



INTER-GOVERNMENTAL ACTION GROUP
AGAINST MONEY LAUNDERING IN WEST AFRICA

Seventh Follow Up Report

Mutual Evaluation

NIGERIA



MAY 2015

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INTRODUCTION

1. This 7th Follow up Report of Nigeria serves as an update on the progress made by Nigeria since the adoption of the country’s 6th AML/CFT Follow-Up Report at the 21st GIABA Plenary Niamey, Niger, in May 2014. In adherence to GIABA requirements and follow up reporting standard, this 7th Follow up Report focuses on steps and efforts made by Nigeria to address the recommendations proffered in the country’s Mutual Evaluation Report, particularly in relation to FATF key and core Recommendations where the country was rated Non Compliant (NC) and Partially Compliant (PC).

2. For ease of reference, find below a table summarizing Nigeria’s overall ratings divided into the two categories as mentioned above:

**Table 1 SUMMARY OF NC & PC RATINGS
(CORE & KEY RECOMMENDATIONS)**

PARTIALLY COMPLIANT (PC)	NON COMPLIANT (NC)
R3. Freezing, seizing, and confiscation of proceeds of crime. (Key)	R5. Customer Due Diligence. (Core)
R10. Record Keeping. (Core)	R23. Supervision and Monitoring. (Key)
R26. The FIU. (Key)	
R13. Suspicious Transaction Reporting. (Core)	SRII. Criminalization of Terrorist Financing. (Core)
R32. Statistics	SRIII. Freeze & Confiscate Terrorist Assets. (Key)
R35 & SRI. Implement of UN Instruments, Conventions. (Key)	SRIV. Suspicious Transaction Reporting on Terrorist financing. (Core)
R36. Mutual Legal Assistance (MLA). (Key)	SRV. International Cooperation. (Key)

SUMMARY OF PROGRESS MADE BY NIGERIA BETWEEN MAY 2014 AND JANUARY 2015

3. The Nigerian Government and its’ competent authorities involved in the fight against ML/TF, being conscious of the fact that a country’s AML/CFT regime does not only lie in the provision of measures, but how effectively those measures are being implemented, have carried out considerable achievements to ensure the workability of its’ AML/CFT measures as follows:

FURTHER ACTIONS IN CRIMINALISATION OF TERRORIST FINANCING

- ❖ More than 40 Boko Haram members have been prosecuted and convicted for terrorism-related crimes, under the Terrorism Prevention Act, 2011 as amended in 2013.
- ❖ Timely Reporting of Suspicious Transactions related to financing terrorism.
- ❖ Continuous update on the Nigerian list of terrorists and terrorist organizations, to reflect growing changes.
- ❖ Domestic collaboration and international cooperation in matters of ML/TF. Within the period under review, the NFIU has signed MOUs with 3 stakeholder agencies, and entered into bilateral relations with 4 FIU counterparts (Chad, Sierra-Leone, Columbia, Angola), all geared towards combating ML/TF. Nigeria & Chad are currently involved

along with others in military operations aimed at stamping out the activities of terrorists who have constituted a menace to security in the entire region.

- ❖ Nigeria has an effective mechanism of having the UN Consolidated List circulated. The Foreign Affairs Ministry circulates this list to all competent authorities in Nigeria, including the National Focal Point, Nigerian Financial Intelligence Unit, Central Bank of Nigeria, Securities and Exchange Commission, National Insurance Commission and the Ministry of Justice.

