



NIGERIAN BAR ASSOCIATION ANTI-MONEY LAUNDERING COMMITTEE

ANTI-MONEY LAUNDERING, COUNTERFINANCING OF TERRORISM AND PROLIFERATION FINANCING (AML/CFT/PF)

NBA AMLC EXAMINATION MANUAL

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G/CM/2/2025

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Anti-Money Laundering and Countering Financing of Terrorism and Proliferation Financing (AML/CFT/PF)

NBA-AMLC Examination Manual



MAY 2025

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1. INTRODUCTION

This Manual for Compliance Examination (hereinafter Manual) is to assist the Nigerian Bar Association Anti-Money Laundering Committee (the NBA-AMLC) in their supervision of Legal Professionals in Nigeria. The Manual has 13 sections and provides a detailed overview of a risk-based supervision framework in line with the Rules of Professional Conduct for Legal Practitioners 2023, and the NBA-AMLC Appointment and Examination Rules and Protocols, 2024. The Manual takes into consideration the findings from the Risk Assessment Report (RAR) for the Legal Sector, which shall form the basis for the analysis of risks. It is expected that the Manual would be read together with extant laws, regulations and protocols.

2. OBJECTIVES OF COMPLIANCE EXAMINATION

The objectives of the Compliance Examination manual are to guide the NBA-AMLC on how to undertake the following tasks:

- a. Evaluate whether policies, measures and operating procedures are adequate and compliant with the Rules of Professional Conduct for Legal Practitioners 2023, and the NBA-AMLC Appointment and Examination Rules and Protocols, 2024; and standards on Anti-Money Laundering and Countering Terrorist Financing and Countering Proliferation Financing (AML/CFT/CPF).
- b. Continuously assess the level of AML/CFT awareness of lawyers and staff of Law Firms.
- c. Review and ascertain the effectiveness and adequacy of Law Firms/Lawyers' KYC/CDD policies, procedures and practices.

- d. Assess the policy, procedure and practice relating to detection, and reporting of suspicious transactions by Law Firms/Lawyers.
- e. Assess the report rendition profile, capability and inherent impediments to render statutory reports.
- f. Assess the independence and effectiveness of the compliance function.
- g. Assess the implementation of Targeted Financial Sanction related to Terrorism and Proliferation Financing.

3. MEANING OF COMPLIANCE EXAMINATION

Compliance Examination means any evaluation, assessment or review of a law firm's/lawyers' records, internal operational structure, policies, procedures and practices undertaken by the NBA-AMLC duly authorized officer or person.

The Compliance Examination will allow the authorized officer to make a conclusion, recommendation, or statement regarding the compliance of Lawyers with the obligations stated in paragraphs 1 and 2(a).

4. CRITERIA FOR SELECTING LAW FIRMS TO BE INSPECTED

As part of the implementation of a risk-based approach to AML/CFT supervision, the selection of law firms/lawyers' offices/records for inspection shall be guided first by the risks identified in the Legal Sector Risk Assessment Report (LSRAR, 2024) as well as the following criteria:

4.1. Gross Revenue Compared to Industry Average

Law firms with significantly higher-than-average gross revenue within the legal services industry may be prioritized for inspection, as higher income could indicate larger or more complex transactions, potentially involving higher ML/TF risks.

4.2. Firm Size and Operational Scope

This includes:

- a. Number of legal and non-legal staff.
- b. Number and spread of operational branches.
- c. Physical office infrastructure (e.g., size and prominence of office complex).
- d. Volume and mode of client transactions (e.g., cash-based, cross-border, trust arrangements).

4.3. Geographical Presence and Strategic Location

Consideration will be given to:

- a. Law firms/lawyers operating in major commercial or financial hubs in Nigeria (e.g., Lagos, Abuja, Port Harcourt).
- b. Firms/lawyers with offices or affiliations in jurisdictions known for high financial activity or those with elevated ML/TF risks.
- c. Relevance of the firm's/lawyer's location in relation to its practice areas.
- d. Other risks identified in the LSRAR, 2024 or others which the Committee may identify from time to time.

