

# Money Laundering and Financial Crimes in Nigeria

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## Abstract

This paper, therefore, presents an evaluation of the strategies and future directions of money laundering in Nigeria, as it is a 'new', dynamic place in which to conduct business and the financial centre of the Nigeria. It examines the various ways in which legislation and law enforcement in Nigeria are struggling with and tackling the issues and problems of money laundering in the face of organised crime and terrorism. In this paper, the concepts of money laundering and financial crimes in Nigeria, with a special focus on strategies as well as future direction of control, are explored in some depth. This work has established that Nigeria has a substantial anti-money laundering framework; however, it suffers from some weaknesses. These weaknesses are caused by the poor relationship between anti-money laundering units, the Anti-Organised Crime Department of the Nigeria police, the financial sector and the Central Bank of Nigeria. This situation is particularly evident when it comes to sharing information on those suspected of money laundering in Nigeria. The 'lack of a relationship' is illustrated by primary research, as is the fact that other nations have (that is the UK) developed a more intelligence-led approach and partnerships in their quest to prevent money laundering where possible in their jurisdiction. This paper highlights the progress that is needed in Nigeria and the Nigerian to prevent money laundering, and as such is an original contribution to knowledge in an under-researched field in the Nigeria.

## INTRODUCTION

Stopping money laundering is a major international problem. Several attempts, from the national to the international level, have been made to address and prevent money laundering. These are often upset by the lively nature of the crime itself. Though, irrespective of its influence and dynamism in illegal or legal transactions, which are often entangled, different nations need to discourse the issue of money laundering to signify to an international listeners and genuine profitable interests their intent to tackle money laundering and therefore demonstrate that public and private state run organisations in the financial and law enforcement sectors are honest and professional, and that their country is a 'place to do business'

Challenge of stopping and/or plummeting money laundering is a major international issue. Earlier and present attempts that have been made to address money laundering are usually upset by the dynamism of the crime itself. This paper, therefore, presents an examination and evaluation of the present strategies and possible future directions of stopping and/or reducing money laundering in Nigeria. Aware of the international dimensions of money laundering, this research still primarily focusses on Nigeria, and assesses the ways in which national and international legislation, and law enforcement and anti-money laundering (AML) units are tackling, and struggling with the issues and problems of money laundering. The study of how to prevent and reduce money laundering in Nigeria is critical to the nation's strategic position in the Nigeria and its position as an important international financial centre and as such this research is of practical as well as academic relevance.

## CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Anti-Money Laundering (AML) can be defined as an activity which prevents, or aims to prevent money laundering from happening. The definition of 'criminal income' varies by jurisdiction (some activities are illegal in some countries and not in others). Similarly, the aims of AML are not necessary the same in different jurisdictions. The aims might include deterring and detecting organized crime, to reduce drug dealing, to deter terrorism or to maintain the reputation of the financial services industry (Yeandle, et al. 2005). In fact the term "money laundering" is applied not only to financial transactions related to criminal activities but to any financial transaction which generates an asset as a result of illegal acts – corruption, tax evasion, false accounting, etc. It seems that the process of ML has long ago been used by criminals such as robbers and pirates although the money laundering has come to the attention of the international community only in the nineteenth century. Although the definition of money laundering is not stated in the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (Vienna Convention, 1988) In the context of financial market activities – banking, securities, and insurance – fraud is attributed a more specific meaning and best understood as the unlawful falsification or manipulation of financial information (Fligstein/Roehrkasse 2013). Financial information acts as the linchpin for financial market transactions. Participants in financial markets merely exchange intangible rights (and obligations), the present and future value of which depends entirely on the status and future performance of the issuer of those rights (Lomnicka 2008). legal systems prohibit certain deceptive behavior through general fraud laws, which may appear in both civil and criminal bodies of law. As has been recognized by a number of authors, fraud is among the most serious, costly, stigmatizing, and punitive forms of

liability imposed on actors in modern corporations and financial markets (Buell 2011; Green 2007). In many jurisdictions the law also provides a number of legal statutes that target certain kinds of financial fraud more specifically. Most importantly, financial fraud in the securities markets is usually targeted by countries' securities law regimes. Other statutes may specifically target financial statement fraud in the banking or insurance sector, fraud perpetrated using mail and wire communications, or fraud perpetrated through the use of a computer or the internet (Reurink 2016).

