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Glossary

Term	Meaning
AML	Anti-Money Laundering
CDD	Client Due Diligence
CFT	Combating the Financing of Terrorism
EDD	Enhanced Due Diligence
FAFT	Financial Action Task-Force
LPP	Legal Professional Privilege
MLRO	Money Laundering Reporting Officer
NBA	Nigerian Bar Association
NBAAMLC	Nigerian Bar Association Anti-Money Laundering Committee
NFIU	Nigerian Financial Intelligence Unit
PEPs	Politically Exposed Persons
PF	Proliferation Financing
RPC	Rules of Professional Conduct for Legal Practitioners, 2023
SAR	Suspicious Activity Reporting
TF	Terrorism Financing



Definitions

Term	Meaning
Anti-Money Laundering (AML)	The processes, laws, and regulations are designed to prevent the illegal generation of income and its integration into the financial system as legitimate funds.
Beneficial Owner	An individual who ultimately owns or controls a client, company, or property or benefits from a transaction, even if not directly involved.
Client Account	A dedicated bank account operated by a legal professional to hold client money separately from the firm's operational funds.
Combating the Financing of Terrorism (CFT)	Efforts aimed at detecting, preventing, and disrupting the financing of terrorist activities.
Nigerian Financial Intelligence Unit (NFIU)	The national agency responsible for collecting and analysing financial data to combat money laundering, terrorism financing, and other financial crimes.
Politically Exposed Person (PEP)	Individuals who are or have been entrusted with prominent public functions, along with their family members and close associates, posing higher AML/CFT risks. (See 4.3.1)
Proliferation Financing (PF)	Providing funds or financial support for the development or distribution of nuclear, chemical, or biological weapons.
Suspicious Activity Report (SAR)	A report submitted to the NBAAMLC, NFIU or other authorities to flag suspicious financial transactions that may involve criminal activity. Sometimes referred to as a Suspicious Transaction Report (STR)



1. Introduction

Globally, the legal profession is increasingly recognised as a sector that is vulnerable to exploitation by criminals. This is due to the profession's role in structuring complex financial transactions, facilitating corporate arrangements, and assisting in the movement of property. As a result, there is an elevated risk of legal professionals being unknowingly or knowingly involved in criminal acts. This emphasises the need for legal professionals to have strong risk management and due diligence strategies in place to identify and mitigate such risks.

1.1. Who should read this Guidance?

This Guidance is intended for all legal practitioners in Nigeria, including independent legal professionals and staff within law firms and corporate or public sector legal departments, who are responsible for ensuring compliance with AML, CFT, and PF regulations.

The term 'practice' as used in this Guidance refers to a legal practitioner's business, whether it is a law firm, a sole practitioner's office, or any other entity. If you are a lawyer working within a law firm, 'practice' refers to your firm as a whole, not a specific department or practice group.

In short, this Guidance applies to all legal professionals involved in business and financial transactions where the risk of financial crime could arise.

1.2. What is the issue?

Independent legal professionals play a crucial role in the Nigerian economy by facilitating key transactions such as business deals, property transfers, and corporate structures. However, this vital role also places them at risk of unknowingly facilitating financial crimes, including money laundering, terrorism financing, and proliferation financing.

Money laundering, terrorism financing, and proliferation financing pose serious threats to society. These activities deprive the economy of legitimate revenue, endanger lives, and contribute to the funding of criminal organisations. Legal professionals, therefore, have an essential responsibility to ensure that their services are not used to further illegal activities.



The purpose of this Guidance is to help Nigerian legal professionals understand their obligations under their professional regulations and Nigerian law, ensuring that they are well-equipped to prevent money laundering, terrorism financing, and proliferation financing.

This Guidance aligns with global standards, particularly with the Financial Action Task Force (FATF) recommendations, which emphasise the importance of the legal sector's role in AML/CFT measures.

