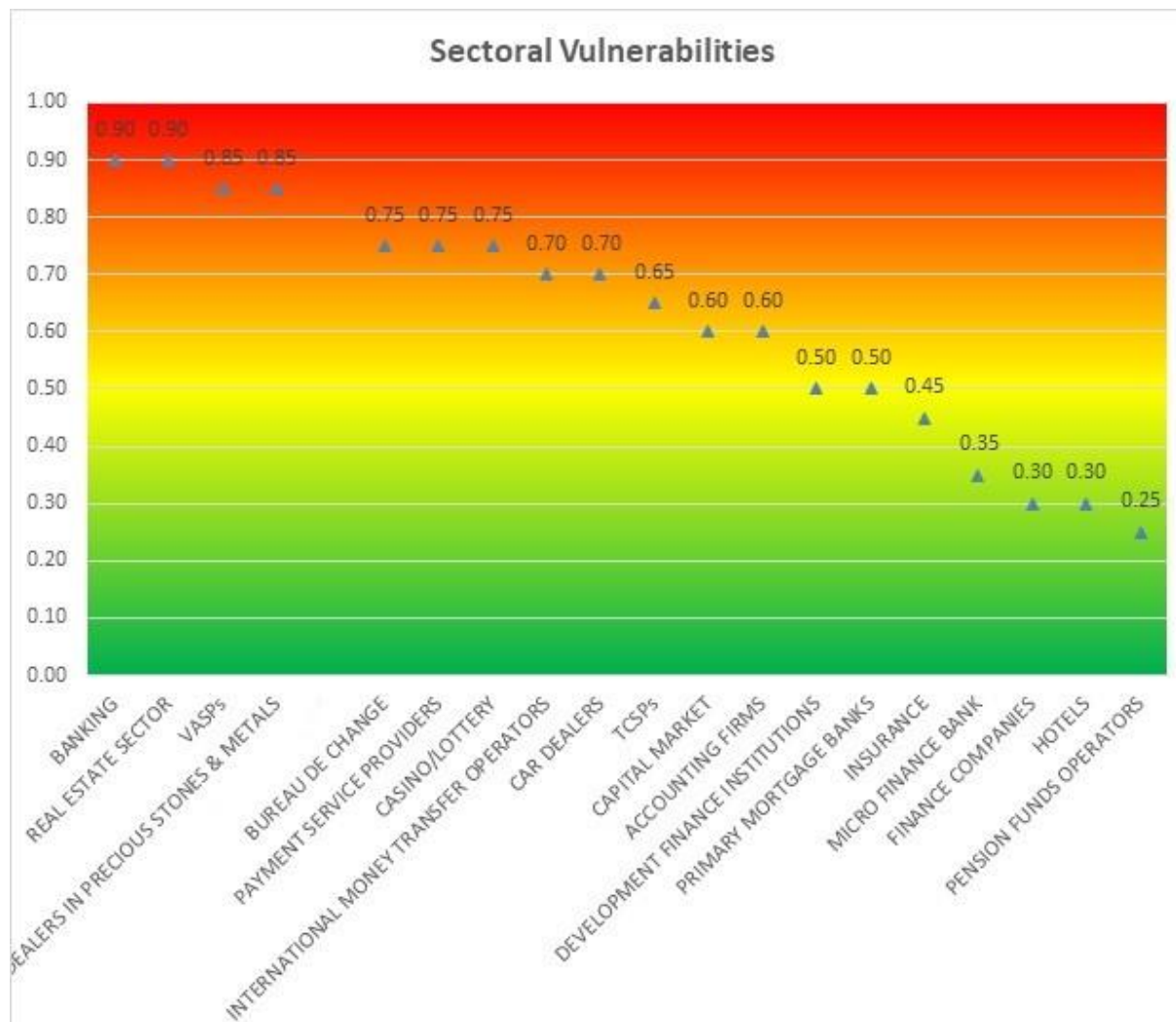
The Banking Sector

The banking sector dominates the financial system with approximately 91% of total financial sector assets[26]. The sector deals in a vast range of products and services including those which may be exploited by criminals. It interacts with all types of customers including high risk customers such as PEPs, general traders, NGOs/NPOs, DNFBPs and has geographical presence across the country and also in twenty-four (24) foreign countries. Moreover, the delivery channels include use of technology and cash   transactions which may be exploited by criminals for ML activities. The sector has thirty-two (32) Deposit Money Banks (DMBs) in operation. DMBs comprise of twenty-six (26) Commercial banks and (6) six Merchant banks.

Nigerian Banks are licensed for International, National or Regional operations. Eleven (11) out of the twenty-six (26) commercial banks have national license, six (6) have regional license and Nine (9) of the Commercial banks are engaged in international operations with fifty-four (54) foreign subsidiaries across Africa and 97% of these foreign subsidiary branches are in West Africa. Each of the nine (9) international licensed banks has a branch in London, UK. Few of them have business representative offices in Asia, the Middle East (UAE) and America. All

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[26](PDF) Financial Performance Analysis (MBA project) (researchgate.net)

the six (6) merchant banks are licensed for national authorization.

The total banking asset capitalization as at 31st December 2021 stood at N59.237 trillion ($143.44b) comprising of N53.392 trillion ($129.28 billion) 90.1% in domestic commercial banks, N5.411 trillion ($13.101 billion) (9.1%) in foreign banks and N434.222 billion ($1.051 billion) (0.8%) in specialized (non- interest) banks. This represents 91% of the financial sector assets with an average growth rate of 5% annually from 2018. The Banks' assets had grown by 89%, from the N31.231 trillion ($75.8 billion) figure used for the 2016 National Risk Assessment to N59.237 trillion (143.57 billion) as at end of 2021.

Foreign subsidiaries' assets size as at 31st Dec, 2021 stood at N1.657 trillion ($4.011 billion) representing 2.80% of the banking sector's total assets, while Merchant banks have an asset size of N1.400 trillion ($3.390 billion) representing 2.36% of the total industry assets.

The banks also control transactions of other sectors with transactions valued at N12.464 trillion ($30.181 billion) in the Capital market; N8.424 trillion ($20.398 billion) in the Insurance sector and N107.847 trillion ($261.137 billion) in other financial institutions such the primary mortgage banks, microfinance banks, bureau de change and others (DNFBPS). Banking products have been associated with ML activities in the OFIs sector (see Other financial institutions' vulnerability profile) and banks are also identified as major players in the Open Market Operations of the Capital Market.

The banks engaged in international trade through the issuance of letters of credit, wire transfers and remittances through their corresponding banks.

The thirty-two (32) DMBs have 4,573 branches in Nigeria in 2021 compared to 4,783 branches in 2019. This represents a dwindling branch expansion rate of 4% over the period. The branch reduction is attributed to the recent merger between two (2) banks and the increase in mobile/internet banking products by most banks.

Most bank products and services comprise savings account, current account, term deposits, loans and credit, private banking, mobile/electronic banking, agency banking, sale of monetary instruments, mortgage financing, trusts, international inward and outwards remittances. All bank products are in naira and U.S dollar, Pound sterling or Euro except for mortgage financing.

See Below Table representing ratings per banking product and services

Table 39:ratings per banking product and services

S/N	Product	Rating
1	Current Account	VH
2	Mobile and Electronic Banking	VH
3	Agent Banking	H
4	Credit Cards	H
5	Trust Accounts	H
6	International Inwards and Outwards Remittances	H

S/N		Rating
7	Private Banking	H
8	Savings Account	M
9	Time Term Fixed Deposit	M
10	Sale of Monetary Instruments	L
11	Mortgage Financing	L

Table 40: Agency Banking

S/N	Mode	Rating
1	Cash In	H
2	Cash Out	H
3	Funds Transfer	H
4	PoS	H
5	Air-time Recharge	M
6	Bill Payment	L
7	BVE	L

Very High Risk Product Ratings

Current Account: Current account products are used by both individuals and corporate entities. The individual current account customers consist of high-net-worth individuals, (PEPs) and financially exposed persons/bodies while the corporate current account customers are mostly DNFBPs, NGOs, CMOs and other legal persons. Current account customers have the highest transaction volume in the banking sector and generate the largest turnover in the sector. Current account transaction volume as at end of 2021 stood at N1,057.740 trillion ($2.561 billion), representing 41.70% of the sector's total transaction volume.

The DNFBPs transactions constituted 31.59% of current account volume and stood at N800.389 trillion ($1.938 billion), while politically exposed persons transactions constituted 9.98% at N25.322 trillion ($61.341 million) of total current account transactions volume.

Current accounts maintained by DNFBPs (especially real estate firms, hoteliers and departmental stores), PEPs and private banking customers are very vulnerable to ML as indicated by STRs filed to the NFIU. Current accounts have also been used for ML activities in the Real Estate Sector (see R/E Sector profile) The ML Threats, Legal Persons and Legal Arrangements Profiles also identified the use of DNFBPs (corporate) current accounts in all predicate offences leading to money laundering.

Mobile Electronic Banking: Regular banking products are offered through the internet, web applications and banks' mobile apps. Other mobile and electronic banking products are bills and utilities payments. Innovations in technology and preferences by customers for mobile and electronic products have brought more diverse products under the mobile and electronic banking platform.

The volume of mobile and internet banking transactions is increasing at a regular rate and

stood at N165.308 trillion, ($400.270 billion) representing 6.52% of the industry's transactions volume, as at December, 2021.

Reports to the NFIU and other Law Enforcement Agencies indicate that internet and mobile banking products are vulnerable to internet fraud and cybercrime.

High Product/Service Rating

Agent Banking: The Agent Banking service provides basic savings account product for deposit and withdrawal. Agent Banking primarily targets the unbanked and underserved in remote rural areas but does not exclude other individuals in urban areas. However, due to its limited KYC requirements, cash intensive nature and 3rd party nature of transactions, Agent Banking vulnerabilities can be exploited For ML.

There are two Agent Banking models in Nigeria: Bank-led, where a financial institution acts as the principal; and non-Bank-led, where a corporate body acts as the principal. The models operate in three categories- the Sole-Agent, Super-Agents and Sub-Agents in the network. There were 451,131 Super agents constituting 45% of total agent networks deployed in Nigeria as at December, 2021. Approximately 93% of the remaining 55% of the total agent's network are Sub agents.

Agent Banking is facilitated by Mobile Money Operators (MMOs) as identified in the OFIs PSP profile.

As at 31st December 2021, there are 1,002,514 (one million, two thousand, five hundred and fourteen) Agent networks, exceeding an anticipated figure of 1,000,000 agents projected by the CBN for the year 2021. The agents conducted a total of 1.04 billion transactions in 2021 valued at N17,495 trillion ($42.4m) of which about88.7% were cash based. h

Further breakdown of the transactions is as follows;

Transactions

- Cash Deposit: 26.40%
- Cash Withdrawal: 62%
- Bills Payment: 4.90%
- Airtime Recharge: 4.90%
- Fund Transfer: 2.20%
- Collections: 0%
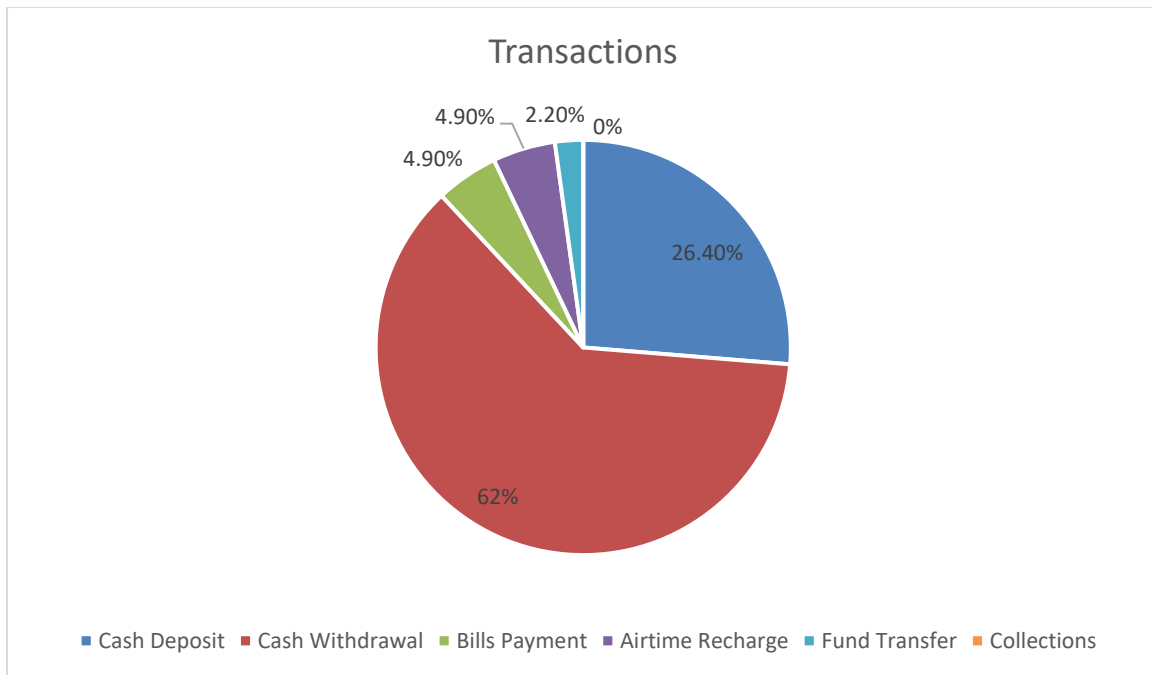
Other activities of the agents included enrolment of 88,034 of banks' customers for Bank Verification Number (BVN) and distribution of 1,390 debit cards issued by payment service providers. The card distribution by Agents constituted only 0.28% of total cards distributed in 2021 in the industry.

The Super-agent has the tendency to form a network of agents that maybe difficult to be effectively monitor by their principals (financial institutions or mobile money operators) and the CBN. Agent Banking regulation mandates agents to comply with the extant ML laws and regulations in Nigeria, and the principals focus on the agents' capability to meet their ML obligations.

Agent networks cover the entire country. Just like the banks, the Southwest region, which has the highest number of bank branches, also has the highest number of agents networks with 37.5% of the total agents in the country as at 2021. The South-South has 15.6%, North-Central 15.1%, South-East 13.1%, North-West 12.5% and North-East 6.2% as seen below;
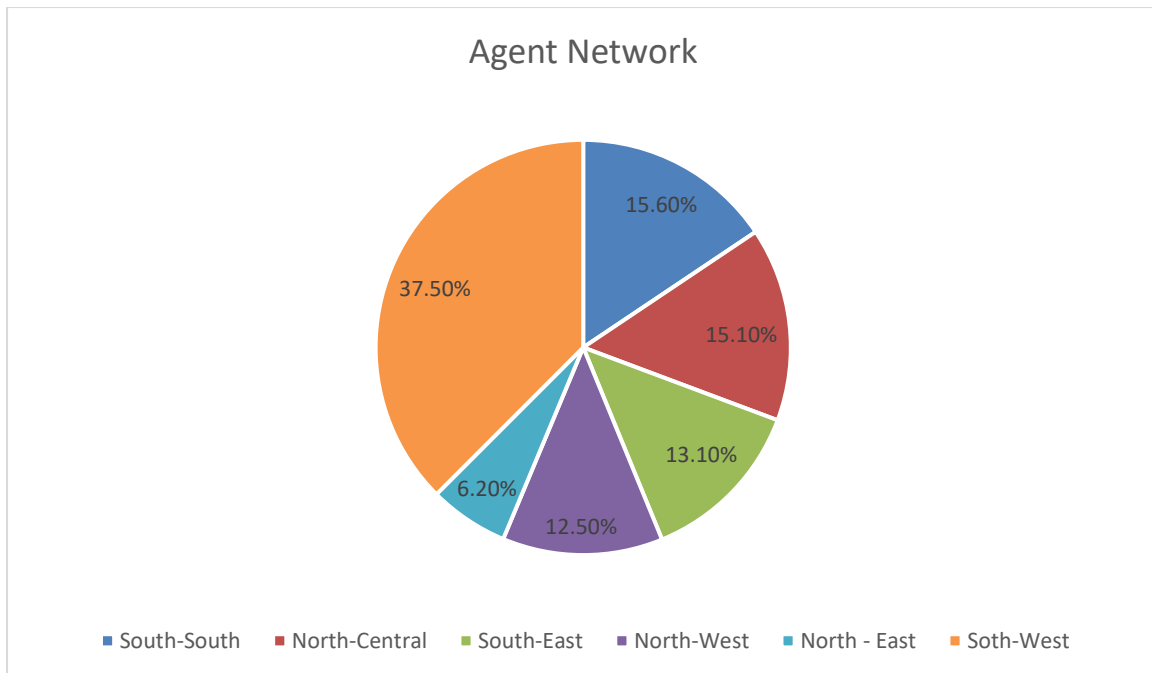
Agent banking activities have expanded beyond the targeted unbanked population to reach even those that have access to formal financial services engaging in large volumes of transactions.

Agent Banking services rendered include: deposits and withdrawals at specified limits, account opening facilitation, bill payments and funds transfers. Agent Banking operations are predominantly cash-based which constituted approximately 88.7% of the total transactions consummated in 2021. Agents are prohibited from providing services such as granting loans/advances, transacting in foreign currency, cheque deposit and encashment, amongst others. ML risks associated with Agent Banking products include predominant use of cash and 3rd party funds transfer; and abuse of stipulated limits of transactions.

Agents engaged by MMOs also offer limited payment services (account or card based) as specified in the regulation.

Cash In: Agent network is designed to bring financial services close to the people. An agent can accept deposit into customers' bank account from any location in Nigeria. Though there are limits to such deposits, cash-in can be structured between an agent and the customer involved to suit an unusual circumstance that is not easily noticed by the bank. The vulnerability is increased in instances where the agent account with the bank is used as concentration account instead of the customer's account.

Cash Out: Agents also provide cash withdrawal services to bank customers using its network. This is particular with super agents that have their main network in the cities with numerous sub agents in other remote destinations.

Fund Transfers: An Agent can carry out electronic funds transfer services using cash and debit cards to transfer funds to 3rd parties. The service can easily be used to transfer funds to high-risk individuals and areas vulnerable to ML in Nigeria.

Point of Sales (PoS): There are cases of fraud reported in relation to connivance between bank staff and PoS operators. This will further heighten the vulnerability associated with the product/service. Agent networks transactions are found in STRs and domestic investigations related to Money Laundering. POS transactions featured prominently in reported and investigated fraud cases.

Air-Time Recharge: Airtime recharge is another form of bill payment service rendered by agents. The service can be used to transfer funds to a 3rd party beneficiary by converting the airtime to cash which makes it vulnerable to ML.

Bill Payment: Agent networks can facilitate the payment of utility bills such as electricity and water bills for a fee. This is unlikely to be used for ML.

Bank Verification Enrolment: Agents can also assist bank customers with BVN enrolment at their locations. This is unlikely to be used for ML.

Agent Banking customers comprise the unbanked and under-served with limited access to basic financial services such as rural dwellers, the aged, students and bankable adults without minimum KYC for regular accounts.

Agent networks also deal with customers that have established banking relationships and occasional customers who may want to establish a banking relationship, or use their channel for desired financial services. Agent banking comprises mostly individuals and small scale (sole proprietors) businesses. The customers of agent banking engage in various businesses and occupations. The cash-based and 3rd party nature of their activities makes the service more vulnerable to ML.

