



2022

NIGERIA SANCTIONS COMMITTEE

GUIDANCE ON IMPLEMENTATION OF TARGETED FINANCIAL SANCTIONS ON TERRORISM FINANCING AND PROLIFERATION FINANCING

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Section 1: Legal framework

The following list comprises of all of the relevant Laws/ Regulations, Guidelines, and Notices issued so far for the purpose of implementing UN Financial Sanctions and Nigerian Sanctions List TFS measures in Nigeria.

Title	Articles/Text	Issued	Type
Terrorism Prevention Act		2022	
Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and other Related Measures.		2022	
Regulation for the Implementation of Targeted Financial Sanctions on Proliferation Financing		2022	
National Insurance Commission AML/CFT/CPF Regulation		2022	
Central Bank of Nigeria AML/CFT/CPF Regulation		2022	

Securities and Exchange Commission AML/CFT/CPF Regulation		2022	
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Section 2: What are Targeted Financial Sanctions (TFS)?

The term *targeted sanctions* means that such sanctions are imposed against specific individuals or groups, or undertakings.

The term *targeted financial sanctions* includes both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of individuals, entities, groups, or organization who are sanctioned.

Types of financial sanctions

There are two main types of financial sanctions:

- **Asset freezing:** Freezing is the prohibition to transfer, convert, dispose, or move any funds or other assets that are owned or controlled by listed individual, groups, or entities. It includes:
 - The Freezing of funds and other financial assets and economic resources, and includes preventing their use, alteration, movement, transfer, or access.
 - The Freezing of economic resources also includes preventing their use to obtain funds, goods, or services in any way, including, but not limited to, by selling, hiring, or mortgaging them.

As an example:

- For financial institutions: a freezing measure can be suspending access to bank accounts or blocking transactions.
- For DNFBPs: a freezing measure can be stopping the facilitation of or blocking the transfer of ownership of immovable or movable assets.

- **Prohibition to offer funds and services:** This means the prohibition to provide funds to, or render financial services or other services related to, any listed individual, group, or entity. This includes, for example, the opening of banking subsidiaries in the sanctioned jurisdictions, the provision of financial services or trading in natural resources (including oil) and providing internet and/or telecommunications services.

As an example:

- For financial institutions: offering banking or transactional services.
- For DNFBPs: the provision of any services, such as legal services to transfer asset ownership, the buying or selling real estate, selling jewellery, precious metals, etc.

How long do these measures last?

Asset freezing and prohibition measures have **no time limit**: the funds must remain frozen, and the prohibition to offer funds and services stands until the individual, group, or entity is removed from the Nigeria Sanctions List or the UN List.

Section 3: What is the purpose of Targeted Financial Sanctions (TFS)?

The purpose of TFS is to deny certain individuals, groups, organizations, and entities the means to violate international peace and security, support terrorism or finance the proliferation of weapons of mass destruction. To achieve this, it seeks to ensure that no funds, financial assets, or economic resources of any kind are available to listed actors for so long as they remain subject to the restrictive measures.

The target financial sanctions are implemented in Nigeria following UNSCR with relation to:

- ***Terrorism and terrorist financing:***

The sanctioned (listed) individuals, groups, or entities include:

1. Any individual, entity or group included in the United Nations Consolidated List	Listed by the United Nations Security Council.
2. Any individual or entity included in the Nigeria Sanctions List, according to UNSCR 1373 (2001)	Listed by Nigeria

- ***The proliferation of weapons of mass destruction (WMD):***

1. Any individual, entity or group included in the United Nations Consolidated List	Listed by the United Nations Security Council.
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Person (natural and legal) should note that TFS restrictions published by the UN and the Nigeria Sanctions List are subject to change. It is the obligation of all individuals and entities to ensure relevant controls and procedures are in place to maintain relevant and up-to-date controls in order to effectively implement TFS restrictions. The updated Sanctions Lists are published on the National Sanctions Committee Website and the UN website.

Who is the target of these measures?

