

REPORT OF 2018 SECTOR- WIDE CONFERENCE ON FATF RECOMMENDATION 8



About Nigeria Network of NGOs

The Nigeria Network of Non-Governmental Organisations (NNNGO) is the first generic membership body for civil society organisations in Nigeria that facilitates effective advocacy on issues of poverty and other developmental issues. Established in 1992, NNNGO represents over 2000 organisations ranging from small groups working at the local level, to larger networks working at the national level.

Mission

The mission statement of the network makes its objectives clear:

"We want to coordinate a civil society group that is inclusive and offers equal opportunity, people participation, community leadership, independence of voluntary action, reflection of linguistic and cultural diversity, choice and a genuine partnership with other sectors on a 'best practice' basis as a catalyst for sustainable development and poverty alleviation."

Vision

NNNGO aims to promote interconnectivity at the grassroots, provide opportunities for CSOs/NGOs/CBOs and PVOs to contribute to the advancement of national and global peace through developmental activities focused at the grassroots, whilst networking with each other and other national and international agencies, with the aim of meeting NEEDS/SEEDS/LEEDS, and the Sustainable Development Goals (SDGs) by 2030.

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ACKNOWLEDGEMENT

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We would like to thank all the speakers, regulators, discussants and participants for their contributions. Where the reports of each session use speaker and participant quotes, these are sometimes paraphrased from the exact words spoken in order to make the meaning clearer.

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ABBREVIATIONS

AML/ CFT	Anti-Money Laundering/ Countering Terrorism Financing
CAC	Corporate Affairs Commission
CAMA	Company and Allied Matters Act
CITA	Company Income Tax Act
DNFI	Designated Non-Financial Institution
FATF	Financial Action Task Force
FIRS	Federal Inland Revenue Service
FT	Financing Terrorism
FRC	Financial Reporting Council
GTI	Global Terrorism Index
ML	Money Laundering
NFIU	Nigeria Financial Intelligence Unit
NGO	Non-Governmental Organisation
NNNGO	Nigeria Network of NGOs
NPO	Non-Profit Organisation
OSIWA	Open Society Initiative for West Africa
SCUML	Special Control Unit on Money Laundering
UN	United Nations
UNSCR	United Nations Security Council Resolution

OPENING SESSION

Welcome Address

Theme: Effective Implementation of AML/CFT Requirements in the NPO Sector in Nigeria.



SPEAKER:

Ms. Yemisi
Ransome-Kuti,
Founding
Executive
Director and
Member,
Board of Trustees,
representing,
Chairman Board
of Trustees,
NNNGO

Ms. Ransome-Kuti welcomed participants to the event and noted that the conference was a culmination of activities surrounding the project: civic engagement on the Financial Action Task Force (FATF) evaluation of Nigeria which began 14 months ago. She said, "In the last 14 months, the Nigeria Network of NGOs has embarked on raising awareness amongst civil society organisations on the Financial Action Task Force's (FATF) Recommendation 8 and to improve engagement of CSOs in the mutual evaluation process including strengthening sector wide compliance with anti-money laundering and counter terrorism laws of the country by ensuring that our members comply with laws regulating civil society activities. Through various engagements, NNNGO is committed to synergizing the law enforcement agencies with the third sector to curb ML and TF."

She added that the purpose of the conference was to expand knowledge of civil society organizations and regulators on the AML/CFT requirements, its recommendations and implementation in Nigeria. Inclusive, was the need to gain and expand knowledge on the outcomes of the National Risk Assessment and how best to address identified risks. She called on stakeholders in the third sector to collaborate with government and relevant authorities in order to ensure improved legitimacy, transparency and accountability of CSOs in the AML/CFT regime in Nigeria.

Remarks

Opening Remarks by the Director, SCUML

Theme: Effective Implementation of AML/CFT Requirements in the NPO Sector in Nigeria.



