

Understanding the concept of Money Laundering/Terrorism Financing/Proliferal Financing

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VISION

To simplify wealth creation.

MISSION

To positively unlock opportunities in the society.



FRIENDLINESS

Friendliness is the bedrock on which we build our relationships.



INNOVATION

We are dedicated to evolving as a people and providing better and improved solutions that add value to our clients.



RESPONSIVENESS

We are responsive to our client's needs and inquiries. Providing solutions and resolutions quickly and efficiently.



SIMPLICITY

We have simplified our solutions, making them easy for our clients to adopt and implement.



TRUST

Trust is at the core of who we are. On this, we are uncompromising.

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Omobolanle Olatunji Compliance Officer

Omobolanle is the Compliance Officer of Norrenberger Securities Limited. She is self-motivated and committed to improving compliance culture. She has about 15 years' experience in capital market spanning, research, equities analysis, compliance and internal control.

Prior to joining Norrenberger, she worked as Chief Compliance Officer at Foresight Securities & Investment Limited (FSIL) where she began her career as an Equities Research Analyst and served in various capacities including Assistant Head, Risk Management & Compliance and Manager, Foresight Bureau De Change Limited at various times. She improved the compliance culture, steered regulatory infractions and developed an efficient KYC management system.

She holds a Bachelor's degree in Banking & Finance from the University of Ado-Ekiti and a Master's degree in Finance from University of Lagos. She is an Associate member of the Chartered Institute of Stockbrokers and Authorised Dealing Clerk of the Nigerian Exchange Limited.



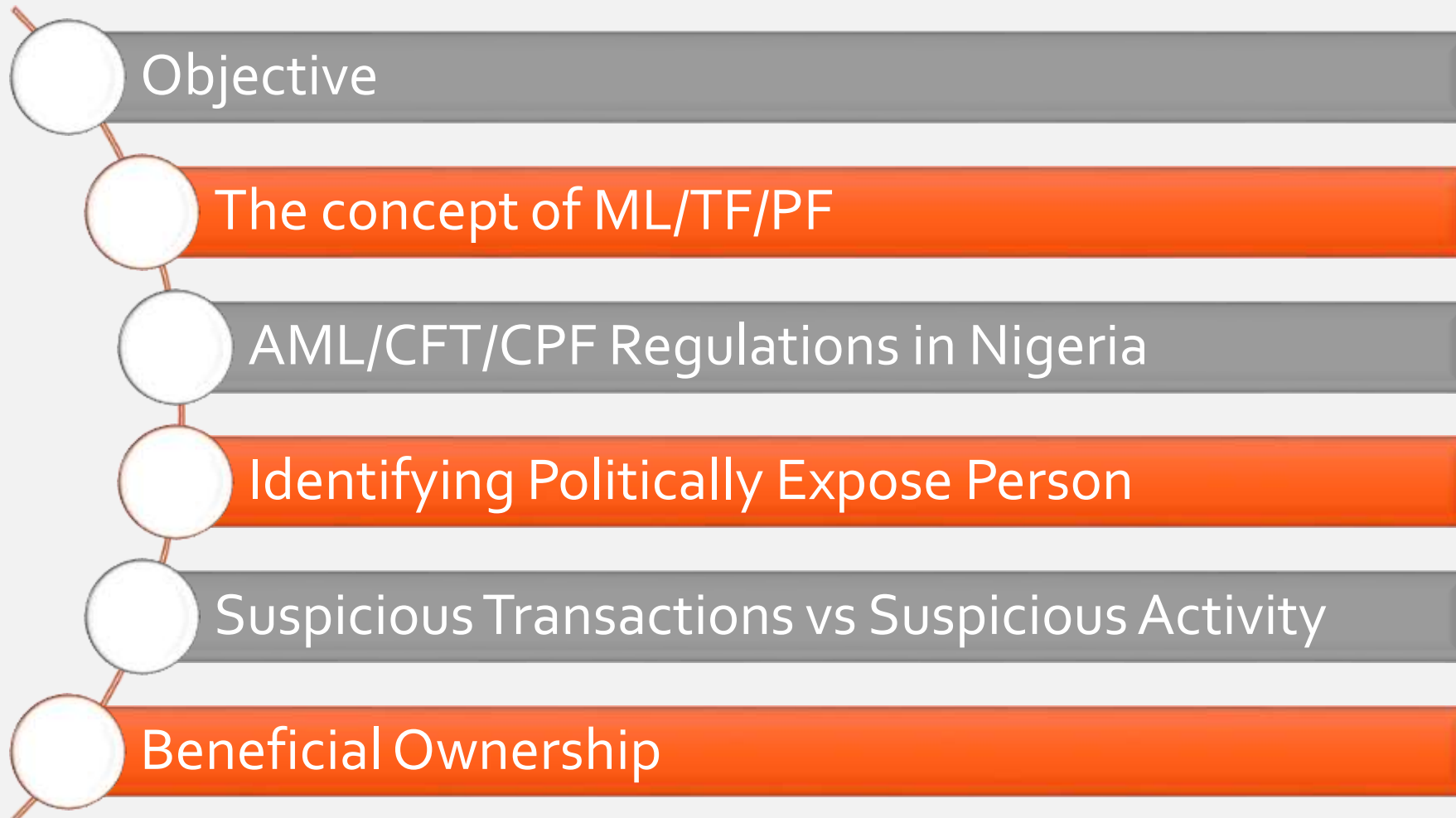
Ofure Akioya **Compliance and Internal Control Analyst**