IMPROVEMENT ON CDD & RECORD KEEPING

- ❖ Nigeria conducted onsite examinations on 55 Capital Market Operators (Capital Market Operators with multiple functions (28), Broker Dealers with issues on co-mingling of funds (7), Trustees (7), Registrars (4), Rating Agencies (5), Investment Advisers (3), and Issuing House (1)). Examinations were aimed at assessing compliance with AML/CFT provisions. SEC carried out enforcement action for Non rendition of quarterly returns on **33** Broker dealers, **6** Issuing houses, and **1** Registrar, and enforcement action for Negative shareholders funds on **2** Broker dealers, and **1** Trustee firm.
- ❖ During the period under review, Nigerian authorities organized series of sensitization programmes, workshops and seminars for reporting institutions. These were aimed at improving on and/or bridging existing knowledge gaps amongst reporting entities on their obligations in relation to the AML/CFT regime. Furthermore, officers of regulatory institutions facilitated in a number of AML/CFT training programmes organized by reporting entities and other stakeholders. These trainings covered customer identification (customer due diligence/know your customers); suspicious transaction reporting and reporting regime; risk-based approach; and roles and responsibilities of reporting institutions, compliance officers, and management.
- ❖ The country has conducted On-site examinations using a risk based approach on 24 Insurance Companies to identify and classify their exposure to money laundering and terrorism financing (ML/TF) activities as well as review the adequacy of risk measures/mitigants adopted. Off-site examinations conducted were: Review of Insurance Institutions' mandatory reports to NAICOM to observe deficiencies and recommended remedial actions for implementation; review of internal audit reports to ascertain management's response to exception reports in AML/CFT program; review of report of Insurance Institutions' transaction with PEPs; review of institutions' compliance with AML/CFT requirements in terms of filing of CTR, STR, Record keeping, Employees' training and CDD.
- ❖ In particular, the CBN has carried out AML/CFT Risk Based Examination on all Deposit Money Banks (DMBs); conducted spot checks on selected branches of twenty-two (**22**) DMBs, one (1) discount house and one (1) merchant bank; and also conducted examinations on one hundred and sixty nine (**169**) Micro-Finance Banks (MFBs).
- ❖ The country through the Special Control Unit on Money Laundering has conducted twenty (**20**) inspections on DNFBPs, and those found wanting have been recommended for sanctions. **868 DNFBPs** have been sensitized on their duties and responsibilities under the relevant laws/regulations. This will provide for improved compliance by DNFBPs.

- ❖ To drive home the need to comply with AML/CFT laws and regulations, the country has imposed several sanctions and penalties for erring reporting entities as follows: Four (4) CMOs were suspended from participating in all Capital Market activities from May 2014 to January 2015 for various infractions; sealing of 4 wonder banks in Jos and Lagos; arrest of 21 management staff wonder banks and; freezing of various accounts of illegal fund managers; the sum of **N59, 504, 428** was received from erring CMOs for non/late rendition of statutory returns; 2 insurance companies were sanctioned for their failure to comply with the provisions of the AML/CFT regulations on rendering of returns within the stipulated time frame; 15 DMBs were sanctioned to the tune of **N56, 000, 000** for their failure to file STRs, comply with CBN directives on status and reporting lines of Chief compliance officers within specific deadlines, and unusual currency transactions on the accounts of some customers.

REPORTING OBLIGATIONS OF REPORTING ENTITIES

- ❖ Within the period under review, SCUML received over sixty six thousand and fifty seven (**66, 057**) CTRs from Non-Profit Organizations and other DNFBPs.
- ❖ Regulatory bodies have continued to monitor Reporting entities compliance with the provisions of the TPA, the Nigerian Government provisions of the proscription order on Boko Haram members, as well as the sanction list of Terrorist Individuals and Organizations issued by the United Nations.
- ❖ The NFIU has treated over seven (**7**) terrorism related STRs reported by the Banks. Intelligence generated from these STRs was disseminated to the DSSS, the NSA, and the EFCC.

NATIONAL RISK ASSESSMENT

4. Nigeria has consolidated its efforts in carrying out its AML/CFT national risk assessment in line with the requirement of Financial Action Task Force (FATF) Recommendations. This assessment is targeted at clear understanding of the AML/CFT vulnerabilities and the deployment of resources and attentions to areas that are more vulnerable using the AML/CFT RBA Framework. Steps are currently being put in place to reposition and transfer the National Risk Assessment Secretariat to the NFIU as is obtainable in other jurisdictions. To this end, the NFIU has applied for funds that will enable it effectively commence and run the NRAS, especially in the areas of capacity building, infrastructure, and sourcing of experts. The Honourable Attorney General of the Federation/Minister of Justice is to establish an Inter-Ministerial Committee (IMC) to effectively coordinate AML/CFT activities nationwide, as provided for under **Recommendation 2** of the FATF standards, and give the Nigerian Financial Intelligence Unit, the opportunity to consistently collaborate with the IMC.