## METHODOLOGY

It is possible to interview all relevant people employed in the Central Bank, if willing, but a sample of key individuals was thought more appropriate from the financial sector and thus more of these interviews were sought. In addition, people that had experience of working in Nigeria and elsewhere and possessed international knowledge of anti-money laundering techniques and strategies were considered useful to interview due to international context of this research. Therefore, websites and profiles of key individuals were undertaken before a request for an interview was made, which is a type of targeted sampling, but due to the earlier interviews were I was 'tested' some interviews were forthcoming due to recommendations rather than direct request for an interview. Furthermore, time constraints, as will all research, prevented the research from going beyond a fixed for this research four criteria were considered in the selection of a research site. These were simplicity – will the research site(s) allow for the development of studying simple situations to far more complex ones i.e. those interviewed awareness of current practice regarding anti-money laundering (AML) practice to discussion on future developments and predictions of AML practice and direction in the Nigeria. The second criterion was accessibility - the degree of access available to interview people. The third was an attempt to be unobtrusive as possible, hopefully encouraging people to speak openly time period. in the interviews. This was not always the case, but increased as my name and approach secured favour with those in the sectors I accessed. The fourth criterion was participation – that is to keep in contact with key individuals and inform them of my progress and also return to interview them if necessary and/or possible. No interviews were conducted a second time; however, points of clarification were sometimes sought at a later stage in the research process where feedback on the progress of the project was discussed. As a form of non-probability sampling two approaches were used here; one was judgement sampling and the other snowball sampling. As has been explained above judgements were made on whom to interview in the private financial sector due to the numbers of people employed in Nigeria in this industry. The criteria used was based on status, position in company, role(s) which is relevant to anti-money laundering, previous experience and knowledge of working in Nigeria and elsewhere. These distinct 'qualifications' are available on company websites. Age was not considered so important in this sector, as people are vastly experienced at a young age – one person interviewed was 28. Gender was an issue; Because of the few women work in the positions in Nigeria in the banking sector and the enforcement authority who specializes in anti money laundering or suspicion. There was failed to respond to a request for an interview. There would be little chance of claiming that is represented views to be similar to what was obtained through interviews. Snowball sampling was used as an indirect approach – see above – gaining access to interviews based on recommendation rather than direct approach, and direct snowball sampling via gatekeeper and personnel in the Central Bank. While only a few interviews were secured employing this method they were still invaluable for the research. Aware that this method is open to criticism regarding limited representation of sector under study and also reliability i.e. is this case hand-picked people representing the gatekeepers' views or narrow predetermined responses presenting a fixed organisational view rather than that of the person interviewed.

A semi-structured interview schedule was designed with six sections. Letters were sent to key personnel in the financial sector and law enforcement in Nigeria. There was little response to the original letters requesting an interview with Central Bank of Nigeria personnel; however, the following emails were sent via a personal contact to secure access to potential interviewees. The methods used were, therefore, a combination of survey, interview schedule and a snowball sample 346 and directly negotiated access. The interview consisted of six sections. These were • Factors Encouraging Money Laundering in the Nigeria • The 'Know Your Customer' Policy • Arrests • The Investigation of Cases • Cooperation and Information Sharing • This further elicited attitudes to current practice, and expectations, both realistic and unrealistic; it was considered realistic and appropriate to know details about your customer(s) as well as possible, but due to the instability of the surrounding geographical nations and cultural closeness some felt that knowing a customer(s) and requesting personal information without causing offence was unrealistic. In addition, unstructured interviews were dismissed as they were considered time-consuming and might possibly last several hours depending on respondent and can be difficult to control, and to participate in, as the lack of predetermined interview questions provides little guidance on what to talk about. This can therefore lead to substantial unwanted data that needs sifting and processing. Instead semi-structured interviews consist of several key questions that help to define the parameters of the research and topics to be explored, but also allows the potential to depart from research in order to pursue an idea or response in more detail that is still of relevance to the research project as a whole.