Ofure is a Legal Practitioner who works with the Compliance and Internal Control department of Norrenberger Investment and Capital Management Limited. She is a creative and efficient professional with two years' experience and proven knowledge of regulatory compliance, anti-money laundering and Know Your Customer procedures of the Nigerian Capital Market.

She began her career as a Compliance and Internal Control intern with Norrenberger, after which she was employed as an Analyst in the company.

Ofure holds a Bachelor of Laws (LL. B) degree from the University of Benin, Benin City and obtained her Bar qualifying certificate from the Nigerian Law School, Kano. She is a member of the Nigerian Bar Association, an Associate member of the Institute of Chartered Mediators and Conciliators as well as a member of the Compliance Institute of Nigeria.







- To improve our understanding of ML/TF/ PF



- To make us aware of ML/TF/PF typologies



- To remind us of our roles in AML compliance

Concept of Money Laundering/ Terrorism Financing / Proliferation Financing

Money Laundering

The processing of criminal proceeds to **disguise** their **illegal origin** in order to **legitimise** the **ill-gotten** gains of crime (FATF)

The process or attempt to conceal the *true origin, ownership, movement* and *purpose* of proceeds from a **criminal activity**.

Money laundering is the **conversion** of **criminal income** into **assets** that cannot be traced back to the **underlying crime** (called predicate offence).

The proceeds can be **CASH** or **NON-CASH ASSETS**



- Cash transaction and cash courier
- Exchange transactions, involving the exchange of one currency into another or the conversion of smaller denominations into bigger ones
- Money remittance transactions, within or outside the country, often for mutual settlement.
- Cash deposits on bank accounts, either by the account owners or by a third party
- Cross-border transport of physical cash concealed in items such vehicle spare parts, suitcases and handbags.
- The use of real estate sector
- The counterfeiting of pharmaceuticals
- Through casinos and gambling sector