2. Legal Basis

Key Nigerian laws and regulations that inform this Guidance include:

- Legal Practitioners Act;
- Rules of Professional Conduct (RPC) for Legal Practitioners, 2023
- The Nigerian Bar Association Anti-Money Laundering Committee Appointment and Examination Rules and Protocols, 2024
- Money Laundering (Prevention and Prohibition) Act, 2022;
- Terrorism (Prevention and Prohibition) Act, 2022;
- Nigerian Financial Intelligence Unit (NFIU) Reporting Requirements;

3. Money Laundering, Terrorism Financing, and Proliferation Financing

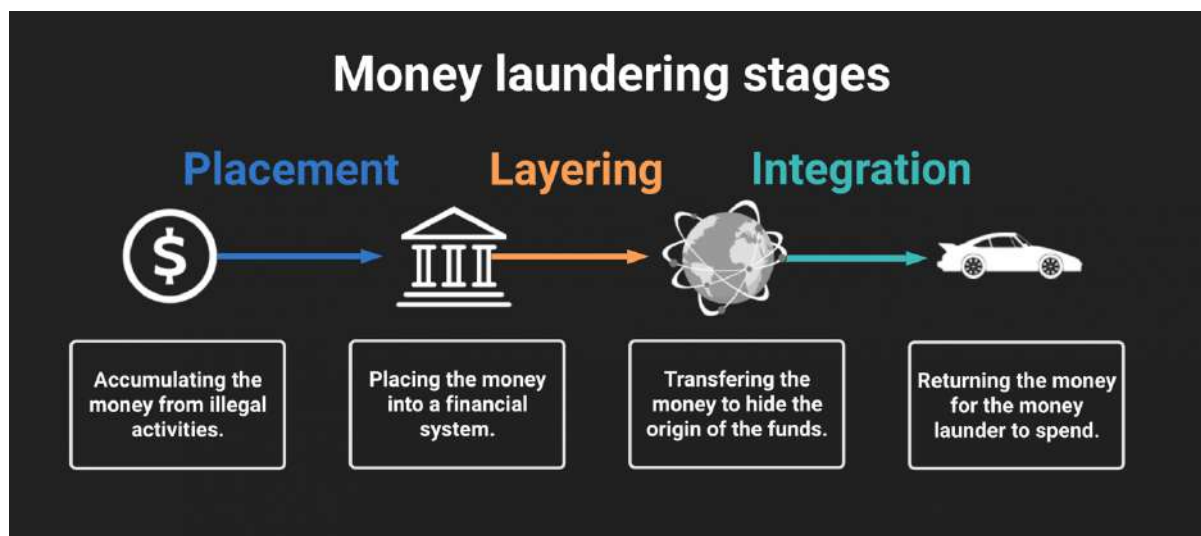
3.1. What is Money Laundering?

Money laundering is the process by which criminals disguise the original ownership and control of the proceeds of criminal activities by making such proceeds appear to come from a legitimate source. It enables criminals to enjoy illicit gains without raising suspicion. Generally, to launder criminal proceeds, a money launderer places the funds/proceeds in the financial system without

arousing any suspicion, moves it in a series of complex transactions to disguise its original (criminal) source and finally, if successful, integrates it into the economy to make the funds appear to be derived legitimately.

3.2. Stages of Money Laundering

1. **Placement:** The process of introducing illicit funds into the financial system, often through cash deposits, purchases of assets, or gambling. This is the point when the proceeds of crime are most apparent and easiest to detect.
2. **Layering:** The movement of funds through multiple transactions, accounts, or jurisdictions to obscure their origin, often using shell companies or off-shore accounts.
3. **Integration:** The reintroduction of laundered money into the economy, making it appear as legitimate income through investments, real estate purchases, or business activities. This is the most difficult stage at which to detect money laundering.



Source: Britton Time

3.3. Common Methods of Money Laundering

- Use of legal professionals to create corporate structures that conceal beneficial ownership.
- Real estate transactions with illicit funds.
- Use of trusts, shell companies, or charities to obscure financial trails.



- Structuring transactions (smurfing) to evade reporting thresholds.

3.4. Terrorism Financing

Terrorism financing involves the collection, movement, or use of funds to support terrorist organisations or activities. Unlike money laundering, which focuses on concealing the illicit origin of funds, terrorism financing can involve legally obtained money being used for illegal purposes.

