



# ASSESSMENT OF MONEY LAUNDERING TYPOLOGIES FROM CORRUPTION IN NIGERIA

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The Nigerian Financial Intelligence Unit (NFIU) is the central national agency responsible for the receipt of disclosures from reporting organisations, the analysis of these disclosures and the production of intelligence for dissemination to competent authorities. The NFIU is an autonomous unit, domiciled within the Central Bank of Nigeria and the central coordinating body for the country's Anti-Money Laundering, Counter-Terrorist Financing and Counter-Proliferation Financing (AML/CFT/CPF) framework.

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## LIST OF ACRONYMS

ACA: Anti-Corruption Agencies  
AUCPCC: African Union Convention on preventing and Combating Corruption  
BDC: Bureau De Change  
BPP: Bureau of Public Procurement  
CAMA: Companies and Allied Matters Act  
CCB: Code of Conduct Bureau  
CRA: Corruption Risk Assessment  
EFCC: Economic and Financial Crimes Commission  
GIABA: Inter-Governmental Action Group Against Money Laundering in West Africa  
GIFMIS: Government Integrated Financial Management Information System  
ICPC: Independent Corrupt Practices and Other Related Offences Commission  
IFFs: Illicit Financial Flows  
IPPIS: Integrated Payroll and Personnel Information System  
LEA: Law Enforcement Agencies  
MDAs: Ministry Department and Agencies  
MDG: Millennium Development Goals  
NEITI: Nigeria Extractive Industries Transparency Initiative  
NFIU: Nigerian Financial Intelligence Unit  
NIRA: National Inherent Risk Assessment  
OECD: Organization for Economic Cooperation and Development  
OGP: Open Government Partnership  
PEP: Politically Exposed Person  
PFM: Public Finance Management  
PIA: Petroleum Industry Act  
PND: Post No Debit  
PSC: Project Steering Committee  
PSSP: Port Service Support Portal  
SCUML: Special Control Unit Against Money Laundering  
STR: Suspicious Transaction Report  
TSA: Treasury Single Account  
TUGAR: Technical Unit on Governance and Anti-corruption Reforms  
UNCAC: United Nations Convention Against Corruption  
UNCTAD: United Nations Conference on Trade and Development  
UNODC: United Nations Office on Drugs and Crime

## CHAPTER 1 INTRODUCTION

### 1.0 Background

Corruption has been a persistent problem in Nigeria for decades, undermining economic development, eroding public trust, and impeding progress towards a more just and equitable society. Despite efforts by the government, civil society, and international organizations to combat corruption, it remains deeply entrenched in many aspects of Nigerian society, affecting everything from public procurement and law enforcement to healthcare and education.

Illicit Financial Flows (IFFs) have become a significant problem for many developing countries, including Nigeria. The United Nations estimates that \$88.6 billion is lost annually as “capital flight” from Africa.<sup>1</sup> According to a 2020 report<sup>2</sup> by the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Office on Drugs and Crime (UNODC), illicit financial flows refer to activities considered as criminal offences, but also some behaviours related to tax and commercial practices. The International Classification of Crime for Statistical Purposes (ICCS) provides definitions of illegal activities generating IFFs<sup>3</sup>. The proposed framework identifies four main types of activities that can generate IFFs: 1) tax and commercial activities; 2) illegal markets; 3) corruption; and 4) exploitation-type activities and financing of crime and terrorism. The ICCS, on the basis of the United Nations Convention against Corruption (UNCAC), identifies a broad range of criminal acts to be considered as corruption. These include bribery, embezzlement, abuse of functions, trading in influence, illicit enrichment and other acts. IFFs related to corruption take place when the economic returns from these acts, directly or indirectly, generate cross-border flows and when financial assets are transferred across borders to commit these crimes. The Independent Corrupt Practices and Other Related Offences Commission (ICPC) in report of the Study on IFFs in Nigeria published

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<sup>1</sup> See “Tackling Illicit Financial Flows for Economic Development in Africa”. *Economic Development in Africa Report 2020*. UNCTAD. [https://unctad.org/system/files/official-document/aldcafrica2020\\_en.pdf](https://unctad.org/system/files/official-document/aldcafrica2020_en.pdf)

<sup>2</sup>[https://unctad.org/system/files/official-document/IFF\\_Conceptual\\_Framework\\_EN.pdf](https://unctad.org/system/files/official-document/IFF_Conceptual_Framework_EN.pdf)

<sup>3</sup> Ibid

in May 2021 revealed that Nigeria lost an estimated \$400 billion to IFFs between 1960 and 2018. This was attributed to corruption, trade mispricing, tax evasion, money laundering, and other illegal activities. According to a 2020 report by the Global Financial Integrity, Nigeria lost an estimated \$18.2 billion to IFFs in 2015 alone. This figure represents about 15% of the country's GDP and highlights the extent of the problem. The report identified several sectors of the Nigerian economy that were particularly vulnerable to IFFs, including oil and gas, construction, and telecommunications.

The main drivers of IFFs in Nigeria include corruption, weak institutions, lack of political will, and inadequate regulatory frameworks. These factors have enabled wealthy individuals, multinational corporations, and criminal networks to siphon funds from the country, often through offshore tax havens and other financial secrecy jurisdictions.

Corruption, manifests itself through the financial institutions and designated non-financial sectors of the Nigerian economy, was identified as the greatest money laundering threat in the 2022 National Inherent Risk Assessment (NIRA) of money laundering in Nigeria. Similarly, the assessment of money laundering in Nigeria's extractive industry revealed the influence of corruption as well.

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) revealed in its corruption typologies report published in January 2023 that corruption fuels money laundering to a significant extent, as the proceeds are reinvested in various ways in the economic circuit to make it appear legitimate. In turn, money laundering allows perpetrators to enjoy the proceeds of corruption with impunity. According to the report, criminals employ a variety of sophisticated techniques, including layering of banking transactions and money transfers to international accounts in jurisdictions reputed to be protective of banking secrecy. Other methods of concealment identified include the use of front men to collect and recycle corrupt funds or the formation of shell companies under the control of politically exposed persons (PEPs). The report also linked corruption as an enabler of terrorist financing and contributing factor

in weakening institutions particularly those concerned with public and military procurement.

This report further highlighted the various typologies used by criminals to launder the proceeds of corruption derived from Nigeria's productive sectors, and it draws on case studies of enforcement activities conducted by competent authorities. The frameworks for combating corruption in Nigeria were also discussed.

Corruption in Nigeria stems from abuse of office by privileged Nigerians entrusted with certain positions in the three arms of Government (executive, legislative and judicial) or in political or other organizations with the aim of obtaining material benefit for self or others illegally. Corruption has various forms and effects on both the economy and society as a whole (Stephan Sumah, 2018). Some of the effects of corruption in Nigeria include: destabilization of democracy and the rule of law, violations of human rights, market destabilization, poor quality of life and increased organized crime, terrorism and other threats to human security to flourish, hindering government from providing basic social amenities, and discourages direct foreign investments (UNCAC, 2004). Corruption also destroys trust, hampers economic development and further promotes inequality, creates artificial poverty, social division and environmental crisis (Transparency International, 2021)

Nigeria is the sixth largest producer of oil in the world, and the largest economy in Africa. Despite the country being blessed with numerous human and natural resources, its government largely relies on oil revenue as the major source of foreign exchange earnings. However, the 2022 world poverty clock report highlighted that, out of over 200 million Nigerian populace, a little over 71 million Nigerians representing 32% of the population are estimated to be living in extreme poverty with an income of less than \$1.90 a day<sup>4</sup>.

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<sup>4</sup> <https://worldpoverty.io/headline>



An online publication<sup>5</sup> on Money Laundering and Trans-Organized Financial Crimes in Nigeria (July 2019), by the cascade Council on African Security and Development estimated that Nigeria loses about US\$600 million annually to money laundering. Between the mid-1980s and 1999, Nigeria lost US\$100billion to money laundering.

Organized criminal groups exploit almost all sectors within the economy, ranging from Manufacturing, Real Estate, Academia, Public Service and Financial/Banking sectors and have shown a high level of sophistication in their criminal operation.

Based on the problems posed by corruption in Nigeria, successive governments from 1999, have given priority to the fight against corruption. This resulted in the enactment/strengthening of legal and institutional frameworks, strengthening of international cooperation and other measures. Part of the government efforts was to put in place several mechanisms that will ensure transparency in the management of its financial affairs such as: Integrated Payroll and Personnel Information System (IPPIS), Government Integrated Financial Management Information System (GIFMIS), Treasury Single Account (TSA) and more recently the Open Treasury Portal; [www.opentreasury.gov.ng](http://www.opentreasury.gov.ng) (Stephan Sumah 2018).

### 1.1 Study Objectives

The objectives of the study are as follows;

- i. To determine the level of fraud and corruption carried out by politically exposed persons (PEPs) in various sectors
- ii. To review the legal/enforcement framework to curb corruption in various sectors
- iii. To identify the use of legal persons/arrangements in carrying out money laundering and corruption
- iv. To identify the vulnerabilities in various sectors that enable corruption
- v. To identify the trends and patterns of corruption in various sectors using cases investigated by ACAs

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<sup>5</sup> <https://casade.org/current-affairs/money-laundering-and-trans-organized-financial-crimes-in-nigeria/>

- vi. To determine the factors that hinder the fight against corruption.

