Extraordinary

Federal Republic of Nigeria

Official Gazette

Lages - 3rd September, 2013

Vol. 100

Government No. 161

The following is published as Supplement to this :

Shart Title

Page

Central Bank of Nigeria (Anti-money Laundering and Combaning

the Financing of Terrorism in Banks and Other Financial

institutions in Nigeria) Regulations, 2013

B 227 - 307

Printed and Published by The Federal Government Printer, Lagos, Nigeria

FOP 98/92013/3.200 (OL 71)

subscription from January, 2013 js Local N25,500.00 Overseas : N37.500.00 Surface

200 (Soused Class Air Mali) Prosent N2.500.00 sopy. Subscribers who wish to obtain

Government Prinser, for Subsoripsions,

CENTRALBANK OFNIGERIA(ANTI-MONEYLAUNDERINGgand

COMBATINGTHE FINANCING OFTERRORISM IN BANKSANDOTHER

financialinstitutionsin nigeria) regGULATIONS, 2013

B 2

Arrangement of

Regulation :

Pakt | Outettyes, Scope and Applications

1.

Objective

2. Scope

3. Application

Part al- Anti-Money Laundering and Combating

the of Terrorism Directivies

AML/CFT Institutional Policy Framework

5. Risk Assessment

6. Risk Mitigation

7. Designation and Duties of AML/CFT Compliance Officer

8.

Co-operation with Competent Authorities

Part III Offences, Measures and Sanctions

9. Scope of Offences

10.

11.

Terrorism Financing Offences

Targeted Financial Sanctions Related to Terrorism F

Proliferation

12.

Limitation of Secrecy and Confidentiality Laws

Part 1V--Customer Due Diligence, Higher Risk Customers

and Activities of Politically Exposed Persons

13.

Customer Due Diligence (°CDD') Measures

14. Identification and Verification of Customers

15. Verification of Beneficial Ownership

16.

Application of Enhanced Due Diligence to Higher Risk Customers

and Activities

17.

Attention to High Risk Countries

B 228

18.

19.

20.

21.

22.

23.

24.

Politically Exposed Person (PEP)

Cross-Border and Correspondent Banking

New Technologies and Non face-to-face Transactions

Money or Value Transfer (MVT) Services

Foreign Branches and Subsidiaries

Wire Transfers

Simplified Due Diligence Applicable to Lower Risk Customers,

Transactions or Products

25.

26.

37.

28.

Timing of Verification

Existing Customers

Failure to Complete CDD

Reliance on Intermediaries and Third Parties on CDD Function

Part V--Maintenance of Records

29.

Maintenance of Records on Transactions

30.

31.

32.

Attention on Complex and Unusual Large Transactions

Suspicious Transaction Monitoring

Procedure for the Monitoring and Reporting of Suspicious Transactions

Part VI-Monitoring, Internal Controls,

and Sanctions

33.

34.

35.

Internal Controls, Compliance and Audit

Sanctions and Penalties for Non-Compliance

Prohibition of Numbered or Anonymous Accounts, Accounts in

Fictitious Names and Shell Banks

Other Forms of Reporting

36.

37. AML/CFT Employee-Education and Training Programme

38. Monitoring of Employee Conduct

39.

Protection of Staff who Report Violations

40. Additional Areas of AML/CFT Risks

4 I. Additional Procedures and Mitigants.

42. Testing for the Adequacy of the AML/CFT Compliance

43.

Formal Board Approval of the AML/CFT Compliance

44.

Culture of Compliance

Part VII-Guidance on Know Your Customer (KYC)

45. Three Tiered KYC Requirements

46. Duty to Obtain Identification

Evidence

47. Nature and Level of the Business

48. Application of Commercial Judgment

49. Identification

50. Factors to Consider in Identification

51. Time for Verification of Identity

52. Verification of Identity

53. Exceptions

54. Additional Verification Requirements

55. Identification of Directors and other Signatories

Joint Account Holders

Verification of Identity for High Risk Business

Duty to Keep Watch of Significant Changes in Nature of Butiness

Veri of Identity of Person Providing Funds for Trust

60.

61.

62.

63.

64.

Savings Schemes and Investments in Third Parties' Names

Personal Pension Schemes

Timing of Identification Requirements

Consequence of Failure to Provide Satisfactory Identification Evidence

Identification Procedures

65.

66.

New Business for Existing Customers

Certification of Identification Documents

67.

68.

69.

70.

Recording Identification Evidence

Concession in Respect of Payment Made by Post

Teim Deposit Account ('TDA')

Investment Funds

Part VIII-General Informanon

71. Establishing Identity

72.

Private Individuals --- General Information

73. Private Individuals Resident in Nigeria

74.

75.

76.

Documenting Evidence of Identity

Physical Checks on Private Individuals Resident in Nigeria

Electronic Checks

Part IX--Financial for this: or

Financially Applicants

77.

"Financial Exclusion" for the Socially or Financially Disadvantaged

Applicants Resident in Nigeria

B 230

78.

79.

80.

81.

82.

Private Individuals noc Res dess in Nigeria

Non face- to-face Identification

Refugees or A ylum Seekers

Students and Minors

Quasi Corporate Customers

X--Taist, Poucy, Recept and Parment of

83.

Trust, Nominees and Fiduciaries

84.

85.

86.

S7.

88.

89.

Off-shore Trusts

Conventional Family and Absolute Nigerian Trusts

Receipt and Payment of Funds

Identification of new Trustees

Life Policies Placed in Trust

Powers of Attorney and Third Party Mandates

Part XI Executorsiir, Accidents, Usma

and Corporated

90.

91.

92.

93.

94.

95.

96.

Executorship Accounts

"Client Accounts" Opened By Professional Inter

Un-incorporated Business or Partnership

Limited Liability Partnership

Pure Corporate Customers

The Identity of a Corporate Company

Non face-to-face Business

aries

97. Public Registered Companies

98. Private Companies

99.

Higher Risk Business Applicant

100. Higher Risk Business Relating to Private Compa

101.

Foreign Financial Institutions

102.

Bureau De Change

103. Designated Non-Financial Businesses and Professions (DNFBPs)

104.

Occupational Pension Schemes

105.

Registered Charity Organizations

106.

Religious Organizations (ROs)

107.

Three - Tiers of Government and Parastatals

108.

Foreign Consulates

B 23

109.

Intermediaries or other Third Parties to Verify Identity or to Introduce

Business

Part XII----

Foreign Intermediaries

110.

112.

113.

Introductions from Authorized Financial Intermediaries

Written Applications

Non-Written Application

Foreign Intermediaries

114.

115.

116.

117.

118.

119.

Corporate Group Introductions

Business Conducted by Agents

Syndicated Lending

Correspondent Relationship

Acquisition of One Financial Institution and Business by

Vulnerability of Receiving Bankers and Agents

Categories of Persons to be Identified

120.

121. Applications Received through Brokers

122.

Applications Received from Foreign Brokers

123.

Multiple Family Applications

Part XIII--Linked Transactions, and

Investment

124.

Linked Transactions

125.

Foreign Domiciliary Account (FDA)

126.

Sole Custody and Safety Deposit Boxes

127. Customer's Identity Not Properly Obtained

128.

Exemption from Identification Procedures

129.

One-off Cash Transaction, Remittances and Wire Transfers

130.

Re-investment of Income

131. Amendment or Revocation of these Regulations

132. Interpretation

133.

Citation

SCHEDULES

in that behalf, I, Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria, make

the following Regulations

[ 29th August, 2013 ] Commence-

ment.

Part | Obiectives, Scope And Applications

1. The objectives of these Regulations are to-

Objective.

(a) provide Anti-Money Laundering and Combating the Financing of

Terrorism ("AML/CFT") compliance guidelines for financial institutions under

the regulatory purview of the Central Bank of Nigeria ("CBN") as required by

relevant provisions of the Money Laundering (Prohibition) Act, 2011 (as

amended), the Terrorism Prevention Act, 2011 (as amended) and other relevant

laws and Regulations;

(b) enable the CBN to diligently enforce AML/CFT measures and ensure

effective compliance by financial institutions; and

(c) provide guidance on Know Your Customer ("KYC") measures to assist

financial institutions in the implementation of these Regulations.

2. (1) These Regulations cover the relevant provisions of the Money Scope.

Laundering (Prohibition) Act, 2011 (as amended), the Terrorism Prevention Act,

2011 (as amended) and any other relevant laws or Regulations.

(2) These Regulations cover

(a) the key areas of Anti-Money Laundering and Combating the Financing

of Terrorism (AML/CFT) Policy ;

(b) development of Compliance Unit and function ;

(c) Compliance Officer designation and duties ;

(d) the requirement to co-operate with the competent or supervisory

authorities ;

(e) conduct of Customer Due Diligence ;

(f) monitoring and filing of suspicious transactions to the Nigerian Financial

Intelligence Unit ("NFIU") and other reporting requirements ;

(g) reporting requirements ;

(h) record keeping : and

(1) AML/CFT employee training.

3. These Regulations shall apply to banks and other financial institutions in Application

igeria within the regulatory purview of the Central bank of Nigeria.

B 234

AML/CFT

Institutional

Policy

Framework.

Part 11------and

no: Financing of Directives

4. (1) A financial institution shall adopt policies coating its commitment to

comply with Anti-Money Laundering ('AML') and Combating Financing of

Terrorism (\*CFT') obligations under subsisting laws, regulations and regulatory

directives and to actively prevent any transaction that otherwise facilitates criminal

activities, money laundering or terrorism.

(2) A financial institution shall formulate and implement internal controls

and other procedures to deter criminals from using its facilities for money

laundering and terrorist financing.

(3) Financial Institutions shall adopt a risk- based approach in the identification

and management of their AML/CFT risks in line with the requirements of these

Regulations.

(4) Financial Institutions shall comply promptly with requests made pursuant

to current AML/CFT legislations and provide information to the Central Bank of

Nigeria ("CBN"), Nigeria Financial Intelligence Unit ("NFIU") and other competent

authorities.

(5) Financial Institutions shall not in any way inhibit the implementation of

the provisions of these Regulations and shall co-operate with the regulators and

law enforcement agencies in the implementation of a AML/CFT regime in

Nigeria,

(6) Financial institutions shall render statutory reports to appropriate

authorities as required by law and shall guard against any act that will cause a

customer or client to avoid compliance with AML/CFT Legislations.

(7) Financial institutions shall identify, review and record other areas of

potential money laundering and terrorist financing risks not covered by these

Regulations and report same to the appropriate authorities.

(8) Financial institutions shall reflect AML/CFT policies and procedures in

their strategic policies.

(9) Financial institutions shall conduct on-going Due Diligence and where

appropriate, enhanced Due Diligence on all business relationships and shall obtain

information on the purpose and intended nature of the business relationship of

their potential customers.

(10) Financial institutions shall ensure that their employees, agents and

others doing business with them, clearly understand the AML/CFT programme.

sessment.

5. A financial institution shall-

(a) take appropriate steps to identify, assess and understand its Money

Laundering ('ML.') and the Financing of ( FT') risks for customers,

countries or geographic areas of its operations, products, services and delivery

channels;

(b) document its risk assessments profile;

(c) consider all relevant risk factors before determining the overall level of

risk and the appropriate level and type of mitigation to be applied;

(d) keep the assessments in this regulation up to date; and

(e) have the appropriate mechanisms to provide risk assessments reports

to regulatory, supervisory and competent authorities, and Self-Regulatory

Organizations ('SROs").

6. A financial institution shall

Risk

Mitigation,

(a) have policies, controls and procedures which are approved by its board

of directors to enable it manage and mitigate the risks that have been identified

(cipher by the country or by the financial institution);

(h) monitor the implementation of the controls in this regulation and enhance

them, where necessary: and

(c) take enhanced measures to manage and mitigate the risks where higher

risks are identified.

7. (l) A financial institution shall designate its AML/CFT Chief Compliance Designation

Officer with the relevant competence, authority and independence to implement and Duties

AML/

the institution's AML/CFT compliance programme.

CFT

(2) The AML/CFT Compliance Officer shall be appointed at management

Compliance

Officer.

level and shall report directly to the Board on all matters under these Regulations.

(3) The duties of the AML/CFT Compliance Officer referred to in sub-

regulation (1) of this regulation shall include

(a) developing an AML/CFT Compliance Programme ;

(b) receiving and vetting suspicious transaction reports from staff ;

(e) filing Suspicious Transaction Reports ("STRs") with the NHIU ;

(d) filing other regulatory returns with the CBN and other relevant regulatory

and supervisory authorities;

(e) rendering "nil" reports to the CBN and NFYU, where necessary to ensure

compliance:

(/) ensuring that the financial institution's compliance programme is

implemented;

(g) co-ordinating the training of staff in AML/CFT awareness, detection

methods and reporting requirements; and

(/1) serving both as a liaison officer between his institution, the CBN and

NFIU and a point-of-contact for all employees on issues relating to money

laundering and terrorist financing.

B 236

Co-

operation

with

Competent

Authorities.

8.--(I) A financial institution shall give an undertaking that it shall comply

promptly with all the requests made pursuant to the provisions of relevant AML/

CFT laws and Regulations and provide all requested information to the CBN,

NFIU and other competent authorities.

(2) A financial institution's procedures for responding to authorized

requests for information on ML and FT shall meet the following…

(a) searching immediately the financial institution's records to determine

whether it maintains or has maintained any account for, or has engaged in any

transaction with any individual, entity or organization named in the request:

(b) reporting promptly to the requesting authority the outcome of the

search; and

(c) protecting the security and confidentiality of such requests.

Part III-Offences, Measures and Sanctions

Scope of

Offences.

9. (1) A financial institution shall identify and file suspicious transaction

reports to the NFIU, where funds, assets or property are suspected to have

been derived from any of the following criminal activities

(a) participation in an organized criminal group and racketeering:

(b) terrorism, including terrorist financing:

(c) trafficking in persons and migrant smugglings;

(d) sexual exploitation, including sexual exploitation of children

(e) illicit trafficking in narcotic drugs and psychotropic substances :

U) illicit arms trafficking ;

(g) illicit trafficking in stolen and other goods ;

(h) corruption ;

(i) bribery :

(j) fraud ;

(k) currency counterfeiting

(I) counterfeiting and piracy of products ;

(m) environmental crime ;

(n) murder ;

(o) grievous bodily injury ;

(p) kidnapping, illegal restraint and hostage-taking :

(q) robbery or theft ;

(r) smuggling, including smuggling done in relation to customs and excise

duties and taxes) :

(s) tax crimes, related to direct taxes and indirect taxes ;

(r) extortion ;

(w) forgery ;

(v) piracy.

(w) insider trading and market manipulation, or

(x) any other predicate offence under the Money Laundering (Prohibition)

Act, 2011 (as amended) and the Terrorism Prevention Act, 2011 (as amended).

10. Terrorism financing offences extend to any person or entity who Terrorism

l'inancing

Offences.

solicits, acquires, provides, collects, receives, possesses or makes available funds.

property or other services by any means to terrorists on terrorist organizations,

directly or indirectly with the intention or knowledge or having reasonable grounds

to believe that such funds or property shall be used in full or in part to carry out

a terrorist act by a terrorist or terrorist organization in line with section I of the

Terrorism (Prevention) Act, 2011 (as amended).

(2) Under these Regulations. terrorism financing offences are predicate

(3)

offences for moncy laundering and shall apply regardless of whether the person

or entity alleged to have committed the offence is in the same country or a different

country from the one in which the terroriat or terrorist organization is located or

the terrorist act occurred or will occur.

I 1 (I ) A financial institution shall report to the NFIU any frozen or

actions taken in compliance with the prohibition requirements of the relevant

United Nations Security Council Resolutions ('UNSCRs") on terrorism, financing

ng

of proliferation of weapons of mass destruction, any future successor resolutions

and the Terrorism Prevention (Freezing of International Terrorist Funds and Other

Related Issues) Regulation, 2013, and any amendments that may be reflected by and

the competent authorities.

Targeted

Financial

Sanctions

related to

Financing

Proliferation.

(2) The reports in sub-regulation (1) of this regulation shall include all

transactions involving attempted and concluded transactions in compliance with

the Money Laundering (Prohibition) Act, 2011 (as amended), Terrorism (Prohibition)

Act, 201 I (as amended) and the Terrorism Prevention (Freezing of International

Terrorist Funds and Other Related Issues) Regulation, 2013, and any amendments

that may be reflected by the competent authorities.

(3) The administrative sanctions contained in Schedule I to these Regulations

or in the Terrorism Prevention (Freezing of International Terrorist Funds and

Other Related Measures) Regulations, 2013 shall be imposed by the CBN on

institutions under its regulatory purview.

12. 1 ) Financial institutions' secrecy and confidentiality laws siall not in Limitation

any way, be used to inhibit the implementation of the requirements of these of Secrecy

Regulations having regard to the provisions of section 38 of Economic and Financial and

Confidentiality

Crimes Commission Act, 2004; section 13 of Money Laundering (Prohibition)

Laws.

Act, 2011 (as Amended) and section 33 of the CBN Acl, 2007.

B 238

(2) The relevant laws cited in sub-regulation (1) of this regulation have

given the relevant authorities the powers required to access information to properly

perform their functions in combating money laundering and financing of terrorism,

the sharing of information between competent authorities, either domestically or

internationally, and the sharing of information between financial institutions.

necessary or as may be required.

(3) Banking secrecy or preservation of customer confidentiality shall not be

invoked as a ground for objecting to the measures set out in these Regulations or

for refusing to be a witness to facts likely to constitute an offence under these

Regulations, the relevant provisions of the Money Laundering (Prohibition) Act,

2011 (as amended), the Terrorism Prevention Act, 2011 (as amended) and any

other relevant subsisting laws or Regulations.

Part IV- Customer Due Diligence, Higher Risk

and Activities of Exposed Persons

Customer

Due

Diligence

("CDD")

measures.

13. (1) A financial institution shall undertake Customer Due Diligence

(°CDD') measures when-

(a) business relationships are established;

(b) carrying out occasional transactions above the applicable and designated

threshold of USS1,000 or its equivalent in other currencies or as may be

determined by the CBN from time to time, including where the transaction is

carried out in a single operation or several operations that appear to be linked;

(c) carrying out occasional transactions that are wire transfers, including

those applicable to cross-border and domestic transfers between financial

institutions and when credit or debit cards are used as a payment system to

effect money transfer:

(a) there is a suspicion of money laundering or terrorist financing. regardless

of any exemptions or any other thresholds referred to in these Regulations; or

(e) there are doubts on the veracity or adequacy of previously obtained

customer identification data.