3.5. Methods of TF

Terrorists use various methods to finance their activities, including:

1. Criminal Activities:

- Drug trafficking, arms smuggling, kidnapping, and extortion.
- Engaging in transnational crime to generate funds.

2. Misused Legal Channels:

- Donations from sympathisers or supporters.
- Charitable organisations and non-profit entities that may be exploited to funnel money and mistakenly be considered a legitimate source

3. Financial Transactions:

- Wire transfers and electronic payments.
- Use of informal money transfer systems like Hawala.

4. Trade-Based Methods:

- Trade in precious stones, black market oil, and other commodities.
- Front companies and deceptive trade transactions.

1.1.1. Key Characteristics of TF

- **International Transfer of Funds:** Terrorism financing often involves the transfer of funds across borders, making it challenging to trace and intercept.
- **Ideological Goals:** The primary aim of terrorism is to pursue ideological goals, with financing serving as a means to an end.



Source: Standard Chartered

3.6. Proliferation Financing

Proliferation financing refers to the provision of funds or financial services for the development and spread of weapons of mass destruction, including nuclear, chemical, or biological weapons. This can involve front companies, deceptive trade transactions, and exploitation of financial systems to acquire restricted materials or technology.

Whilst this risk is presently not significant in Nigeria, understanding the threats is important so as to enable legal practitioners to identify and mitigate potential risks in their practice.

4. Responsibilities of Lawyers

4.1. Client Due Diligence (CDD)

All legal professionals must adopt a risk-based approach to CDD. The Standard CDD Procedures include:

- Verify the client's identity before establishing a business relationship.
- Obtain identity documentation (passport, national ID, corporate registration).
- Keep client data updated.

4.2. Enhanced Due Diligence (EDD) for High-Risk Clients

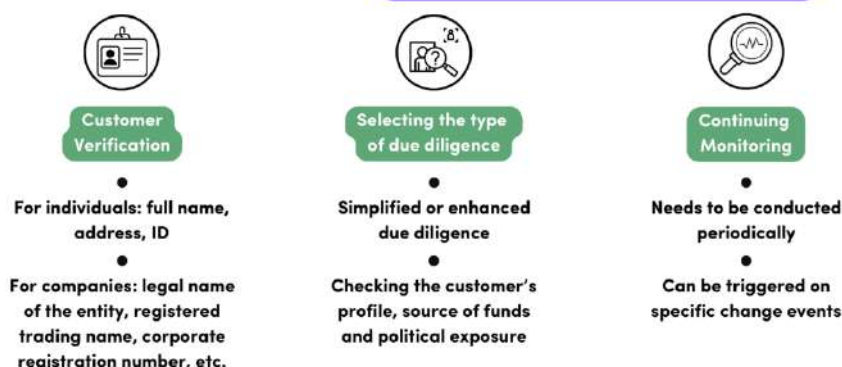
Legal practitioners must conduct EDD when dealing with:

- Politically Exposed Persons (PEPs) (e.g., government officials, senior politicians).

- Clients from jurisdictions labelled as high-risk by FATF.
- Complex corporate structures with unclear beneficial ownership.
- Transactions involving **large cash movements or cryptocurrency**.

Example: If a client wishes to pay a legal fee using an anonymous offshore account, conduct further checks to verify the legitimacy of the source of funds.

The Main Steps of Customer Due Diligence



iDenfy

Source: iDenfy

4.3. Politically Exposed Person/s

A **PEP** is someone who holds or has held a prominent public position. Due to the influence and access associated with such roles, PEPs pose a higher risk for potential involvement in money laundering or corrupt activity.

PEPs include:

- Individuals currently or formerly entrusted with high-level public responsibilities in Nigeria or any foreign country, such as:
 - Heads of State or Government.
 - Senior politicians.
 - High-ranking government, judicial, or military officials.
 - Senior executives of state-owned enterprises.
 - Important officials of political parties.



- Senior officials of international organisations (e.g., directors, board members, or senior managers).
- **Family members** of a PEP: including spouses, children, parents, and siblings.
- **Close associates**: individuals with close personal or professional ties to a PEP, including joint business interests or ownership of entities.