#### 1.4 Methodology

The project adopted secondary data source by carrying out a desk review of reports, journals, and pertinent open-source resources was conducted by a project team made up of experts and practitioners from the Nigerian Financial Intelligence Unit (NFIU), Economic and Financial Crimes Commission (EFCC), Independent Corrupt Practices and Other Related Offences Commission (ICPC), Code of Conduct Bureau (CCB), Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), and the Nigeria Extractive Industry Transparency Initiative (NEITI).

In order to illustrate the types of fraud and corruption committed by PEPs and the use of legal persons, the study used relevant, sanitized incidents of corruption in Nigeria. Members of the project team's respective agencies' pertinent departments formally reviewed the report.

## CHAPTER 2: LEGAL AND INSTITUTIONAL FRAMEWORK IN THE FIGHT AGAINST CORRUPTION IN NIGERIA

Nigeria government has passed a number of laws and created agencies specifically devoted to preventing and combating corruption, money laundering, and terrorism financing in the effort to tackle corruption in the country. Nigeria's strategy for combating corruption has been more successful using institutional structures. The following are some of the main institutional arrangements and instruments for putting anticorruption legislation into practice:

### *Code of Conduct Bureau and Tribunal Act, 2004*

The Code of Conduct Bureau and Tribunal Act, Chapter C15 LFN 2004 (As Amended), established the Bureau with the mandate of maintaining a high standard of public morality in the conduct of government business, as well as ensuring that public officers' actions and behaviours conform to the highest standards of public morality and accountability.

Section 3 of the Third Schedule of the Federal Republic of Nigeria's 1999 Constitution, as amended, has given the Bureau the legal framework necessary to carry out the aforementioned duties:

- a. Receive declarations by public officers under paragraph 12 of part 1 of the fifth schedule to the constitution.
- b. Examine the declaration in accordance with the requirements of the code of conduct or any law.
- c. Retain custody of such declaration and make them available for inspection by any citizen of Nigeria on such terms and conditions as the National Assembly may prescribe
- d. Ensure compliance with and where appropriate, enforce the provisions of the code of conduct or any law relating thereto.
- e. Receive complaints about non-compliance with or breach of the provision of the code of conduct or any law in relation there to, investigate

complaints and, where appropriate, refer such matters to the code of conduct tribunal.<sup>6</sup>

Part 3 of the Code of Conduct Bureau and Tribunal Act has outlined the following issues as core offences, act and omission to be handled by the Code of Conduct Bureau to checkmate excesses in public officers and to curb corruption:

- I. **Conflict of Interest-** A public officer shall not put himself/herself in a situation where his/her personal interest is in conflict with his/her duties and responsibilities assigned.
- II. **Restrictions on specified officers-** A public officer shall not receive or be paid the emoluments of any public office at the same time as he receives or is paid the emoluments of any other public office
- III. **Retired public officers-** A public officer shall not, after his retirement from public service and while receiving pension from public funds, accept more than one remunerative position as Chairman, Director or employee of a company owned or controlled by any Government or public authority or receive any other remuneration from public funds in addition to his pension and the emolument of one such remunerative position
- IV. **Certain retired public officers-** Retired public officers (President, Vice-President, Governor and Deputy Governor of a state and Chief Justice of Nigeria) who have held offices to which this section applies are prohibited from service or employment in foreign companies or foreign enterprises.
- V. **Restriction on loans, gifts or benefits to certain public officers-** The President or Vice-President, Governor or Deputy Governor, Minister of the Government of the Federation or Commissioner of the Government of a State or any other public officer who holds office of a Director-General or head of any public corporation, university, or other parastatals organisation shall not accept-

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<sup>6</sup><http://ccb.gov.ng/about-us/enabling-law/>

(a) a loan, except from government or any of its agencies or a bank, building society or other financial institution recognised by law; or

(b) any benefit of whatever nature from any company, contractor, businessman or the nominee or agent of such person

- VI. Bribery of public officers-** No person shall offer a public officer any property, gift or benefit of any kind as an inducement or bribe for the granting of any favour or the discharge in his favour of the public officer's duties.
- VII. Abuse of powers-** A public officer shall not do or direct to be done, in abuse of his office, any act prejudicial to the rights of any other person, knowing that such act is unlawful or contrary to any government policy.
- VIII. Membership of societies-** A public officer shall not be a member of or belong to or take part in any society the membership of which is incompatible with the functions or dignity of his office.
- IX. Declaration of assets-**Every public officer shall declare his/her assets, within fifteen months after the coming into force of this Act or immediately after taking office and thereafter- (a) at the end of every four years; (b) at the end of his term of office
- X. Allegation of breach of provisions of this Act-**Any complaint that a public officer has committed a breach of or has not complied with the provisions of this Act shall be made to the Bureau.
- XI. Agents and nominees-**A public officer who does any act prohibited by this Act through a nominee, trustee or other agent shall be deemed ipso facto to have committed a breach of this Act.
- XII. Indemnity of members of the Bureau-**The Chairman and other Members of the Bureau shall not be liable, and shall be indemnified, in any action or litigation for any acts or omissions done or purported to be done in the course of the discharge of their duties under this Act.

### *Public Complaints Commission Act, 1975*

The Public Complaints Commission (Nigerian Ombudsman) is an independent organization established by the Federal Government of Nigeria in 1975 through Decree No. 31 of 1975, amended by Decree 21 of 1979, now Cap 377 Laws of the Federation of Nigeria 1990 and revalidated in Section 315(5) of 1999 Nigerian Constitution. The PCC has broad authority to investigate complaints lodged before it by members of the public regarding any administrative action taken by the Federal, State, Local Governments, Public Institutions and companies, whether in the public or private sector, as well as any official of any of the aforementioned bodies. Individuals can seek remedies for wrongful dismissal from service, wrongful termination of appointment, and any government department's delay or failure to pay compensation for land. Non-payment or postponement of retirement benefits, difficulties in persuading insurance firms to pay claims. Postal orders, money orders, and shipments are all being lost. Examination bodies' failure to issue results/certificates, Complaints against the Nigerian Police and the Nigerian Armed Forces for abuse of office, such as cruelty against citizens, etc.

### *Independent Corrupt Practices and Other Related Offences Act, 2000*

Corrupt practices and related offenses are criminalized under the Independent Corrupt Practices and Other Related Offences Act of 2000. The Independent Corrupt Practices and Other Related Offences Commission (ICPC) is established by the legislation to investigate and prosecute cases of corruption, bribery, and other related offenses.

Corrupt practices are defined under the Act as acts of dishonesty, fraud, or abuse of power by a public official or private individual. It also makes bribery, embezzlement, money laundering, and abuse of office illegal. Offenders face harsh punishments, including imprisonment and fines, under the law. The commission can also work with other law enforcement agencies to investigate and prosecute corruption cases.

The Act confers three 3 main responsibilities on the ICPC as follows:

- a. To receive and investigate reports of the conspiracy to commit, attempt to commit or actual commission of the corrupt practices and in appropriate cases prosecute the offenders.
- b. To examine and review corruption-prone systems and procedures of public bodies, with a view to eliminate or minimize corruption.
- c. To educate and enlighten the public on and against corruption and related offences with a view to enlist and foster public support in fighting corruption

#### *The Economic Financial Crimes Commission Act 2004*

The Act mandates the EFCC to combat financial and economic crimes. The Commission is empowered to prevent, investigate, prosecute and penalize economic and financial crimes and is charged with the responsibility of enforcing the provisions of other laws and regulations relating to economic and financial crimes, including:

- a. Economic and Financial Crimes commission Establishment act (2004)
- b. The Money Laundering (Prevention & Prohibition) Act 2022
- c. The Advance Fee Fraud and Other Fraud Related Offences Act 1995.
- d. The Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994
- e. The Banks and other Financial Institutions Act 1991; and Miscellaneous Offences Act<sup>7</sup>

#### *Money Laundering (Prevention and Prohibition) Act, 2022*

The Money Laundering (Prevention and Prohibition) Act, 2022 is the principal legislation that provides for an effective and comprehensive legal and institutional framework for the prevention, prohibition, detection, prosecution and punishment of money laundering and other related offences in Nigeria; amongst other provisions.

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<sup>7</sup> The Economic and Financial Crimes Commission Act,2004 <https://efccnigeria.org/efcc/about-efcc/the-establishment-act>

### *Nigerian Financial Intelligence Unit, Act 2018*

The Act establishes the NFIU as the central body in Nigeria for receiving, requesting analysing and disseminating financial reports and other information to law enforcement agencies, security and intelligence agencies and other relevant authorities and for related matters.

### *Bureau of Public Procurement Act, 2007*

The Act establishes the Bureau of Public Procurement and provides for open and transparent procedure for procurement of public assets in order to eliminate abuse and corruption. The Act provides a holistic definition of conflict of interest and provides strict codes of conduct for procurement officers and personnel involved in procurement across all institutions of government. The Act ensures that government contracts are awarded in line with international best practices in tendering and procurement of contracts.

### *Freedom of Information Act, 2011*

The Act was enacted to promote transparency in the public sector through access to government records and build an independent press, in addition to establishing the right of every individual to any information in custody of a public officer with exception of some restricted information relating to security issues and private information.<sup>8</sup>

### *Fiscal Responsibility Act 2007*

The Fiscal Responsibility Act provides for prudent management of the nation's resources, ensure long-term macro-economic stability of the national economy, secure greater accountability and transparency in fiscal operations within the Medium-Term Fiscal Policy Framework.

