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AML/CFT → Cyber Security → Productivity Tools

CONSULTING & TRAINING COMPANY

No.16 Baltic Crescent , off Danube Crescent Maitama ,Abuja.Tel: 08030599494

16/01/2022

The Managing Director,
TAJ BANK Ltd,
Plot 72 Ahmadu Bello Way,
Central business District, Gorki,
Abuja

Dear Sir,

FINAL REPORT ON AML/CFT INDEPENDENT TESTING FOR TAJ BANK LTD

Please find enclosed one copy of our final report on the AML independent testing exercise, this report has been prepared in line with our engagement letter of 2nd July, 2021

We were required to, perform an independent AML testing of the AML compliance program of Taj Bank, to determine its effectiveness and its alignment with the necessary international standards and the statutory and regulatory requirements of the Federal Republic of Nigeria

In the course of our exercise we ensured that we covered at least the minimum requirements as stipulated in the CBN Risk Based Supervision Framework 2011.

During the exercise, we were not required to, and did not perform any of the following:

- Conduct a trial and/or inquiry in the course of the assignment
- Act as a tribunal, commission of inquiry or in judicial or quasi-judicial role
- Perform, any adjudicatory function whatsoever in the course of the assignment, and/or
- Conduct any exercise with a view to determining whether any person was guilty or innocent of any offence.

Please note that our work does not include a full assessment of matters of legal interpretation and regulatory compliance. Thus, we have not provided any legal opinion on this engagement. Any references to relevant laws and regulations contained in our report are not to be construed as providing legal



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advice. We, therefore, recommend that you refer these matters to your legal advisers for more detailed evaluation and advice, if needed. We have not tested the authenticity and/or completeness of any of the documents, which were made available to us in the course of this assignment.

This report is intended solely for consideration of Taj Bank. Therefore, you should not, without our prior written consent, refer to or use our name or the report for any other purpose, or make it available or communicate it to any other party other than those parties that are legally entitled to it. In no event will Gazala Global Services (GGL) be held liable for any loss, damage, cost of expense whatsoever and however caused, incurred, sustained or arising in respect of this report. Taj Bank Ltd will fully indemnify GGL for any loss, costs and/or damages suffered by GGL in consequence of submission of the report to third parties.

If you require any clarification on the report, please do not hesitate to

contact Fatima Maude on 08030599494

We thank you for the opportunity to be of service to you.

Fatima Maude (Mrs)
Managing Consultant



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REPORT OF THE INDEPENDENT AML/CFT AUDIT TEST OF TAJ BANK

OUTLINE

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GLOSSARY OF TERMS

AML/CFT	Anti-Money Laundering and Combatting the Financing of Terrorism
BSA	Branch Supervisory Manager
CAMS	Certified Anti Money Laundering Specialist
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CDD	Customer Due Diligence
CFCS	Certified Financial Crimes Specialist
CFE	Certified Fraud Examiner
CSO	Customer Services Officer
CTRs	Currency Transaction Reports
DCCO	Deputy Chief Compliance Officer
DNFBPs	Designated non-Financial Businesses and Professions
EDD	Enhanced Due Diligence
FATF	Financial Action Task Force
GGL	Gazala Global Services Limited
KYC	Know Your Customer
MLPA	Money Laundering Prohibition Act
NDIC	Nigeria Deposit Insurance Corporation
NFIU	Nigerian Financial Intelligence Unit
PEP	Politically Exposed Persons
RBS	Risk Based Supervision
SCUML	Special Control Unit on Money Laundering
STRs	Suspicious Transaction Reports



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Background

“Every institution should conduct an independent test of its OFAC compliance program that is performed by the internal audit department, outside auditors, consultants or other qualified independent parties”- CBN AML/CFT RBS framework Regulation for FIs

Taj Bank as a non-interest regional deposit money bank, operating in the North West and North East of the country recognizes the need for a proactive review of the adequacy of its AML/CFT compliance program. Consequently the Bank engaged GGL Consulting to perform an independent testing of its AML/CFT compliance program.

Objective

The objective of the exercise is to review the AML/CFT compliance program of Taj bank to ensure that it meets the statutory and regulatory requirements of the nation's AML/CFT compliance regime.

Scope of work

The Independent testing of the AML/CFT compliance covered the following areas at the head office of the bank:

- 1) A review of written AML/CFT and related policies and procedures
- 2) A review of the Bank's AML/CFT risk assessment
- 3) Evaluation of the quality of risk management for all the Banks' operations, departments and Branches as it relates to AML/CFT in line with the relevant legislations, regulations, circulars and FATF Recommendations
- 4) A risk-based sampling, review and testing of related transactions for specific compliance with the MLPA 2011, AML/CFT Regulation 2013 and other related requirements. This includes samples transactions from other branches of the bank.



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- 5) Review of account opening mandates for several customers from various branches.
- 6) A formal summary of AML/CFT related risks and existing controls, as well as recommendations for enhancement
- 7) Evaluation of pertinent management information systems (MIS) which includes a walkthrough of the SoftAML software solution of the Bank

The independent testing was conducted at the banks head office building, Plot 72, Ahmadu Bello Way, Benue House, CBD Abuja, from the 8th to 18th November, 2021, the review covered the period from 1st January, 2021 to 31st October, 2021

Procedures performed by GGL Consulting

Interviews:

During the course of the Audit some key officers were interviewed to solicit relevant information about their operations. These officers include

- 1) The Chief Compliance Officer-Saheed Adeluola Ekeolere
- 2) Compliance Officer/MLRO – Chidiebere Micheal
- 3) Compliance Officer/MLRO – Shehu Ibrahim
- 4) E-business Development- Sani Salau and Daniel Ajanaku
- 5) Head, Inspection- Olufemi Jegede
- 6) IT Audit- Suleiman Shittu
- 7) Head Operations, Head Office Branch – Godsent Ifejanyi
- 8) Deputy Head, Foreign Operations- Jerry Onalo
- 9) Head Customer Services, Head Office Branch-Onoos Oshimen
- 10) Chief Information Officer- Oladele Adewunmi
- 11) Data base Administrator-Mustapha Abubakar
- 12) Risk Management Department- Kamoru Adeyemi and Abdulfatah Adelegun
- 13) Transformation Team- Shakiru Salau
- 14) HR Department- Ahmed Ahmed
- 15) Customer service unit- Fauzya Abba
- 16) Funds transfer- Shemi Gabriel



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17)Marketing- Wendy Olubunmi Afolabi

18)SoftAML Vendor representatives-Isah Salihu (MD Soft AML) and Hassan Salihu (Business Development)

Document Reviews:

Based on the documents requested in **Appendix 1** of this Report, the team obtained and conducted an extensive review of the Bank's records, documented policies, and procedures.