SPEAKER:

Mr. Bello
Bamanga,
Director, SCUML

Mr. Bamanga noted that the Global Terrorism Index (GTI) in November 2017 ranked Nigeria as the third most terrorized country in world. This is founded on rising concerns of consequences of Money Laundering and Terrorism Financing activities all over the world. He said; "This suggests that there is high level of terrorism funding as any terrorism activity requires funding".

Mr. Bamanga also recalled that the sectorial analysis conducted by the SCUML and the NFIU revealed the high level of vulnerability of the Nigerian civil society to these issues and maintained that the GTI ranking suggests that NPOs operating in countries with high level of terrorism are more vulnerable to terrorism and terrorist activities. This then underlines the importance of the conference because

Remarks

NPOs require knowledge of AML/CFT in order to avoid being used as conduits for the activities of terrorists.

He reiterated SCUML's commitment to partnering with relevant stakeholders in the fight against AML/CFT, urged participants to become familiar with the FATF recommendations, specifically, Recommendation 8 which he said provides detailed guidance on how NPOs should be assessed and regulated in order to protect the sector from terrorist abuse.

In line with the mandate of the SCUML which is to monitor, supervise and uphold the law in Nigeria as regards AML/CFT regime, Mr. Bamanga noted that the unit utilizes various preventive measures including outreach programmes to designated non-financial institutions (DNFIs) to combat AML/CFT in the sector. The conference was identified as one of such programmes which also served the purpose of creating an interactive atmosphere between regulators and NPOs to engender collaboration and development within the sector.

Opening Remarks by the Director, NFIU

Theme: Effective Implementation of AML/CFT Requirements in the NPO Sector in Nigeria.

Remarks



SPEAKER:

Mr. Francis Usani,
Director, NFIU
represented by
James Onu

Mr. Onu noted that the selection of theme for the conference as well as the timing for the sensitization of Nigerian NPOs on AML/CFT regime was most appropriate. He said that the growing relevance of the NPO sector to the rise and fall of global economy and social change has necessitated the need for special attention to be given to the sector. "It is no longer arguable that NPOs are important to the world economy, many National economies and social systems as their activities complement the actions of government and other sectors in providing succour to those in need around the world".

He noted that in view of the ongoing international campaign against ML/TF, NPOs should begin to take part in the fight by documenting the identity of their significant donors, beneficiaries and associate NPOs. Records of domestic and international transactions should be made to verify that funds are being spent in a manner that is consistent with the organisation's purpose and objective. This would allow for their availability in instances when they are requested by authorities.

He also urged that organisations should maintain information on the purposes and roles of organisations' members of trustees, employees and volunteers including conducting AML/CFT training programmes to educate them on these issues. A compliant officer should be appointed at the managerial level who oversees the procedure of making renditions of necessary reports to SCUML and NFIU as and when due.

He noted that the NFIU is committed to efforts towards achieving a comprehensive and balanced implementation of the Nigerian AML/CFT regime

through the provision of needed guidance for AML/CFT implementation, capacity building, provision of up-to-date AML/CFT typologies, assessment studies and so on.

He identified the conference as an avenue to educate participating NPOs on their roles under the Nigerian AML/CFT regime and also to awaken their consciousness on the low-level capacity of the sector to combat the scourge as revealed in the NRA process conducted in 2017.

SESSION ONE



PRESENTER:

: MS. IBINABO MARY AMACHREE
HEAD, INFORMATION AND DATA
MANAGEMENT, SCUML

Theme of presentation:

Overview of International AML/CFT Standards on NPOs

Ms. Amachree noted that an NPO is a legal person, arrangement or organization that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works". (FATF 2012). Typical characteristics of an NPO include; extended logistical networks, large transitory workforce, operational capacity and an organizational culture.