### *Nigerian Extractive Industries Transparency Initiative Act, 2007*

The Act was enacted to implement the global standard for transparency and accountability in the extractive industry. The Act established the Nigeria Extractive Industries Transparency Initiative (NEITI) to ensure due process, transparency and accountability in the collection of revenues and application of

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<sup>8</sup> Corruption Prevention Training Manual 2017



resources from the extractive industry, and to “eliminate all forms of corrupt practices” in these transactions. The agency carries out these functions through regular disclosure of contracts and licenses, beneficial ownership disclosure, production, receipts and payments data.

#### *Mutual Assistance in Criminal Matters Act, 2019:*

The Act's objective is to secure reciprocal help in criminal prosecutions from other nations, including the identification and location of suspects, witnesses, and other materials for such prosecutions. The identification, tracking, freezing, restraining, recovery, forfeiture, and seizure of money, property, and other criminal tools are some of the Act's additional goals. It also includes provisions for the conversion of electronic surveillance, the freezing of assets that may be recovered, forfeited, or seized in connection with violations, as well as the interception of communications. Others include any help that does not contravenes the requesting state's local legislation.

#### *Proceeds of Crime (Recovery and Management) Act, 2022:*

The Act, passed in 2022, establishes an effective legal and institutional framework for the collection and administration of criminal proceeds, advantages obtained from them, the instrumentality of illicit actions, and unclaimed property reasonably suspected to be proceeds of crime. It includes comprehensive provisions for the seizure, confiscation, forfeiture, and administration of property acquired from illicit actions, as well as other relevant subjects.

#### *Companies and Allied Matters Act 2020*

The Companies and Allied Matters Act 2020 (“CAMA 2020”) was signed into law by President Muhammadu Buhari on 7th August 2020. The CAMA 2020 repealed the Companies and Allied Matters Act (Chapter C20) Laws of the Federation of Nigeria 2004 (“Repealed CAMA”), which originally came into force in 1990. The new act has addressed a lot of issues that will enable good corporate governance in both public and private sector organisations. Section 119 (1) of the 2020 CAMA requires any person with significant control over a company to, within seven days of becoming such a person indicate to the company in writing the particulars of such control (his name, address and full particulars of shares held

by him or his nominee). According to section 120(2) a person becomes a substantial shareholder when s/he or his/her nominee holds at least 5% of unrestricted voting rights at any general meeting of the company. In addition, the Corporate Affairs Commission (CAC) launched a beneficial ownership (BO) register (a public platform) as an important tool in the fight against corruption. The law requires companies to provide information on the individuals who ultimately own or control the company, making it easier to trace illicit financial flows and uncover cases of money laundering, tax evasion, and other corrupt practices. The platform also provides law enforcement agencies with the necessary tools to investigate and prosecute cases of corruption, ultimately helping to promote transparency and accountability in the business sector. By improving transparency and making it more difficult for corrupt individuals to hide their activities, the beneficial ownership register is a critical step in the ongoing fight against corruption in Nigeria. It is pertinent to note that a Beneficial Ownership roadmap and register/portal developed in the extractive sector has now been incorporated into the central BO register under CAMA.

### *Petroleum Industry Act (PIA) 2021*

Nigeria's Petroleum Industry Act (PIA) enacted in 2021 is one of the most audacious attempts to overhaul the petroleum sector in Nigeria. The Act aims to provide legal, governance, regulatory and fiscal framework for the Nigerian Petroleum Industry. To ensure transparency in the sector, the Act mandates the publishing of beneficial ownership disclosures of all companies operating in the Oil and Gas Sector. In addition, the PIA mandates the publishing of all contracts that govern extraction and exploitation entered into in the sector after the enactment of the law. Despite being a significant source of revenue, the oil sector lags other sectors in terms of GDP contribution. If implemented diligently, the PIA will help facilitate Nigeria's economic development by attracting and creating investment opportunities for local and international investors.

### *The Finance Act 2021*

This Act amends relevant tax, excise and duties statutes in accordance with macroeconomics policy reforms of the Federal Government, to amend and make

further provisions in specific laws in connection with the public financial management of the Federation.

### *Public Accounts Committee (PAC)*

The Public Accounts Committee, one of the most powerful committees created under the standing orders of both chambers of the National Assembly, is responsible for reviewing the financial statements of the Federal Government that reveal the amounts allotted for public expenditures. All of the executive offices' expenditure operations are subject to legislative oversight. The Auditor General of the Federation's annual report and remarks on government accounts are expected to be scrutinized by the PAC. Following a government budget audit, they are required to review the public audits, interrogate ministers, permanent secretaries, or heads of agencies or parastatals in front of the committee, and then publish a report of their findings.

### *Technical Unit on Governance and Anti-corruption Reforms*

The Technical Unit on Governance and Anti-Corruption Reforms (TUGAR) is a research, monitoring, and evaluation unit established to address the critical need for a rigorous approach to policy-making based on empirical data collection and analysis, as well as in-depth country diagnostics on corruption and related governance issues. The project is part of the Nigerian government's strategy of developing country-specific strategies to coordinate, monitor, and assess anti-corruption and other governance measures, as well as to implement corrective steps as necessary. TUGAR provides data, information, policy, and diagnostic results in a single location.

### *Whistle-blowing Policy*

The whistle-blowing policy in Nigeria was introduced in December 2016 to encourage citizens to report cases of corruption, financial crimes, and other illicit activities to the government. The policy involves various agencies, including the Federal Ministry of Finance, the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Other Related Offences Commission (ICPC), and the Department of State Services (DSS). Whistle-blowers can submit information through a dedicated portal or via a toll-free telephone line, which is managed by the Presidential Initiative on Continuous

Audit (PICA) under the Federal Ministry of Finance. The EFCC and ICPC are responsible for investigating and prosecuting offenders based on the information provided by whistle-blowers. The DSS provides security and protection to whistle-blowers to ensure their safety. The policy protects whistle-blowers from retaliation or victimization and guarantees their anonymity. However, the government reserves the right to prosecute false or malicious reports.

The policy has been successful in recovering millions of dollars of looted funds and assets, and has led to the arrest and prosecution of several high-profile individuals involved in financial crimes.

## CHAPTER 3: ASSESSMENT OF CORRUPTION IN NIGERIA

Corruption remains a significant challenge in Nigeria, with its adverse effects on the country's development and governance. In response to this challenge, several assessments have been conducted to identify the nature and extent of corruption in different sectors of the economy. Among these assessments are the United Nations Office on Drugs and Crime (UNODC) 2019 corruption survey in Nigeria, the 2016 and 2017 Technical Unit on Governance and Anti-corruption Reforms (TUGAR) corruption risk assessment in the ports sector and select Ministries, Departments & Agencies (MDAs) reports, the 2022 National Inherent Risk Assessment of Money Laundering in Nigeria, and 2022 Assessment of Money Laundering and Terrorist Financing Resulting from Corruption in West Africa by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA). These assessments aimed to identify the various forms of corruption, the sectors most affected by corruption, and the underlying causes of corruption in the country.

The findings of these assessments provide critical insights into the state of corruption in Nigeria and offer recommendations for addressing corruption in the country. The following summary provides an overview of the findings of these assessments.

### The UNODC 2019 Corruption Survey in Nigeria

The National Bureau of Statistics (NBS) in partnership with the United Nations Office on Drugs and Crime (UNODC) implemented a survey on corruption in 2019.

According to the research<sup>9</sup>, corruption is pervasive in the Nigerian society. More than 80% of Nigerians who took part in the study acknowledged giving bribes to government employees during the period of assessment. The most corrupt group of Nigerians were found to be public servants, particularly the police and judges. Education (25%), health (16%), and water (13%) were among the other areas that were discovered to be corrupt.

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<sup>9</sup>[https://www.unodc.org/documents/nigeria/Corruption\\_Survey\\_2019.pdf](https://www.unodc.org/documents/nigeria/Corruption_Survey_2019.pdf)

Despite the high prevalence of corruption, the research found several encouraging trends, including Nigerians' increasing readiness to denounce corruption and the government's efforts to increase accountability and openness. Yet, the report emphasized the necessity of persistent and all-encompassing measures to combat corruption in Nigeria. This includes strengthening anti-corruption laws and institutions, promoting a culture of integrity and ethical behaviour, and addressing corruption in specific sectors such as the police force, judiciary, as well as education and health sectors.

The report concludes that corruption has significant negative consequences for Nigeria's development and prosperity. Corruption undermines economic growth, erodes public trust, and exacerbates poverty and inequality. The report calls on the Nigerian government to urgently address corruption and implement the recommendations in the report to ensure sustainable and inclusive development.

### **Corruption Risk Assessment in the Ports Sector in Nigeria**

The "Report of Corruption Risk Assessment in the Ports Sector"<sup>10</sup> is a collaborative effort between the Technical Unit on Governance and Anti-Corruption Reforms (TUGAR), Bureau of Public Procurement, (BPP) and the Independent Corrupt Practices & other related offences Commission (ICPC) with support of the Maritime Anti-Corruption Network (MACN) and the United Nations Development Programme (UNDP). It aims to identify and mitigate corruption risks in the Nigerian ports sector. The report highlights the significant role of corruption in the sector and offers recommendations to reduce its impact.