Transaction Testing:

Transaction testing was conducted to ensure that all reportable transactions (including currency transaction reports, suspicious transaction reports, and foreign transaction reports) were reported to the appropriate agencies. In reviewing documents and transactions, a risk-sensitive random sampling technique was used.

FINDINGS, OBSERVATIONS, AND REMARKS

The team has identified some areas where we believe the bank's management can improve and ensure lapses are corrected. The team has also made some recommendations to the bank that, if implemented, can mitigate some of the exceptions and deficiencies identified in the bank's AML/CFT procedures and processes, as well as ensure compliance with all of the country's relevant Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) laws and regulations.

The table below contains our findings, observations, and remarks from independent testing to assess the adequacy of the banks' AML/CFT processes and procedures in relation to the FATF recommendations, the Money Laundering Prohibition Act 2011, the Terrorism Prevention Act 2013 as amended, the CBN AML/CFT regulations 2013, and other related regulations and CBN Circulars.



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Statutory/Regulatory Requirements	Summary of assessments	Exceptions	Recommendations
Governance (I) Section 4(1) of the CBN regulations 2013 (Banks and other financial institutions shall adopt policies stating its commitment to comply with AML and CFT obligations under the subsisting laws, regulations and regulatory directives and to actively prevent any transaction that otherwise facilitates criminal activities, money laundering or terrorism (II) Section 43(1) of the CBN (AML/CFT) Regulations, 2013 states that "the ultimate responsibility for AML/CFT compliance is placed on the Board and top Management"	<u>Policies and Procedures:</u> The Taj Bank Board of Directors has approved the bank's AML/CFT compliance program. There is mention of ML/TF, but the mention of Proliferation of Financing of Weapons of Mass Destruction is not detailed enough. The policy mentions a sanctions compliance framework, but it is not elaborated on, and the bank does not appear to have a stand-alone SOP on the subject to guide the bank's operations.	The manual still mentions NFIU as domiciled under the EFCC and as such the EFCC establishment Act, 2004 is quoted instead of the NFIU Act, 2018. The Compliance Charter does not have Board approval. The FATF has laid emphasis on developing frameworks not just for ML but for TF and PF. The Bank has not emphasized these areas adequately enough. The Policy is weak with its coverage of emerging risk areas such as new and emerging technologies (not just Crypto), and money value transfer services. The risk assessment	Review of the AML/CFT Policy to reflect best practices in line with the FATF Recommendations , the ML(P)A 2011 as amended and CBN 2013 AML/CFT Regulation. The compliance charter should be presented to the board for approval. Adequately capturing the NFIU Act, 2018 and all its provisions. Also, ensuring that it references all relevant NFIU Guidelines. Developing SOPs related to Automated transaction and customer screening covering ML/TF and PF, which clearly captures the responsibilities of all stakeholders, from



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	<p>Other than Crypto Currencies, there is no specific reference to the risks posed by virtual assets, new and emerging technologies, and other emerging risk areas. This, however, is not covered in any SOP.</p> <p>There was no evidence of a stand-alone Whistleblowing SOP.</p> <p>The NFIU Act of 2018, as well as all relevant NFIU Guidelines as captured on the NFIU website, including go-AML Reporting, are not referenced.</p> <p>Customer onboarding AML/CFT controls were</p>	<p>component of the Policy is vague and not properly elaborated upon in the policy or in related SOPs.</p> <p>No adequate reference to all areas of financial crime risk, with a focus on ML/TF and PF, and the related procedures that support implementation (SOPs).</p>	<p>1st line, 2nd line, to 3rd line.</p> <p>Developing SOPs for whistle blowing, AML/CFT and CPF risk assessments, which clearly spell out the action owners.</p> <p>Developing a record retention and retrieval SOPs which ensures compliance with Section 7 of the ML(P)A and the relevant CBN Regulation on same.</p> <p>Referencing the relevant board sub-committee and senior management committees in the AML/CFT Policy, then subsequently creating same, which should be empowered via an amendment of the relevant board and compliance charters.</p>
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	<p>mentioned, but there was no SOP in place to guide the activities of the first line. This should be documented in a separate document for clarity and guidance.</p> <p>Correspondent banking is handled through two other local FIs rather than directly through international correspondent banks. While this is permissible, it introduces new risks that the bank must document in a separate correspondent banking SOP.</p> <p>Customers' risk assessment (High, Medium, and Low) is mentioned, but there is no detailed SOP</p>		
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	<p>outlining the timelines and why.</p> <p>Record retention and retrieval are mentioned, but there should be a separate SOP for this, or it should be included in a relevant document that spells out Service level agreements (SLAs) and turnaround time (TAT).</p> <p><u>Governance and Leadership:</u></p> <p>Taj Bank has a Board Audit Committee that oversees the bank's compliance activities.</p> <p>Review of the AML/CFT Policy makes reference to the Board and their responsibility,</p>		
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	<p>but it does not mention the relevant board or senior management committees that support the policy's implementation . Discussions with the Bank confirms that there isn't a management level Compliance Committee, nor a compliance sub-committee of the board audit committee.</p> <p><u>Accountability:</u></p> <p>According to the CBN circular reference number FPR/CIR/GEN/04 /012 dated 17 November 2014, Taj Bank lacks adequate compliance officers at the head office and lacks cluster compliance</p>		
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	officers at the branch/regional level who can adequately cover AML/CFT issues.		
<p>Section 3 of ML (P) A, 2011 identification of customer and address verification.</p> <p>Section 14 of CBN AML/CFT regulations, 2013 states <i>A financial institution shall identify their customers, whether permanent or occasional, natural or legal persons, or legal arrangements, and verify the customers identities using reliable, independently sourced documents, data or information</i></p>	<p>A total of 45 customers' account opening packages (AOPs) and account statements were requested by the team from various branches of the bank.</p> <p><u>KYC/CDD and EDD</u></p> <p>The team reviewed a mix of individual, corporate, NPO and other accounts of customers of the banks.</p> <p>Some of the accounts were</p>	<p>Possible Violation of- Section 3 of ML (P) A, 2011 identification of customer and address verification. CBN AML/CFT regulations, 2013 parts IV and VII.</p> <p>A review of account opening packages revealed the following exceptions :</p> <p>Customer risk rating of the Bank is subjective i.e A customer with a risk rating of 2.6 was categorized as low instead of medium.</p> <p>Only one referee available in some AOPs</p>	<p>We advise the bank to ensure that adequate processes and procedures are put in place to automatically prompt the bank and also customers on the expiration of their valid means of identification and other necessary documents to effectively conduct their transactions.</p> <p>The banks should look into how it can hasten the process obtaining CAC search report on time, so as not to inflict unnecessary hardship on its customers.</p> <p>The bank should look into alternative means of verifying passports of customers from</p>