According to Ms. Amachree, she defined the term "Resources" as that which could include gift-in-kind and non-financial resources that hold value (properties). She then categorised NPO operations into five broad activities; collection of resources, retention of resources, transfer of resources, expenditure of resources, delivery of programs. NPOs can be further categorised into Service- and Expressive-Based NPOs. The former refers to Non-Profits who engage in provision of services that involves some "public" or collective character such as; health, education, personal social and cultural while the latter are organisations which engage in activities where they act as vehicle for individual and group self-expression called "value guardian role", citizen participation,

leadership development, protection of interest of social, religious, cultural or other minority groups and providing assistance to "liberate individuals and allow him/her the fullest possible measure of expression of personal capacities and potentials within an otherwise constraining social environment" (Smith,1973)

Ms. Amachree noted that Expressive-based NPOs are more susceptible to ML/TF risks as a result of their features and activities, hence there is the need to apply the international AML/CFT measures and standards which are guided by the Financial Action Task Force's (FATF) 40 recommendations and the United Nations (UN) Conventions and Resolutions.

Overview of the FATF Standards

Ms. Amachree's speech also touched on FATF Recommendations which set out a comprehensive and consistent framework of measures that countries are expected to implement in order to combat money laundering and terrorist financing as well as the financing of proliferation of weapons of mass destructions (FATF 2012). The measures



consist of a set of 40 Recommendations with 11 outcomes.

These measures are intended to help countries; prioritise and allocate resources to AML/CFT stakeholders, assess the level of compliance (performance) of each country using uniform set of criteria and methodology taking into consideration environmental peculiarities, specify the type of institutions/agencies and their roles, responsibilities and powers and how they are to cooperate and specify expected results from each action taken by the various institutions/agencies.

UN Conventions/Resolutions

The United Nations conventions are divided into the Vienna Convention 1988 which is aimed at trafficking in illicit and psychotropic substances and laundering the proceeds thereof, the Palermo Convention 2000 which criminalizes money laundering and includes all serious crimes as predicate offences and the UNSCR 1267 Committee, established pursuant to resolution 1267 (2000).

The UNSCR 1267 which is also known as the AlQaida and Taliban Sanctions Committee was established to oversee the implementation of sanctions measures imposed on Taliban-controlled Afghanistan for its support of Osama bin Laden. The inclusion of an individual or organisation in this group helps in restricting their movement, financial penalties and freezing of assets.

Focus on Recommendation 8 (R8)

Ms. Amachree's speech noted that the objective of Recommendation 8 is to ensure that NPOs are not abused by terrorist organizations posing as legitimate entities and so FATF recommends that NPOs maintain full program budgets that account for all expenses, conduct independent internal audits and external field audits, the latter is to ensure funds are being used for intended purposes. She added that FATF recommends that charities use formal bank accounts to store and transfer funds so that they are subject to the bank's regulations and controls.

Financial institutions or banks where the accounts are established can treat NPOs like other customers, apply their know-your-customer rules and report suspicious activities in order to help regulate their activities.

She added that measures employed by NGOs to mitigate ML/TF risks as stated in Recommendation 8, should not deliberately or otherwise restrict the ability of NPO to access resources that are required to carry out their legitimate charitable activities, should promote transparency and engender greater confidence in the sector, promote respect for and observance of fundamental human rights and should be flexible, adaptable, scalable, and multifaceted.

SESSION ONE



PRESENTER:
ENU, MATHEW, SENIOR
COMPLIANCE OFFICER, SCUML

Theme of presentation: An Overview of The Legal, Regulatory and Institutional Framework for the Implementation of AML/CFT Requirements in The NPOS Sector in Nigeria.

Mr. Enu noted that although, ML/TF are global problems, their degree may differ from one country to the other depending on the strength of the AML/CFT systems in place, advancement in technology and the level of sophistication the laundering techniques and networks of criminals are in each country. The Nigerian AML/CFT frameworks encapsulates Legal, Regulatory and Institutional frameworks which enables an efficient management of the AML/CFT regime.

