



# Finance Regulatory Updates

## May 2025

In this edition, we discuss important updates issued by key regulators in the financial service sector. This month, the Central Bank of Nigeria (the “CBN”) issued relevant guidelines and market updates.

We take a cursory look at the key insights from these updates and their impact on relevant stakeholders.

### ***Exposure Draft of the Baseline Standards for Automated Anti-Money Laundering (AML) Solutions***

By a circular dated 20 May 2025, the CBN issued a draft of the Baseline Standards for Automated Anti-Money Laundering (AML) Solutions (the “**Draft Baseline AML Standards**”). The Draft Baseline AML Standards aim to promote uniformity, operational efficiency and regulatory compliance in the AML solutions utilised by financial institutions in Nigeria.

Issued against the [CBN \(Anti Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions\) Regulations 2022](#), which established a broad institutional and manual framework for the compliance and enforcement of AML, combating the financing of terrorism (CFT), and countering proliferation financing (CPF) measures through policies, manual controls, and reporting obligations, the Draft Baseline AML Standards seek to enhance the AML, CFT, and CPF capabilities of financial institutions through the deployment of advanced, technology-driven solutions such as artificial intelligence (AI) powered systems, transaction monitoring, automated risk profiling and assessment, and enhanced data integration.

Some key provisions of the Draft Baseline AML standards include:

- **User Interface:** Financial institutions are to use automated AML solutions that are user-friendly and customised to their peculiarities. These systems must comply with all applicable AML, CFT, and CPF laws and regulations. This interface should be intuitive and efficient, enabling seamless system navigation and implementing a centralised dashboard offering real time reporting, tracking and case management to quicken response times. For institutions operating across multiple jurisdictions, multilingual and multi-currency support will also be essential.
- **System Integration and Scalability:** Financial institutions must ensure the seamless integration of AML solutions with core banking systems, onboarding platforms, and regulatory reporting mechanisms. These solutions should facilitate real-time data exchange, and support standardised formats for interoperability. They must be scalable to accommodate evolving transaction volumes while maintaining data security and compliance. Subject to the approval of the CBN, these may be operated under shared services arrangements.

- **Integration with Watchlists:** AML systems must be capable of integrating with both domestic and international watchlists, including those used for sanctions screening and identifying Politically Exposed Persons, name variations, and similarities. In addition, AML platforms must incorporate adverse media screening functionality and support the maintenance of internal watchlists to generate real-time alerts that prompt immediate case review or escalation.
- **Real-time Monitoring and Anomaly Detection:** Financial institutions are required to implement systems capable of real-time transaction monitoring and anomaly detection. These systems are required to integrate AI and machine learning technologies for behavioural pattern recognition, risk scoring, and adaptive learning. The AML solutions must offer robust transaction monitoring capabilities, utilising multiple risk scenarios configured through filtration rules, and customer segmentation to identify suspicious activities effectively.
- **Customer Due Diligence (CDD), Know Your Customer (KYC) and Know Your Customer's Business (KYB):** The Draft Baseline AML standards place significant emphasis on CDD, KYC and KYB procedures. AML solutions must offer real-time access to customer identification data and support integration with national identity systems such as the Bank Verification Number and National Identification Number, to enhance verification. They must also support enhanced due diligence, and allow for the dynamic reclassification of customers based on ongoing risk assessments. Institutions are expected to maintain synchronised data, ensuring that KYC records accurately always reflect customer profiles and transactional behaviour.
- **Adaptive Learning and Risk Assessment:** AML solutions are required to be configurable to the specific needs of each institution. They should automatically conduct risk assessments during customer onboarding, perform continuous monitoring of risk levels, and update customer profiles based on behavioural changes or new data. Institutions must adopt Adaptive Learning and Automated Scenario Calibration to refine risk-based analysis and minimise detection errors.
- **Regulatory Reporting:** AML platforms should support the automated generation and submission of regulatory reports such as Suspicious Transaction Reports, Currency Transaction Reports, and Foreign Currency Transaction Reports to the Nigerian Financial Intelligence Unit. In addition, financial institutions are to maintain a Vendor Management Policy outlining the specific roles, responsibilities and other support agreements for AML solutions requiring vendor support.
- **Case management:** Financial institutions will need to integrate an Enterprise Case Management (ECM) system within their AML solutions to automate case creation, assignment, and resolution. The ECM should incorporate risk-based transaction scoring, prioritising cases based on customer risk levels and alert severity. Additionally, role-based workflows, such as maker-checker functionality, must be implemented to enhance the review and approval process before case resolution. To ensure compliance and efficiency, AML solutions should support aging and resolution analysis, maintaining detailed audit trails for all system generated cases.
- **Security and Data Protection:** These solutions must include robust, built-in data security features to safeguard sensitive customer information and transaction data in compliance with Nigerian data protection legislation. Access controls must be role-based, ensuring users can only access information and functionality relevant to their responsibilities. Multi-factor authentication is required for system access, especially for administrators and users with elevated privileges.