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	<p>found to have infractions ranging from the absence of SCUML , absence of CAC search reports, relevant BDC license for a BDC account and inadequate and inconsistent risk rating of some customers</p> <p><u>Procedure for on boarding PEP customers.</u></p> <p>The procedure for on boarding PEP customers requires approval from senior management before a PEP is on boarded. However the process needs to be reviewed to involve the participation of the compliance department.</p>	<p>No Risk Assessment form</p> <p>Expired means of identification</p> <p>No SCUML certificate</p> <p>No CAC search report</p> <p>Request for Confirmation of passport sent to Great Britain and Northern Ireland Embassy in respect of Olowosola Kudirat Mojisola was not received as at the time of the review.</p> <p>The Risk Assessment forms not properly filled by the customers</p> <p>See Appendix 1 for accounts that were sampled</p> <p>The process for on boarding PEP customers in the</p>	<p>other nationalities, as some of the request haven't been responded to in over a year.</p> <p>The Bank should review and update all noted exceptions.</p> <p>The CBA should be reviewed to ensure that customers should be restricted from conducting certain transactions except when all documents are fully verified and uploaded.</p> <p>Staff who violate the on-boarding procedure of customers are sanctioned by the bank to serve as deterrent.</p> <p>The compliance department of the bank has developed a procedure of onboarding PEPs. This procedure should be</p>
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		bank involves the approval of senior management. However, this is done on the onset without the involvement of compliance department. It is at the discretion of the ECO to refer back to compliance for necessary guidance and advice. There is no SOP for this process.	presented to management and adopted by the bank. This would guide the staff when on-boarding PEP customers and ensure measures are put in place to safe guard the bank against any threats by the customer.
<p>CBN AML/CFT regulations, 2013 parts VI sections 38-44-AML/CFT policy.</p> <p>Section 5 of CBN AML/CFT regulations, 2013 states:</p> <p>(I) take appropriate steps to identify, assess and understand its Money laundering and the Financing of Terrorism risks for customers, countries or geographic areas of its operations, products, services and delivery</p>	<p>The bank has an AML/CFT policy duly approved by the board and a branch AML/CFT risk categorization. However, the team noted that some areas were not covered by the document.</p> <p>The team extensively reviewed the AML/CFT policy document of the bank.</p>	<p>The bank has policies on Geographical risk and product and services risk. These policies are contained in two different documents presented to the consultants. However, there was no policy document on Customers.</p> <p>AML/CFT risk categorization of branches was done based on geographical risk.</p>	<p>The compliance department should review the AML/CFT Program of the bank and incorporate the identified gaps on risk assessment as observed by the team. A comprehensive risk assessment consisting of customer, geographical location, delivery channels, products and services should be done.</p>



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<p>channels;</p> <p>(II) document its risk assessments profile;</p> <p>(III) consider all relevant risk factors before determining the overall level of risk and the appropriate level and type of mitigation to be applied;</p> <p>(IV) appropriate steps to identify, assess and understand its Money laundering and the Financing of Terrorism risks for customers, countries or geographic areas of its operations, products, services and delivery channels;</p> <p>(V) document its risk assessments profile;</p> <p>(VI) consider all relevant risk factors before determining the overall level of risk and the appropriate level and type of mitigation to be applied;</p>		<p>This is not adequate as risk assessment should be done based on geographical location, customer, products services and channels of delivering the services. This would give an overall risk level inherent to the bank.</p> <p>AML/CFT risk categorization of customers and delivery channels, were not done, along with how to mitigate these risks.</p> <p>Risk categorization of non-face to face transactions and services and how to mitigate identified risks is also missing.</p> <p>Possible sanctions/ penalties to be applied by the bank on erring</p>	<p>The risk department should also play a role in the development of the ML/TF risk assessment of the bank as this would add value to the overall policy and form part of the Enterprise risk assessment (ERM) of the bank.</p> <p>The role of the risk department in assessing geographical, customer and products and services risks cannot be overemphasized.</p> <p>This should possibly be raised and addressed at the next Board meeting.</p>
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		staff i.e. penalties for tipping-off is not captured.	
<p>Section 6 of ML (P) A 2011 and Section 14 of PTA 2011, filling of suspicious transaction report (STR) for money laundering and terrorism financing. CBN AML/CFT Regulations 2013-part V section 31.</p> <p>Section 31 of CBN AML/CFT regulations, 2013 states Where a transaction:</p> <p>(I) involves a frequency which is unjustifiable or unreasonable</p> <p>(II) is surrounded by conditions of unusual or unjustified complexity;</p> <p>(III) appears to have no economic justification or lawful objective:</p>	<p>The team reviewed the banks process of identifying, monitoring, reviewing, escalating and filing suspicious transactions reports (STRs) to the relevant agency (NFIU).</p>	<p>The number of staff in the compliance department that carry out internal investigation on alerts raised by the Soft AML solution are inadequate and there are no cluster compliance officers to do same in the branches.</p> <p>There are currently no cluster compliance officers to carry out review of alerts in the branches and regions.</p> <p>There are currently only 5 compliance staff at the Head office and the branches, this</p>	<p>The bank is advised to put measures in place to improve on its processes for identifying and reporting STRs to the relevant agency. This should include process on how to identify and report STRs by the bank staff to compliance department and then how the compliance department can review those STRs filed by the staff.</p> <p>The bank should also consider increasing the number of employees in the compliance department so that the bank's compliance functions are more efficient and effective.</p>