The freezing measures, including the prohibition of making funds available, apply to:

- A. Any individual, group, or entity listed in the Nigeria Sanctions List or listed by the UNSC in its Consolidated Sanctions List.
- B. Any entity, directly or indirectly owned or controlled by an individual or entity listed under A.

- C. Any individual or entity acting on behalf of or at the direction of any individual or Entity listed under A & B.

Important:

In cases where an asset owned or controlled in part or in full by a listed individual or entity and such asset continues to produce benefit, for example in the form of dividends or interest, the relevant portion of such benefit is also subject to freezing measures.

Where to find the updated Sanctions Lists?

The list of individuals, or entities is subject to change. The most updated information can be found in the following links:

- The UN Security Council has a Consolidated List of all the sanctioned individuals, groups, or entities by the UN Sanctions Committees (UN List). The link to this list is: <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>
- Any individual or entity listed by the Nigeria Sanctions Committee- (Nigeria Sanctions List): The link to the Nigeria Sanctions List: <https://www.nigsac.gov.ng/sanctions>

What does 'funds' mean?

Funds: means any assets, of every kind, whether corporeal or incorporeal, tangible or intangible, physical or virtual, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in the assets; including financial assets, economic resources, property of every kind, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets;

Categories of funds: All types of funds or assets are subject to freezing measures. The funds can be categorised into the following types:

1. Assets

Funds and other financial assets subject to sanctions are, for example, the following:

- a. Cash, cheques, claims on money, drafts, money orders, bearer instruments, internet- based and other electronic or digital payment instruments, including virtual currencies.
- b. Deposits with financial institutions or other entities and balances on accounts, including but not limited to: (1) fixed or term deposit accounts, (2) balances on share trading accounts with banks, brokerage firms, or other investment trading accounts.
- c. Debts and debt obligations, including trade debts.
- d. Other accounts receivable, notes receivable, and other claims of money on others.
- e. Equity and other financial interest in a sole trader or partnership.
- f. Publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures, and derivatives contracts.
- g. Interest, dividends, or other income on or value accruing from or generated by assets.
- h. Credit, right of set-off, guarantees, performance bonds or other financial commitments.
- i. Letters of credit, bills of lading, bills of sale; notes receivable and other documents evidencing an interest in funds or financial resources and any other instruments of export-financing.
- j. Insurance and reinsurance.

2. Economic resources

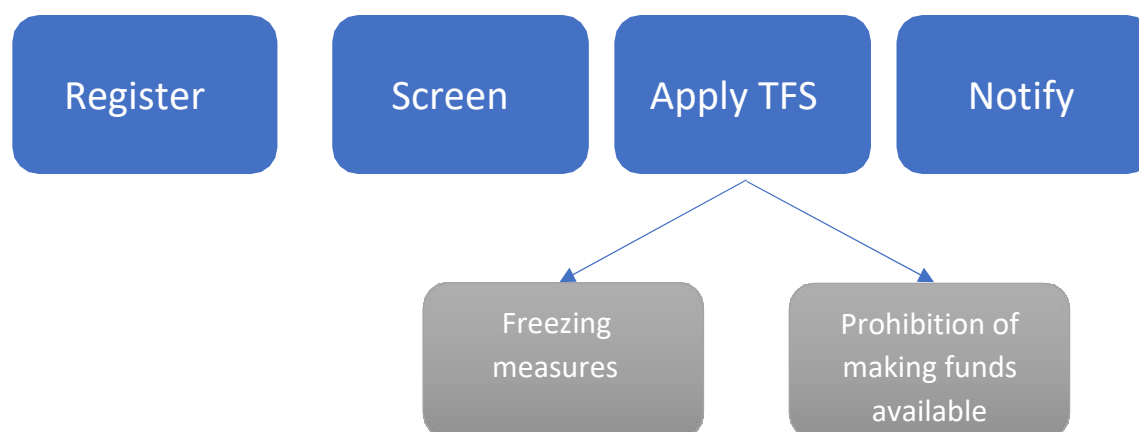
Economic resources subject to sanctions include assets of any kind, whether tangible or intangible, movable, or immovable, actual, or potential, which potentially may be used to obtain funds, goods, or services, such as:

- a. Land, buildings, or other real estate.
- b. Equipment, including computers, computer software, tools, and machinery.