The 1,002,514 agent networks cover the entire country including areas with high vulnerability to ML such as Lagos, Rivers, Kaduna and Borno States. Agent network has no international presence. The governing regulations do not permit foreign currency transactions.

Agent banking's main delivery channel is the Point of Sales (POS) and 3rd party transfers make Agent Banking vulnerable to ML because an agent can accept, disburse or transfer funds on behalf of unknown persons.
Banking activities between the banks and the agents are conducted electronically, most times it is difficult to detect when the agents are involved in anonymous transactions on behalf of their customers.

Credit Cards: Credit cards are attached to mostly current accounts with a regular source of income or corporate business accounts with high cash turnover. It is a form of credit facility under terms and conditions in consideration of customer's cashflows and financial capacity. Nigerian credit cards can be used locally and internationally. Credit cards can be of varying limits; high or low amounts depending on customers' financial strength and the banks' terms. The Virtual Assets Profile identified high use of credit cards for crypto currency transactions until the ban in the banking sector due to associated high financial crime tendencies and money laundering (see VASPs inherent vulnerability profile.

Trust Accounts: Trust accounts exist in the Nigerian banking sector. However, proceeds from these accounts are largely reinvested in the capital market. Trustees operating under Law firms are vulnerable to ML. Reports and Investigations have linked trustee law firms to PEPs serving as fronts in massive corruption cases. AML supervision over the law firms is still being contested in court with the Nigerian Bar Association. However, some law firms are registered with Special Control Unit against Money Laundering (SCUML) and render AML reports. Real Estate Sector Vulnerability Profile identified trust accounts maintained by law firms as being used for ML in the sector.

International Inwards and Outward Remittance: The banks conduct inward and outward remittances through their corresponding banks and international money remittances through companies such as money gram, western union and other Money Value Transfer Services (MVTS) operators in foreign currencies especially USD. Inward international remittances have been on the increase at a geometric rate in Nigeria due to the high number of Nigerians that live, work and do businesses in the Diaspora. The CBN reported an increase of Diaspora weekly remittance from 6 million USD to over 100 million USD in recent times.

Outward international remittances are equally large due to the import nature of the Nigerian economy. Most outward remittances are to facilitate trade and import transactions. According to CBN, payments for trade between 2019 and 2021 stood at N127.784 trillion ($309 billion). International inwards and outwards remittances have a high number of reported frauds, advance fee fraud and cybercrimes from STR reported to NFIU and investigations by law enforcement authorities.

Private Banking: Private banking products targets classified high net worth individuals and corporate bodies who desire customized banking services and products. Most of these products are designed to suit the customers depending on their nature of income, expenditure, business and other peculiarities. Private banking individual customers are mostly politically exposed persons and the corporate customers are mainly DNFBPs, especially Real Estate firms.

Due to the high cost of transactions attached to private banking products, their volume of transactions is far less than the regular current account products and stood at N17.659 trillion ($42.760 billion). This represents 0.70% of the sector's total transaction volume as at 2021.

The features of the product provide for personal interaction and also some anonymity making it vulnerable to ML and can be used by high-net-worth individuals especially PEPs.

Medium Product Rating

Savings Account: The majority of customers that patronize savings products are salary earners, students and minor accounts. Savings account transactions stood at N554.310 trillion ($1.642 billion) as at end of 2021. The volume of transactions on Savings product amounts to 21.90% of the sector's total transactions volume as at 2021. Analysis of STRs by the NFIU indicated that, savings accounts are more vulnerable to internet fraud.

Fixed Deposit Accounts: Banks attract huge volumes of time/ term deposits from individuals, as well as finance and investment companies. This is largely based on their ability to give good returns (high interest rate). Fixed deposit transaction volume stood at N119.701 trillion ($289.841 billion) as at 2021. This constitutes 4.70% of the sector's total transaction volume. This product may be exploited by PEPs.

Low Product Rating

Sale of Monetary Instruments: A few monetary instruments still exist among the banks' products, these include: manager's cheques, bank draft and letters of credit. They are issued to existing customers' accounts on customer's request. It is currently witnessing a downward trend due to the shift to innovative financial electronic products.

Mortgage Financing: Banks finance mortgages for customers who (must) have a banking relationship with adequate due diligence in place. Mortgage financing is tied to a regular source of income of the beneficiary customer and is not available to walk-in-customer. This product is very few in the banking sector as it constitutes the major business of the Primary Mortgage Banks (Other Financial Institutions). The product constitutes low ML risk.

Banking Products Involved in STRs and Investigations

All the bank products are found in STRs and domestic investigations related to Money Laundering. The top four banking products relating to ML predicate offences from STRs reported to the NFIU are:

1. Internet Banking: Fraud cases reported.
2. International inwards and outward remittance; Trade Based Money Laundering (TBML).
3. Credit and ATM (debit) cards.
4. Current account: Bribery and Corruption reported on products held, managed or linked to PEPs, DNFBPs in Real Estate, Hotels and private banking customers (TBML).

Customers: The banking sector broadly deals with two types of customers i.e., customers having established relationships and occasional customers. The established relationship customers maintain account(s) with banks, while occasional customers avail banking services as walk-in customers for conducting one off transaction.

Bank customers are natural and legal persons. Foreign companies executing contracts in Nigeria as well as those with content settlements (companies with services creates in foreign countries but consumed in Nigeria) can open account in Nigeria. Others include foreign government organizations such as embassies. High risk customers are Politically Exposed Persons (PEPs), Bureau de change operators, NGOs/NPOs and DNFBPs.

Geographic Reach: The 4573 bank branches are located across the country with a high concentration in the South West region which accounts for 40.6% of the bank branches. The

remaining regions share 16.2%,11.45%,10.8%,8.25% and 5.07% for South-South, South- East, North-West, North-Central and North-East, respectively. All the regions are vulnerable to ML but FCT has more corruption related ML vulnerability due to high presence of PEPs and government agencies. The south-west is vulnerable to ML from fraud and cybercrime, north-west is vulnerable to kidnapping for ransom and south-south has high ML vulnerability to drugs, human trafficking and cybercrime offenses. The bank's foreign branches /subsidiaries are mostly in Africa with 97% of them in West Africa. All the banks with international operation license have a branch in London UK which makes the country a strategic location for Nigerian banking activities.

Nigerian banking activities had not been linked to FATF TF/PF designated high risk jurisdictions but their operations had greatly facilitated illicit financial flows to and from designated ML havens.

Delivery Channels: Delivery channels of most banks' products vary with the nature of products but there is a swift shift in delivery channel of traditional banking products to mobile, internet and web transactions. Most complex delivery channel is Agent banking. Nigerian banks do not provide anonymous products/accounts and services. The delivery channels include use of technology and cash transactions which may be exploited by the criminals for ML activities.

Sectoral Inherent Vulnerabilities of ML on Capital Market Sector

The All-Share Index (ASI) of the Nigerian Exchange Limited (NGX) closed 2019 at 26,842.07 points rising to 40,270.72 points in 2020 which was an increase of 50.03%, outperforming similar indexes in many markets around the world.

Equity Market capitalization on NGX stood at ₦12.97 trillion ($29.27 billion in 2019 (9% of GDP) and grew to ₦21.06 trillion ($50.86 billion) in 2020 (13.8% of GDP), and closed at ₦22.3 trillion ($53.28 billion) in December 2021 (12.9% of Nigeria's GDP) of ₦173.53 trillion ($419.02 billion). A total turnover of ₦963.45 billion ($2.33 billion) was recorded in 2019 rising to ₦1.028 trillion ($2.49 billion) in 2020 which decreased to N916.45 billion ($2.22 billion) in 2021.

The Net Assets Value of Exchange Traded Funds (ETFs) stood at N5.17 billion ($12.15 million) as at December, 2019 which increased to ₦14.50 billion ($24.02million) as at December, 2020 and N6.78 billion ($14.72 million) as at December, 2021. ETFs turn over stood at N109.11 million ($263,955) as at December, 2019 which increased to ₦56.66 billion ($135.76 million) as at December, 2020 and ₦32.22 billion ($77.53million) as at December, 2021.

On the FMDQ Securities Exchange Limited (FMDQ), total turnover was ₦232.68 trillion ($561.92 billion) in 2019 which declined to ₦215.08 trillion ($520.61 billion) in 2020. This further declined to ₦198.93 trillion ($479.66 billion) in 2021.

Instruments traded include Foreign Exchange of N353.61 Trillion ($854.89 billion)

representing 49%), Foreign Exchange Derivatives (N69.32 Trillion $167.15 billion) representing 10%), Treasury Bills (N96.61 Trillion ($232.60billion) representing 13%), OMO (N64.12 Trillion ($154.99 billion)) representing 9%), CBN special bills, FGN Bonds (N43.54 Trillion ($104.25 billion)) representing 6%), Promissory notes, corporate Bonds, Repurchase Agreements/Buy-Backs (N86.53 Trillion $208.37 billion) representing 12%), Unsecured Placements/Takings (N3.31 Trillion ($7.34 billion)) representing 0.5%) and Money Market Derivatives (N1.09 Trillion representing 0.2%).Total Unlisted securities traded on the NASD Plc was worth N10.47 billion ($24.33 million) in 2019 rising to ₦12.68 billion ($29.22 million) in 2020 and further rose to ₦32.84 billion ($77.69 million) in 2021.

On commodities trading, AFEX Commodities Exchange Limited (AFEX) recorded a total agricultural produce trading value of ₦2.81 billion ($5.04 million) in 2019, ₦13.95 billion ($31.71 million) in 2020 and ₦122.58 billion ($295.55 million) in 2021.The Nigeria Commodity Exchange (NCX) recorded a total value of ₦86.24 million ($208,295) in 2020 and zero value for 2019 and 2021. The Collective Investment Schemes in Nigeria reached a landmark high of over N1 trillion in total asset under management (AUM) as at December 31, 2019 growing to ₦1.49 trillion ($2.54 billion) as at December 31, 2020 and decreased to ₦1.30 trillion ($2.49 billion) as at December 31, 2021.

Participation of foreign portfolio investors stood at 48.8% in 2019 which fell to 33.63% in 2020 and further declined to 12.9% in 2021. Implying that domestic investors constituted 51.2%, 66.4% and 77.1% of all transactions in 2019, 2020, and 2021 respectively. As at December 2021, the Capital Market Sector consisted of 1,368 registered participants comprising 428 core operators representing 31% and 940 non-core operators representing 69%.

Most Capital Market Operators are limited liability companies which are not listed on the floor of the NGX. 155 CMOs out of the 428 core operators operate within group structures. The Sector is well integrated within the financial system with a wide range of products. Banks, Insurance companies, and PFAs also participate in the capital market eco system.

Capital market operations are largely domestic in nature with a few international presences and subsidiaries in other countries. Most CMOs have their head offices in Lagos state and a few other states including Abuja (the Federal Capital Territory). Some of these CMOs have branch offices spread across the country with the approval of the SEC to aid their operations. The geographic distribution of the branches are as follows: North Central 57% (predominantly) in Abuja), South West 19% (largely in Lagos), South-South 12% (largely in Port Harcourt), North West and South East 5% each and North East 2%.

Figure 7: Branches per Region
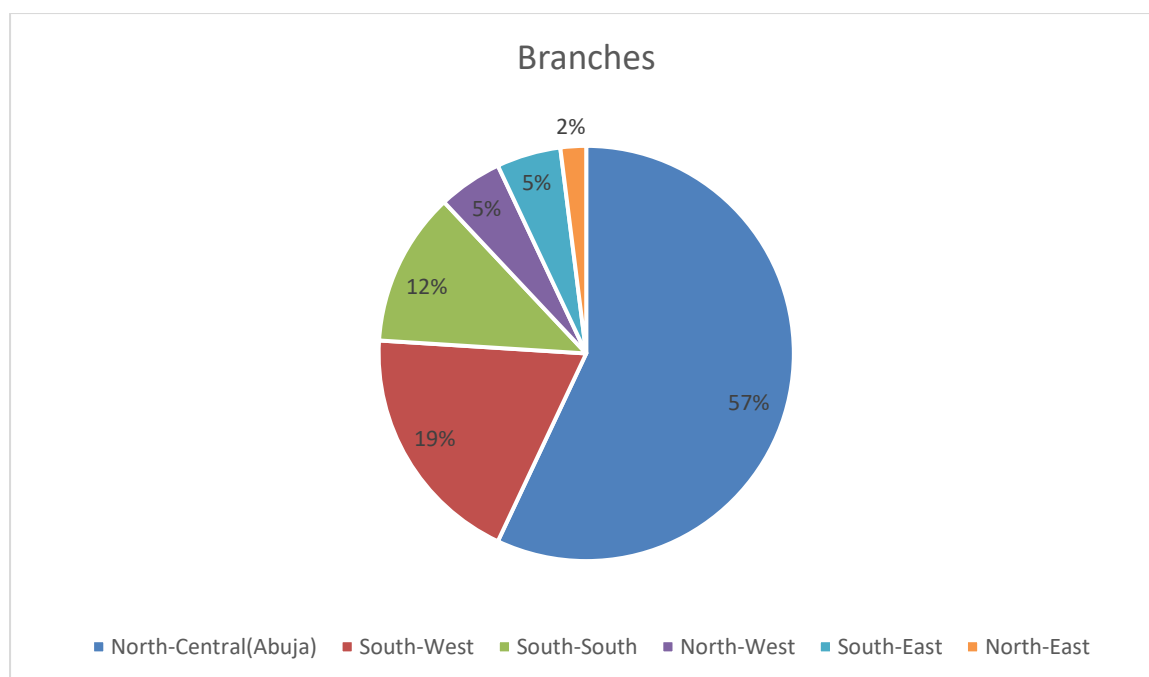
Some CMOs operate within group structures with foreign affiliation with presence in 3 international jurisdictions namely US, UK and South Africa. CMOs have no presence in FATF High Risks or monitored Jurisdictions

Nature of Product: Capital Market Operators offer a wide range of products and services through 3 major platforms which include NGX Limited where Equities, Bonds and ETF (both listed Funds and mutual funds under the class of memorandum listing which are not traded but added to the net asset value) are traded. The NASD for OTC equities and the FMDQ Securities Exchange Limited which offers Foreign Exchange, Treasury Bills, Foreign Exchange Derivatives, OMO, CBN Special Bills, FGN Bonds, promissory Notes, Euro Bonds, Repurchase Agreement /Buybacks, Unsecured placements/Takings, Money Market Derivatives and Commercial papers.

Most of the products traded in the market are equities, Bonds, and Collective Investment schemes, Broker dealers and Custodians offer nominee accounts services to clients which can create some anonymity regarding disclosures of the ultimate beneficial owners. These are considered as most vulnerable products and services offered in the Nigerian Capital Market for ML abuse.

Predicate offences related to the STRs filed and analysed include fraud, bribery and corruption. A few STRs filed by the banking sector were also traced to capital market transactions. Established red flags indicators reported on capital market transactions include huge cash deposits, third party payment on behalf of a customer and multiple structured payments. Investigations into fraudulent activities carried out in the capital market relate to unauthorized sale of shares, market manipulation, insider dealing, fraud, identity theft, complaints and other matters. However, typology studies on Insider dealing and market manipulations revealed that the 2 predicate offences could not be easily proven.

In 2019, investigations involved 14 Trading Licensed Holders (TLHs) and 7 TLHs and 10 TLHs

in 2020 and 2021 respectively leading to recoveries/restitutions amounting to N1.4 billion ($2.43million), N305.1 million ($738,758) and N305.5m ($739,727) respectively on various infractions.

Nature of Clientele: There are generally two forms of clientele: institutional investors and retail investors. They include individuals, corporate entities, pension funds and institutional accounts both domestic and foreign. The client profile may include high-net worth clients and PEPs. Operations are not restricted to domestic transactions as foreign portfolio investors also form part of the clientele. Some of the CMOs have affiliations with foreign financial institutions or securities dealers.

The following types of customers are considered as highly vulnerable to ML:

Politically Exposed Persons (PEPS) both domestic and international are considered as highly vulnerable to ML abuse. Though Nigerian politician PEPs are well known in the society, however, lack of standard identity management in Nigeria remain a challenge for the CMOs. CMOs are required to render PEPs report on monthly basis to the NFIU but PEP related cases seen or investigated usually exposed from other means and not though the CMOs. From 2019 to 2021, the CMOs reported 48,630 PEP related transactions.

Nominee accounts and foreign portfolio Investments through Custody operations and fund management operations are inherently vulnerable to ML abuse due to their structure and risk relating to disclosure of ultimate beneficial owners. Significant percentage of Foreign Portfolio accounts are seen in the capital market operations. In 2021 value of foreign participation stood at ₦729.20 billion ($1.77billion) representing 33.63% of total equity transactions valued at ₦2,168.14 billion ($5.25m), while domestic investors accounted for ₦1,438.94 billion ($3.48m) representing 66.37%.

Specialized Exchange Traded Funds (ETF) recently approved by the SEC for eligible Foreign Jurisdiction (EFJ) for all IOSCO member countries covering 230 Jurisdictions' will increase market exposure to ML abuse. An operation of ETF requires foreign market due diligence review report (FMDDRR) and all AML compliance requirements.

Geographic Reach: CMOs in Nigeria are mostly domiciled in Lagos and Abuja. The trading platforms are in Lagos and Abuja. Most transactions after the initial transaction are non-face to face. Some CMOs in Lagos may be exposed to ML vulnerabilities due to the threat caused by fraudsters and drug traffickers who may want to launder their funds. Although FPI investment in Nigeria accounted for 48.8% in 2019, 33.63% in 2020 and 12.9% in 2021.

Data obtained from the NGX with regards to FPI into Nigeria revealed that most of the funds came from the UK, US and South Africa. There were no inflows or outflows to/from high-risk jurisdictions. Domestically, most funds into the Capital Market sector came from Lagos, the commercial capital, and Abuja.

Delivery Channel: A significant portion of transactions by volume/value involves face- to-face interaction at the start of the business relationship in line with the implementation of

the SEC Know Your Customer (KYC)and Customer Due Diligence (CDD) rules.

Delivery channels for Capital market products/investments are in three basic forms. Primary offers for subscriptions through initial public offerings (IPOs), public offerings (POs) and right issues where allotments are through the registrars (depositories) and automated Central Securities clearing system (CSCS). Private placement which are approved by SEC and the Secondary market transactions which are fully automated involves trading or investments in existing products/instruments consummated via 3 registered platforms (NGX, FMDQ and NASD).

Special purpose vehicles (SPVs) as a delivery channel are very much in use in the raising of capital/issuance of debt instruments (Bonds) from the Market. However, all SPV registered by the SEC are public companies (PLCs) whose beneficiaries are fully disclosed. Therefore, there is no anonymity in their use or transactions carried out. Dematerialization is fully implemented. The market operates a direct cash settlement system for payment of all dividends, bonuses & proceeds of sales.

