

COMPLIANCE IMPERATIVES:

**What Financial Institutions Should Know About The Nigerian
Financial Unit Suspicious Transaction Reporting Guidelines**



On 13 December 2024, the Nigerian Financial Intelligence Unit (the "**NFIU**") issued the Guidelines for the Identification, Verification and Reporting of Suspicious Transactions Related to Money Laundering, Financing of Terrorism, and Proliferation of Weapons of Mass Destruction ("**ML/FT/PF**") for Financial Institutions (the "**STR Guidelines**").

These Guidelines are a significant development aimed at enhancing the control measures put in place by financial institutions¹ by requiring these institutions to generate and file adequate Suspicious Transaction Reports ("**STRs**"). Transactions are deemed "suspicious" when they involve frequencies which are unjustifiable or unreasonable, surrounded by conditions of unusual or unjustified complexity, lack economic justification or lawful objectives, are inconsistent with the known transaction pattern of the relevant account, or in the opinion of the reporting institution, involves the proceeds derived from criminal activities, money laundering or terrorist financing.²

This article examines the key provisions of the STR Guidelines and its impact on the operations of financial institutions.

PRE-STR GUIDELINES ERA

Prior to the issuance of the STR Guidelines, laws such as the **Money Laundering (Prevention & Prohibition) Act, 2022** (the "**MLPPA, 2022**"), **Terrorism (Prevention & Prohibition) Act, 2022** (the "**TPPA, 2022**"), and other sector-specific regulations set out provisions for the reporting of suspicious transactions to the relevant regulatory bodies.

Specifically, the MLPPA 2022 requires a Reporting Entity ("**RE**")³ to draw up a written report containing all relevant information on the suspicious transaction,⁴ take appropriate action to prevent the laundering of the proceeds of a crime or an illegal act, and report the suspicious transaction and actions taken to the NFIU.⁵

In fulfilling their reporting obligations, REs make use of transaction monitoring systems to identify suspicious transactions, unfortunately, these systems often produce false positives based on the indicators developed and set by the RE. Thus, REs would manually review and verify the transaction monitoring system alerts to determine the potential STRs required to be filed to the NFIU resulting in the submission of low-quality reports featuring incomplete, inaccurate, and disorganised narratives, along with insufficient descriptions of suspicious transactions.

¹ These include banks, virtual asset service providers, insurance institutions, bureau de change, finance companies, pension fund managers, and other businesses as the Central Bank of Nigeria, the National Insurance Commission or the Securities and Exchange Commission of Nigeria may designate.

² Section 7(1) of the MLPPA, 2022.

³ Reporting entities include financial institutions and Designated Non-Financial Businesses and Professions (as defined in the MLPPA, 2022).

⁴ Section 7(1) of the MLPPA, 2022.

⁵ Section 7(1) of the MLPPA, 2022.

Therefore, it is intended that these STR Guidelines will minimise incidences of false positives, defensive filings of STRs and ensure that the STRs filed to the NFIU are accurate. Please note that the STR Guidelines are to be read in conjunction with the [NFIU Guidance Note](#).

KEY PROVISIONS OF THE STR GUIDELINES

1. What Constitutes a Suspicious Transaction Eligible for filing at the NFIU?

Before filing an STR at the NFIU, REs are required to verify that the transaction is suspicious. In establishing the grounds for these suspicious transactions, the RE must take appropriate measures to ensure that it:

- (a) screens and reviews all transaction alerts;
- (b) assesses the facts and contexts surrounding the suspicious transaction. These facts may include the transaction date, time, location, amount or type, and any other information available to the filing institution. Such information may be obtained through the account opening process or due diligence efforts (such as transaction or customer record updates). For clarity, the information should explain the transaction in a manner which allows for the NFIU to differentiate what may be suspicious or reasonable;
- (c) links the ML/FT/PF indicators or red flags to the assessment of the facts;
- (d) explains the grounds for suspicion, outlining how the facts, context and the ML/FT/PF indicators were utilised in reaching a reasonable ground for suspicion;
- (e) identifies high-risk predicate offences as contained in the National Risk Assessment, the findings of any relevant sectoral risk assessments, as well as the entities' Anti-Money Laundering, Counter Financing of Terrorism and Counter-Proliferation Financing ("AML/CFT/CPF") risk assessment policies;
- (f) identifies higher-risk jurisdictions as outlined in the relevant regulations issued by the regulatory bodies.

2. The Content and Narration of an Eligible STR

An STR must contain the following:

- (a) a detailed and well-organised account of the suspicious activity, clearly identifying the subject of the report, time the transaction was conducted, place of performance (channel or geographic), what the subject is doing, why the subject is doing it, and how the subject is doing it;
- (b) details of the alert(s) that triggered the investigation and all previous alerts and/or STR filing history on the subject (if any);

- (c) details of previous internally triggered investigations or law enforcement agency requests on the subject;
- (d) a detailed account of remedial actions taken by the RE to address the identified risk surrounding the transaction.

3. STR Accompanying Documents and Details

These documents/information are required to be included with the STR:

- (a) customer identification documents/account opening package;
- (b) transaction records such as transaction slips or receipts, bank statements or bank activity (in excel format), electronic payment records, customer loan account records/deposits, evidence of remittance by International Money Transfer Operators;
- (c) predicate offence⁸ documentation indicating the specific predicate offence. Predicate offences include corruption, money laundering, terrorism financing etc.

4. Requisite Timelines

STRs are to be submitted to the NFIU within twenty-four (24) hours of the transaction. As provided under the MLPPA, 2022 and the TPPA, 2022, this transaction timeline begins from the date the transaction is deemed suspicious by the RE. The scrutiny period by the RE should also not exceed seventy two (72) hours.

5. Penalties for Non-Compliance

Non-compliance with the reporting requirements will result in penalties as stipulated under existing laws. These penalties include fines, revocation of licences, and possible imprisonment, underscoring the seriousness of adhering to the STR Guidelines.

The STR Guidelines aim to enhance the overall effectiveness of Nigeria's efforts in combating financial crimes by improving the quality of STRs, standardising the reporting process, and strengthening the country's general anti-money laundering framework. Financial institutions must now focus on full compliance to not only avoid penalties, but also contribute in the development of a robust financial system resilient to the threats of money laundering and terrorism financing.

⁸ These are offences relating to corruption, money laundering, terrorism financing, etc.

For further information or assistance regarding compliance with the STR Guidelines, please contact Famsville:

Phone: +234 9068909300

Email: info@famsvillelaw.com

Website: www.famsvillelaw.com

Address: 214B, Eti-Osa Way, Dolphin Estate, Ikoyi, Lagos, Nigeria

Authors:



Temitope Sowunmi

Partner

temitope.sowunmi@famsvillelaw.com



Rachael Olayemi

Associate

rachael.olayemi@famsvillelaw.com



Victor Abolaji

Associate

victor.abolaji@famsvillelaw.com



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