

WELCOME ADDRESS DELIVERED

BY

**JULIET IBEKAKU, DIRECTOR, NIGERIAN
FINANCIAL INTELLIGENCE UNIT (NFIU)**

AT

**THE CHIEF COMPLIANCE OFFICERS OF BANKS
MEETING.**

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1. I must not fail to start this meeting by thanking all of you in a special way for setting out time to participate in this month Chief Compliance Officers of Banks' forum in Abuja. I am aware that your daily schedules keep you extremely busy as you seek to develop measures to comply with the legal and regulatory regime on anti-money laundering and combating terrorist financing (AML/CFT) as imposed by national, regional and international standards. I am also aware that you face various challenges in the implementation of these regimes.

2. It is my responsibility and that of my team to reassure you that we are here to help you get through those legal and regulatory maze and to enhance compliance framework and responsiveness across the banks. In this regard, permit me to say a few words about where we are coming from and where I think we should be heading.

3. The discussion this morning covers the role of the NFIU and that of reporting entities within the AML/CFT regime in Nigeria, and how we may achieve effective reporting to enhance intelligence gathering for our law enforcement officers.

Understanding the Role of the Nigerian Financial Intelligence Unit (NFIU)

4. The Nigerian FIU was first set up under the Economic and Financial Crimes, 2004 Act¹. This was aimed first of all to enable the EFCC oversee the enforcement of financial crimes in Nigeria but broadly and in conformity with contemporary international standards to enable the NFIU perform the central role of "***receiving, analyzing and disseminating***" ***financial intelligence*** generated from reports submitted by financial, non-financial institutions and

designated non-financial businesses and professions (DNBPs)².

5. In the same breath, the Money Laundering Prohibition Act (MLP), 2004, as amended in 2011 and the Prevention of Terrorism Act (PTA), 2011 set out the obligations of various regulators and reporting entities in ensuring that the NFIU can and would receive suspicious transaction reports from all the reporting entities as well as be able to request for additional information when the need arises.

6. In 2006, the NFIU was formally established and has since then sought to develop standards, perform onsite and off-site examination of financial institutions, enhance compliance with the legal and regulatory regimes on AML/CFT in Nigeria as well as respond to the global trends by collaborating with other FIUs worldwide. Indeed as a member of the global EGMONT GROUP of FIUs³ with more than 120 membership, the NFIU is not only a key player from the African region, it is also sponsoring other regional FIUs such as Ghana Financial Intelligence Center (GFIC) to be become member of the EGMONT Group.

7. The NFIU, as part of its regulatory mandates, works closely with the Central Bank of Nigeria as the core regulator for financial and non-financial institutions, including money service businesses in the regulation of the sector and particularly in the receipt of the following reports:

- (i) Report of international transfer of funds and securities exceeding US\$10,000.00 or naira equivalent– Section. 2 (1) of the MLP
- (ii) Suspicious Transaction Reports (STRs) related to potential money laundering activities from reporting entities or made voluntarily by any persons - Section 6 (2) of the MLPA 2011 (exclusively to be submitted to the NFIU to aid intelligence gathering)

- (iii) Declarations of more than 10,000 USD threshold or its equivalent made to the Nigerian Customs pursuant to the Foreign Exchange Act, 1995 – Section 2 (3)
- (iv) Currency Transaction Reports(CTRs) made by reporting entities – Section 10 of the MLPA 2011
- (v) Application of freezing measures under Section 6 (5) (b)
- (vi) Mandatory Disclosures by financial institutions and any other individual – related to single transaction, lodgment or transfer of funds in excess of N5, 000,000/N1, 000,000 (individual) and N10, 000,000/N5, 000,000 (Corporate) – Section 10 (1) and (2), MLP Act
- (vii) Determine the flow of transactions and the beneficiaries for individual and corporate accounts – Section 14 MLP Act
- (viii) STRs on transactions that may relate to Terrorism - Section 14 of the PTA 2011; and other
- (ix) Other statutory reports mandated by the regulators.

8. In addition to all these functions, the NFIU will ensure that reporting entities comply with the various AML/CFT obligations in the Nigerian laws through monitoring of the compliance measures of banks.

Roles of Reporting Entities

9. The responsibility to take specific and timely action to prevent the financial system from reputation and legal damage rests mainly with the banks in the first instance because of the nature of service and products they offer to their customers and because of the type of clientele they serve. Accordingly, I have chosen this meeting to receive feed back from you on the work of the NFIU and how you think we may best add value to your compliance functions.

