



Combating Money Laundering and Terrorist Financing - The Nigerian Experience

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ABSTRACT

Money Laundering and Terrorist financing have become a serious problem facing the social, economic and political roots of Nigeria. Money Laundering is a process by which large amounts of illegally obtained money from drug trafficking, terrorist activity or other serious crimes, is given the appearance of having originated from a legitimate source. Terrorist financing is defined to include both legitimate and illegitimate money characterized by concealment of the origin or intended criminal use of the funds. The techniques used to launder money are essentially the same as those used to conceal the sources of, and uses for, terrorist financing. The activities of money launderers and terrorists are highly secretive and do not lend themselves to statistical analysis. These ugly monsters called terrorism and money laundering have adverse impact on the economy and political stability of a country and hence such an activity must be curbed with all seriousness. This paper discussed the concepts, significance and the impact of terrorist financing and money laundering in Nigerian economy. The paper observes that developing countries such as Nigeria and other member states of the ECOWAS and African Union AU face certain challenges in fully implementing the Financial Action Taskforce (FATF) recommendations because of lack of capacity and lack of financial resources amongst other reasons. Nations of the world must join hands and resources together in adopting measures aimed at dismantling syndicates engaged in money laundering by resorting to aggressive enforcement of anti-money laundering/ combating financing terrorism (AML/CFT) laws. It is, therefore, important that Nigeria establishes relationships with the international community so as to enhance intelligence gathering and sharing, law enforcement cooperation, economic sanctions, and in turn disrupt the flow of terrorist funding.

Keywords: Money, Money laundering, Terrorism, Terrorists and Terrorist Financing, FATF

INTRODUCTION

Money laundering (ML) and terrorist financing (TF) are global phenomena and there has been growing recognition in recent times, and indeed well documented evidence, that both pose major threats to international peace and security which could seriously undermine Nigeria's development and progress. The goal of a large number of criminal acts is to generate profit for the individual or group that carries out

the act. According to FATF (2013:1), money laundering is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source. Illegal arms sales, smuggling, and the activities of organized crime, including for example drug trafficking and prostitution rings, can generate huge amount of proceeds. Embezzlement, insider trading, bribery and computer fraud scheme can also produce large profits and create the incentive to legitimize the ill-gotten gains through money laundering.

Money is the prime reason for engaging in almost any type of criminal activity. Terrorists and terrorist organizations also rely on money to sustain themselves and to carry out terrorist acts. Money for terrorist is derived from a wide variety of sources. While terrorists are not greatly concerned with concealing its destination and the purpose for which it has been collected. Terrorists and terrorist organizations therefore employ techniques similar to those used by money launderers to hide their money. UNODC (2013:4), states that the ability to prevent and detect money-laundering is a highly effective means of identifying criminals and terrorists and the underlying activity from which money is derived. Laundered money provides drug traffickers, organized criminal groups, arms dealers and terrorist groups with the money for operating and developing their enterprises.

Gloomy times face Nigerians as the present administration wallows in helplessness and lack of the ability to tackle the ugly menace of various terrorist networks activities that are presently seeping through the pores of the development of the nation and have gained international recognition (Ezewudo, 2012:9).

These networks seem to be growing in their prowess as they work towards achieving their objectives and causes through various unflinching supports and secret funding from different medium to further their cause. The most prominent and recently, the most feared of them is the Islamic Movement known by its Hausa name as the **BOKO HARAM** meaning ‘western education is sinful’ who fights to oppose all forms of western education and life style, opposing the government and insisting on Islamizing the entire nation.(Zaimo,2012 in Ezewudo 2012:10).

Nigeria has had serious terrorist attacks of its own - on October 1, 2010 when she was marking her 50th independence anniversary, the bombing of UN building in Abuja, Police Force Headquarters in Abuja, all in 2011 and also various bombing attacks by the BOKO HARAM group in some northern states of Nigeria. These attacks have increased concerns over terrorism at the national and international levels. (Wapmuk, 2013:2). This study will attempt to examine existing institutional and legislative controls against terrorism and make comments on their adequacy.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

Kumar (2012:10), states that money laundering is called what it is because that perfectly described what takes place- illegal or dirty money is being put through a cycle of transactions or washed, so that it comes out the other end as legal or clean money. In other words, the source of illegally obtained fund is obscured through succession of transfers and deals in order that those same funds can eventually be made to appear as legitimate income. Anti-Money Laundering/Combating Financing Terrorism (AML/CFT) Act (2009:2) defines money laundering (ML) as the process whereby criminals attempt to conceal the illegal origin and/or illegitimate ownership of property and assets that are the fruits or proceeds of their criminal activities. Financing of Terrorism (FT), is defined to include both legitimate and illegitimate money characterized by concealment of the origin or intended criminal use of the funds.