- c. Office furniture, fittings and fixtures and other items of a fixed nature.
- d. Vessels, aircraft, and motor vehicles.
- e. Inventories of goods.
- f. Works of art, cultural property, precious stones, jewelry, or gold.
- g. Commodities, including oil, minerals, or timber.
- h. Arms and related materiel, including all items mentioned in the arms embargo, included but not limited to: weapons and ammunition, military vehicles and equipment, paramilitary equipment, and spare parts for the aforementioned, and technical advice, assistance, or training related to military activities.
- i. Raw materials and components that can be used to manufacture improvised explosive devices or unconventional weapons, including but not limited to chemical components, detonating cord, or poisons.
- j. Patents, trademarks, copyrights, trade names, franchises, goodwill, and other forms of intellectual property; k. internet hosting or related services.
- k. Any other assets.

Section 4: Obligations on Nigerians Persons and Entities to implement TFS regimes

All Persons (natural and legal) in Nigeria, including financial institutions, DNFBPs and Other Entities, must:



1. **Register** at the Nigeria Sanctions Committee website to receive automated email notifications:
<https://www.nigsac.gov.ng/subscribe>

This registration is aimed to help financial institutions, DNFBPs and other entities to receive updated and timely information about the listing and de-listing of individuals or entities in the Nigeria Sanctions List and in the UN List.

2. **Screen:** Undertake ongoing and daily checks to the following databases to identify possible matches with names listed in the Sanctions Lists issued by the UN List or the Nigeria Sanctions List:

- a. Existing customer databases.
- b. Names of parties to any transactions.
- c. Potential customers.
- d. Beneficial owners.
- e. Names of individuals or entities with direct or indirect relationships with them.
- f. Customers before conducting any transactions or entering a business relationship with any Person.
- g. Directors and/or agents acting on behalf of customers (including individuals with power of attorney).

Important: Initial screening must be performed PRIOR to the onboarding of a customer and/or facilitation of an occasional transaction. Thereafter, screening should be done daily at the institution's own initiative. The Sanctions Lists are continuously updated and available on Nigeria Sanctions Committee's website and the UN website online.

3. Apply Targeted Financial Sanctions: The following are the measures that must be implemented if a match with the UN List or the Nigeria Sanctions List is identified.

- I. **Freeze all funds:** freeze, without delay and without prior notice to the Listed individual or entity all the funds:
 - a. Owned or controlled, wholly or jointly, directly, or indirectly, by an individual or entity listed by the Cabinet or the UN list.
 - b. Derived or generated from funds under item (a); or
 - c. Any individual or entity acting on behalf of or at the direction of any individual or entity under item (a).

Important: The obligations to freeze shall not prevent additions to frozen accounts of:

- interest, profits, or other earnings due on the account; or
- of payments due under contracts, agreements or obligations agreed upon prior to the date on which the account has become subject to Freezing, provided such additions are immediately frozen.

- II. **Prohibition of making funds available:** No Person (natural and legal) in Nigeria is permitted to provide funds to or render financial services or other services related to, whether in whole or in part, directly or indirectly, or for the benefit of any listed individual or group on the Nigeria Sanctions List or on the UN list.

4. Notify:

- I. Financial institutions, DNFBPs and other entities must report immediately any freezing measure taken and/or attempted transactions to the Nigeria Sanctions Committee, The Nigeria Financial Intelligence Unit and the relevant sector regulator.
- II. Any other individual or entity must notify any freezing measure taken and/or attempted transactions to the Nigeria Sanctions Committee. Please refer to the contact information provided at the end of this guidance document.

