



United States Department of the Treasury
Financial Crimes Enforcement Network

FinCEN Advisory

Subject:

**Transactions
Involving the
Federal Republic
of Nigeria**

Date:

April 2002

Advisory:

Issue 32

This Advisory is being issued to inform banks and other financial institutions operating in the United States of serious deficiencies in the counter-money laundering systems of the Federal Republic of Nigeria. The impact of such deficiencies on the scrutiny that should be given to certain transactions or banking relationships involving Nigeria, in light of the suspicious transaction reporting obligations of financial institutions operating in the United States, is discussed below.

Nigeria is a large Western African nation, currently undergoing transition to a civilian republic form of government, following more than 16 years of military rule. It has a landmass of 923,768 square kilometers and a population of more than 120 million. Nigeria's oil sector provides 20% of its \$110 billion GDP and 95% of its foreign exchange earnings.

The counter-money laundering regime embodied in the legal, supervisory, and regulatory systems of Nigeria suffers from serious systemic problems as follows:

- Nigerian law fails to criminalize the laundering of illicit proceeds, other than proceeds derived from narcotics trafficking. Nigerian banks are not required to report all suspicious transactions; banks are exempt from making a suspicious transaction report for any transaction which they decline to conduct or which is discontinued prior to completion.
- There is no penalty under Nigeria's laws for failing to comply with the suspicious transaction reporting obligation.

These deficiencies, among others, have caused Nigeria to be identified in June 2001 by the Financial Action Task Force on Money Laundering (the "FATF") as non-cooperative "in the fight against money laundering." The FATF, created at the 1989 G-7 Economic Summit, is a 31 member international group that works to combat money laundering.

According to the 2001 International Narcotics Control Strategy Report ("INSCR"), issued by the U.S. Department of State, Nigeria remains a worldwide hub for narcotics trafficking and money laundering activity. Nigeria is also notorious for various financial fraud schemes, which often involve the international wire transfer of funds and which are estimated to cost American citizens and businesses hundreds of millions of dollars annually.



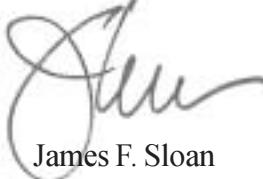
The Government of Nigeria has recently begun to cooperate with the FATF’s review process and has pledged to take measures to address its criminal problems and bring the Nigerian anti-money laundering regime into compliance with international standards. Nigeria is, however, only beginning the movement toward reform and it may be some time before tangible results are realized. Nonetheless, Nigeria’s legal, supervisory, and regulatory systems create significant opportunities and tools for money laundering and increase the possibility that transactions involving Nigerian entities and accounts will be used for illegal purposes.

Thus, banks and other financial institutions operating in the United States should carefully consider, when dealing with transactions (especially those involving large sums of money, whether in cash or by wire transfer), originating in or routed to or through Nigeria, or involving entities organized or domiciled, or persons maintaining accounts, in Nigeria, how the lack of adequate counter-money laundering controls in Nigeria affects the possibility that those transactions are being used for illegal purposes. A financial institution subject to the suspicious transaction reporting rules contained within 31 C.F.R. Part 103, and in corresponding rules of the federal financial institution supervisory agencies, should carefully examine the available facts relating to any such transaction to determine if such transaction requires reporting in accordance with those rules. Institutions subject to the Bank Secrecy Act but not yet subject to specific suspicious transaction reporting rules should consider such a transaction with relation to their reporting obligations under other applicable law. All institutions are particularly advised to give enhanced scrutiny to transactions or relationships that do not involve established, and adequately identified and understood, commercial or investment enterprises, as well as to transactions involving the routing of transactions from Nigeria through third jurisdictions in ways that appear unrelated to commercial necessities.

It should be emphasized that the issuance of this Advisory and the need for enhanced scrutiny for certain transactions or relationships does not mean that U.S. financial institutions should curtail legitimate business involving Nigeria.

To dispel any doubt about application of the “safe harbor” to transactions within the ambit of this Advisory, the Treasury Department will consider any report relating to a transaction described in this Advisory to constitute a report of a suspicious transaction relevant to a possible violation of law or regulation for purposes of the prohibitions against disclosure and the protection from liability for the reporting of suspicious transactions contained in 31 U.S.C. 5318(g)(2) and (g)(3).

United States officials stand ready to provide appropriate technical assistance to Nigerian officials as they work to remedy the deficiencies in Nigeria's counter-money laundering systems that are the subject of this Advisory.



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