Money laundering is a multi-stage process by which the true identity of money obtained by illegal means is changed to make it look as if it was genuine money by hiding the true identity of the source (Anyanwokoro, 2006:15). Money laundering can also be described literally as the washing of “dirty” money (illegal money) acquired by illegal means to make it look like “clean” money (genuine money) obtained from a legal source or means.

Sowe (2009:5) defines money laundering as conversion or transfer of property, knowing that such property is derived from any offence or offences or from an act of participation in such offence or offences for the purpose of concealing or disguising the illicit origin of the property or of assisting any

person who is involved in the commission of such offence or offences to evade the legal consequences of his actions.

The Financial Action Task Force (FATF) which is the international standard setter for anti-money laundering efforts defines money laundering as “the processing of criminal proceeds to disguise their illegal origin” in order to “legitimize” the ill-gotten gains of the crime.

Ezewudo (2012:89) defines terrorist as any natural person who, commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully, organizes or directs others to commit terrorist acts or contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act. Financing is a deep rooted practice characterized by extreme confidentiality, scheme, criminality and above all, a high degree of sophistication, complexity and smattering know-how of the global financial system (Ezewudo,2009:17). Raphaeli (2003) in Ezewudo (2012:17), best expresses this as an octopus with tentacles spreading across vast territories as well as across a wide range of religious, social, economic and political realities.

Terrorism according to the international convention for suppression of financing of terrorism of December 1999, the primary objective of terrorism is to intimidate a population, or to compel a government or international organization to do or abstain from doing an act. Sowe (2009:7), states that the definition of terrorism is not universally accepted due to significant political, religious and national implications that differ from country to country. Ajibo, (2013:1), observes that no consensus has been reached to describe the word ‘Terrorism’, but from the etymological concept, the word originated from French and Latin words ‘Terrorisme’ and ‘Terrere’ meaning “to frighten” and “state rule by Terror” respectively. The United States government defines it as a premeditated, politically motivated violence, perpetrated against non-combatant targets by clandestine agents usually intended to influence an audience.

Terrorist networks rely heavily on the financial system of any jurisdiction for the execution of their aims. Financial and material resources are the lifeblood of terrorist operations. This is important owing to the need to undergo trainings, purchase high tech weapons, travel and in the case of Nigeria, offer bribes to ease their way through any obstacles.

The term “terrorist financing” became a global concept after the September 9/11 of 2001 attack. Prior to this day, the concept existed but only as a crime on its own and never found its way into any anti-money laundering framework or recommendations (Ezewudo, 2012:18). According to Ezewudo (2012:18), the 9/11 attack caused a new focus on the involvement of financial institutions as vehicles for most serious crimes a discovery which has brought awareness to various financial regulatory authorities on the use of the banking system and some other financial networks (Beare and Schneider, 2007:248).

The term “terrorist financing” according to Wapmuk (2009:3), is recorded to have first appeared in the UN General Assembly’s Seminar Declaration on Measure to Eliminate International Terrorism in 1994. This seminar followed resolutions by the Security Council which implies the involvement of state entities in the financing of terrorism through various acts and omissions. This was an annex to the UN General Assembly Resolution 51/210, which condemned terrorist activities in the following terms – “the States Members of the United Nations solemnly reaffirm their unequivocal condemnation of all acts, methods and practices of terrorism as criminal and unjustifiable, wherever and by whosoever committed, including those that jeopardize friendly relations among states and peoples and threaten the territorial integrity and security of states”.

The State Members of the United Nations reaffirm that acts, methods and practices of terrorism are contrary to the purposes and principles of United Nations; they declare that knowingly financing, planning and inciting terrorist acts are also contrary to the purposes and principles of the United Nations. Criminal acts intended or calculated to provoke a state of terror in the general public, a group of persons or particular persons for political purposes are in any circumstance unjustifiable, whatever the

considerations of a political, philosophical, ideological, racial, ethnic religious or any other nature that may be invoked to justify them.

