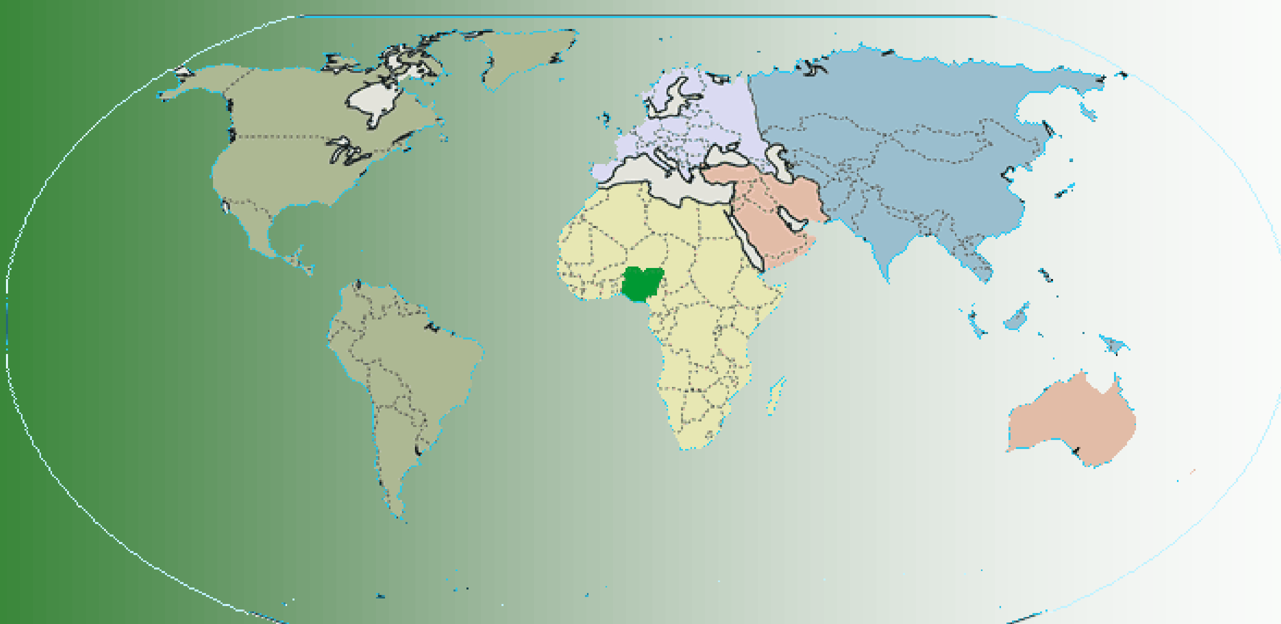
NFIU

NIGERIAN FINANCIAL INTELLIGENCE UNIT



NFIU GUIDANCE - UPDATE ON FATF ADVISORY ON TRANSACTIONS TO HIGH RISK JURISDICTIONS

The Nigerian Financial Intelligence Unit (NFIU) in fulfillment of its obligations on the timely provision of guidance to reporting entities, publishes indicators, advisories and guidelines on crimes of money laundering and terrorism financing in an effort to guide reporting entities on observable patterns.

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INTRODUCTION

Following the plenary of the Financial Action Task Force (FATF) held from 25 – 27 February 2015, the FATF issued a public statement that reveals the outcome of a review of jurisdictions with serious AML/CFT deficiencies previously highlighted in the FATF public statement issued on 24th October 2014.

Following the latest FATF public statement, the Nigerian Financial Intelligence Unit (NFIU) is issuing this advisory as a medium to inform all financial institutions in Nigeria to be cautious, apply increased scrutiny and enhanced due diligence in establishing business relationships with entities or individuals and or conducting financial transactions, including inward or outward transfers, with the following jurisdictions that have been identified to have strategic deficiencies in their AML/CFT regime and pose a risk to the international financial system.

IRAN

The **FATF has remained particularly and exceptionally concerned about Iran's failure to address the risk of terrorist financing and the serious threat this poses to the integrity of the international financial system**, despite Iran's previous engagement with the FATF.