Sectoral Inherent Vulnerabilities of ML on Other Financial Institutions (OFIs)

See Table no representing statistics on Assessed Sectors and Subsectors

Table 41: Table no representing statistics on Assessed Sectors and Subsectors

Sectors	No of Known Entities	Notes
Sub Sectors OFIS		
Bureau De Change	5,689	Total assets of the BDCs are estimated to average N206.360 billion ($499.67million) or 4.41% of the total assets of the OFIs.
International Money Transfer Operators (IMTOS)	65 (59 Foreign & 16 Local)	The total inward remittances recorded between the period 2017 to 2020 were $1.52B, $2.14B, $2.25B and $1.60 respectively. Four IMTOs accounted for 80% of the total value for the period.
Payment Service Providers	94	The total value and volume of transactions in the year 2021 stood at 4.48billion ($9.8million) and N99.76trillion ($239.90 million) respectively. This is 46.67% and 15.08% of the total industry transactions volume and value

Development Finance Institutions	7 (247 Branches Nationwide)	The Sector had total assets of N3.04 trillion ($7.27 million), accounts for 64% of the financial assets in the OFI subsector (excluding BDCs) and holds 5% of the total banking financial sector assets
Primary Mortgage Banks	34 (7 National and 27 at State level)	The OFI's industry report as of December 31, 2021, indicated that they contributed 11% of total OFIs asset and 0.85% of the total assets of the banking sector.
Microfinance Banks	882 Spread Nationwide (National/State operating either as Tier 1 & Tier 2 units)	The Microfinance Banking sub-sector accounts for about 1.54% of the total assets of the financial system
Pension Funds Sector	32 (22 PFAs, 6 CPFAs & 4 PECs)	As at 31 December 2021, the Pension Fund Assets were over N13.42 trillion ($31.58 million) belonging, to 9.5 million Retirement Savings Account (RSA) holders.
Finance Companies	104	The Finance Companies sub-sector accounts for about 0.68% of the total assets of the financial system.

See Table no representing the ratings per Subsectors

Table 42: Table no representing the ratings per Subsectors

S/N	SUB SECTOR	RATING
1	Bureau De Change	H
2	International Money Transfer Operators	H
3	Payment Service Providers	H
4	Development Finance Institutions	M
5	Primary Mortgage Banks	M
6	Microfinance Banks	L
7	Pension Funds Sector	L
8	Finance Companies	L

Bureau De Change

The formal BDC sector accounts for a negligible portion of the total assets in the financial sector. Total assets of the BDCs are estimated at N206.360 billion ($499.67million) or 4.41% of the total assets of the OFIs. There are 5,689 BDCs operating in all the geo-political zones of the country as of December 31, 2021. The large number of BDCs makes effective supervision of the sector challenging.

There is the existence of some unlicensed foreign exchange operators that cater to the informal sector in Nigeria. Although smaller than the licensed BDCs, the unlicensed operators pose ML vulnerability. These unlicensed operators are not guided by the established rules, policies, and procedures.

Bureau De Change (BDCs) are licensed by the CBN to conduct foreign exchange business on a small scale and stand-alone basis. The CBN intervenes in the BDC sector for the purpose of exchange rate management. The maximum FX amount a BDC can sell is $5,000. Formal BDCs operate a simple structure with MD and few operations staff. The ownership structure is 100% domestic with no foreign ownership.

Corporate Governance

BDCs are not listed companies, have no foreign ownership or branches and have no foreign presence. 90% of the registered BDCs are located in Lagos, Abuja and Kano, while others are spread across the country including a few in Maiduguri which was a terrorist prone area. Apart from the BDCs maintaining Naira and FCY domiciliary accounts with authorized dealers (commercial banks), the sector is not integrated with other financial institutions.

BDCs operate as stand-alone businesses with no branches or offices outside the registered address. There were widespread BDCs across the country with high concentration in three regions of South West, North Central, and North West.

The BDCs provide currency exchange services to mainly small end-users of foreign currency. The BDC are permitted to sell Personal Travel Allowance (PTA) to individual travellers and Business Travel Allowance (BTA) to corporate clients, subject to a maximum a amount of $4,000 and $5,000 per transaction, per quarter respectively.

Although the BDC guideline provides for international payments for services not exceeding $5,000 per transaction, a separate CBN policy has restricted the BDCs from carrying out international transfers, making all the official BDC transactions local payments in cash. In some instances, BDCs trade beyond the set limit provided in the guidelines.

Unlicensed foreign exchange operators are also a source of concern and provide a window that could be exploited for ML. The CBN stopped selling FX to the BDC sector against the concern that BDC operators have abandoned the main objective for their establishment, which was to serve retail end users who need $5,000 or less and have become wholesale dealers of foreign exchange, aiding illicit flows and other financial crimes. BDCs currently only

source FX from the autonomous market, which has limited supply.

BDCs could be used as channels for illicit fund exchange. In some instances, they have been the subject of numerous STRs and money laundering investigations.

Case Study 18: Use of BDCs Operators to Launder Proceeds of Fraud

One of which was a case of fraud. The accounts of BDC operators have been reported to be used to receive proceeds of business email compromise (BEC) scams. The fraud was perpetrated by a syndicate involving the sum of N25million ($60,534) transferred from a bank to a Charity Organization' account. Out of the money, the sum of N9.5 million ($23,002) was moved to an account operated by a Bureau De Change Operator.

Source

Case Study 19: Use of BDC to Launder Proceeds of Corruption

BDCs have also been used to launder proceeds of corrupt practices. In one such instance, payments of the sum of N3.6billion ($8.72m) was made to the account of a BDC operator, converted into US dollars and delivered as kickback on behalf of a government official.

Case Study 20: Use of accounts of BDC and Car Dealership to Launder the Proceeds of Corruption

In another instance, a government official who found a loophole on the government online payment platform, listed a BDC and a Car dealer account numbers against the names of the real beneficiaries knowing that the system does not match account number with account name before payment, and diverted the sum of N220million ($532,700) from a Government University Teaching Hospital.

Nature of Clientele: The nature of relationship with client is transactional, there are customers such as Nigerians in the Diaspora or their relations who receive remittance frequently.

The sector has a mix of clientele, including middle- income class, students, civil servants, small businesses, and PEPS. Officially, the clients are travelling people who wish to purchase FX or have some FX to sell. However, PEPs and persons involved in informal trade are found to be big customers of the BDCs based on value. Also, foreign residents and Nigerians in diaspora patronize the sector by withdrawing remittances from the banks and exchanging for cash. Small businesses and individuals on personal travel constitute the largest percentage of the BDC customers. On the other hand, PEPs and civil servants are the riskiest of the customers due to their access to the public resources. The sector is susceptible to abuse by ML. There was patronage from the PEPs, cash intensive businesses, and real estate agents in some cases.

Geographic Reach: BDCs have no foreign branches or presence in any form. Domestically, FCT, Lagos and Kano have high ML risk and the BDCs in those states constitute 90% of the total BDCs.

Nature of Delivery Channel: Bureau De Change (BDC) transactions are mostly cash based

and provide anonymity especially the unregistered BDCs who deal with clients with no documentation and established means of identification. There are reports of registered BDC operators using personal or other company accounts to conduct transactions without documentation. In some cases, connections were noted between some registered BDCs and some illegal street FX traders. The delivery channel is cash based, making traceability of most transactions challenging.

International Money Transfer Operators (IMTO)

The IMTOs sector is an important player in the generation of foreign exchange inflows through Diaspora remittances. According to World Bank statistics, proceeds of IMTO accounted for foreign exchange inflow valued at $17.6Billion in 2020. However, CBN record of actual foreign exchange inflow to the country in 2020 was $7.5Billion.

Inflows from IMTOs constitute 4% of total foreign exchange inflows (exports proceeds, capital importation and remittances) as at year ended 2020. As of December 2021, the IMTO sector consisted of 59 foreign and 16 local operators. The total inward remittances recorded between the period 2019 to 2020 were $2.25Billion and $1.60Billion respectively. Four IMTOs accounted for 80% of the total value for the period.

78.67% of the IMTOs have foreign ownership, however, the operations of all the IMTOs cut across several jurisdictions. The IMTOs conduct money value transfer services through agent banking arrangements leveraging the platforms and branch network of sixteen (16) Authorized Dealer Banks in Nigeria. All IMTOs operate in the top five countries that account for over 95% of inflows into Nigeria. These jurisdictions are not on the FATF grey list. The IMTO sub-sector is connected to the banking sector firstly as financial intermediaries facilitating international money transfer to Nigeria and secondly as agents providing pay-outs on behalf of the IMTOs using its premises, staff and technology. There is no limit on the Diaspora remittances amount to Nigeria, however, none of the IMTOs in Nigeria offer outbound remittance service.

All IMTOs operating in Nigeria have presence in several jurisdictions. Only 4% of the approved IMTOs operate across over 200 countries including jurisdictions identified to be under increased monitoring by Financial Action Task Force (FATF). This may expose the sector to ML risks. Domestically, the sector operations have a nationwide reach given that their money transfer services are exclusively conducted using the platforms and branch network of Authorized Dealer Banks (ADBs). A sample of remittances by country of origin in the first quarter, 2021 showed that most of the inflow into Nigeria originated from the United States of America, which accounted for 71.66% of the total inflow, while UK accounted for 15% and 13.34% was recorded by other countries.

Nature of Products and Services: IMTOs deal with various currencies since they operate globally. The only product offered by the IMTOs in Nigeria is money transfer via cash pickup and bank transfer services, which is considered vulnerable to ML. The IMTO services offered in Nigeria include transnational ML risks from the rapidity and anonymity of transactions in context of the sender and receiver. The involvement of cash in the MVTS value chain also reinforces ML risks for the sector. The services mainly enable money value transfers through online web or physical cash payments channels from the originating country. The delivery

channels for receivers in Nigeria are principally via cash pick up or bank accounts. About 95% of inward remittances are accessed through cash pick up services in the country.

IMTOs or IMVTS services have been found in domestic investigations and STRs used to move proceeds of crime especially love scam and drugs in Nigeria. Numerous STRs have been filed relating to MVTS transactions by the banks. Though it mostly involved low value transactions, the volume of suspicious filing was quite significant during the review period.

Case Study 21: Use of IMTO to Received proceeds of Fraud

In one instance, an international money transfer platform was used in a case of love scam and identity theft. Investigation revealed that the subject met his victim on an online dating site, Tinder, during the Covid-19 lockdown in 2020 and started a relationship that progressed into the subject extorting money from the victim which was received through Azimo money transfer app. The subject also succeeded in having the victim to provide her Proprietary information to him under the guise of using it to apply for the UK visa. The suspect used the information to set up a fictitious Company in the victim's name to enable him file for Covid-19 grants at Her Majesty's Revenue Customs, HMRC, United Kingdom. The victim was alerted when she received a £15,000 tax bill. The subject was arrested, investigated, prosecuted, charged and convicted on 31 January, 2021 on charges of Obtaining Money under false pretences, Possession of documents containing false pretence and retention of proceeds of crime. The suspect pleaded guilty and was sentenced.

Case Study 22: Laundering Proceeds of Illicit Drugs through IMTO

In another instance, a Mutual Legal Assistance Request (MLAR) was received from Switzerland relating to a case that started in 2017 involving a Nigerian arrested in Switzerland with cocaine. The MLAR revealed that he was laundering the proceeds to Nigeria via an International Money Transfer Operator (IMTO). Investigators tracked down the transactions from the IMTO and so many accomplices were uncovered. As a result, large sums of money were frozen in various banks in Nigeria. The main accomplice to the prime suspect is currently under prosecution in Nigeria for money laundering offences and he is also a blood brother to the main suspect. Analysis of the bank accounts of some sex offenders revealed that funds that were usually deposited into their personal account from a Hawala agent and subsequently cashed out.

Nature of Clientele: The Clientele for IMTOs is Nigerian's residing abroad and foreigners residing in Nigeria with families abroad. Services are available to both individuals and businesses. Given the nature of the transactions, transfers carried out are Person to Person (P – P), Person to Business (P – B), Business to Business (B – B), and Business to Person (B – P). However, in Nigeria, the money transfer transactions facilitated by operators in the sector are mainly P – P, inbound transfers, outbound transfer is not allowed. Person to Person is between an individual (sender) in a foreign country and another individual (recipient) in Nigeria with the IMTO serving as payment intermediary. This transaction is the highest in volume but lowest in value, as the average single transaction amount is about $500. The

clientele of the sector is vastly diverse and consists of various categories of natural persons, legal persons and arrangements. It ranges from resident workers, non-resident workers, business individuals, companies etc. The unlimited range of clientele that utilize money transfer services of IMTOs portend ML/TF risks as the product may be exploited for purposes of financial crime. PEPs, drug dealers, fraudsters and terrorist groups are believed to constitute a significant share of the customers using the services of unlicensed IMTOs as found in several investigations.

Geographic Reach: The operators in the sector have a global reach and nationwide presence. The overseas operations are spread over 200 countries except for countries under sanction. According to data analysed by CBN as of April 2021, more than 80% of the inward remittances originated from the United States of America and United Kingdom, which are not considered a FATF high risk jurisdiction.

Delivery Channels
Payment Through Online Web Channels
The risk of remittances initiated through online web channel is considered medium as these transactions involve the use of bank products and services such as Credits cards, Debit cards and bank accounts.

Cash In-Store
The cash payment option for money transfer services is mainly utilized by walk-in customers who may not have established relationships with the IMTOs in the originating country. This may be vulnerable to ML risks given that the source of fund may be difficult to verify. Country specific transaction limits also apply in moderating transaction flows.

Cash Pay-Out
About 95% of inward remittances are paid to beneficiaries Over the Counter in cash.

Bank Accounts
The proportions of beneficiaries that receive remittances via bank accounts in the country are insignificant. The IMTO sector facilitates money value transfers through online web or physical cash payments channels. The delivery channels for receivers in Nigeria are principally via cash pick up or bank accounts. Payments of remittances to beneficiaries are facilitated through the platforms and branch network of Authorized Dealer Banks in the country. About 95% of inward remittances are accessed through cash pick up services offered by agents of IMTOs who are Authorized Dealer Banks (ADBs) in the country.

Payment Service Providers (PSPs)
There are currently 94 commercially licensed payment service providers operating in Nigeria. The volume and value of transactions processed by PSPs (mobile money, switches and super agents & payment solution service providers) in the year 2021 stood at 4.48billion and N99.76trillion ($239.9 Billion) respectively. This is 46.67% and 15.08% of the total industry transactions volume and value of 9.59billion and N661.53trillion ($1.6trillion) respectively.

The PSPs operating in Nigeria are privately owned companies, with only one listed on the Nigerian Stock Exchange. 14 PSPs (14.89%) operate under a holding company with foreign

parent entity located in United States of America, United Kingdom, Mauritius, Cayman Islands, Ireland and South Africa. These entities contributed 60% and 67% respectively of the total volume and value of the transactions of the sub-sector in the year 2021. The ownership structure of these entities is complex. However, 80(85.11%) PSPs who do not have foreign ownership operate simple ownership structures. Apart from the Nigerian subsidiaries, the parent companies also own foreign subsidiaries in other African countries such as Ghana, Kenya, Gambia and Uganda.

PSPs have significant integration within the payments ecosystem and other sectors that enables payments and movement of funds. Players integrate with other regulated sectors such as banks, capital market operators, pension fund administrators, insurance companies and governmental institutions.

14.89% of the PSPs operating under a holding company structure have parent companies incorporated in the United State of America, United Kingdom, Mauritius, Cayman Islands, Ireland and South Africa. Apart from the Nigerian subsidiaries, the parent companies also own foreign subsidiaries in other African countries such as Ghana, Kenya, Gambia and Uganda.
The PSPs in Nigeria are single unit entities operating mainly in Lagos; however, they provide electronic products and services to their clients across the country.

Nature of Product: PSPs onboard merchants and provide payment gateway solutions that enable sales and receipt of payments for goods and services, provide e-wallet services, deploy and maintain payments terminals and switch and process transactions.
Mobile Money Operators (MMO) provide e-wallet services (cash-in, cash-out, bills payment and funds transfer) to individuals and entities. In terms of KYC requirements, e- wallets are categorized into Tier 1, Tier 2 and Tier 3 with Tier 1 having a low KYC requirement for financial inclusion purposes. The MMOs also provide services through agents spread across the country providing services such as cash-in, cash-out, bills payment and funds transfer. Total volume and value of transactions in this service type for the year 2021 was N1.22b and N15.44t ($2.94m and $37.39m) respectively. These services could be susceptible to ML activities.

Payment Solution Service Providers onboard and provide gateway services to merchants who sale goods and services, receive and make payments, public institutions also use the gateway services for revenue collection and disbursement. The total transaction volume and value for this service type in the year 2021 was N209.68m and N9.20t ($507,704 and $22.27m) respectively. Merchants could be high risk professions, trade and businesses that create ML risk.

Switching and Processing companies provide the technology infrastructure to process and route electronic transactions for their clients who are banks and other financial institutions. The total transaction volume and value for this service type in the year 2021 was N2.74b and N31.74t ($6.62m and $76.87b) respectively. These companies could be used to facilitate the movement of illicit funds hence ML risk. Super Agents are agents of MMOs and Banks providing cash-in-cash-out, bills payments, funds transfers, receive cheque book request and account opening forms of customers on behalf of its principal and other allowable services.

The services are typically for financial inclusion. The total transaction volume and value for this service type in the year 2021 was N315.73m and N43.38t ($764,507 and $105.03b) respectively. This poses ML risk.

Payment Terminal Solution Providers deploy and manage payment devices on behalf of banks and other financial institutions. The payment terminals deployed to merchants' and agents' locations could be used for illicit payment activities. The ML risk in this service is low. Payments services are offered through delivery channels such as the internet (web), mobile banking, e-wallets, ATMs, POS terminals and USSD.

During the period under review, PSPs have been found in domestic investigations relating to online dating scam, middleman scam and picking. Some of these transactions were done via the use of Web transactions, ATMs and Point of Sale Services. The data available did not provide the composition and particular role of PSPs. However, the data shows that cybercrimes of which the PSPs played a certain role, are mostly in form of online dating Scam/romance Scam. Sixty Four percent (64%) of individuals arrested were involved in romance scam, followed closely by "Middle Man Scam" and "Picking" which account for 8% and 7% respectively of those arrested. The 64% involved in the dating scam benefitted to the tune of N8,310,000; $349,290 USD; £ 900; €10 and Crypto currency 0.17513. A total of $12,512.49USD was recovered from the e-wallet accounts of four suspects within the review period.

Nature of Clientele

Mobile Money Operators provide e-wallet services to individuals and entities, they also provide services through agents spread across the country. Lack of registration and preparation of audited financial statements could make it difficult for MMOs to risk-profile these business relationships and individuals. Payment Solution Service Providers onboard and provide payment gateway services to merchants (businesses, governmental and non-governmental institutions) who sale goods and services, receive and make payments, collect and disburse revenue. There's no detailed information available to provide a further breakdown.

Switching and Processing companies provide the technology infrastructure to process and route electronic transactions for their clients who are banks and other financial institutions. Payment Terminal Solution Providers deploy and manage payment devices for banks and other financial institutions. The PSPs have a variety of customers that range from institutional to individual persons. Within the basket of the clientele for this sub-sector, there could be organizations and individuals that make the sector vulnerable to ML risks such as PEPs, NPOs, professional firms, governmental institutions and traders. However, there's currently no detailed information available concerning the relative size or share of these client types. Business relationships are always established with clients, however some beneficiaries could be walking-in customers

Geographic Reach: PSPs operate locally and enable payments and settlement within the country. As of December 31, 2021, we have PSPs under a holding company structure with parent companies incorporated in the United State of America, United Kingdom, Mauritius,

Cayman Islands, Ireland and South Africa. The subsidiaries of the local PSPs operate in Kenya, Ghana, Gambia and Uganda which are not jurisdictions of concern.