(2) The measures in paragraphs (a), (b) and (c) of sub-regulation (1) of this

regulation, shall not apply to payments in respect of

(7) any transfer flowing from a transaction carried out using a credit or

debit card so long as the credit or debit card number accompanying such

transfers flow from the transactions such as withdrawals from a bank account

through an ATM machine, cash advances from a credit card or payment for

goods.

(il) Inter-financial institution transfers and settlements where both the

originator-person and the beneficial-person are financial institutions acting or

their own behalf.

B 239

(3) Financial institutions, must not after obtaining all the necessary

documents and being so satisfied, repeatedly perform identification and verification

exercise every time a customer conducts a transaction except there is a suspicion

that the previously obtained information is not complete of has changed.

14. (1) 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,

Verification of identity data or information of Customers.

(2) A financial institution shall carry out the full range of the CDD measures

contained in these Regulations, the relevant provisions of the Money Laundering

(Prohibition) Act, 2011 (as amended), and any other relevant laws or Regulations.

(3) Financial institutions shall apply the CDD measures on a risk-sensitive

basis.

(4) Types of customer information to be obtained and identification data to

be used to verify the information are contained in Schedule Il to these Regulations.

(5) Where the customer is a legal person or a legal arrangement, the financial

institutions hall-

(a) identify any person purporting to have been authorized to act on behalf

of that customer by obtaining evidence of the customer's identity and verifying

the identity of the authorized person; and

(h) identify and verify the legal status of the legal person or legal

arrangement by obtaining proof of incorporation from the Corporate Affairs

Commission (\*CAC') or similar evidence of establishment or existence and any

other relevant information.

15. (1) A financial institution shall identify and take reasonable steps Verification

to verify the identity of a beneficial-owner, using relevant information or data

obtained from a reliable source to satisfy itself that it knows who the beneficial- Ownership.

owner is through methods including

(zz) for legal persons :

(i) identifying and verifying the natural persons, where they exist, that

have ultimate controlling ownership interest in a legal person, taking into cognizance

the fact that ownership interests can be so diversified that there may be no natural

persons (whether acting alone or with others) exercising control of the legal

person or arrangement through ownership;

(ii) to the extent that it is manifestly clear under sub-paragraph (i) of this

paragraph that the persons with the controlling ownership interest are the beneficial

owners or where no natural person exerts control through ownership interests,

identify and verify the natural persons, where they exist, exercising control of the

legal person or arrangement through other means; and

B 240

(iii) where a natural person is not identified under sub-paragraph (i) or (ii)

of this paragraph, financial institutions shall identify und take reasonable

measures to verify the identity of the relevant natural person who holds senior

management position in the legal person,

(b) for legal arrangements - such as trust arrangement, financial institutions

shall identify and verify the identity of the settlor, the trustee, the protector

where they exist, the beneficiaries or class of beneficiaries, and any other

natural person exercising ultimate or control over the trust including

through a chain of control or ownership; and

(c) for other types of legal arrangements, the financial institutions shall

identify and verify persons in equivalent or similar positions.

(2) Financial institutions shall in respect of all customers, determine whether

a customer is acting on behalf of another person or not, and where the customer

is acting on behalf of another person, take reasonable steps to obtain sufficient

identification-data and verify the identity of the other person.

(3) A financial institution shall take reasonable measures in respect of

customers that are legal persons or legal arrangements to-

(a) understand the ownership and control structure of such a customer:

and

(b) determine the natural persons that ultimately own or control the

customer.

(4) In the exercise of its responsibility under this regulation, a financial

institution shall take into account that natural persons include those persons

who exercise ultimate or effective control over the legal person or arrangement

and factors to be taken into consideration to satisfactorily perform this function

include

(ci) for companies - the natural persons shall own the controlling interests

and comprise the mind and management of the company; and

(b) for trusts - the natural persons shall be the settlor, the or person

exercising effective control over the trust and the beneficiaries.

(5) Where a customer or an owner of the controlling interest is a company

listed on a stock exchange and subject to disclosure requirements (either by stock

exchange rules or by law or other enforceable means) which impose requirements

to ensure adequate transparency of beneficial ownership, or is a majority-owned

subsidiary of such a company, it is not necessary to identify and verify the identity

of any shareholder or beneficial owner of the company.

(6) The relevant identification data referred to in the foregoing regulation

may be obtained from a public register, the customer and other reliable sources,

and for this purpose, ownership of 5% interest or more in a company is applicable.

241

(7) A institution shall obtain information on the and intended

nature or the business relationship of its potential customers.

(8) A institution shall conduct ongoing Due on business

relationship,

(9) The conduct of on-going Due Diligence includes the

transactions undertaken by the customer throughout the course of the

institution and customer relationship to ensure that the being

conducted are consistent with the institution's knowledge of the customer,

his business, risk profiles and the of funds.

(10) A financial institution shall ensure that documents, data or information

collated under the CDD process are kept up-to-date and relevant by undertaking

regular periodic reviews of existing records, particularly the records in respect of

higher-risk business-relationships or customer categories.

16. A financial institution shall perform Enhanced Due Diligence for higher-

risk customers, business relationship or transactions including

(a) non-resident customers:

(b) private banking customers;

(c) legal persons or legal arrangements such as trusts that are personal-

assets-holding vehicles;

Application

of

Due

to

Higher Risk

Customers

Activities,

(d) companies that have nominee-shareholders or shares in bearer form :

(e) Politically Exposed Persons ( PEPs'), cross-border banking and business

relationships, amongst others;

(f) cross-border banking and business relationships, and

(g) any other businesses, activities or professionals as may be prescribed

by regulatory, supervisory or competent authorities.

17. (1) A financial institution shall give special attention to business

relationships and transactions with persons, including legal persons and other

institutions, from countries which do not or insufficiently apply the

FATF recommendations,

Attention template

High Risk

Countries.

(2) A financial institution shall report transactions that have no apparent

economic or visible lawful purpose to competent authorities with the background

and purpose of such transactions as far as possible, examined and written findings

made available to competent authorities.

(3) A financial institution that does a business with foreign institutions

which do not the provisions of FATF recommendations shall take measures,

including the following

(a) stringent requirements for identifying clients and enhancement of

advisories, including jurisdiction-specific financial advisories to financial

institutions for identification of the beneficial owners before business

relationships are established with individuals or companies from that

jurisdiction:

B 242

(b) enhance relevant reporting mechanisms or systematic reporting of

financial transactions on the basis that financial transactions with such

are more likely to be suspicious;

(c) in considering requests for approving the establishment of subsidiaries

or branches or representative offices of financial institutions, in countries

applying the counter measure shall take into account the fact that the relevant

financial institution is from a country that does not have adequate AML/CFT

systems and

(d) warn that non-financial that transact with natural ar

legal persons within that country might run the risk of money laurulering:

limiting business relationships or financial transactians with the identified

country or persons in that country.

Politically

Exposed

Persons

(PHP).

18. (1) Politically Exposed Persons ("PEPs') are who are or

have been entrusted with prominent public functions in Nigeria or in foreign

countries, and people or entities associated with them and include

(a) Heads of State or Government:

(b) State Govemors;

(c) Local Govemment Chairmen

(d) senior politicians;

(e) senior government officials:

(1) judicial or military officials;

(g) senior executives of state owned corporations;

(h) important political party officials;

(i) family members or close associates of PEPs; and

(f) members of royal families.

(2) PEPs also include persons who are or have been entrusted with a

function by an organization, including members of senior

management including directors, deputy directors and members of the board or

equivalent functions other than middle ranking or more junior individuals.

(3) Financial institutions shall in addition to performing CDD measures, to

put in place appropriate risk management systems to determine whether a potential

customer or existing customer or the beneficial-owner is a PEP.

(4) Financial institutions shall obtain senior management approval before

they establish business relationships with a PEP and shall render monthly returns

on all transactions with PEPs to the CBN and NFIU.

(5) Where a customer has been accepted or has an ongoing relationship

with a financial institution and the customer or beneficial-owner is subsequently

found to be or becomes a PEP, the financial institution shall obtain senior

management approval to continue the business relationship.

B 243

(6) A financial institution shall take reasonable measures to establish

source of and the source of funds of customers and beneficial-owners

identified as Pets.

(7) A financial institution that is in a business relationship with a PEP shall

conduct enhanced and on-going monitoring of that relationship and in the event

of any transaction that is abnormal, a financial institution shall flag the account

and report the transaction immediately to the NFIU as a suspicious transaction.

19. (1) For cross-border and correspondent banking and other similar Cross-

relationships, a financial institution shall, in addition to performing the normal Border and

CDD measures, take the following measures

Correspon-

dent

(a) gather sufficient information about a respondent institution to understand Banking.

fully the nature of its business and determine from publicly available information,

on,

the reputation of the institution and the quality of supervision, including whether

or not it has been subject to a money laundering or terrorist financing

investigation or regulatory actions:

(b) assess the respondent institution's AML/CFT controls and ascertain

that they are in compliance with FATF standards:

(c) obtain approval from senior management before establishing

correspondent relationships; and

(d) document the respective AML/CFT responsibilities of the respondent

institution.

(2) Where a correspondent relationship involves the maintenance of payable

through-account, the financial institution shall be satisfied that

(a) its customer (the respondent bank or financial institution) has performed

the normal CDD obligations on its customers that have direct access to the

accounts of the correspondent financial institution; and

(b) the respondent financial institution is able to provide relevant customer

identification data upon request to the correspondent financial institution,

20. (1) A financial institution shall identify and assess the money laundering New

or terrorist financing risks that may arise in relation to the development of new

products and new business practices (including new delivery mechanisms) and

the use of new or developing technologies for both new and pre-existing products.

(2) Financial institutions are to ensure that any risk assessment to be

undertaken is carried out prior to the launch of the new products, business practices

or the use of new or developing technologies are to be documented and appropriate

measures taken to manage and mitigate such risks.

face-to-fiec

Transactions,

(3) A financial institution shall have policies and procedures in place to address

any specific risk associated with non face-to-face business relationships or

transactions.

B 244

(4) The policies and procedures required to be takes shall be applied

automatically when establishing customer relationships and conducting on-going

Due Diligence and measures for managing the risks are to include specific and

effective CDD procedures that apply to non face-to-face customers,

Money or

Transfer

(MVT)

Services,

21. (l) All natural and legal persons performing Money or Value Transfer

Service ('MVTS operators') shall be licensed by the Banking and Payment Systems

Department of the CBN and shall be subject to the provisions of these Regulations,

the relevant provisions of the Money Laundering (Prohibition) Act, 2011 (as

amended), the Terrorism Prevention Act, 2(II I (as amended) and any other relevant

laws or Regulations.

(2) MVTS Operators shall maintain a current list of their agents and render

quarterly returns to the CBN and the NFIU.

(3) In addition to the requirement specified in this regulation, MVTS

Operators shall gather and maintain sufficient information about their agents and

correspondent operators or any other operators or institutions they are or likely to

do business with.

(4) MVTS Operators shall

(a.) assess their agents' and correspondent operators' AML/CFT controls

and ascertains that such controls are adequate and effective:

(b.) obtain approval from the CBN establishing new correspondent

relationships; and

(c) and maintain a checklist of the respective AML/CFT

responsibilities of each of their agents and correspondent operators.

Foreign

Branches

and

Subsidiaries.

22. I ) A financial institution shall ensure that its foreign branches and

subsidiaries observe AML/CFT measures consistent with the provisions of these

Regulations and apply the measures to the extent that the local or host country's

laws and Regulations permit.

(2) Financial institutions shall ensure that the principle referred to in sub-

regulation (I) of this regulation is observed by their branches and subsidiaries in

countries which do not or insufficiently apply the requirements of these Regulations.

(3) Where the minimum AML/CFT requirements contained in these

Regulations and those of the host country differ, branches and subsidiaries of

Nigerian institutions in the host country shall apply the higher standard

provided in these Regulations and such standards shall be applied to the extent

that the host country's laws, regulations or other measures permit.

(4) A financial institution shall inform the CBN in writing when their foreign

branches or subsidiaries are unable to observe the appropriate AML/CFT measures

where they are prohibited to observe such measures by the host country's laws,

regulations or other measures.

B 245

(5) Financial institutions shall subject to the AML/CFT principles contained

in these Regulations, upply consistently the CDD measures at their group levels,

into consideration the activity of the customer with the various branches

and subsidiaries.

2. 3. (I) For every wire transfer of USS 1,000 or more, the ordering financial Wine

institution shall obtain and maintain the following information relating to the

Transfers.

originator of the wire transfer

(cr) the name of the originator ;

(b) the originator's account number (or a unique reference number where

no number exists) ; and

(c) the ariginator's address (which address may be substituted with a national

identity number).

(2) For every wire transfer of USS 1,000 or more, the ordering financial

institution shall obtain and verily the identity of the in accordance with

the CDD requirements contained in these Regulations.

(3) For cross-border wire transfers of USS 1,000 or more, the ordering

financial institution shall include the full originator in formation in sub-regulation

(1) of this regulation in the message or the payment form accompanying the wire

transfer.

(4) Where however, several individual cross-border wire transfers of USS

1,000 or more from a single originator are bundled in a batch-file for transmission

to beneficiaries in another country, the ordering financial institution should only

include the originator's account number or unique identifier on each individual

cross-border wire transfer, provided that the batch-file (in which the individual

transfers are batched) contains füll originator information that is fully traceable

within the recipient country.

(5) For every domestic wire transfer, the ordering financial institution

shall

(ar) the full originalor information in the message or ithe payment

form accompanying the wire transfer; or

(h) include only the originator's account number or a unique identifier, within

the message or payment form.

(6) The inclusion of the originator's account number or the originator's

unique identifier alone should be permitted by a financial institution only where

the originator's full information can be made available to the beneficiary financial

institution and to the appropriate authorities within three business days of receiving

the request.

(7) Each intermediary and beneficiary financial institution in the payment

chain shall ensure that all the originator's information that accompanies a wire

transfer is transmitted with the transfer.

B 246

(8) Where technical limitations prevent the full originator information

accompanying a cross-border wire transfer from being transmitted with u related

domestic wire transfer (during the necessary time to payment systems), и

record shall be kept for five years by the receiving intermediary financial institution

of all the information received from the ordering financial institution.

(9) Beneficiary's financial institution shall adopt effective risk-based

procedures for identifying and handling wire transfers that are not accompanied

by complete originator's information.

10) The lack of complete originator's information is considered as a factor

in assessing whether a wire transfer or related transactions are suspicious.

(11) Financial institutions shall file a Suspicious Transaction Report on wire

transfers with incomplete originator's information to the NFIU.

(12) The beneficiary's financial institution shall restrict or even terminate its

business relationship with the financial institutions that fail to meet the standards

specified in this regulation.

(13) Cross-border and domestic transfers between financial institutions are

not applicable to the following types of payments-

(ci) any transfer that flows from a transaction carried out using a credit or

debit card so long as the credit or debit card number accompanies all transfers

flowing from the transaction, such as withdrawals from a bank account through

an ATM machine, cash advances from a credit card or payments for goods

and services, provided that where credit or debit cards are used as a payment

system to effect a money transfer the necessary information should be included

in the message: and

(b) transfers and settlements between financial institution where both the

originator person and the beneficiary person are financial institutions acting on

their own behalf.

Simplified

Due

Diligence

24. (1) Where there are low risks, financial institution shall apply reduced

or simplified measures.

(2) There are low risks in circumstances where--

(a) the risk of money laundering or terrorist financing is lower:

(b) information on the identity of the customer and the beneficial owner of

a customer is publicly available; or

(e) adequate checks and controls exist elsewhere in the national systems.

(3) In circumstances of low-risk, financial institution shall apply the

simplified or reduced CDD measures when identifying and verifying the identity

of their customers and the beneficial-owners.

B 247

(4) The circumstances which the simplified or reduced CDD measures

refer to in suh-regulation (3) of this regulation are applicable include cases

of

(a) Financial institutions- provided they are subject to the requirements for

the combat of money laundering and terrorist financing which are consistent

with the provisions of these Regulations and are supervised for compliance

with them

(b) Public companies (listed on a stock exchange or similar situations) that

are subject to regulatory disclosure requirements :

(e) Insurance policies for pension schemes where there is no surrender-

value clause and the policy cannot be used as collateral ; and

(c/) a pension, superannuation or similar scheme that provides retirement

benefits to employees, where contributions are made by way of deduction

from wages and the scheme rules do not permit the assignment of a member's

interest under the scheme.

(5) Financial institution shall not apply the simplified CDD measures to

customer where there is suspicion of money laundering or terrorist financing or

specific higher risk scenarios and in such a circumstance, enhanced Due Diligence

is mandatory.

(6) Financial institutions shall adopt CDD measures on a risk sensitive-

basis and have regard to risk involved in the type of customer, product, transaction

on the location of the customer and where there is doubt; they are directed to

clarify with the CBN.

25. (I) A financial institution shall obtain and verify the identity of the

customer, beneficial-owner and occasional customers before or during the course

of establishing a business relationship or conducting transactions for them.

Timing of

Verification,

(2) Financial institutions are permitted to complete the verification of the

identity of the customer and beneficial owner following the establishment of the

business relationship, only where

(a) this can take place as soon as reasonably practicable :

1 (b) it is essential not to interrupt the normal business conduct of the

customer in cases of non face-to-face business, securities transactions and

others ; or

(e) the money laundering risks can be effectively managed.

(3) Where a customer is permitted to utilize the business relationship prior

to verification, financial institutions shall adopt risk management procedures

relevant to the conditions under which this may occur.

(4) The procedures contemplated under sub-regulation (3) of this regulation

shall include a set of measures such as-

(a) limitation of the number, types or amount of transactions that may be

performed ; and

B 248

Existing

C'ustomers.

(b) the monitoring of large or complex transactions being carried out

the expected for that type of relationship.

26. (1) A financial institution shall apply CDD requirements to existing

customers on the basis of materiality and risk, and continue to conduct Due

Diligence on such existing relationships at appropriate times.

(2) The appropriate time to conduct CDD by financial institutions is where

(a) a transaction of signi value takes place :

(b) a customer documentation standards change substantially:

(e) there is u material change in the way that the account is operated or

(ci) the institution becomes that it lacks sufficient information about

an existing customer.

(3) A financial institution shall properly identify the customer in accordance

with the criteria contained in these Regulations and the customer identification

records shall be made available to the AML/CFT compliance officer, other

appropriate staff and competent authorities.

**Failure to complete CDD**

27. 4 I) A financial institution that fails to comply with the CDD measures

pursuant to these Regulations shall

(a) not be permitted to open the account, commence business relations or

perform the transaction: and

(b) be required to render a Suspicious Transaction Report to the NFIU.

(2) The financial institution that has commenced the business relationship

shall terminate the business relationship and render Suspicious Transaction Reports

to the NFIU.