4.4. Compliance History and Reporting Behaviour

Assessment of the firm's/lawyer's AML/CFT compliance standing, as demonstrated by:

- a. Timeliness, frequency, and quality of Suspicious Transaction Reports (STRs).

- b. Previous engagement with the NBAAML Committee and responsiveness to recommendations.
- c. Participation in AML/CFT training and awareness programs.

4.5. Client Risk Exposure

Evaluation of the firm's/lawyer's client base, with particular attention to:

- a. Exposure to high-risk categories such as Politically Exposed Persons (PEPs), non-residents, shell companies, or clients from high-risk jurisdictions
- b. Types of legal services offered, especially in areas vulnerable to misuse (e.g., real estate transactions, trust and company formation, and cross-border transactions)

5. THE EXAMINATION PROCESS

The Examination process is divided into three stages:

- a. Off-site Inspection: Pre-Examination planning and examination of Firm's/lawyer's documents and assessment of risks.
- b. On-Site Inspection
- c. Post Examination.

5.1. Pre-Examination Planning

- a. Identify all lawyers/law firms that meet the risk matrix threshold at different levels. At all times, examiners should consult the LSAR, 2024 to ensure that Law Firms/lawyers meet the minimum requirement or threshold of compliance.
- b. Devise an Examination strategy plan.
- c. Request registration and uploading of Law Firms'/lawyers' documents on the NBA-AMLC Portal.

- d. Conduct an off-site examination on each Law Firm/Law office to be inspected.
- e. Determine staff strength and assign tasks and responsibilities.
- f. Determine correspondences to be sent out and response time from Law Firms/lawyers.
- g. Collate and analyze documents received in advance of the inspection (review accounting books and records, such as changes in Management Structure since the last inspection).
- h. Review and analyse reports and correspondences to identify existing or emerging issues.
- i. Write a pre-examination report and obtain approval from the NBAAML Committee before proceeding with an on-site inspection.

6. OFF-SITE EXAMINATION

Offsite examination provides the Committee with information about current and impending issues with lawyers that may not have been detected until the next on-site inspection. Off-site Examination refers to the review of information provided by lawyers and from other sources that may be deemed reliable and independent.

These information sources may be classified into two categories: Official Sources and Open Sources.

6.1. Official Sources

- a. Information available on the Law Firms or a lawyer's files.
- b. Information acquired from relevant government agencies such as the NFIU or the EFCC.
- c. Information provided by the Law Firm/lawyer on demand by the Committee.

6.2. Open Sources include

Open Sources include the Internet, Broadcast Media, Newspapers/Magazines, Journals, and Books. NOTE: To avoid misleading information, all information obtained from open sources should be reviewed within the Committee before it is used as a source. It should also be verified using the Government database or official sources.

7. WHEN ARE OFF-SITE EXAMINATION PERFORMED?

The first off-site examination shall include an assessment of the Law Firm's/lawyer's operations or intended activities, ownership and control information, location of operation, and clients. The leader for each Examination Team is responsible for notifying the Co-Chairman of any issue that may arise from the off-site inspection.

Without prejudice to the above, an off-site review should be conducted:

- a. Routinely, according to the risk profile of the law firm/lawyer.
- b. When there have been any unusual occurrences (s) since the last examination of the Law Firm/lawyer/law office which has materially impacted its risk position?
- c. On receipt of information regarding a particular Law Firm or lawyer, which can significantly impact compliance.
- d. Before going for an On-Site Examination of a Law Firm/lawyer's office.
- e. When returns/reports from a Law Firm/lawyer consistently fall short of its known volume over a period, or returns from comparable Law Firms/lawyers.
- f. When there is adverse media information on a registered Law Firm/lawyer.

- g. When a Law Firm or lawyer features or appears in cross transactions with high-risk Law Firms/lawyers or other high-risk persons or organisation.
- h. When a Law Firm or a lawyer is the subject of a law enforcement information request.