10. The responsibilities of the financial institutions in relation to AML/CFT is well set out in the EFCC Act, 2004 and the MLP Act as well as the Prevention of Terrorism Act, 2011. Some of these responsibilities must be read alongside other prudential responsibilities. They include but are not limited to the following:

- (i) In-depth understanding of regulatory and legal AML/CFT regime in Nigeria and globally
- (ii) Identification of customers and beneficial owners of accounts or investments
- (iii) Development and recording of all transaction records as stipulated in the laws
- (iv) Verification of customers' profile and documentation of any suspicious or unusual transactions or trends in customers' profile
- (v) Development of central information collation system or setting up of mini-fius on all bank transactions conducted by customers in order to systematically identify red flags that may be reported to the NFIU.
- (vi)** Identification of suspicious transactions and submission of all suspicious transactions to the NFIU in a *prompt and timely manner* in order to aid the combat of financial crimes, control the laundering of illicit money and prevent the use of the financial system by terrorists (**without exception**) based on the definition of the offence of money laundering under Section 15 of the MLP Act, 2011 (**annex 1**)
- (vii)** Training all staff (both front office and back office) and ensuring effective supervision and compliance by applying a risk-based approach (*Note that the rules based approach is no longer applicable in the examination of banks' AML/CFT compliance system. Supervisors and the NFIU will seek to examine targeted banks in order to ensure strict*

compliance with legal and regulatory AML/CFT regime)- See Sections 3, 6,

(viii) Understanding and applying appropriate risk management systems in appropriate cases and as provided by the laws.

Today, I will like to mention two specific areas where the NFIU expects the banks to take immediate action to resolve.

Timely Submission of Suspicious Transactions:

11. In undertaking your tasks as compliance officers as reflected under Section 3 (6) of the MLP Act and Section 6 of the MLP Act as well as the Section 14, PTA, we expect you to bear in mind that you have been given a peculiar, unique but specific responsibility to aid in fighting crime and to assist in maintaining the integrity of the financial system. This is not unusual as it is a responsibility that has been in place globally since 1989 following the establishment of the Financial Action Task Force, but even earlier than that, since 1970 in the United States when the Bank Secrecy Act was enacted. As most of you have had course to work with banks in developed and most developing countries, you are well aware of the strict application of not just the duty to conduct due diligence on banks' customers but also the requirement to file suspicious reports to the NFIU.

12. Our expectation is that you will fulfill this role in a ***prompt and timely manner***. Our reading of the seven days time limit to file a report is that this is a maximum threshold that is only applicable in the case of "unusual transactions" as opposed to "suspicious transactions". Nigerian laws must be read alongside contemporary jurisprudence as well as international standards on AML/CFT. In submitting STRs, we expect you not only to file immediately, we also expect confidential reporting and notification of the NFIU through

the email or telephone contacts that have been provided to you by the NFIU's Compliance and Enforcement Department. We are also aware that compliance with the submission of STRs across banks is poor.

13. We are also aware that some banks are not filing STRs at all, and that some are either filing defensively or seeking for excuses where none exist in order not to file. The NFIU would like to reiterate that failing to file STRs is a criminal offence which the NFIU will commence effective enforcement of, working closely with its counterpart in the law enforcement agencies. However, be assured, that we are here to help you where you have genuine and verifiable reasons to have failed in filing a particular suspicious conduct. In the next couple of days and in close collaboration with the Central Bank, the NFIU intends to issue further guidance on some of the emerging issues that we are seeing in the exceptions that were recently highlighted by the Compliance and Enforcement Department.

The development of Risk Management Systems

14. The MLP Act, Section 3 (8) (a) provides a requirement for banks to establish "appropriate risk management systems" to enable the banks, in the first instance respond to emerging trends in the handling of certain transactions, particularly those involving public officials. It is important for me to highlight that Section 3 was informed not just by international standards but also the need to address growing concerns in the management of public resources. You are all aware of recent cases related to pension, petroleum subsidy, and the prosecution of ex-governors. It is our understanding that some of the withdrawals and placement of public funds in private accounts would not have occurred without "collaboration" by banks. We are well aware of ongoing cases in the courts and we are examining the roles that banks played by failing to report. As I said

earlier, your duty is to report, where you fail to report or “tip-off” a potential suspect, you are coming within the definition of Sections 15 (2), 16, 17 and 18 and you are inevitably exposing yourselves and your banks to the legal and reputational damage that may follow such an action.

15. I will not fail to add that you have both a legal and professional obligation under the MLP and the PTA Acts. The moral obligation is one that you will be confronted with as citizens of this country when you fail to report the theft of public funds and you fail to report the movement of funds that may potentially support fraud, violence or terrorist attacks.

16. I must also point out that regulators all over the world are reviewing their regulatory remits in order to ensure greater enforcement and prevention of crimes, Nigeria as a global player, will be looking at what is happening in the UK, in particular and in the United States, in order to learn lessons.

17. On this note, I wish to welcome you once again and look forward to a lively and enlightening session today.

Thank you.

¹ Section 1 (2) (c) EFCC Act, 2004

² Section 46 of the EFCC Act, and Section 25 of the MLP Act, 2011

³<http://www.egmontgroup.org/> and www.nfiu.gov.ng