The Nigerian legal framework comprises the CAMA 1990, which mandates NPOs to file annual returns which includes audited financial reports to CAC; it also confers CAC with oversight powers over NPOs and the CITA, 2004 which requires NPOs to render annual returns to the FIRS as a requirement for tax exemption by virtue of their exempt status;

The regulatory framework includes relevant agencies which have contributed to the development of regulatory guidelines to assist NPOs in the implementation of AML/CFT regulations. Some of which are; Federal Ministry of Industry Trade and Investment regulation, the regulation on the Freezing of International Terrorism Assets, Corporate Affairs Commission regulations and the Financial Reporting Council Not-For-Profit Organization Governance Code.

The institutional framework includes two umbrella agencies which jointly operate under the AML/CFT

Inter-Ministerial Committee which is coordinated by the NFIU. These agencies namely; AML/CFT stakeholders meeting hosted by CBN, the National Focal Point hosted by the DSS work together under the NFIU for enhanced synergy and coordination. Mr. Enu noted however that there is need for a reform of the legal framework through funding of the criminal justice system and the anti-graft agencies and strengthening of local inter-agency cooperation for effective AML/CFT regime in Nigeria,

He concluded by stating that; "The challenges facing Nigeria in the implementation of AML/CFT are unique, enormous and daunting. They range from the structure of the economy, weak human and institutional capacity to scarcity of resources. To sustain current efforts and success, the country must keep reassessing and reviewing her AML/CFT strategy so as to overcome existing challenges as well as keep pace with the dynamism of money laundering and terrorism financing."

SESSION THREE



PRESENTER: MR. ERINOMO TEMITOPE
OLUBUNMI, SPECIAL CONTROL UNIT
AGAINST MONEY LAUNDERING (SCUML)

Theme of presentation: Vulnerabilities of the Nonprofit Sector in Nigeria to Money laundering & Terrorist financing as Identified in the National Risk Assessment (NRA) & Measures to Prevent Misuse of the sector for Money Laundering/Terrorist Financing.

Mr. Erinomo's speech detailed the National Risk Assessment process, a requirement of the FATF Recommendation 1 which aims to identify, assess, and understand the money laundering and terrorist financing risks of each country. Countries regulated by FATF are expected to carry out this periodic assessment to gauge their country's level of susceptibility to ML/FT. Based on that assessment, countries are then enjoined to apply a risk-based approach (RBA) to ensure that measures to prevent or mitigate money laundering and terrorist financing are commensurate with the risks identified. In this respect, FATF recommendation 8, requires that they should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism.

He noted that "Specifically, FATF mentioned that countries should put in place a targeted and proportionate supervision, based on risk-based approach to ensure that NPOs cannot be misused: (a) by terrorist organizations posing as legitimate entities; (b) to exploit legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and (c) to conceal or obscure the clandestine diversion of funds intended for legitimate purposes to terrorist organizations."

Mr. Eninomo recalled the outcome of the NRA conducted by Nigeria in 2015 and noted that the

assessment affirmed some of the vulnerabilities of the sector not only to terrorist financing but also money laundering. The overall inherent vulnerability of the NPO sector was rated high.

He however noted that in order to mitigate risks to ML/TF, non-profit organisations should succinctly answer questions pertaining to their; source of donation and support, board of trustees, organizations' level of exposure to risk of money laundering & terrorist financing especially as regards activities, location of operation, logistic channels, fund raising retention & disbursement as well monitoring and evaluation of their activities.

He added that it is imperative that all stakeholders within the Non-Profit sector make concerted effort to hamper terrorists from posing as legitimate NPOs, exploiting legitimate NPOs and using them as conduit for terrorist financing; including for the purpose of protecting their asset from been seized, and diversion of funds meant for legitimate purposes. These efforts among others should include taking reasonable measures to establish the identity of donors, beneficiaries and partners, where there is a reasonable risk of money laundering or terrorist financing, ensuring that its payments to beneficiaries and partners are appropriately monitored, keep proper records, conduct ongoing monitoring of its relationships with beneficiaries, donors and partners, establish and maintain its Anti Money Laundering & Counter

Terrorist Financing systems and controls, file relevant statutory reports as when due, conduct trainings for relevant staff and develop a sustainable partnership with government for effective self-regulation of the NPO sector.