(3) Where, a financial institution suspects that transactions relate to money

laundering or terrorist financing, during the establishment or course of the customer

relationship, or when conducting occasional transactions, it shall immediately-

(a) obtain and verify the identity of the customer and the beneficial owner.

whether permanent or occasional, irrespective of any exemption or any

designated threshold that might otherwise apply: and

(h) render a Suspicious Transaction Report ('STR') to the NFIU without

delay.

(4) Where a financial institution suspects that a transaction relates to money

laundering or terrorist financing and it believes that performing the CDD process

shall tip-off the customer, it shall

(a) not pursue the CDD process, and

(b) file an STR to the NFIU without delay.

B 249

(5) A financial institution shall ensure that its employees are aware of, and

sensitive to the issues mentioned under this regulation.

(6) When assessing risk, financial institution shall consider all the relevant

risk factors before determining the level of overall risk and the appropriate level

of mitigation to be applied.

(7) Financial institutions are allowed to differentiate the extent of measures,

depending on the type and level of risk for the various risk factors and in a

particular situation they may-

(a) apply the normal CDD for customer acceptance measures ;

(b) enhanced CDD for on-going monitoring ; or

(c) apply any of the procedures as may be considered appropriate in the

circumstance,

28. (1) A financial institution that relies upon a third party to conduct its Reliance on

CDD shall

Intermedia-

ries and

(a) immediately obtain the necessary information concerning the property Third

which has been laundered or which constitutes proceeds from instrumentalities Parties on

used in or intended for use in the commission of money laundering and financing

CDD

of terrorism or other relevant offences; and

Function.

(b) satisfy itself that copies of identification data and other relevant

documentation relating to the CDD requirements shall be made available from

the third party upon request without delay.

(2) The financial institution shall satisfy itself that a third party is a regulated

and supervised institution and that it has measures in place to comply with

requirements of CDD reliance on intermediaries and other third parties on CDD

as contained in these Regulations.

(3) Financial institutions relying on intermediaries or other third parties who

have no outsourcing, agency, business relationships, accounts or transactions

with it or their clients shall perform some of the elements of the CDD process on

the introduced business.

(4) The criteria to be met in carrying the elements of the CDD process by

the financial institution referred to in sub-regulation (3) of this regulation are to

(a) immediately obtain from the third party the necessary information

concerning certain elements of the CDD process;

(h) take adequate steps to satisfy itself that copies of identification data and

other relevant documentation relating to CDD requirements shall be made

available from the third party upon request without delay;

(c) satisfy themselves that the third party is regulated and supervised in

accordance with Core Principles of AML/CFT and has measures in place to

comply with the CDD requirements set out in these Regulations; and

B 250

(d) ensure that adequate Know Your Customer ("KYC") provisions are applied

to the third party in order to obtain account information for competent authorities.

(5) Notwithstanding the conditions specified in this regulation, the ultimate

responsibility for customer identification and verification shall be with the financial

institution relying on the third party.

**Maintenance of Records on Transactions.**

Part V- Maintenance: of Records

29.(I) A financial institution shall maintain all necessary records of

transactions, both domestic and international for at least five years after completion

of the transaction or such longer period as may be required by the CBN and

NFIU, provided that this requirement shall apply regardless of whether the account

or business relationship is on-going or has been terminated.

(2) The components of records of transaction to be maintained by financial

institutions include the-

(a) records of customer's and beneficiary's names, addresses or other

identifying information normally recorded by the intermediary ;

(b) nature and date of the transaction ;

(c) type and amount of currency involved ; and

(d) type and identifying number of any account involved in the transaction.

(3) Financial institutions shall maintain records of the identification data,

account files and business correspondence for at least five years after the

termination of an account or business relationship or such longer period us may

be required by the CBN and NFIU,

(4) A financial institution shall ensure that all customer-transaction records

and information are available on a timely basis to the CBN and NFIU.

Attention

on Complex

and unusual

large

Transactions.

30. (1) A financial institution shall pay special attention to all complex.

unusually large transactions or unusual patterns of transactions that have no visible

economic or lawful purpose.

(2) A financial institution shall Investigate suspicious transactions and report

its findings to the NFIU immediately, in compliance with the provision of section

6(2)(c) of Money Laundering (Prohibition) Act, 2011 (as amended).

(3) For the purpose of sub-regulation (I) of this regulation, complex or

unusually large transaction' or, 'unusual pattern of transactions' include significant

transactions relating to a relationship, transactions that exceed certain limits, very

high account turnover inconsistent with the size of the balance or transactions

which fall outside the regular pattern of the account's activity.

Suspicious

Transaction

Monitoring.

31. (1) Where a transaction-

(a) involves a frequency which is unjustifiable or unreasonable ;

(b) is surrounded by conditions of unusual or unjustified complexity ;

(c) appears to have no economic justification or lawful objective ; or

B 251

(d) in the opinion of the financial institution involves terrorist financing or is

inconsistent with the known transaction pattern of the account or business

relationship,

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.

(2) Where a financial institution suspects that the funds mentioned under

sub-regulation (I) of this regulation-

(a) are derived from legal or illegal sources but are intended to be used for

an act of terrorism

(b) are proceeds of a crime related to terrorist financing; or

(c) belong to a person, entity or organization considered as terrorists,

it shall immediately and without delay report the matter to the NFIU and shall

not be liable for violation of the confidentiality rules and banking secrecy

obligations for any lawful action taken in furtherance of this obligation.

(3) A financial institution shall immediately and without delay: but not later

than within 24 hours

(a) draw up a written report containing all relevant information on the

transaction, together with the identity of the principal and where applicable, of

the beneficiary or beneficiaries;

(b) take appropriate action to prevent the laundering of the proceeds of a

crime, an illegal act or financing of terrorism; and

(e) report to the NFIU any suspicious transaction, stating clearly the reasons

for the suspicion and actions taken.

(4) The obligation on financial institutions provided for in this regulation

shall apply whether the transaction is completed or not.

(5) A financial institution that fails to comply within the stipulated timeframe

with the provisions of-

(a) sub-regulation (1) of this regulation is liable to a fine of NI, 000,000 for

each day the offence subsists; or

(b) sub-regulation (2) of this regulation is liable to sanction as stipulated

under the Terrorism (Prevention) Act, 201I (as amended).

(6) Any person who being a director or employee of a financial institution

warns or in any other way intimates the owner of the funds involved in a suspicious

transaction report, or who refrains from making the report as required, is liable to

a fine of not less than N10,000,000 or banned indefinitely or for a period of not

less than 5 years from practicing his profession.

B 252

(7) The directors, officers and employees of financial institutions who carry

out their duties in good faith shall not be liable to any civil or criminal liability, or

have any criminal or civil proceedings brought against them by their customers.

Procedure

for the

Monitoring

and

Reporting

of

Suspicious

Transactions.

32. (1) A financial institution shall have a written Policy Framework that guides and enables its staff to monitor, recognize and respond appropriately to suspicious transactions in addition to the list of Money Laundering "Red Flags" provided for in the Third Schedule to these Regulations.

(2) Every financial institution shall appropriately designate an officer as the

AML CPT Compliance Officer to supervise the monitoring and reporting of terrorist

financing and suspicious transactions, among other duties.

(3) Financial institutions shall be alert to the various patterns of conduct

that are known to be suggestive of money laundering, and shall maintain and

disseminate a checklist of such transactions to the relevant staff.

(4) When any financial institution detects any "red flag" or suspicious

money laundering or terrorist financing activity, the institution shall promptly

institute a "Review Panel" under the supervision of the AML/CFT Compliance

Officer and every action taken shall be recorded.

(5) A financial institution and its staff shall maintain confidentiality in respect

of any investigation conducted in pursuance of these Regulations and any suspicious

transaction report that may be filed with the NFIU consistent with the provision

of the Money Laundering (Prohibition) Act, 2011 (as amended) and the Terrorism

(Prevention) Act, 2011 (as amended), and shall not say anything that might "tip

off" any person or entity that is under suspicion of money laundering.

(6) A financial institution that suspects or has reason to suspect that funds

are the proceeds of a criminal activity or are related to terrorist financing shall

promptly report its suspicions to the NHIU.

(7) All suspicious transactions, including attempted transactions are to be

reported regardless of the amount involved.

(8) The requirement to report suspicious transactions applies regardless of

whether they are considered to involve tax matters or other matters.

(9) Financial institutions, their directors, officers and employees whether

permanent or temporary, are prohibited from disclosing the fact that a report of a

transaction shall be filed with the competent authorities.

(10) In compliance with the Terrorism (Prevention) Act, 2011 (as)amended),

financial institutions are also required to, forward to the NFIU without delay but

not later than within 24 hours, reports of suspicious transactions relating to

(a) funds derived from illegal or legal sources are intended to be used for

any act of terrorism;

(b) proceeds of a crime related to terrorism financing; or

(c) proceeds belonging to a terrorist, terrorist entity or organization.

B 253

Part VI Monitoring, Internal Controls, and Sanctions

33. (1) A institution shall establish and maintain internal procedures,

policies and controls to prevent money laundering and financing of terrorism and Internal

Controls,

to communicate these to their employees.

Compliance

(2) The procedures, policies and controls established by financial institution and Audit.

shall cover operational matters including the CDD, record retention, the detection

of unusual and suspicious transactions and the reporting obligation.

(3) The AML /CFT Compliance Officer and appropriate are to have

timely access to customer identification data, CDD information, transaction records and other relevant information.

(4) Financial institutions are accordingly required to develop programs against

money laundering and terrorist financing, such as-

(a) the development of internal policies, procedures and controls, including

appropriate compliance management arrangement and adequate screening

procedures to ensure high standards when hiring employees;

(b) on-going employee training programs to ensure that employees are kept

informed of new developments, including information on current ML and FT

techniques, methods and trends;

(c) providing clear explanation of all aspects of AML/CFT laws and

obligations, and in particular, requirements concerning CDD and suspicious

transaction reporting; and

(cl) adequately resourced and independent audit function to test compliance

with the procedures, policies and controls.

(5) A financial institution shall put in place a structure that ensures the

operational independence of the Chief Compliance Officer (CCO) and Branch

Compliance Officers.

34. 1) Failure to comply with the provisions contained in these Regulations

shall attract appropriate sanction in accordance with the provisions of the MLPA, Sanctions

2011 (as amended), existing laws on AML/CFT and as provided for under the

provisions of the Second Schedule to these Regulations.

(2) A financial institution, its officers or employees shall not benefit from

any violation of extant AML/CFT laws and Regulations.

and

Penaltics for

Non-

Compliance.

(3) A financial institution that fails to comply with, or contravenes the

provisions in these Regulations, shall be subject to sanctions by the CBN (including

the suspension or withdrawal of its operating license).

(4) Any individual, being an official of a financial institution, who fails to

take reasonable steps to ensure compliance with the provisions of these Regulations

shall be sanctioned accordingly based on relevant provisions of the Money

Laundering (Prohibition) Act, 2011 (as amended), the Terrorism (Prevention)

B 254

Act, 2011 (as amended) and any other relevant law or Regulations, the extant

administrative sanction regime issued by the C'entral Bank of Nigeria or direction

by the Attorney-General of the Federation; including revocation, suspension or

withdrawal of professional licences by appropriate self - regulatory organizations.

(5) Criminal cases involving officers and the financial institutions shall be

referred to the relevant law enforcement agencies for prosecution and the offender

shall be liable to forfeit any pecuniary benefit obtained as u result of the violation

or breach.

(6) Incidence of false declaration, lalse disclosure, non-declaration or non-

disclosure of returns to be rendered under these Regulations by a financial institution

or its officers shall be subject to administrative review and sanctions as stipulated in

these or other Regulations and the appropriate administrative or civil penalties applied.

35. (1) A financial institution shall not keep anonymous accounts or

Prohibition

accounts in fictitious names.

of

Numbered

(2) A financial institution shall not establish correspondent relationships

or

with high risk foreign banks, including shell banks with no physical presence in

Anonymous any country or with correspondent banks that permit their accounts to be used

Accounts,

by such banks.

Accounts in

Fictitious

(3) Shell banks are prohibited from operating in Nigeria as provided in

names and

Money Laundering (Prohibition) Act. 2011 (as amended).

Shell banks.

(4) A financial institution shall-

(ar) not enter into or continue respondent or correspondent banking

relationships with shell banks; and

(b) satisfy itself that a respondent financial institution in a foreign country

does not permit its accounts to be used by shell banks.

(5) A financial institution, corporate body or any individual that contravenes

the provisions of this regulations shall on conviction be liable to a fine of not less

than N10, 000,000 and in addition to the

(a) prosecution of the principal officers of the corporate body ; and

(b) winding up and prohibition of its re-constitution or incorporation under

any form or guise.

(6) A financial institution shall take all necessary measures to satisfy itself

that respondent financial institutions in a foreign country do not permit their

accounts to be used by shell banks.

36. (1) A financial institution shall report in writing any single transaction,

Other forms lodgment or transfer of funds in excess of N5,000,000 and N10,000,000 or their

of

equivalent made by an individual and corporate body respectively to the NFIU in

Reporting.

accordance with section 10 (1) of the Money Laundering (Prohibition) Act. 2011

(as amended).

(2) In compliance with section 2(L) of the Money Laundering (Prohibition)

B 255

Act, 2011 (as amended) financial institutions shall render reports in writing on

transfers to or from a foreign country of funds or securities by a person or body

corporate including a Money Service Business of a sum exceeding USS 10,000 or

its equivalent to CBN, Securities and Exchange Commission ('SEC") and the

NFIU within 7 days from the date of the transaction.

(3) Details of a report sent by a financial institution to the NFIU shall not be

disclosed by the institution or any of its officers to any other person.

37. (I) A financial institutions hull design comprehensive employee

education and training programmes, to make employees fully aware of their

obligations and also to equip them with relevant skills required for the effective Employee-

education

discharge of their AML/CFT tasks.

and Training

(2) The timing, coverage and content of the employee training programme Programme.

shall be tailored to meet the needs of the financial institution to ensure compliance

with the requirements and provisions of these Regulations.

(3) A financial institution shall provide comprehensive training programmes

for staff covering compliance officers and as part of the orientation programmes

for new staff and those posted to the front office, banking operations and branch

office staff, particularly cashiers, account opening, mandate, and marketing staff,

internal control and audit staff and managers.

(4) A financial institution shall render quarterly returns on their level of

compliance on their education and training programmes to the CBN and NFIU.

(5) An employee training programme shall be developed under the guidance

of the AML/CFT Compliance Officer in collaboration with the top Management.

(6) The basic elements of the employee training programme of financial

institutions shall include-

(a) AML Regulations and offences ;

(/b) the nature of money laundering :

(c) money laundering 'red flags' and suspicious transactions, including

trade-based money laundering typologies

(d) reporting requirements ;

(e) Customer Due Diligence ;

(/) risk-based approach to AML and CPT ; and

(g) record keeping and retention policy.

(7) A financial institution shall submit its annual AML/CFTemployee training

programme for the following year to the CBN and NFIU at the end of June and

December every financial year.

В 256

Monitoring

conduct.

38. (I) A financial institution shall monitor their employees' accounts for

potential signs of money laundering.

(2) A financial institution shall subject employees" accounts to the same

AML/CFT procedures as applicable to other customers' accounts.

(3) The requirement specified in sub-regulation (2) of this regulation shall

be performed under the supervision of the AML/CFT Chief Compliance

and the account of this officer is in turn to be reviewed by the Chief Internal

Auditor or a person of adequate and similar seniority.

(4) Compliance reports including findings shall be rendered to the CBN and

NFIU at the end of June and December of every year.

(5) The AML/CFT performance review of shall be part of employees 7

annual performance appraisals.

Protection

of Staff who

Report

Violations,

39. (1) A financial institution shall make it possible for employees to report

any violations of the institution's AML/CFT compliance programme to the AML/

CFT Compliance Officer.

(2) A financial shall direct its employees in writing to always co-

operate fully with the Regulators and law enforcement agents and to promptly

report suspicious transactions to the NFIU.

(3) Where the violations involve the Chief Compliance Officer, employees

shall report the violations ta a designated higher authority such as the Chief internal

Auditor, the Managing Director or in confidence to the CBN or to the NFIU.

(4) A financial institution shall inform its employees in writing to make their

reports confidential and to assure employees of protection from victimization as

a result of making any report.

Additional

AML/CFT

Risks.

40,.(I) A financial institution shall review, identify and record other areas

of potential money laundering risks not covered by these Regulations and report

the risk quarterly to the CBN and NFIU.

(2) A financial institution shall review its AML/CFT frainenorks from time

to time with a view to determining their adequacy and identifying other areas of

potential risks not covered by the AML/CFT Regulations.

Additional

Procedures

nnd

Mitigants.

41. After carrying out the review of the AML/CFT framework and identified

new areas of potential money laundering vulnerabilities and risks, financial institution

shall design additional procedures and mitigants as contingency plan in their AML/

CFT Operational Manuals with indication on how such potentiai risks shall be

appropriately managed where they crystallize and details of the contingency plan

rendered to the CBN and NFIU on the 31st December of every financial year.

Testing for

the

of

the AMI.

CFT

Compliance.

42. (1) A financial institution shall make a policy commitment and subject

its AML/CFT Compliance Programme to independent-testing on require its internal

audit function to determine the adequacy, completeness and effectiveness of the

programme.

B 257

be

(2) Report of compliance by a financial institution shall be rendered to the

CBN and NFIU by 31st December of every financial year and any identified

weaknesses or inadequacies promptly addressed by a linancial institution.

43. (1) The ultimate responsibility for AML/CFT compliance is placed on Formal

Bonrd

approval of

the Board and top Management of every financial institution in Nigeria.

(2) The Board of a financial institution shall ensure that a comprehensive the AML

operational AML/CFT Policy and Procedure is formulated annually by Management CFT

Compliance.

and presented to the Board for consideration and formal approval.

(3) Copies of the approved AML/CIFT Policy and Procedure referred to in

sub-regulation (2) of this regulation shall be forwarded to the CBN and NFIU

within six months of the release of these Regulations.

(4) Monthly reports on the AML/CFT compliance status of a financial

institution shall be presented to the board by the Chief Compliance Officer for its

information and necessary action,

44. Every financial institution shall have a comprehensive AML/CFT. Culture of

compliance programme to guide its efforts and to ensure the diligent implementation of its compliance programme, to entrench in the institution a culture of compliance, to minimize the risks of being used to launder the proceeds of crime and also to provide protection against fraud, reputation and financial risks.

**Part VII-Guidance on Know Your Customer ("KYC")**

46. (1) To further deepen financial inclusion, a three tiered KYC standard Three

shall be utilized to ensure application of flexible account opening requirements for Tiered KYC

low-value and medium value accounts which shall be subject to caps and Requirements.

restrictions as the amounts of transactions increase where the account opening

requirements shall increase progressively with less restrictions on operations stated

in this regulation.