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<p>(IV) in the opinion of the financial institution involves terrorist financing or is inconsistent with the known transaction pattern of the account or business relationship</p> <p>the transaction shall be deemed to be suspicious and the financial institution shall seek information from the customer as to the origin and destination of the fund, the aim of the transaction and the identity of the beneficiary</p>		<p>number in our view is inadequate for the bank to effectively perform its compliance functions effectively</p> <p>STR escalated by the SoftAML solutions that do not qualify to be sent to NFIU are not filed in a data base for future reference.</p> <p>Penalties for tipping-off by staff are not captured in the banks STR framework.</p>	<p>The Compliance unit should update the STR framework and capture penalties for tipping-off by staff.</p>
<p>Section 7 of the ML (P) A, 2011 and CBN AML/CFT regulation, 2013-part V section 29. Record Keeping</p>	<p>The turn around time for retrieval , and storage of customer account packages was reviewed. It was discovered that the turnaround time for retrieval of such documents from branches is</p>	<p>out of the 45 account opening documents and statement of accounts requested by the team only 19 statements of accounts were provided.</p>	<p>The team is therefore advising the bank to put in place measures to improve the turnaround time for document retrieval.</p> <p>The transformation team should also be encouraged to fast track the</p>



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	inadequate for the time needed to meet regulators and law enforcement enquiries. No SOP for the storage and retrieval of account opening packages , both active and those of closed accounts in line with statutory and regulatory requirements was sighted by the team		uploading of the e-copy of AOP as this would aid easy retrieval of documents. To meet regulatory examiners and law enforcement requests
Section 9 of the ML (P) A, 2011 and CBN AML/CFT regulation, 2013 section 7, 33 and 37. Appointment of Chief Compliance officer, Internal Control and Staff Training respectively.	<p><u>APPOINTMENT OF CCO</u></p> <p>The bank has a CCO who has been duly approved by the CBN.</p> <p>Although section B235 of the CBN AML/CFT Guidelines and Section 9 of the MLPA 2011</p>	<p>The compliance department is understaffed at the moment, which has led to over lapping of functions and over loading of job schedule.</p> <p>Lack of specialized SOPs to help support the implementation</p>	<p>Developing all relevant SOPs as captured in the recommendations above.</p> <p>Compliance staff should be adequately trained and provided with the necessary tools to carry out their functions effectively.</p>



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	<p>made mention of appointment and qualification of the CCO. It did not specifically mention the qualifications of other staff of the department, but however stated they MUST BE COMPETENT. This implies that they should have staff “with the necessary ability, knowledge or skill to do the tasks successfully”.</p> <p>The Bank has a compliance Dept Procedure document which covers reporting to the NFIU and other legal and regulatory requirements such as AML Training, Sanctions Screening, review of</p>	<p>of the AML/CFT Policy will hinder the AML/CFT Framework of the Bank.</p> <p>Inadequately allocating AML/CFT and CPF responsibilities across all lines of defence via SOPs and relevant KPIs makes these lines of defence vulnerable</p>	<p>More experienced hands should be recruited to the compliance department to compliment the efforts of the existing staff.</p> <p>Furthermore, the bank should encourage the staff to obtain professional certifications like CAMS, CFE, CFCS and other professional qualifications to keep them abreast of the new ML/TF trends and patterns.</p> <p>A clear organogram with underlining job schedule should be designed for the compliance department, this would solve the problem of job overlapping.</p>
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	AML/CFT Policy, Compliance reviews, etc. However, this is not detailed enough, and is centralized with the Compliance function. It should be cascaded to all 1 st line functions expected to carry out various activities that impact reporting and screening, in the form of their own SOPs. This is not in place.		
Section 9(1) of the MLPA 2011	<u>INTERNAL AUDIT</u> The audit department conducts independent review of the AML/CFT policies, procedure and processes of the bank. However, the team observed that	Certain issues raised in the internal audit report have still not been addressed as at the time of the audit. Prominent of which is the Staffing of the compliance	The audit department should develop SOPs and checklist on how to conduct AML/CFT audit. This would institutionalize the process rather than depending on the knowledge and