Furthermore, surveys were also dismissed as they were considered too limited for this research. As a social practice involving individuals and organisations, money laundering, which falls under the umbrella of corruption is inherently difficult to measure. However, in recent years, several organisations have developed a Corruption Perception Index (CPI) for the purpose of qualitatively assessing the pervasiveness of corruption around the world. At one level these CPI are acknowledged as an important development in raising public awareness of corruption and promoting reform, particularly Transparency International. However, these approaches are also criticised for a lack of methodological rigour showing one side of the corruption equation, e.g., those that receive a payment or gift, while ignoring those offering the bribe, often from the private sector. These CPI surveys, however, are also limited as their selection process e.g., which country is included in a CPI survey, often reinforces stereotypical perceptions of corrupt regions of the world, and as such reflects the confusion and inadequacy and current corruption discourse<sup>350</sup>. A CPI then is not a reflection of a ‘real’ geography of corruption, and therefore their measurements are problematic. A review of the literature on corruption reveals that a variety of theoretical frameworks have been used to analyse the incidence of, and recorded growth in, corrupt practices in recent years. The purpose of the interviews was to explore the views, experiences, beliefs and/or motivations of individuals on specific matters of money laundering in the Nigeria and the best way forward to prevent and/or reduce its incidence. A semi structured interviews was therefore considered most appropriate as little was, and still is known about the study of money laundering in the Nigeria. It was made clear before the interviews that only some of the questions could be answered even after this review, as others were of a ‘sensitive nature’ and the respondents were unable or unwilling to respond to them within and across the different sectors. For example, five of those working in the financial sector declined to answer ‘are you willing to share all available information with the AML to prevent money laundering in Nigeria? This is perhaps due to a number of facts; exposing powerful and rich corrupt clients that might place funds elsewhere, aware that a positive response to this question is false, interviewed by a police captain with knowledge of money laundering etc. The police, however, were also unwilling to fully answer some questions, particularly on the investigation of cases. A common response to ‘How many cases have the AML dealt with?’ was to decline to answer or respond with ‘many cases are in progress’ and therefore unable to offer a figure. Even though individual anonymity was assured before any interviews were undertaken some respondents were un-cooperative. Suffice to state though, that anonymity is a common practice in assuring access to potential respondents in research and particularly regarding issues of police security in Nigeria and confidentiality in the private financial sector. Furthermore, it was made clear that no company was to be identified either. This was disappointing, but without such assurances no interviews would have taken place. Consequently, none of the interviews were recorded as requested by the interviewees in the sample, with some of them producing notes acquired during the interview. Due to the nature of the work of the people interviewed and the commercial interests involved this was also understandable. Therefore, even with a partial semi-structured interview schedule, it was difficult to pay full attention to the interview and some of the more subtle elements of the interviews were inevitably lost. Rather than assume ‘understanding’ from the notes, some of them were returned to the relevant company for clarification.

## **RESULT AND DISCUSSION**

### **Factors Encouraging Money Laundering in the Nigeria**

Challenge with money laundering in the Nigeria as expressed by our respondents, is that it is seen as more of an external cause by others – individuals and nations -rather than an internal issue. The factors presently contributing to this is the political instability of the region. While the Nigeria has remained calm and settled other neighbouring nations have experienced unrest and turmoil. In this context those with legal and/or illegal funds seek a route to transfer money to a stable, and close-by, country that is easy to reach and travel to without the need for a visa. As one senior executive in the financial sector said ‘you know any cross-border transactions incoming and outgoing with Afghanistan, Iraq, some African states and others would raise suspicion. It is very hard for us to decide on the legality of these funds. It is impossible to say if there is no money laundering from other places, which do not have any internal conflicts or what you called them: developed states’. He further went on to say, and contradict himself, ‘we don’t have any organised crime here in the Nigeria. However, the Nigeria, being one of the important financial centres, has always been on the list of these organised criminals in order to launder their money’.

There appeared to be a consensus of opinion in the financial sector and AML officials, however, that ‘black money’ enters the Nigeria as a result of two main organised criminal activities: illicit drugs and arms smuggling. It was reluctantly admitted by the police in particular that due to its geographical location and diverse population that ‘there are chances that these criminals bring their illegal money to the Nigeria to launder it through our banking or Hawala Stopping money laundering is also an integrity issue, and as one respondent indicated: ‘Yes...It is difficult to determine the source of the funds sometimes due to the instability of the country from which they came and lack of proof of the source of the funds’. This problem, yet again, is not one peculiar to the Nigeria; it is one that plagues the international financial system.

### **The ‘Know Your Customer’ Policy**

All those interviewed were keen to point out that there is no ‘hard and fast rule’ in spotting money laundering. Each case has to be approached based on the existing evidence available. After all, even if a case of money laundering, it will be unclear at what stage in the process it would be. Therefore, those interviewed were cautious about identifying an account early on as one that had used laundered funds and proceeded with caution. Once a customer has established a ‘pattern’ it is easier to track a customer’s behaviour. Evidence then is both the knowledge and data on customers’ interests and the ability to review account information and unusual activity, identified as frequent small transactions, inaccurate information, and numerous accounts (Longfellow 2009).