(2) Tier one for which

(a) basic customer information required to be provided are :

(1) passport photograph ;

(ii) name, place and date of birth ;

(iii) gender, address, telephone number, etc :

(h) information in paragraph (a) of this sub-regulation may be sent

electronically or submitted onsite in bank's branches or agent's office;

(c) evidence of information provided by a customer or verification of same

is not required

(d) the accounts shall be closely monitored by the financial institution ;

(e) the accounts may be opened at branches of the financial institutions by

the prospective customer or through banking agents ;

(f) no amount is required for opening of accounts;

B 258

(g) such accounts may cover Mobile Banking products, issued in

accordance with the CBN Regulatory Framework for Mobile Payments

Services in Nigeria ;

(h) deposits may be made by account holder and 3rd parties while withdrawal

is restricted to account holder only :

(i) may be linked to mobile phone accounts :

(/) operation is valid only in Nigeria ;

(k) limited ATM transactions are allowed ;

(7) a maximum single deposit amount is limited to 1420,000 and maximum

cumulative balance of N200, 000 at any point in time ;

(m) international funds transfer is prohibited ; and

(m) accounts are strictly savings ;

(3) Tier two for which-

(a) evidence of basic customer information such as passport photograph,

name, place and date of birth, gender and address is required;

(b) items in paragraph (a) of this regulation may be forwarded electronically

or submitted on-site in banks' branches or agents' offices:

(c) customer information obtained shall be against similar information

contained in the official data-bases such as National Identity Management

Commission (NIMC), Independent National Electoral Commission (INFO)

Voters Register, Federal Road Safety Commission (FSRC) among others:

(d) accounts may be opened face to face at any branch of a bank by agents

for enterprises used for mass payroll or by the account holder:

(e) evidence of basic customer information is required at this level and

identification, verification and monitoring by financial institutions are also

required:

(f) accounts may be contracted by phone or at the institution's website;

(g) accounts may be linked to a mobile phone:

(h) may be used for funds transfers within Nigeria only;

(i) the accounts are strictly savings;

(j) no amount is required for opening of the accounts;

(k) such accounts cover Mobile Banking products (issued in accordance

with the CBN Regulatory Framework for Mobile Payments Services in

Nigeria) ;

(f) maximum single deposit of N50,000 and a maximum cumulative balance

of N400,000 are allowed at any time ; and

(mr) withdrawal shall be denied where cross-checking of client's

identification information is not completed at the point of account opening.

B 259

(4) Tier three for which

(ar) a financial institution shall obtain, verify and maintain copies of all the

required documents for opening of accounts in compliance with the KYC

requirements contained in these Regulations :

(10)

(b) no amount is required for opening of the accounts :

(c) there is no limit on cumulative balance, deposit and transactions, and

(d) KYC requirements shall apply,

**Obtain Identification Evidence.**

46. (1) A Financial institution shall not establish a business relationship Duty to

until the relevant parties to the relationship have been identified, verified, and the

nature of the business they intend to conduct ascertained.

(2) Where an on-going business relationship is established, any activity that

is not consistent to the business relationship shall be examined to determine

whether or not there are elements of money laundering, terrorist financing or any

suspicion activity.

(3) The first requirement of knowing your customer for money laundering

and terrorist financing purposes, is for the financial institution to be satisfied that

a prospective customer is who he claims to be.

(4) A Financial institution shall not engage in any financial business or

provide advice to a customer or potential customer except where the financial

institution is sure or certain as to who that person actually is.

(5) Where a customer is acting on behalf of another in a situation where

funds are supplied by someone else or the investment is to be held in the name of

someone else, a financial institution shall verify the identity of the customer, the

agent or trustee except where the customer is itself a Nigerian regulated financial

institution.

customers.

(6) A Financial institution shall obtain evidence of identification of its

(7) A financial institution shall identify all relevant parties to a business

relationship from the beginning in accordance with the general principles of

obtaining satisfactory identification evidence set out in these Regulations,

**Level of the Business.**

47. (1) A financial institution shall obtain sufficient information on the Nature and

nature of the business that its customer intends to undertake, including expected

or predictable pattern of transactions.

(2) The information obtained before the commencement of the business

shall include

(a) purpose for opening the account or establishing the relationship ;

(h) nature of the activity that is to be undertaken ;

(c) expected origin of the funds to be used during the relationship : and

B 260

(cl) details of occupation, employment or business activities and sources of

wealth or income.

(3) A financial institution shall take reasonable steps to keep the information

up-to-date as the opportunities arise, include where an existing customer opens a

new recount.

(4) Any information obtained during any meeting, discussion or other

communication with a customer shall be recorded and kept in a customer's file to

ensure, as far as practicable, that current customer information is readily accessible by the Anti-Money Laundering Compliance Officers (\*AMLCOs') or relevant regulatory bodies.

**Application of Commercial Judgment**

48. (l) A financial institution shall take a risk-bases approach of KYC requirements.

(2) A financial institution shall decide on the number of times to verify the

customers" records during the relationship, the identification evidence required

and when additional checks are necessary a

(3) A financial institution shall for personal account relationships, identify

and verify all joint-account holders.

(4) A financial institution shall for private company or partnership, identify

and verify the principal owners or controllers.

(5) The identification evidence obtained from the beginning of a business

relationship shall be reviewed against the inherent risks in the business or service.

Identification.

**Factors to consider in identification.**

49. The customer identification process shall continue to exist throughout

the duration of the business relationship.

(2) The process of confirming and updating identity and address, and the

extent of obtaining additional KYC information collected may differ from one

type of financial institution to another.

(3) The general principles for establishing the identity of legal and natural

persons and the guidance on obtaining satisfactory identification evidence set out

in these Regulations are not exhaustive.

50. In determining a customer's identity under these Regulations, the

following shall be considered

(a) the name used:

(b) date of birth:

(c) the residential address at which the customer can be located;

(d) in the case of a natural person, the date of birth shall be obtained as an

important identifier in support of the name and there shall be no obligation to

verify the date of birth provided by the customer; and

B 261

(e) where an international passport, driver's licence, INEC voter's card or

national identity card is taken as evidence of identity. the number, date and

place or country of issue (as well as expiry date in the case of international

passport and driver's licence) shall be recorded.

**Verification of Identity**

51. (1) The identity of a customer shall be verified whenever a business "Time for

relationship is to be established, on account opening, during one-off transaction

or where a series of linked transactions takes place.

(2) In these Regulations, "transaction" include the giving of advice and

"advice" under this regulation shall not apply where information is provided on

the availability of products or services and when a first interview or discussion

prior to establishing a relationship takes place.

(3) Where the identification procedures have been completed and business

relationship established, as long as contact or activity is maintained and records

concerning that complete and kept, no further evidence of identity shall be

undertaking when another transaction or activity is subsequently undertaken.

(4) Where an investor realizes the investment made (wholly or

partially), where the amount payable is USSI,000 or its equivalent or above or

such other monetary amounts as may, from time to time be stipulated by any

applicable money laundering legislation or Regulations, the identity of the investor

shall be verified and recorded where this had not been done previously.

(5) Where there is a redemption or surrender of an investment (wholly or

partially), a financial institution shall take reasonable measures to establish the

identity of the investor where payment is made to

(a) the legal owner of the investment by means of a cheque crossed "account

payee"; or

(b) a bank account held (solely or jointly), in the name of the legal owner of

the investment by any electronic means.

52. (1) Financial institutions shall obtain evidence of the client's Verification

identity to ascertain that the client is the person he claims to be,

of Identity.

(2) Where a person is acting on behalf of another, the obligation is to obtain

sufficient evidence of identities of the two persons involved,

53. (1) Notwithstanding the provisions of regulation 52 of these Exceptions.

Regulations, in situation of consortium lending, the lead-manager or agent shall

supply a. confirmation letter as evidence that he has obtained the required identity.

(2) There is no obligation to look beyond the client where-

(a) the client is acting on its own account (rather than for a specific client

or group of clients) ;

(b) the client is a bank, broker, fund manager or other regulated financial

institutions ; or

B 262

(c) all the businesses are to be undertaken in the name of a regulated financial

Additional

Verification

Requiem-

ments.

institution.

54. In other circumstances, except where the client is a regulated

institution acting as agent on behalf of one or more underlying clients within

Nigeria, and has given written assurance that it has obtained the recorded evidence

of identity to the required standards, identification evidence shall be verified for-

(a) the named account holder or person in whose name an investment is

registered;

(b) any principal beneficial owner of funds being invested who is not the

account holder or named investor:

(c) the principal controller of an account or business relationship including

those who regularly provide instructions; and

(d) any intermediate parties including cases where an account is managed

or owned by an intermediary.

**Identification of Directors and other Signatories.**

55. A financial institution shall identify directors and all the signatories to

an account.

56. Identification evidence shall be obtained for all joint applicants or

account holders.

**Verification of Identity for High Risk Business.**

57. For higher risk business undertaken for private companies including

those not listed on the stock exchange sufficient evidence of identity and address

shall be verified in respect of

(a) the principal underlying beneficial owner(s) of the company with 5%

interest and above; and

(b) those with principal control over the company's assets (e. g. principal

controllers or directors).

**Duty to keep watch of significant changes in nature of business.**

58. A financial institution shall-

(a) be at alert in circumstances that may indicate any significant changes

in the nature of a business or its ownership and shall make enquiries

accordingly; and

(b) observe the additional provisions for High Risk Categories of Customers under AML/CFT directive in these Regulations.

**Verification of identity of Person providing Funds for Trust.**

59. (1) A financial institution shall obtain and verify the identity of those

providing funds for Trusts.

(2) The identity of those providing funds for Trust envisaged under these

regulations include the settlor and those who are authorized to invest, transfer

funds or make decisions on behalf of the Trust such as the principal trustees and

controllers who have power to remove the Trustees,

в 263

60. Where an investor sets up a savings account or a regular savings Savings

schemes and

investments

in third

parties"

names.

scheme whereby, the funds are supplied by one person for investment in the

name of another (such as in the case of a spouse or a child), the person who

funds the subscription or makes deposits into the savings scheme is for all intent

and purposes, the applicant for the business in question and for such person,

identification evidence shall be obtained in addition to that of the legal owner.

61. (1) Identification evidence shall be obtained at the outset for all Personal

investors, except personal pensions connected to a policy of insurance taken out

by virtue of a contract of employment or pension scheme.

**Pension Schemes.**

(2) Personal pension advisers are charged with the responsibility of obtaining

the identification evidence on behalf of the pension fund provider and confirmation

that identification evidence has been taken shall be provided on the transfer of a

pension to another pension fund provider.

62. (1) An acceptable time-span for obtaining satisfactory evidence of

identity is determined by the nature of the business, the geographical location of **Identification Requirements**

the parties and the possibility of obtaining the evidence before commitments are

entered into or actual monies given or received.

(2) Any business conducted before satisfactory evidence of identity has

been obtained shall only be in exceptional cases and under circumstances that can be justified with regard to the risk and in such a case, financial institution shall-

(a) obtain identification evidence as soon as reasonably practicable after it

has contact with a client with a view to agreeing with the client to carry out an

initial transaction or reaching an understanding, whether binding or not, with

the client that it may carry out future transactions; and

(b) where the client does not supply the required information as stipulated

in paragraph (a) of this regulation, the financial institution shall discontinue

any activity it is conducting for the client and bring to an end any understanding

reached with the client.

(3) A financial institution shall also observe the provision in the timing of

verification under the AML/CFT directive contained in these Regulations.

(4) A institution may however start processing the business or

application immediately, provided that it-

(a) promptly takes appropriate steps to obtain identification evidence: and

(h) does not transfer or pay any money out to a third party until the

identification requirements are carried out.

63. (1) The failure or refusal of an applicant to provide satisfactory Consequence

identification evidence within a reasonable time and without adequate explanation of failure to may lead to a suspicion that the depositor or investor is engaged in money laundering.

provide

satisfactory

Identification

Evidence.

B 264

(2) A financial institution under the situation stipulated in sub-regulation (1)

of this regulation shall immediately make an STR to the NFYU based on the

information in its possession before the funds involved are returned to the potential

client or original source of the funds.

(3) A financial institution shall have in place written and consistent policies (s de m

of closing an account or unwinding a transaction where satisfactory evidence of

identity cannot be obtained.

(4) A financial institution is also required to respond to inquiries

made by competent authorities and financial institutions on the identity of their customers.

Procedures.

64. (1) A financial institution shall ensure that it is dealing with a real

person or organization whether natural, corporate or legal, by obtaining sufficient

identification evidence.

(2) Where reliance is placed on a third party to identify or verify the

identity of an applicant, the overall responsibility for obtaining satisfactory

identification evidence rests with the account holding financial institution.

(3) In all cases, it is mandatory to obtain satisfactory evidence that a person

lives at the address he provided and that the applicant is that person or that the

company has identifiable owners and that its representatives can be located at the

address provided.

(4) The identification process should be cumulative, as no single form of

identification can be fully guaranteed us genuine or representing correct identity.

(5) The procedures adopted to verify the identity of private individuals.

whether or not identification was done face-to-face or remotely, shall be stated in

the customer's file and the reasonable steps taken to avoid single, multiple fictitious

applications, substitution (impersonation) or fraud shall be stated also by the

financial institution in the client's file.

(6) An introduction from a respected customer, a person personally known

to a Director or Manager or a member of staff often provides comfort but shall

not replace the need for identification evidence requirements to be complied with

as set out in this Regulation.

(7) Details of the person who initiated and authorized the introduction

should be kept in the customer's mandate file along with other records and the

Directors or Senior Managers shall insist on the prescribed identification procedures

for every applicant.

w

65. 1) Where an existing customer closes one account and opens another

or enters into a new agreement to purchase products or services, it shall not be necessary to verify the identity or address for such a customer unless the name or the address provided does not tally with the information in the financial institution's records, provided that procedures are put in place to guard against impersonation or fraud.

B 265

(2) The opportunity of opening the new account referred to in sub-regulation

(I) of this regulation shall be utilized to ask the customer to confirm the relevant

details and to provide any missing KYC information and where-

(a) there was an existing business relationship with the customer and

identification evidence had not previously been obtained;

(h) there had been no recent contact or correspondence with the customer

within the past three months ; or

(c) a previously dormant account is re-activated.

(3) In the circumstances in sub-regulation (2) of this regulation, details of

the previous account and any identification evidence previously obtained or any

introduction records shall be linked to the new account-records and retained for

the prescribed period in accordance with the provisions of these Regulations.

66. (I) In order to guard against the dangers of postal-interception and Certification

fraud, prospective customers shall not be asked to send originals of their valuable of

personal identity documents including international passport, identity card, driver's

licence, by post.

Identitication

Documents.

(2) Where there is no face-to-face contact with a customer and documentary

evidence is required, certified true copies by a lawyer, notary public or court of

competent jurisdiction, banker, accountant, senior public servant or their equivalent

in the private sector shall be obtained provided that the person undertaking the

certification is known and capable of being contacted. In the case of a foreign

national, a copy of international passport, national identity card or documentary

evidence of his address shall be certified by-

(a) the embassy, consulate or high commission of the country of issue;

(b) a senior official within the account opening institution; or

(c) a lawyer or notary public.

(3) Certified True Copies of identification evidence are to be stamped, dated

and signed "original sighted by me" by a senior officer of the financial institution.

(4) A financial institution shall always ensure that a good production of the

photographic evidence of identity is obtained provided that where this is not

possible, a copy of evidence certified as providing a good likeness of the applicant

is acceptable in the interim.

67. (I) Records of the supporting evidence and methods used to verify Recording

identity shall be retained for a minimum period of five years after the account is Identification

closed or the business relationship ended.

Evidence.

(2) Where the supporting evidence cannot be copied at the time it was

presented, the reference numbers and other relevant details of the identification

evidence shall be recorded to enable the documents to be obtained later.

B 266

(3) Confirmation of evidence in sub-regulation (2) of this regulations hall

be provided that the original documents were seen by certifying either on the

photocopies or on the record that the details were taken down as evidence.

(4) Where checks are made electronically, a record of the actual information

obtained or where it can be re-obtained shall be retained as part of the identification evidence.

(5) The record in sub-regulation (4) of this regulation shall make the

reproduction of the actual information that would have been obtained before, less cumbersome.

Confession in respect of Payment made by Post.

68. (1) Where the money laundering risk is assessed to be low, concession

may be granted for product or services in respect of long-term life insurance

business or purchase of personal investment products.

(2) Where payment is to be made from an account head in a customer's

name or jointly with one or more other persons, at a regulated financial institution.

no further evidence of identity shall be necessary.

(3) Additional verification requirements for postal or electronic transactions

shall apply to the following

(a) products or accounts where funds may be transferred to other types of

products or accounts which provide cheque or money transfer facilities;

(b) situations where funds may be repaid or transferred to a person other

than the original customer: and

(c) investments where the characteristics of the product or account may

change subsequently to enable payment to be made to third parties.

(4) Postal concession shall not be an exemption from the requirement to

obtain satisfactory evidence of a customer's identity and payment debited from

an account in the customer's name shall be capable of constituting the required

identification evidence in its own right.

(5) To avoid proceeds of crime from being laundered by a customer who

uses a third-party cheque, draft or electronic payment drawn on a bank, payment

from joint accounts shall be considered acceptable for this purpose where the

name of the account-holder from where the funds have been provided shall be

clearly indicated on the record reflecting the payment or receipt, provided-that a

financial institution may rely upon the required documentary evidence of a third

party, without further verification of the identity, where there is no apparent

inconsistency between the name in which an application is made and the name on

the payment instrument.

(6) In the case of a mortgage institution's cheque or banker's draft, it shall

only be possible to rely on the concession in sub-regulation (5) of this regulation

where the holder of the account from which the money is drawn is confirmed to

have met the KYC requirements by the mortgage institution or bank, and payment

B 267

by direct debit or debit card shall be relied upon except the authentication procedure

identifies the name of the account holder from which the payment is drawn and

confirms the customer's address.

(7) In respect of direct debits, it shall not be assumed that the account-

holding bank or institution may carry out any form of validation of the account

name and number or that the mandate shall be rejected where they do not match.

(8) Where payment for the product is to be made by direct debit or debit

card or notes, and the applicant's account details have not previously been verified

through sighting of a bank statement or cheque drawn on the account, repayment

proceeds shall only be returned to the account from which the debits were drawn.

(9) Records shall be maintained indicating how a transaction arose, including

details of the financial institution's branch and account number from which the

cheque or payment is drawn.

(10) The concession in this regulation may apply both where an application

is made directly to the financial institution and where a payment is passed through

a regulated intermediary.