Terrorism Financing

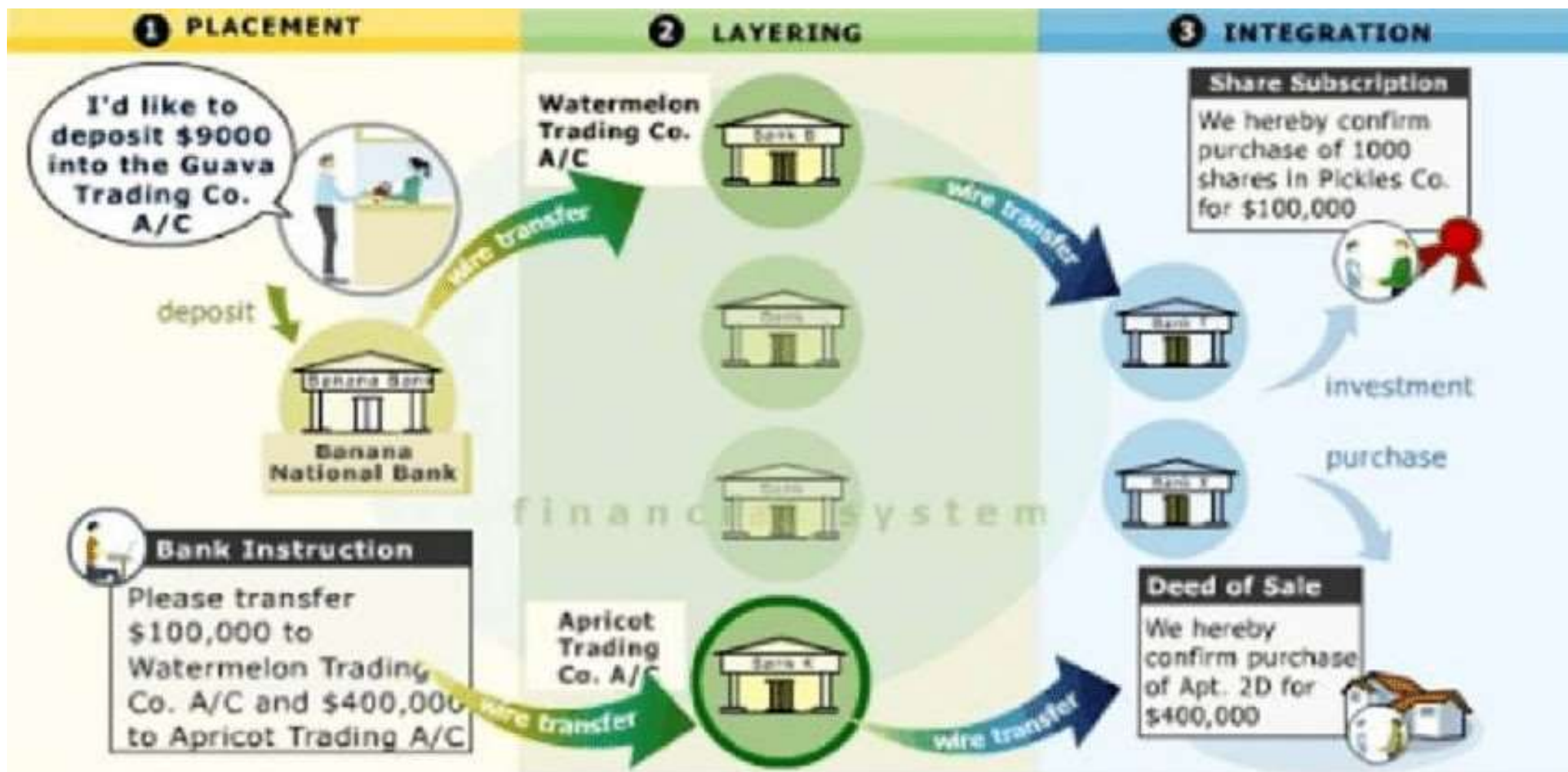
- Directly or indirectly, unlawfully and willfully collecting, managing, or providing funds, assets, (securities) or services with the intention that they should be used or in the knowledge that such funds are to be used, In full or in part in order to carry out any terrorist act.

Profiliferation Financing

- Providing financial and non-financial support directly or indirectly to support **the production, use, dissemination of weapons of Mass Destruction (WMD)**

Difference between Money Laundering and Terrorism Financing

Criteria	Money Laundering	Terrorism Financing	
Motivation	Profit -making	Ideological purposes	
Intention	Disguise the origin of the resources	Intimidate through violence	
Source of financing	Illegal Resources Extortion Kidnapping Drug-trafficking Smuggling Fraud, Theft	Illegal Resources Extortion Kidnapping Drug-trafficking Smuggling Fraud, Theft	Legal Resources Donations Govt. sponsorship Controlled Companies
Methods	Placement Layering Integration	Placement Layering Integration	



Source: © AUSTRAC on behalf of the Commonwealth of Australia

Money Laundering (Prevention and Prohibition) Act 2022 (MLPPA)
Terrorism (Prevention and Prohibition) Act 2022 (TPPA)
Proceeds of Crime (Recovery and Management) Act 2022
National Correspondents: NFIU