2.1 Stages of Money Laundering

(i) **The placement Stage:** This stage involves the physical disposal of the cash derived from an illegal source either by bringing it into the financial system for the first time. At this, the money launderer physically gives out the cash proceeds derived from an illegal activity. It may be given out to someone else or used to carry out a financial transaction that places the money into financial system. For instance, illegal money like drug money may be deposited into a bank account or used to purchase securities, travelers' cheques or foreign currencies.

(ii) **The Layering Stage:** This is a stage of concealing or disguising the real source of the funds to confuse any person trying to trail the source of the funds. At this stage, the money launderer engages in series of transfer and transaction with the cash derived from an illegal source to conceal the real source. According to the Money Laundering Guidance Notes (1991), this stage involves "separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the audit trail and provide anonymity".

(iii) **Integration:** This is provision of apparent legitimacy of criminally derived wealth. If the layering process has succeeded, integration schemes place the laundered proceeds back into the economy in such a way that they re-enter the financial system and appear to be normal business funds (Sowe, 2009:11).

2.2 Significance of Money Laundering

Money Laundering is an issue that has gained increasing significance following the events of September, 9/11 of 2001 (attack on the twin towers in the US). Since then the world has focused its attention on the entire concept of money laundering and has recognized it as a source of the funding of terrorist activities. Kuma,(2012:10) observes that the globalization process and the communication revolution have been made increasingly international in scope, and the financial aspect of crime have become more complex due to rapid advances in technology.

The spread of international banks all over the world has facilitated the transmission and the disguising of the origin of funds. This may have devastating social consequences and poses a threat to the security of any country, large and small. It provides fuel for drug dealers, terrorists, illegal arms dealer, corrupt public officials and all types of criminals to operate and expand their criminal activities to continue (Gupta 2010:20).

Money laundering causes a diversion of resources to less productive areas of the economy which in turn depresses economic growth. The possible social and political costs of money laundering, if left unchecked or dealt with effectively, are serious. The economic and political influence of criminal organizations can weaken the social fabric, collective ethical standards, and ultimately the democratic institutions of society.

2.3 Impact of Money Laundering on the Economy of a Country

2.3.1 The socio-economic impact: Sowe (2009:13), argues that while money laundering and the financing of terrorism can occur in any country, they have particular economic and social consequences for developing countries, because their markets tend to be small and therefore, more susceptible to disruption from criminal or terrorist influences.

2.3.2 Government/National Economies: Failure to prevent money laundering permits criminals to benefit from their actions, thus making crime a more attractive proposition. It also allows criminal organizations to finance further criminal activities. Thus the level of crime is increased.

Money laundering activities tends to undermine financial systems by putting into question its integrity. It could also have adverse macro-economic effects and affect the exchange rate through large transfers and capital flows.

2.3.3 Political implication: Ezewudo (2012:55) observes that huge funds gotten from one form of embezzlement of public funds find their way into political campaigns in times of elections. Part of the reasons for these benevolent donations towards party campaigns in Nigeria is done in the hope of securing some political influence or power in the event the party wins. Many politically exposed persons who are

either individuals or groups have been entrusted with prominent public functions in a country, for example Head of States or of government, senior politicians, senior government judicial or military officials, senior executives of state owned corporations etc. Such donors has never been indicted or investigated in relation to the source of funds unlike other countries.

The amounts involved are so large that they undermine the integrity of domestic economies of the countries including Nigeria and international financial system.

2.3.4 Social implications: Nigeria is fraught with so many problems stunting its democratic growth. Egwemi and Usman (2007:16), states that the economic and political consequences of criminal organizations and money laundering deteriorate the social culture, ethical values and the democratic foundation of the people. These criminal consequences they observe are bound to weaken the smooth transition to democratic system. Most importantly, money laundering is tied to the principle criminal activity that breeds it.

Laundering gives room for criminal activities to flourish, thereby tainting Nigeria's public image globally.

2.3.5 The global Effect: The challenges for the global society at large portrays that organized crime occurs irrespective of the territory. Money laundering has come to be known as a huge risk to the global society which has been made easy by the elimination of capital controls and the liberalization of global finance (Ikpong, in Ezewudo, 2012:58). Money laundering, now regarded as the oil of the global criminal networks may be described as one of the disadvantages of globalization as it has introduced among others, the crime of drug dealings, terrorism, arms and human trafficking. Aside distorting the world fiscal policy, it has kept the market of illicit drugs going all over the world as well as number of international crimes especially the mafia groups and their activities in many countries. Terrorists employ laundered money to fund their activities.

The events of September 9/11, 2001, necessitated a lead by the US on the war on terror and then the continued war campaign on Afghanistan and the Iraq leading to a very high tension in the international atmosphere.