(11) A financial institution that has relied on the postal concession to avoid

additional verification requirements, which shall be so indicated on the customer's

file, cannot introduce that customer to another financial institution for the purpose

of offering bank accounts or other product that provide cheque or money

transmission facilities.

(122)

(12) Where the customer in sub-regulation (11) of this regulation wishes

to migrate to an account that provides cheque or third party transfer facilities,

additional identification checks shall be undertaken at that time, and where these

circumstances occur on a regular basis a financial institution shall identify all the

parties to the relationship at the outset.

69. Term Deposit Accounts ('TDA') can be broadly classified as a one-off Term

transaction provided that a financial institution shall note that concession is not Deposit

available for TDAs opened with cash where there is no audit trail of the source of

Account

funds or where payments to or from third parties are allowed into the account.

("TDA').

70. Where the balance in an investment fund account is transferred from one Investment

funds manager to another and the value at that time is above S1,000 or its equivalent Funds.

and identification evidence has not been taken or confirmation obtained from the

original fund manager, such evidence shall be obtained at the time of the transfer.

Part VIII General Information

71. Establishing identity under these Regulations is divided into three broad Establishing

categories, namely-

Identity.

(a) private individual customers

(b) quasi corporate customers; and

(c) pure corporate customers.

B 268

Private

72. (1) The following information shall be established and independently

- validated for all private individuals whose identities need to be verified-

General

Information.

(a) the full name used ; and

(b) the permanent home address, including landmarks and postcode, where

available.

(2) The information obtained shall provide satisfaction that a person of that

name exists at the address given and that the applicant is that same person so

indicated, and where an applicant has recently moved from his residence, the

previous address shall be validated.

(3) The date of birth shall be obtained as required by the law

agencies, provided that the information need not be verified and the residence or

nationality of a customer is ascertained to assist risk assessment procedures.

(4) A risk-based approach shall be adopted when obtaining satisfactory

Private, individuals resident in Nigeria.

cementing

dence of

ntity.

evidence of identity.

(5) The extent and number of checks may vary depending on the perceived

risk of the service or business sought and whether the application is made in

person or through a remote medium such as telephone, post or the internet.

(6) The source of funds of how the payment was made, from where and

by whom shall always be recorded to provide an audit trail, provided that for high

risk products, accounts or customers, additional steps shall be taken to ascertain

the source of wealth or funds.

(7) For low-risk accounts or simple investment products such as deposit

or savings accounts without cheque-books or automated money transmission

facilities, the financial institution shall satisfy itself as to the identity and address

of the customer.

73. (1) The confirmation of name and address shall be established by

reference to a number of sources.

(2) The checks shall be undertaken by cross-validation that the applicant

exists at the stated address either through the sighting of actual documentary

evidence or by undertaking electronic checks of suitable databases or by a

combination of the two.

(3) The overriding requirement to ensure that the identification evidence is

satisfactory shall rest with the financial institution opening the account or providing

the product or service.

74. (1) To guard against forged or counterfeit documents, care shall be

taken to ensure that documents offered are originals.

(2) Copies that are dated and signed 'original seen' by a senior public

servant or equivalent in a reputable private organization may be accepted in the

interim, pending presentation of the original documents.

B 269

(3) Suitable documentary evidence for private individuals resident in Nigerian

as contained in the Second Schedule to these Regulations.

(4) Checking of a local or national telephone directory may be used as

additional corroborative evidence but shall not be used as a primary check.

75. (1) A financial institution shall establish the true identity and address

of its customer and carryout effective checks to protect the institution against

substitution of identities by applicants.

(2) Additional verification of a customer's identity and the beat that the

application was made by the person identified shall be obtained through one or

more of the following procedures--

(a) direct mailing of account opening documentation to a named individual

at an independently verified address:

(h) an initial deposit cheque drawn on a personal account in the applicant's

name in another financial institution in Nigeria;

(c) telephone contact with the applicant prior to opening of the account on

an independently verified home or business number or a "welcome call" to the

customer before transactions are permitted, utilizing a minimum of two pieces

of personal identity information that had previously been provided during the

setting up of the account;

(d) internet sign-on following verification procedures where the customer

uses security codes, tokens, or other passwords which had been set up during

account opening and provided by mail or secure delivery, to the named individual

at an independently verified address; or

Physical

Checks on

Private

Individuals

Resident in

Nigeria.

(e) card or account activation procedures,

(3) A financial institution shall ensure that additional information on the

nature and level of the business to be conducted and the origin of the funds to be

used within the relationship are obtained from the customer.

76. (1) An applicant's identity, address and other available information Electronic

may be checked electronically by accessing other data-bases or sources, as an Checks.

alternative or supplementary to documentary evidence of identity or address.

(2) A financial institution shall use a combination of electronic. documentary

and physical checks to confirm different sources of the same information provided

by a customer,

(3) In respect of electronic checks, confidence as to the reliability of

information supplied shall be established by the cumulative nature of checking

across a range of sources, preferably covering a period of time or theough qualitative

checks that assess the validity of the information supplied.

(4) The number or quality of checks to be undertaken shall vary depending

on the diversity as well as the breadth and depth of information available from each

source.

(5) Verification that the applicant is the data-subject shall be conducted

within the checking process.

(6) Suitable electronic sources of information include-

(a) an electronic search of the electoral register not be used as a sole

identity and address check;

(b) access to internal or external account database; and

(c) an electronic search of public records where available.

(7) Application of the process and procedures in this regulation shall assist

financial institutions to guard against impersonation, invented-identities and the

use of false addresses provided that there an applicant is a non face-to-face

person, one or more additional measures shall be undertaken for re-assurance.

Part IX--Financial or

Disadvantaged Applicants

\*Financial

Exclusion"

lor the

socially or

financially

disadvantaged themselves.

Applicants

Resident in

Nigeria,

77. (1) Notwithstanding that access to basic banking facilities and other

financial services is a necessary requirement for most adults, the socially or

financially disadvantaged shall not be precluded from opening accounts or obtaining

other financial services merely because they do not possess evidence to identify

(2) The socially or financially disadvantaged shall not be precluded from

opening accounts or obtaining other financial services merely because they do

not possess evidence to identify themselves since access to basic banking facilities

and other financial services is a necessary requirement for most adults.

(3) Where the socially or financially disadvantaged cannot reasonably

comply with sub-regulation (1) of this regulation, the internal procedures of the

financial institution shalt make allowance for such persons by way of providing

appropriate advice to staff on how the identities of such group of persons may be

confirmed and what checks shall be made under these exceptional circumstances.

(4) Where a financial institution has reasonable grounds to conclude that an

individual client is not able to produce the detailed evidence of his identity and

cannot reasonably be expected to do so, the institution may accept as identification

evidence, a letter or statement from a person in a position of responsibility such

as solicitors, doctors, ministers sol religion and teachers who know the client,

confirming that the client is who he says he is and his permanent address.

(5) When a financial institution has decided to treat a client as "financially

excluded", it shall record the reasons for doing so along with the account opening

documents, and returns of same shall be rendered to the CBN and NFYU quarterly.

(6) Where u leuer or statement is accepted from a person in position of

responsibility, it shall include a telephone number where the person can be contacted

for verification and the financial institution shall verify from an independent source the information provided by that person so as to satisfy itself that such customer

is the person he claims to be.

(7) A financial institution shall include in its internal procedures the "alternative

documentary evidence of personal identity and address" that may be accepted to

guard against "financial exclusion" and to minimize the use of the exception

procedure.

(8) A financial institution shall put in place additional monitoring for accounts

opened under the financial inclusion procedures to ensure that such accounts are

not misused.

78. (1) International passports or national identity cards shall generally be Private

available as evidence of the name of a customer and reference numbers, date and

Individuals

country of issue shall be obtained and recorded in the customer's file as part of not resident

the identification evidence in respect of prospective customers who are not resident

in Nigeria.

in Nigeria but who make face-to-face contact.

(2) A financial institution shall obtain separate evidence of an applicant's

permanent residential address from the best available evidence, preferably from

an official source.

(3) A Post Office Box number ("PO. Box Number") alone shall not be accepted

as evidence of address and the applicant's residential address shall be such that it

may be physically located by way of a recorded description or other means.

(4) Relevant evidence shall be obtained by the financial institution directly

from the customer or through a reputable credit or financial institution in the

applicant's home country or country of residence, provided that particular care

shall be taken when relying on identification evidence obtained from other countries.

(5) A financial institution shall ensure that a customer's true identity and

current permanent address are actually confirmed. In such cases, copies of relevant identity documents shall be sought and retained.

(6) Where a foreign national has recently arrived in Nigeria, reference may

be made to his employer, university, evidence of traveling documents, etc. to

verify the applicant's identity and residential address.

(7) For a private individual not resident in Nigeria, who wishes to supply

documentary information by post, telephone or electronic means, a risk-based

approach shall be taken where the financial institution shall obtain one separate

item of evidence of identity in respect of the name of the customer and one

separate item for the address.

(8) Documentary evidence of name and address may be obtained from

(a) an original documentary evidence supplied by the customer;

(b) a certified copy of the customer's passport or national identity card and

a separate certified document including utility bill and driving license, verifying

the customer's address; or

(c) a branch, subsidiary, head office of a correspondent bank.

(9) Where an applicant does not already have a business relationship with

the financial institution that is supplying the information or the financial institution

is outside Nigeria, certified copies of relevant underlying documentary evidence

shall be sought, obtained and retained by the institution.

(10) An additional comfort shall be obtained by confirming the customer's

true name, address and date of birth from a reputable credit institution in the

customer's home country, where necessary.

(11) A financial institution shall use requirements in this regulation in

conjunction with the First Schedule to these Regulations.

**Non Face-to-Face Identification**

79. (1) In respect of a non face-to-face customer, an additional measure

or check shall be undertaken to supplement the documentary or electronic evidence to ensure that an applicant is who he claims to be and these additional measures shall apply whether the applicant is resident in Nigeria or elsewhere and shall be particularly robust where the applicant is requesting a bank account or other product or service that offers money transmission or third party payments.

(2) Procedures to identify and authenticate a customer shall ensure that

there is sufficient evidence either documentary or electronic to confirm his address

and personal identity and to undertake at least one additional check to guard

against impersonation or fraud.

(3) The extent of the identification evidence required in this regulation shall

depend on the nature and characteristics of the product or service and the assessed

risk, provided that care shall be taken to ensure that the same level of information

is obtained for internet customers and other postal or telephone customers.

(4) Where reliance is placed on intermediaries to undertake the processing

of applications on the customer's behalf, checks shall be undertaken to ensure

that the intermediaries are regulated for money laundering prevention and that the relevant identification procedures are applied.

(5) A financial institution shall conduct regular monitoring of internet-based

business or clients and where a significant proportion of the business is operated

electronically, computerized monitoring systems or solutions that are designed to

recognize unusual transactions and related patterns of transactions shall be put in

place to recognize suspicious transactions.

(6) In all cases, evidence as to how identity has been verified shall be

obtained and retained with the account opening records.

(7) AML/CFT compliance officers shall review these systems or solutions,

record exemptions and report same quarterly to the NFIU.

**Refugees or Asylum Seekers.**

80. (1) Where a refugee or asylum seeker requires a basic bank account

without being able to provide evidence of identity, authentic references from the

Nigerian Immigration Services endorsed by the State Security Services shall be

used in conjunction with other readily available evidence.

B 273

(2) Additional monitoring procedures shall be undertaken in respect of sub-

regulation (1) of this regulation to ensure that the use of the account is consistent

with the customer's circumstances.

81.--(1) When opening accounts for students or other young people, Students

the normal identification procedures set out in these Regulations shall be and

followed and where such procedures may not be relevant or do not provide

satisfactory identification evidence, verification may be obtained through -

Minors.

(a) the home address of the parent;

(b) confirming the applicant's address from his institution of learning; or

(c) seeking evidence of a tenancy agreement or student accommodation

contract.

(2) An account for a minor may be opened by a family member or guardian

and where the adult opening the account does not already have an account with

the financial institution, the identification evidence for that adult or of any other

person who will operate the account shall be obtained in addition to obtaining the

birth certificate and passport of the child, provided that strict monitoring shall be

undertaken,

(3) For accounts opened through a school-related scheme, the school shall

provide the date of birth and permanent address of the pupil and complete the

standard account opening documentation on behalf of the pupil.

(4) Account of a minor shall be constantly monitored to ensure that it is not

used for the purposes of money laundering or terrorist financing and that the

transaction does not exceed an amount that should be determined by the financial

institution.

82. Trusts, nominee companies and fiduciaries are popular vehicles for Quasi

criminals wishing to avoid the identification procedures and mask the origin of

the dirty money they wish to launder. The particular characteristics of Trust that

attract the genuine customer, the anonymity and complexity of structures that

they can provide are also highly attractive to money launderers.

Part X---Trust, Policy, Receipt and Payment of Funds

83. (1) Trusts, nominees and fiduciary accounts present a higher money Trust,

Nominees

laundering risk than others.

and

(2) Identification and "Know Your Customer's Business" shall Fiduciaries.

be set and managed in accordance with the perceived risk.

(3) The principal objective of money laundering prevention trusts, nominees

and fiduciaries shall be to verify the identity of the provider of funds such as the

settlor, and those who have control over funds like the trustees and any controllers

who have the power to remove the trustees.

(4) For discretionary or offshore trust, the nature and purpose of the trust

and the original source of funding shall be ascertained

B 274

(5) Whilst reliance may be placed on other financial institutions that are

regulated for money laundering prevention to undertake the checks or confirm

identity, the responsibility to ensure that this is undertaken shall vest with the

financial institution and the underlying evidence of identity shall be made available to law enforcement agencies in the event of an investigation.

(6) Identification shall be obtained and not waived for any trustee who

does not have authority to operate an account and cannot give relevant instructions concerning the use or transfer of funds.

**Offshore Trusts,**

84.-(1) Since offshore trusts present a higher money laundering risk,

additional measures shall be needed for Special Purpose Vehicles (SPVs) or

International Business Companies connected to trusts.

(2) Where trusts are set up in offshore locations with strict bank secrecy

or confidentiality rule, those created in jurisdictions without equivalent money

laundering procedures in place shall warrant additional enquiries.

(3) Except an applicant for business is a regulated financial institution,

measures shall be taken to identify the trust company or the corporate service

provider in line with the requirements for professional intermediaries or companies

generally,

(4) Certified copies of the documentary evidence of identity for the principals

including settlors and controllers on whose behalf the applicant for business is

acting shall be obtained.

(5) For overseas trusts, nominee and fiduciary accounts, where the applicant

is a financial institution that is regulated for money laundering purposes

(a) reliance may be placed on an introduction or intermediary certificate

letter stating that evidence of identity exists for all underlying principals and

confirming that there are no anonymous principals:

(b) the trustees or nominees shall be asked to state from the outset the

capacity in which they are operating or making the application ; and

(c) documentary evidence of the appointment of the current trustees shall

be obtained.

(6) Where the evidence is not retained in Nigeria, enquiries shall be made to

determine, that there is no overriding bank secrecy or confidentiality constraint

that shall restrict access to the documentary evidence of identity, shall it be needed in Nigeria.

(7) An application to open an account or undertake a transaction on behalf

Of another without the applicant identifying his trust or nominee capacity shall be

regarded as suspicious and shall lead to further enquiries and rendition of reports

to the NFIU.

(8) Where a bank in Nigeria is the applicant for an offshore trust on behalf

of a customer, where the corporate trustees are not regulated, the Nigerian bank

shall undertake due diligence on the trust itself.

B 275

(9) Where funds have been drawn upon an account that is not under the

control of the trustees, the identity of two of the authorized signatories and their

authority to operate the account shall be except where the identity of

beneficiaries have not previously been verified and verification shall be carried

out where payments are made to them.

85. (1) For Conventional Nigerian Trusts, identification evidence shall be Conventional

Family and

Absolute

(a) those who have control over the funds, the principal trustees, who can Nigerian

include the settlor

Trusts.

obtained for-

and

(b) the providers of the funds, the settlors, except where they are deceased ;

(c) where the settlor is deceased, written confirmation shall be obtained for

the source of funds, grant of probate or copy of the Will or document

creating the Trust.

(2) Where a corporate trustee such as a bank acts jointly with a co-trustee,

any non-regulated co-trustee shall be verified even where the corporate trustee is

covered by an exemption and the relevant guidance contained in these Regulations for verifying the identity of persons, institutions or companies shall be followed.

(3) A financial institution may not review an existing trust but the bank

confirmation of the settlor and the appointment of any additional trustees shall be

obtained,

(4) Copies of any underlying documentary evidence shall be certified as

true copies and a check shall be carried out to ensure that any bank account on

which the trustees have drawn funds is in their names.

(5) Where a risk based approach is adopted, consideration shall be given as

to whether the identity of any additional authorized signatories to the bank account

may be verified.

(6) A payment for any trust property shall be made to a trustee and as a

matter of practice, some life assurance companies make payments directly to

beneficiaries on receiving a request from the trustees, payment shall be made to

the named beneficiary by way of a crossed cheque marked "account payee only"

or a bank transfer direct to an account in the name of the beneficiary in such

circumstances.

86.---(1) Where money is received on behalf of a trust, reasonable steps Receipt and

shall be taken to ensure that the source of funds is properly identified and the payment of

Funds.

nature of the transaction or instruction is understood.

(2) A Payment shall be properly authorized in writing by the trustees.

87. Where a trustee who has been verified is replaced, the identity of the identification new trustee shall be verified before he is allowed to exercise control over funds of new

of the Trust,

B 276

Life policies

placed in

Trust.

88. Where a life policy is placed in trust, an applicant for the policy is also

a trustee and where the trustees have no beneficial interest in the funds, it shall

verify the identity of the person applying for the policy except that the remainder

of the trustees shall be identified in a situation where policy proceeds were being

paid to a third party not identified in the trust deed.

Powers of

and Third

Party

Mandates.

89. (1) The authority to deal with assets under a Power of Attorney und

Third Party Mandates constitute a business relationship.

(2) At the start of a relationship, identification evidence shall be obtained

from a holder of Power of Attorney and third party mandates in addition to the

customer or subsequently on a later appointment of a new attorney, where advised, within one year of the start of the business relationship.

(3) An attorney for corporate or trust business shall be verified and a

financial institution shall always ascertain the reason for the granting of a power

of attorney.

(4) A records of a transaction undertaken in accordance with a Power of

Attorney shall be maintained as part of the client's record.

Part XI-Executorship, Client Accounts, Unincorporated

and Corporated Organizations

Executorship

Accounts.

90. (1) Where a bank account is opened for the purpose of winding up

the estate of a deceased person, the identity of the executor or administrator of

the estate shall be verified.