SECTOR	REGULATION	REGULATORS	OTHER STAKEHOLDERS
Securities Sector	SEC AML CFT Regulation for CMOs 2022	SEC	CAC, DSS, NPF, N.A. FRSC, NDLEA, NAPTIP, NCS, NIS, FIRS, ICPC NDIC, CAC, etc
Banking Sector	CBN AML CFT Regulation 2013 (as amended)	CBN	
Insurance Sector	NAICOM AML/CFT Regulation (as amended)	NAICOM	
DNFBP Sector	EFCC AML CFT CPF for DNFBPs Regulations, 2022	SCUML/EFCC	

S/N	MLPA 2011	MLPPA 2022
1	Does not have sub-section 2	A person shall not conduct two or more transactions separately with one or more financial institutions or designated non-financial businesses and professions with intent to avoid the duty to report a transaction which should be reported under the Act or breach the duty to disclose information under the Act.
2	Duty to report International transfer of fund and securities with 7 days from the date of transaction	Duty to report International transfer of fund and securities with 1 day from the date of transaction
3		take reasonable measures to verify that any person purporting to act on behalf of the customer is so authorised, identified and verify the identity of that person
4	MLPA 2011 does not provide steps to take in case of foreign or domestic PEPs.	Provide steps to take in case of foreign PEPs, domestic, PEPs and persons who have been entrusted with prominent functions by International organisations
5		FI and DNFBP shall identify and assess the money laundering and terrorism financing risks that may arise in relation to the development of new products, new business practices and technologies

S/N	MLPA 2011	MLPPA 2022
6	Section 4 of the MLPA 2011 does not provide for internet casinos.	Section 5(3) provides thus: "In this section, casino includes internet casino and ship-based casinos"
7		Section 6 of the MLPPA 2022 replaces "Ministry" with "Special Control Unit against Money Laundering" and deletes subsections (2)(4) and (5) of section 5 of the MLPA 2011 which would have mandated SCUML to forward information received to the NFIU within 7 days of its receipt and granted the NFIU the power to demand and receive reports directly from DNFBPs
8	Section 7 of the MLPA 2011 does not have any of these provisions.	Section 7(1) includes money laundering as a reason for an FI or DNFBP to deem a transaction as suspicious. It also mandates the reporting entity to report to the NFIU immediately .
9	The MLPA 2011 does not provide for this subsection.	Section 11 includes subsection (4) which provides for the circumstances under which the invocation of attorney-client confidentiality will not apply.
10		The MLPPA 2022 includes a new section 13 on " New products, business practices and technologies. "

Suspicious Transaction / Suspicious Activity

MLPPA 2022 Section 7 sub-section(a-e) states that a FI shall make a report to the NFIU immediately not less than 24hrs the report of a suspicious transaction whether the transaction is completed or not.

Suspicious transaction is dealing which raises concerns or indicators that such a transaction or dealing may be related to money laundering or terrorist financing or other unlawful activity.

when an unusual or unjustifiable financial transaction has actually taken place

Suspicious activity is referred to as an activity that is suspicious in nature but without any financial transaction having taken place

Amendments to SEC AML CFT CPF Regulations

SECR 22 (2-3) on suspicious transactions Red Flags

- Where CMOs or VASPs are unable to comply with relevant customer identification, they must not establish or maintain business relationships or perform the transaction. They must consider filing a suspicious transaction report to the NFIU in respect of the customer.
- Where CMOs or VASPs form a suspicion of ML/TF/PF and reasonably believe that performing the CDD process will tip-off the customer, the CMO must not pursue the CDD. They must instead file an STR to the NFIU without delay.

- Inconsistent with the known pattern of the account or business relationship
- It usually have no economic justification
- Surrounded by condition of complexity
- Unusual in frequency and volume
- Transactions from high-risk countries vulnerable to ML/TF/PF
- Transactions involving shell companies



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- The customer makes **several small cash deposits** that are eventually used to purchase a particular securities product which is sold or redeemed shortly thereafter.
- The customer **deposits a large amount of cash** into an investment account.
- There are many **incoming cash deposits** into a customer's account **through third parties**.
- Investments made through nominee accounts.
- The use of front persons or entities with complex corporate structures. This is usually used by Politically-exposed persons (PEPs)
- The customer **purchases securities at a high price** and then **sells them at a considerable loss**



Politically Exposed Person



FATF recommendation 12 and 22 defines PEP

- An Individuals who are or have been entrusted with prominent public functions by a country, for example Heads of State or of government, senior politicians, senior government, judicial or military officials, senior executives of state owned corporations, important political party officials.