7.1. Procedure for Off-Site Examination

- a. Review the previous risk assessment rating of the Law Firm/lawyer on the Risk Matrix (The Law Firm's/lawyer's risk assessment report should be reviewed and updated every twelve months as part of the off-site examination).
- b. Determine the current compliance status of the firm/lawyer using the following criteria:
 - i. No relevant report submitted over the past six months.
 - ii. Regularity of the renditions.
 - iii. Quality of the rendition.
 - iv. Performance of the Law Firm/lawyer on the above criteria relative to comparable Law Firms/lawyers in the same industry.
- c. Determine specific areas of consistent default or vulnerability and other existing issues of compliance.
- d. Determine additional information needed and who (e.g government agencies) can provide the information.
- e. Obtain the management approval to request for the needed information from the identified agencies.
- f. Request in writing for the information needed from the relevant agencies.
- g. Collate, review and evaluate all information obtained from all sources.
- h. Write an off-site Examination report with recommendations for the Co-chairman of the NBA-AMLC for directives.

Note: Except for spot checks, books of account should be requested, received, and analyzed before proceeding with the on-site examination of the Law Firm/lawyer's office. In the event of any Law Firm's/Lawyer's refusal to release the requested document within the specified time, applicable sanctions should be enforced.

8. ON-SITE EXAMINATION

The Onsite –Examination exercise should set out what should be examined in a checklist and may include a range of activities to be used in gathering information about the Law Firm's/Lawyer's compliance and operations, such as the following:

- a. Interviews with relevant members of the Law Firm's management/lawyer's office and staff.
- b. Review of written or electronic documents, such as minutes, observations from last inspection, corporate policies, and procedure manuals; and
- c. Analyze detailed records, such as daily ledger, cash and cheque registers, client files, invoices/receipts.

8.1. On-Site Examination Procedures

- a. The first task is to meet with the management and compliance officer of the Law Firm/lawyer's office.
 - i. Highlight the observation report of the previous Examination and assess corrections made.
 - ii. Review issues relating to change in Beneficial Ownership/Management Structure since the last examination.
 - iii. Review sector specific examination checklist with the Law Firms/lawyers.

- iv. Ascertain the existence and effectiveness of the training program.
 - v. Obtain Documentary evidence of such training.
 - vi. Interview relevant staff to find out about their awareness of AML/CFT/PF policies
- b. Assess the adequacy of Internal controls:
- i. Segregation of duties
 - ii. Exposure to cash transaction
 - iii. Assess the procedure for filing report
- c. Assess the independence of the compliance officer:
- i. Know the other duties he/she handles.
 - ii. Assess the ease of the compliance officer in getting information from the functional departments.
 - iii. Assess his salary and emolument.
 - iv. Find out the reporting line of the compliance officer.
- d. Assess the Law Firm's/lawyer's implementation of Targeted Financial Sanction, Beneficial Ownership Information identification and verification and PEP due diligence.
- e. Assess the Law Firm's/lawyer's policy and procedures for detection and reporting of suspicious transactions.
- f. Review material exceptions and other non-compliance issues with the management and ensure that they review and sign the Exit Meeting Checklists.

9. INAUGURAL ON-SITE EXAMINATION

The Inaugural Examination is an examination conducted after the first off site examination of the Law Firm/lawyer, usually after its

registration with NBA AMLC. The objectives of Inaugural examination are as follows:

- a. To obtain a general overview of the Law Firm's/lawyer's operations, type of legal services offered, client base, management and ownership structure.
- b. To understand the existing business process of the firm/lawyer and identify gaps which make it vulnerable to ML/TF/PF.
- c. Obtain an overview of the extent of the Law Firm's/lawyer's compliance with extant laws and rules.
- d. Address critical compliance issues or curtail criminal abuse of the Law Firms/lawyers.