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	<p>the audit department does not have a Standard operating procedure (SOP) on how to conduct AML/CFT independent testing. They don't have a procedure in place to conduct independent testing of the AML/CFT procedures and processes in the bank.</p> <p>Additionally, those involved in AML/CFT Audit do not possess any AML/CFT Certification. The Head of Audit possesses the CFE, but this is not a core AML/CFT Certification and is more suited towards fraud audit and investigations.</p>	<p>departments to meet up with the shortfall of staff needed for effective compliance functions of the bank</p> <p>Limiting the 3rd line review to mostly AML reviews is a control weakness.</p> <p>The lack of a detailed and stand-alone 3rd line SOP on AML/CFT and CPF reviews makes it difficult to adequately provide governance and assurance of ML/TF and CPF risks in the Bank.</p>	<p>experience of the audit staff.</p> <p>The Bank should also incorporate external independent AML/CFT Audits as part of their process, which would serve to complement the internal audit function.</p> <p>They should also be exposed to frequent and further trainings on emerging ML/TF trends and patterns. This will serve as a defense mechanism before the conduct of examination by regulators and ensure the controls put in place by compliance are effective.</p> <p>The audit department staff</p>
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	<p>Core AML/CFT certifications are CAMS, ICA, and CFCS.</p> <p>Also, while it is permissible to task the Internal Audit function to carry out an annual independent review of the AML/CFT framework of the bank, this is best suited for FIs that have a well experienced staff within the audit function.</p>		<p>should also be encouraged to get further professional qualifications like CAMS, CFE, CFCS and others.</p> <p>The Bank should develop AML/CFT SOPs focused on holistic 3rd line reviews.</p> <p>The recommendations of the internal audit in the last AML/CFT review should be implemented without delay</p>
<p>CBN regulation, section 37 states</p> <p>(I) A financial institution shall design comprehensive employee education and training programs, to</p>	<p>AML/CFT 2013</p> <p><u>TRAINING</u></p> <p>The team reviewed the AML/CFT training file of the bank from January 2021 to December 2021.</p>	<p>Staff from the Head office and branches in Abuja were trained by an external consultant on specialized ML/TF courses. This training was conducted in</p>	<p>Training evaluation forms should be analyzed and a report forwarded to management as a way of evaluating the impact, relevance of the training on the staff.</p>



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<p>make employees fully aware of their obligations and also to equip them with relevant skills required for the effective discharge of their AML/CFT I Risks.</p>	<p>The team also reviewed the AML/CFT training plan for the year 2021.</p>	<p>class, however the number of staff trained on specialized courses is highly inadequate.</p>	<p>The Human resource department should evaluate the impact and relevance of AML/CFT training conducted by the compliance department for other staff of the bank.</p>
<p>(II) The timing, coverage and content of the employee training program shall be tailored to meet the needs of the financial institution to ensure compliance with the requirements and provisions of these Regulations.</p>	<p>The board has been trained on ML/TF issues by an external facilitator.</p> <p>New staff are trained on ML/TF issues as part of their induction training.</p>	<p>Evidence of the training are kept in the training file with attendance. There is a need to further organize the training data digitally for analysis and planning</p> <p>In-house AML/CFT training are developed, conducted and evaluated by the compliance department without the input of the Human Resources Department (HR)</p>	<p>Human resources department should be involved in the independent evaluation of both external and internal training facilitators. This will ensure that the trainings are evaluated and appraised objectively.</p>
<p>(III) A financial institution shall provide comprehensive training programs for staff covering compliance officers and as part of the orientation programs for new staff and those posted to the front office, banking operations and</p>		<p>Training evaluation forms were discovered not have been analyzed as such impact of the trainings could not</p>	<p>The bank should include more online trainings in their training framework to increase the number of employees who receive training.</p>



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<p>branch office staff, particularly cashiers, account opening, mandate, and marketing staff, internal control and audit staff and managers.</p> <p>(IV) A financial institution shall render quarterly returns on their level of compliance on their education and training programmes to the CBN and NFIU.</p> <p>(V) An employee training programme shall be developed under the guidance of the AML/CFT Compliance Officer in collaboration with the top Management</p>		<p>be adequately ascertained.</p>	<p>Compliance department staff should be exposed to more specialized AML/CFT trainings both online and physical</p>
<p>Section 10 ML (P) A, 2011 and section 36 (1) of the CBN AML/CFT, 2013. Mandatory disclosure</p>	<p>The team performed transaction testing for threshold reports during the on-</p>	<p>Possible Violation of- Section 10 ML (P) A, 2011 and section 36 (1) of the CBN AML/CFT,</p>	<p>The bank should ensure that there is constant review of the CTR reporting process to ensure that all transactions</p>



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by financial institutions to NFIU	<p>site review. This entailed identifying threshold transactions at random and comparing them to returns filed with the NFIU during a specific time period.</p> <p>The team requested a total of 19 statements of accounts for transaction testing.</p> <p>Possible infractions were noted</p>	<p>2013. Mandatory disclosure by financial institutions to NFIU</p> <p>It was discovered that six (6) reportable transactions were not filed to the NFIU during the course of transaction testing</p> <p>See Appendix 2 for Unreported CTRs</p>	<p>carried out on the core banking application are transferred to the repository server. This is to ensure that the AML solution picks up all reportable transactions from the repository server and sends them to the NFIU.</p>
<p>Regulatory Returns: Sections 18 20, 37, 38, 40, 41, 42, 45 and 77 of CBN AML/CFT regulation, 2013 respectively.</p> <p>Regulatory returns. These include;</p> <p>Monthly return:</p> <p>(I) Politically Exposed Persons (PEP)</p> <p>Quarterly returns:</p> <p>(I) AML/CFT Computerized</p>	<p>The team carried an extensive review of all the required regulatory returns under the CBN AML/CFT guidelines 2013.</p> <p>Some infractions were duly noted.</p>	<p>There is a discrepancy between the dates for filing reports as contained in the compliance SOP of the bank and the CBN circular FPR/DIR/CON/BO F/01/036 dated 13/8/2012 in the following areas.</p> <p>Quarterly returns:</p>	<p>The bank should review and correct the highlighted discrepancies in the compliance SOP to conform to the CBN AML/CFT 2013 regulations.</p>