This ‘real time’ assessment of transactions, if used correctly, helps expose some potential frauds. This communication of ‘evidence,’ however, is also a problem. Due to the established approaches to stopping money laundering substantial information is passed on and processed. Information is coming from computerised notification, personal contacts and external sources etc. The Know Your Customer regime has thus evolved into a set of precautionary measures involving reassessment of client accounts based on a gathering of information for differing sources of credibility (Mark, Rosen, & Proctor, 2003). One respondent described the process of ‘knowing your customer’ by explaining that ‘from our new clients, we ask them to produce a copy of their passport, a driving license, their employment status and the company for which they work, and any other documents that show their name, date of birth, nationality [and so on]. To what extent these documents are real or forged, we don’t know, especially in the case of non-Nigeria documents’. Measuring corruption is difficult (Petter, 2000) It was clearly the case amongst many in the financial sector that procedures were followed more as a ‘defensible decision’ (Hazel, 2007) or ‘defendable compliance’ (Richard, 2006).

Furthermore, a different respondent in the financial sector suggested that ‘some bank managers argue that the competition amongst banks to attract customers has meant that the verification of a client’s documents is sometimes not as thorough as it should be...and we can’t know the intention of the person who wishes to open a bank account. It could be an ordinary person’. Some financial managers accepted that the system is not totally free of corruption, in spite of the provisions put in place to ensure that transactions are properly recorded. Two key important issues further developed from this part of the interview schedule. Due to the vast wealth of some of the people that used the financial sector in Nigeria it was suggested that some transactions were briefly reviewed. This ‘light-touch’ approach, however, is something that can be levelled at the financial sector elsewhere i.e., Nat West Bank in United Kingdom and lead to money laundering. In addition, there was some concern from the police in particular about Political Exposed Persons (PEP). As one respondent said ‘we know there are some people that bank here that are involved in illegal activity but some of the banks don’t seem to mind.’ This view echoes Gill’s and Taylor’s (2004) where ‘Know Your Customer’ rules can have negative implications and alienate established customers. There are conflicting views then between those representing law enforcement bodies and those in the financial sector; the financial sector tended to play down the level of corruption while law enforcement bodies were aware of some corruption but limited in what could be done without the necessary evidence. Furthermore, requests for information on customers, particularly from policing bodies encountered obstacles. This is not clear if the financial sector was obstructive or disorganised or both in some cases. However, the financial sector was aware of the role that it had to play in identifying potential money laundering, but the procedure for identifying high-risk accounts is an ongoing process, applied to new and existing customers. Any transaction that is not compatible with the economic status of the customer is considered suspicious and is reported by financial institutions to the Central Bank for further investigation. However, there was no indication that the amount of money was a key element in the decision regarding a transaction as suspicious. One respondent made it clear by saying that ‘a suspicious transaction has nothing to do with its amount. I know the common sense approach lead us to believe that any big transaction could be suspicious, which is wrong. The criminals are very clever and they know that bank officials will monitor any big transaction’.

### **The Investigation of Cases and Arrests**

The financial sector respondents felt that they were part of the solution rather than challenge and willingly worked with the criminal justice system, if required. They were keen to also emphasise that it is not in the interests of the financial sector to be party to money laundering. Therefore, the respondents were vociferous in defence of the financial sector, which would be expected, but produced a sound, logical case, that if they had a vested interest, if at all, it was to see banks as honest and trustworthy to attract customers. It was also suggested that the police needed to do more regarding the ‘policing’ of money laundering. This was particularly the case when provided with overwhelming information from the banks that suspicious activity had occurred regarding an event. Often it was felt that some type of investigation would be useful, but as was pointed out by one police respondent the ‘banks’ did not always seem keen to expose corruption in their business and so were vocally supportive but official obstructive. This is similar to other business sectors that discover internal frauds (Lawrence, 2004).

