

FATF-R8

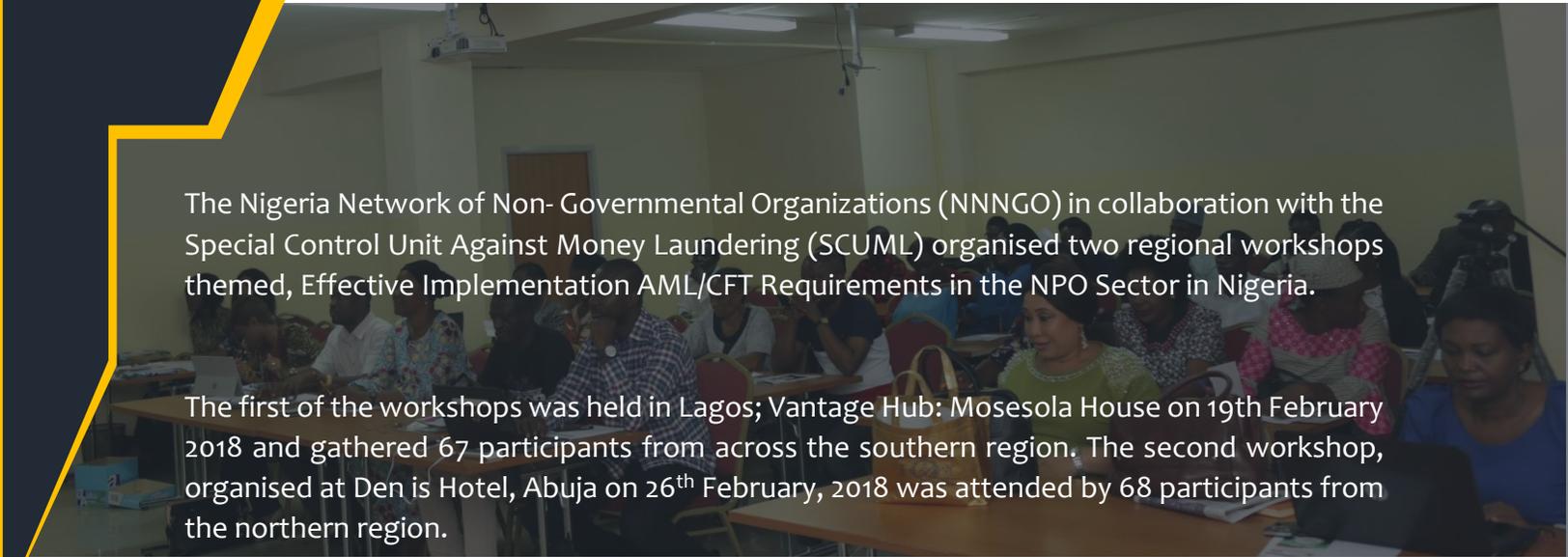
FINANCIAL ACTION TASK FORCE RECOMMENDATION 8



REGIONAL WORKSHOP REPORT

With the support of





The Nigeria Network of Non- Governmental Organizations (NNGO) in collaboration with the Special Control Unit Against Money Laundering (SCUML) organised two regional workshops themed, Effective Implementation AML/CFT Requirements in the NPO Sector in Nigeria.

The first of the workshops was held in Lagos; Vantage Hub: Mosesola House on 19th February 2018 and gathered 67 participants from across the southern region. The second workshop, organised at Den is Hotel, Abuja on 26th February, 2018 was attended by 68 participants from the northern region.

In attendance were the Directors of NFIU, Mr Francis Usani and SCUML, Mr Bamanga Bello, as well as officials from the Economic and Financial Crimes Commission (EFCC), SCUML, the Nigerian Financial Intelligence Unit (NFIU) and various Civil Society Organizations (CSOs).

The workshops aimed to strengthen local leadership on the AML/CFT standards, support the development and implementation of national level strategy, address FATF risks of excessive regulation as well as opportunities to influence policy and laws. This was to improve the understanding of CSOs of the Financial Action Task Force (FATF) and how to protect civic space against over-regulation.

Crucial topics treated at the different sessions of the workshop include: the

overview of the relevant international standards on AML/CFT as it relates to NPOs, an overview of the Nigerian AML/CFT regime; the role and functions of SCUML as it relates to NPOs under the Nigerian AML/CFT regime; vulnerability of the NPO sector in Nigeria to ML/TF as identified in the National Risk Assessment (NRA) and measures to prevent misuse of the Non Profit Organisations (NPOs) for ML/TF; the Role of NGOs in the prevention of ML/TF in the NPO Sector; and Financial Action Task Force (FATF)/ Intergovernmental Action group against Money Laundering (GIABA) Mutual Evaluation Process and the Role of the NGOs for the Successful Conduct of the Mutual Evaluation Review (MER).

The workshop enabled participants to understand the Nigerian AML/CFT regime; with a clear definition of what constitutes a non-profit, categorising different non-profit organisations and their operations based on collection of resources, retention of resources, transfer of resources, expenditure of resources and delivery of programs.