2.3.6 Weakened Financial Sector: Money laundering can harm the soundness of a country's financial sector as well as the stability of individual financial institutions in many ways. Sowe (2009:17) observes the effects to include reputation, operation, legal and concentration risks resulting in the following:

- a) Loss of profitability business;
- b) Liquidity problems through withdrawal of funds;
- c) Termination of corresponding business facilities, for example. banking, and re-insurance;
- d) Investigation cost and fines;;asset seizure; and
- e) Decline in stock value.

2.3.7 International consequence and foreign investment

Terrorist financing and money laundering also impact negatively on foreign investments and international relations. Some of the consequences include:

- a) Loss of reputation as a money laundering haven alone could cause significant adverse consequences for development in a country.
- b) Foreign Financial Institutions may decide to limit their transactions with from money laundering havens.
- c) Any country known for lax enforcement of AML/CFT is less likely to receive foreign private investment. For developing nations, eligibility for foreign governmental assistance is also likely to be severely limited.
- d) More importantly is the possibility of inclusion in the "non-co-operating countries and territories; list maintain by FATF.

3. THE ACT OF TERRORISM IN NIGERIA

For Nigeria according to Nnakwe (2011:1) what appears to be an act of terrorism can be traced to the October 1st 2010 bomb blast at the Eagle Square in Abuja. Currently, terrorism has taken a new dimension. Nigeria as a nation is now at the mercy of a terrorist religious group known as Boko Haram.

Just as it planned in rapid succession from October, 2010 till now, the country has witnessed more than 25 explosions at different times in different places to tell the issue of terrorism is very well alive with us. The use of terrorism for political gains is a serious threat to international peace and security. While addressing the UN General Secretary on Wednesday 21st September 2010, Nigerian Head of State President Goodluck Jonathan said that there has been an upsurge of terrorist attacks in some parts of country over some few months. According to President Goodluck “the increasing use of terrorism in various regions of the world as a form of political action poses serious threat to international peace and security. We must win the war against terrorism because it infringes on the fundamental rights of the people’s life and to live in safety”.

3.1 The Impact of Boko Haram Terrorist Activities in Nigeria

Nnakwe (2011:2) ex-rays some of the impact of the activities of the group called Boko Haram in Nigeria. He observes that their activities have paralyzed almost all sectors of the country’s activities. Terrorism has impeded peace, progress and development of Nigeria. It hinders political development, affects rapid economic growth, and distorts socio-cultural equilibrium and lead to environmental deterioration. Many scholars have discussed its consequences according to their observation and background but for us to achieve comprehensive evaluation; we shall briefly take on the aspects mentioned as thus; political, economic, social and environmental consequences.

- a) **Political Impact:** What makes a nation state is the ability of a collection of people and nation to belong together within a geo-political environment as a nation. But with conflict, good and acceptable government is not guaranteed as even elections into the government reflect the divisions. As it affects the voting pattern so it affects appointment and government policies. Conflict within countries (as we have now in Nigeria) misdirects these political bodies, divides them and hinders their performance.
- b) **Economic Impact:** Conflict and war also leads to dislocation of people from their base. This leads to disruption of economic activities. In Nigeria currently the fear of Boko Haram is everywhere. Financial activities have been paralyzed as everyone live in fear. People are now scared of gathering together. Business activities have also not been left out in this game of fear as everyone is standing with one leg, calculating where the next target could be.
- c) **Education Impact:** The education here “western education” which is more of formal training programmes acquired at pre-primary, primary, secondary and tertiary levels in Nigeria. The major target of Boko Haram is to frustrate the western education which to them is a sin. Higher institutions have become a dreadful area as the group’s main target is western education. A practical impact of it is that threat notices were sent to some major higher institutions in the country. In the University of Ibadan so many have been traumatically molested. The academic activities have been jeopardized. Lecturers lives in fear.
- d) **Social Impact:** Social development has been described as the process by which the well-being of society and its people is ensured through collective action vis-a-vis the changes taking place in policies, economic and social life of the people. The typical social development programmes jeopardized by the activities of Boko Haram in the country include the following: family welfare services, health, housing, community development, youth’s services and women development. Education just like the political and economic situation, internal conflicts have negatively hinders social development.
- e) **Environmental Impact:** The environment has always formed a central part of the development focus. The conflict has led to environmental degradation, poverty and have also hindered rapid economic growth and development

4. COMBATING MONEY LAUNDERING AND FINANCING TERRORISM IN NIGERIA

There have been increased stringent Anti-Money Laundering/Combating Financing Terrorism (AML/CFT) measures worldwide, particularly since the September 9/11, 2001 terrorist attacks in the US.