Delivery channels offered by PSPs do not generally entail anonymity. Products and services are offered electronically, hence there is a high degree of non-face-to-face transactions. The transactional records are, however, easily accessible to the relevant authorities when required.

Medium Sub Sector Ratings

Development Finance Institutions Inherent Characteristics

The DFI sector is a sub-sector of the Other Financial Institutions financial sector. As of December 2021, the Sector had total assets of N3.04 trillion ($7.27b), accounts for 64% of the financial assets in the OFI subsector (excluding BDCs) and holds 5% of the total banking financial sector assets. The Sector consists of 7 DFIs. The Sector had a branch network of 247 branches nationwide (two DFI accounted for 83% of the branch network). Since December 2017, the DFI sector has grown, assets have increased by 125% from N1.38 trillion to N3.08 trillion ($7.29m) in December 2021, while credit has grown by 86% from N0.86 trillion N1.62 trillion ($2.57b) in December 2021.

Ownership structures are clear. The owners of the seven existing DFIs are direct and known. Ownership was mainly domestic and public-sector owned (CBN, Ministry of Finance and Nigerian Sovereign Investment Authority), with about 16% owned by the private Sector. However, one DFI has foreign ownership structure (25.17% of the entity belongs to African Development Bank and European Investment Bank).

The DFIs offers simple credit products, One DFI has subsidiaries; the subsidiaries operate within regulatory spheres (microfinance, trustee, finance leasing, securities, and asset management businesses). The DFI sector is moderately connected with other regulated financial sectors as funds flow from the Sector to other regulated sectors such as deposit money banks, micro-finance banks, insurance, securities sectors. There is no cross-shareholdings within the DFI group. The DFIs are internationally connected through foreign developmental institutions funding their operational activities.

The majority of the DFIs have a limited physical presence outside Lagos and Abuja. None have foreign branches or subsidiaries. The Sector's operations are spread across Nigeria.

Nature of Product and Services: DFIs offers a limited range of products and services. They offer mainly credit products (refinancing, wholesale, and retail loans) on the assets side. The loans are simple and not opaque. They are targeted at agriculture, infrastructure, export financing, SMS enterprises, and real estate. On the liability side, they do not offer conventional banking services.

Two DFIs offer restricted deposit accounts; Real Estate Loans (Mortgage Loans) are the most vulnerable banking products and services for ML abuse. Mortgage financing is the primary

activity of the DFIs.

Mortgage origination and housing construction projects are highly susceptible to ML activities including agricultural loans. Beneficiaries of the credit facilities do not deal directly with the DFIs. The DFIs rely on participating financial institutions (commercial banks, PMBs) to carry out customer due diligence on the uptake of the loans. However, where the DFIs such as bank of Agriculture have direct contact with the customers, KYC principles are directly obtained.

During the period under review, no STR, complaints or investigative reports from the DFIs, Financial institutions or other agencies were filed, or reported to regulatory bodies about ML in the products of DFIs

DFIs customers are Financial Institutions (FIs), SMEs and retail customers. Two DFIs have only FIs as customers, three have only SMEs as customers. The other DFIs have FIs, SMEs and individuals (more than 80%) as customers. The Sector transacts business with customers that have established relationships; DFIs do not undertake transactions with walk-in customers. The relationships are ongoing. The clientele includes Primary Mortgage banks and estate developers.

The clientele of the Sector is heterogenous, which comprises both natural and legal persons. DFIs customers, are 43% SMEs, 29% FIs and 28% Individuals.

Customers considered high-risk regarding ML abuse in this Sector include:
Commercial Traders/ Small Business Owners: Commercial traders conduct their activities in the form of sole proprietorships, partnerships, and, on occasion, private limited companies. Commercial traders can deal with a variety of items and maintain a diverse set of counterparties/suppliers. Moreover, sometimes, the types of traded commodities tend to change with the change of seasons and business cycles. These traits make it difficult for the DFIs to conduct risk profiling of such business relationships and monitor their accounts. Moreover, the involved counterparties of such businesses are diverse, making it more challenging for the DFI to identify unrelated transactions to the business of their clientele.

Mining Of Precious Metals/Commodities: DFI provides loans to the mining and extractive sector. Business transactions in this Sector are cash intensive, making it hard to determine the source of funding of the clientele accounts. Also, the segment is prone to ML activities. The mining loans represents 5.8% of DFIs assets and 3.7% of OFIs assets as at December 2021.

Politically Exposed Persons (PEP): PEPs have access to loans given by DFIs.

Real Estate: Real estate institutions often act on behalf of their clients and use their mortgage accounts to channel funds for the purchase of property or for receiving sale proceeds. The mortgage loans represent 10.2% of DFIs assets and 6.6% of OFIs assets as of December 2021.

The business and occupation of the clientele of the DFIs varies. These occupations/businesses include cash intensive business (commercial traders, miners), high transaction value (mortgages) and low transactions values (agriculture and SME trading).

The DFIs conducts its business locally and its clients are resident in Nigerian. The Sector does not have any foreign branch or transaction across the border. The balance sheet of the DFIs as of December 2021 did not indicate any foreign assets held by DFIs.

There is no anonymity in the delivery channels used by DFIs. Customer onboarding and relationship management are face-to-face. Transactional activities can be either face to face or non-face-to-face as loans disbursement, refinancing transactions and loan repayments are done mainly (90%) through bank transfers, indicating minimal level of cash involvement. Transactions with clientele can be traced. DFIs do not engage in international transfers. Loans disbursement, refinancing transactions and loan repayments are done through bank transfers. The channels are not complex and are easily tracked to verify the ultimate beneficiaries

Primary Mortgage Banks

PMBs contributed significantly to the OFIs subsector, the OFI's industry report as of December 31, 2021, indicated that they contributed 11% of total OFIs asset and 0.85% of the total assets of the banking sector. Similarly, the PMBs sector recorded a Total Asset size of N505.61 billion ($1.22billion); Total Deposit size of N180.20 billion ($435.89m); Total Loans size of N276.03 billion ($668.30m), Total Borrowings of N98.62 billion ($237.44m), Shareholders Funds of N32.53 billion ($77.61m) and Profit before Tax of N9.38 billion ($21.88m) of year ended December 31, 2021.

The PMBs have a less complex structure with two license categories, state and national. PMBs with national licenses have a higher minimum regulatory capital requirement of N5Billion ($12.10m) and can operate in more than one state, while those with a state license operate within the state with minimum regulatory capital of N2.5 billion ($6.05m). As of 31st December 2021, 34 PMBs comprise seven national and 27 state PMBs. Government participation is minimal with only 18% ownership, while corporate entities and individual shareholders control 82% of the sector. Two of the PMBs in Nigeria were listed on the floor of the Nigerian Stock Exchange, and there was no foreign ownership.

PMBs transactions are integrated with DMBs, Federal Mortgage Bank of Nigeria (FMBN), and Insurance Companies. The PMBs use DMBs as correspondence banks. Similarly, Insurance companies provide cover for the loans originated by the PMBs. The relationship PMBs maintain with Lawyers and the real-estate sector majorly is that of a bank-customer relationship. Lawyers, although DNFBPs do not enjoy a special relationship with PMBs over and above that of a customer in the course of doing business. Same applies to Estate Developers who are most times corporate customers of PMBs. There is a National presence of Primary Mortgage Banks in Nigeria and no activities in foreign jurisdictions.

Primary Mortgage Banks offer Nigerians individual, group, and corporate banking solutions (excluding cross-border transactions). Mortgage loans, real estate financing, and consumer loans are loan products offered by the PMBs. A key product in this sector is the employee-related mortgage facilities, which are less susceptible to ML. Also, PMBs offer demand deposits, savings, and term deposits as liability products to individual and corporate entities.

Within the review period, PMB products did not feature in domestic investigations or STRs filed in relation to ML.

The nature of business relationships with clientele involves both an ongoing and transactional relationship. A customer does not necessarily have to own an account to transact with some PMBs, while most insist on maintaining an ongoing business relationship. These clients include civil servants, traders, bankers, estate developers etc.

The customers are majorly salary earners, although the PMBs have PEP as clientele, a survey of 10 PMBs carried out as part of this assessment showed that the activities of PEPs in the transactions of PMBs were less than 5% of the size of the total assets in the sub-sector. However, customers could be fronts for PEPs, hence, the need to subject loan mortgages to beneficial ownership review. Other customers of the PMBs include Estate Developers, Consulting Firms and other corporations.

Non-Profit Organizations (NPOs): Churches, Mosques, Cooperative Societies, and Charity Organizations, form an insignificant part of the customer base of PMBs. Although NPOs are considered high risk due to their peculiar nature of operations and involvement in collecting funds for charitable purposes, only 1 PMB out of the 10 surveyed reported a significant business relationship of 40% with NPOs.

Estate Developers: They are also referred to as corporate customers by PMBs. The level of the profiling carried out on this type of customer by the PMBs is very high, considering their high- risk nature. Real Estate construction loans granted as of December 31, 2021 were N27.45 billion ($65.48m) or 10% of the total loans granted by PMBs for the period. This suggests that Estate Developers' share of the total customer base was about 10%.

The activities of PMBs are limited to Nigeria, 50% of the PMBs had their headquarters in Lagos, while 26.5% have their headquarters in Abuja. The other States in the South West region of the country have 8.8% PMBs, while 14.7% are in the South-South and South-East regions of Nigeria. The North East region noted for its restiveness have no PMB operating out of it. Going by the Central Bank of Nigeria classification of ML risk of geographic locations, the geographic risk rating of the PMBs is High due to the presence of about 77% of the PMBs in Lagos and Abuja which are considered High Risk Geographic locations.

Transactions are non-anonymous. They are mostly Face-to-Face or done through digital channels. Anonymous transactions are not allowed, face-to- face and non-face-to-face transactions either with intermediaries, agents or e- channels do not entail anonymity.

Over The Counter Transactions
This is the preferred channel of operations for the customers of PMBs; although the Nigerian Economy is largely cash- intensive, 12% out of the licensed 34 PMBs use mobile apps, while 77% offer internet banking. A survey of 10 PMBs indicates that e-channels transactions account for 9% of total value of transactions. However, independent figures of the % of e-channels transactions could not be obtained during the review period.

Microfinance Banks (MFB)

The Microfinance Banking sub-sector accounts for about 1.54% of the total assets of the financial system. Microfinance Banks in Nigeria were 882, spread across the country in different categories, i.e., National, State, Tier 1 Unit, and Tier 2 Unit Microfinance Banks. The Financial Stability Indicator (FSI) report on the Other Financial Institutions as at December 2021 revealed a Total Asset size of N827.084 billion ($2billion) in the Microfinance Banking sub-sector. Total deposits also revealed to be N388.568 billion and aggregate loans portfolios of N791 Billion ($1.92billion) as at December 2021. The customer base of the current top 20 MFBs is 11,831,193 with a deposit size of N18.456 billion ($44.69m). The Sector recorded a Profit-Before-Tax of N29.088 billion ($70.43m) as at December 2021. The chunk of loans granted went to Agriculture and Forestry followed by Trade and Commerce Sector of the economy which got N400.536 billion ($969.84m) or 50.64% and N202.552 billion ($490.45m) or 25.6% respectively. However, Trade and Commerce financing was mainly for petty trade and SME, it does not include international trade financing such as import and export, which are non-permissible activities for MFBs.

The structure of Microfinance Banking is a non-complex one as most of them are domestically owned by individuals and not usually part of conglomerates; data have shown that less than 2% of MFBs were associated with foreign ownership. MFBs cater for the consumer pyramid's low end, servicing micro customers doing small-ticket loans and deposits. They do not operate foreign branches and are not permitted to transact in foreign currency. The Sector partnered with the regulated Deposit Money Banks as correspondent banks and electronic payment service providers. Inward remittance can come in the form of foreign equity investment into MFBs but such cases are subjected to critical scrutiny by the CBN and rejected if encumbered. Also, a few MFBs assess foreign loans for on-lending to customers.

The South West Zone (states ML rating ranging from Low to Medium with exception of Lagos State rated VH and host 171MFBs representing 51.98% of total MFBs in the zone) hosts most MFBs with 329 or 37.64% of the total OFIs. Besides, 51% of the total MFB as at 2021 were unit MFBs that are not allowed to open branches.

The Microfinance Banking sub-sector is licensed to transact in the local currency (Nigerian Naira) and do not transact with foreign currency, they also offer basic financial products. Deposit products are the conventional bank accounts such as saving, current, and term deposits with small transactional values. Loans services are Staff Loan, Device Financing, Asset Product (Education Loan), Working Capital Loans, Overdrafts, Local Purchase Order (LPO) Financing, Hire-Purchase, Asset Acquisition/Consumer Loans and Lease Financing/Advances. Those that can afford electronic channels used, ATM debit cards, POS issued to merchants as most transactions were cash-based with small amounts. The products and services rendered by the MFBs were less susceptible to ML risk as they were not found wanting in any ML threat profile related to the predicated offences in any analysis of banking fraud. MFBs are prohibited from holding public sector deposits and do not deal in foreign currencies, which has reduced the vulnerability of the MFBs to ML risk and limited the numbers of PEPs using the Sector as a channel.

Whilst there are no direct cases of ML involving MFBs within the period under consideration, investigations by the Code of Conduct Bureau (CCB) have shown overtime that subjects make use of regulated sectors such as MFBs, companies owned by some public officials are registered in the names of their spouses, children and cronies. It is therefore likely that PEP can owned an MFB through proxies.

The occupation or business of clients includes all types of professions and businesses. However, they are predominantly artisans, traders, farmers, and in some cases, civil servants. The Sector's clientele are predominantly low-income earners domiciled in Nigeria and are usually natural persons with negligible corporate customers. MFBs do not maintain FX accounts for their clientele.

Non-resident customers are not usually recorded in the Microfinance Banking space. There are limited Politically Exposed Persons in this Sector because of the low-end products rendered. However, they have other customers, such as small traders who operate informally (not registered) and do not prepare audited financial statements, making it difficult for MFBs to risk profile business relationships which may distort the understanding of ML risk pose by such customers in the sector.

Microfinance banks do not operate outside the shores of Nigeria. Delivery channels offered by Microfinance banks do not entail anonymity. Most of the MFBs are not involved in electronic banking, as transactions are face-to-face. The use of USSD is not prevalent in the sector as most of the MFBs do not have the required technology to support it.

Finance Companies (FC)

The Finance Companies sub-sector accounts for about 0.68% of the total assets of the financial system. Finance Companies in Nigeria are 104, which operates only within the country and spread across three (3) out of six (6) geo-political zones namely; the South-West (86.79%), North-Central (9.43%), and South-South (3.77%). There are no FCs in the South-East, North-East and North-West regions largely because the sector is market-driven. The Financial Stability Indicator (FSI) report on the Other Financial Institutions revealed as at December 2021 a Total Asset size of N362.62 billion ($876.68million) in the Finance Companies sub-sector. Total borrowings were N237.55 billion ($573.99m) during the period and aggregate loans portfolios of N166.98 billion ($402.18million).

The structure of Finance Companies is non-complex as it was 100% local ownership. The FCs operates within the middle tier of the financial system, focusing on the Micro, Small, and Medium Enterprises (MSMEs). Their financial services are not complex. FCs are precluded from services such as deposit- taking, stockbroking, foreign exchange transactions, and non-financial activities, including trading, construction, and project management. As at 2021 some FCs have adopted Financial Technology (Fintech) in their operations to promote financial inclusion and leverage other opportunities in the sub-sector. However, the recent adoption of fintech companies by a relatively small number of the FCs would open the sector to vulnerabilities of ML if proper KYC/CDD is not enforced.

The FCs do not have a foreign presence, as their operations are strictly localized. However, within Nigeria the FCs are located in few states and Geopolitical zones such as Lagos in the south-west and Abuja in the north-central with high geographical risk rating on ML risk. The FCs focus on providing financial services to the middle-income customers engage in Micro, Small, and Medium Enterprises (MSMEs). Similarly, the FCs are concentrated in few cities of the country such as Lagos state (86.79%), Abuja (8.49%), Delta (2.83%), while Rivers (0.94 .%) and Kwara (0.94 %) of the FCs.

The Finance Companies sub-sector is licensed to transact in the local currency (Nigerian Naira) and not in foreign currency; their services include consumer loans, funds management, asset finance, project finance, local trade finance, debt factoring, debt administration, financial consultancy, loan syndication, warehouse receipt finance and issuing vouchers. FCs also accept deposits from customers in the form of borrowings. FCs provide financial services to individual consumers, industrial, commercial and SMEs. The majority of the products and services offered by FCs are less vulnerable to ML risk as noticed in the features of the products/services below:

Local Trade Finance
Local trade finance includes purchase order financing, domestic purchase financing and domestic letter of guarantee. These products and services are localized and do not involve international trade that requires forex and cross border financing thereby limiting the exposure of the sector (products and services) to ML risk.

Debt Factoring
Debt factoring allows businesses to obtain immediate funds from FCs based on the future income attributed to a particular amount due on an account receivable or a business invoice. FCs provide this service to its clients who are traders within the country with verifiable invoices from legally conducted businesses with no ambiguity of sources of funds, thus having limited ML risk.

Funds Management
FCs manage clients who subscribe to the service at a predetermined rate. Due to the nature of the operations of FCs as non-deposit-taking institutions, the FCs source funds and borrow to meet up with their mandate.

Borrowings, Foreign Funding Arrangements
Aside from borrowing from within the country, FCs are allowed to raise funds from foreign investors or parties subject to CBN approval.

Nature of Clientele: Finance Companies maintain a direct relationship with their respective customers as they do not have walk-in customers. Their customers are mainly the business class who receive loans for trade finance while managing funds for clients who subscribe to their service at a predetermined rate.

Politically Exposed Persons (PEPs)
Politically exposed persons enjoy the privilege position of power and responsibility, as they are generally entrusted with public funds and functions. There are a limited

number of Politically Exposed Persons in this Sector because the type of products and services rendered are restrictive within the country, thus justifying the low rating of ML risk.

FCs are exclusively operational in Nigeria and do not extend operations to jurisdictions of concern under FATF. The FCs have no correspondent banking relationships with international banks for settlement of remittances and international business transactions and do not have foreign branches.

Client's commercial bank accounts are directly credited with transactional funds; this keeps the audit trail for further reference. Most FCs clients visit the office physically for their financial transactions. Fintech is just at its entry stage into the sector and does not currently pose any threat to the financial system. Only 4 of the 104 FCs are into fintech as at 2021 representing 3.85% of total FCs in the sector. Delivery channels offered by banking channels do not involve anonymity. The transactional records are easily accessible to the relevant authorities when required.

Pension Funds Sector
The sector's total pension fund asset represents 8% of the Nigerian Gross Domestic Product (GDP) in 2020. As at 31 December 2021, the Pension Fund Assets were over N13.42 trillion ($31.58billion) belonging to 9.5 million Retirement Savings Account (RSA) holders. The sector has 32 Pension Fund Operators, which comprises 22 PFAs, 6 CPFAs and 4 PFCs.