Note: Middle or junior officials (e.g. desk officers, field agents, or lower-level military ranks) **are not considered PEPs** under this definition.

4.3.1. Identifying a PEP

Legal practitioners are not required to carry out exhaustive investigations. However, they must take reasonable steps to identify PEPs, particularly in high-risk scenarios. This may include:

- Asking the client directly (especially if your practice rarely deals with PEPs);
- Reviewing publicly available information or government lists;
- Using electronic verification tools or PEP screening databases, especially where your firm frequently encounters higher-risk clients.

Be alert to **red flags** such as:

- Transactions involving public funds or government accounts;
- Official correspondence using government letterhead;
- Media reports or online information linking a client to political activities.

Where a client may be a PEP, but this cannot be confirmed, apply a **risk-sensitive approach** — consider applying enhanced due diligence measures until clarity is obtained.

4.4. Identifying Beneficial Ownership

Legal professionals must determine the **ultimate beneficial owner (UBO)** by:

- Collecting information on corporate ownership structure;
- Identifying individuals with **25%+** shares or **significant control** over an entity



4.5. Risk Assessment

Lawyers should assess the risk of each transaction by considering the following:

- The client's profile;
- The nature of the legal service provided;
- The source of funds;
- Transaction complexity.

4.6. Record Keeping

Legal practitioners must maintain comprehensive and accurate records of all CDD measures, transactions, and correspondence. These records should be sufficient to enable a competent third party, such as a regulatory authority or law enforcement agency, to understand the nature of the client relationship and the rationale behind any decisions made. Effective record keeping supports transparency, enables audits and investigations, and is a crucial part of demonstrating compliance with anti-money laundering and counter-terrorism financing obligations.

4.7. Retention Period

Records of all transactions must be maintained for a minimum of five years.

4.8. Mandatory Records

- Identification documents.
- Transaction records.
- Communication logs with clients.

4.9. Access for Authorities

Lawyers must provide access to relevant records when required by the regulator (NBAAMLIC).

4.10. Suspicious Activity Reporting (SAR)

Legal professionals must file SARs with the NBAAMLIC if they suspect transactions involve criminal property, terrorism financing, or other illicit activities.



4.11. Key Red Flags of Suspicious Transactions

A 'red flag' is a warning sign indicating potential money laundering or other criminal activities. The table below identifies some of the common risk areas and how to identify a red flag.

Category	Red Flags
Client Accounts	Large cash deposits or withdrawals inconsistent with the client's known business activities.
	Multiple cash transactions just below the reporting threshold.
	Use of multiple financial institutions for a single transaction.
	Payments originating from offshore accounts or high-risk jurisdictions.
	Payments made by unrelated third parties without a clear purpose.
	Significant increase in account activity without a reasonable explanation.
	Sudden changes in the pattern of transactions.
	Use of anonymous shell companies, trusts, or offshore accounts to obscure the ultimate beneficial owner.
	Layers of ownership that complicate due diligence.
Real Estate	Property purchases made entirely in cash, especially high-value transactions.
	Splitting payments across multiple financial institutions.
	Significant discrepancies between the sale price and the market value of the property.