Nigeria not being left out in the global efforts to fight the menace, has taken some AML/CFT measures in recognition of the dangers posed (CBN, 2009:2).

With the enactment of AML/CFT legislations in Nigeria, the country is giving increased attention to implementing these laws. Indeed, the benefits of having AML/CFT laws in place would not be realized unless there is diligent implementation of the enforcement measures by the CBN and compliance by financial institutions. This study examines the AML/CFT directives and guidance on Know Your Customer (KYC).

4.1 AML/CFT Directives

Every financial institution is required to adopt policies stating its commitment to comply with AML/CFT obligations under the law and regulatory directives and to actively prevent any transaction that otherwise facilitate and implement criminal activity or terrorism. Every financial institution is requested to formulate and implement internal controls and other procedures that will deter criminals from using its facilities for money laundering and terrorist financing and to ensure that its obligations are always met.

4.2 AML/CFT Compliance Officer and Duties

Each financial institution is required to designate its AML/CFT chief compliance officer with the relevant competence, authority and independence to implement the institution's AML/CFT compliance programme.

The duties of the AML/CFT Compliance Officer, among others, include:

- a) Developing an AML/CFT compliance programme;
- b) Receiving and vetting suspicious transaction reports from staff;
- c) Filing suspicious transaction reports with the NFIU;
- d) Rendering "nil" reports with the NFIU, where necessary to ensure compliance
- e) Ensuring that financial institution's compliance programme is implemented; etc.

4.3 Measures to be taken against ML/TF

Financial institution secrecy and confidentiality laws shall not in any way, be used to inhibit the implementation of the requirements in this law. Those secrecy and confidentiality laws are Sections 38 of EFCC ACT, 2004; 12 of MPL Act, 2004 and 33 of the CBN Act, 2007. The acts cited here have given the relevant authorities the power required to access the information to properly perform their functions in combating money laundering and financing terrorism; the sharing of information between competent authorities, either domestically or internationally; and sharing of information between financial institutions, where this is required or necessary (CBN, 2009:6).

4.3.1 Scope of Offensive Proceeds: According to CBN (2009:5) financial institutions are required to identify and report to the CBN and NFIU, the proceeds of crime derived from the following:

- a) Participation in an organized criminal group and racketeering;
- b) Terrorism, including 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;
- f) Illicit arms trafficking;
- g) Illicit trafficking in stolen and other goods;
- h) Corruption and bribery;
- i) Fraud;
- j) Counterfeiting currency;
- k) Counterfeiting and piracy of products;
- l) Kidnapping, illegal restraint and hostage-taking;
- m) Robbery or theft;
- n) Extortion;
- o) Forgery; etc

4.4 Customer Due Diligence (CDD)

Financial institutions are not permitted to keep anonymous accounts or accounts in fictitious names.

4.4.1 CDD Measures: All financial institutions are required to carry out full range of the CDD measures in this law. However, in reasonable circumstances, financial institutions can apply the CDD measures on a risk-sensitive basis. Financial institutions are also required to perform enhanced due diligence for higher-risk categories of customer, business relationship or transaction such as;

- (a) Non-resident customers;
- (b) Private banking customers
- (c) Legal persons or legal arrangements such as trusts that are personal-assets-holding vehicles;
- (d) Companies that have nominee-shareholders or shares in bearer form; and
- (e) Politically exposed persons (PEPs), cross-border banking and business relationships, etc.

Where there are low risks, financial institutions are required to apply reduced or simplified measures. There are low risks in circumstances where the risk of money laundering or terrorist financing is lower, where information about the identity of the customer and the beneficial owner of a customer is publicly available or where adequate checks and controls exist elsewhere in national systems. In circumstances of low-risk, financial institutions are required to apply the simplified or reduced CDD measures when identifying and verifying the identity of their customers and the beneficial-owners (CBN, 2009:10)

4.5 Institutional Policy

Every financial institution is required to have a written policy framework that would guide and enable its staff to monitor, recognize and respond appropriately to suspicious transactions. A list of money laundering ‘**RED Flags**’ is as follows:-

(i) Potential Transactions perceived or identified as Suspicious

- Transitions involving high-risk countries vulnerable to money laundering, subject to this being confirmed.
- Transactions involving shell companies.
- Transactions with correspondents that have been identified as higher risk.
- Large transaction activity involving monetary instruments such as travelers’ cheques, bank drafts, money order, particularly those that are serially numbered.
- Transaction activity involving amounts that are just below the stipulated reporting threshold or controls.