The report identifies several factors that influence integrity in the Nigerian ports sector, including the lack of transparency in the regulatory framework, the inadequate training of port personnel, and the absence of effective enforcement mechanisms. The report also notes the significant role played by intermediaries such as staff in port agencies in facilitating corrupt practices.

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<sup>10</sup><http://tugar.org.ng/wp-content/uploads/2016/01/Report-of-Corruption-Risk-Assessment-in-the-Ports-Sector.pdf>

The report identified the main problems to include weak internal ethics infrastructure in port agencies; lack of codes of conduct, weak enforcement and poorly developed system for investigating complaints in addition to a lack of effective system for complaint handling and protection of whistle-blowers. The report recommended a risk-based approach to regulatory enforcement, the development of a code of ethics for port personnel, and the use of technology to increase transparency and accountability as measures to reduce corruption risks emphasizing the need for sustained efforts to improve the integrity of the Nigerian ports sector, in order to enhance the country's economic competitiveness and promote sustainable development.

The implementation of the report and integrity plan is ongoing. The capacity of port agencies has been built to improve coordination between stakeholders and streamline processes for port operations; a harmonized Standard Operating Procedure (SOP), the Port Service Support Portal (PSSP) an online reporting platform and Nigeria Port Process Manual (NPPM), a step-by step sequenced directory of the processes at the ports outlining actors and timelines for each process so as to reduce bureaucratic bottlenecks and improve operational efficiency in the sector.

### **Corruption Risk Assessment in Selected MDG-Related MDAs of Water Resources, Health and Education Sectors**

The 2015 report<sup>11</sup> presents the findings of a corruption risk assessment conducted in selected Ministries, Departments, and Agencies (MDAs) in Nigeria's water resources, health, and education sectors. The assessment identified various corruption risks and vulnerabilities in the MDAs, which were hindering the effective delivery of services in these sectors. These risks include weak governance structures, inadequate policies and procedures, inadequate staffing, lack of accountability mechanisms, and weak financial management systems.

The report also identified corruption-prone areas within each MDA, such as procurement, revenue collection, and recruitment processes. These areas were

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<sup>11</sup><http://tugar.org.ng/wp-content/uploads/2017/01/Report-of-the-Pilot-Corruption-Risk-Assessment-in-selected-MDG-Related-MDAs-of-Water-Resources-Health-and-Education-Sectors-Volume-2.pdf>

found to be particularly vulnerable to corruption due to inadequate policies and procedures, weak oversight, and lack of transparency. The assessment recommended measures to address these risks, including strengthening governance structures, developing and implementing anti-corruption policies and procedures, providing training and capacity building for staff, improving financial management systems, and enhancing accountability mechanisms.

The report highlights that corruption is a significant challenge in Nigeria and underscores the need for sustained efforts to tackle corruption in the MDAs. The findings of the assessment provide valuable insights into the corruption risks and vulnerabilities in the Water Resources, Health, and Education sectors and provide a basis for developing effective anti-corruption strategies. The report emphasizes the importance of multi-stakeholder collaboration in implementing the recommendations to mitigate the identified corruption risks and promote transparency and accountability in the MDAs.

### **Nigeria Corruption Index: 2020 Pilot Survey Report**

The Nigeria Corruption Index (NCI) was conducted by the Anti-Corruption Academy of Nigeria and the Nigeria Corruption Index Team with the support of the Department for International Development (DFID). The aim of the survey was to identify specific corrupt practices in various sectors and the extent to which those practices contribute to the overall levels of corruption in the country. The findings show that corruption is high in Nigeria, with an overall score of 48 on a scale of 0 to 100.

The justice sector had the highest level of corruption with a score of 63, followed by the private business sector with a score of 44. The executive and legislative sectors had scores of 42 and 41, respectively. The survey collected data on both monetary and non-monetary corrupt practices, with the justice sector having the highest level of monetary corruption and the private business sector having the highest level of non-monetary corruption.

The NCI scores are not just numbers, but are meant to provide insight into corruption and its drivers. The findings would help policy makers and stakeholders in Nigeria to develop effective anti-corruption policies and



interventions that are specific to each sector. The high level of corruption in both private and public spaces highlight the need to focus on collaborative efforts to combat corruption in Nigeria.

### **Mapping and Scoping Survey of Anti-corruption and Governance Initiatives in Nigeria**

TUGAR carried out nationwide Environmental Scan and Scoping Study aimed at mapping anti-corruption initiatives, structures and actors across all tiers of governance in Nigeria as well as Gap Analysis of laws, initiatives and structures aimed at fighting corruption. The study assessed initiatives at the Federal Level as well as the Public Finance Management [PFM] Systems and related anti-corruption and governance initiatives in the Thirty-Six (36) States of the Federation. The data generated and reports are benchmarked against the United Nations Convention Against Corruption, African Union Convention on Preventing and Combating Corruption, the ECOWAS Protocol on Corruption, Nigerian Domestic Laws and Policies and other relevant International Best Practices. The study covers all areas of public financial management systems including budget management; fiscal and revenue management; public procurement; accounting, recording and auditing; as well as citizens access to publicly held information and participation in governance; and corruption prevention. The report highlights the forms and impact of corruption in the PFM system and how it affects wider governance. A recent review and update of the study shows some improvement at state level, federal levels in the areas of legal and regulatory framework and the use of technology.

### **Money Laundering and Terrorists Financing through Corruption in West Africa**

The GIABA report<sup>12</sup>“Money Laundering and Terrorism Financing via Corruption” highlights the connection between corruption and illegal financial flows in West Africa. The research emphasizes how widespread corruption is in the area and how its gains are frequently transferred through the banking system or put into expensive properties. The report lists a number of techniques

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<sup>12</sup>[https://www.giaba.org/media/f/1300\\_Money%20Laundering%20and%20Terrorist%20Financing%20through%20Corruption.pdf](https://www.giaba.org/media/f/1300_Money%20Laundering%20and%20Terrorist%20Financing%20through%20Corruption.pdf)

used to conceal the use of corrupt funds, including bulk cash smuggling, trade-based money laundering, the establishment of shell firms, and other financial instruments.

The research also emphasizes the dangers and difficulties connected to the financing of terrorism and the laundering of corrupt money in West Africa. It suggests that in order to prevent money laundering and the financing of terrorism through corruption, governments in the region should enhance their legal and regulatory systems. The research also recommends boosting international collaboration to stop cross-border illegal financial flows, creating strong systems for asset recovery and forfeiture, and increasing openness in public procurement procedures.

In general, the research emphasizes the urgent requirement for a coordinated and comprehensive strategy to address the connection between corruption and illicit financial flows in West Africa. The report's findings give useful insights into the region's risks of corruption and money laundering, as well as suggestions for how countries should address these dangers.

### **National Inherent Risk Assessment of Money Laundering in Nigeria**

The recently completed National Risk Assessment<sup>13</sup>, which was published in 2022, revealed that corruption is widespread and pervasive in all sectors of the Nigerian economy, constituting a threat in and of itself and providing a platform for additional illegal activity. Most of the operations associated with these crimes take place domestically, and the proceeds are laundered both domestically and abroad. Unlike those generated in Nigeria and sent overseas, the proceeds of criminal activity committed outside of Nigeria and laundered into the country are far smaller. The use of anonymous businesses by more than 100 influential people to purchase homes worth a combined £350 million in just the UK has come to light.

The assessment revealed that both public and private spaces are rife with corrupt behaviours. Corruption can occur at the highest levels of government or

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<sup>13</sup><https://www.nfiu.gov.ng/Home/NiraReports>

at a local level, that is, anywhere someone has the ability to sway policy. The assessment found that corruption in the extractive industries (oil, mining, etc.) and embezzlement and theft from public funds are the most prevalent types in Nigeria, and the majority of these crimes are committed by public officials, the judiciary, the private sector, and security agents with assistance from third parties (natural or legal persons).

The thematic assessment of money laundering and terrorist financing in the Nigeria extractive sector revealed that corruption remains a major concern as cases of bribery, abuse of office, contract and procurement fraud, misappropriation, significant revenue losses and mismanagement of funds have been identified in the sector, with several reforms failing to produce the desired outcomes.

The low implementation of the beneficial ownership database and the absence of a beneficial ownership register in free trade zones (FZEs) provides a cloak for corruption in the extractive sector.

## CHAPTER 4: TYPOLOGIES AND CASE STUDIES OF CORRUPTION IN NIGERIA

It is critical to investigate the typologies and case studies that highlight the many strategies, actors, and contexts involved in order to comprehend the dynamics of money laundering through corruption. A typology is a classification system that groups comparable cases together based on their qualities, whereas a case study is a detailed examination of a specific instance or circumstance. Typologies and case studies, taken together, provide insights into the patterns and trends of money laundering through corruption, as well as the obstacles and opportunities for prevention and detection.