The sector is less complex, as the PFOs comprises private companies that are incorporated in Nigeria and licenced by the National Pension Commission to carry out only pension business. The Pension Reform Act 2014 (PRA 2014) established safeguards within the sector, which include the separation of the PFOs from Pension Fund Assets with each having distinct balance sheets. Likewise, custody is separated from the management of the Fund. Thus, PFAs and CPFAs manage the pension funds, while PFCs hold the Funds in custody for the PFAs & CPFAs on behalf of the contributors. All financial transactions occur within regulated platforms.
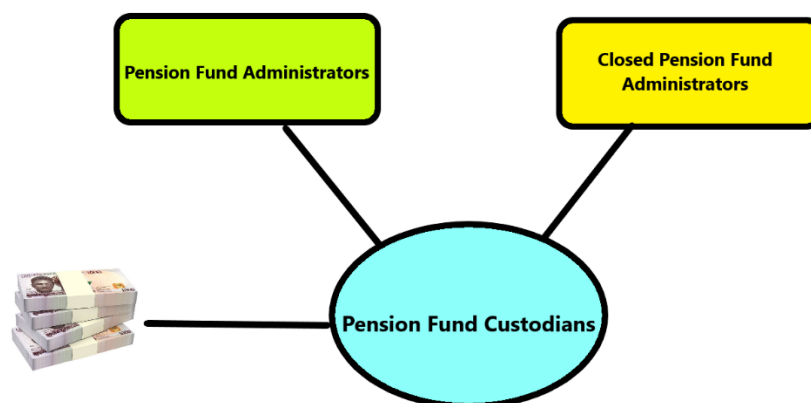
The sector is connected to other regulated sectors. The remittance of contributions into RSAs of registered members and payment of benefits are made through bank accounts with Deposit Money Banks (DMBs). While pension contributions are pooled and invested within the domestic financial market (Capital and Money Markets), which are regulated by CBN &

SEC. The funds are invested in Money Market Instruments, Public and Corporate Bonds, Treasury Bills, Mutual Funds, Infrastructure Funds and Private Equity. These investments are subject to strict qualitative and quantitative requirements and limits, established in the Regulation on Pension Fund Investment issued by the Commission and monitored daily via the rendition of daily investment valuation reports to PenCom. However, one of the legacy schemes belonging to a Multinational had foreign investments in money market and equity prior to the establishment of the Contributory Pension Scheme, valued at N131.79 billion ($317.39million) or 0.98% of the total Pension Fund Asset as at 31st December, 2021. Likewise, some others had domestic real estate assets worth N156.80 billion ($377.93million) or 1.17% of Pension Fund Assets as at the same period.

The scope of location of operations is the 36 States of the Federation and the Federal Capital Territory (FCT). The Operators have 75% of their Head Offices in Lagos State and the remaining 25% in the FCT, with branches and service centers across the country. No PFA has a branch or operations outside the country and these are not permitted within the pension laws and regulations.

The main product/Service provided by the sector is Pension. Pension is a regular monthly or quarterly payment to retirees, accumulated from the employer/employee contributions made into the Retirement Savings Account (RSA) and income earned from investment of the fund, in addition to accrued pension rights of the employees that had started working prior to June 2004. Pensions are paid into the beneficiaries' designated bank accounts by the PFC, on behalf of the retirees' PFA. Only employees of public sector and the private companies with three or more employees are eligible to participate in this Scheme. The pension benefits paid to retirees in the year 2021 stood at N421.72 billion ($1.02billion) or a monthly average of N35.14 billion ($84.78million).

The Pension Reform Act 2014, allows RSA holders to make voluntary contributions aside from the mandatory contributions to augment their retirement benefit. Accordingly, the contributors are allowed temporary access to 50% of the voluntary contributions before retirement or attaining the age of 50 years, this access must be two years from the commencement of the initial contributions. In 2021, voluntary pension contributors accessed N45.51 billion ($109.08million), representing an average of N3.79 billion ($7.46 million) every month. In addition, where a contributor loses his/her employment and is unable to secure another job after four months, the contributor is allowed access to 25% of the balance credit to his/her RSA. The total amount paid as 25% of RSA balance due to loss of job was N9.16 billion ($21.83 million) or an average of N763.14 million ($1.85 million) monthly in 2021.

Micro-pension plan is made for self-employed and informal sector workers, whose income are largely irregular and unstable. It is accumulated through contributions by workers over the working life of the individuals. The benefits payment is made monthly or quarterly to beneficiaries upon attainment of 50 years through a designated bank account. Contributors under the Micro Pension Plan have not commenced drawing from their contributions (savings). The total Micro Pension Fund under management as at 2021 stood at N200 million ($484,273) or 0.002% of the pension fund assets in Nigeria.

In the event of death of a contributor, the beneficiaries are entitled to the proceeds of the deceased retirement savings accounts, referred to as Death Benefit. The death benefit is paid to beneficiaries of a deceased contributor, appointed by a Will admitted to Probate or a Letter of Administration, with the approval of the National Pension Commission. The total balance credited to the RSA of the deceased contributor is paid to the beneficiaries' designated bank account, including proceeds from the Group Life Insurance, in the case where the contributor died in active service. A total of N50.39 billion ($121.16 million) was paid to the beneficiaries of deceased contributors as Death Benefits in the year 2021 (an average monthly payment of N4.20 billion ($9.73 million).

During the review period, no product and/or services were found in any case of domestic investigation in relation to the new pension scheme on ML.

Business relationship with clients is ongoing, its starts with the registration of clients upon employment through retirement and after death to the beneficiaries. The client received customer services such as personal record updates, request/enquiry, complaint resolutions, periodic reports on contributions and earnings from investment, amongst others.

There are basically three types of business relationships with clients:
I. **Active Workers/Contributors** are clients that opened RSAs with PFAs of their choice. The employer then remits both the employer and employee portion of the monthly contribution totalling a minimum of 18% of monthly pay into the employees' RSA. The Fund is invested by the PFA and held in custody by the PFC. Where the active contributor retires, his/her RSA is moved to Retiree Fund belonging to passive members.
II. **Retirees/Passive Contributors** are clients that had contributed into their retirement savings accounts and currently receiving monthly pensions from their PFA.
III. **Beneficiaries Of Death Benefits** are individuals appointed by a Will or Letter of Administration, as beneficiaries of the entitlements of deceased contributors.

There are no international business clients. The pension sector customers are workers in the public and private sectors of Nigeria, including informal sector workers and self- employed. Others are the Next-of-Kin or beneficiaries of the deceased entitlements. Although, very few top ranked government workers categorized as PEPs are part of the pension scheme, their retirement savings constituted only pension contributions made through the employers, as a percentage of their monthly wages (employer contributes 10% and employee 8%).

Pension sector operates only in Nigeria and is not exposed to any foreign jurisdictions. Domestically, activities of the pension sector are spread across the 36 States of the Federation and the FCT with Lagos and Abuja having the highest activity because of the higher employment rate in the states due to the fact that Lagos is the commercial capital and Abuja being the political capital. However, this has not been found to increase the ML risks in the sector.

There is no anonymous transaction in the pension sector. Every transaction is linked to individual RSA with a unique Personal Identification Number (PIN).
The delivery channel for transactions in the pension sector is clear and does not involve

anonymity, as payments are made through bank accounts with adequate records for accountability. All payments are linked to the PIN; hence, the originator of the transaction is identified. The sector utilized only regulated delivery channels, namely, bank accounts, money and capital markets. The delivery channels present a vulnerability of remitting funds outside individual legitimate earnings by employees, from top management level to junior staff, however, the risk is lowered as all remittances are tied to a proportion of monthly wages.

Insurance Sector Inherent Vulnerabilities

The Nigerian insurance industry is regulated by the National Insurance Commission (NAICOM) which was established under the act of National Assembly 1997. The industry has expanded over recent years, attracting foreign investors such as AXA from France, South Africa's Old Mutual etc. However, insurance market shares remain low compared to other African countries at 2.02% against 67.51%, 8.36%, 4.11% and 3.65% in South Africa, Morocco, Egypt and Kenya respectively as detailed in table 1.0[27]. This is largely due to low income, awareness, failure to embrace technology, high level of financial exclusion, lack of infrastructural and distribution channels, lack of domestic skills and/or shortage of data etc. With a population of over 200 million and insurance penetration of 0.4% there is a large market for insurance which is yet unmet. The industry's contribution to the GDP was 0.3 percent in 2021 which is less than 1 percent.

The Insurance market as at 2nd quarter 2021 grew at about 16.35% an upward progression relative to its growth in the prior years. The asset size as at December 2021 stood at 2.05 trillion, about 3% compared to the financial sector's asset size. The presence of insurance institutions in Nigeria is low within the financial group. The structure of the sector is not complex as more than 98 percent of the insurance institutions are 100 percent owned, incorporated and domesticated within the shores of Nigeria. The entire insurance industry comprises of three hundred and forty-one (341) branches spread across the country and two (2) across other countries outside the FATF watch list or monitored jurisdictions.

Insurance Gross Premium Income: Annual Growth Rates
Table 43: Insurance Gross Premium Income: Annual Growth Rates

Year	Non-life	% increase	Life	% increase	Total	% increase
2019	281,346.62	14.64	226,883.43	25.49	508,230.05	19.24
2020	282,711.70	0.49	231,876.15	2.20	514,587.85	1.25
2021	295,826.09	4.63	302,908.01	30.08	598,734.10	16.35

Insurance Industry Assets
The table below, shows the total assets of the top ten (10) Nigerian insurance Companies for the period under review with the top most insurance company having financial assets at fair value of 61.33 percent of total assets. The asset size of the insurance sector impressively has

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[27] Sources: Sigma (Swiss Re) and Atlas Magazine

sustained a fair growth over the last three (3) year period.

Table 44: Top 10 total Industry Assets (2019 – 2021)

Year	2019	2020	2021	TOTAL
Non-Life	691,641.45	850,940.69	1,087,561.22	2,630,143.36
Life	833,460.99	1,201,282.32	1,478,279.01	3,513,011.32
Total	1,525,102.44	2,052,223.01	2,565,840.23	6,143,154.68

The structure of the insurance industry in Nigeria is not complex as more than 98 percent of the insurance institutions are owned 100 percent by Nigerians, they are also incorporated in the country and fully domesticated within the shores of Nigeria. Only a few (less than 2 per cent) of insurance companies have foreign ownership in terms of cross-shareholdings/foreign presence (i.e., branches, subsidiaries and representative offices). The industry holds assets in the sum of N2.56 trillion representing not more than 3 percent of the Nigerian financial sector's assets as at December, 2020. This emphasizes the low insurance penetration compared to the large population of the country. The market players include insurance companies, insurance brokers, agents and loss adjusters. The majority of insurance companies and brokerage firms in the country are owned by the private sector. The insurance industry as at December 2021 consisted of sixty-seven (67) insurance and reinsurance with more than 450 insurance brokers, 58 loss adjusters and more than 4000 Agents. See numbers below;

Table 45: Insurance Industry

Year	Insurance Company	Number
2021	Insurance and Reinsurance	67
	Brokers	450
	Loss Adjusters	58
	Agents	4,000

The insurance industry is well integrated with other formal and regulated sectors of the economy within Nigeria and other jurisdictions. Insurance payments (premium and claims) and other transactions flow through the formal banking system and also serves as distribution channels for the sale of products like the bancassurance, bonds or guarantees and other investment products. Insurance institutions are cohesive in business relationship with funds or finance companies, mortgage firms, pension industry for retirement savings products like annuity and programmed withdrawal for pensioners etc. The growing links between the insurance and other financial sectors also emphasize the integration of insurance with other sectors in economic growth. Cross-shareholdings and bancassurance as a major form of financial conglomerates and assure-finance play a rising role. Through credit default swaps (CDS) and other risk pass-through vehicles, insurance companies increasingly enter the market for credit risk, hitherto the sole domain of banks and capital markets which are under the regulatory purview of CBN and SEC respectively, and PENCOM for the pension industry.

The scope of operations spans across local and international

Local: Most insurance companies are 100 percent domesticated all over the country. The top 25 insurance companies are headquartered in Lagos, the country's commercial capital, but have branches spread across the country to increase access to customers. The top companies have an average of seventeen (17) branches each, in addition to the underwriters that are subsidiaries of banks and use the bank's network as a distribution channel. The three states with the highest number of branches, including bank-based networks, are Lagos, Abuja and Rivers with 242, 65 and 59, respectively.

Foreign Branches, Subsidiaries and Representative Offices: Only two (2) companies in the sector have a foreign presence in terms of foreign branches, subsidiaries and representative offices. The overseas businesses are also purely done through the formal sector and not concentrated in Countries that are under FATF watch list or monitored jurisdictions. The gross premium of overseas operations as at December 2021 stood at less than 1 percent of total insurance gross premium.

The sector offers a very limited number of vulnerable products and services. It constitutes a small portion of the overall businesses conducted by the industry. The volume and frequency of transactions attached to these specific products are considered low. These transactions were found in some investigated cases.

Life insurance firms are at particular risk of money laundering because of the massive flows of funds into and out of their businesses, most life insurance firms offer highly flexible policies and investment products that offer opportunities for customers to deposit and subsequently withdraw large amounts of cash with a relatively minor reduction in value.

Although it is true in most developing markets, life insurance policies are often overlooked due to the long-term nature of the products, with claims only made after death. To encourage greater uptake, some life insurance companies are offering policies that give benefits to individuals before death. The range of insurance products (covered products) potentially at risk of abuse by criminals vulnerable to ML are;

1. Permanent life insurance policies (excluding group life insurance policies).
2. Annuity contracts (excluding group annuity contracts).
3. Any insurance product with cash value or investment features.

Most companies package these three categories of life products, by giving them different product names with attractive features in order to attract more businesses and to deal with competition. Examples of the inherent risk factors in these products are described below:

- Single premium policies: This could be exploited by criminals to offload large amounts of money in a single transaction.
- Annuity policies or high regular premium savings: After paying premiums with illicit funds, they can receive it as legitimate income from annuity policies or premium savings products.
- Cooling-off periods: Criminals can request refunds of premiums during a cooling-off period or deliberately overpay premiums to trigger a refund.
- Policy surrender: They can surrender their policies at a loss to regain their deposited money.
- Fund Top-ups: After paying a small initial premium in order to avoid regulatory

attention, criminals can increase their policy payments to offload more illicit funds.

- Transferring ownership: Customers can purchase life insurance policies and transfer ownership to a criminal third party who subsequently withdraws the money.
- Policy loans: After building up its value with premium payments, criminal elements can take out loans from their life insurance policy using its cash value as collateral. Policy loans do not involve stringent checks and do not have to be repaid: the value of the loan and interest will be deducted from the death benefit.
- Collateral: Single premium policies can be used as collateral for bank loans. Criminals can surrender their policies to repay their loans.
- Secondary life market: Instead of surrendering their policy, customers in poor health can sell their policy to a criminal third party. Insurers must then identify the new policy owner.

Other non-life insurance products are assessed as less vulnerable to ML. The FATF Glossary excludes non-life insurance businesses from the activities performed by "financial institutions" which fall under the scope of the FATF requirements. As a result, the FATF Recommendations do not apply to non-life insurance (even if the non-life insurance activities are within the scope of financial sanctions regimes).

However, as with most commercial activities, there may be some scenarios in which non-life insurance products might be misused in the area of insurance fraud due to the unattractive nature of the products under non-life class of insurance. That is why a minority of jurisdictions included non-life insurance activities in their AML framework, based on their specific, national risk evaluations. The non-life products susceptible to ML risks include but not limited to the following:

- Marine
- Oil & Gas
- Motor
- Fire/All risks (Landed Properties)

Examples of risk factors inherent in non- life products include:

- For marine cargo, insurance covers may be provided on a cargo being used in moving unlawful chemicals, hard drugs, or other illicit products from one location to another.
- The assets being presented for insurance cover could be proceed of predicates crimes and may not be easily detectible or known to the Insurer. This is applicable to Motor, Fire/All risks, marine hull, etc.
- For motor vehicle, insurance cover may be provided on smuggled motor fleets thereby, leading to ML risks exposures. In addition, vehicles under insurance cover could also be utilized to transport illicit drugs from one location to another.

It is noteworthy that not all insurance products/services are found in STR's filed to the NFIU. Between the years 2019 and 2021, Fifty-five (55) Insurance companies filled a total of One thousand two hundred and seventy-seven (1,277) STRs and Five thousand three hundred and twenty (5,320) nil reports to the NFIU.

It was observed that the Life Insurance products listed below are largely used as a conduit for money laundering:

1. **Annuity**: An annuity is a long-term investment that is issued by an insurance company and is designed to help protect policy holders from the risk of outliving their income. Through annuitization, a client's purchase payments (premium) are converted into periodic payments that can last for life. Below is a typical example of STR case filled on Annuity;

Case Study 23: STR on Vulnerability of Annuity Product

> An STR was filled by a Financial Institution on a transaction of ₦100,000,000 in two tranches of ₦75,000,000 and ₦25,000,000 in favour of the subject to commence 8 years deferred annuity plan. Analysis revealed that Company ABC Ltd received the sum of ₦269,171,242.50 from the Public Sector for repairs/reconstruction of roads within Nigeria. Three days after, Company ABC Ltd transferred the sum of N100,380,000 to Company XYZ Ltd and on the same day, the Company later transferred the sum of ₦100,000,000 to a financial institution in favour of the subject for an 8-year deferred annuity.

2. **Single Premium Savings Plan**: This product accepts lump sum instead of the a yearly, quarterly or monthly form of premium payment. Below is a typical example of STR case filled on single premium savings plan;

Case Study 24: STR on Vulnerability of Single Premium

> STR was filed to the NFIU by reporting entity on single premium where the customer bought policy to the tune of ₦65,000,000 within a period of six days, another sum of ₦53, 000,000 was added to the initial invested amount. Analysis revealed that the customer is a PEP and the transaction has no economic justification because his annual salary is not up to the total amounts paid within few days.

3. **Education Plan**: Education Plan is basically a plan which provides funds to a child's education in the event of the parent's death or inability to cater for them in the future.

Case Study 25: STR on Huge FX Cash Withdrawal from Account of Insurance Broker

> An STR was filled by a financial institution on UMM Insurance broker. UMM Insurance broker commenced relationship with the financial institution on September 19, 2019. As at when the report was filled, the entity had received inflows totalling **$365,420.45** while the total outflows was **$227,554.58** from inception till date. During a review of the Customer's account, it was observed that on **16th April 2021**, there was a cash withdrawal of **$120,000.00** from the entity's account. The cash withdrawal was carried out by the sole signatory to the account and a Director at UMM Insurance broker. The Financial Institution raised a concern over the cash-based transaction and the actual destination and purpose of the funds could not be ascertained.

Nature of Clientele: The insurance sector deals with different types of customers

ranging from individual to corporate entities, Government, NGOs, NPOs PEPs etc. established relationships (policyholders) and occasional customers are availed insurance services. See table below for PEPs, HNIs and other high risks customers:

Type of clientele and transaction rate

Table 46: Type of clientele and transaction rate

CLIENT	PEP	HNI	Non-Resident Individuals	Non-Resident Corporate	NGO/NGO	Others
No of Customers	989	453	6	131	309	301,512
Gross premium (Million)	7,619	5,600	0.4	8,624	792	39,990

Transaction Type: Business relationships: insurance products are mostly yearly transactions, renewable on expiration, thus can be tagged ongoing with a few other types of policies that are transactional in nature.

Geographic Reach: Activities of the insurance industry are majorly conducted exclusively domestically and do not involve locations of concern. It comprises of 341 branches spread across the country and 2 across other non FATF watch list jurisdictions.

Nature of delivery channels: A Large part of the transactions within the sector (52%) is performed via indirect delivery channels through the use of intermediaries, such as brokers and Agents (34%) leaving direct businesses with a meager (14%). It does not involve any form of anonymity, however, the use of e-channel and non-face to face business transactions could potentially be a source of ML risks.