(2) Identification evidence shall not be required for the executors or

administrators where payment is made from an established bank or mortgage

institution's account in a deceased's name, solely for the purpose of winding up

the estate in accordance with the grant of probate or letter of administration.

(3) Where a life policy pays out on death, identification evidence shall not

be obtained for the legal representatives.

(4) A Payment to beneficiaries in sub-regulations (1) (2) and (3) of this

regulation on the instructions of the executor or administrator may be made without

additional verification requirements, except that where a beneficiary wishes to

transact business in his own name, then identification evidence shall be required.

"Client

Accounts"

Opened By

Professional

Inter-

mediaries.

(5) Where suspicion is aroused in respect of the nature or origin of assets

comprising an estate that is being wound up, such suspicion shall be reported to

the NFIU.

91. (1) Stockbrokers, fund managers, solicitors, accountants, estate agents

and other intermediaries frequently hold funds on behalf of their clients in "client

accounts" opened with a financial institution.

(2) Accounts in sub-regulation (1) of this regulation may be general omnibus

accounts holding the funds of many clients or they may be opened specifically

for a single client.

B 277

(3) In each case, it is the professional intermediary who is the financial

institution's customer. These situations shall be distinguished from those where

an intermediary introduces a client who himself becomes a customer of the financial institution.

(4) Where a professional intermediary is covered and is indeed monitored

under the money laundering Regulations or AML/CFT supervisors or their

equivalent, identification may be waived on production of evidence.

(5) Notwithstanding sub-regulation (4) of this regulation, where the

professional intermediary is not regulated by money laundering Regulations or

their equivalent, the financial institution shall verify the identity of the professional

intermediary and also verify the identity of the person on whose behalf the

professional intermediary is acting.

(6) Where it is impossible for a financial institution to establish the identity

Of the person for whom a solicitor or accountant is acting, it shall take a commercial

decision based on its knowledge of the intermediary, as to the nature and extent

of business that they are prepared to conduct where the professional firm is not

itself covered by these Regulations.

(7) Financial institutions shall make reasonable enquiries about transactions

passing through client-accounts that give cause for concern and shall report any

suspicion to the NFIU.

92. (I) Where an applicant is an un-incorporated business or a partnership Un-

whose principal partners or controllers do not already have a business relationship incorporated with the financial institution, identification evidence shall be obtained in respect of Business or

the principal beneficial owners or controllers and any signatory in whom significant

Partnership.

control has been vested by the principal beneficial owners or controllers.

(2) Evidence of the address of a business or partnership shall be obtained

and where a current account is being opened, a visit to the place of business may

be made to confirm the true nature of the business activities and a copy of the

latest report and audited accounts shall be obtained.

(3) The nature of the business or partnership shall be verified to ensure that

it has a legitimate purpose.

(4) Where a formal partnership arrangement exists, a mandate from the

partnership authorizing the opening of an account or undertaking of the transaction

shall be obtained.

**Liability Partnership.**

93. A limited liability partnership shall be treated as a corporate customer Limited

for verification of identity and know your customer purposes.

**Pure Corporate Customers.**

94.-(1) The legal existence of an applicant-company shall be verified

from official documents or sources to ensure that persons purporting to act on

its behalf are fully authorized.

B 278

(2) Where the controlling principals cannot be identified, enquiries shall be

made to confirm that the legal person is not merely a "brass-plate company".

**The identity of a corporate company.**

95. (1) The identity of a corporate company shall comprise of-

(a) registration number;

(b) registered corporate name and any trading names used;

(c) registered address and any separate principal trading addresses;

(d) directors;

(e) owners and shareholders; and

(f) the nature of the company's business.

(2) The extent of identification measures required to validate the information

or the documentary evidence to be obtained in this regulation depends on the

nature of the business or service that the company requires from the financial

institution and a risk-based approach shall be taken.

(3) Information as to the nature of the normal business activities that the

company expects to undertake with the financial institution shall be obtained.

(4) Before a business relationship is established, measures shall be taken by

way of company search at the Corporate Affairs Commission (CAC) and other

commercial enquiries undertaken to check that the applicant-company's legal

existence has not been or is not in the process of being dissolved, struck off,

wound up or terminated.

Non Face-

to-Face

Business.

96. (1) Additional procedures shall be undertaken to ensure that the

applicant's business, company or society exists at the address provided and it is

for a legitimate purpose because of the risks with non face-to-face business, as

with the requirements for private individuals.

(2) Where the characteristics of the product or service permit, steps shall

be taken to ensure that relevant evidence is obtained to confirm that any individual representing the company has the necessary authority to do so.

(3) Where the principal owners, controllers or signatories need to be

identified within the relationship, the relevant requirements for the identification

of personal customers shall be followed.

**Public Registered Companies.**

97. (1) Corporate customers that are listed on the stock exchange are

considered to be publicly- owned and generally accountable and there is no need to verify the identity of the individual shareholders.

(2) The Identity of the directors of a quoted company may not be verified.

(3) A financial institution shall make appropriate arrangements to ensure

that an officer or employee, past or present, is not using the name of the company

or its relationship with the financial institution for a criminal purpose.

(4) The Board resolution or other authority for a representative to act on

behalf of the company in its dealings with the financial institution shall be obtained.

B 279

(5) Phone calls may be made to the Chief Executive Officer of a company

in sub-regulation (4) of this regulation to intimate him of the application to open

the account in the financial institution.

(6) Further steps shall not be taken to verify identity more than the usual

commercial checks where the applicant company is listed on the stock exchange

or there is independent evidence to show that it is a wholly owned subsidiary or

a subsidiary under the control of such a company.

(7) Due Diligence shall be conducted where the account or service required

falls within the category of higher risk business.

98. Where the applicant is an unquoted company and name of the principal Private

directors or shareholders already have an account with the financial institution, to Companies.

verify the business, the following documents shall be obtained from an official or

a recognized independent source-

(a) a copy of the certificate of incorporation or registration, evidence of

the company's registered address and the list of shareholders and directors;

(b) a search at the CAC or an enquiry through a business information

service to obtain the information on the company :

(c) an undertaking from a firm of lawyers or accountants confirming the

documents submitted to the CAC ;

(d) a financial institution shall pay attention to the place or origin of the

documents and background against which they were produced ; and

(e) where comparable documents cannot be obtained, verification of

principal beneficial owners or controllers shall be undertaken.

99. Where a higher-risk business applicant is seeking to enter into a full banking relationship or any other business relationship where third party funding Business

and transactions are permitted, the following evidence shall be obtained either in

Applicant.

documentary or electronic form-

(a) for established companies that are incorporated for months or more,

a set of the latest report and audited accounts shall be produced:

(b) a search report at the CAC or an enquiry through a business information

service or an undertaking from a firm of lawyers or accountants confirming

the documents submitted to the CAC;

(c) a certified copy of the resolution of the Board of Directors to open an

account and confer authority on those who will operate it; and

(d) the Memorandum and Articles of Association of the company.

100. (1) Where a private company is undertaking a higher risk business, Higher Risk

in addition to verifying the legal existence of the business, the principal requirement Business

is to look behind the corporate entity to identify those who have ultimate control Relating to

over the business and the company's assets.

B 280

(2) What constitutes significant shareholding or control for the purpose of

this regulation depends on the nature of the company and identification evidence

shall be obtained for shareholders with interests of 5% or more.

(3) Identification evidence shall be obtained for the principal-beneficial

owner of the company and any other person with principal control over the

company's assets.

(4) Where the principal owner is another corporate entity or trust, it shall

take measures that look behind that company or vehicle and verify the identity of

the beneficial-owner or settlers and where a financial institution is aware that the

principal-beneficial owners or controllers have changed, they are required to verify

the identities of the new owners.

(5) Financial institutions shall identify directors who are not principal

controllers and signatories to an account for risk based approach purpose.

(6) Financial institutions shall visit the place of business to confirm the

existence of such business premises and the nature of the business conducted.

(7) Where suspicions are aroused by a change in the nature of the business

transacted or the profile of payments through a bank or investment account,

further checks shall be made to ascertain the reason for the changes.

(8) In full banking relationships, periodic enquiries shall be made to establish

changes to controllers, shareholders or the original nature of the business or

activity.

**Foreign Financial Institutions.**

(9) Particular care shall be taken to ensure that full identification and KYC

requirements are met if the company is an International Business Company (IBC)

registered in an offshore jurisdiction and operating out of a different jurisdiction.

101. ---(1) For a foreign financial institution, the confirmation of existence

and regulated status shall be checked by-

(a) checking with the home country's Central Bank or relevant supervisory

body ;

(b) checking with another office, subsidiary, branch, or correspondent

bank in the same country ;

(c) checking with Nigerian regulated correspondent bank of the overseas

institution; or

(d) obtaining evidence of its license or authorization to conduct financial

and banking business from the institution itself.

(2) Additional information on banks all over the world may be obtained

from various international publications and directories or any of the international

business information services.

(3) The publications referred to in sub-regulation (2) of this regulations hall

not replace the confirmation evidence requirements under these Regulations.

B 281

102. (1) A Bureau De Change ("BDC") is subject to the provisions of Bureau De

these Regulations and shall be verified in accordance with the procedures for Change.

other financial institutions, and satisfactory evidence of identity, ownership

structure, source of funds and a certified copy of the applicant's operating license

shall be obtained.

(2) A financial institution shall consider the risks associated with doing

business with BDCs before entering into a business relationship with them.

103. (1) As part of KYC documentation for designated non-financial Designated

businesses and professions, the certificate of registration with Special Control Non-

Financial

Unit against Money Laundering in the Federal Ministry of Trade and Investment

or a certificate from a self-regulatory organization as defined under the relevant Businesses

and

Designated Non-Financial Business and Professions ("DNFBP") Regulations shall

Professions

be obtained including identities of at least two of the directors.

de

(DNFBPs).

(2) Where an application is made on behalf of a club or society, a financial

institution shall take reasonable steps to satisfy itself as to the legitimate purpose

of the organization by sighting its constitution and the identity of at least two of

the principal contact persons or signatories shall be verified in line with the

requirements for private individuals and where signatories are changed, a financial

institution shall verify the identity of at least two of the new signatories.

(3) Where the purpose of a club or a society is to purchase the shares of a

regulated investment company or where all the members are regarded as individual

clients, all the members in such cases shall be identified in line with the requirements

for personal customers on a case-by-case basis.

104. (1) Where transactions carried out on behalf of an Occupational Occupational

Pension Scheme, where the transaction is not in relation to a long term policy of Pension

Schemes.

insurance, the identities of both the principal employer and the Trust shall be

verified.

(2) In addition to the identity of the principal employer, the source of

funding shall be verified and recorded to ensure that a complete audit trail exists

if the employer is dissolved or wound up.

(3) For the Trustees of Occupational Pension Schemes, satisfactory

identification evidence shall be based on the inspection of formal documents

concerning the Trust which confirm the names of the current Trustees and their

addresses for correspondence and in addition to the documents, confirming the

Trust identification shall be based on extracts from Public Registers or references

from Professional Advisers or Investment Managers.

(4) Any payment of benefits by or on behalf of the Trustees of an

Occupational Pension Scheme will not require verification of identity of the

recipient.

(5) Where individual members of an Occupation Pension Scheme are to be

given personal investment advice, their identities shall be verified but where the

B 282

Registered Charity Organizations.

Trustees and principal employer have been satisfactorily identified (and the

information is still current) it can be appropriate for the employer to provide

confirmation of the identity of individual employees.

105. (1) A financial institution shall adhere to the identification procedures

requirements for opening of accounts on behalf of charity organizations; and the

confirmation of the authority to act in the name of the organization.

(2) The opening of accounts on behalf of charity organizations in Nigeria

shall be carried out by a minimum of two signatories, duly verified and

documentation evidence shall be obtained.

(3) When dealing with an application from a registered charity organization,

a financial institution shall obtain and confirm the name and address of the

organization concerned.

(4) Where a person making an application or undertaking a transaction is

not the official correspondent or the recorded alternate, a financial institution

shall send a letter to the official correspondent, informing him of the charity

organizations" application before it and the official correspondent shall respond as

a matter of urgency where there is any reason to suggest that the application has

been made without authority.

(5) An application on behalf of un-registered charity organization that. ll be

made in accordance with the procedures for clubs and societies as set out in

these Regulations.

(6) Where a charity organization is opening a current account, the identity

of all signatories shall be verified and where the signatories change, identities of

the new signatories shall be verified.

Religious

106. A Religious Organization ("RO") shall have a CAC, and SCUML

Organizations registered numbers and its identity may be verified by reference to the CAC.

(ROs).

appropriate headquarters or regional area of the denomination, and the identity of

at least two signatories to its account shall be verified.

Three -

Tiers of Government and Parastatals.

107,-- (1) Where the applicant for business is a legal person, a financial

institution shall verify the legal standing of the applicant, including its principal

ownership and address.

(2) A certified copy of the resolution or other documents which authorise

an official representing the body to open an account or undertake any transaction

shall be obtained.

(3) A financial institution shall telephone the Chief Executive Officer of the

organization or parastatal concerned, to verify and confirm the application to

open an account with the financial institution.

(4) An authorization from the Federal or State Accountant-General shall be

obtained before any of the three tiers of government or parastatals can open

accounts with a financial institution in Nigeria.

B 283

108. The authenticity of an applicant who requested to open accounts or undertake transactions in the name of Nigerian-resident foreign consulates and

any documents of authorization presented in support of the application shall be

checked with the Ministry of Foreign Affairs and the relevant authorities in the

Consulate's home country or as confirmed by the Head of the High Commission

of that country in Nigeria.

109. Whilst the responsibility to obtain satisfactory identification evidence Intermediaries

rests with the financial institution that is entering into a relationship with a client, or other

it is reasonable, in a number of circumstances, for reliance to be placed on another third parties to verify financial institution to identity or

(a) undertake the identification procedure when introducing a customer to introduce

and to obtain any additional KYC information from the client;

business.

(b) confirm the identification details where the customer is not resident in

Nigeria; or

(c) confirm that the verification of identity has been carried out where an

agent is acting for a principal.

Part XII--Introductions, Applications and Intermediaries

110. (1) Where an intermediary introduces a customer and then withdraws Introductions

from the ensuing relationship altogether, then the underlying customer has become from

the applicant for the business and shall be identified in line with the requirements Authorized

for personal, corporate or business customers as appropriate.

(2) An introductory letter shall be issued by the introducing financial

institution or person in respect of each applicant for business.

Financial

Intermediaries

(3) To ensure that product-providers meet their obligations, satisfactory

identification evidence shall be obtained and retained for the necessary statutory

period.

(4) Each introductory letter shall either be accompanied by certified copies

of the identification evidence obtained in line with the usual practice of certification

of identification documents or by sufficient details and reference numbers that

will permit the actual evidence obtained to be re-obtained at a later stage.

111. (1) Where other arrangements have been made, the service provider Written

shall verify the identity itself and financial intermediary shall provide along with Applications.

each application, the customer's introductory letter together with certified copies

of the evidence of identity which shall be placed in the customer's file.

(2) Where these procedures are followed, a product provider, stockbroker

or investment banker shall be considered to have fulfilled its own identification

obligations.

(3) Where the letter is not forthcoming from the intermediary, or the letter

indicates that the intermediary has not verified the identity of the applicant, the

B 284

service provider shall satisfy its obligation by applying its own direct identification

procedures.

**Non-Written Application.**

112. (1) A Unit Trust Manager and other product providers receiving

non-written applications from a financial intermediary, where a deal is made over

a telephone or by other electronic means, shalI verify the identity of such a customer

and ensure that the intermediary provides specific confirmation that identity has

been verified.

(2) The answers given by the intermediary shall be recorded and retained

for a minimum period of years,

(3) The answers constitute sufficient evidence of identity in the hands of

the service provider.

**Foreign Intermediaries,**

113. Where business is introduced or received from a regulated financial

intermediary who is outside Nigeria, the reliance that shall be placed on that

intermediary to undertake the verification of identity-check shall be assessed by

the AMLCO or some other competent persons within the financial institution, on

a case-by-case basis based on the knowledge of the intermediary.

Corporate

Group

Introductions.

114. (1) Where a customer is introduced by one part of a financial sector

group to another, identity shall not be re-verified and neither shall the records be

duplicated except-

(a) the identity of the customer has been verified by the introducing

parent company, branch, subsidiary or associate in line with the money

laundering requirements of equivalent standards and taking account of

any specific requirements such as separate address verification ;

(b) no exemptions or concessions have been applied in the original

verification procedures that would not be available to the new relationship;

(c) a group introduction letter is obtained and placed with the customer's

account opening records ; and

(d) in respect of group introducers from outside Nigeria, in which case

arrangements shall be put in place to ensure that identity is verified in

accordance with requirements and that the underlying records of identity

in respect of introduced customers are retained for the necessary period.

(2) Where a financial institution has day-to-day access to all the group's

KYC information and records, there is no need to identify an introduced customer

or obtain a group introduction letter where the identity of the customer has been

verified previously.

(3) Where an identity of a customer has not previously been verified, then

any missing identification evidence will need to be obtained and a risk-based

approach taken on the extent of K. YC information that is available on whether or

not additional information shall be obtained.

B 285

(4) A financial institution shall ensure that there is no secrecy or data

protection legislation that would restrict free access to the records on request or

by law enforcement agencies under court order or relevant mutual assistance

procedures.

(5) Where such restrictions apply, copies of the underlying records of

identity shall, wherever possible, be sought and retained.

(6) Where identification records are held outside Nigeria, it shall be the

responsibility of the financial institution to ensure that the records available meet

the requirements in these Regulations.

Business Conducted by Agents

115. (1) Where an applicant is dealing in its own name as agent for its own client, a financial institution shall, in addition to verifying the agent, establish

the identity of such a client.

(2) A financial institution shall accept or admit evidence as sufficient where

it has established that the client is-

(a) bound by and has observed these Regulations or the provisions of the

Money Laundering (Prohibition) Act, 2011 (as amended); and

(b) acting on behalf of another person and has given a written assurance

that he has obtained and recorded evidence of the identity of the person on

whose behalf he is acting.

(3) Where another financial institution deals with its own client regardless

of whether or not such a client has disclosed to the financial institution, then

where-

(a) the agent is a financial institution, there is no requirement to establish

the identity of such a client or to obtain any form of written confirmation from

the agent concerning the due diligence undertaken on its underlying clients;

(b) a regulated agent from outside Nigeria deals through a customer omnibus

account or for a named customer through a designated account, the agent

shall provide a written assurance that the identity of all the underlying clients

has been verified in accordance with their local requirements ; and

(c) such an assurance cannot be obtained, then the business shall not be

undertaker,

(4) Where an agent is either unregulated or is not covered by the money

laundering legislation, then each case shall be treated on its own merits.