### TYPOLGY 1: LAUNDERING THE PROCEEDS OF CORRUPTION BY POLITICALLY EXPOSED PERSONS

#### **CASE 1: LAUNDERING OF FUNDS THROUGH PEP RELATED ACCOUNTS**

*The FIU received an STR from Bank XYZ on Account A, belonging to Company A which involved the receipt of funds amounting to the sum of N40,217,653.85 from X State government account as payment for architectural work carried out. Mr. BB (an architect) and Mr. CC are the signatories to Account A and the directors of Company A. Out of the total funds received, 84.69% was sent to individual accounts the next day. The reported deposit though in line with Mr. BB's line of work was carried out without any documents to support stated purpose of funds and the pattern of outflows did not match the stated purpose.*

*Further analysis of Account A revealed a transfer from an internal account in Bank ABC with no economic justification provided and a transfer to a real estate developer. Mr. BB's personal account however revealed inflows from companies linked to family members of X State's Governor. These companies were also the beneficiaries of funds from various X State government accounts similar to those reported in Account A. The subject receiving state government funds either directly or via proxy by means of PEPs indicated possibilities of government funds being laundered by Mr. BB.*

**Source: NFIU**

#### **CASE 2: LAUNDERING PROCEEDS OF CORRUPTION THROUGH LEGAL PERSONS WITH PEP AS A BENEFICIAL OWNER**

*Mr A is a senior government official (a politically exposed person) in a government agency, influences the award of a contract to Company A, a front company in which he is the beneficial owner. Upon receipt of contract funds, part of the funds is transferred directly to him as cash payments. Funds are also used in the purchase of property on behalf of the PEP, in his name or in the name of a close associate.*

*Funds are further transferred into Mr. A's account with a commercial bank with an authority to transfer funds to another close associate, who uses the funds to purchase luxury items. Mr. A also initiates an offshore transfer to another close associate who purchases assets using another front company.*

**Source: NFIU**

### **CASE 3: LAUNDERING PROCEEDS OF CORRUPTION FROM THE EXTRACTIVE SECTOR USING LEGAL PERSONS AND FAMILY MEMBERS**

*A former Managing Director of Pipelines and Products Marketing Company allegedly siphoned funds belonging to the agency through his wife with the help of banks and use of companies.*

*He allegedly used some companies to carry out several unlawful activities running into billions of naira. Contracts were secured for the companies from the state-owned oil and gas company, Nigerian National Petroleum Corporation (NNPC) without any corresponding evidence of execution.*

*Investigation revealed that the sum of N1.4 billion was traced to six bank accounts in two different banks operated by his wife, who is the owner of one of the companies used by him. The wife also had four bank accounts where the combined sum of N469.2 million in foreign and local currencies was stashed and two other accounts where the Commission found \$1, 678, 975 million and N496, 137, 895 million respectively.*

*8 properties worth millions of naira were seized from him and his spouse by the anti-graft agency.*

**Source: EFCC**

### **TYOLOGY 2: LAUNDERING THE PROCEEDS OF CORRUPTION AND UNDECLARED ASSETS**

#### **CASE 4: LAUNDERING PROCEEDS OF BRIBERY THROUGH UNDECLARED ASSETS**

*MR ZT was the Minister for Housing and Development from May 2015 to January 2020. In August 2016 the Ministry awarded a construction company a contract to build two hundred (200) units of Mass Housing in GDC State at the sum of Two Billion Naira only. He presented the recommended contract at the National Executive Council for Presidential approval in September 2016 and the approval was widely publicized in the print and electronic media. The construction of the said housing units was completed on 25th March 2019. Sadly, fifty-six (56) units out of the 200 units collapsed three (3) months after the opening ceremony on 26th June, 2019, killing over fourteen (14) people and injuring ten (10).*

*Investigation revealed that constructions were done incorrectly and not in accordance with the building plan approved by the Regulatory Agency, hence the collapse. There were evidence of compromise and bribery established against the aforementioned individuals and further investigation also revealed that same suspects had procured some properties worth millions of Dollars in Dubai and the United Kingdom which were not declared in their 2020 Completed Asset Declaration Form (Form CCB-1).*

**Source: CCB**

### ***CASE 5: USE OF AGENT & NOMINEES, ABUSE OF OFFICE AND FALSE DECLARATION OF ASSETS***

*On June 5th, 2018, a case of misappropriation of funds and illegal acquisition of wealth was reported to the Bureau against Mr ABC, Chairman State Feeding Programme Commission in one of the Northern States. It was established that Mr ABC used his office to divert N50 Million Naira meant for school feeding programme for his personal use.*

*Investigation revealed that, on 15th, June 2015, multiple payment of different sums of money were deposited into one Mr. Zv Bank account by the subject Mr. ABC, on the same day. It was also established that on 15th January 2016, five million naira were also deposited in four trenches into the same account by the subject.*

*Investigations further revealed that the subject acquired properties above his income in choice areas at A state, B state and C state.*

*Other properties acquired by the subject include shops, located at Central market in Kaduna State, managed by his biological brother. Evidence arising from the investigation further revealed that the subject is linked to eight bank accounts which were not declared in his 2015 Completed Assets Declaration Form (CCB Form -1).*

*The case study above shows the 3 Codes breached by the subject*

***Source: CCB***

### ***CASE 6: MONEY LAUNDERING BY A JUDICIAL OFFICER AND NON-DECLARATION OF ASSET***

*The Commission received a petition against a retired Commissioner Mrs. A in one of the South West States in Nigeria for living above her income and non-declaration of her asset with the relevant Agency.*

*During investigation, it was revealed that Mrs. A's account with one of the financial institutions in the country received a total sum of about N140,000,000.00 (one hundred and forty million naira) from a company account where a serving judge of the Federal High Court Mr. B is a signatory.*

*In the course of interviewing Mrs. A and Mr. B they both denied ownership of the stated sum above. Mr. B claimed the money belonged to Mrs. A but could not explain how the money got into the company's account where he was a signatory and did not authorize any payment to Mrs. A's account.*

*Mrs. A in her interview explained that the money belonged to Mr. B who promised to buy her a house before transferring the money to her.*

*The money was later used to construct 5 units of four-bedroom terraces.*

*The case is currently in court.*

***Source: ICPC***

## TYOLOGY 3: LAUNDERING THE PROCEEDS OF CORRUPTION THROUGH LEGAL PERSONS AND BANK ACCOUNTS

### CASE 7: CONFLICT OF INTEREST AND ABUSE OF OFFICE

*Mr. BD, was a former Director-General/CEO of a Commission (a government agency in Abuja) and as well a director and sole signatory to a private Company H banking with Bank L. Company H is in charge of the supply of Diesel to the said commission and has executed several other fraudulent contracts awarded by Mr. BD.*

*Investigation revealed that the Director-General warehouse three hundred billion naira in Company H bank account purportedly sourced from bribes offered to him as kick back. Mr. BD awarded contract for the supply of furniture to his younger brother's company S at the sum of Eight Hundred Million Naira without due process in abuse of office. Other contracts awarded to the said company include procurement of Twelve (12) Bullet Proof SUVs for the Director-General and some Directors at the sum of Two Billion Naira, purchase of two hundred units of Computers at the sum of Five Hundred Million Naira and renovation of one of the State offices at the sum of Three Hundred Million Naira only.*

**Source: CCB**

### CASE 8: ABUSE OF CORRESPONDENT BANKING RELATIONSHIP TO LAUNDER PROCEEDS OF CORRUPTION

*XZ Trust Company Ltd is linked to a Politically Exposed Person (PEP) in Nigeria. It is operated in proxy by nominee shareholders including the PEP's son. On 14th February, 2019, XZ Trust Company Ltd transferred US\$3, 000, 000 (three million Dollars) to T&A company Ltd. Furthermore, through the use of two other entities that are linked to the nominee shareholders, another sum of \$4, 900, 000 (four million, nine hundred thousand Dollars) was also transferred to T&A company Ltd. The recipient entity is registered in Nigeria and their line of business is given as production and marketing of dairy products. However, the entities financial transactions suggest that they are engaged in providing illegal currency exchange service and illegal international money transfer operation (IMTO). It is also revealed that the promoters of T&A are linked to the ownership of several Bureau De Change (BDC) licenses.*

*Analysis of utilization of funds from T&A Company Limited account showed that upon receipt of funds, a substantial amount was transferred to UT Bank London, MT Bank Germany and WT Bank, Isle of Man. Also, several transactions were carried out in favour of multiple BDCs, shipping companies and other companies with oil and gas interest.*

*The source of fund to XZ Trust Company is mostly from a bank account domiciled in SB Bank UK. The account in SB Bank has received funds from entities incorporated in Isle of Man that are linked to the nominee shareholders. The report was forwarded to a competent law enforcement authority and is under investigation*

**Source: NFIU**

## **CASE 9: SYPHONING PUBLIC FUNDS THROUGH THE USE OF BANKS INTERNAL ACCOUNT AND ABUSE OF CASH TRANSACTION BY GOVERNMENT OFFICIALS**

*The Financial Intelligence Unit received 35 statutory financial reports filed on 11 bank accounts that are linked to HT State Government in Nigeria. Over a certain period of time, the accounts received a total deposit of N132, 234, 827, 567.11 which is equivalent to US\$289,354,108.46. Source of funds is federal government allocation and internally generated revenue and the purpose was for socio economic development of the state including providing security, universal basic education, infrastructure and rural development.*

*Analysis of utilization of funds from the account revealed a likelihood of ongoing high-level corruption by HT state government officials who are linked to the accounts either as signatories or cashiers or through Bank Verification Number (BVN). The signatories were seen to be engaged in frequent multiple and structured cash withdrawals. This was especially observed in accounts that are linked to the executive arm of the government. About \$48, 535, 740 was withdrawn in cash during the reviewed period.*