Inherent Vulnerabilities of Virtual Assets and Virtual Asset Service Providers (VASPs)

Virtual Assets and Virtual Asset Service Providers, being predominantly internet-based products and businesses, are without borders. Inherently, they have a wide reach both locally and internationally. They are accessible to many customers over the clear/deep web and dark web, and they provide the significant ability for instantaneous and obscure transfer of value.

Products/services
5 products and 9 services were identified, each with vulnerabilities that can be exploited for the purpose of ML. The vulnerabilities for each product and service were rated on a scale of 1-4, with 1 being low and 4 being very high. See table below:

Table 47: Product & Services Vulnerabilities

Very High	High	Medium	Low
• **Psuedo-**anonymous exchange VAs • Anonymous exchange VAs • Non-Fungible Tokens (NFTs) • Centralised NFT marketplaces • Anonymization services • Decentralised services/ Financing	• Brokerage	• Centralised Stable coins • Utility tokens	• Initial coin offering • Custodial wallets • Centralised exchange services • Centralised P2P exchange services • VA ATMs

Very High Vulnerability Products/Services

Pseudo-anonymous Exchange VAs: These VAs is used as a means of exchange or a store of value and have high transactional and exchange liquidity which make them vulnerable to ML; examples include but not limited to Bitcoin, Litecoin, Ethereum, Ripple, etc. Conversely, by default, transactions with such VAs are traceable and balances are openly verifiable. With the right tools and skillset, they can be linked to an entity's real-world identity. However, anonymity can still be enhanced with anonymization tools like mixers and tumblers most of which allow only bitcoin mixing though Litecoin and Ethereum can also be mixed. Therefore, this VA type is prone to ML abuse. Out of the 30 domestic VASPs identified by CBN, SEC and BICCoN, 29 deal on pseudo-anonymous exchange VAs, while one deals on a utility token called TATCOIN.

Anonymous Exchange VAs: This VA type was designed to offer increased anonymity to users by default; examples include Monero, Dash, Zcash, Horizen, etc. With such VAs, it is impossible to trace and assess the transactions and balances of users. This makes them potentially attractive to Money Launderers. However, ML criminals may be sceptical about using anonymous exchange VAs because only a few major exchanges offer to trade them; where they do, exchange for fiat is not allowed. For example, to get Monero on Binance, the buyer would have to buy another cryptocurrency with fiat, then use that to purchase Monero. These leave transaction trails which ML criminals would not want. It will be more attractive to use a combination of anonymisation tools and non-custodial wallets like blender and electrum to obfuscate the more easily accessible and movable pseudo-anonymous VAs like Bitcoin, Litecoin and Ethereum.

Non-fungible Tokens (NFTs): These are blockchain-based tokens that represent unique assets like pieces of art, digital contents, or media. Recently, there has been a rising interest in NFT trading globally. According to a report by the US Treasury Department, the NFT market generated $1.5 billion in trading in the first three months of 2021 which was 2,627%

more than the previous quarter[28]. NFTs offer criminals the opportunity to purchase artifacts with illicit funds and sell them off later. Chainalysis' 2022 crime report indicates that the global illicit value received by NFT platforms grew from less than $100,000 to about $1.4million in the last quarter of 2021 which is indicative of increased money laundering activities[29].

Centralised NFT Marketplaces: These are platforms where NFTs can be minted, stored, displayed and/or traded. VASPs providing this service can act both as value custodians and value exchangers. Currently, many NFT marketplaces do not require KYC, and they can allow the use of non-custodial wallets to purchase NFTs and to receive funds after the sale of NFTs. This makes it very difficult to trace and assess such transactions and provides criminals an avenue to store and move illicit funds.

Anonymization services: Popularly known as coin tumblers or mixers, are used specifically to obscure transaction flows and make VASP clients more anonymous. They allow users to split their funds into small parts and rewire them through thousands of microtransactions, sometimes into and out of a comingled pool to a new address, thereby making it difficult for anyone to follow the cryptocurrency. This service is attractive to ML criminals as it keeps their activities hidden from relevant authorities.

Decentralised Applications and Financing: These refer to applications or financial services that operate on the blockchain with no central server or controlling entity. These services are like those discussed in the previous sections but without a controlling entity, examples include Decentralised Exchanges (DEX), token swaps, non-custodial wallets, etc. As they are just software, powered by smart contracts and running on the blockchain, they cannot be considered as VASPs. However, where an entity maintains control or sufficient influence on a DeFi arrangement, it should be considered a VASP.

In a study by Statista that ranked the top 20 countries interacting with DeFis worldwide, Nigeria was not on the list[30]. Similarly, none of the reports submitted to the NFIU had links to DeFi related transactions. However, this contrasts with the country's position as the 6th most active country in cryptocurrency trading[31].

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[28] Department of Treasury (2022) *Study of the Facilitation of Money Laundering and Terror Finance Through the Trade in Works of Art*

[29] Chainalysis (2022) *The 2022 crypto crime report: Original data and research into cryptocurrency-based crime*

[30] Statista (2021) *Index of the 20 countries with the highest interaction with DeFi platforms worldwide between April 2019 and June 2021*. Retrieved March 27, 2022 from: https://www.statista.com/statistics/1263257/global-defi-adoption-by-country/

[31] Chainalysis (2021) *The 2021 Geography of Cryptocurrency report: Analysis of Geographic Trends in Cryptocurrency Adoption and Usage.*

High Vulnerability

Brokerage Services: Brokerage service providers offer three main kinds of services:

1. They allow traders to deposit collateral in exchange for various derivate products and trading opportunities including leverage positions, automated trading, etc. dependent on the specific broker. This line of brokerage service provides criminals with an opportunity to invest in different VA types and to store illicit funds.

2. They make it possible for institutional and high net worth clients to exchange or liquidate large volumes of VAs at a set negotiated prices, thus avoiding any loss associated with slippage. Chainalysis observed that brokers offering such service have less stringent KYC requirements than exchanges and some specialise in providing money-laundering services to criminals[32].

3. They facilitate trade between individual buyers and sellers when they don't want or cannot transact on an open exchange. This is also prone to abuse by ML criminals especially in collaboration with willing brokers. As explained on a report by Chainalysis, after the CBN ban, Nigerians did not only start using Paxful and Remitano for peer-to-peer exchange; a lot of peer-to-peer activities also moved to informal chats groups on Telegram and WhatsApp and supported by Over-the-counter merchants who facilitate transaction worth several millions[33].

Medium Vulnerability

Centralised Stablecoins: These are VAs whose market values are pegged to some external reference like the value of some fiat currency and commodities like gold which are held and administered by recognisable entities. They are different from decentralised stablecoins which are crypto-collateralised, algorithmic, non-custodial, dependent on distributed governance, and vulnerable to ML risks associated with other decentralised applications. Examples of centralised stablecoins include Tether, Binance USD, USDC, etc. Inherently, centralised stablecoins should have the same ML vulnerabilities as pseudo-anonymous coins. Furthermore, with their value pegged to some external reference, stablecoins are less volatile than other VAs and potentially attractive to ML criminals. However, like pseudo-anonymous VAs, transactions with centralised stablecoins are traceable and can be frozen by the administering entities; in addition, there are currently no mixers/tumblers for them – these make them less attractive to ML criminals.

Utility Token: These tokens give holders access to special services or preferential treatments within an ecosystem, for example, Brave browser's Basic Attention Token (BAT), Trust Wallet Token, and Binance Coin which has since expanded from numerous applications. Inherently,

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[32] Chainalysis (2020) *Crypto Money Laundering: How Criminals Cash Out Billions in Bitcoin and Other Cryptocurrencies*. Retrieved March 12, 2022 from: https://blog.chainalysis.com/reports/crypto-laundering/

[33] Chainalysis (2021) *P2P Platforms, Remittances, and Savings Needs Power Africa's Grassroots Cryptocurrency Adoption*. Retrieved February 18, 2022 from: https://blog.chainalysis.com/reports/africas-grassroots-cryptocurrency-adoption/

utility tokens would appear not to be prone to ML abuse because of the restricted use cases and ecosystem lock-in. However, with the emergence of token swap services, utility tokens can be exchanged for other VAs or fiat and can be considered prone to ML abuse. One Nigerian VASP -ABiT Network, runs an ecosystem whose native token is the TATCOIN valued at $0.004.

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Low Vulnerability

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VA ATMs: These are devices or kiosks where VAs can be bought with fiat. It is potentially vulnerable to abuse by ML criminals because of the anonymity it provides, although some are accessible to users who have been subjected to KYC requirements. Furthermore, VA ATM service providers impose transaction limits which may make the service less attractive to ML criminals. During the period under review, Coin ATM Radar (a VA ATM online tracker) showed that there were two VA ATMs in Nigeria (both in Lagos State) where Bitcoin and Dash can be bought and sold with and for Naira

Initial Coin offering (ICO)/Initial Exchange Offering issuance (IEO): With this service, the VASP matches prospective buyers with companies who want to raise funds to float a coin, an app or a service. This service is considered unattractive to ML criminals because it takes a while for the proposed coin, app or service to be floated, if ever. Furthermore, the projected value of the VA during the ICO may never be realised. Therefore, such service may either bring about a delay, total or substantial loss of funds and is thus not attractive to ML criminals. None of the STRs/SAR submitted to the NFIU within the period under consideration concerned ICO/IEO issuance.

Custodial Wallets: Custodial wallet services are provided by VASPs to receive, safe keep and transfer VAs (which are potentially illicit or high-risk) on behalf of their clients. While these wallets provide ML criminals with an opportunity to store and move illicit funds, it is becoming less attractive because the advent of unhosted/non-custodial wallets make it possible for users to safe keep and administer their VAs themselves; it also makes it more difficult for transactions to be traced.

Centralised Peer-To-Peer Exchange Services: Unlike in centralised exchange services where the VASPs themselves directly provide crypto-crypto and crypto-fiat exchanges, in peer-to-peer exchanges, the VASPs act as the middlemen by facilitating off-platform direct trade between two intending parties. To provide trade assurance and prevent fraud during centralised peer-to-peer transactions, the VASPs also provide escrow services. This service has become popular especially in jurisdictions where crypto trading is banned, Nigeria for example. It provides the traders or users with anonymity, especially when the exchange involves fiat, and this increases its vulnerability to ML abuse. In Nigeria, the use of centralised peer-to-peer exchanges has increased since the CBN ban; consequently, transactions that were hitherto easily identified by banks as related to VAs and VASPs are no longer so. Therefore, it has become more difficult to link such transactions to VASPs and their clients.

Centralised peer-to-peer exchange service providers, like Binance and Paxful, demand KYC, can limit volumes of transactions, and ban suspected accounts. Furthermore, bank transfers are needed to complete VA-fiat exchanges and they may be reported as suspicious

transactions. These make them less attractive to ML criminals who would want to exchange huge sums without leaving traces.

Centralised Exchange Services: With this service, VASPs facilitate the exchange between virtual assets and fiat currencies, i.e., VA-to-VA, Fiat-to-VA and vice versa trades. Globally, this is the most developed and patronised service in the VA world, and in the year 2021, it saw over US$14 trillion in trade volume[34]. In July 2021, the global patronage of crypto exchange services was 230 million users, but by December of 2021 it stood at 295 million users. This growth rate has prompted experts to project that the number of global crypto users can reach the 1 billion marks by the end of 2022[35]. In agreement with the global trend, the NFIU has received 1,381 STRs from reporting entities associated with cryptocurrency exchange services.

Centralised exchanges offer cryptographically secure transactions thus pseudonymising the users and transactions, a feature that ML criminals find attractive. With such service and the inherent complexity offered by VASPs, value can be structured in amounts that will not trigger AML identification and reporting requirements. Value can also be transferred across the globe in a matter of seconds.

Between 1st of January 2019 to 31st of December 2021, the NFIU received 72,338 reports (40,147 STRs and 32,191 SARs) from reporting entities. Out of these, 2% (1,381 reports consisting of 492 STRs and 889 SARs) concerned virtual assets. Approximately, 82% of the reports related to VAs were about Money Laundering. The rest were suspected predicate offences, especially Ponzi scheme fraud and links to the dark web.

VAs have been found in the ML report related to organised crime and fraud. For example, in September 2019, kidnappers in Nigeria demanded and received $15,000 worth of bitcoin in ransom. A report by the EFCC also states that 21% of the cases investigated between April and June of 2021 involved fraudsters accessing their illicit funds in cryptocurrency. Furthermore, out of 72 crypto-related cases investigated by the EFCC (in the period under consideration) 77% were linked to money laundering. The rest were about predicate offences like investment scams, impersonation/identity theft, etc.

ML using VAs is not specific to Nigeria. According to reports by Chainalysis, criminals laundered $2.8 Billion in 2019, $6.6 billion in 2020, and $8.6 billion in 2021 using cryptocurrency. About $33 Billion has been laundered between 2017 and 2021[36].

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[34] Khatri, Y. (2021) *Centralized crypto exchanges saw over $14 trillion in trading volume this year*. The Block. Retrieved March 03, 2022 from: https://www.theblock.co/linked/128526/centralized-crypto-exchanges-14-trillion-trading-volume-2021

[35] Crypto.com (2022) *Crypto Market Sizing Report 2021 and 2022 Forecast*. Retrieved March 10, 2022 from: https://crypto.com/research/2021-crypto-market-sizing-report-2022-forecast

[36] Chainalysis (2022) *The 2022 crypto crime report: Original data and research into cryptocurrency-based crime*

Nature of Clientele: VASP customers can be natural persons, legal persons or legal arrangements. In Nigeria, the VASP sector is currently not regulated and there is no approved CDD process; however, the VASPs have posited that they have stringent KYC and CDD processes. One of the top VASPs in Nigeria reported that between January 2019 and January 2021, there was a total of 46 transactions valued at $59,072.06 which involved PEPs – this is less than 1% of their total transaction volume (0.0007%) and value (0.003%) in the period under consideration.

The VASP also identified 1,162,991 transactions involving high-net-worth clients (those who trade above N100 million/$250,000 monthly) totalling about $451.3 million – this is approximately 22% of their total transaction volume and 2% of the total transaction value in the period under consideration. They also identified Business Accounts with 678,833 transactions valued at $274.7 million. This is approximately 11% of their total transaction volume and 14% of their total transaction value. VASPs services are diverse and borderless, thus are open to people of different professions and businesses.

Based on transaction volume, Chainalysis categorised VA clientele into:
1. Large institutions (transacts more than $10 million)
2. Institutions (transacts between $1 -$10 million)
3. Professional (transacts between $10,000 -$1 million)
4. Large retail (transacts between $1,000 - $10,000)
5. Small retail (transacts less than $1,000)

Between July 2019 and June 2020, Chainalysis observed that Africa's VA transaction volume share by transfer size was 24-32% retail[37] . However, between July 2020 and June 2021, Africa's transaction volume share by transfer size became 39% Professional, 32% Large institutional, 22% Institutional, 5% Large retail and 2% small[38] retail. This suggest that big players/clients are increasingly joining the African VA space.

Furthermore, NFIU, with the Chainalysis Reactor tool, looked at the top domestic VASPs and found direct link to vulnerable counterparties e.g., scam, darknet markets and child abuse material exchange. Also, NFIU found that three of the prominent international VASPs which Nigerians patronise are directly exposed to high-risk exchanges, darknet markets, child abuse material exchange and scam. These suggest that their clientele include criminal actors.

Geographic Reach: Generally, VASPs have a global reach and are accessible from high-risk countries/jurisdictions. According to Chainalysis, 96% of Africa's transaction volumes are cross-regional transfers; this is against 78% for all the other regions combined[39]. Whilst this does not say much with respect to the geographic reach of the Nigerian VASP sector, it does give us an idea of the sector's reach in the African market context which Nigeria dominates.

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[37] Chainalysis (2020) *The 2020 Geography of Cryptocurrency Report: Analysis of Geographic Trends in Cryptocurrency adoption, usage and regulation*

[38] Chainalysis (2021) *The 2021 Geography of Cryptocurrency report: Analysis of Geographic Trends in Cryptocurrency Adoption and Usage.*

[39] Chainalysis (2021) *P2P Platforms, Remittances, and Savings Needs Power Africa's Grassroots Cryptocurrency Adoption*. Retrieved February 18, 2022 from

Nature of Delivery Channels: The delivery channels of Virtual assets are predominantly indirect (over the internet and non-face-to-face) and may involve intermediaries like when brokers are involved. For VA-Fiat transactions, the fiat leg of the transaction can be completed using internet/mobile banking. Peer-to-peer transactions can also be completed using fiat and value moved from one jurisdiction to another with ease. For example, in a 2020 report by Chainalysis, the CEO of Paxful, Ray Youssef, narrated how a Nigerian who lives in South Africa would take cash from other Nigerian expats, convert it to bitcoin, send it to someone in Nigeria via Paxful, who then converts to cash and delivers to the intended recipients[40].

As explained on a report by Chainalysis, after the CBN ban, Nigerians did not only start using Paxful and Remitano for peer-to-peer exchange; a lot of peer-to-peer activities also moved to informal chats groups on Telegram and WhatsApp and supported by Over-the-counter merchants who facilitate transactions worth several millions[41].

Inherently, VA transactions involving VASPs that offer centralised services are pseudo-anonymous; but with the right tools and skillset, they can be linked to the VASPs, and the entities involved. However, anonymity is increased when the transactions are executed over decentralised platforms, involves unhosted wallets, or passes through mixers/tumblers. These make it even more difficult for relevant authorities to track and assess when required.

National Inherent Vulnerabilities of ML on Designated Non-Financial Businesses and Professions (DNFBPs)

See Table no representing the ratings per Subsectors

Table 48: Table no representing the ratings per Subsectors

S/N	SUB SECTOR	RATING
1	Real Estate	VH
2	Dealers in Precious Stones and Metals	H
3	Casino/Lottery	H
4	Car Dealers	H
5	Trust & Company Service Providers	H
6	Accounting Firms	M

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[40] Chainalysis (2020) *Remittances and Fiat Currency Devaluation Drive Africa's Growing Cryptocurrency Economy, and Big Exchanges Recognize the Opportunity*. Retrieved April 22, 2022 from: https://blog.chainalysis.com/reports/africa-cryptocurrency-market-2020/

[41] Chainalysis (2021) *P2P Platforms, Remittances, and Savings Needs Power Africa's Grassroots Cryptocurrency Adoption*. Retrieved February 18, 2022 from: https://blog.chainalysis.com/reports/africas-grassroots-cryptocurrency-adoption/

Real Estate Sector

Statistics received from SCUML show that by September 2019 there were about 17,919 real estate companies in Nigeria. In 2020, the GDP of the Nigerian Real estate Market stood at 3.96 trillion, a 9.4% decline from the previous year's N4.37 trillion. The covid-19 pandemic adversely affected the Lagos real estate market[42]. The real estate sector is vast with so many players, both formal and informal. As at the end of 2021, the total number of registered real estate developers with REDAN stood at 2,848. However not all estate developers are registered with REDAN. Furthermore, between 2019 to 2021, there were about 1339, 2057 and 5088 respectively. While the housing developers (including REDAN) provide the housing stock, other important players in the sector include:

- Professional Real Estate Agents (Nigerian Institute of Exchange Surveyors and Valuers);
- Real Estate Agents /Brokers;
- Lawyers;
- Third Parties (Unregistered)
- Others.