9.1. Business Process for Inaugural Examination

Once a Law Firm/lawyer is registered, the Committee shall conduct an off-site assessment from government and open sources and collect additional information if necessary. Basically, this assessment should involve:

9.1.1. Assessment of the Ownership Structure of the Law

- a. Highlight relationship with any Politically Exposed Persons.
- b. Owners with existing criminal records or currently involved in criminal litigation
- c. Owners with cross-ownership of a Law Firm/lawyer on the Database

9.1.2. Assessment of Volume (Size) of business

- a. Access the Law Firm's/lawyer's website if available
- b. Obtain the recent tax filing from FIRS

- c. Obtain revenue profile (from questionnaire)
- d. Assess the popularity of its brand (nature of business)
- e. Assess major clients/customers and the structure of the business relationship

9.1.3. Assessment of operational practices, policies and procedures

9.1.4. Compare with similar Law Firms/lawyers that is already filing reports to form an opinion on its expected level of reporting

Note: A Inaugural Examination may be either Off-Site or On-Site.

10. TARGETED EXAMINATION

Targeted inspections are conducted to verify a compliance misalignment during an on-site visit and determine the remedial action to take.

A **targeted AML/CFT examination** (also known as a focused or thematic examination) is a **supervisory activity** that zeroes in on **specific high-risk areas** or **specific compliance weaknesses** in an entity's Anti-Money Laundering and Counter-Financing of Terrorism (AML/CFT) framework, rather than reviewing the entire compliance program broadly. It could be based on the following:

a. Suspicious Transaction Reports (STRs) Trends

- i. A **sudden increase** or **complete absence** of STRs filed by a law firm/lawyer that operates in a high-risk sector.
- ii. Poor quality STRs (e.g., vague, late, or missing key information).
- iii. STRs filed **by third parties** involving the entity (e.g., banks filing STRs about a law firm's/lawyer's trust account)

b. High-Risk Business Activities

The law firm/lawyer is known to engage in **higher-risk services**, such as:

- i. Real estate transactions
- ii. Company formation or nominee services
- iii. Handling large cash payments
- iv. Cross-border financial activity
- v. Use of virtual assets

c. Previous Non-Compliance

- i. History of **regulatory breaches** or **delayed remediation** of deficiencies found in a previous full-scope or off-site review.

d. Thematic Risk Priorities

Depending on thematic priorities of the NBA-AMLC, targeted examinations can be conducted on the following areas, such as:

- i. PEP identification and application of enhanced due diligence to PEP transactions
- ii. Implementation of Targeted Financial Sanction
- iii. Beneficial ownership transparency
- iv. Lawyers' trust accounts, etc.

e. Changes in Ownership, Structure, or Operations

- i. Rapid expansion, merger, or acquisition.
- ii. Change in business model (e.g., starting to act as a real estate agent).
- iii. Influx of foreign clients or offshore structures

f. National or Sectoral Risk Assessment (N/SRA)

The NBA-AMLC may carry out targeted examinations in response to the outcome of a National or Sectoral Risk Assessment.

g. Adverse Media or Public Information

News articles or publications linking the law firm/lawyer to:

- i. High-profile corruption cases
- ii. Financial crime networks
- iii. Sanctioned individuals or countries

10.1. Target Examination could be done at:

- a. Individual Law Firm/lawyer.
- b. Sectoral level.
- c. Thematic level- i.e targeting a specific theme like KYC/CDD, independence of Compliance Officer, or STR reporting.
- d. Geographical (representation) level.

10.2. Business Process for Target Examination

- a. Review the basis for the target Examination.
- b. Collate additional facts - from the NBA-AMLC database and other relevant agencies.
- c. Obtain approval stating the facts of the matter and the justification for the inspection.
- d. After approval, hold a team meeting to assign duties and develop an action plan for the inspection.
- e. Notify the Law Firm/lawyer of the date of inspection.
- f. Conduct the Examination.
- g. Write Examination report.
- h. Write an observation report to the Law Firm/lawyer or forward recommendation for enforcement or investigation and possible disciplinary action.

11. ROUTINE EXAMINATION

Routine Examination shall be a periodic assessment of the Law Firms/lawyers compliance status, effectiveness of internal control, policies and procedures, change in ownership and control

structure, change in volume of business/activities, change/expansion of business line, training and overall progress of AML/CFT program.

11.1. Business Process for Routine Inspection

Law Firms/lawyers are expected to undergo routine Examination using the NBA-AMLC risk-based approach with more emphasis on the high-risk Law Firms/lawyers.