Additional Obligations for Financial Institutions and DNFBPs

In addition to the above, FI and DNFBPs must fulfill the following obligations:

1. Set and implement:

- I. **Internal controls and procedures** to ensure compliance with the obligations arising from Terrorism Preventions Act 2022, Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and Other Related Measures 2022 and the Regulation for the Implementation of Targeted Financial Sanctions on Proliferation Financing 2022 or any other law or regulation issued by the sector regulators or any other competent authority.
- II. **Policies and procedures** that prohibit staff from, directly or indirectly, informing the customer or any third party that freezing action or any Other Measures are going to be implemented.

Through internal controls, policies, and procedures, each financial institution and DNFBP in Nigeria can define the relevant compliance processes and practices to effectively implement these measures, using a risk-based approach that considering the characteristics of their business, clientele, geographical scope and sanctions risk exposure.

How to identify a match to apply TFS?

As explained above, all financial institutions, DNFBPs and other entities must screen on an ongoing basis, and at least daily, their customers, potential customers, beneficial owners, and transactions to identify possible matches to the Nigeria Sanctions List or UN List. Sanctions Lists contain a range of information to aid the identification of listed individual or entity. The following are examples of the information contained in the Sanctions lists:

For natural person	For legal persons
• Name • Aliases • Date of birth • Nationality • ID or passport information • Last known address	• Name (s) • Aliases • Address of registration • Address of branches • Other information

Because many names are very common, you may find various **potential matches**. However, it does not necessarily mean that the individual or entity you are dealing with is subject to TFS.

When identifying the potential match, suspend any transaction until you can be satisfied it is not an individual or entity subject to TFS (**'false positive result'**).

Then by taking into consideration the knowledge you have of the customer, potential customer, beneficial owner, or transaction, through the customer due diligence and/or using

reasonable information, if you are satisfied that the individual or entity with a potential match is not subject to TFS, you do not need to implement any measure, you may allow the transaction or business to continue its normal course, and you are required to maintain evidence of this process in their records.

However, suppose there is any indication or suspicion that the potential result may be a confirmed match ('confirmed match') or there is actually a confirmation that it is a confirmed match. In that case, you must implement the freezing measures without delay, refrain from offering any funds or services, and notify the relevant Supervisory Authority and the MSC of freezing measure and/or attempted transactions taken.

Note that: If the individual or entity you are dealing with matches all or most of the information on any of the Sanctions Lists, then this is likely to be a confirmed match. In this case, you must implement the freezing measures immediately, refrain from offering any funds or services, and notify the relevant Supervisory Authority and the Executive Office immediately.

Potential match	A potential match is when there is any match between data in the Sanctions Lists with any information in your databases.
Confirmed match	A confirmed match is when a potential match has been confirmed to be the individual, group or entity subject to TFS or when there is any <i>doubt, indication, or suspicion</i> that the potential match may correspond to a individual, group or entity subject to TFS.
False positive result	A false positive result is when a potential match was discharged.

How to implement freezing measures?

Any percentage of ownership must trigger a freezing measure in relation to the asset owned by the listed individual, group or entity. Equally, freezing measures must be implemented when there is any information or indication that there are funds controlled (directly or indirectly) by the listed individual, group, or entity.

In cases where a listed party owns or controls funds or other financial assets or economic resources in which unlisted individual or entity also have a segregable interest. For example, if a listed person owns or controls 1% of a legal entity, the freezing measure must be applied only on the share of the asset owned or controlled by the listed party.

If an asset is owned or controlled by a listed party and an unlisted party, and the interest owned or controlled by the unlisted party cannot be segregated, the entire asset should be subject to the freeze. For example, a bank account is owned by a person listed and by a family member not subject to sanctions, then the bank account must be frozen.

The concept of ownership and control for legal entities

In the case of individuals or entities the freezing measure must be applied to the entire entity or arrangement when it is owned or controlled mainly or fully by a listed individual or legal entity.