*Another tool employed by corrupt officials to siphon public funds is the use of banks internal accounts. Funds meant for the State Government are diverted into internal accounts operated by the bank. Since transactions from internal accounts are not subject to AML/CFT controls, such transactions are not reported. The account provides potential anonymity for both the source and beneficiary of transactions. The total amount withdrawn through internal accounts amounted to US\$7,066, 969.9.*

**Source: NFIU**

## **CASE 10: CRIMINAL CONSPIRACY AND FRAUD**

*On 20 October 2020 the Commission received a petition on criminal conspiracy and fraudulent diversion of N400 million by one of the government agencies. It was alleged that the Director General, 2 board members and the Director Finance diverted the money. Investigation revealed that the N400 million was released by government for the establishment of 4 Bio source development centres. The N400 million released by government was not part of the agency's budget so the conspirators found it difficult to spend the money from the GIFMIS platform.*

*The conspirators led by the Director General approved that the N400 million be transferred to a private company PCN Limited. After therefore, decided to move the N400 million to the bank account of a private company. Having successfully diverted the money into a private account, the N396 million was then transferred to the account of MCN Limited a Bureau De Change outfit. The balance of N4 million was shared to the owner of PCN Limited, he received N2 million, one of the Board members received cash of N1 million while the remaining N990, 000 was transferred to IC Limited another company.*

*The BDC converted the N396 million into USD and it was shared amongst the conspirators a follow; the Director General received the equivalent of N260 million in dollars, the two board members received the dollar equivalent of N96million and the Director Finance received the dollar equivalent of N40 million. At the time of investigation, N63 million was recovered from three of the conspirators and a 4-bedroom duplex worth N114 million was forfeited by the Director General in repayment of his share of the loot. The Legal services department of the Commission is at an advance stage in drafting the charges and will soon file the matter in the appropriate court.*

**Source: ICPC**



## CASE 11: LAUNDERING CORRUPTION PROCEEDS FROM PROCUREMENT THROUGH BANKS, SHELL COMPANIES TO OFFSHORE CENTRES AND ACQUIRING HIGH VALUE ASSETS

*A former Minister for Petroleum Resources who oversaw Nigeria's state-owned oil company was allegedly involved in the embezzlement of \$1.6bn, where she influenced the award of contracts to shell companies, created in Nigeria and owned by her business associates. The proceeds of those illicitly awarded contracts were then laundered by the help of some Nigerian bank officials through companies and banks in British Virgin Island (BVI), Switzerland, the US and the UK.*

*Investigations revealed that the proceeds were used for the purchase of various assets, including extensive properties in London and an \$80 million yacht in the USA. It was further revealed that companies registered in Nigeria, BVI, Switzerland and the USA were complicit in the fraud.*

**Source:** EFCC

## CASE 12: USE OF OFFSHORE COMPANIES FOR MONEY LAUNDERING ACTIVITIES

*ABC signed an Agreement with a certain offshore company for the supply of a certain product operated by two Nigerian companies. It was alleged that there was a breach of contract along the line which resulted in Arbitration and the subsequent Arbitral Award of Billions of USD against the host country. The offshore company lacked both technical and financial capacities to execute the said project but secured the project by compromising and bribing government officials; "MR SUN" (fake name) - who chaired as the Head Technical Committee that recommended the award of the project, "MRS MOON" (fake name) – who was the Legal representative and who drafted and executed the agreement and others." MRS MOON" allegedly inserted several clauses into the agreement that made impossible the agreement to be executed by Nigeria.*

*Investigation revealed that" MRS MOON" received the following payments from other offshore companies associated with the offshore company:*

- a) \$4,969.50 US Dollars through her relative's account few days to the signing of the agreement.*
- b) \$5,000.00 US Dollars through her relative's account.*
- c) \$1,000.00 US Dollars through her personal account.*
- d) \$10,000.00 US Dollars through her personal account.*
- e) \$10,000.00 US Dollars through her personal account.*
- f) ₦194,230.00 (equivalent to €500.00) through her personal account.*
- g) ₦194,210.00 (equivalent to €500.00) through her personal account.*

*"MR SUN also received the following payments from companies associated with the offshore company and their Nigerian companies:*

- a) \$50,000.00 USD cash gift.*
- b) ₦3,440,000.00*
- c) ₦4,000,000.00*
- d) \$54,697.79*
- e) \$50,000.00*

f) ₦55,504,768.41

g) \$30,000.00

*Investigation also revealed that owners of the offshore company have over 30 registered companies in Nigeria and over 20 offshore companies they used for various suspected money laundering activities.*

*Massive movements of funds were discovered between the various Nigerian and offshore companies which resulted in massive cash transaction. Several of the Nigerian companies and people involved are on trial in Court.*

***Source: EFCC***

## CHAPTER 5 INDICATORS AND RED FLAGS

A number of indicators and warning signs have been identified from the analysis of the cases studied. The indicators and warning signs differ according to the degree of certainty or uncertainty about the likelihood of ML in the situations presented.

Indicators represent factual circumstances that may or may not indicate possible cases of laundering of the proceeds of corruption while Red Flags are alerts that provide greater certainty that money laundering has occurred and call for more due diligence by AML/CFT stakeholders

The indicators and red flags found from the case studies are as follows:

### **1: LAUNDERING OF FUNDS THROUGH PEP RELATED ACCOUNTS**

- Payment from a government account to a company account without any document evidencing justification for the payment.
- Personal account belonging to a director of a company that previously received funds from a state government account receiving inflows from companies linked to family members of the State Governor. Multiple accounts linked to family members of a State Governor receiving funds from state Government accounts.
- State government funds going through companies serving as intermediaries and the end destination being individual accounts
- Use of third parties, such as contractors, consultants, vendors, suppliers and advisor/intermediaries, in order to facilitate procurement contracts fulfilment:
  - Requests for compensation not explicitly contemplated in the third-party contract
  - Requests that payments be made to different third parties
  - Third party requests for charitable or political contributions
  - A third party is in a different line of business than that for which it is engaged
  - The third party has little or no experience in the relevant industry or activity

## **2: LAUNDERING PROCEEDS OF CORRUPTION THROUGH LEGAL PERSONS WITH PEP AS A BENEFICIAL OWNER**

- Payment of contract funds from a government account to a company that has a PEP as the beneficial owner, followed by cash withdrawals in favour of the PEP.
- Purchase of properties and luxury items in the name of PEP and close associates.
- The use of offshore companies to conceal the beneficial ownership of assets or the movement of funds to jurisdictions with weaker regulation.
- Transfer of funds to a company in another jurisdiction controlled by a close associate of a PEP for the acquisition of property in that jurisdiction.
- If the source of the funds used to purchase assets or invest in the company cannot be clearly traced to legitimate business activities, it can be an indicator of money laundering.
- If the company's assets or wealth cannot be justified based on the PEP's known income and legitimate business activities, it can be a red flag for money laundering.

## **3 LAUNDERING PROCEEDS OF CORRUPTION FROM THE EXTRACTIVE SECTOR USING LEGAL PERSONS AND FAMILY MEMBERS**

- Issuance of contracts by PEP without evidence of execution
- Contracts, invoices, or other trade documents have vague descriptions of the traded commodities, e.g. the subject of the contract is only described generically or non-specifically
- Close family members of public officials are directors of companies that receive contract from agencies headed by the public official.
- Bank accounts of close family members of public officials have huge balances with no economic justification.
- Payments made to contractors for consultancy services or projects in industries with a higher risk to corruption, such as arms, mineral extraction, telecoms, public infrastructures, where the amount paid appears to be outside

the normal price range for such services and no evidence of contract execution.

- Close family members or associates of public officials are appointed as senior management officials in private companies without meeting the necessary requirements for taking up the position or the hire's salary or compensation package is not commensurate with market conditions.
- Public officials increase their standard of living after the expiration of the officials' mandate without any legally justifiable reasons. Another possibility would be an inability or refusal by these persons to provide a credible account regarding how the wealth was generated or to provide corroborative support for the source of wealth. In other cases, the corroborative documentation provided raises concerns about authenticity or is otherwise inconsistent with the source of wealth statement.
- Payments conducted according to public procurement contracts where there was only a single bid for a government procurement tender, which signals a lack of competition and closed access.

#### **4: LAUNDERING PROCEEDS OF BRIBERY THROUGH UNDECLARED ASSETS**

- Project execution not in accordance with approved plan
- Properties worth millions of dollars acquired in foreign jurisdictions by subjects not declared in their 2020 Asset Declaration forms.
- Evidence of compromise and bribery established.
- Commissions, interest or payments under commercial terms of public procurement contract are increased, reduced or restructured in a manner that is not commercially viable
- Repeated or subsequent purchases of low-quality goods, works and services at market prices of goods of higher quality or purchases of goods, works and services at higher than market prices
- Purchases or leases of movable or immovable assets in offshore jurisdictions by public officials which do not coincide with the subject's income.
- Subject living above known sources of income.

## **5: USE OF AGENT & NOMINEES, ABUSE OF OFFICE AND FALSE DECLARATION OF ASSETS**

- Multiple transfer of funds from government account to personal account with no economic justification.
- Public official acquiring properties valued above his legitimate income.
- Public official maintaining bank accounts not declared in their asset declaration forms.
- Checks issued in favour of public officials and come from accounts of persons that benefited from public procurements/funds, without an evident justification
- Checks issued by a public entity being cashed out and subsequently deposited to accounts of public officials or entities related to public officials.
- Public officials, especially those having a role in government contract management or public procurement of high-value assets, receive funds transfer instructions:
  - from business and/or personal accounts, where these funds appear to be excessive in value;
  - according to in-built distribution methods or contractors or intermediaries;
  - from distributors used at the request of the contracting party;
  - according to existence of rebate arrangements, particularly if agreed outside the contract;
- Properties acquired by the suspect not declared in his Completed Assets Declaration form.