The COVID-19 pandemic had a negative impact on the sector particularly with global and nationwide lockdown measures put in place, commercial and retail spaces were adversely affected as people were forced to work from home, job losses, slow down in construction etc. this led to a contraction of -21.99% recorded in the sector in Q2 2020 from -4.75% recorded in Q1 2020. Government intervention in the sector within the period includes a N200 billion ($484,273,226) mortgage loan Finance to the Family Homes Fund for the construction of 300,000 social housing units for low-income earners. The last NRA2016 accessed the sector to be the second most vulnerable to ML risk (MH) largely due to the fact the subsector is not subjected to adequate ML/TF control measures. Nigeria has a housing deficit estimated at about between 17 and 20 million homes in 2019. To bridge this gap, the country will require about N3 trillion naira.

The real estate sector in Nigeria is highly exposed to activities of unlicensed operators due to weak entry controls, particularly at the real estate agency and development subsector of the industry. By virtue of land use act, there is limitations to foreigners owning landed properties in Nigeria. However, there are procedures to be followed for foreigners to acquire interest in land in Nigeria. According to a newspaper report a civil society organization, "CISLAC" has alleged in its investigations, a high level of ML in the sector[43]. Real estate transactions are conducted mainly through banks. However, Nigeria being largely cash based economy, cash transactions feature in real estate transaction. Money laundering vulnerabilities are present particularly in the high end, luxurious properties many of which are unoccupied in highbrow areas of FCT and Lagos[44]. There is also the use of third parties (family members or proxies), Corporate vehicles for the purchase of real estate. Transactions in real estate can also be conducted without passing through lawyers or via banks, although

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[42] https://www.agustoresearch.com/report/2021-real-estate-Lagos-industry-report/
[43] https://guardian.ng/property/report-alleges-high level-money-laundering-in-Nigeria's-real-estate-sector/
[44] https://www.vanguardngr.com/2019/09/taking-action-onunoccupied-mansions/

this is not the norm.

The real estate market in Nigeria is segmented into various sectors. We have the commercial real estate, Industrial real estate, Residential real estate. Investors are mainly attracted to commercial real estate properties (retail building, office spaces, warehouses) where they can make between 10-15% ROI depending on the location. The major investors are usually local high net worth individuals, large corporate entities, politically exposed person (local) the land use act places restrictions on 100% ownership real estate by foreign investors in the country. There is also the possibility that corporate vehicles with domestic equity (however, foreigners have significant interest) can used to our real estate in Nigeria. In addition, the Nigerian Investment promotion Council can support investors in real estate with obtaining concession and/or fast tracking the acquisition of government land[45]. As at the time of this report we were unable to get data from the land registry and company registry to identify corporate entities with significant foreign ownership that has been allocated lands in the FCT.

This presents some vulnerability. For most people that are first time home buyers, the transaction is usually one off, however we have investor that buy repeatedly and get involved in the business of real estate The nature of real estate business includes the construction and development of properties for intended home-buyers or prospective home-seekers / owner. Transfer of ownership is through a long-term lease, with certificate of occupancy acting as the title deed. Clarity of title s and registration of land ownership remains a significant challenge throughout rural Nigeria. Investors can also pool their funds into real estate investment trust (REIT) this is however the Nigerian REIT market remains underdeveloped and under-utilized. Currently there are 3 REIT in the country, with low level of market capitalization and liquidity. Their activities are regulated by SEC. The clientele can be segmented into High-Net-worth Individuals (Local); Politically Exposed persons (Local); Corporate vehicles/ legal persons; Civil servants; Thirty parties(proxies); Nigerians in diaspora; Trust Company Service Providers; (TCSPs); Foreign legal entities; Lawyers (play a role drafting legal sales agreements, acting as buyers/ sellers representative, creating corporate vehicles and in some cases trust companies); Accountants; Banks; Mortgage banks (PMI's); Property Valuers; ETC.

Although a lot of real estate transaction are done using FI which are largely supervised for AML/CFT obligations, the use of third party, cash, lawyers and absence of information on the Ultimate beneficial owner (UBO) in the real estate sector encourages anonymity in some of the transactions within the sector. Property sales are sometime consummated using power of attorney and as such not registered in the land's registry, as such the UBO data is not captured at the land registry. Transactions in real estate are usually between a willing buyer and a willing seller.

Most transactions are done using banking channels, mortgage loans, etc. Where financial institutions funds real estate transactions, it is usually subject to the lenders risk acceptance criteria, the title documents must be in perfectible condition (creation of legal mortgage and not equitable mortgage on the title, as such C of O's are required and not powers of attorney/

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[45] nipc.gov.ng/guide/land/

offer letter), valuation report from a certified estate valuer is required stating the estimated open market value and forced sale value of the property amongst other condition precedent to availing the funds. Where the transaction is cash based and not funded by a financial institution, there is no oversight. However, there are complex payment plans used, there is use of cash (local/foreign currency) for real estate transactions. Where cash is used, then the conditions are not strict and power of attorney/offer letters may be used for sales of property. We have no major foot prints of real estate transactions consummated using cryptocurrencies although this is possible via wallet-to-wallet transactions. For instance, while investigating a bitcoin investment scam in 2021, EFCC discovered that the suspect purchased a piece of land using bitcoin from XX, a real estate project by the X group. There is also the use of structured cash payment is also prevalent given that the economy in itself is largely cash based.

High Sub Sector Ratings

Dealers In Precious Metals and Stones/Jewellery

All dealers in precious metals and stones (DPMS) are categorized as jewellery dealers and fall under the definition of Designated Non-Financial Businesses and Professions, which fall under the supervisory purview of the Special Control Unit against Money Laundering (SCUML) with the Federal Ministry of Mines and Steel Development as the licensing authority. The Jewellery dealership subsector in Nigeria is largely composed of sole proprietorship businesses (72.7%), Although there is no reliable record of the volume of transaction within the sector or its contribution to GDP, the observation from the field survey indicated that the estimated annual income of Jewellery dealers ranges between N500,000.00 to N12,000,000 ($1,666.6 to $40,000), while the number of customers range from 10 to 1,500 (NRA Report). Through the Central Bank, Nigeria commenced its National Gold purchase program to build its gold reserve and hedge against foreign exchange volatility. Furthermore, a developing trend is the infiltration of organized crime syndicates using illegally mined minerals (specifically gold) in exchange for weapons.

The sector is dominated by dealers that buy the final finished products in foreign countries (mostly from the UAE) and sell to walk in customers. Dealers in jewellery in Nigeria are mostly carried out by unregistered individuals which expose the sector to ML risk, this is according to Jewelry Marketers Association of Nigeria (JEMA) and SCUML The sector is very complex and unstructured. A significant number of DNFIs have only a few staff. This limits the resources that small businesses and professions can dedicate to the fight against Money Laundering and Terrorist Financing. This peculiarity of DNFIs, including Dealers in precious metals and stones.

Jewellery dealers (Gold) buy finished old gold products (Rings, Neckless, Bangles, Pendants, ear rings) in cash/through transfers from customers who may have purchased the products either in Nigeria or other countries (Dubai, Saudi Arabia) and melt it and transport it to Dubai in exchange for new finished gold products. Based on this, the source of the products is unknown and the purpose of sale is also unknown. Also, old finished gold products can also be swapped with new ones. Melted Gold is weighed and sold to buyers in Dubai in exchange

for new finished gold products which is imported back to Nigeria. Buyers (dealers) in Dubai usually clear the gold themselves once documentations are right about the transaction (JEMA). There is no evidence from investigations by Law Enforcement Agencies if this method of gold transaction is being used to fund Terrorism. Largely, dealers in jewelleries transact in gold in Nigeria from 18 carat ,21, 22, and the highest is in 24 carat of purity level.

Major players in the dealers in jewellery sector in Nigeria are found in Kano, Lagos, Ibadan, Port-Harcourt and Abuja. (NRA 2016). However, a significant number of their clients are individuals and PEPs alike. The nature of the business, most customers are walk in clients; few wholesalers (JEMA) The Presidential Artisanal Gold Mining Development Initiative (PAGMI) is being implemented. The components of the initiative included but not limited to Formalization of the artisanal miners into cooperatives This is to integrate their activities into the economic and institutional framework that would eliminate illegality; Registration of Buying Centres and Aggregators, to provide market access for artisanal miners, etc.

Dealers in jewellery business buy finished old gold products in cash or exchange for new finished products (Neckless, Bangles, Ear rings, rings pendants) from walk in clients who are mostly women (NRA report). Purchase of jewelleries are done (Physical) in person or by proxy (JEMA) Based on the facts that any client could walk into a jewellery business dealer to buy new gold or sell old gold, it is difficult to determine the actual buyer as the amounts transacted are quite small to require KYC information from walk in clients. According to a press statement by the Head of Press and Public Relations, Ministry of Mines and Steel Development, Etore Thomas bandits buy gold from artisanal miners, at very cheap prices, take the gold across the border and sell it at market price and exchange it for ammunitions and guns, which was fuelling banditry. The cross-border locations for exchange of gold for ammunition are unknown[46]. There is a prevalence of cash. Moreover, vulnerability manifests where dealers pay foreign-based dealers via bank transfers. Some of the suspicions highlighted transfers of huge amount of funds abnormal with client profile between Nigeria registered jewellery business and individual in Dubai with transaction narration as purchase of Jewellery. However, it cannot be ascertained that the transaction was for the purpose of TF as it has not been investigated by Law Enforcement Agencies.

Casinos/Lotteries

Sports betting companies offer their services through retail and online platforms. In recent times, most operators especially the small ones are more focused on online operations and cutting out retail due to many factors such as issue of multiplicity of regulatory authorities, high cost of setting up physical shops (renting a space, fixing the space, recruiting staff and/or agents, multiple tax obligations to various state government agencies where the shops are located etc), the risk involved in handling cash etc.

The sports betting industry is still largely retail, however there has been an increase in the online space due the above issues and operators offering their services through retail outlets also have online platforms through which customers can place their bets at the comfort of

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[46] https://www.vanguardngr.com/2020/11/ministry-of-mines-debunks-claims-over-alleged-sale-of-gold-by-gov-mattawale-to-cbn/

their homes. The Covid 19 pandemic also contributed in the increase of online gaming activities

SCUML has registered a total number of 39 casinos in 2019, 44 casinos in 2020 and 60 casinos 2021. Registration with SCUML is one –off and there is no legislation for re- registration yet.

The sports betting industry makes payment only locally, in order to be able to cash out winnings or withdraw deposits, customers must have Nigerian bank account with details matching the betting account registered on the operator's online platform. So even in a situation where a foreigner or someone outside Nigeria opens an online account with an operator, such customer will be unable to fund the account unless he or she has a Nigerian bank account or someone with a Nigerian bank account who is able to fund to fund the account and will be unable to cash out winnings or withdraw deposits unless he or she has an approved Nigerian government approved means of ID. No operator has reported having any foreign customer outside the shores of Nigeria register on their platform except the said customer relocated to another country and already had a betting account before relocating. Operators are required, by virtue of having a SCUML certificate, to file a suspected transaction report (STR) to the NFIU which they have been doing once a transaction is suspected as being fraudulent. Sports betting companies also have to register with the National Lottery Regulatory Commission (NLRC) before they can operate in Nigeria.

Between 2019 – 2021, a total of 19 STRs were filed on Casino, Lottery and Pool Betting. In one instance, an STR filed by a lottery and pool betting company indicated the payment of ransom into the wallet of an individual by a relative of a kidnap victim.

Lottery, Sports and Pools betting in Nigeria are largely online and land-based while Casino operations services in Nigeria are largely Slot machines and table Games like roulette, and poker tables. Most online casinos are basically lottery and pool betting sites which means fraudsters and money launderers can easily create multiple fake online profiles to launder funds and steal the identities of genuine players. The betting wallets and Casino Chips can also be used by fraudsters and money launderers[47]. Major players in the casino sector in Nigeria are often domiciled within international hotels, which avail them of a customer base from residents in the hotel. However, a significant number of their clients are regular walk-in customers. Stand-alone casino customers are mostly regular walk-in customers.

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[47] gamblingafrica.com/Nigeria/

Between 2019 – 2021, the FIU received a total of 19 STRs filed on Casino, Lottery and sports betting (These are mainly STRs filed by banks on their customers who are either Casino, Lottery or Sports/pool betting operators) According to data available, the FIU only received 7 STRs from a betting company within the time under review. The reports were linked to funds deposits in a betting wallet. It basically dealt with huge deposits of funds in betting wallets within a short period of time and onward transfer of funds to bank accounts linked to the betting wallet. In one situation, one of the customers deposited huge sums of funds totalling N8,000,000.00 (Eight Million Naira) into his betting wallets in tranches and went ahead to place different bets with the deposits. In another situation, a bank customer sent about N12, 200,000 (Twelve Million Two Hundred Thousand Naira) to a betting agent via bank transfer and also the betting agent deposited about N5,000,000 (Five Million Naira) into the account of the bank customer via bank transfer in tranches over a short period of time.

Sports betting operators uses only local payment gateway providers such as Interswitch, Flutterwave etc, local banks and FinTech companies. There has never been use of international payment gateway providers such as PayPal, AmazonPay or ApplePay.

Due to online operations within the sports betting sector, punters are able to place bets within the comfort of their homes anywhere within the shores of the country.

There have been instances of Nigerians being able to place bets with some operators operating outside Nigeria who are not licensed by Nigerian regulators.

Car Dealers

The Car dealership sector also identified as a designated non-financial business and professions; they are regulated and supervised by SCUML in Nigeria.

SCUML Registrations

Table 49: Car Dealer Registration

YEAR	NO OF REGISTRATIONS
2019	3367
2020	1255
2021	2542

The car dealers' sector has contributed about N400 Billion ($968.55million) to the nation's GDP[48]. Motor Vehicles & Assembly under manufacturing sector grew by 4.03% in full year 2020 from 2.31% in 2019. (NBS) There is minimal entry control low or no AML Control. Car dealerships are mostly conducted informally in Nigeria. Cars are purchased through third parties. There are minimal barriers to entry. Thus, there are no stringent conditions before anyone can start the car dealer business. The sector is dominated by small-scale informal dealers. Most of the cars are imported from US, Canada, Belgium and the United Emirates.

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[48] (https://thenewsguru.com/news/sgf-lauds-car dealers-for-contributing-n400bn-to-nations-gdp).

The large majority come through the Lagos Port and a significant portion come through the ports in Benin Republic (Cotonou)and Niger republic. There are two categories of motor dealers in Nigeria, dealers in brand new cars and dealers in foreign-used /second-hand vehicles (aka "Tokunbo" vehicles). The latter are the dominant group in the market and are largely patronized by the public[49].

Cars are sold through third-party agents and very little to no KYC is conducted before transactions are carried out. Payments can be made in all forms (Cash, Transfer, Foreign Currencies and Virtual Currencies). Payments for the purchases from some international markets are carried out through informal channels. This has made the sector very vulnerable to ML. Car dealers did not file STR's directly to the FIU within the period. The Banks, however, filed several STR filings involving car dealers (their customers) to the NFIU. 90 STRs involving car dealers were reported between 2019 to 2021.

Business relationships with clients tend to be largely transactional. Little or no KYC is done on the clients before sales are made. A significant number of the clients belong to the country's middle class and the high-end expensive ones are also patronized by the PEPs[50]. Analysis of KYC information on CTR information submitted by car dealer is largely by individuals, third parties. Analysis of the CTRs also revealed participation of politically exposed person[51].

Business transactions are carried out through third parties. Clients can easily obscure their real identities by sending agents. From the CTR records, there is the prevalence of the use of cash transactions across the sector. In the same vein there are dealers that prefer transfer of monies to their bank accounts. This also is reflected in the report that these dealerships file to SCUML. Direct deposits are also done. Payments in foreign currency are also common.

Trust Company Service Providers (TSCPs)

Trust or company service provider means any person that, by way of its business, provides any of the following services to third parties:[52]
   a) The formation of companies or other legal persons;
   b) Acting as, or arranging for another person to act as, a director or secretary of a company, a partner of a partnership, or a similar position in relation to other legal persons;
   c) Providing a registered office, business address, correspondence or administrative address and other related services for a company, a partnership or any other legal person or arrangement;
   d) Acting as, or arranging for another person to act as, a trustee of an express trust or a similar legal arrangement;
   e) Acting as, or arranging for another person to act as, a nominee shareholder for another person other than a company listed on a regulated market that is subject to disclosure requirements in accordance with Union law or subject to equivalent

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[49] Association of Motor Dealers of Nigeria (AMDON), Special Control Unit against Money Laundering (SCUML)
[50] AMDON
[51] SCUML CTR Analysis
[52] (https://www.lawinsider.com/dictionary/trust-or-company service-provider) SCUML has been able to register TCSPs for (2019-2021) period a total number of 59, 161 and 335 respectively (SCUML Annual Report & Database).

international standards

Trust and company service providers (TCSPs) are involved in a wide range of services and activities for their clients. These services include: acting as a director or secretary of a company or similar position, providing a registered office or business address for a company, acting as trustees of an express trust, among others. Not all of the people and professionals active in this sector provide the same services.[53]

Corporate Trust companies which are mostly set up by banks but independently of the banks' operations. This group within the industry are more involved in trust services such as Debenture Trusts (Consortium/Syndicated), Bond Trusteeship (Government & Corporate), Trust of Collective Investment Schemes/REITs (Real Estate Trusts), Endowments/Foundations, Estate Planning, Nominee Services, Funds/Portfolio Management, escrow services etc.,[54]. These services are relatively vulnerable to ML due to scarce and mostly unreliable beneficial ownership information sources in Nigeria and evidence of abuses of trust arrangement as seen in the case of a former Minister of Power who use a blind trust arrangement to inappropriately acquire privatized electricity distribution rights through a process he supervises as a cabinet minister.[55] TCSPs set up by law firms with limited capability and lack of economies of scale enjoyed by the ones owned by banks to financial services, have been mostly known with company secretarial services, however evidences from SCUML supervision revealed that they also serve as nominee directors and shareholders. For example, XYZ Nominees Ltd, a company service provider affiliated to one of the leading law firms in Nigeria (UU&BO) was appointed as a nominee director on the Board of MM LTD/GTE (a Non-Profit company recently incorporated in Nigeria).

Estate Planning and other services offered by TCSPs in Nigeria are mostly used by corporate organizations and high net worth individuals. TCSPs have also been seen acting as nominee directors and shareholders in Nigeria. Business relationships are mostly long-time businesses. Trust or company service provider have high end clients that prefer to be anonymous, PEPs, Listed companies, high net worth individuals.

Most transactions of TCSPs are done via banking channels and formal financial institutions. Most TCSP conduct CDD on their clientele and they try to obtain up to date beneficial ownership   information.

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[53] https://www.fatf gafi.org/documents/riskbasedapproach/documents/rba-trust company-service providers.html?hf=10&b=0&s=desc(fatf_releasedate).

