Section 1 - Executive Summary

Grey Lists: Nigeria is listed by the US as a “Country of Primary Concern” in respect of ML & FC. Nigeria is no longer on the FATF List of countries, nor are they included in the EU Commission’s list of AML/CFT deficient countries.

NRA: Nigeria published its first NRA in 2017, it reported the most prevalent predicate offences as (i) bribery and corruption; (ii) pipeline vandalism and illegal oil bunkering (iii) advance fee fraud (iv) Illicit drugs, & v) arms trafficking.

Corruption: TI CPI 2019 rank of 146/180, with a score of 26/100. The lowest score in the decade was in 2013 at 25/100 improving to 26 in 2015 and the highest score of 27 in 2017. Overall bribery rate (according to TI/Afrobarometer Survey - 2019) was at 44% (no of users of public service paid a bribe in the previous 12 months), with the Police perceived as the most corrupt (69%).

Organised Crime: According to the OC Index, Nigeria has the highest level of “criminality” in Africa with a score of 7.70/10. The OCI ranked Nigeria’s criminal markets, as follows: human trafficking 8.5/10, human smuggling 7/10, arms smuggling 7.5/10, illegal logging 7.0/10, illegal wildlife trafficking 8.0/10, non-renewable resources 9.0/10, and drug trafficking - heroin 6.5/10, cocaine 6.5/10, cannabis 8.0/10 and synthetic drugs 8.5/10.

Sanctions & Terrorism: No comprehensive sanctions against the country. In 2019, for proliferation, Tier 2 PP Index country with a “Moderate” response score of 335/1,300; Global Terrorism Index 2019 reported “High” impact and a score of 8.597/10. Nigeria is included in US Country Reports on Terrorism.

Modern Day Slavery: US Trafficking in Persons 2020: Tier 2 Country (Watchlist); Global Slavery Index 15/51 African countries. According to the Global Slavery Index (GSI) 2018, the population of the people in slavery in Nigeria is 1.4 million, (incidence of 7.7/1000 people), more than the total number of all the other 16 West Africa countries, combined.

Resilience: Nigeria has a “Resilience” score of 5.67/10 in the OC Index and is ranked 8/54 African countries and 3/15 West African countries. A MER 4th round country review is expected in the coming years.


Overall Ratings: Nigeria is rated overall “High” Risk, 13th highest score out of 14 West African countries & 29th highest score out of 40 overall with a score of 34/100, but with an “Improving” trend.
Nigeria

Capital & Population: Abuja / 214 million approx
Political Leader: Muhammadu Buhari, President (since 2015)
GDP: US$376 billion - 2018 (23% of SSA GDP)
Economic Sector Breakdown: Agri (21%), Ind (22.5%), Services (56.4%)
Exports: US$34.7 billion (2016 est) of mainly petroleum & petroleum products 95%, cocoa to India 30.6%, US 12.1%, Spain 6.6%, China 5.6%, France 5.5%, Netherlands 4.4%, & Indonesia 4.4% (2017).
Imports: US$32.6 billion of machinery, chemicals, transport equipment, manufactured goods, food and live animals from China 21.1%, Belgium 8.7%, US 8.4%, South Korea 7.5%, UK 4.4% (2017).

Score: 34/100 “High” FCN Risk Rating
Rank: 29/40 SSA - 13/14 Region WA

Proceeds / Laundering
range 9.5% - 11.5% GDP / 50-60% of Proceeds

Organised Crime
range up to approx 36 - 38% of Proceeds
(Foreign Actors 7.5/10, State Embedded 8/10, Criminal Networks 9.5/10 & Mafia Style 6/10)

Costs of Corruption
range up to approx 15 - 20% of Proceeds

Nigeria Higher (Inherent) Risk Factors

Customer Risks
Customers with elevated exposures to Criminal activities such as
bribery and corruption, pipeline vandalism and illegal oil bunkering and
advance fee fraud have been identified as the most prevalent predicate
offence where ML threat was rated High (NRA).
Also: drug trafficking, wildlife trafficking &
human trafficking - OC Index
to Higher Risk Sectors

Sector Risks
Banks (in particular Retail
and Correspondent
Banks), Bureau de
Change, MSB's, MMOs,
Gambling Operations &
DNFBPs (Law &
Accounting Firms,
Jewellers & Trust & Co
Service Providers) & Car
Dealers
Hotels & NPOs
Informal Sectors
Hawala