## **6: MONEY LAUNDERING BY A JUDICIAL OFFICER AND NON-DECLARATION OF ASSET**

- PEP living above legitimate means of income.
- Purchases or leases of movable or immovable assets by public officials which do not coincide with the subject's income.
- High value transactions from company account that has a Judicial officer as a signatory.

- Transactions that take place in accounts of public officials involving cash deposits or withdrawals in unusual frequency and amounts
- Misrepresentation and/or inconsistency between the declared source of wealth of public officials through their sworn asset declarations, and those established during the due diligence/ investigation process.

#### **7: CONFLICT OF INTEREST AND ABUSE OF OFFICE**

- Owners or senior managers of a trade entity appear to be nominees acting to conceal the actual beneficial owners, e.g. they lack experience in business management or lack knowledge of transaction details, or they manage multiple companies.
- Public official awarding contracts to legal persons controlled by close family members.
- Absence/abuse of due process in the procurement processes.
- Long-term contracts are repeatedly awarded to the same subcontractor, or a certain legal entity or legal arrangement consistently winning a majority of the largest contracting authority tenders/public procurement bids without following due process.
- Subcontractors have common director(s), beneficial owner(s) and/or are related with the management of the contractor.
- Deposits in accounts linked to public officials' by construction companies, individuals or non-governmental entities that previously benefited from public works contracts.
- Specific company always receiving contracts from a government agency.

#### **8: ABUSE OF CORRESPONDENT BANKING RELATIONSHIP TO LAUNDER PROCEEDS OF CORRUPTION**

- Huge fund transfer to banks in tax havens
- Frequent and high-value transactions involving offshore accounts or countries with weak anti-money laundering regulations can indicate the possibility of money laundering.
- Transactions involving PEPs particularly with foreign jurisdictions.
- Lack of transparency in the ownership and control of the accounts involved in the correspondent banking relationship.

- Transactions involving funds from unknown or suspicious sources, such as cash deposits or wire transfers to and from high-risk jurisdictions.
- The use of shell companies or other entities to conceal the true ownership or purpose of the transactions.
- Accounts linked to PEPs transacting with Bureau De Change (BDC) operators.

#### **9: SYPHONING PUBLIC FUNDS THROUGH THE USE OF BANKS INTERNAL ACCOUNT AND ABUSE OF CASH TRANSACTION BY GOVERNMENT OFFICIALS**

- Abuse of cash transaction
- Use of bank internal accounts for transactions involving government accounts.
- Frequent structured cash withdrawal by account signatories
- Transactions that take place in accounts of public officials involving cash deposits or withdrawals in unusual frequency and amounts

#### **10: CRIMINAL CONSPIRACY AND FRAUD**

- Spending of government funds outside budgetary provisions.
- Diversion of funds meant for public
- Payment from government accounts to company accounts followed by transfers to BDC operators.
- Huge payments of foreign exchange by BDCs to public officials.
- Purchase of high valued real estate by public officials above their legitimate income.

#### **11: LAUNDERING CORRUPTION PROCEEDS FROM PROCUREMENT THROUGH BANKS, SHELL COMPANIES TO OFFSHORE CENTRES AND ACQUIRING HIGH VALUE ASSETS**

- Violation of public procurement processes in awarding contracts to shell companies linked to associates of public officials.
- Transfer of proceeds of corruption to offshore banks with the connivance of bank officials.



- Purchase of properties and luxury assets by proxies of public officials in other jurisdictions.
- Funds received in accounts of persons, legal entities, or legal arrangements with no visible connection to public officials, but known to be controlled by such, or persons related to them (a front man, a straw man, or legal entity established to conceal the beneficial ownership), where the funds have been sent by a shell company.

## **12: USE OF OFFSHORE COMPANIES FOR MONEY LAUNDERING ACTIVITIES**

- Inconsistencies across contracts, invoices or other trade documents, e.g. contradictions between the name of the exporting entity and the name of the recipient of the payment; differing prices on invoices and underlying contracts; or discrepancies between the quantity, quality, volume, or value of the actual commodities and their descriptions.
- A trade entity engages in complex trade deals involving numerous third-party intermediaries in incongruent lines of business.
- Payments are routed in a circle – funds are sent out from one country and received back in the same country, after passing through another country or countries.
- The corporate structure of a trade entity appears unusually complex and illogical, such as the involvement of shell companies or companies registered in high-risk jurisdictions
- Services provided to state-owned companies or public institutions by shell companies, offshore companies or formations, companies in registration offices or P.O. companies.
- Services provided to state-owned companies or public institutions by companies registered in high-risk jurisdictions
- Legal entities with little or limited experience receiving highly complex and technical government contracts/projects (not compatible with the size or experience of the entity) or receiving government contracts/projects that are not related to their field of business.

## **CHAPTER 6 CHALLENGES IN FIGHT AGAINST CORRUPTION**

Money laundering through corruption is a significant challenge facing Nigeria, and it is often linked to the misuse of public funds. Based on the cases mentioned above, it can be concluded that some Nigerians who held high political and government positions in the three arms of government (executive, legislative, and judiciary) engage in corruption through award of contracts, purchasing properties through illegal means and abusing their positions of authority in several ways. These have undermined democracy and the rule of law, resulted in human rights violations, market instability, government's inability to provide essential services to the citizens and discouraging foreign direct investment.

The challenges facing Nigeria's fight against corruption are discussed below.:

### **Pervasive Corruption in Public and Private Settings**

The National Inherent Risk Assessment of Money Laundering in Nigeria reveals that corruption is deeply ingrained in both public and private sectors. Various corrupt activities, such as embezzlement, theft of public funds, bribery, abuse of office, contract and procurement fraud, misappropriation, and improper management of funds, are prevalent in the extractive industries and other sectors. The majority of these offences are perpetrated by government employees, workers in the judiciary, business owners, and law enforcement personnel with support from external collaborators (natural or legal persons). This pervasive corruption undermines the integrity of institutions and hampers the country's progress.

### **Lack of Public Awareness and Engagement**

Insufficient public awareness about the negative impact of money laundering through corruption hinders the fight against this menace. Many citizens are unaware of their role in reporting corrupt practices or lack confidence in the system's ability to address their concerns effectively.

### **Weak Anti-Money Laundering Framework**

The effectiveness of anti-money laundering agencies is crucial in combating corruption. However, these agencies often lack sufficient resources,

independence, and authority to carry out their mandates effectively. Interference from powerful individuals and institutions further impedes their progress.

### **Lack of Transparency and Accountability**

Transparency and accountability are fundamental pillars in the fight against corruption. Weak governance practices and inadequate mechanisms for managing public funds lead to misappropriation and misuse of resources.

## CHAPTER 7 CONCLUSION AND RECOMMENDATION

The challenges in fighting corruption in Nigeria are formidable but not insurmountable. By addressing the root causes and implementing the recommendations, the government can make significant progress in combating money laundering through corruption. It requires a multifaceted approach that includes enhancing institutional frameworks, promoting transparency and accountability, raising public awareness, strengthening anti-money laundering agencies, and fostering international cooperation. With concerted efforts and political will, Nigeria can pave the way for a more transparent, accountable, and corruption-free future, fostering sustainable development and attracting foreign direct investment.

According to the National Inherent Risk Assessment of Money Laundering in Nigeria, corruption is still pervasive in both public and private sectors. The study also indicated that some of the common corruption activities were embezzlement and theft of public funds, bribery, abuse of office, contract and procurement fraud, misappropriation of funds, major revenue leakages, and improper management of funds (oil, mining, etc.). The majority of these offences are perpetrated by government employees, workers in the judiciary, business owners, and law enforcement personnel with support from external collaborators (natural or legal persons). The low effectiveness of the national beneficial ownership database was a major setback in achieving desired results despite reforms in Nigeria.

To address the challenges identified, there is need for an alignment of actions with the National Anti-Corruption Strategy (NACS) and the application of preventive measures, the strengthening of asset recovery by investigative authorities and fostering effective domestic cooperation/coordination. Some of these measures are further elaborated below:

### Recommendations for Policy Makers

1. The Inter-Ministerial Committee on AML/CFT/CPF should coordinate all relevant stakeholders in the public and private sector to ensure that assessment of money laundering risks in the country is kept up to date and ensure that gaps and vulnerabilities within systems and institutions that

allow for corruption are plugged. This will lead to the reduction in incidences of corruption and improve revenue for the country. In addition, vulnerabilities that permit for leakages in the system will be plugged thereby improving operational systems and transparency in Nigeria, particularly in the Nigeria extractive sector.