The criterion to be taken into account when assessing whether a individual or legal entity is mainly owned by another individual or legal entity is the possession of more than 50% of the proprietary rights of an entity or having majority interest in it. If this criterion is satisfied, it is

considered that the individual and legal entity or arrangement is owned by another individual or entity.

The criteria to be taken into account when assessing whether an individual or legal entity or arrangement is mainly controlled by another person or entity, alone or pursuant to an agreement with another shareholder or other third party, could be any of the following:

- a. having the right to appoint or remove a majority of the members of the administrative or management body of such legal person, entity, group or arrangement;
- b. having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative or management body of a legal person, entity, group or arrangement who have held office during the present and previous financial year;
- c. controlling alone, pursuant to an agreement with other shareholders in or members of a legal person, group or entity, a majority of shareholders' or members' voting rights in that legal person, entity, group or arrangement;
- d. having the right to exercise a dominant influence over a legal person, group or entity, pursuant to an agreement entered into with that legal person, entity, group or arrangement, or to a provision in its Memorandum or Articles of Association, where the law governing that legal person, entity, group or arrangement permits its being subject to such agreement or provision;
- e. having the power to exercise the right to exercise a dominant influence referred to in point (d), without being the holder of that right;
- f. having the right to use all or part of the assets of that legal person, entity, group or arrangement;
- g. managing the business of that legal person, entity, group or arrangement on a unified basis, while publishing consolidated accounts;
- h. sharing jointly and severally the financial liabilities of legal person, entity, group or arrangement, or guaranteeing them.

Section 5: Reporting Obligations

General Obligations

Any Person or FIs, DNFBPs and Other Entities must report immediately to the NSC and the NFIU any freezing measure and/or attempted immediately.

Financial institutions, DNFBPs and other entities must provide all information relating to the frozen funds, including their status, nature, value and the measures taken in respect, and any other related information.

Reporting obligations of the financial institutions and DNFBPs

In addition to the general obligations, financial institutions, DNFBPs and other entities must also report the following to the relevant Supervisory Authority and the Executive Office:

- Identification of funds and/or actions that have been taken as per requirements of Relevant UNSCRs or decisions of the Nigeria Sanctions Committee regarding the issuance of Nigeria Sanctions List, including attempted transactions pursuant to Terrorism Preventions Act, Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and Other Related Measures and the Regulation for the Implementation of Targeted Financial Sanctions on Proliferation Financing.
- Detection of any match with listed individual, group or entities, details of the match data, and actions that have been taken as per the requirements of Relevant UNSCRs or decisions of the Nigeria Sanctions Committee regarding the issuance of Nigeria Sanctions List, including attempted transactions.
- If the institution has identified that one of its previous customers or any occasional customer, is listed on the Sanctions Lists.
- If there is any indication that one of its customers or former customers, or a person with whom it has a business relationship or facilitated a transaction is listed or has a direct or indirect relationship with the listed individual or entity.
- When there is an inability to dismiss such false positive through available or accessible information and after taking the freezing measure.
- Information relating to the funds in respect of which Freezing has been cancelled, including their status, nature, value and the measures that were taken in respect thereof, and any other related information.

Section 6: Enforcement of TFS

Consequences for Financial Institutions, DNFBPs or Other Entities

Failure to comply with the provisions of this Guidance shall attract sanctions as set out in the Terrorism Preventions Act 2022, Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing, Other Related Measures, 2022 and the Regulation for the Implementation of Targeted Financial Sanctions on Proliferation Financing 2022 or any other law or regulation issued by the sector regulators or any other competent authority.

Liability: exemption in case of good-faith implementation of freezing measures

A Person who, in good faith, freezes funds, denies disposal thereof, or refuses to provide financial services relating to listed individual, group or entity, or declined to perform any other obligation in compliance with the provisions of Terrorism Preventions Act 2022, Regulation for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and Other Related Measures 2022 and the Regulation for the Implementation of Targeted Financial Sanctions on Proliferation Financing 2022 shall be exempt from any damages or claims, resulting from such actions, including penal, civil, and/or administrative liability.