(5) The knowledge of the agent shall determine the type of the Due Diligence

standards to apply and risk-based approach shall be observed by a financial

institution.

Syndicated Lending

116. Where there is a syndicated lending arrangement, the verification of

identity and any additional KYC requirements rest with the lead. manager or agent

to supply the normal confirmation letters.

B 286

Correspon-

dent

117. ( 1) Transactions conducted through correspondent relationships shall

be managed, in accordance with a risk-based approach; and "Know Your

Relationship. Correspondent" procedures shall be established to ascertain whether or not the

correspondent bank or the counter-party is itself regulated for money laundering

prevention; and where regulated, the correspondent shall verify the identity of its

customers in accordance with FATF standards; and where this is not the case,

additional due diligence shall be required to ascertain and assess the correspondent's

internal policy on money laundering prevention and KYC procedures.

(2) The volume and nature of transactions flowing through correspondent

accounts with a financial institution, from high risk jurisdictions or those with

inadequacies or material deficiencies shall be monitored against expected levels

and destinations and any material variances shall be checked.

(3) A financial institution shall maintain records and ensure that sufficient

due diligence has been undertaken by the remitting bank on the underlying client

and the origin of the funds in respect of the funds passed through their accounts,

(4) A financial institution shall guard against establishing correspondent

relationships with high risk foreign banks such as shell banks or with correspondent

banks that permit their accounts to be used by such banks.

(5) Staff dealing with correspondent banking accounts shall be trained to

recognize higher risk circumstances and be prepared to challenge the

correspondents over irregular activity whether isolated transactions or trend and

to submit a suspicious activity report to the NFIU.

(6) A financial institution shall terminate an account with a correspondent

bank that fails to provide satisfactory answers to questions including

confirming the identity of customers involved in unusual or suspicious

circumstances.

Acquisition

institution

and

business by

another.

118. (1) Where a financial institution acquires a business and accounts of

another financial institution, it is not be necessary for the identity of all the existing

customers to be re-identified, provided that all the underlying customers' records

are acquired with the business, but it shall carry out due diligence enquiries to

confirm that the acquired institution had conformed with the requirements of the

provisions of these Regulations.

(2) Verification of identity shall be undertaken for all the transferred customers

who were not verified by the transferor, in line with the requirements for existing

customers that open new accounts, where the

(a) money laundering procedures previously undertaken have not been in

accordance with the requirements of these Regulations;

(b) procedures shall be checked; or

(c) customer-records are not available to the acquiring financial institution.

B 287 Vulnerability of Receiving Bankers and Agents

119. (1) A receiving financial institution can be used by money launderers in respect of offers for sale where new issues are over-subscribed and their allotment is scaled down; the money launderer is not concerned if there is a cost

involved in laundering dirty money.

(2) New issues that trade at a discount will, therefore, still prove acceptable

to the money launderer.

(3) Criminal funds can be laundered by way of the true beneficial-owner of

the funds providing the payment for an application in another person's name,

specifically to avoid the verification process and to break the audit trail with the

underlying crime from which the funds are derived.

120. --(1) A receiving financial institution shall obtain satisfactory

identification evidence of a new applicant, including such applicants in a rights

issue, where the value of a single transaction or a series of linked transactions is $1,000 or its equivalent or as per the tiered KYC directive issued by the CBN.

(2) Where funds to be invested are being supplied by or on behalf of a third

party, the identification evidence for both the applicant and the provider of the

funds shall be obtained to ensure that, the audit trail for the funds is preserved.

121. (1) Where an application is submitted, payment made by a broker or an intermediary acting as agent, no steps shall be taken to verify the identity of the underlying applicants, the following standard procedures shall apply

(a) the lodging agent's stamp shall be affixed on the application form or

allotment letter; and

(b) application and acceptance forms and cover letters submitted by lodging

ng

agents shall be identified and recorded in the bank's records.

(2) The terms and conditions of the issue shaIl state that any requirements

to obtain identification evidence are the responsibility of the broker lodging the

application and not the receiving financial institution.

(3) Where the original application has been submitted by a regulated broker,

no additional identification evidence shall be conducted for subsequent calls in

respect of shares issued and partly paid.

122. Where a broker or other introducer is a regulated person or institution

(including an overseas branch or a subsidiary) from a country with equivalent

legislation and financial sector procedures, and the broker or introducer is subject

to anti-money laundering laws or regulations, then a written assurance shall be

taken from the broker that he has obtained and recorded evidence of identity of

any principal and underlying beneficial owner that is introduced.

from Foreign

Brokers.

123. --(1) Where multiple family applications are received supported by Multiple

one cheque and the aggregate subscription price is US S1,000 or more; and $1,000 Family

or more for an individual person, then identification evidence will not be required for

B 288

(a) a spouse or any other person whose surname and address are the same

as those of the applicant who has signed the cheque:

(b) a joint account holder; or

(c) an application in the name of a child where the relevant company's

Articles of Association prohibit the registration in the names of minors and the

shares are to be registered with the name of the family member of full age on

whose account the cheque is drawn and who has signed the application form.

(2) Identification evidence of the signatory of the financial instrument shall

be required for any multiple family applications for more than $1,000 or its

equivalent; or as per the tiered KYC directive issued by the CBN, where such

application is supported by a cheque signed by someone whose name differs

from that of the applicant,

(3

(3) Other monetary amounts or more shall, from time to time, be stipulated

by any applicable money laundering legislation and guidelines.

(4) Where an application is supported by a financial institution's branch

cheque or brokers' drafi, the applicant shall state the name and accoun1 number

from which the funds were drawn -

(a) on the front of the cheque ;

(b) on the back of the cheque together with a branch stamp ; or

(c) attaching other supporting documents.

Pari XIII-Linked Transactions, Foreign Accounts and Investment

Linked

Transaç-

tions.

124. (1) Where a person handling applications that a number of single

applications under $1,000 or its equivalent in different names are linked, such as

payments from the same financial institution account apart from the multiple

family applications above, identification evidence shall be obtained in respect of

parties involved in each single transaction,

(2) Installment payment issues shall be treated as linked transactions where

it is known that total payments will amount to $1,000 or its equivalent or such

other monetary amounts as may, from time to time, be stipulated by any applicable

money laundering legislation or guidelines; and either from the beginning or when

a particular point has been reached, identification evidence shall be obtained.

(3) An application that is believed to be linked with money laundering shall

be processed on a separate batch for investigation after allotment and registration

have been completed.

(4) The returns with the documentary evidence shall be rendered to the

NFIU accordingly.

(5) Copies of the supporting cheques, application forms and any repayment-

cheques shall be retained to provide an audit trail until the receiving financial

is informed by CBN, NFIU or the investigating officer that the records are of no further interest.

125. -(1) Where a customer wishes to open a Domiciliary Account (DA)

or make a wholesale deposit by means of cash or inter-bank transfer, a financial

institution shall obtain identification evidence in accordance with the requirements

for private individuals, companies or professional intermediaries operating on behalf

of third parties as appropriate.

(2) A financial institution shall satisfy itself that the transferring institution

is regulated for money laundering prevention in its country of origin.

126. -(1) Precautions shall be taken in relation to requests to hold boxes,

parcels and sealed envelopes in a safe custody.

(2) Where such facilities are made available, the identification procedures

set out in these Regulations shall be followed, depending on the type of individual

involved or risks associated with the business relationship.

127. Where a customer's identity was not properly obtained as contained

in these Regulations and the requirements for Account Opening Procedure, a

financial institution shall re-establish the customer's identity in line with the

provisions of these Regulations.

128. Identification evidence shall not be required where the applicant for

business is a Nigerian financial institution or person covered and persons regulated

by the requirements of these regulations.

129, 1) Cash remittances and wire transfers either or outward or

other monetary instruments that are undertaken against payment in cash for

customers who do not have an account or other established relationship with the

financial institution such as walk in customers, present a high risk for money

laundering purposes.

(2) Adequate procedures shall be established to record the transaction and

relevant identification evidence taken; and where s

part of the financial institution's business, the limits for requiring identification

evidence of US $ 1,000 or its equivalent for foreign transfers shall be observed.

130. The proceeds of a one-off transaction due can be pain to a customer

or be further re-invested where records of identification requirements were

obtained and kept. In the absence of this, his identification requirements shall be

obtained before the proceeds are paid to him or be re-invested on his behalf in

accordance with the relevant provision of these Regulations.

131. (1) The Central Bank of Nigeria may, as it considers appropriate,

amend or revoke the provisions of these Regulations which amendment or

revocation shall be published in the Gazette,

(2) The Central Bank of Nigeria (Anti - Money Laundering/Combating the

Financing of Terrorism (AML/CFT) Regulations, 2009 (as amended) is hereby

revoked.

B 290

(3) The revocation of the Regulations specified in sub-regulation (2) of this

regulation shall not affect anything done or purported to be done ender or pursuant

to these Regulations,

Interpreta-

tion

1. 32. In these Regulations-

AMCLO'means Anti-Money Laundering Complaince Officer ;

Applicant for Business' means a person or company seeking to establish a

\*business relationship' or an occasional customer undertaking a 'one-off"

transaction whose identity must be verified;

'Batch transfer' means a comprising a number of individual wire

transfers that are being sent to the same institution, but may or may

not be ultimately intended for different persons;

"BDC" means Bureau De Change;

'Beneficial owner includes a natural person who ultimately owns or controls

a customer or a person on whose behalf a transaction is being conducted and the

persons who exercise ultimate control over a legal person or arrangement;

'Beneficiary' includes a natural person who receives charitable, humaniurian

or other types of assistance through the services of a Non-Profit Organization

(NPO), all trusts other than charitable or statutory permitted non-charitable

trusts which may include the settlor, and a maximum time, known as the

perpetuity period, normally of 100 years ;

'Business Relationship' means any arrangement between the financial

institution and the applicant for business the purpose of which is to facilitate

the carrying out of transactions between the parties on a \*frequent, habitual or

regular' basis and where the monetary value of dealings in the course of the

arrangement is not known or capable of being ascertained at the outset;

Cross-border transfer' means any wire transfer where the originator and

beneficiary institutions are located in different jurisdictions. This term also refers

to any chain of wire transfers that has at least one cross-border element:

'Designated categories of offences includes

(a) participation in an organized criminal group and racketeering;

(b) terrorism, terrorist financing;

(c) trafficking in human beings and migrant smuggling:

(d) sexual exploitation, including sexual exploitation of children:

(e) illicit trafficking in narcotic drugs and psychotropic substances;

C) illicit arms trafficking :

(g) illicit trafficking in stolen and other goods ;

(h) corruption and bribery :

(i) fraud ;

B 291

(/) counterfeiting currency :

(k) counterfeiting and piracy of products ;

(7) environmental crime ;

(m) murder, grievous bodily injury ;

(n) kidnapping, illegal restraint and hostage-taking :

(o) robbery or theft ;

(p) smuggling (including in relation to customs and excise duties and taxes ;

(g) tax crimes (related to direct taxes and indirect taxes) :

(r) extortion ;

(s) forgery ;

(1) piracy ;

(u) insider trading and market manipulation ; and

(v) all other predicate offences as contained in section 15 of Money

Laundering (Prohibition) Act, 2011 (as amended).

"Designated non-financial businesses and includes any

institution as designated by the Minister of Trade and Investment, MLPA.

2011 (as amended) and CBN AML/CFT Regulations, 2013 ;

'Domestic transfer means any wire transfer where the originator and

beneficiary institutions are both located in Nigeria. This term therefore, refers

10 any chain of wire transfers that takes place entirely within Nigeria's borders,

even though the system used to affect the wire transfer may be located in

another jurisdiction ;

False or disclosure ' means failing to declare or, to misrepresent

the value of currency or bearer negotiable instruments being Transported, or a

misrepresentation of other relevant data requested for by the authorities -

FATF means Financial Action Task Force ;

FATF 'means the revised FATF Recommendations issued

by the Financial Action Task Force :

Financial institutions include any person or entity who conducts as a

business one or more of the following activities on behalf of a customer.

(a) acceptance of deposits and other repayable funds from the public ;

(b) lending :

(c) financial leasing ;

(d) the transfer of money or value ;

(e) issuing and managing means of payment such as credit and debit

cards, cheques, travelers" cheques, money orders and bankers" drafts,

electronic money :

B 292

(f) financial guarantees and commitments :

(g) trading in-

(2) money market instruments (cheques, bills, CDs, derivatives etc. ) ;

(ii) foreign exchange ;

(iii) exchange, interest rate and index instruments ;

(iv) transferable securities ; and

(v) commodity futures trading ;

(h) participation in securities issues and the provision of financial services

related to such issues ;

(/) individual and collective portfolio management :

(/) safekeeping and administration of cash or liquid securities on behalf of

other persons ;

(k) otherwise investing, administering or managing funds or money on

behalf of other persons ;

underwriting and placement of life insurance and other investment related

insurance ; and

(m) money and currency changing.

The list is not exhaustive but subject to the definition contained in BOFIA

2004 ;

Financing ofterrorism' extends to all acts so defined under the Terrorism

(Prevention) Act, 2011 (as amended) and the Terrorism Prevention ((Freezing

of International Terrorists Funds and other Related Measures) Regulations,

2013 ;

Funds' include assets of every kind, tangible or intangible, movable or

immovable however acquired, legal documents or instruments in any form,

electronic or digital evidencing title or interest in such assets, bank credits,

travelers cheques, bank cheques, money orders, shares, securities, bonds,

drafts and letters of credit ;

Funds transfer ' means any transaction carried out on behalf of an originator

person, both natural and legal through a financial institution by electronic means

with a view to making an amount of money available to a beneficiary person at

another financial institution and the originator and the beneficiary may be the

same person ;

'Legal arrangement means express trusts or other similar legal

arrangements ;

'Legal persons' mean bodies corporate, foundations, partnerships, or

associations, or any similar bodies that can establish a permanent customer

relationship with a financial institution or otherwise own property ;

B 293

\*Money or value transfer services (MVTS)\* Include financial services that

involve the acceptance of cash, cheques, other monetary instruments ar other

stores of value and the payment of a corresponding sum in cash or other form

to a beneficiary by means of a communication, message, transfer or through a

clearing network to which the MVTS provider belongs and transactions

performed by such services can involve one or more intermediaries and a final

payment to a third party, and may include a new payment methods.

Sometimes these services have lies to particular geographic regions and are

described using a variety of specific terms, including haivala, hundi, and fei-

chen ;

Non-profit non-governmental Organization' means a legal entity or

organization that primarily engages in raising or disbursing funds for purposes

such as charitable, religious, cultural, educational, social or fraternal purposes,

or for the carrying out of other types of good works ;

'Originator ' means an account holder or where there is no account, the

person natural or legal that places the order with the financial institution to

perform the wire transfer ;

'one-offtransaction' means any transaction carried out other than in the

course of an established business relationship. It is important to determine

whether an applicant for business is undertaking a one-offtransaction or whether

the transaction is or will be a part of a business relationship as this can affect

the identification requirements ;

Payable through account means correspondent accounts that are used

directly by third parties to transact business on their own behalf ;

Proceeds mean any property or value derived from or obtained. directly or

indirectly, through the commission of an offence :

Property' means assets of every kind, whether corporeal or incorporeal,

moveable or immoveable, tangible or intangible, and legal documents or

instruments evidencing title to, or interest in such assets;

Risk' means the risk of money laundering and/or terrorist financing:

SCUML 'means Special Control Unit against Money Laundering in the Federal

Ministry of Trade and Investment:

Settlers Settlors include persons or companies who transfer ownership of

their assets to trustees by means of a trust deed and where the trustees have

some discretion as to the investment and distribution of the trust's assets, the

deed may be accompanied by a non-legally binding letter setting out what the

settlor wishes to be done with the assets:

'Shell hank means a bank that has no physical presence in the country in

which it is incorporated and licensed, and which is unaffiliated with a regulated

financial service group that is subject to effective consolidated supervision;

B 294

'Physical presence' means meaningful mind and management located within

a country and the existence simply of a local agent or low level staff does not

constitute physical presence ;

" has the same meaning as in Terrorism (Prevention) Act, 2011

(as amended) :

"Terrorist has the same meaning as in Terrorism (Prevention) Act, 2011

(as amended) ;

"Terrorist organization "has the same meaning as in Terrorism (Prevention)

Act, 2011 (as amended) ;

"Terrorist property" includes a property which---

(a) has been, is being or is likely to be used for any act of terrorism ;

(b) has been, is being or is likely to be used by a proscribed organization ;

(e) is the proceeds of an act terrorism ; and

(e/) îs provided or collected for the pursuit of or in connection with an

act of terrorism ;

"Those who finunce terrorism include any person, group, undertaking or

other entity that provides or collects, by any means, directly or indirectly,

funds or other assets that may be used, in full or in part, to facilitate the

commission of terrorist acts, or to any persons or entities acting on behalf of,

or at the direction of such persons, groups. undertakings or other entities and

those who provide or collect funds or other assels with the intention that they

should be used or in the knowledge that they are to be used, in full or in part.

in order to carry out terrorist acts :

Trustees include paid professionals or companies or unpaid persons who

hold the assets in a trust fund separate from their own assets. They invest and

dispose of them in accordance with the settler's trust deed, taking account of

any letter of wishes. There may also be a protector who may have power to

veto the trustees' proposals or remove them, or a custodian trustee, who holds

the assets to the order of the managing trustees:

Unique identifier means any unique combination of letters, numbers or

symbols that refers to a specific originator; and

Citation.

Wire transfer means any transaction carried out on behalf of an originator

both natural and legal person, through a financial institution by electronic means,

with a view to making an amount of money available to a beneficiary person at

another financial institution: where the originator and the beneficiary may be

the same person.

133. These Regulations may be cited as Central Bank of Nigeria (Anti-

Money Laundering and Combating Financing of Terrorism for Banks and Other

Financial Institutions in Nigeria), Regulations. 2013.

SCHEDULES

Schedule I : Sanctions And Penalties

Sanctions

Sections 15 and 16 of the Money Laundering (Prohibition) Act, 2011 (as

amended) provide for fines or tenn of imprisonment or both upon committing

money laundering or aiding and abetting money laundering activities. The

administrative sanctions outlined in this document will be imposed consequent

upon the examination of a financial institution and observance of contraventions

by CBN Examiners and other agencies.