SESSION FOUR

PANEL SESSION



Panelists: Ms. Crystal Chigbu, Founder, Irede Foundation and Ms. Omolara Balogun, Head, Policy Influencing and Advocacy Unit, West African Civil Society Institute (WACSI), Accra, Vanja Skoric, Senior Legal Advisor, European Center for Not-for-Profit Law (ECNL), Hungary

The panel session was an avenue for sharing experiences gathered across Africa on issues related to AML/CFT. The panelists looked into how NPOs can support the fight against ML/TF as well as what measures are necessary to be put in place by individual NGOs to enable the best system.

Ms. Balogun noted that there is need for Africa NPOs to denounce the notion that ML/TF is a Western agenda. She maintained that this notion is not only detrimental to the fight against the menace of ML/FT in Africa but also a hindrance to the growth of the civil society, globally. African CSOs should be just as bothered about these issues as they affect CSOs all over the world. She buttressed this point by noting that ongoing terrorism activities in Africa, specifically Nigeria in recent times have debunked this notion.

Ms. Balogun also urged NPOs present to desist from thinking of issues relating to Money Laundering as only concerning government. She noted that, contrary to the interests of many NPOs, they may be used as conduits for the financing of terrorism and so it is important to be adequately equipped with knowledge and information regarding these issues to forestall falling victim to activities of criminals. She added that continuous threat to democracy experienced by Nigeria over the years

portrays how much a concern these issues should be to every individual.

In recognizing a way forward, she upheld the importance of getting familiar with the FATF 40 recommendations, the need for every NGO to identify how they can respond to these recommendations especially recommendation 8 through ensuring that adequate self-regulatory measures are put in place by the sector and for the sector.

Ms. Chigbu in sharing an experience of SCUML's evaluation of the Irede Foundation noted that Nigerian NPOs must ensure that systems that support the fight against ML/FT as proscribed the law are put in place within civil society. She added that contrary to popular belief, regulatory agencies are not put in place to stifle the activities of NPOs, rather they simply are interested in ensuring that lawful practices are upheld by Nigerian NPOs to ensure a robust sector. She agreed that some reforms are indeed required in the current regulatory frameworks, however, NPOs themselves must ensure that non-adherence to the law does not hamper the good work that they do.

MARCH 28, 2018	
9:00- 9:30	Registration of participants
9:30- 10:00	<p>Opening Session</p> <ul style="list-style-type: none"> • Welcome address by the chairman, Board of Trustee, NNNGO • Opening Remarks by the Director, SCUML • Opening Remarks by the Director, NFIU • Key note speech by the Ag. Executive Chairman, EFCC
10: 00- 10:20	Group photograph & Tea break
10:20- 11:00	Session 1- An overview of the relevant International Standards on AML/CFT- NFIU
11:00- 11:40	Session 2- An overview of the Legal, Regulatory and Institutional framework for the Implementation of the AML/CFT Requirements in the NPO sector in Nigeria – SCUML
11:40- 12:20	Session 3- Vulnerability of the NPO sector in Nigeria to the ML/TF as identified in the NRA and measures to prevent misuse of the NPOs for ML/TF – SCUML
12:20- 1:00	Session 4- The role of NGOs in the prevention of ML/TF in the NPO sector – Panel Discussions – NGO representatives from Ghana, Nigeria, Hungary (via skype) and Sierra Leone
1:00- 1:40	Session 5- Question and Answer session
1:40- 2:20	Lunch Break
2:20-3:00	Session 6 – Adoption of Communique
3:00- 3:20	Closing and Wrap-up- NNNGO