(ii) Money laundering using cash transactions

- Significant increases in cash deposits of an individual or corporate entity without apparent cause, particularly if such deposits are subsequently transferred within a short period of the account to a destination not normally associated with the customer.
- Unusually large cash deposits made by an individual or a corporate entity whose normal business is transacted by cheques and other non-cash instruments.
- Frequent exchange of cash into other currencies.
- Customers who deposit cash through many deposits slips such that the amount of each deposit is relatively small; the overall total is quite significant.
- Customers whose deposits contain forged currency notes or instruments.
- Customers who regularly deposit cash to cover applications for bank drafts.
- Customers making large and frequent cash deposits but with cheques always drawn in favour of persons not usually associated with their type of business.
- Customers who request to exchange large quantities of low denomination banknotes for those of higher denominations.
- Branches of banks that tend to have far more cash transactions than usual, even after allowing for seasonal factors.
- Customers transferring large sums of money to or from overseas locations with instructions for payment in cash.
- Others are; money laundering using deposit accounts, trade based money laundering and lending activities.

4.5.1 Terrorist Financing “Red flags”

- Persons involved in currency transactions share an address or phone number, particularly when the address is also a business location or does seem to correspond to the stated occupation (for example, student, unemployed, or self-employed).
- 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 organization and other parties in the transaction.
- 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.
- Large number of incoming or outgoing funds transfers takes place through a business account, and there appears to be no logical business or other economic purpose for the transfers, particularly when this activity involves designated high-risk locations.
- The stated occupation of the customer is inconsistent with the type and level of account activity.
- 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.
- Multiple personal and business accounts or the accounts of nonprofit organizations or charities are used to collect and funnel funds to small number of foreign beneficiaries.

4.5.2 Other unusual or Suspicious Activities

- Employee exhibits a lavish lifestyle that cannot be justified by his or her salary
- Employee fails to comply with approved operating guidelines, particularly in private banking.
- Employee is reluctant to take a vacation.
- Embassy accounts directly fund personal expenses of foreign nationals.
- Embassy accounts are funded through substantial currency transactions
- Official Embassy business is conducted through personal accounts.
- Customer uses a personal account for business purposes.

4.6 GUIDANCE ON KNOW YOUR CUSTOMER (KYC)

Financial institutions should not establish a business relationship until all relevant parties to the relationship have been identified and the nature of the business they intend to conduct ascertained. Once an on-going business relationship is established, any inconsistent activity can then be examined to determine whether or not there is an element of money laundering for suspicion (CBN, 2009:31).

4.6.1 General Principles on Know Your Customer (KYC)

A financial institution is required to ensure that it is dealing with a real person or organization (natural, corporate or legal) by obtaining sufficient identification evidence. When reliance is being placed on a third party to identify or confirm the identity of an applicant, the overall responsibility for obtaining satisfactory identification evidence rests with the account holding financial institution. The requirement in all cases is to obtain satisfactory evidence that a person of that name lives at the address given 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.

Because no single form of identification can be fully guaranteed as genuine or representing correct identity, the identification process should be cumulative. The procedures adopted to verify the identity of private individuals and whether or not identification was done face to face or remotely are required to be stated in the customer’s file. The reasonable steps taken to avoid single, multiple fictitious applications or substitution (impersonation) fraud are required to be stated also by financial institution.

5 CONCLUSION

One does not need to doubt the fact that globalization and advances in technology have enabled criminals to devise newer means to conceal the funds they get through illegal performance. These funds are

sometimes used to fund terrorism in various parts of the world. In recent times, Nigeria has fallen prey to act of terrorism in various part of the country. The global nature of the problems of money laundering and terrorism requires greater cooperation on the parts of the international community. No single power, not even the United States can successfully contain terrorism without close cooperation from other nations. The events of 9/11 September 2001, redefined the focus and intensified the efforts in dealing with these issues. The continental and regional bodies should intensified efforts in curbing, if possible, stopping, money laundering and terrorism financing. Monitoring and reporting of suspicious transactions is key to AML/CFT effectiveness and compliance. Financial institutions are, therefore, required to put in place effective and efficient transaction monitoring mechanism to facilitate the process.

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