Geography Risks
Country Neighbours;
Major Export / Import
Partner Countries (Trade
Mismatching and IFFs)
Third Countries
US, Brazil, China, Thailand,
Indonesia and the Ballians
(Stolen Nigerian oil)
China & Vietnam (Wildlife
Products), India (Fake
Drugs)
UAE, China, Malaysia,
Hong Kong, South Africa
UK (Ilicit inflows - NRA)
& Benin, Togo & Israel
(Ilicit cash outflows - NRA)

Total Criminal Proceeds in Sub Saharan Africa in US$ Billions - FCN
2020 (not including fraud and corruption and tax evasion)

Mining 10
Wildlife 10
Logging 12.5
Modern Slavery 8.3
Theft 15
Goods Piracy 9
Drugs 5
Fishing 2.2

FCN SSA Country Risk Rating - “Extremely High” Threats by FCN

FCN SSA Country Risk Rating - “Mod - High” Response

Nigeria - Threat Assessment - 2020
Section 3 - Country Information

People & Geography: Nigeria is often referred to as the "Giant of Africa", as it has Africa's largest economy and is Africa's most populous country with an estimated 214 million people (July 2020 estimate), with 52% living in urban locations, the largest in Lagos - which has a population of over 15 million. Nigeria received an estimated 1.3 million immigrants / 1.4 million emigrants in 2019. 

Recent History & Leadership: Nigeria gained independence from the UK in 1960. Regional hostilities were a feature of independent Nigeria with almost continuous unrest and then a rebellion in 1966, and a civil war that ended in 1970. Nigeria, relying on its large reserves of oil, generates significant wealth, but with this wealth comes corruption, which is endemic in Nigeria. Military coups and military leaders finally gave way to presidential elections in 1999. In 2015, and in 2019, former military leader, Muhammadu Buhari, was elected president. He campaigned as a born-again democrat, vowing to root out corruption, revive the economy, and defeat the Islamist Boko Haram insurgency.

Economy & Trade: Nigeria is Sub-Saharan Africa's largest economy with a GDP of US$376 billion, relying heavily on oil as its main source of foreign earnings and government revenues. Beyond petroleum, Nigeria's economic growth has been driven by growth in agriculture, telecommunications, and services. Economic diversification and strong growth have not translated into a significant decline in poverty levels, with over 62% of Nigeria's over 180 million people still living in extreme poverty. Exports of US$34.7 billion (2016 est) of mainly petroleum and petroleum products (95%), cocoa, rubber to India (30.6%), US (12.1%), Spain (6.6%), China (5.6%), France (5.5%), Netherlands (4.4%), & Indonesia (4.4%) - 2017. Imports of US$32.67 billion of machinery, chemicals, transport equipment, manufactured goods, food and live animals from China (21.1%), Belgium (8.7%), US (8.4%), South Korea (7.5%), UK (4.4%) - 2017.

Environment: According to the Environmental Performance Index 2018, Nigeria scores 43.41/100 and is ranked 149/180 countries. Nigeria's Delta region, home of the large oil industry, experiences serious oil spills and other environmental problems, which has caused conflict. Waste management, including sewage treatment, deforestation and soil degradation, and climate change are also problems.

Finance: In Nigeria, 39% of people (over 15) have bank accounts, 2.6% have a credit card, 5.6% have a mobile money account & 6.3% make online payments. Internet penetration is at 42% via 85 million internet users, and there are 169 million mobile connections or 83% of people are connected by mobile. Foreign remittances received of 23.8 billion / 5.3% of GDP (2019).
# Section 4 - Country Ratings & Country Threats Heat Map

