

# CE-FATF-ENG NEWSLETTER

## Implications of National Risk Assessment on Civil Society

The National Risk Assessment (NRA) was conducted in Nigeria in 2016. It was in response to recommendation 1 of the Financial Action Task Force (FATF)'s 40 recommendations which requires that all countries identify, assess and understand the money laundering and terrorist financing (ML/TF) risks elements prevalent in their jurisdictions for the development of efficient measures to combat the crime and efficient allocation of scarce resources to do the same.

NRA is an exercise done to determine the rate of ML and TF that exists within the system that makes one vulnerable to ML or TF. It assesses TF Risks as a consequence of terrorism financing threat.

The ML threat assessment level for the Nigerian Nonprofit sector is rated **Medium High**. This can be traced to the weak and ineffective monitoring measures in place for the regulation of Nonprofit activities.

It has become extremely difficult and elusive to track the activities of these organizations effectively; matching their expenditure against their perceived income has been reported to be quite difficult. This subsector showed some significant exposure to cash transactions because, the use of electronic payments is not common in rural areas where the Nonprofits mostly offer services.

The overall vulnerability to TF in Nigeria is rated **Medium** as derived from the combined assessment of Terrorism/Terrorist Financing (T/TF) threats and vulnerabilities which were both rated to be **Medium**.

However, the vulnerability of the NPO sector is rated **high** as a result of the inability to trace transaction records. While about 46,000 NGOs registered in Nigeria with the Corporate Affairs Commission (CAC), only 3,869 of them are registered with SCUML in the last 5 years (2010-2014).

This has led to an inability to effectively check members. It was revealed that most domestic NPOs do not have comprehensive internal control measures, the size of the sector also makes it difficult for effective supervision by SCUML thus, leading to inefficient monitoring of its activities and faulted for inefficient Suspicious Transaction Reporting (STR).

Hence, there have been identified terrorist financing through NGOs, charity organizations, and levies. This has raised brows for the provision of restrictive laws within the civil society.

To avoid the provision of over restrictive laws to curb the activities of civil society, it is recommended that NPOs should register with

SCUML, which should apply a risk-based approach in ensuring NPOs compliance with the AML/CFT regime of the country. There should be improved accountability, internal controls, domestic inter-agency collaboration and international cooperation especially in information and intelligence sharing to effectively address money laundering and terrorism financing.

STRs should be reported to the Nigerian Financial Intelligence Unit (NFIU) who analyze the STR and disseminate intelligence to relevant law enforcement agencies for the support or initiation of investigation. This will go a long way in ensuring that all stakeholders understand the nature and extent of AML/CFT issues in the various sectors in the country.

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