SECTOR SPECIFIC EFFORTS TO COMBAT ML/TF

- ❖ The Securities & Exchange Commission conducted the following trainings: Risk-based training in readiness for migration to a RBS; training for the committee of chief

compliance officers of CMOs in Nigeria on e-filing and the role of compliance officers in the capital market environment, aimed at improving compliance in the capital market.

- ❖ SEC has continued monitoring all CMOs to ensure compliance with respect to the implementation of the UNSCRs and all AML/CFT Regulations.
- ❖ NAICOM in conjunction with Forensic & Compliance Institute (FCI) the NFIU facilitated training on current AML/CFT requirements for Branch officers of Insurance Companies in all geographical locations in the country etc. It also facilitated in-house training on AML/CFT compliance for insurance companies based on individual companies' requests during the period under review.
- ❖ NAICOM officially introduced the revised AML/CFT Regulations 2013, to insurance intermediaries (Insurance Brokers & Agents) across the country.
- ❖ As part of the enlightenment programme for staff of CBN on the ills of ML/TF and the attendant risks associated with the menace, the CBN organized a total of **12** workshops and seminars for **710** different categories of staff at various levels in the bank.

HUMAN CAPACITY DEVELOPMENT

5. AML/CFT training across various stakeholders -institutions was enhanced during the period under review. The trainings, which were aimed at further enhancing the capacity of stakeholders-institutions and deepening their implementation of AML/CFT in the country, cut across critical areas of AML/CFT.

6. Some of the key seminars, workshops or trainings programmes either organized by or participated in by regulatory authorities, law enforcement and other relevant agencies both at home and abroad during the period under consideration, include:

- ❖ 3 days training for analysts of the NFIU on the structure of the Nigerian Capital market, and the money laundering risks in the Nigerian Capital market.
- ❖ Regulators forum coordinated by the Central Bank of Nigeria.
- ❖ NRA Forum organized in compliance with Recommendation 1 of the FATF.
- ❖ Training on Asset Recovery.
- ❖ Regional course on combating money laundering and other financial crimes.
- ❖ Strategic training on intelligence and Prosecution on AML/CFT and Corruption crimes tax.
- ❖ Training on Combating Cybercrime.
- ❖ Criminal Intelligence and Analysis.

7. Generally, these programmes have helped to further deepen stakeholders' capacity and understanding of their responsibilities/obligations under the AML/CFT regime, enhanced synergy, improved customer identification process and quality, and quantity of suspicious transaction reports (STRs) and Currency Transaction Reports (CTRs).

8. Nigeria acknowledges the support of GIABA and other development partners in providing or supporting human capacity building in Nigeria during the period under consideration.

9. All of these efforts put together by the relevant Nigerian Institutions have culminated in significant progress made by Nigeria in the implementation of global AML/CFT standards lead to the delisting of Nigeria from FATF's High-risk and non-cooperative jurisdictions list. (See FATF and NFIU website).

NIGERIA'S MUTUAL EVALUATION 7TH FOLLOW-UP REPORT, MAY 2014 – JANUARY 2015

FATF RECOMMENDATIONS & RATING	RECOMMENDED ACTION IN THE MER	ANALYSIS OF ACTIONS TAKEN TO ADDRESS DEFICIENCIES IN THE RECOMMENDATIONS	FUTURE ACTIVITIES TO ADDRESS DEFICIENCIES IN THE RECOMMENDATIONS	TECHNICAL ASSISTANCE NEED
KEY AND CORE RECOMMENDATIONS				
R-3.(PC) Confiscation & Provisional Measures	Nigeria should intensify efforts to adopt the Assets Recovery Regulations.	The Nigerian authority is finalizing work on a comprehensive Regulation on Asset Recovery which will meet all the requirements of the FATF Rec. 3. This is in addition to the on-going effort to conclude work on the Proceeds of Crime (non conviction-based/civil forfeiture) Bill. The Federal Executive Council is fully committed to ensuring the passage of these bills in the nearest future.	Issuance of the Regulation on Asset Recovery. Enactment of the Proceeds of Crime (non conviction-based/civil forfeiture) Bill.	
	Nigeria should develop a procedure to guide the various Agencies involved in asset recovery efforts to ensure transparent and efficient management of asset recovery processes, compilation of statistics, repatriation and establishment of asset recovery fund.	Nigeria is at the completion stage of a generic AML/CFT Regulation under the authority of the Honorable Minister of Justice and Attorney General of the Federation that will provide a basis for various agencies to develop internal procedures for compilation of statistics, repatriation, preservation and establishment of asset recovery fund.	Issuance of relevant regulation and guidelines for Asset Recovery and related matters.	
R-5 (NC) Customer Due Diligence (CDD)	Nigeria to provide information on the number of inspections and training programmes undertaken. In addition to findings, statistics and follow-up actions to establish the effectiveness of the measures taken in respect of Recommendation 5.	Nigeria conducted onsite examinations on 55 Capital Market Operators (Capital Market Operators with multiple functions (28), Broker Dealers with issues on co-mingling of funds (7), Trustees (7), Registrars (4), Rating Agencies (5), Investment Advisers (3), and Issuing House (1)). Examinations were aimed at assessing compliance with AML/CFT provisions. SEC carried out enforcement action for Non rendition	Continuous onsite/offsite inspections and requisite trainings to ensure that reporting entities understand their obligations under the Recommendation.	Risk-based supervision