Foreign PEP

Individuals entrusted with prominent public functions by a foreign country such as;

- Head of State or Government
- Senior Politicians
- Senior Government , Judicial or Military officials
- Senior Executives of state owned Corporations
- Senior Political officials

Domestic PEP

Individuals entrusted domestically with prominent public functions such as;

- Head of State or Government
- Senior Politicians
- Senior Government , Judicial or Military officials
- Senior Executives of state owned Corporations
- Senior Political officials

International Organisation PEP

Individuals who has a high position in an international organization e.g WTO, UN NATO e.t.c

- Directors
- Deputy Director
- Board members
- Senior Political officials

The Spouses (Wives/Husbands) Children, Parents, Siblings of PEP

Close associates of PEP such as Girlfriends, Concubines, Mistresses, Drivers, Personal Assistants, Cooks, Personal Physicians/Doctors, Aide-de Camps, Military Attaches ,etc

Business Associates who run businesses owned by PEP, operate bank accounts with them or sit on the same board or management positions of companies in which they have shares or are directors

All those who exercise political or official control at all levels of government in Nigeria either directly or through proxies

Any individual in Nigeria occupying public position expected to submit Asset Declaration Form to the Code of Conduct Bureau



FATF Recommendations for PEPs:

- There are confirmed risks associated with PEPs that justify stringent measures to be taken to put a halt on financial crimes such as money laundering, terrorist financing, and others.
- Businesses are required to take preventive measures before establishing a relationship with such persons (whether as customer or beneficial owner).
- Businesses to perform a proper PEP list screening whenever a new customer (whether as customer or beneficial owner), is onboarded to check the criminal history and associated risks.
- FATF requires countries to ensure that financial institutions implement measures to prevent the money laundering through financial institutes by PEPs and to detect potential misuse whenever it occurs.
- The requirements are preventive and to be on the safe side.
- Moreover, businesses cannot refuse business relationships with PEP just because the client is in a PEP list.
- FATF measures extend on a broader spectrum to fight against financial crimes such as money laundering and not to put PEPs behind bars.



Have appropriate Risk Management system to determine whether a potential customer or existing customer or the beneficial owner is a PEP



Obtain Senior Management Approval before establishing or continuing relationship with a PEP



Take reasonable steps to establish the source of wealth and source of funds



Conduct EDD and on-going monitoring



Flag abnormal transactions and report immediately to the NFIU as STR



Render monthly returns on all transactions with PEPs to the CBN/SEC and NFIU



Back Testing PEP Data Base periodically for Changes to Customer records



Beneficial Owners and People with Significant Controls

Beneficial Owner of an entity or securities is defined as;

- A person who enjoys benefits of ownership of an entity or securities, though the title is another name.
- Indirect ownership through arrangement such as “Nominee registration” “Omnibus holding” or “Indirect holding ” structure.

Trustee

The law requires companies to keep registers of persons of significant control (PSC).

Conditions of significant control

Direct or Indirect ownership of more than 25% of shares

Direct or Indirect ownership of more than 25% voting rights

Ownership of rights to appoint or remove majority of board of directors

Right to exercise significant influence or control over the entity



Where adequate disclosure is in place, it helps to guide against insider trading



The knowledge of an ultimate beneficial owner of an entity helps an investor in decision making



It is important for state supervision;

Money Laundering concerns
Tax avoidance

Amendments to SEC Regulations on Beneficial Owner

Amendments of SECR9 (5) to provide for new requirements on identification of beneficial ownership

- Where the client or owner of the controlling interest is a public company listed on a recognized securities exchange **and the risk assessment indicates the clients to be low risk**, it is not necessary to identify and verify the identity of the shareholders of such a public company.

Amendments of SECR13 to provide for new requirements on identification of beneficial ownership

- To include specific requirements on CMOs to identify and **verify the identity of third parties acting on behalf of clients, and to verify they are appropriately authorized to do so.**
- To identify and verify the identity of natural persons holding senior management positions in legal persons and arrangements.
- Collect information on the UBO of a customer that is a legal person or arrangement where there is doubt as to this status.

Questions?

Thank You



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