11.1.1. Therefore, the frequency of the Examination shall be as follows:

- a. High Risk Law Firms/lawyers- Twice a year (the second examination shall be a follow up)
- b. Medium Risk Law Firms/lawyers – Once in two years
- c. Low Risk Law Firms/lawyers – once in three years

Note: All Law Firms/lawyers can be subjected to examination at any time, if there are material changes that can significantly affect their current risk ratings.

11.1.2. For a very effective and efficient routine inspection, officers are expected to do a thorough off-site check on Law Firms/lawyers which includes the use of a Compliance Questionnaire.

11.1.3. Officers are expected to follow the process as detailed below:

- a. Decide on the Law Firms/lawyers to be inspected based on location or sub sector.
- b. Send out the risk assessment questionnaire.

- c. Set a risk assessment parameter for the location or sub sector.
- d. Feed in the responses from the questionnaires into the risk matrix.
- e. Generate risk assessment rating for the Law Firms/lawyers.
- f. Collate Law Firms/lawyers with high or increasing risk rating.
- g. Hold a team meeting to develop an action plan for the Examination.
- h. Obtain approval from the Co-chairman stating the rationale for the Examination
- i. Notify the Law Firm/lawyer of the Examination date.
- j. Conduct Examination.
- k. Write an Examination report.
- l. Write an observation letter to the Law Firm/lawyer.
- m. Prepare a case file for further investigation and prosecution where applicable.

12. FOLLOW UP EXAMINATION

Follow-up examinations aim to assess the Law Firm's/lawyer's progress in implementing remedial actions or corrective measures prescribed by the NBA-AMLC further to a previous examination.

12.1. Business Process for Follow-Up Examination

- a. Review the previous examinations and identify the infractions involved.
- b. Review remedial actions by the NBA-AMLC taken since the last examination.
- c. Prioritize thematic areas for the examinations.
- d. Review policy and procedural changes since last examination including risk assessment, if any.

- e. Review documents and test implementation of remedial actions.
- f. Make conclusions in a report and make recommendations for further remedial action or sanction.

13. POST EXAMINATION PROTOCOL

- a. Draw up the Examination report.
- b. Make recommendations to the Co-Chairman.
- c. Write an observation/warning letter to the examined Law Firm, highlighting the areas of material infractions and other issues of non-compliance (if any)
- d. Fix a date for follow up examination on the observed compliance or internal control deficiencies.
- e. For cases recommended for sanction, additional information should be obtained before commencing investigation and disciplinary actions.
- f. Follow up and obtain a periodic progress report/update on the case from the Examination Team.
- g. Alert other teams to flag up the activities of the entity, its directors, owners and other related parties where applicable.

14. FIELDWORK AND DOCUMENTATION

- a. While in the field, an examination team should efficiently gather the information needed to meet the objectives of the inspection. The information that is gathered should be documented carefully in order to facilitate further analysis and support any conclusions and recommendations that arise from the inspection.
- b. While a designated person within the team should be assigned to keep notes of the proceedings of the

examination exercise, individual team members are mandated to also keep their own notes on the proceedings of the inspection, to facilitate a reliable and comprehensive Examination report.

- c. All notes taken by the designated person in each team should be made on an officially issued hardcover exercise book.
- d. Each team should ensure that the compliance officer of the inspected Law Firm/lawyer fills and signs the acknowledgement of inspection and countersigns all the documents or a list of documents provided. This must also be countersigned by a relevant management staff of the Law Firm/lawyer.
- e. An attendance list of persons present, which includes staff of the Law Firm/lawyer at any on-site Examination, must be taken on the NBA-AMLC official registration document or register.
- f. The Team Lead for the Examination is responsible for managing the fieldwork. This involves monitoring the work of the Examination team in order to ensure that the planned Examination activities and reports are completed properly and on schedule. If not, the Team Lead needs to act promptly—for example, reallocating responsibilities among team members, providing coaching, obtaining additional resources, or adjusting the Examination plan.

