

# MONEY LAUNDERING COMPLIANCE FOR BUSINESSES IN NIGERIA: LEGAL REQUIREMENTS AND BEST PRACTICES

## Introduction

Money laundering, the process of disguising the proceeds of crime as legitimate funds, poses significant risks to businesses, the financial system, and the Nigerian economy. Beyond criminal liability, failure to implement anti-money laundering (AML) measures can result in regulatory penalties, reputational damage, and even business closure. Businesses, especially those in financial services, fintech, real estate, and high-value trade, must comply with Nigeria's AML legal framework. This article provides a practical overview of money laundering compliance obligations for businesses, statutory backing, and best practices for risk mitigation.

## The Legal Framework


The primary statutes and regulatory instruments governing money laundering in Nigeria include: The Money Laundering (Prohibition) Act 2022 (MLPA) sets out the core legal obligations for businesses and individuals regarding the reporting, monitoring, and prevention of money laundering. Empowers the Economic and Financial Crimes Commission (EFCC) to investigate and prosecute violations.


## Financial Action Task Force (FATF) Recommendations

While not law in Nigeria, FATF standards guide regulatory expectations and international best practices. Banks and Other Financial Institutions Act (BOFIA) 2020 Mandates financial institutions to implement internal controls to prevent financial crime, including money laundering. Central Bank of Nigeria (CBN) AML/CFT Guidelines Directives issued to banks, fintechs, and other financial institutions to implement customer due diligence, reporting of suspicious transactions, and internal compliance programmes.

For financial institutions and fintechs, these measures are closely audited by regulators such as the CBN and NDIC.

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## Key Compliance Obligations for Businesses

### 1. Customer Due Diligence (CDD) / Know Your Customer (KYC)

Businesses must verify the identity of clients and beneficial owners. This involves:

- Obtaining valid identification (national ID, passport, driver's license)
- Verifying business registration and ownership for corporate clients
- Understanding the nature and purpose of the business relationship
- CDD must be conducted at onboarding and updated periodically.

### 2. Reporting Obligations

Businesses must report:

- Suspicious Transactions – Any transaction that appears unusual or inconsistent with a customer's profile must be reported to the EFCC.
- Currency Transaction Reports (CTR) – Cash transactions above the threshold set by CBN or MLPA must be documented and reported.

Failure to report attracts heavy penalties under the MLPA.

### 3. Record Keeping

All AML-related documentation, customer identification, transaction records, internal audit reports, must be retained for at least five years after the transaction or termination of the business relationship.

### 4. Internal Controls and Compliance Programmes

Businesses should establish:

AML/CFT compliance units

Regular risk assessments

Staff training on AML obligations

Policies for internal monitoring, reporting, and escalation

## Case References

### 1. EFCC v. Yemi Osibanjo & Ors (2017)

o Highlighted the prosecution of corporate executives for failure to implement proper internal controls to detect suspicious transactions.

### 2. EFCC v. Lucky Okoro (2020)

o Reinforced that both individuals and companies may be held liable for facilitating money laundering through negligent compliance.

These cases underscore the need for robust internal AML frameworks.

## Best Practices for Businesses

### 1. Conduct Regular Risk Assessments

o Identify vulnerable points in operations, particularly high-volume or cross-border transactions.

### 2. Train Staff Continuously

o Ensure employees understand red flags, reporting procedures, and compliance responsibilities.

### 3. Implement Technology Solutions

o Use automated monitoring, transaction tracking, and KYC verification tools.

### 4. Engage Legal and Compliance Experts

o Regularly review policies against updates in MLPA, CBN Guidelines, and international standards.

### 5. Document Everything

o Regulatory bodies often prioritise evidence of due diligence over punitive fines if records show compliance efforts.

## Challenges and the Way Forward

Despite improvements, Nigerian businesses face challenges:

- Gaps in understanding MLPA obligations
- Limited technological infrastructure for monitoring
- Informal sector participants not covered by AML laws

Strengthening compliance culture, investing in technology, and fostering regulatory collaboration remain critical.

## Conclusion

Money laundering compliance is no longer optional; it is a statutory and operational imperative. Nigerian businesses must adopt comprehensive AML measures, conduct diligent customer due diligence, and implement effective internal controls to mitigate legal, financial, and reputational risks. Proper compliance ensures businesses not only avoid EFCC sanctions but also contribute to a safer, more transparent economic environment.