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<p>solution review report/Exceptions</p> <p>(II) AML/CFT Employee Education and Training</p> <p>(III) Financially Excluded Persons (FEP)</p> <p>(IV) Additional Area of AML/CFT Risk</p> <p>(V) Third Tier KYC Requirements</p> <p>Semi Annually:</p> <p>(I) Monitoring of Employee Conduct</p> <p>Annually:</p> <p>(I) AML/CFT Employee Education and Training Programme</p> <p>(II) Additional Procedure & Mitigants</p> <p>(III) Testing for the Adequacy of the AML/CFT Compliance</p>		<p>Taj bank compliance SOP stipulates those reports can be filed up to 30 days after the end of the quarter, while the CBN circular states “all quarterly returns should be done latest 2nd week of the new quarter.</p> <p>Annual Returns:</p> <p>AML/CFT Training programme</p> <p>Taj bank compliance SOP stipulates that the report can be filed up to 30 days after the end of the Year, while the CBN circular states it should be submitted not later than 31st December every year.</p> <p>Semi Annually:</p> <p>Monitoring of Employee Conduct</p> <p>Taj bank compliance SOP stipulates that the report can be</p>	
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		filed up to 30 days after the end of the month, the CBN circular states the report should be filed at the end of June and December each year.	
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Other relevant observations and findings:

Review of the Management Information Systems reporting as it relates to AML/CFT

A review of the suspicious transaction identification and reporting system was carried out and the following bank officers were interviewed:

- 1) Chidiebere Micheal – compliance department
- 2) Mustapha Abubakar- ICT department
- 3) Isah Salihu-MDSOFTAML
- 4) Hassan Salihu-Business Development

The process was reviewed for the following:

AML/CFT INFORMATION SYSTEM REVIEW			
Observations and Findings			
Review carried out	Summary of assessments	Exceptions	Recommendations
The compatibility of the AML solution with the core banking application	The soft AML software was deployed in the bank in 2018. It has three templates, Currency Transaction Reports (CTR)	The AML Solution being used by the Bank is not effectively being utilized and is not efficiently placed to help mitigate AML/CFT risks.	It is recommended that the compliance department take ownership of SoftAML process relating to setting rules and parameters for



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	<p>Suspicious Transaction Reports (STR) and Foreign Transaction Reports (FTR). The software is meant to pick basic information of customers, data from AOP and transaction of customers. The software relies on data spooled from the CBA.</p> <p>CTRs transaction testing for the review period revealed that the solution did not capture some threshold transactions reported to the NFIU.</p>	<p>The AML/CFT Solution does not have a robust User Interface (UI) to support management reporting for the board, senior management, and regulators.</p> <p>All threshold transactions as required under S10 of the MLPA 2011 as amended must be captured and reported accordingly to avoid regulatory and supervisory sanctions from the CBN and NFIU respectively</p> <p>The review of rules and thresholds, as well as who is responsible for setting parameters, could not be determined. According to discussions with the compliance team, this is handled by the ICT Team. Discussions with the ICT Team, on the</p>	<p>transaction monitoring, while the ICT maintain audit logs that can be reviewed by management to ensure accountability of the process</p> <p>It is also recommended that the following should be implemented by the Soft AML team:</p> <p>Dash board to be created for the compliance team to effectively monitor alerts generated.</p> <p>Case Management to effectively manage cases opened by the compliance analysts. Risk rating of customers-This will automatically categorize customers according to their appropriate level of risks. This the bank would have to upgrade on their</p>
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		<p>other hand, suggested the opposite. The review was unable to determine who was responsible for this, nor did the application provide any user interface view of the rules and thresholds to determine if this could be done by a designated user with appropriate access; ownership of the process could not be determined.</p> <p>The compliance team are unable to carry out generation of Reports for use in producing compliance reports, and for review by audit and or regulators'</p> <p>The system does not have the capability to allow compliance to grant other users, such as auditors or regulators, access to the system, allowing them to</p>	<p>subscription with the vendor.</p>
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		<p>query the application.</p> <p>The application is not seamlessly integrated with the core banking to allow for the effective working of rules which rely on live and or daily transaction data. Rather, the application presently only relies on rules that leverage on historical transaction data, with rules leveraging on live and or daily transaction data only getting pushed after a few days;</p>	
The reliability of the AML solution (Soft AML) in detecting suspicious transactions	Suspicious transactions are detected on a rule-based system which are set by the compliance department. The compliance department has identified 51 of such rules so far.	The existing rules and parameters do not appear to be effective or efficient, and as a result, the AML application flags a large number of suspicious transaction alerts. Due to the limited number of	It is recommended that the compliance department should review the rules set for STR alerts so as to determine which are most effective and which needs to be reviewed as trends and patterns in ML/TF changes



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	<p>All STRs alert are reviewed by the compliance department to determine if a transaction qualifies to be filed as an STR to the relevant authority.</p> <p>The rules currently in use by the Bank are not supported by a document that explains why they were chosen or how they were arrived at. This could result in a large number of alerts being triggered (false positives), which may not result in actionable STR to the NFIU, while also taxing the compliance team's resources in terms of effectively analysing suspicious transactions for reporting.</p>	<p>reviewing compliance officers, quality suspicious transactions that qualify for reporting may be missed, exposing the bank to sanctions under S6 of the MLPA 2011 as amended and the CBN regulations on reporting of STR to the NFIU. In the event of a law enforcement investigation, failure to report suspicious transactions can expose the bank to criminal prosecution as well as reputational risks.</p> <p>The time-frame within which the transactions are pushed or loaded for use by the AML/CFT Solution does not allow for an effective use of the application, thus could lead to several suspicious transaction alerts being escalated late.</p>	<p>and also in line with their identified risks.</p> <p>The compliance department should also work with the in-house ICT team in order to continuously provide needed ICT solutions to the department.</p> <p>Where required, the Bank should work with the vendor to make the application more effective and efficient, with more control being given to the Users.</p> <p>The Bank should work with the vendor and ICT to ensure that the Users can generate relevant MIS for use and escalation to appropriate stakeholders.</p> <p>The Bank should work with the vendor to develop a robust SOP which details the end-to-</p>
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	As at the time of conducting the independent testing, there was delay in receipt of data for the Soft AML application to process. This is due to the fact that the transaction monitoring software does not interface directly with the Core banking application (CBA) SOPRA. However, the ICT department has ensured transactions are spooled (mirrored) to the compliance department so as to ensure transactions are monitored within 5 minutes of conducting such transactions.		end process of the system
The scalability of the AML solution to meet changes in policy and	The system is not very scalable as it requires the vendors to repeatedly have	This is not ideal for timely implementation of new policies that relates to AML/CFT	The vendor should provide a more scalable and user friendly solution that will allow the bank