In view of the above, the NFIU advises all Nigerian-based financial institutions, especially deposit money banks, to give special attention to business relationships and transactions with Iran, including Iranian companies and financial institutions. Financial institutions are strongly advised to protect their institutions against correspondent relationships with Iranian financial institutions and correspondent relationships with other financial institutions in other jurisdictions being used to bypass or evade counter-measures and risk mitigation practices.

Due to the continuing terrorist financing threat emanating from Iran, financial institutions should put in place additional safeguards to strengthen the existing ones highlighted in the relevant AML/CFT regulations applicable to each financial subsector.

DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA (DPRK)

Since October 2014, the DPRK sent a letter to FATF expressing its commitment to implement the action plan developed by FATF to address its AML/CFT deficiencies. However, the FATF remains concerned by the DPRK's failure to address the significant deficiencies in its AML/CFT regime and the serious threat this poses to the integrity of the international financial system.

In light of this, the NFIU strongly advises financial institutions to give special attention to business relationships and transactions with the DPRK, including DPRK companies and financial institutions. Financial institutions should take proactive steps in line with relevant AML/CFT regulations applicable to their subsector to protect their institutions from money laundering and financing of terrorism (ML/FT) risks emanating from the DPRK. Financial institutions should also protect themselves against correspondent relationships being used to bypass or evade counter-measures and risk mitigation practices.

Other jurisdictions with strategic deficiencies in AML/CFT that should be subjected to reasonable measure of scrutiny when conducting transactions include:

ALGERIA

Algeria has taken steps towards improving its AML/CFT regime by enacting AML/CFT amendments and issuing new customer due diligence guidelines all in February 2015. Due to the recent nature of these measures, the FATF is yet to assess the adequacy of these measures to: (1) adequately criminalize terrorist financing; (2) establish and implement an adequate legal framework for identifying, tracing and freezing terrorist assets and (3) adopt customer due diligence obligations in compliance with the FATF Standards. Furthermore, Algeria needs to issue corresponding terrorist asset freezing regulations and continue with the implementation of its action plan.

ECUADOR

Ecuador has taken steps towards improving its AML/CFT regime by issuing regulations on identifying and freezing of terrorists assets and issuing regulations on AML/CFT regulations for the supervision of credit and savings cooperatives. The FATF is yet to assess the adequacy of the regulations on identifying and freezing of terrorists assets. Equally, Ecuador needs to address its AML/CFT deficiencies by enhancing the AML/CFT supervision of credit and savings cooperatives.

MYANMAR

Myanmar has taken steps towards improving its AML/CFT regime, however, certain strategic AML/CFT deficiencies remain. Even so, Myanmar needs to address its AML/CFT deficiencies by (1) adequately criminalising terrorist financing; (2) establishing and implementing adequate procedures to identify and freeze terrorist assets; (3) ensuring a fully operational and effectively functioning financial intelligence unit; and (4) strengthening customer due diligence measures.

The latest FATF public statement shows that only **Indonesia** has applied sufficient measures to address its deficiencies and enhance its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. Consequently, Indonesia has been removed from the list of jurisdictions with strategic deficiencies in the current FATF public statement issued on 27th January 2015. The removal of Indonesia from the list does not prevent financial institutions from maintaining the current controls in place to check inward and outward transfers involving Indonesia. Financial institutions are advised to use other available objective indices to measure the risk involved in conducting transactions involving Indonesia.

It is important to note that Indonesia is one of the countries that FATF strongly advises to expeditiously execute their action plans within a specified time frame to enhance their AML/CFT regime due to the strategic AML/CFT deficiencies identified. Other jurisdictions that fall in this category include **Afghanistan, Angola, Guyana, Iraq, Lao People's Democratic Republic, Panama, Papua New Guinea, Sudan, Syria and Yemen.** Financial institutions are advised to put controls in place to check inward and outward transfers involving these jurisdictions.

Furthermore, FATF has identified **Uganda** as a jurisdiction that is not making sufficient progress in improving its AML/CFT regime. Financial institutions in Nigeria are advised to apply additional scrutiny in conducting transactions with Uganda.

REFERENCES

1. http://www.fatf-gafi.org/documents/news/public-statement-february-2015.html

2. http://www.fatf-gafi.org/documents/news/fatf-compliance-february-2015.html