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		<p>of quarterly returns on 33 Broker dealers, 6 Issuing houses, and 1 Registrar, and enforcement action for Negative shareholders funds on 2 Broker dealers, and 1 Trustee firm.</p> <p>The CBN has carried out AML/CFT Risk Based Examination on all Deposit Money Banks (DMBs); conducted spot checks on selected branches of twenty-two (22) DMBs, one (1) discount house and one (1) merchant bank; and also conducted examinations on one hundred and sixty nine (169) Micro-Finance Banks (MFBs).</p> <p>The country through the Special Control Unit on Money Laundering has conducted twenty (20) inspections on DNFBPs, and those found wanting have been recommended for sanctions.</p>		
<p>R-10 (PC) Record Keeping</p>	<p>Nigeria to provide more information on record keeping by other financial institutions.</p>	<p>Inspections and examinations carried out by regulators revealed that reporting entities are in compliance with their obligations to keep and preserve records as stipulated under the earlier Circular Ref CBN/DIR/GEN/AML/03/009/2, issued by CBN on record keeping, Section 11 of the Money Laundering Prohibition Amendment Act 2012, and Reg.29 of the 2013 CBN AML/CFT Regulation.</p> <p>Nigerian authorities organized series of sensitization programmes, workshops and seminars for reporting institutions. These were aimed at improving on and/or bridging existing knowledge gaps amongst reporting entities on</p>	<p>Enhanced and continuous AML/CFT compliance inspection to ensure full compliance</p>	

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		<p>their obligations in relation to the AML/CFT regime.</p> <p>Regulators like NAICOM, CBN, SEC, SCUML, have continued to review institutions compliance with AML/CFT requirements in terms of record keeping.</p>		
<p>R-13. (PC) Suspicious Transaction Reporting</p>	<p>NFIU to provide information on whether reporting entities are now conversant with their reporting obligations in respect of STRs and CTRs.</p>	<p>The NFIU in collaboration with financial sector regulators provided/facilitated separate trainings to various reporting entities cutting across the financial and DNFI sectors on suspicious transaction reporting. These trainings cut across capital market operators, insurance brokers, DNFBPs etc.</p> <p>The NFIU has treated over seven (7) terrorism related STRs reported by the Banks. Intelligence generated from these STRs was disseminated to the DSSS, the NSA, and the EFCC.</p> <p>Within the period under review, SCUML received over sixty six thousand and fifty seven (66, 057) CTRs from Non-Profit Organizations and other DNFBPs.</p>	<p>Enhance capacity building for reporting entities.</p>	
<p>R-23 (NC) Supervision & Monitoring</p>	<p>Nigeria to provide more information on supervision and monitoring.</p>	<p>During the period under review, the NFIU embarked on a 3months onsite inspection of FIs across the country to monitor their compliance with their AML/CFT obligations.</p> <p>Nigeria conducted onsite examinations on 55 Capital Market Operators (Capital Market Operators with multiple functions (28), Broker Dealers with issues on co-mingling of funds (7), Trustees (7), Registrars (4), Rating Agencies (5), Investment Advisers (3), and Issuing House (1)).</p>	<p>Enhanced and continuous AML/CFT compliance inspection to ensure full compliance.</p>	