Developing a sound case of money laundering, however, is difficult, particularly if a successful arrest is to be made and subsequent conviction. One police officer explained ‘first gather information and then continue to build the criminal case based upon your initial investigation. Our job is to start looking for the mistakes they have made to find foolproof evidence; it is not an easy job, honestly’. The police officers interviewed found it more convenient to focus on the criminal element of the crime, in other words, to ascertain that the suspect has indeed committed the crime. The majority of police officers said that the financial aspect of the money laundering was of less concern to them than the criminality of the ‘Nigerian fraud and corruption. Furthermore, everyone interviewed agreed on the necessity of contributing to the struggle to prevent money laundering, organised crime and terrorism, however, opinion differed on the ‘small-scale’ misappropriation of funds with no clear view from either law enforcement or the financial sector. In addition views diverged on the emphasis of punishment and persuasion as part of a regulatory regime (John & Peter, 2000). Law enforcement preferred unsurprisingly punishment to deter future acts while those in the financial sector suggested a more light-touch approach to wayward acts and actors. As illustrated elsewhere, getting the right balance is weighed down with practical problems (Michael & Peter 2006). Thus, while accepting the relevance of effective laws to prevent money laundering, many of the officers said that this should be complemented by a better system of criminal investigation in which police officers are trained in, and able to use, more sophisticated methods of criminal and financial investigation. Some of the police officers also mentioned, as a very important hindrance act itself.

To an effective money laundering investigation, the fact that the Nigeria Police do not have access to all financial data and information. As suggested, ‘if the Nigeria Police is given direct access to the database of banks, it will improve our efforts in fighting organised crime... and money laundering in particular’. However, many of the respondents said that the transfer of cases from the AML to the Attorney General and the Public Prosecutor and then onto the police takes far too long for a case to Furthermore, even when knowingly victimised, individuals and organisations fail to report money laundering and other acts. An individual may feel embarrassed and fail to report the crime; an organisation might investigate in-house and decide that it would be best to resolve the matter internally, even though a crime has been committed, to protect its public reputation, rather than open a ‘Pandora’s box’ and expose the level and depth of corruption in their company (Ramage, 2012). The police respondents recognised, however, that some institutions had considered challenge of money laundering and were trying to ‘do something’ about it. These organisations, however, appeared to have had little success, and acted ‘after the event’ rather than prevent it, which is necessary to protect the integrity of business. Challenge, however, appears to be one of reach it conclusion. integrity within some financial institutions as one part of the tripartite structure – legal framework, private financial sector and police - needed to work together to help prevent/reduce money laundering. When asked ‘do you find it easy to discover money laundering, and arrest suspects’, an AML representative suggested that there is ‘a general consensus of opinion amongst the bank managers and the AML officials that money laundering is not an easy crime to detect. Criminals use different tactics in order to hide the true origin of black money’.

However, the respondents from all sectors interviewed were aware that the Nigeria is committed to sharing financial information with its overseas partners in order to strengthen mutual cooperation to prevent money laundering and the financing of terrorism. The AML were particularly aware though, that criminal elements were taking full advantage of the cash-based economy in the Nigeria to launder money in the region. One respondent made it perfectly clear when they said ‘If, for example, a person suddenly becomes rich without having any proper business or employment, there is no mechanism in place to ascertain the source of that person’s money’. It was further believed that criminals are also taking advantage of the weak immigration control systems increasing challenge of policing a growing illegal population and cash payments and transfers via the western union, money gram system (Ramage, 2012). Pursued on the matter of how they would arrest someone investigated for money laundering, the police generally agreed on the complex nature of this process. All agreed that money laundering is a different and unique type of crime; it varies from one case to another depending upon the nature of the case. In some cases one respondent said, ‘we arrest people on the spot, whereas in other cases we have to search homes, offices [and so on]. In some cases, we do not even manage to arrest the accused person for years. All the officers agreed that, ‘generally, cases referred to them via the Customs Authority are easier to handle than cases that have come via the

AML’, as suspects in former cases could be arrested immediately at the port of entry. The only available information, however from the Nigeria police released by the Director of Investigation was from 2002, with 16 cases associated with money laundering reported to relevant authorities. Nonetheless, some of the cases are still pending as they require detailed investigation years after they were discovered.

### **Cooperation and Information Sharing**

It was also suggested by those working for police institutions that the financial sector needed to do more regarding the ‘policing’ of money laundering, such as increased monitoring of financial activity through the use of money tracking requirements of organisations, such as invoicing as these sources can indicate where money