<table>
<thead>
<tr>
<th>Source</th>
<th>Nigeria</th>
<th>Source</th>
<th>Nigeria</th>
<th>Source</th>
<th>Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Economic Forum</td>
<td>47.3 / 100</td>
<td>Transparency International (TI) Anti-Corruption Perception Index</td>
<td>8.4 / 10</td>
<td>Freedom House Freedom Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>7.7/10</td>
<td>TI &amp; Abrahamson Crime &amp; Corruption Barometer</td>
<td>64% Overall Crime Rate</td>
<td>Global Terrorism Index</td>
<td>&quot;High&quot; Impact</td>
</tr>
<tr>
<td>OC Index</td>
<td>7.7/10</td>
<td>TRACE</td>
<td>65/100 (2017)</td>
<td>Global Slavery Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Global Slavery Index</td>
<td>7.3/104,000 Incidence</td>
<td>US Dept of State</td>
<td>Yes</td>
</tr>
<tr>
<td>OC Index</td>
<td>9.2/10</td>
<td>Global Slavery Index</td>
<td>1.4 million Estimated number of modern-day slaves</td>
<td>Global Cybersecurity Index</td>
<td>2019</td>
</tr>
<tr>
<td>OC Index</td>
<td>7.5/10</td>
<td>Global Slavery Index</td>
<td>Country Response Rating*</td>
<td>Heritage Foundation Economic Freedom Index</td>
<td>57.2/100</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>US Dept of Labor Child Labor</td>
<td>8 million Criminals</td>
<td>Freedom House Freedom Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>EU Mobility Index</td>
<td>6.4/10</td>
<td>US Dept of State</td>
<td>&quot;Partly free&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>7.5/10</td>
<td>OCI &amp; OECD Counterfeit Goods</td>
<td>62/10</td>
<td>EU Mobility Index</td>
<td>&quot;Partly free&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>US Dept of State Trafficking in Persons*</td>
<td>Tier 2 - Based on suicide</td>
<td>Heritage Foundation Economic Freedom Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>9.2/10</td>
<td>Global Slavery Index</td>
<td>Country Response Rating*</td>
<td>Heritage Foundation Economic Freedom Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>7/10</td>
<td>US Dept of State Trafficking in Persons*</td>
<td>Tier 2 - Based on suicide</td>
<td>Heritage Foundation Economic Freedom Index</td>
<td>&quot;Mostly Unfree&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>EU Listing of Countries for Illegal Fishing</td>
<td>Not Included</td>
<td>US Dept of State</td>
<td>&quot;Partly free&quot;</td>
</tr>
<tr>
<td>OC Index</td>
<td>7/10</td>
<td>US Dept - Wildlife Trafficking</td>
<td>Focus Country</td>
<td>Asset Confiscations</td>
<td>Estimated below 1%</td>
</tr>
<tr>
<td>OC Index</td>
<td>9/10</td>
<td>EUPI &amp; OECD Counterfeit Goods</td>
<td>0.410 (2019)</td>
<td>Financial Information Sharing Partnership</td>
<td>No</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>EU List of Names Co - operative</td>
<td>Not Included</td>
<td>US Dept of State INCSR 2019</td>
<td>Tier 2</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>EU List of Names Co - operative</td>
<td>Not Included</td>
<td>US Dept of State INCSR 2019</td>
<td>Tier 2</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>OECD - Global Forum</td>
<td>Largely Compliant</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>5/10</td>
<td>Tax Justice Network Financial Secrecy Index</td>
<td>Not Included</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>EU List of Names Co - operative</td>
<td>Not Included</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>5/10</td>
<td>OECD - Global Forum</td>
<td>Largely Compliant</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>5/10</td>
<td>Global Financial Integrity</td>
<td>US$400 million (-15.03%) (2017)</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>8/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>OC Index</td>
<td>6/10</td>
<td>Transparency International</td>
<td>44% Overall Crime Rate</td>
<td>FATF Standards</td>
<td>Not Yet Available</td>
</tr>
<tr>
<td>Number of Crime Survey 2020</td>
<td>63.71</td>
<td>OECD Listed Parties WRD Tax Officials</td>
<td>13 local addresses</td>
<td>FATF Counter - Measures Strategy &amp; Effectiveness List*</td>
<td>No</td>
</tr>
</tbody>
</table>

* Symbol Indicates the information is included in the FCN Country Index

---

**FCN Final Ratings - Nigeria**

| Financial Crime News Threat Rating | "Extremely High" | 18/100 |
| Financial Crime News Financial Crime Rating | "High Risk" | 31/100 |
| Financial Crime News Response Rating | "Mod - High" | 50/100 |

**Nigeria - Threat Assessment - 2020**

Page 5 of 32
There are many threats that affect Nigeria, which are in most part targeted towards its resources, the people, crops, wildlife, precious metals and forests. The effect of endemic corruption increases the threats and reduces the ability to effectively respond. For more details in summary form see the figure below.
Section 5 - Key Threats

In this Section 5, the most important criminal markets, are assessed and summarised based on available sources.

5.1 National Risk Assessment (NRA): Nigeria published its first NRA in 2017, it reported as “High” ML threats, bribery and corruption, pipeline vandalism / Illegal oil bunkering and advance fee fraud, with “Medium” threats for fraud and forgery, human smuggling and trafficking, drug trafficking, and arms trafficking.

Corruption, pipeline vandalism and illegal oil bunkering, advance fee fraud - highest FC threats
National Risk Assessment - 2017

The NRA also highlighted that “proceeds generated from criminal activities outside the country are laundered in Nigeria using different mechanisms in order to hide their illicit origin including trade-based ML, Foreign Direct Investment (FDI), direct wire transfers, physical cash transportation, proceeds from drug trafficking” etc, identifying the “UAE, China, Malaysia, Hong Kong, South Africa and UK as posing a significant threat to Nigeria in terms of illicit proceeds inflow”, with countries of concern regarding cash outflows being “Benin Republic, Republic of Togo and Israel due to the high volume of funds movement from the said countries to the Middle East through some Nigerian land borders and airports”.