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increasing number and types of transactions	to update the system by writing scripts for new rules that need to be set by the bank	reporting requirements	to take ownership of setting its own rules without having to invite the vendor to assist in this regards in line with best practices
The Security of the AML solution	A review of the SoftAML security was carried out by the team, we reviewed rules settings and access control features of the application	Constant access to the system at the programming level can expose the system to future system breaches and errors which could put the bank at risk of data theft, system manipulation, regulatory reporting risks and other IT related risks	Upgrades should not be done directly at the system, required modules for the SoftAML should be developed by the vendors offsite and to be implemented on site under strict supervision in line with IT Governance and Security best practices

This report sets out our observations on areas that require attention and improvement based on the team's findings.

CONCLUSION:

From the result of our Findings for the period of review from 1st January to 31st October 2021, we are of the opinion that Taj Bank's AML/CFT program may not be fully compliant with the provisions of the Money Laundering (Prohibition) Act, 2011, as amended, the CBN Regulations, 2013 and other relevant laws, due to the number of issues identified amongst which are;



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- 1) The lack of a comprehensive and effective AML/CFT risk assessment policy based on its customers, geographic location, delivery channels, products, and services.
- 2) Infractions related to filing mandatory returns were observed, with some transactions for the period under review not having been filed to the relevant authority, in violation of section 10 of the MLPA, 2011 as amended.
- 3) Several violations were discovered in some of the account opening packages reviewed by the team.
- 4) The absence of Standard operating procedures (SOPs) on several of the bank's AML/CFT policies and procedures.
- 5) Issues with the AML/CFT software application have been observed, resulting in inefficiency in detecting and reporting suspicious transactions.
- 6) The bank's AML/CFT manual has not been updated to include the NFIU establishment Act 2018 and other NFIU guidelines.
- 7) The bank's AML/CFT manual was not kept up to date in order to identify new and emerging ML/TF trends.
- 8) The bank is not adequately allocating AML/CFT and CPF responsibilities in all lines of defense via SOPs and relevant KPIs, to ensure that all bank employees are responsible for AML/CFT.

RECOMMENDATIONS:

The following is a summary of some recommendations for the banks attention and consideration to correct or mitigate on findings and observations made during course of the exercise:

- 1) The bank should correct and update the various exceptions noted in their operations with regards to AML/CFT compliance to ensure that a more effective and efficient compliance program is being implemented.
- 2) Before doing business with a customer, the bank should ensure that all of their documents are verified, validated, and uploaded by the account officer.
- 3) The bank should conduct a review of its compliance program to ensure that all necessary policies and procedures identified during the review are documented in the bank's compliance manual.
- 4) The bank should have a comprehensive and effective document outlining its policies and procedures for assessing the ML risk of its customers, services,



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and products. The policies and procedures should also include synergy between the bank's compliance and risk departments.

- 5) The bank should have a policy and procedure in place for prioritizing and analyzing suspicious transactions for reporting.
- 6) The bank should ensure that the transformation team meets its goals, as this will significantly improve the bank's processes and procedures.
- 7) The compliance department should review the compliance department SOP to address any gaps discovered and ensure that it is in accordance with statutory and regulatory AML/CFT requirements.
- 8) The audit department should have a standard operating procedure (SOP) for AML auditing that is separate from the bank's general audit process.
- 9) The bank should ensure that the SoftAML application is used effectively and that all of its features are utilized.
- 10) The bank should also ensure that the vendor updates all features of the SoftAML application, such as the dash board, case management, and risk rating.
- 11) The bank should consider establishing a policy and procedure for continuous review of its CTR reporting to ensure that its SoftAML captures all reportable transactions; the policy should also cover change management processes.
- 12) The bank should encourage compliance and audit staff to obtain additional qualifications in CAMS, CFCS, and CFE, which are industry best practices for AML/CFT compliance officers. Compliance and audit personnel should also receive expert training in emerging ML/TF trends, AML/CFT auditing, and prioritizing, analyzing, and investigating suspicious transactions for reporting.
- 13) The compliance team and other relevant bank officers should receive comprehensive training on AML/CFT laws and regulations, transaction reporting, KYC/CDD documentation, STR identification, and goAML online reporting.
- 14) HR, in collaboration with the compliance department, should ensure that all AML trainings and facilitators are evaluated.

DISCLAIMER



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- 1) Unless otherwise specifically stated in the engagement letter, any advice or opinion (deliverable) relating to the provision of this Service is provided solely for the use of Taj Bank PLC.
- 2) Should you wish to disclose or refer to such deliverable in any way, including but not limited to any publication on any electronic media, to any third party, you are required to notify such third party of the fact that the said deliverable has been provided to you for your sole use and benefit and is based on specific facts and circumstances provided by you
- 3) Such third party may not rely on such deliverable and GGL to the fullest extent possible, shall accept no responsibility or liability to that third party in connection with our Services.
- 4) During the supply of our services, we may supply oral, draft or interim advice, reports or presentations but in such circumstances our written advice or final written report shall take precedence. No reliance should be placed by you on any oral, draft or interim advice, reports or presentations. Where you wish to rely on oral advice or an oral presentation, you shall inform us and we will provide documentary confirmation of the advice.
- 5) GGL shall not be under any obligation in any circumstance to update any advice or report, oral or written, for events occurring after the advice or report has been issued in final form