laundering may occur (Michael & David 2004). This was particularly the case when provided with overwhelming information from the Anti-Money Laundering Suspicion Cases Unit (AML) that suspicious activity regarding transactions had occurred regarding an event. The role of the AML was made clear from one respondent: 'we receive suspicious cases and we study the situation and if there is any inquiry, we notify the bank. And if it is proved that the transaction is illegitimate, we notify prosecutors and police and establish procedures to prove evidence to the court'. This sharing of information and communication is a necessary part of the system of stopping money laundering. All of the respondents interviewed agreed that without 'sound' information and clear channels of communication in Nigeria leaves itself open to money laundering, particularly from some of its neighbouring cash-based nations and those with a reputation for corruption. A few of the respondents named specific states and some even specific regions of a country as problematic. However, no evidence was forthcoming to substantiate these claims, and as such, it was decided keep such information anonymous rather than speculate on the personal judgement of a few respondents. This communication, however, is a dual exchange of information. For example, one respondent from the AML made it clear how important the financial sector is in stopping money laundering. It is not a role the 'police and law enforcement' bodies can achieve unless cooperation is forthcoming'. As one officer said 'we receive information from the banks because they are the backbone of all business in the state... we also receive suspicious cases from exchange houses, and from public or private enterprises...receiving reports from all financial, commercial and economic development in the state'. However, one respondent from AML said that 'all...operating in the country, whether commercial or industrial...if suspect suspicious transactions must notify the Central Bank of suspicious cases...but they tend to receive information from the private sector once an issue is exposed and gets publicity'.

These competing views were typical of the interviews where personal experience and contacts made a difference on the question of communication and information sharing. It appears that a system of communication needs to move beyond its informal system of information sharing to one of a more formal and standardise system. There was no concern about the use of technology and the spread of what is referred as to 'soft security', 'dataveillance' or 'surveillance in either sector, however. This is perhaps because the informal system is part of the cultural context of Nigeria. It was made clear, however, that 'this system is not available to everyone'. There appears to be two present systems

### **The Investigation of Cases and Arrests**

The financial sector respondents felt that they were part of the solution rather than challenge and willingly worked with the criminal justice system, if required. They were keen to also emphasise that it is not in the interests of the financial sector to be party to money laundering. Therefore, the respondents were vociferous in defence of the financial sector, which would be expected, but produced a sound, logical case, that if they had a vested interest, if at all, it was to see banks as honest and trustworthy to attract customers. It was also suggested that the police needed to do more regarding the 'policing' of money laundering. This was particularly the case when provided with overwhelming information from the banks that suspicious activity had occurred regarding an event. Often it was felt that some type of investigation would be useful, but as was pointed out by one police respondent the 'banks' did not always seem keen to expose corruption in their business and so were vocally running parallel depending on customer; the formal or informal.

Furthermore, everyone interviewed agreed on the necessity of contributing to the struggle to prevent money laundering, organised crime and terrorism, however, opinion differed on the 'small-scale' misappropriation of funds with no clear view from either law enforcement or the financial sector. In addition views diverged on the emphasis of punishment and persuasion as part of a regulatory regime<sup>376</sup>. Law enforcement preferred unsurprisingly punishment to deter future acts while those in the financial sector suggested a more light-touch approach to wayward acts and actors. As illustrated elsewhere, getting the right balance is weighed down with practical problems. Developing a sound case of money laundering, however, is difficult, particularly if a successful arrest is to be made and subsequent conviction. One police officer explained 'first gather information and then continue to build the criminal case based upon your initial investigation. Our job is to start looking for the mistakes they have made to find foolproof evidence; it is not an easy job, honestly'. The police officers interviewed found it more convenient to focus on the criminal element of the crime, in other words, to ascertain that the suspect has indeed committed the crime. The majority of police officers said that the financial aspect of the money laundering was of less concern to them than the criminality of the act itself. Thus, while accepting the relevance of effective laws to prevent money laundering, many of the officers said that this should be complemented by a better system of criminal investigation in which police officers are trained in, and able to use, more sophisticated methods of criminal and financial investigation. Some of the police officers also mentioned, as a very important hindrance to an effective money laundering investigation, the fact that the Nigeria Police do not have access to all financial data and information. As suggested, 'if the Nigeria Police is given direct access to the database of STRs and CTRs, it will improve our efforts in fighting organised crime... and money laundering in particular'. However, many of the respondents said that the transfer of cases from the AML to the Attorney

General and the Public Prosecutor and then onto the police takes far too long for a case to reach its conclusion. Furthermore, even when knowingly victimised, individuals and organisations fail to report money laundering and other acts. An individual may feel embarrassed and fail to report the crime; an organisation might investigate in-house and decide that it would be best to resolve the matter internally, even though a crime has been committed, to protect its public reputation, rather than open a 'Pandora's box' and expose the level and depth of corruption in their company. The police respondents recognised, however, that some institutions had considered the challenge of money laundering and were trying to 'do something' about it. These organisations, however,