1. We, the over 200 delegates and members of the non-profit sector in Nigeria, have gathered in Lagos at a defining moment for the protection of our country and population from acts related to money-laundering and terrorism financing. We are pleased to have had the Special Control Unit against Money Laundering (SCUML) and Nigeria Network of NGOs organizing this sector wide national conference.
2. Our mission as non-profits is unchanged: to continue to support government in bringing prosperity to people and planet. Our shared values around transparency, accountability and sustainability remains unparalleled. We are united in our commitment to protecting our sector from terrorist abuse and as conduits from money laundering.
3. The changing and evolving trends in money laundering and terrorism financing demands the ability of all stakeholders (Government, Private Sector and Civil Society) to collaborate and partner in ensuring that anti-money laundering (AML) and combating the financing of terrorism (CFT) laws or regimes are targeted, adequate and appropriate in strongly defending all sectors from abuse. The greatest responsibility of all nonprofits is to protect and defend the sector from terrorist and money laundering abuse. At the same time, AML/CFT laws must be interpreted and implemented in line with the newly revised Financial Action Task Forces (FATF) Recommendation 8 (R8) and its interpretative note.
4. Non-profits confront a wide range of challenges that pose threats to their continued existence. In particular, the regulatory environment for the sector though moderate is becoming too charged. Thanks to the assurance from SCUML that the AML/CFT regimes as they are presently constituted is not out to disable but to enable the operational environment of Nigerian nonprofits. In this context, it is important for the sector to review the National Risk Assessment (NRA) report and work with SCUML in developing a sector wide response and plan to addressing identified gaps.
5. Terrorism knows no ethnicity, religion or status. We will continue to work with relevant agencies of government in fighting this threat, in accordance with international standards, best practices and norms. We are ready to do more to counter this threat, including by strengthening our governance, internal control and documentation systems, building and sustaining the conversation around self-regulation, enhanced cooperation with our regulators to prevent, mitigate and respond effectively to the sectors abuse. We are mindful of the need to address and reform aspects of the AML/CFT regime.
6. As we agreed, there is the need for a reform of the legal framework on AML/CFT measures, strengthening of the criminal justice system and inter-agency cooperation, funding and capacity strengthening of regulatory agencies in ways that ensures ease of regulatory compliance by all sectors. We have agreed to continue to work through the Nigeria Network of NGOs (NNNGO) in addressing critical issues we face in our compliance with the law and call on SCUML to continue its good work of engaging and partnering with NNNGO and other stakeholders in implementing a robust AML/CFT for the country
7. We express our appreciation for the funding support from the Open Society Initiative for West Africa (OSIWA) and the generous support of the Directors and staff of SCUML and Nigeria Financial Intelligence Unit (NFIU). From the key decisions made, our Lagos Conference has demonstrated our unity and strength against money laundering and terrorism financing. We look forward to meeting again to reflect on how we have advanced our work on the implementation of the countries AML/CFT regime in line with FATFR8.

Best Practice: Combating the Abuse of Non-Profit Organizations (Recommendations 8)

FATF Guidance: Terrorist Financing Risk Assessment, February 2013 <http://www.world-bank.org/en/topic/financialsector/brief/anti-money-laundering-and-combating-the-financing-of-terrorism-risk-assessment-support#1>

FATF Recommendation 2012

FATF Methodology for assessing technical compliance with the FATF recommendations and the effectiveness of AML/CFT systems 2013.

FATF REPORT: Risk of Terrorist Abuse in Non-Profit Organizations, June 2014

FATF Forty Recommendations (2012)

Man on the Wire image- © 2018 Intelligence Management Support Services Ltd. <http://intelmsl.com/insights/intelligence-101/threat-and-risk/>

National Money Laundering and Study Guide CAMS Certificate Examination 6th Edition

Protecting your Charity against Money Laundering & Terrorist Financing –Office of the Commissioners of Charity, Singapore, May 2015.

Terrorist Financing typology Nigeria report 2013

Terrorist Financing in West And central Africa 2016