15. SPECIFIC EXAMINATION ISSUES

15.1. Suspicious Transaction Reporting

Assess the Law Firm's/lawyer's policies, procedures, processes and overall compliance with statutory and regulatory requirements for monitoring, detecting and reporting suspicious activities.

15.2. Examination Procedures

- a. Examiners should seek and obtain proper understanding of the Law Firm's/lawyer's procedure for detecting, reviewing and reporting of suspicious activities.
- b. Review the Law Firm's/lawyer's policies, procedures and processes for identifying, researching and reporting suspicious transactions.
- c. Determine whether they include the following:
 - i. Lines of communication for the referral of unusual activity to appropriate personnel.
 - ii. Designation of individual(s) responsible for identifying, reviewing and reporting suspicious activities.
 - iii. Monitoring systems used to identify unusual activity.
 - iv. Procedures for communication of information to LEAs on request.
- d. Review the Law Firm's/lawyer's monitoring systems and how the system(s) fits into the institution's overall suspicious transaction monitoring and reporting process.
- e. When evaluating the effectiveness of the Law Firm's/lawyer's monitoring systems, Examiners should consider the Law Firm's/lawyer's overall risk profile (higher-risk products, services, customers, entities and geographic locations), volume of transactions and adequacy of staffing.
- f. Review the Law Firm's/lawyer's transaction monitoring reports.
- g. Determine whether these reports capture all areas that pose ML/TF/PF risks. Examples of these reports include: Cash Transaction Reports (CTRs), or PEPs returns.

- h. Determine whether the Law Firm's/lawyer's transaction monitoring systems use reasonable filtering criteria that cover all the risk factors such as customer, geographical location, products/services and delivery channels.
- i. Overall, examiners should assess commitment of the leadership of the Law Firm/lawyer to the STR reporting policy and procedures. Where the leadership intends to override compliance, internal control should be carefully assessed and reported.

16. IMPLEMENTATION OF TARGETED FINANCIAL SANCTION (TFS)

The purpose is to ensure that Law Firms/lawyers have a procedure to implement targeted sanctions. Examiners shall take the following steps:

- a. Assess the Law Firm's/lawyer's policies and procedures on: the identification of customers, monitoring of transactions and the systems for the freezing of funds (assets) of designated persons.
- b. Assess the Law Firm's/lawyer's policies and procedures relating to the implementation of enhanced CDD on customer relationships/transactions in response to requests to alerts from the Nigerian Sanction Committee.
- c. Assess compliance with legal and regulatory requirements relating to terrorist financing, financing of proliferation and application of countermeasures to high-risk countries.

16.1. Examination Procedures for TFS

Examiners should assess the following measures when examining Law Firms/lawyers:

- a. Has the board of directors/management/owners adopted AML/CFT policies and procedures in relation to Terrorist Financing, Proliferation Financing; and implementation of countermeasures in relation to high-risk countries?
- b. Are the procedures relating to the identification of designated persons documented and do they permit the Law Firms to identify such customers at the commencement of the relationship or during the course of the relationship?
- c. Are there procedures to freeze without delay funds, property and assets held by the Law Firm/lawyer, including in safe custody, (client's account as in the case of lawyers), in response to directions received from competent authorities?
- d. Are there procedures to allow access to the funds, property or assets held in response to directions from competent authorities?
- e. Are there procedures to unfreeze funds, property or assets in response to directions from competent authorities?
- f. Are there procedures which clearly specify the types of reports that are to be submitted within the specified timeframe in relation to any relationships with designated persons including attempts to access funds/assets?

17. COUNTERMEASURES FOR HIGH-RISK COUNTRIES

- a. Are there procedures relating to the identification of customer transactions and relationships with countries identified as high-risk by competent authorities?
- b. Do policies and procedures identify the person within the Law Firm/lawyer responsible for ensuring that directions received from competent authorities are effectively implemented? Such policies and procedures should address directions such as:

- i. applying specific elements of enhanced due diligence such as obtaining additional information on the customer, purpose of transactions, nature of the business relationship and the source of funds or wealth of the customer.
 - ii. obtaining senior management approval to continue the relationship.
 - iii. increased monitoring of transactions; or reviewing, amending or if necessary terminating correspondent business relationships.
- c. Are there procedures which clearly specify the types of reports that are to be submitted within the specified timeframe in relation to any relationships with high-risk countries?