[54] (https://www.stltrustees.com/trustees-in-nigeria/) (https://quantumzenithtrustees.com.ng/corporate-trust/)

[55] (http://saharareporters.com/2012/08/29/barth nnaji%E2%80%99s-resignation-testament-need-public-declaration assets) (https://www.reuters.com/article/us-nigeria-powerminister idUSBRE87S0UW20120829)

Accountants and Accounting firms

In Nigeria, there are two associations chartered statutorily to license professional accountants and firms in Nigeria, i.e.; the Institute of Chartered Accountants of Nigeria (ICAN) with 52, 532 as at May, 2021[56] and the Association of National Accountants of Nigeria (ANAN), which membership was stated at 37,369 in a report as at 2019[57]. There is an uncertainty as to how many corporate members (licensed firms) both associations have, due to discrepancies in the yearly corporate membership information held by them, which is based mainly on payment of the annual membership/practicing fees.

The Special Control Unit Against Money Laundering (SCUML) registered 79, 162 and 308 accounting firms in 2019, 2020 and 2021 respectively. The professional accounting service sector in Nigeria may be divided into three major categories in in accordance with market share and operating revenue, namely; the "big four" (Deloitte, PwC, KPMG and EY), the Medium Practice, which include well established indigenous firms and new international entrants like Mckinsey and company, Grant Thornton Nigeria etc., and the Small Practices, which are solely indigenous firms of one to three partners on the average. Several reports claimed that the big four accounting firms made between 6 to 7 billion Naira ($14,528,196 to $16,949,562) in yearly revenue. The four biggest audit firms in Nigeria PWC, KPMG, Deloitte, Ernst and Young were reported to have earned a sum of N7.53 billion as audit fees from Nigeria's most capitalized firms in 2019. These fees were reportedly earned from auditing twenty-five (25) largest companies on the Nigerian Stock Exchange. It was also reported that the four firms increased their revenue by 5% compared to N7.17 billion ($16,990,726) generated from the same companies in 2018.[58]

While Audit and Assurance services are traditionally the most dominant revenue sources for accounting firms in Nigeria, other non-Audit services such as tax advisory, trust and companies' services, management and risk consulting, IT services, are etc., are gradually becoming more important. For example, analysis of KPMG Nigeria Transparency Report for 2019 revealed the firm made N12.3 billion ($29,063,657) in non-audit revenues, compared to N8 billion ($19,370,929) in Audit revenues[59]. Similarly, PWC Nigeria 2018 Transparency Report, showed that non-Audit revenue made by the firm in 2018 was about N9.2billion ($21,797,137) compared to N9.6billion ($21,806,823) made from audit services[60]. EY Nigeria also reported that 66.1% of its revenue is from non-audit.

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[56] (ICAN Annual Report and Audited Financial Statement, 2020:
https://www.icanig.org/members/documents/AGM_REPORT _2020.pdf)
[57] (https://punchng.com/anan-recounts achievements-at-40-inducts-526-fellows/)
[58] (https://nairametrics.com/2020/07/03/big-4-earn-n-7-53-
billion-auditing-nigerias-biggest-companies)
[59] (https://assets.kpmg/content/dam/kpmg/ng/pdf/2019- transparency-report.pdf)
[60] https://www.pwc.com/ng/en/assets/pdf/pwc nigeria-transparency-report-3-2018.pdf).

Chapter 5: Consequences of Money Laundering

The consequences of ML can reflect in various sectors such as Economic, Social, Political, and National Security. Below is an analysis of the consequences of ML:

Economic Effect of ML on National Economy: The consequence of crime on the economy of a developing country like Nigeria cannot be underestimated. The NIRA report reiterated that ML threats are predominant in Nigeria, particularly within the Public Sectors. It affects economic growth and stalls development, negates a country's reputation and global standing. Specifically, tax evasion dominates the private sector and results in severe loss of government revenue due to a weak tax base affecting the government's ability to effectively deliver on social and economic programs and depriving the populace of benefitting from employment and infrastructural development. On tax evasion, the Presidential Committee on Border Closure recorded an estimated loss of over N12 billion ($29 million) due to smuggling in 2021, affecting local industries and decreasing the volume of earnings and revenue collected from duties, among others. Nonetheless, the effect of these ML crimes, such as smuggling and tax crimes, on the Nigerian economy has continued to reduce the National GDP in a multidimensional way.

The threats of ML associated with predicate crimes of corruption, fraud and tax evasion has negative economic effects on the economy which are difficult to quantify and if left unchecked, will continue to impact and reduce foreign investment, thereby reducing capital inflows and remittances into the national economy. Economic studies journal[61] posited that "Increased crime rate has adverse effects on sustainable economic growth in Nigeria by driving away both foreign and domestic investors; low investment eventually increases unemployment and poverty." Threats of fraudulent activities within the economy hamper the business environment making it unconducive for investors and investments.

Significant evidence of ML's effect on Nigeria's economy is the effect of corruption in the energy sector that has resulted in a poor electricity supply and a lack of petroleum products for energy generation. According to Abraham & Bello (2017), "Corruption is endemic in the Nigerian society; one sector where the prevalence of corruption is most felt is the power sector in charge of electricity supply to Nigerians." These make the country's economic sector harsh, affecting trade and reducing revenue generation. In 2019, N1.33trillion ($2.5 billion) was recorded for Internally Generated Revenue (IGR)[62]; this amount was reduced by 3.9% and 29.9% in 2020 and 2021 respectively. Though the Covid-19 Pandemic played a significant role, however, it is posited that low revenue generation among the majority of the states in Nigeria, largely is due to corruption, defective revenue collection machinery and lack of effective

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[61] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3386596

[62]
https://www.statista.com/statistics/1284584/total-internally-generated-revenue-in-nigeria/

planning in revenue generation,[63]among other factors. In summary, the high ML risks and poor implementation of AML/CFT measures in the public sector negatively affected the country's financial stability and economy. One of the ML situation consequences portray the country as a reputational risk, which may lead to the grey listing of the country by FATF.

Social Effect of ML on the Society: A large portion of the government's resources has been lost due to ML activities, widening the fiscal deficit and halting economic growth in Nigeria, such that the country's socio-economic wellbeing is significantly threatened. The NIRA observed structural criminality within the public and private sectors across the country that has continued to support ML activities where senior criminal personnel operate lackadaisically and maladministration, creating gaps for ML to strive. The situation has become a tradition in specific sectors. For instance, according to a survey conducted in 2019 by the Socio-Economic Rights and Accountability Project (SERAP) 2019[64], the Nigeria Police is the most corrupt public institution, followed by the power and education sectors, respectively.

Existing Social costs and risks associated with ML has increased cost of governance, thereby reducing the availability of funds for socio-economic development. A case in point is the need for increased law enforcement expenditures to combat the severe consequences of the paucity of funds. This has worsened living standards; thereby, public utilities such as electricity and petroleum products are inadequate even when the country is the primary producer of some of those products.

Political effects of ML on Governance: According to FATF, ML is a heinous crime and more penetrative in a weak, vulnerable, and developing political system. Vulnerability and structural weaknesses in governance and public institutions make government institutions prone to exploitation by criminals. In Transparency International's latest Corruption Perception Index[65], Nigeria ranks 154 as the most corrupt country out of 180 surveyed countries. It may not be unconnected to the unchecked increase of corruption and the proceeds of crime in the Nigerian polity which makes delivery of good governance and the rule of law inefficient.

Money laundering if unchecked, can lead to the complete downfall of a legitimate government. For example, financial institutions can be infiltrated by organized criminals via acquiring controlling shares of large sectors of the economy and investment or offering bribes to public officials, including the electoral system, which further affects, accountability and transparency. Grand corruption further weakens the social fabric, collective ethical standards, and ultimately the democratic institutions and other arms of government, including the law enforcement and judicial system. It culminates in systemic crimes and

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[63]https://www.researchgate.net/publication/328346885_Internally_Generated_Revenue_IGR_in_Nigeria_A_Panacea_for_State_Development

[64] https://saharareporters.com/2019/03/27/police-judiciary-among-top-five-most-corrupt-institutions-nigeria

[65] https://www.transparency.org/en/cpi/2021

damages the credibility of public institutions, with the citizens losing confidence and trust in the political and legal systems.

ML Effect on National Security: The increased rate of drug trafficking across the country also fuels the aforementioned anomalies of ML. Areas like North-West and North-East recorded about 48% of total drug intake for the country during the review period. In addition, over19,359 drug traffickers were arrested between 2019 to 2021[66]. This figure explains the rise of organised criminal elements in Nigeria. The ECOWAS Protocol on the free movement of persons, goods, and services has also created a space that criminals exploit to facilitate cross-border trafficking[67]

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[66] NDLEAStatisticsNIRA2022
[67] Trans-border crimes and lingering security challenges in Nigeria, By Ya'u Mukhtar - Premium Times Nigeria (premiumtimesng.com)

Chapter 6: Summary of Existing Mitigating Measures

Nigeria's AML regime consists of the Legal, Regulatory and Institutional Frameworks that provides a measured approach towards mitigating ML risks identified in this report and the 2016 NRA and MER 2019. This segment briefly reviews the current legal, regulatory and institutional frameworks to relentlessly mitigate ML and ensure proper effectiveness in the implementation of ML measures in Nigeria.

Comprehensive AML Preventive Measures

To prevent and mitigate ML risks in Nigeria, Laws and Regulations domesticating global standards were adopted in the Country. Other measures include financial inclusion programs to improve the use if the financial system and limit the use of cash. As at December 2021, the financial inclusion in Nigeria rose to 45% (World Bank).

Some Legislative amendments were also done to expand and consolidate the AML preventive measures. For instance, the NFIU Act became into force in 2018, the Legal Mutual Assistance Act in 2020, the Companies and Allied Matters Act was amended in 2022 while the MLPA 2012 is currently being reviewed.

Also, supervisory and regulatory agencies conduct RBS to inspect and monitor AML regime compliance by reporting entities ensure that controls are deployed to mitigate ML threats. Circulars/Guidelines/Directives/outreach/trainings/workshops/engagements are frequently issued to increase their awareness on CDD requirements, financial inclusion products, transaction reporting and STR reporting. The CBN, SEC, NAICOM and SCUML are currently reviewing their AML Regulations to reflect the current ML threats.

See table below on Laws and Regulations designed to prevent ML in Nigeria:

Table 50: Laws and Regulations designed to prevent ML in Nigeria

Title	Issued	Type
The Money Laundering (Prohibition) Act	2012/ Being reviewed	Law
The Nigerian Financial Intelligence Unit (Establishment) Act	2018	Law
Advance Fee Fraud and other related offences Act	2006	Law
Economic and Financial Crimes Establishment Act,	2004	Law
National Drug Law Enforcement Agency Act,	2004	Law
Independent Corrupt Practice and other related Offence Commission Act,	2000	Law

Code of Conduct Bureau Act	2004	Law
Establishment of Nigeria Police Force Act	2020	Law
AML/CFT Regulations separately issued by the Central Bank of Nigeria (CBN), the Securities and Exchange Commission (SEC) and National Insurance Commission (NAICOM) to their respective operators.	2013	AML/CFT Regulations
The CBN AML/CFT Administrative Sanctions	2018	AML/CFT Regulations
Federal Ministry of Industry, Trade and Investment (Designation of Non-Financial Institutions and Other Related Matters) Regulations,	2016	AML/CFT Regulation
Companies and Allied Matters Act (CAMA)	2020	Law
Banks and Other Financial Institutions Act, (amendment) (BOFIA)	2020	Law
Asset Tracing, Recovery and Management Regulation	2019	Regulation

Enhanced Effectiveness on Enforcement

Nigeria is assiduously building strong institutions with adequate funding, manpower and technical capacity to ensure the implementation of measures aimed at combatting ML. To keep abreast of the ever-evolving trend and pattern of ML, trainings are being for some stakeholder agencies domestically and internationally.

To facilitate information sharing on financial investigation, the NFIU had integrated with other domestic databases to facilitate financial investigation. The FIU is also a member of the Egmont Group comprising 166 FIUs across the globe**.**

Also, to strengthen integrity in public and private practice, the ICPC and EFCC produced code of conduct and Ethics for Regulators and Operators to promote integrity in operation.

Case Study 27: Instance OF KYC/CDD/EDD Breaches And Sanctions Applied by CBN In the Banking Sector

In 2020, the Central Bank of Nigeria investigated suspected money laundering and illegal money service business by a company who maintained accounts with three Deposit Money Banks in Nigeria. The investigation noted structured forex cash lodgements, illegal money transfer/ exchange schemes, complex and suspicious transactions, deliberate structuring and layering intended to obliterate audit trail. KYC/CDD/EDD deficiencies such as failure to obtain source of wealth and funds from the customer, expired customer means of identification, and failure to conduct ongoing and continuous monitoring of customers' accounts among others were observed. Some of the affected Banks failed to render Regulatory Returns to competent authorities such as STR and CTR.

The affected banks were penalized a total of N56 million ($0.134 million) on the banks and N12.5 million ($0.03 million) on the individuals, respectively.

• The bank employee involved was dismissed and blacklisted by the CBN.

Case Study 28: Instance of KYC/CDD/EDD Breaches and Sanctions Applied by the CBN in the BDCs

In 2020, the CBN, in the discharge of its supervisory oversight function, carried out investigations on the activities of some BDCs. The investigation revealed 290 BDCs were in contravention of ML/CF and FX regulations due to poor customer due diligence. Consequently, the CBN imposed a N5 million penalty on 46 BDCs that sold FX to customers without eligible underlying transactions. While N5 million was also imposed on 244 BDCs for various ML/CF regulations contraventions, amounting a total penalty of over a N1 billion.

To effect the payment of the penalty, the CBN placed restrictions on the bank accounts of the BDCs, until they discharge the penalty imposed and extant ML/CF regulations.

In addition, in July 2021, the CBN stopped the licensing of new BDCs and withdrew the sales of forex to BDCs, directly reducing the funding of that sector.

Strengthened National AML Cooperation and Coordination

To strengthen national AML cooperation and coordination in combatting ML following FATF recommendation 2, a multi-faceted approach is applied by AML stakeholders to collectively trace, identify, investigate, prosecute and recover the proceeds of crimes from ML in Nigeria. Some notable measures being implemented in line with this objective include but are not limited to the following;
   • A functional Inter-ministerial Committee to coordinate and monitor collaboration of stakeholder agencies on efficient inter-agency cooperation among Intelligence agencies, ACAs, LEAs and other competent agencies on ML matters.
   • Joint supervision among supervisory/regulatory agencies and other relevant agencies to monitor the implementation of ML controls with a view to mitigate existing risks.
   • Development of Crimes Record Information Management System (CRIMS) by the

NFIU in 2019 to facilitate online information sharing among competent stakeholder agencies in financial investigation.

- Some AML stakeholders had signed bilateral and multilateral agreements to foster domestic and international cooperation in financial investigation.
- A functional Authorised Officers Forum from various agencies to coordinate effective intelligence sharing between the NFIU and relevant stakeholder agencies.
- An improved Central Authority Unit (CAU) that ensures timely response to requests under international and regional conventions, mutual legal assistance treaties, Memorandum of Understanding or other agreements in line with the doctrine of reciprocity.
- Collaboration between Government agencies and relevant Private stakeholders to mitigate ML risks.
- An improved feedback mechanism among ML stakeholders.
- MOUs have been signed with regional and international cooperation especially with foreign FIUs and ACAs to foster information sharing in financial investigation and the recovery proceeds of crime.
- Effective practice of case referral mechanisms among relevant competent agencies.
- The existence of the Anti-Corruption Transparency Units in stakeholder agencies to prohibit and prevent of corruption especially in the Public Service.
- The establishment of the Presidential Advisory Committee on Corruption to promote the reform agenda of government on the anti-corruption effort, and to advise the on the prosecution of the war against corruption and the implementation of required reforms in Nigeria's criminal justice system supported by other technical committees.

Conclusion And Next Steps

Despite the data gaps experienced by the assessors especially on the nexus between the predicate crimes and how the proceeds of crime were laundered for a clearer picture of the ML threats, this inherent risk assessment is believed to be an analysis of Nigeria's current situation and represents a key step forward in providing the basis for the AML regime to promote a greater shared understanding of her inherent ML risks. The assessment will help to enhance Nigeria's AML regime, strengthen the multi-pronged approach already taken to mitigate risks domestically, including with the private sector and with international partners.

The Government of Nigeria expects that this report will be used by the banks and non-bank financial institutions including natural or legal persons that provide formal or informal services for the transmission of money or value and, other bodies susceptible to money laundering to contribute to their understanding of how and where they may be most vulnerable to inherent ML risks.

All the relevant agencies are expected to include relevant information related to inherent risks in their respective guidance/monitoring documentation to assist financial institutions and other reporting entities in incorporating such information in their own risk assessment methodology and processes so that they can effectively implement controls to mitigate ML risks. The findings will also assist the Inter-Ministerial Committee to inform policy and operations as part of the ongoing efforts to combat money laundering.

Furtherance to this report, an ongoing sectoral risk assessment and outreach programs are expected by the Supervisors/Regulators to keep the NRA up to date. Finally, Nigeria will continue to implement actions on the National AML/CFT/CPF Reform implementation road map, address identified deficiencies from its 2019 Mutual Evaluation Report through a National AML/CFT/CPF Strategy and Action Plan.

Annexes

List of Key Acronyms and Abbreviations

ACAs	Anti-Corruption Agencies
ACCOBIN	Association of Chief Compliance Officers of Banks in Nigeria
AML	Anti- Money Laundering
BVN	Bank Verification Number
CAC	Corporate Affairs Commission
CAU	Central Authority Unit
CBN	Central Bank of Nigeria
CCB	Code of Conduct Bureau
CCCOCIN	Committee of Chief Compliance officers of Capital Market Operators
DNFBPs	Designated Non-Financial Businesses and Professions
EFCC	Economic and Financial Crimes Commission
FATF	Financial Action Task Force
FIRS	Federal Inland Revenue Services
FMITI	Federal Ministry of Industry Trade and Investment
FMOI	Federal Ministry of Information
FMOJ	Federal Ministry of Justice
FRSC	Federal Road Safety Commission
GIABA	Inter-Governmental Action Group Against Money Laundering in West Africa
ICPC	Independent Corrupt Practices and other related offences Commission
ICRG	International Cooperation Review Group
IMC	Inter Ministerial Committee on AML/CFT
KYC	Know Your Customer
LEAs	Law Enforcement Agencies
MER	Mutual Evaluation Report
ML	Money Laundering
ML(P)A	Money Laundering (Prohibition) Act 2011 as amended
MLA	Mutual Legal Assistance
NAICOM	National Insurance Commission
NAPTIP	National Agency for the Prohibition of Trafficking in Persons
NASS	National Assembly
NCC	Nigeria Copyright Commission
NCS	Nigeria Customs Service
NDDC	Niger Delta Development Commission
NDLEA	National Drug Law Enforcement Agency

NEDC	North East Development Commission
NFISSC	National Financial Inclusion Strategy Steering Committee
NFIU	Nigerian Financial Intelligence Unit
NIA	National Intelligence Agency
NIMC	National Identity Management Commission
NIS	Nigeria Immigration Service
NOA	National Orientation Agency
NPF	Nigeria Police Force
NRA	National Risk Assessment
NSCDC	Nigeria Security and Civil Defence Corps
OFIs	Other Financial Institutions
ONSA	Office of the National Security Adviser
PENCOM	National Pension Commission
PoC.	Proceeds of Crime
SBIR	State Board of Internal Revenue
SCUML	Special Control Unit against Money Laundering
SEC	Securities and Exchange Commission
SROs	Self-Regulatory Organisations
UNODC	United Nations Office on Drugs and Crimes
UNSCRs	United Nations Security Council Resolutions
VASPs	Virtual Assets Service Providers

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