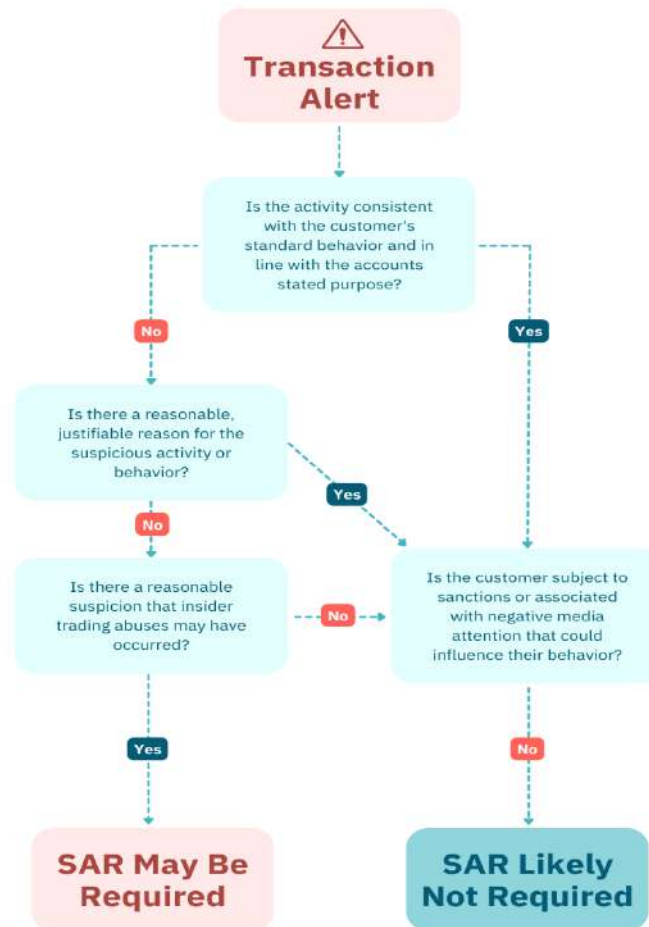


Category	Red Flags
	Manipulated valuations suggesting fraudulent activity.
	Use of straw buyers to obscure the true beneficial owner of the property.
	Payments made by unrelated third parties without a clear purpose.
	Transactions involving areas with weak AML regimes or a history of political corruption.
	Rapid buying and selling of properties without a clear economic rationale.
	Transactions involving properties that are significantly undervalued or overvalued.
	Use of shell companies, trusts, or offshore accounts to conceal property ownership.
	Difficulty in tracing and verifying the true ownership of the property.
General Transactions	Instructions that are unusual in themselves or for the practice/client.
	Instructions outside the practice's normal range of expertise.
	Sudden or unexplained changes in instructions.
	Disputes settled too easily, indicating sham litigation.
	Loss-making transactions where the loss is avoidable.
	Dealing with money or property to avoid attention from trustees or law enforcement.



Category	Red Flags
	Settlements paid in cash or directly between parties.
	Transactions that are complex or unusually large.
	Unusual patterns of transactions with no apparent economic purpose.
Company Transactions	Formation of companies in foreign jurisdictions with few AML requirements.
	Collecting funds from multiple individuals for unclear investment purposes.
	Use of anonymous shell companies or complex ownership structures.
	Transactions involving significant amounts of criminal property.
	Transactions with a high risk of money laundering or terrorism financing.

When should a SAR be filed?



Source: Unit 21

Important: Lawyers must ensure they do not engage in "Tipping Off"—which means informing the client that they are being investigated, as this is illegal under AML/CFT laws.

4.12. Reporting Timeline

- **Immediate reporting:** Suspicious transactions must be reported within 24 hours of discovery to the NBAAMLC.
- **Detailed Reporting:** Provide detailed information about the suspicious transaction, including the nature of the transaction, the parties involved, and any supporting documentation.



4.13. NBAAMLIC's Role in Monitoring SAR Compliance

The NBAAMLIC oversees compliance by:

- Provision of continuous education and information for legal practitioners on AML/CFT reporting obligations.
- Regular supervision and monitoring of firms and lawyers and supporting good practice in internal risk assessment and client CDD processes.
- Reporting non-compliance to the Legal Practitioners Disciplinary Committee.
- Collaborating with the NFIU and other law enforcement agencies to uncover breaches of the regulations and law.

4.14. Reporting Obligations

Rule 60 RPC requires legal practitioners to:

- Report frozen assets all identified positive match on the UN Consolidated Sanction List of persons and entities and the Nigerian Sanction List.

Rule 71(2) RPC requires legal practitioners to:

- Report any suspicious transactions that may be linked to money laundering or terrorism financing.

5. Specific Services and Practice Considerations

Legal professionals engage in a variety of services that present unique risks and compliance obligations under AML/CFT regulations. The following subsections outline key considerations for specific service areas:

5.1. Provision of Client Account Services

Risk Management: Practitioners must implement robust controls to prevent the misuse of client accounts for money laundering or terrorism financing. This includes monitoring for unusual transactions or patterns.