### **Cooperation and Information**

**Sharing** It was also suggested by those working for police institutions that the financial sector needed to do more regarding the 'policing' of money laundering, such as increased monitoring of financial activity through the use of money tracking requirements of organisations, such as invoicing as these sources can indicate where money laundering may occur. This was particularly the case when provided with overwhelming information from the Anti-Money Laundering Suspicion Cases Unit (AML) that suspicious activity regarding transactions had occurred regarding an event. The role of the AML was made clear from one respondent: 'we receive suspicious cases and we study the situation and if there is any inquiry, we notify the bank. And if it is proved that the transaction is illegitimate, we notify prosecutors and police and establish procedures to prove evidence to the court'. This sharing of information and communication is a necessary part of the system of stopping money laundering. All of the respondents in Nigeria leaves itself open to money laundering, particularly from some of its neighbouring cash-based nations and those with a reputation for corruption. A few of the respondents named specific states and some even specific regions of a country as problematic. However, no evidence was forthcoming to substantiate these claims, and as such, it was decided to keep such information anonymous rather than speculate on the personal judgement of a few respondents. This communication, however, is a dual exchange of information. For example, one respondent from the AML made it clear how important the financial sector is in stopping money laundering. It is not a role the 'police and law enforcement' bodies can achieve unless cooperation is forthcoming'. As one officer said 'we receive information from the banks because they are the backbone of all business in the state... we also receive suspicious cases from exchange houses, and from public or private enterprises...receiving reports from all financial, commercial and economic development in the state'. However, one respondent from AML said that 'all...operating in the country, whether commercial or industrial...if suspect suspicious transactions must notify the Central Bank of suspicious cases...but they tend to receive information from the private sector once an issue is exposed and gets publicity'. These competing views were typical of the interviews where personal experience and contacts made a difference on the question of communication and information sharing. It appears that a system of communication needs to move beyond its informal system of information sharing to one of a more formal and standardised system. There was no concern about the use of technology and the spread of what is referred to as 'soft security', 'dataveillance' or 'surveillance in either sector, however. This is perhaps because the informal system is part of the cultural context of Nigeria. It was made clear, however, that 'this system is not available to everyone'. There appears to be two present systems running parallel depending on customer; the formal or informal. One Nigeria police officer made his views clear when claiming that 'it is not easy to find evidence in a money laundering case because criminals have thought about the way of hiding money from us. So we need to access to bank records or any financial information but there is too much trouble in the investigation to obtain and swap records'. Most tellingly 'he added you cannot fight money laundering effectively by introducing laws alone. You need effective implementation of the law'. Furthermore, an AML official said, 'the facts that the police are not trained in the investigation of financial data do not have expertise in understanding banking records. However, they {the banks} would never welcome the police coming to them and asking for their clients' records. It does not give a good impression of the bank'. The majority of the interviews ended on a positive note, however, with many saying such as "it is my responsibility to share information or SARs if relevant". And the other saying "Money laundering as a crime could possibly be used against us (as a country)". Some of them say that "I believe sharing of information would help our department and solve and combat money laundering. But we need to give each department chance to do fulfil their objectives in the way that helps investigation to bring the cases to justice". Appeared to have had little success, and acted 'after the event' rather than prevent it, which is necessary to protect the integrity of business. Challenge, however, appears to be one of integrity within some financial institutions as one part of the tripartite structure – legal framework, private financial sector and police - needed to work together to help prevent/reduce money laundering.

When asked 'do you find it easy to discover money laundering, and arrest suspects', an AML representative suggested that there is 'a general consensus of opinion amongst the bank managers and the AML officials that money laundering is not an easy crime to detect. Criminals use different tactics in order to hide the true origin of black money'.

However, the respondents from all sectors interviewed were aware that the Nigeria is committed to sharing

financial information with its overseas partners in order to strengthen mutual cooperation to prevent money laundering and the financing of terrorism. The AML were particularly aware though, that criminal elements were taking full advantage of the cash-based economy in the Nigeria to launder money in the region. One respondent made it perfectly clear when they said ‘If, for example, a person suddenly becomes rich without having any proper business or employment, there is no mechanism in place to ascertain the source of that person’s money’. It was further believed that criminals are also taking advantage of the weak immigration control systems increasing challenge of policing a growing illegal population and cash payments and transfers via western money system or money gram. Pursued on the matter of how they would arrest someone investigated for money laundering, the police generally agreed on the complex nature of this process. All agreed that money laundering is a different and unique type of crime; it varies from one case to another depending upon the nature of the case. In some cases one respondent said, ‘we arrest people on the spot, whereas in other cases we have to search homes, offices [and so on]. In some cases, we do not even manage to arrest the accused person for years. All the officers agreed that, ‘generally, cases referred to them via the Customs Authority are easier to handle than cases that have come via the AML’, as suspects in former cases could be arrested immediately at the port of entry. The only available information, however from the Nigeria police released by the Director of Investigation was from 2002, with 16 cases associated with money laundering reported to relevant authorities. Nonetheless, some of the cases are still pending as they require detailed investigation years after they were discovered.