2. The Federal Government should institute a whistleblowers legislation that provides for an efficient online system for reporting corruption and adequate protection to whistleblowers. The system should have a user-friendly reporting platform that is assessable and compatible with various devices and provides for the confidentiality of whistleblowers by ensuring anonymous reporting. The legislation should provide for feedback and regular updates on the progress of investigations to whistleblowers to maintain trust and encourage further reporting. There should be a requirement for regular reviews and evaluation of the system to identify areas for improvement. The benefit from this would be an increase and timeliness of reporting of corruption cases and serve as deterrence to potential wrongdoers about the risks and consequences in engaging in corrupt practices.
3. The government should promote transparency and accountability in all sectors of the economy by enforcing existing laws and regulations related to transparency and accountability such as the Code of Conduct Bureau and Tribunal Act, 2004, Public Complaints Commission Act, 1975, Bureau of Public Procurement Act, 2007, Freedom of Information Act, 2011, Fiscal Responsibility Act 2007, Nigerian Extractive Industries Transparency Initiative Act, 2007 and others. There should be enhanced financial oversight by relevant institutions and organs of the legislature to ensure that resources are used prudently, judiciously and in line with budgetary provisions.
4. The Federal Government should resume and sustain the implementation of the Federal Government Open Treasury portal by ensuring that daily government payments made by all Ministries, Departments and Agencies are reported. This mechanism should also be implemented at State and Local Government levels.

5. There should be an implementation of transparent and competitive procurement processes, by ensuring that the Federal Governments e-procurement system; Nigeria Open Contracting Portal (NOCOPO) is used by all contractors. There should be enforcement of strict regulations such as conducting due diligence on contractors, ensuring fair bidding processes, and implementing effective contract monitoring and auditing mechanisms. Transparent procurement processes and strict monitoring mechanism help minimize waste and leakage of public funds.

### **Recommendations for the Judiciary**

6. The National Judicial Council (NJC) should establish and reinforce safeguards that protect the integrity and independence of judges both in law and practice. This includes ensuring judges are insulated from external pressures, such as political interference, social influence, corruption, or abuse of office. Independence is crucial for judges to make unbiased decisions based on the law and evidence presented before them.
7. Steps should also be taken to prevent any interference in proceedings related to alleged money laundering and financial crimes. Judges should be shielded from any attempts of political or social pressure, corruption, intimidation, or abuse of office. Measures could include strict codes of conduct, transparent selection and appointment processes, and mechanisms to address and investigate any reported interference.
8. There should be the promotion of impartiality and fairness in proceedings concerning asset forfeiture relating to corruption cases. Judges should make decisions based on the merits of each case, free from any interference, political or social pressure, corruption, intimidation, or abuse of office. The objective should be to safeguard the integrity of the process and prevent any biases that may influence the outcome.
9. The NJC should uphold the principle that the pace or outcome of proceedings relating to alleged corruption and money laundering should not be influenced by external factors. Judges should be committed to conducting trials objectively and without succumbing to interference, political or social

pressure, corruption, intimidation, or abuse of office. This ensures that justice is served promptly and fairly.

10. Judges should institute and conclude proceedings against powerful members of society and high-profile criminals in an objective and professional manner. Judges should apply the law consistently, treating all defendants equally regardless of their status or influence. By upholding the highest standards of professionalism, judges can inspire public confidence in the justice system and ensure that no one is above the law.
11. When judges have the right training and are more disciplined, motivated, and dedicated to their jobs, the battle against corruption will be more successful. It is imperative that judges have greater training to deal with (corruption) matters.
12. The National Judicial Council (NJC) should impose strict sanctions on judges found to have erred in the discharge of their functions. This will serve as deterrence to other potential offending judicial officers and will

### **Recommendations for Anti-Corruption Agencies and the FIU**

13. The government should provide the necessary resources and support to anti-money laundering agencies to enable them to carry out their mandate effectively. This will require the allocation of sufficient financial resources to anti-money laundering agencies to ensure they have the necessary funding to carry out their activities. This should include budgetary provisions for staffing, training, technology, infrastructure and operational expenses. Anti-corruption agencies and the NFIU are further required to recruit and retain skilled professionals with expertise in AML, financial investigations, and intelligence analysis.
14. Provide competitive salaries, professional development opportunities, and a conducive working environment to attract and retain top talent. There should be investments in comprehensive training programmes to enhance the skills and knowledge of AML agencies staff. This includes training on AML legislation, financial investigation techniques, assets tracing, intelligence analysis, emerging trends, and study tours to facilitate knowledge sharing and international best practices. With enhanced resources and capabilities, AML

agencies can improve their ability to detect and prevent money laundering activities. This can result in higher number of successful investigations, prosecutions and conviction of individuals and companies leading to disruption of criminal networks and recovery of proceeds of crime. Adequate resources will enable AML agencies to foster better collaboration with domestic and international partners, including financial institutions, regulatory bodies, law enforcement agencies and foreign counterparts. This collaboration facilitates the sharing of intelligence, improves information flow and enhances overall effectiveness in combating money laundering.

15. Competent Authorities should cooperate domestically and with other countries in the fight against money laundering. This includes sharing best practices, intelligence, and other resources to identify and prosecute money launderers who operate across borders. This will require effective use of NFIU intelligence by agencies on the AML/CFT/CPF Authorized Officers Forum. Furthermore, Nigeria should effectively participate at all international and regional forums and where necessary, enter bilateral and multilateral agreements with other countries to enhance cooperation in the fight against corruption and money laundering. Joint investigations and task forces should be established domestically and with other countries to address complex money laundering and corruption cases that have international dimensions.

### **Recommendations for Regulatory Authorities**

16. The regulatory authorities in the Nigeria extractive sector should ensure the full implementation of the Petroleum Industry Act 2021 by ensuring separation of roles of state-owned enterprises (SOEs) operating in the extractive sector from those that have administrative and regulation functions. This will require the strict enforcement of conflict-of-interest policies for individuals serving in both SOEs and regulatory bodies; prohibiting them from holding positions in both entities simultaneously. Further measures include enhancing capacity and expertise of the regulatory agencies by providing necessary trainings that will enable them make informed decisions independently. This will lead to reduction of conflicts of



interest and promotion of good governance practices as well as increased investor confidence thereby fostering sustainable growth.

17. Following the launch of the Person with Significant Control Register (Beneficial Ownership Register) by the Corporate Affairs Commission (CAC), companies operating in Nigeria should be made to comply with beneficial ownership (BO) requirements and also update their registries when changes occur in their corporate structures. The CAC should ensure that appropriate sanctions are imposed on companies that fail to meet with its BOR requirements.

### **Recommendations for Reporting Entities/Companies**

18. Reporting entities (financial institutions and designated non-financial businesses and professions) should carry out ongoing due diligence of their customers, particularly PEPs, government workers and companies, and report transactions that are not in line with their profile to the NFIU. They should rely on findings from the National Risk Assessment to establish risk-based approaches to customer due diligence that considers the level of risks associated with different types of customers, including PEPs, senior government workers and companies by allocating resources and focus on higher-risk individuals and entities. Ongoing monitoring of customer transactions, activities, and behaviour to detect any unusual or suspicious transactions should be implemented. Reporting entities should regularly update customer information and conduct periodic reviews to ensure the accuracy and completeness of customer profiles. By adopting a risk-based approach and implementing enhanced due diligence measures, reporting entities can effectively mitigate the risks associated with PEPs, senior government officials and companies.

19. Following the CAC requirements on BO, companies should establish internal procedures and controls to track and document changes in beneficial ownership and ownership structure. This should include processes to identify and verify BOs, collect accurate and up to date information and maintain records of ownership changes. In addition, they should conduct due diligence on BOs to determine their identities, ownership stakes, and any potential

risks associated with their involvement. This will require having accurate record keeping systems that reflect the current BO structure. The companies will further be required to implement internal reporting mechanisms to promptly identify and report any changes in BO by establishing clear lines of communication between relevant departments or personnel that may receive the information. The companies will be required to conduct periodic review and audits of company's BO information and structure to ensure ongoing compliance, identify and discrepancies or gaps in information, and rectify them promptly. The implementation of these measures will lead to compliance with CAC requirements on BO. Law enforcement and tax authorities will find it much easier to trace assets and carry-out tax assessments easily and comprehensively. There will also be an increased in trust amongst stakeholders, such as investors and the public providing, clear visibility into the ownership and control of companies.

#### **Recommendations for Civil Society Organisations/Academia**

20. Civil Society Organisations (CSOs) should embark on massive public awareness campaigns to educate the public on the negative impact of money laundering through corruption on the country's development. They will be required to various channels such as television, radio, social media, and print media to reach a wide audience. These should be used to raise awareness about the negative impact of money laundering by creating engaging content such as videos, infographics, and success stories that highlight the consequences of corruption and money laundering on society and economic development.
21. There should be collaboration between educational institutions and Civil Society Organisations (CSOs) to develop curriculum modules or workshops that address the issue of money laundering and corruption. These should be integrated into school curricula, particularly in subjects like civics, social studies, or economics, to ensure that young citizens receive early exposure to the topic and imbibe in them total value reorientation.

## Recommendations for the Private Sector

22. The private sector should ensure that measures are in place for full compliance with relevant ethical codes in the prevention of corruption. To achieve this, self-regulatory bodies (SRBs) should ensure that their members comply with the laid down codes of conduct and have in place mechanisms for disciplining erring members which should include referring offenders to law enforcement agencies should the need arise. They should also provide regular training and sensitization to employees in public and private sectors on ethical standards, code of conduct, anti-corruption requirements and consequences for non-compliance. These would lead to improved compliance culture with ethical codes in private establishments and also an increased awareness of corrupt practices and consequences in both public and private sectors of the economy.

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