Segregation of Funds: Client funds should be held in clearly designated accounts, separate from office or personal accounts, to ensure transparency and facilitate accurate auditing.

5.2. Conveyancing and Real Estate Transactions

Due Diligence: Practitioners must verify the identity of all parties involved, establish the beneficial ownership of the property, and confirm the source of funds used in the transaction.

Compliance: Legal professionals must comply with all applicable conveyancing laws, land registry requirements, and regulations related to financial disclosures and suspicious transaction reporting.

5.3. Formation and Management of Companies, Trusts, and Charities

Client Due Diligence (CDD): Comprehensive CDD must be carried out on clients, including beneficial owners, directors, trustees, and any other individuals with control or interest in the structure.

Compliance: Legal practitioners must ensure that all entity formation and ongoing management activities align with the Companies & Allied Matters Act, Trustees Investment Act, Trustees Act, and other relevant legislation.

6. Education and Training

6.1. Mandatory Training for Lawyers

Legal professionals must undertake annual AML/CFT training as part of their Continuing Professional Development (CPD).



6.2. AML Training for Law Firm Staff

- **Frontline employees** should receive AML risk awareness training.
- **Compliance Officers** should be appointed in large law firms to oversee adherence to AML/CFT laws. They are also known as Money Laundering Reporting Officers (MLROs).



6.3. Risk-Based Approach to AML/CFT/PF

A risk-based approach (RBA) enables legal professionals to apply preventive measures commensurate with the level of risk identified. This means dedicating more attention and resources to higher-risk clients and practice areas and simplifying measures in lower-risk scenarios without compromising compliance.

6.3.1. Internal Risk Assessment Responsibilities

Legal practitioners and law firms must conduct internal risk assessments to evaluate their exposure to money laundering, terrorism financing, and proliferation financing risks. This includes:

Risk Identification: Identifying potential areas of exposure based on the nature of legal services provided. This involves:

- **Client Risk:** Assessing the demographic of your client base, including high client turnover versus a stable client base, clients based in high-risk jurisdictions, clients in higher-risk sectors, and politically exposed persons (PEPs).
- **Service Risk:** Evaluating the services provided, such as possibility of misuse of client accounts, sale/purchase of real property, creation and management of trusts and companies, and sham litigation.
- **Geographical Risk:** Considering the jurisdictions in which you operate and any local issues that may impact your risk assessment.

Risk Mitigation Measures: Implementing policies and controls to minimise identified risks. This includes:

- Conducting thorough due diligence.
- Understanding the risks in the jurisdictions and sectors in which your clients operate.
- Introducing measures to identify higher-risk issues and conducting internet-based research on higher-risk clients or beneficial owners.
- Probing the source of funds in higher-risk cases.



Ongoing Monitoring: Regularly reviewing and updating risk assessments in response to changes in regulatory requirements or business operations. This involves:

- Scrutinising transactions to ensure they are consistent with your knowledge of the client and their risk profile.
- Review existing records to ensure they are up to date.

Staff Training: Ensuring employees are trained on AML/CFT obligations and internal risk management procedures. This includes:

- Providing regular training to staff on AML/CFT obligations and how to recognise and deal with suspicious activities.
- Ensuring that staff are aware of the serious nature of AML/CFT obligations and the importance of compliance.

Record Keeping: Maintaining proper documentation of risk assessments and compliance measures for regulatory review. This involves:

- Keeping a documented risk assessment and updating it regularly.
- Ensuring that policies, controls, and procedures are documented and communicated to relevant employees.
- Regularly reviewing and updating procedures to ensure they remain current and effective.

An effective RBA ensures that legal practitioners focus their resources where they are most needed, reducing exposure to money laundering and terrorism financing threats while supporting efficient, proportional compliance.

7. Legal Professional Privilege (LPP) and AML/CFT Compliance

7.1. Duty of confidentiality

A legal professional is professionally and legally obliged to keep the affairs of clients confidential and to ensure that his or her staff (if any) do likewise. The obligations extend



to all matters revealed to a legal professional, from whatever source, by a client or someone acting on the client's behalf.