In determining the sanctions to apply, all the circumstances of the case will be

taken into account, including -

I. (a) Whether the contravention was deliberate, dishonest or reckless ;

(b) The duration and frequency of the contravention ;

(c) The amount of any benefit gained or loss avoided due to the

contravention :

(d) Whether the contravention reveals serious or systemic weaknesses of

the management systems or internal rules relating to all or part of the business :

and

(e) The nature and extent of any AML/CFT crime facilitated, occasioned or

otherwise attributable to the contravention-

(i) whether there are a number of smaller issues, which individually may

not justify administrative sanction, but which do so when taken collectively ;

and

(ii) Any potential or pending criminal proceedings in respect of the

contravention which will be prejudiced or barred if a monetary penalty is

imposed pursuant to the Administrative Sanctions Procedure.

2. (a) How quickly, effectively and completely the financial institution or

person concerned in its management brought the contravention to the attention

of the CBN or any other relevant regulatory authority ;

(b) The degree of co-operation with CBN Examiners or other agency

provided during the examination ;

(c) Any remedial steps taken since the contravention was identified,

including: taking disciplinary action against involved (where appropriate);

addressing any systemic failures; and taking action designed to ensure that

similar problems do not arise in the future :

(d) The likelihood that the same type of contravention will reoccur if no

administrative sanction is imposed ; and

(e) Whether the contravention was admitted or denied,

B 296

3. The previous record of the financial institution or person concerned in

its management :

(a) Whether CBN has taken any previous action resulting in a settlement,

sanctions or whether there are relevant previous criminal convictions ;

(b) Whether the financial institution or person concerned in its management

has previously been requested to take remedial action ; and

General

considera-

tions.

(c) Cieneral compliance history.

4. (a) Prevalence of the contravention ;

(h) Action taken by CBN in previous similar cases : and

(c) Any other relevant consideration.

The penalties that the CBN shall apply for contraventions of the 2011

(as amended), Terrorism Prevention Act (TPA), 2011 (as amended), Terrorism

Prevention (Freezing ol International Terrorists Funds and Other Related Measures)

Regulations, 2013 and CBN AML/CFT Regulation 2013 (comprise revocation or

suspension of the operating license, non-monetary and linancial penalties) shall

be as permitted by BOFIA or any other relevant laws or any regulations issued by

the Attorney Cieneral of the Federation.

B 29

Information to Identity

Natural Persons:

I. (1) For natural persons, the following information shall be obtained, Natural

where applicable

Persons.

(a) legal name and any other names used (such as maiden name) ;

(h) permanent address (full address shall be obtained and the use of a post

office box number only, is not sufficient) :

(c) telephone number, fax number, and e-mail address ;

(c/) date and place of birth :

(e) nationality ;

(/) occupation, public position held and name of employer ;

(g) an official personal identification number or other unique identifier

contained in an unexpired official document such as passport, identification

card, residence permit, social security records or drivers' licence that bears a

photograpit ol the customer ;

(h) type of account and nature of the banking relationship ; and

(i) signature.

(2) The Financial Institution shall verify the information referred to in

paragraph 1 of this Appendix, by at least one of the following methods-

(ca) confirming the date of birth from an official document (such as birth

certificate, passport, identity card, social security records);

(b) confirming the permanent address (such as utility bill, tax assessment,

bank statement, a letter from u public authority) ;

(c) contacting the customer by telephone, by letter or by e-mail to confirm

the information supplied after an account has been opened (such as a

disconnected phone, returned mail, or incorrect e-mail address shall warrant

further investigation);

(el) confirming the validity of the official documentation provided through

certification by an authorized person such as embassy official, notary public.

(3) The examples quoted above are not the only possibilities. There may be

other documents of an nature which may be produced as satisfactory

evidence of customers" identity,

(4) A Financial Institution shall apply equally, effective customer identification

procedures for non-face-to-face customers as for those available for interview.

(5) A Financial Institution shall make an initial assessment of a customer's

risk profile from the information provided and particular attention shall be

focused on those customers identified as having a higher risk profile and any

additional inquiries made or information obtained in respect of those customers

shall include

B 298

(a) evidence of an individual's permanent address sought through a credit

reference agency starch, or through independent verification by home visits;

(b) personal reference by an existing customer of the same institution:

(c) prior bank reference and contact with the bank regarding the

customer:

source of wealth; and

(e) verification of employment and public position held where appropriate.

(6) The customer acceptance policy shall not be so restrictive to amount

a denial of access by the general public to banking services, especially for people

who are financially or socially disadvantaged.

Institutions.

2. The term "Institution" includes any entity that is not a natural person and

in considering the customer identification guidance for the different types of

institutions, particular attention shall be given to the different levels of risk involved.

Corporate

Entities.

3. (1) For corporate entities such as corporations and partnerships, the

following information shall be obtained

(ei) name of the institution :

(A) principal place of the institution's business aperations ;

(c) mailing address of the institution :

(of) contact telephone and fax numbers ;

(e) some form of official identification number, if available such as tax

identification number ;

(f) the original or certified copy of the certificate of incorporation and

memorandum and articles of association :

(g) the resolution of the board of directors to open an account and

identification of those who have authority to operate the account ; and

(h) nature and purpose of business and its legitimacy,

(2) The Financial Institution shall verify the information referred to in

paragraph 7(1) of this Schedule by at least one of the following. methods:

(a) for established corporate entities, reviewing a copy of the latest report

and audited accounts, if available;

(b) conducting an enquiry by business information service or an

undertaking from a reputable and known form of lawyers or accountants

confirming the documents submitted:

(c) undertaking a company search and/or other commercial enquiries to

see that the institution has not been, or is not in the process of being dissolved.

struck off, wound up or terminated;

(d) utilising an independent information verification process, such as

accessing public and private databases ;

(e) obtaining prior bank references ;

(/) visiting the corporate entity ; and

(g) contacting the corporate entity by telephone, mail or e-mail.

(3) The Financial Institulion shall also take reasonable steps to verify the

identity and reputation of any agent that opens an account on behalf of a corporate

customer, if agent is not an officer of the corporate customer.

4. (I) For Corporations or Partnerships, the principal guidance is to look

behind the institution to identify those who have control over the business and the

company's or partnership's assets, including those who have ultimate control.

(2) For corporations, particular attention shall be paid to shareholders,

signatories or others who inject a significant proportion of the capital or

or

support or exercise control and where the owner is another corporate entity or

trust, the objective is to undertake reasonable measures to look behind that company

to verify the identity of the principals.

(3) What constitutes control for this purpose shall depend on the nature of

a company and may rest in who are mandated to manage the funds, accounts

or investments without requiring further authorization, and who would be in a

position to override internal procedures and control mechanisms.

(4) For partnerships, each partner shall be identified and it shall identify

immediate family members that have ownership control.

(5) Where a company is listed on a recognized stock exchange or is a

subsidiary of a listed company, the company itself may be considered to be the

principal to be identified and where a listed company is effectively controlled by

an individual, group of individuals, another corporate entity or trust, those in

control of the company are considered to be principals and shall be identified

accordingly.

5. (1) The following information shall be obtained in addition to that

required to verify the identity of the principals in respect of Retirement Benefit

Programmes, Mutual or Friendly Societies, Cooperatives and Provident Societies,

Charities, Clubs and Associations, Trusts and Foundations and Professional

Intermediaries

(a) name of account;

(b) mailing address:

(e) contact telephone and fax numbers;

(d) some form of official identification number, such as tax identification

number:

(e) description of the purpose or activities of the account holder as stated

in a formal constitution; and

(1) copy of documentation confirming the legal existence of the account

holder such as register of charities.

B 300

(2) The Financial Institution shall verify the information referred to in

paragraph 6 (I) of this Schedule by at least one of the following

(a) obtaining an independent undertaking from a reputable and known firm

of lawyers or accountants confirming the documents submitted;

(b) obtaining prior bank references; and

(c) accessing public and private databases or official sources.

Retirement

Beneli:

Programme.

6. Where an occupational pension programme, employee benefit trust or

share option plan is an applicant for an account, the trustee and any other person

who has control over the relationship such as the administrator, programme

manager, and account signatories shall be considered as principals and the financial

institution shall take steps to verify their identities.

Mutual or

Friendly.

Cooperative

and

Provident

Societies.

7. Where Mutual or Friendly, Cooperative and Provident Societies is un

applicant for an account, the principals to be identified shall be considered to be

those persons exercising control or significant influence over the organisation's

assets. This often includes board members, executives and account signatories.

Charities,

Clubs and Associations,

8.--(1) In the case of accounts to be opened for charities, clubs, and

societies, the financial institution shall take reasonable steps to identify and verify

at least two signatories along with the institution itself. The principals who shall

be identified shall be considered to be those persons exercising control or significant

influence over the organization's assets. These include members of the governing

body or committee, the President, board members, the treasurer, and all signatories.

(2) In all cases, independent verification shall be obtained that the persons

involved are true representatives of the institution and independent confirmation

shall also be obtained of the purpose of the institution.

9, (1) When opening an account for a Trust, the financial institution shall

Trusts and

Foundations. take reasonable steps to verify the trustee, the settlor of the trust (including any

persons settling assets into the trust) any protector, beneficiary and signatories.

(2) Beneficiaries shall be identified when they are defined. In the case of a

foundation, steps shall be taken to verify the founder, the managers or directors

and the beneficiaries.

Professional

10. (1) Where a professional intermediary opens a client account on behalf

Intermediaries of a single client, that client shall be identified and Professional intermediaries

shall open "pooled" accounts on behalf of a number of entities; and where funds

held by the intermediary are not co-mingled but there are "sub-accounts" which

shall be attributable to each beneficial owner, all beneficial owners of the account

held by the intermediary shall be identified.

(2) Where the funds are co-mingled, the financial institution shall look

through to the beneficial-owners but there may be circumstances that the Financial

Institution may not look beyond the intermediary such as when the intermediary

is subject to the same due diligence standards in respect of its client base as the

financial institution.

B 301

(3) Where such circumstances apply and an account is opened for an open

or closed ended investment company (unit trust de limited partnership) also subject

to the same due diligence standards in respect of its client base as the financial

institution, the shall be considered as principals and the Financial

Institution shall take steps to identify:

(a) the fund itself;

(b) its directors or any controlling board, where it is a company;

(c) its trustee, where it is a unit trust:

(d) its managing (general) partner, where it is a limited partnership;

(e) account signatories; and

(f) any other person who has control over the relationship such as fund

administrator or manager.

(4) Where other investment vehicles are involved, the same steps shall be

taken as in above where it is appropriate to do so and in addition, all reasonable

steps shall be taken to verify the identity of the beneficial owners of the funds and

of those who have control over the funds.

(5) Intermediaries shall be treated as individual customers of the financial

institution and the standing of the intermediary shall be separately verified by

obtaining the information itemized above.

B 302

schedulem

and Financing "Red Flags"

I. Potential Transactions which may be referred to as 'Red Flags' shall be

categorized as follows

(e)

(un) potential transactions perceived or identified as being suspicious which

among others shall include:

(6) transactions involving high-risk vulnerable to money

Sound crying, subject to this being

(ar) transactions involving shell companies:

(as) transactions with correspondents that have been identified as higher

risk :

large transaction activities involving monetary instruments such as

traveler's cheques, bank drafts, money order, particularly those that are

serially numbered; and

(1) transaction activities involving amounts that are just below the

stipulated reporting threshold or enquiries that appear to test an institution's

own internal monitoring threshold or controls.

(a) money laundering using cash transactions which among others shall

include:

(A significant increases in cash deposits of an individual or corporate

entity without apparent cause, particularly where such deposits are

subsequently transferred within a short period out of the account to a

destination not normally associated with the customer,

(m) unusually large cash deposits made by an individual or a corporate

entity whose normal business is transacted by cheques and other non-cash

instruments ;

(87) frequent exchange of cash into other currencies ;

(m) customers who deposit cash through many deposit slips such that

the amount of each deposit is relatively small but he overall total is quite

significant :

(r) customers whose deposits contain Torged currency notes or

instruments :

(vi) customers who regularly deposit cash to cover applications for

bank drafts :

(vii) customers making large and frequent cash deposits with cheques

always drawn in of persons not usually associated with their type of

business :

(will) customers who request to exchange large quantities of low

denomination banknotes for those of higher denominations;

B 303

(ix) branches of banks that tend to have far more cash transactions than

usunl, even alter allowing for seasonal factors : and

(x) customers transferring large sums of money to or from overseas

locations with instructions for payment in cash.

(c) money using deposit accounts, especially where they are

inconsistent with a customer's legitimate business, which among others shall

include:

(1) minimal, vague or fictitious information provided by a customer that

the money in the bank is not in a position to be verified :

(ii) lack of reference or identification in support of an account opening

application by a person who is unable or unwilling to provide the required

documentation :

(iii) a prospective customer who does not have a local er

business address and there is no apparent legitimate reason for opening a

bank account :

(/v) customers maintaining multiple accounts in a bank or in different

banks for no apparent legitimate reason or business rationale whether the

accounts are in the same names or have different signatories

(v) customers depositing or withdrawing large amounts of cash with no

apparent business source or in a manner inconsistent with the nature and

volume of the business ;

(wi) necounts with large volumes of activity but new balances or

frequently overdrawn positions :

(vil) customers making large deposits and maintaining large balances

with no apparent rationale :

(wii) customers who make numerous deposits into accounts and soon

thereafter request for electronic transfers or cash transactions from those

accounts to other accounts, locally or internationally, leaving only small

balances which typically are transactions that are not consistent with the

customers" legilimate business needs :

(ix) Sudden and unexpected increase in account activity or balance arising

from deposit of cash and non-cash items which typically are accounts opened

with small amounts but subsequently increase rapidly and significantly ;

(r) accounts used as temporary repositories for funds that are

subsequently transferred outside the bank to foreign accounts which

accounts often have low activity ;

(xi) customer requests for early redemption of a deposit or

other investment soon after the purchase, with the customer being willing

to suffer loss of interest or incur penalties for premature realization of

investment :

B 304

20,

(xii) customer requests for disbursement of the proceeds of certificates

of deposit or other investments by multiple cheques, each below the stipulated

reporting threshold ;

(xiii) retail businesses which deposit many cheques into their accounts

but with little or no withdrawals to meet daily business needs ;

(wiv) frequent deposits of large amounts of currency, in

straps that have been stamped by other banks ;

(xv) substantial cash deposits by professional customers into elient.

trust or escrow accounts :

(xvi) customers who appear to have accounts with several institutions

within the same locality, especially when the institution is aware of a regular

consolidatian process from such accounts prior to a request for onward

Transmission ol the funds ;

(xvii) large cash withdrawals from a previously dormant or inactive

uccount, or from an account which has just received an unexpected large

credit from abroad ;

(xviii) greater use of safe deposit facilities by individuals, particularly

the use of sealed packets which are deposited and soon withdrawn ;

(xix) substantial increase in deposits of cash or negotiable instruments

by a professional firm or company, using client accounts or in-house

company or trust accounts, especially where the deposite are promptly

transferred between other client company and trust accounts ;

(ax) large numbers of individuals making payments into the same account

without adequate explanation :

(axi) high velocity of funds that reflects the large volume of money

flowing through an account ;

(xxi/) an account opened in the of a money changer that receives

deposits : and

(xxiii) an account operated in the name of an off-shore company with

structured movement of funds.

(d) trade-based money laundering which among others shall include

(i) over and under-invoicing of goods :

(ii) multiple invoicing of goods and services ;

(iii) over and under-invoicing of goods and services ;

(iv) falsely described goods and services and "phantom" shipments

whereby the exporter does not ship any goods at all after payments had

been made, particularly under confirmed letters of credit :

(v) transfer pricing :

(wi) transaction structure which appear unnecessarily complex and

designed to obscure the true nature of the transaction :

B 305

(vii) items shipped which are inconsistent with the nature of the

customer's normal business and transaction which lack an obvious economic

rationale

and

(viil) customer requests of proceeds to an third party:

(ix) significantly amended letters of credit without justification

or changes to the beneficiary or location of payment.

(e) lending uctivities which among others include :

(7) customers who repay problem loans unexpectedly ;

(ii) a customer who is reluctant or refuses to state the purpose ol a loan

or the source of repayment or provides a questionable purpose or source of

repayment ;

(iii) loans secured by pledged assets held by third parties unrelated to

the borrower

(iv) loans secured by deposits or other readily marketable assets.

such as securities particularly when owned by apparently unrelated third

parties :

(v) loans made for or paid an behalf of a third party with no reasonable

explanation ; and

(vi) loans lacking a legitimate business purpose, provide the bank with

significant lees for assuming minimal risk, or tend to obseure the movement

of funds (e. g. loans made to a borrower and immediately sold to an entity-

related to the borrower) :

(f) terrorist financing "red flags" which among others include :

(i) persons involved in currency transactions who share an address or

phone number, particularly when the address is also a business location or

does not seem to correspond to the stated occupation such as student,

unemployed, or sell-employed

(ii) financial transaction by a nonprofit or charitable organization, for

which there appears to be no logical economic purpose or for which there

appears to be no link between the stated activity of the organisation and

other parties in the transaction;

(iii) a safe deposit box opened on behalf of a commercial entity when

the business activity of the customer is unknown or such activity does not

appear to justify the use of a safe deposit box;

(iv) where large numbers of incoming or outgoing funds transfers take

place through a business account, and there appears to be no logical business

or other economie purpose for the transfers, particularly when this activity

involves designated high-risk locations ;

(r) where the stated occupation of the customer is inconsistent with the

type and level of account activity :

B 306

(vi) where funds transfer does not include information on the originator.

or the person on whose behalf the transaction is conducted, the inclusion of

which should ordinarily be expected:

(wi/) multiple personal and business necounis or the accounts for nonprofit

organisations or charities are used to collect and tunnel funds to a small

number of foreign beneficiaries;

(viif) foreign exchange transactions which are performed on behalf of a

customer by a third party, followed by funds transfers to locations having

no apparent business connection with the customer or to high-risk countries;

and

(ix) funds generated by a business owned by persons of the same origin

or by a business that involves persons of the same origin from designated

high-risk countries.

(g) other unusual or suspicious activities which among others include :

(i) where employee exhibits a lavish lifestyle that cannot be justified by

his/her salary ;

(ii) where employee falls to comply with approved operating. guidelines.

particularly in private banking ;

(iii) where employee is reluctant to take a vacation:

(iv) safe deposit boxes or safe custody accounts opened by individuals

who do not reside or work in the institution's service area despite the

availability of such services at an institution closer to them;

(v) customer rents multiple safe deposit boxes to store large amounts of

currency, monetary instruments, or high value assets awaiting conversion

to currency, for placement in the banking system;

(vi) customer uses a personal account for business purposes:

(vii) where official embassy business is conducted through personal

accounts;

(will) where embassy accounts are funded through substantial currency

transactions; and

(ix) where embassy accounts directly fund personal expenses of

nationals.

Made at Abuja this 29th Day of August, 2013.

Sanusi Lamido Sanusi

Governor of the Central Bank of Nigeria