This progression reflects the evolving compliance landscape in Nigeria as the Draft Baseline AML Standards align with the recommendations of the Financial Action Task Force.

Financial institutions are required to align their AML solutions with the above standards within **12 months of its final issuance**. As the document remains in draft form, comments and suggestions are to be sent to the CBN not later than **13 June 2025**.

***Notification of the Deployment of the Nigerian Non-Interest Financial Institutions' Master Repurchase Agreement (NNMRA) and Commencement of Auction of CBN Non-Interest Asset-Backed Securities (CNI-ABS) and CBN Non-Interest Note (CNIN)***

By a circular dated 23 May 2025, the CBN introduced new measures aimed at enhancing the non-interest (Islamic) financial sector and ensuring effective liquidity management among non-interest financial institutions (NIFIs).

For context, although significant progress had been made with respect to the framework and development of NIFIs, these institutions faced a core problem; lack of Shariah compliant liquidity management tools. While the traditional financial institutions rely on interest-based liquidity tools such as treasury bills, these NIFIs have historically struggled with excess liquidity, and the lack of short-term interbank options.

In a seemingly corrective move to fix the historical regulatory exclusion of NIFIs, and promote inclusiveness and parity between the NIFIs and the interest-based institutions, the circular provides for:

- 1. A Nigerian Non-Interest Financial Institutions' Master Repurchase Agreement (NNMRA):** The NNMRA is a standardised contractual framework facilitating repurchase transactions within the non-interest banking sector. It provides clarity on contractual obligations, counterparty roles, and operational procedures, ensuring regulatory compliance and financial stability in liquidity management.
- 2. Auction of the CBN Non-Interest Asset-Backed Securities (CNI-ABS):** The CNI-ABS are tradable securities backed by tangible assets, structured to comply with non-interest finance principles. These instruments provide NIFIs with effective tools for managing surplus liquidity and meeting reserve requirements without resorting to interest-based mechanisms.
- 3. Auction of the CBN Non-Interest Note (CNIN):** The CNIN is structured as an interest-free loan instrument, enabling eligible financial institutions to access liquidity support while adhering to ethical financing principles. This initiative strengthens monetary policy effectiveness by providing NIFIs with liquidity buffers without violating non-interest banking frameworks. The CNIN is particularly beneficial for NIFIs seeking short-term funding solutions that align with their operational principles.

The CBN has mandated that all eligible participants, including fully-fledged NIFIs and conventional banks with non-interest finance windows, integrate these instruments into their operations.

Strict adherence to the Revised Guidelines for the Operation of Non-Interest Financial Institutions' Instruments, 2022 is required. Notably, on the days when the CNI-ABS and CNIN auctions are conducted, access to the CBN's discount window will be restricted to maintain the integrity of the non-interest financial system.

For additional information, please contact us on [info@famsvillelaw.com](mailto:info@famsvillelaw.com)

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