7.2. Balancing Client Confidentiality and AML Reporting

While legal privilege protects client communications, it does NOT apply if:

- The lawyer knows or suspects that the legal services are being used for money laundering or terrorism financing.
- The client requests assistance in **concealing illicit funds**.

7.3. Lawyers' Ethical Responsibility

- Act in compliance with AML/CFT laws.
- Avoid facilitating transactions linked to financial crime.
- Report suspicious activity without violating client confidentiality rules.

Legal professionals must report, where required by law, unless the information is received in privileged circumstances. When in doubt, seek internal or regulatory advice before deciding.

LPP protects certain communications between a lawyer and their client from disclosure. However, privilege does not apply when the lawyer knows or suspects that the client is seeking advice or assistance to further a criminal purpose, including money laundering or terrorism financing.

8. Enforcement and Sanctions

8.1. Role of the NBAAML

- **Support and Guidance:** The NBAAML will provide support to its members to prepare internal policies and procedures using this Guidance.
- **Collaboration:** The NBAAML will collaborate with national and international regulatory bodies to ensure compliance with global AML/CFT standards.



- The NBAAMLC will oversee compliance with this Guidance and may impose disciplinary action, including filing a report with the Legal Practitioners Disciplinary Committee (LPDC) for non-compliance.

8.2. Role of the Legal Disciplinary Committee

- The Legal Practitioners Disciplinary Committee (LPDC) is empowered under the Legal Practitioners' Act to investigate and adjudicate complaints of professional misconduct, including breaches of AML/CFT regulations.
- Rule 73 of the RPC provides that a legal practitioner found guilty of serious professional misconduct, including involvement in financial crimes, may face severe penalties such as being struck off the roll of legal practitioners, suspension, or fines.
- The LPDC may impose sanctions such as warnings, fines, suspension from practice, or disbarment, where necessary.
- Legal practitioners found to have facilitated money laundering or terrorism financing may face criminal prosecution in addition to professional disciplinary actions.

8.3. Protocols for Law Firm Inspection

To ensure compliance with AML/CFT obligations, the NBAAMLC may conduct scheduled or unscheduled inspections of law firms and individual practitioners. These inspections are conducted following the **Procedural and Examination Rules of the NBAAMLC, 2024**, which provide for transparent, fair, and effective oversight.

1. Notice of Inspection

Law firms will typically be provided with a minimum of **three working days' notice** before an inspection. Notification may be issued through **registered mail, courier service, WhatsApp**, or other verifiable **electronic means**.

2. Pre-Inspection Requirements

Firms are expected to have available the following documents and materials prior to the inspection:



- AML/CFT compliance policies and internal procedures;
- Client due diligence records and verification documents;
- Records of suspicious transaction reports (if applicable);
- Evidence of training for staff on AML/CFT compliance;
- Risk assessment documentation and controls implemented.

3. Scope of Inspection

Inspections may assess:

- The adequacy of risk assessments and CDD processes;
- The implementation of compliance frameworks;
- Recordkeeping practices and reporting obligations;
- Overall adherence to the obligations outlined in this Guidance and relevant laws.

4. Co-operation Requirement

Law firms and legal practitioners are obligated to cooperate fully with NBAAMLC inspectors, provide access to required documentation, and respond to requests for clarification or additional information in a timely manner.

9. Conclusion

This Guidance aims to equip Nigerian legal professionals with the knowledge and practical tools to comply with AML/CFT laws and the regulatory framework for the legal profession. Lawyers must adopt a proactive approach to combating financial crime while upholding ethical and legal obligations.

Legal practitioners are encouraged to:

- **Stay Informed:** Keep abreast of changes in AML/CFT regulations and emerging threats.
- **Implement Best Practices:** Continuously improve internal policies and procedures to enhance compliance.
- **Collaborate:** Work closely with regulatory bodies, law enforcement agencies, and other stakeholders to share information, where appropriate, and best practices.



ANTI-MONEY LAUNDERING COMMITTEE

By implementing these principles and practices, Nigerian legal professionals can contribute significantly to the national and global fight against money laundering, terrorism financing, and proliferation financing, ensuring a safer and more transparent financial system.