18. TRANSACTION TESTING

- a. Determine whether the Law Firm/lawyer is subscribed to the National Sanctions Committee (NSC) alert system to maintain a current listing of prohibited countries, entities and individuals.
- b. Determine whether established accounts/relationships are regularly compared with listings by reviewing a sample of transactions/accounts opened since the last examination and test the files for compliance with KYC policies, practices, procedures and internal controls in place.
- c. Determine if staff are aware of obligations to report to the Compliance Officer if a customer is identified as a designated person.
- d. Determine and assess the processes relating to immediate freezing of the account/funds and monitoring of frozen accounts/funds and internal reporting arrangements.

- e. Determine the role of the Compliance Officer in ensuring that reports are submitted.
- f. Determine that the Compliance Officer ensures that countermeasures in relation to high-risk countries are implemented and that reports are submitted.

19. POLITICALLY EXPOSED PERSON (PEP) DUE DILIGENCE

- a. Evaluate the Law Firm's/lawyer's policies, procedures, and processes to assess, manage, and mitigate potential risks associated with domestic and foreign PEPs.
- b. Evaluate the Law Firm's/lawyer's compliance with regulatory requirements, such as customer identification, customer due diligence (CDD), beneficial ownership of legal entity customers, and suspicious activity reporting with respect to PEPs.

19.1. Examination Procedures for PEP Due Diligence Compliance

- a. Examiners should assess the Law Firm's/lawyer's understanding of the PEP risk factors and the and risk mitigation measures in place. In particular, examiners should assess the Law Firm's/lawyer's understanding of the following risk factors:
 - i. The type of products and services used.
 - ii. The volume and nature of transactions.
 - iii. Geographies associated with the customer's activity and domicile.
- b. The customer's official government responsibilities (the level and nature of the customer's authority or influence over government activities or officials, and the customer's access to significant government assets or funds)

- c. Examiners should determine whether the Law Firm's/lawyer's internal controls are designed to ensure ongoing compliance and are commensurate with its risk profile.
- d. Examiners should also determine whether internal controls manage and mitigate ML/TF/PF and other illicit financial activity risks for its identified PEPs. Examiners may conduct this assessment when evaluating the Law Firm's/lawyer's compliance with regulatory requirements such as customer identification, due diligence and suspicious activity reporting.
- e. Determine whether the Law Firm's/lawyer's system for monitoring its identified PEP customer transaction for suspicious activities, and for reporting suspicious activities is adequate given the Law Firm's/lawyer's risk profile. In particular, the examiners should:
 - i. Determine whether the Law Firm/lawyer collects appropriate information to understand the nature and purpose of customer relationships, and to evaluate such customers according to their characteristics when assessing whether the Law Firm/lawyer can effectively mitigate the potential risk those customers may pose.
 - ii. Determine whether the Law Firm/lawyer effectively incorporates customer information, including beneficial ownership information for legal entity customers (including legal arrangement), into the customer risk profile.
 - iii. Review transaction activity for the selected customer relationships and, if necessary, request and review specific transactions and transaction monitoring documentation to determine whether the Law Firm/lawyer has identified and reported any suspicious activity.

20. SANCTIONS

- a. Based on the examination and testing procedures completed, the Examiners should form a conclusion about the adequacy of policies, procedures, and processes associated with the Law Firm's lawyer's clients, and recommend remedial measures, including follow-up examination as soon as possible.
- b. Where a Firm/lawyer persists in the violation of extant laws, regulations and compliance protocols, the NBA-AMLC shall recommend warning notices, disbarment of the lawyer/owners of the Firm, and closure of the Firm as a registered entity.

21. CONCLUDING NOTES

The Examination procedures provided here are dynamic and subject to change on a case-by-case basis. Law Firms/lawyers should be advised of changes in the NBA-AMLC policies, as they evolve.



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