NPOs were grouped into types: service-based NPOs and expressive-based NPOs. The FATF standards on NPOs and the United Nations (Conventions/Resolutions) which are the two major international bodies that regulate the activities of NPOs in Nigeria were explained in detail. It is imperative to note that Recommendation 8 (R8) which focuses on NPOs can be implemented based on the over-arching requirements of R1 involving: understanding of risk and mitigating the risk. Also, in the next round of Mutual Evaluation and in compliance with

requirements of R8, sectoral review of the entire domestic NPO sector is fundamental, with the application of a risk-based approach to enable countries to determine how best to mitigate TF risk. However, in mitigating the risk of terrorist abuse of the NPO sector, measures should not deliberately or otherwise restrict the ability of NPO to access resources that are required to carry out their legitimate charitable activities.

In order to foster a better knowledge of SCUML as an agency in charge of NPOs in Nigeria, an

overview of SCUML was done in the workshop. This included a discussion on its establishment, mandate, structure, institutional framework for AML/CFT supervision, roles and functions, operational activities (such as registration, sensitization/ public enlightenment/ training, compliance inspection and enforcement), AML/CFT Compliance obligations of NPOs; and its various collaborations and partners in ensuring the system is purged of money laundering and terrorism financing.



To understand the vulnerabilities of the non-profit sector in Nigeria to money laundering and terrorist financing, the concept of money laundering(ML)/terrorist financing(TF) vulnerabilities, threats and risks were explained. This includes the categories of terrorism financing(TF)/money laundering(ML) risks faced by the NPO

NPOs in Nigeria are vulnerable to ML and TF as a result of the structural weakness. This can be seen in the governance, operation, and the absence of regulatory and supervisory framework. The governance structure ranges from poor internal control (financial & operational), poor segregation of control, poor board oversight to poor financial transparency and accountability. For the operational structure of NPOs, there are active threats, exposure to cash transaction, exposure to cross border (large transitory staff & large logistical network), use of informal methods of funds collection and disbursement; and poor programme planning and monitoring.

However, to mitigate risks of TF/ML, four levels of defence were recommended to NPOs such as; board-oversight, management-compliance, risk management and control, and assurance of Internal Audit.

The legal framework established overtime to curb ML and TF in Nigeria were also highlighted in the workshop. This includes the Money Laundering Prohibition Act 2011 as amended; Investments and Securities Act, 2007; EFCC (Establishment) Act 2004; Advance Fee Fraud and other related offences Act 2006; Foreign Exchange (Monitoring and Miscellaneous

sector and frequency of abuse; money laundering and terrorist financing vulnerabilities within the NPO sector; the national risk assessment process(NRA); priority areas of vulnerabilities in Nigeria NPO sector as identified from the NRA; not leaving what NPOS should know about mitigating the risk of TF/ML.

It was noted by SCUML that NPOs that are at risk of abuse to terrorist financing are Service NPOs, engaged in humanitarian efforts and NPOs operating in areas of active terrorist threats who share the same geography, environment or population with terrorist organizations. Also, NPOs largely controlled or funded by politically exposed persons and NPOs with inactive or incompetent board of trustees are at risk of abuse to money laundering. This is largely as a result of their tax exemption status, the public trust that they enjoy, access to conflict areas; control of materials, funds and networks that can be useful to terrorist, ability to provide cover of legitimacy to these terrorist organisations, and poor regulation.

Provisions) Decree 1995 Decree No. 17; BOFIA Act 1991; National Drug Law Enforcement Decree, 1995; ICPC (Establishment) Act 2000 among others. However, for effective AML/CFT regime in Nigeria, there is need to reform the legal framework, strengthen the criminal justice system (funding and capacity building); strengthen the local inter agency cooperation; encourage greater support from the public especially in supporting investigation processes through provision of relevant information on corruption, money laundering among others; and also,

strengthen the anti-graft agencies (in funding and capacity building).

It was noted that challenges facing Nigeria in the implementation of AML/CFT range from the structure of the economy, weak human and institutional capacity to scarcity of resources. However, to sustain current efforts and success, the country must keep reassessing and reviewing her AML/CFT strategy in order to overcome existing challenges as well as keep pace with the dynamism of money laundering and terrorism financing.

In conclusion, the workshop affirmed that to solve problems associated with ML/TF, there is urgent need for collaboration between the anti-money laundering agencies and stakeholders, including individuals and organizations.

Also, Stakeholders engaged in fighting ML/TF need to share a common vision and forge partnerships. NPOs were urged to always assess the level of risk (of Products/Service/Customers) in their area of jurisdiction, apply proper Customer Due Diligence (CDD) measures (example know your customer) and ensure proper monitoring and timely reporting of suspicious transactions to the Nigerian Financial Intelligence Unit.

See below the link to access presentations made by speakers at the workshop.

<http://nnngo.org/2018/03/05/workshop-materials-effective-implementation-of-anti-money-laundering-and-combating-the-financing-of-terrorism-aml-cft-requirements-in-the-npo-sector-in-nigeria/>