APPENDICES

Appendix 1: List of documents requested for and reviewed

Appendix 2: Schedule of Account Opening Documentation reviewed

Appendix 3: Unreported Currency Transaction Reports



APPENDIX 1

CHECK LIST OF DOCUMENTS REQUIRED FOR AML/CFT INDEPENDENT AUDIT TEST

DOCUMENT	AUDIT TEST
BOARD MEETING MINUTES BOOK	<ul style="list-style-type: none"> • Frequency of meeting • Board composition in AML/CFT sub committee • AML/CFT issues addressed • CCO/ECO address/correspondence with the board on AML/CFT issues
MANAGEMENT (AML Manual, Risk Assessment Report and other Manuals)	<ul style="list-style-type: none"> • Policy implementation on Anti-Money Laundering/Combating Terrorist Financing • AML/CFT Risk Assessment on Customers, People, Products, Transactions and Location • Reporting on Effectiveness/Adequacy of AML/CFT Controls (Yearly) • Composition • Subsidiaries and Affiliations
PREVIOUS EXAMINATION REPORTS CBN/NDIC/NFIU	<ul style="list-style-type: none"> • Outstanding issues not addressed • Recurrence of Material Exceptions • Time frame in addressing issues raised in reports
INTERNAL AUDIT REPORT	<ul style="list-style-type: none"> • Unresolved material issues raised • Frequency of Audit • Audit coverage • Composition of the Audit committee



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	<ul style="list-style-type: none"> • Audit evaluation
TRAINING FILE	<ul style="list-style-type: none"> • Training Budget • Training Curriculum • Staff trained (Number and Category) • Training Facilitators • The training is performed at different levels (Basic, Intermediate and Advance) • It includes other AML/CFT issues (Trade Base ML etc)
LETTERS OF APPOINTMENT OR REDEPLOYMENT	<ul style="list-style-type: none"> • Appointment of CCO at Head Office and COs at branches/cluster • Qualifications • CBN approval
MANDATORY RENDITIONS Managers cheques issued and repurchased, foreign funds transfers/inflows, letters of credit and bankers acceptance, capital importation	<ul style="list-style-type: none"> • All Transactions Reported using correct format(CTR,FTR &STR) • Timely rendition • Rejected reports are resubmitted
RECORD KEEPING	<ul style="list-style-type: none"> • Use of correct addresses • Using Accounting/Banking Standard • Registers are properly maintained • Archiving System
COMPLIANCE WITH OTHER REGULATORY CIRCULARS	<ul style="list-style-type: none"> • Filing Regulatory reports • Caution Notice on Mandatory Reporting of CTRs



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	<ul style="list-style-type: none"> • Schedule of response to request for information by CBN/NFIU and law enforcement agencies • Others
CUSTOMERS MANDATE FILES	<ul style="list-style-type: none"> • KYC • CDD • EDD on High Risk Accounts/Products • Photographs are stamped • All original documents are sighted or are Certified True Copies. • Address verification report etc
EXTERNAL AUDIT REPORT	<ul style="list-style-type: none"> • Auditors qualifying statements as relates AML/CFT
IT SYSTEM SECURITY	<ul style="list-style-type: none"> • Functional AML Software solution • Quarterly AML Solution review report/Exceptions • Thresholds, rules and parameters for transaction monitoring • Number of STRs generated, reviewed, auto-closed, manually closed, etc from Jan to July 2021



APPENDIX 2

SCHEDULE OF ACCOUNT OPENING DOCUMENTATION REVIEWED

S/N	ACCOUNT NAME	ACCOUNT NUMBER	EXCEPTION
1	SMB BEST GLOBAL TRADING ENTERPRISE	227/5828	<ul style="list-style-type: none"> No Risk Assessment form No SCUML certificate
2	TRIPOD TRADES BDC	530/9589	<ul style="list-style-type: none"> Mohammed Abdul-Abbas I.D card expired on the 31/12/2020 No Risk Assessment form
3	MEDIA INTENSIVE PRACTICE RESOURCING LIMITED	2992/47961	<ul style="list-style-type: none"> No CAC search report No KYC form
4	LOJO TRADE INVESTMENT	2392/30408	<ul style="list-style-type: none"> No Risk Assessment form No SCUML Certificate
5	THE FIVE NIGERIA LIMITED	89757/871421	<ul style="list-style-type: none"> Joshua Mfom- Abasi Coco- Bassey with DOB 29/9/2007 a minor is reported as an adult in the CAC form No SCUML Certificate No CAC search report
6	AL- SHEIK LOGISTICS NIGERIA LIMITED	96713/941021	<ul style="list-style-type: none"> No Risk Assessment form No SCUML Certificate
7	COLOSIAN MEGA UNIVERSAL LIMITED	29331/309818	<ul style="list-style-type: none"> No CAC search report
8	SERVICE CONVENIENCE 247 NIGERIA LIMITED	134785/1330143	<ul style="list-style-type: none"> Only one referee available in the AOP No CAC search report



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9	BRIGHTON & KAM GLOBAL LIMITED	169507/1687517	<ul style="list-style-type: none"> The KYC form as not filled by the customer
10	H-MULAMTACHIE GLOBAL	173417/1726047	<ul style="list-style-type: none"> No CAC search report The Risk Assessment form was not properly filled by the customer had a score of 2.6 but he was categorized as low instead of medium
11	SUNAS INVESTMENT COMPANY LIMITED	175355/1746216	<ul style="list-style-type: none"> No SCUML Certificate No CAC search report
12	OAK TREE BUSINESS	52891/502406	<ul style="list-style-type: none"> Request for Confirmation of passport sent on the 3/9/2020 to Great Britain and Northern Ireland Embassy in respect of Olowosola Kudirat Mojisola
13	NOUVELTECH SOLUTIONS LIMITED	140172	<ul style="list-style-type: none"> No Risk Assessment form



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APPENDIX 3

UNREPORTED CURRENCY TRANSACTION REPORTS

S/N	ACCOUNT NAME	ACCOUNT NUMBER	DATE	AMOUNT (N)
1	AYINGBA ADAGADZU	0000006320	08/11/2021	33,404,000.00
2	CHECK IN PRIME SUITES	0000005990	13/09/2021	12,872,860.23
3	BIENVENUE INTER LTD	0000005581	03/06/2021	490,000,000.00
4	BIENVENUE INTER LTD	0000005581	10/5/2021	500,000,000.00