## CONCLUSION

In this paper themes emerged that indicated that AML practice in Nigeria is in need of some attention. This is particularly the case for those tasked with the supervision and regulation of the financial sectors, and other markets (i.e. gold market). This is compounded by the lack of skills and knowledge of law enforcement in dealing with cases of money laundering. This is not a criticism of law enforcement bodies; it is as a result of this research that police officers illustrated professional reflection and requested increased resources and information and education on how best to prevent this crime.

Furthermore, the lack of communication was a concern, primarily from law enforcement that considered the ‘sometimes’ limited response for information from the private sectors as indifference, studied obstruction and/or in-house incompetence. Regardless of the potential reason a clear channel of communication about possible cases, suspicious behaviour and access to client accounts needs to be addressed. However, rather than be seen as part of challenge, those working for the financial sector interviewed felt they were part of the solution in stopping money laundering and saw their role as one of exposing illegal acts, and stopping frauds. This perception, however, did not chime with law enforcements views nor the actual practice discovered in this research.

There was also concern that there are matters beyond the control of law enforcement bodies and the financial sectors. Discussing the issue of new regulation or laws into financial system, one respondent said ‘new regulation might help in stopping money laundering but some sectors are beyond our (the police) and their (financial sector) control. For example: if you are going to rent an apartment you will be surprised when the real estate or the owner will ask you to pay them in cash instead of a cheque. This is beyond our control.’ To state the obvious, it is impossible to trace funds that the police and financial sectors have no record of. This is a major problem in Nigeria, where cash rather than credit is highly valued and sought by legitimate businesses let alone organised crime. This paper has offered a snapshot of current practice in Nigeria and it offered anonymous employees in different sectors a chance to express their views. These views are not necessarily representative of all employees or across the sectors, but they offer a snap shot of views on the issues that count from those working ‘on the inside’ regarding the prevention of money laundering in Nigeria and the Nigerian.

## RECOMMENDATION

We are aware that it is difficult to prevent money laundering and provide customers with a service the two are not insurmountable. It is recommended that the following preventive measures, are needed to mitigate these risks:

1. A company must establish and maintain effective internal policies, procedures, and controls to prevent opportunities for money laundering. A money laundering compliance programme
2. Should be defined by senior management and/or the board of directors which must consider local/emirate regulations prior to adopting a compliance programme.
3. A company must appoint a compliance officer. When a company appoints a compliance officer, it is imperative to verify that the qualifications of that person meet the local requirements. The compliance officer should be responsible for the day-to-day compliance of the business with the AML laws, and for ensuring the compliance programme is updated as needed. The compliance officer should be responsible for overseeing a company’s ongoing education and training programme. The compliance officer should also be responsible for maintaining records and reporting suspicious cases to the relevant authority.



4. It is important to obtain details of customers in order to verify their identities, including full name and address, passport or identity card (for individuals) and trade. Such information must be periodically and regularly updated. The more a company knows about its customers, the better can money laundering abuses be prevented.
5. A company must adopt policies and procedures for the identification and reporting of suspicious activity. A company must review Nigeria regulations for what it considered to be a suspicious transaction as well as the allowable time delays to report such activity.
6. A company must establish an ongoing employee-training programme for all employees. Effective training should present real-life money laundering examples, preferably cases that have occurred in the company, including how the pattern of activity was first detected and its ultimate impact on the company.
7. A company must conduct an independent audit of its AML compliance programme to ensure its adequacy. Such an audit should be conducted periodically based on the risks faced by the company and the requirements of the Nigeria regulations.
8. The culture of compliance is considered the key in the effective prevention of money laundering and to raise awareness in the community. This is vital as the compliance and commitment in the attempts to reduce the incidence of money laundering in Nigeria is one of the greatest policing challenges that it presently faces. However, it is the duty of the financial sector and to ensure that it is familiar with the laws and regulations in Nigeria, and if unaware take the advice of legal specialists in case of difficulty in understanding money laundering legislation.

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