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		<p>Examinations were aimed at assessing compliance with AML/CFT provisions.</p> <p>NAICOM conducted off-site examinations on insurance companies as follows: Review of Insurance Institutions' mandatory reports to NAICOM to observe deficiencies and recommended remedial actions for implementation; review of internal audit reports to ascertain management's response to exception reports in AML/CFT program; review of report of Insurance Institutions' transaction with PEPs; review of institutions' compliance with AML/CFT requirements in terms of filing of CTR, STR, Record keeping, Employees' training and CDD.</p>		
R-26. (PC) The NFIU	Nigeria to indicate timelines for enacting of the NFIU Bill.	Efforts are on going to have a clear legal framework to specifically put to rest all grey areas concerning the operational autonomy of the NFIU. The Bill to establish the NFIC has been passed by the National Assembly; however, the bill is currently at the harmonisation stage. This bill when signed into law is expected to enhance the operational autonomy and independence of the NFIU.		
	Management structure of the NFIU.	The NFIU has a clear management structure. The Unit's management structure is further streamlined following the need to have a dedicated team to handle issues of strategic		

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		analysis and bring out patterns, trends and typologies of criminal activities.		
	Protection and dissemination of information	<p>Information maintained by the NFIU is securely protected. The NFIU is guided by international best practices in the management of information at its disposal.</p> <p>The NFIU has an operational manual for authorized officers in the various stakeholder agencies with clear guidelines on issues of confidentiality and security of information</p> <p>As a member of the Egmont Group, all guidelines on confidentiality of information are binding on it.</p> <p>The oath of secrecy taken by all staff has legal force if breached.</p> <p>More importantly under the Money Laundering Prohibition Amendment Act 2012, it is a criminal offence to breach confidentiality and tip off any party, this offence can be leveled against a reporting entity , employees of reporting entity and/or staff of the NFIU. All of these measures are designed to ensure that information are handled and disseminated only in accordance to with the law</p>		

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		<p>Additionally, intelligence generated by the NFIU is disseminated only to competent authorities or institutions in need of it and under strict procedure.</p>		
	<p>Nigeria to provide specific number of analysts/staff deployed to the Monitoring & Analysis department of the NFIU, and the attendant impact their deployment has had on the department. In addition to the special training provided for all categories of staff of the NFIU.</p>	<p>The Monitoring & Analysis is currently staffed with 20 analysts. During the period under review, 5 staff was deployed to the department to increase its number to 20. This deployment has significantly increased the turnaround time for churning out intelligence reports and treating STRs/CTRs in the department. This has also helped to reduce the workload and burden placed on analysts.</p> <p>Training organized for staff during the period under review:</p> <ul style="list-style-type: none"> ❖ Structure of the Nigerian Capital Market, and the associated money laundering risks. ❖ Tactical intelligence analysis training for newly deployed staff. 	<p>Continuous strategic identification and deployment of staff to the Monitoring & Analysis Department.</p> <p>Ongoing identification of beneficial training for staff.</p>	<p>Specialized training for NFIU staff</p>

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R -32 Statistics		<p>The Nigerian government has within the period maintained comprehensive statistics on matters relevant to the effectiveness and efficiency of its AML/CFT systems. Statistics maintained relate to money laundering and terrorism financing investigations, prosecutions and convictions, international requests for cooperation, etc., as follows:</p> <ul style="list-style-type: none"> ❖ The EFCC has investigated and prosecuted over eight (8) cases bothering money laundering, and misappropriation of public funds; ❖ The Independent Corrupt Practices Commission has handled a total number of 49 cases of seizures/confiscations during the period under review. ❖ SCUML received over sixty six thousand and fifty seven (66,057) CTRs from Non-Profit Organizations and other DNFBPs. SCUML has also conducted twenty (20) inspections on DNFBPs. ❖ The NFIU has treated over seven (7) terrorism related STRs reported by the Banks. ❖ examinations on 55 Capital Market Operators (Capital Market Operators with multiple functions (28), Broker Dealers with issues on co-mingling of funds (7), Trustees (7), Registrars (4), Rating Agencies (5), Investment Advisers (3), and Issuing House (1)). 		

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		<ul style="list-style-type: none"> ❖ CBN has carried out AML/CFT Risk Based Examination on all Deposit Money Banks (DMBs); conducted spot checks on selected branches of twenty-two (22) DMBs, one (1) discount house and one (1) merchant bank; and also conducted examinations on one hundred and sixty nine (169) Micro-Finance Banks (MFBs). ❖ The NFIU has into bilateral relations with 4 FIU counterparts (Chad, Sierra-Leone, Columbia, Angola), all geared towards combating ML/TF. ❖ The NFIU received sixty (60) requests for information from counterpart FIUs, and has made sixty (60) requests for information to other FIUs, within the period under review. 		
R-35 and SR I (PC) Conventions	Nigeria to provide adequate information on the effective implementation of the Terrorism Prevention (Freezing of International Terrorists Funds and other Related Measures) Regulations 2013.	Nigerian authorities have enacted the anti-terrorism act and issued the guideline for the implementation of UNSCR 1267 & 1373. These set the stage for full implementation of Terrorism Financing Conventions.	Implementation for effectiveness.	

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R-36. (PC) Mutual Legal Assistance (MLA)	Nigeria to intensify efforts to pass the MLA Bill and the Assets Recovery & Tracing Regulations.	A draft MLA bill is in its final stages and in a short while a comprehensive mutual legal assistance bill will be passed into law in Nigeria. The Asset Recovery & Tracing Regulations in and outside Nigeria, is in its final stages.	Enactment of comprehensive mutual legal assistance legislation. Issuance of the Assets Recovery & Tracing Regulations.	
	Lack of statistics on MLA requests.	Statistics on MLA currently exist and is being managed by the Ministry of Justice. The America's Federal Bureau of Investigation (FBI) has declared its readiness to assist Nigeria in the extradition of any fleeing political office holder after handover of power on 29th May, 2015.		
	Lack of effective implementation of international cooperation mechanisms available in the country.	Nigeria has both the MLA and Extradition Treaties with a number of countries which are binding and operational. It is on this basis that the country is cooperating with a number of countries like the USA, UK, and other European and Western countries on AML and other organized crimes.		
SR II. (NC) Criminalization of Terrorist Financing	Nigeria to provide information on actions taken in furtherance of SR II.	The TPA 2011 as amended has comprehensively criminalized terrorist financing as required under Article 2 of the UN Convention on the Suppression of Terrorist Financing and the FATF SR. II.	Increased prosecution and conviction of terrorists under the TPA.	

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		The Nigerian government has prosecuted and convicted more than 40 Boko Haram members for terrorism-related crimes, under the Terrorism Prevention Act, 2011 as amended in 2013.		
SR.III. (NC) Freeze and Confiscate Terrorist Assets	Nigeria to provide information, including statistics on freezing actions etc, to attest to the effective implementation of the Terrorism Prevention Regulations.	The Independent Corrupt Practices Commission has handled a total number of 49 cases of seizures/confiscations during the period under review.		
SR.IV. (NC) Suspicious Transactions Reporting	Nigeria to provide information on whether reporting entities have been submitting STRs within the stipulated time.	Off site/Onsite examinations conducted showed that reporting entities are significantly complying with Section 14 of the TPA 2011 as amended.	Enhanced and continuous AML/CFT compliance inspection to ensure full compliance.	
SR.V. (NC) International Cooperation	Nigeria to provide information to attest to the effectiveness of its international cooperation efforts relating to terrorist financing.	<p>Nigeria & Chad are currently involved along with others in military operations aimed at stamping out the activities of terrorists who have constituted a menace to security in the entire region.</p> <p>FIUs from Nigeria, Cameroon, Chad, Niger, and Mali, gathered together from 2nd to 4th September, 2014, in Yaoundé, Cameroon, to deliberate on the threat posed by the Islamic extremist sect Boko Haram, within their regions, and to identify strategies that will assist in identifying the Boko Haram financiers.</p> <p>The NFIU has also entered into bilateral relations with 4 FIU counterparts (Chad, Sierra-Leone, Columbia, Angola), all geared towards combating ML/TF. Additionally, the NFIU has sent MOU proposals to several other FIUs.</p>	Ongoing international cooperation engagements.	