5.2 US INCSR: Nigeria is listed as one of 80 countries categorised by the US State Department as a Country/Jurisdiction of Primary Concern in respect of Money Laundering and Financial Crimes in its 2019 report.

Country of Primary Concern
US INCSR - 2019

Despite the various measures taken by the Nigerian government to combat financial crimes, the report states that, “Nigeria is a major drug trans-shipment point and a significant centre for financial crime and cyber-crimes. Nigeria has made concerted efforts in recent times to address some of the challenges it faces, implementing its AML/CFT regime. The Nigerian Financial Intelligence Unit (NFIU) is now independent of the Economic and Financial Crimes Commission (EFCC) and its Egmont Group membership has been restored. While systems exist for combating money laundering and associated predicate offences, the Nigerian government must take steps to strengthen them and to institutionalise best practices in financial intelligence management, investigation, and prosecution.”

26 out of 100 score and ranked 148 out 180 Countries for Perceptions of Corruption
TI's CPI 2019

5.3 Corruption: The 2019 Transparency International (TI) Corruption Perceptions Index ranks Nigeria 146/180, with a score of 26/100, a score below 50 is indicative of a country struggling with corruption issues. The lowest
score in the decade was in 2013 at 25/100 improving to 26 in 2015 and the highest score of 27 in 2017\textsuperscript{10}.

Political corruption is a persistent phenomenon in Nigeria. In 2012, Nigeria was estimated to have lost over US$400 billion to corruption since independence\textsuperscript{11}. The rise of public administration and the discovery of oil and natural gas are two major events believed to have led to the sustained increase in the incidence of corrupt practices in the country.

According to TI & Afrobarometer’s Citizens Views & Experiences of Corruption, published in 2019\textsuperscript{12}:

- 43% of Nigerians surveyed think corruption increased in the previous 12 months & 40% that the country was doing badly. Overall, the police service is considered the most corrupt institution, with 69% of people believing that most or all police are corrupt, with 47% of the respondents using police services reported having paid a bribe to the police, up from 45% recorded in 2015.

- Overall bribery rate was at 44%, namely that 44% of users of public service paid a bribe in the previous 12 months.

- Nigerians also think that members of parliament are highly corrupt (60%), followed by local government officials (55%) and government officials (54%). In addition, 51% believe that judges and magistrates are corrupt.

- Although those Nigerians surveyed generally think that NGOs and business executives (44%) are less corrupt, 40% of Nigerians surveyed were concerned about corruption in the NGO sector.

Another survey in 2019 from the UNODC on corruption in Nigeria\textsuperscript{13}, reported the estimated figure of bribery (public bribes asked for and/or paid in the last 12 months) at 30.2%, and that Nigerian bribe-payers paid an average of 6 bribes in the 12 months prior to the survey, or one bribe every two months. As a result, it is estimated that some 117 million bribes are paid in Nigeria on a yearly basis, the equivalent of 1.1 bribes per adult. According to the survey, almost
one in two bribes (45 per cent) are paid for the purpose of speeding up or finalising an administrative procedure. In a large share of cases, bribes are paid for purely speeding up a procedure (38%), while the share of bribes paid to avoid the payment of a fine reached 21% in 2019.

In October 2019, the Human Environmental Development Agenda (HEDA) conducted research that revealed that Nigeria has lost at least US$600 billion dollars to corrupt officials since 1960. Successive governments have introduced measures and strategies to counter corruption in the country, such as the current effort of the anticorruption agencies and the Federal Ministry of Justice, which charged several high net worth individuals with corruption allegations before different courts in Lagos and Abuja.

5.4 Organised Crime: According to Interpol’s Bureau in Nigeria, the country's "geographical location is attractive to organised crime groups either wishing to carry out smuggling operations across the region or to cross it bound for other continents". This is no doubt due to Nigeria's location at the crossroads between West Africa and the Sahel's most violent conflict zone, where instability provides fertile ground for terrorist groups and criminal networks.

The INCSR 2019 Report appears to support Interpol’s view, stating that “despite the various measures taken by the Nigerian government to combat financial crimes, Nigeria is a major drug trans-shipment point and a significant center for financial crime and cyber-crimes. Nigeria has made concerted efforts in recent times to address some of the challenges it faces implementing its AML/CFT regime”.

High Criminality - High Resilience
OC Index - 2019

According to the 2019 African OC Index, Nigeria is considered as a “High-Criminality, High-Resilience” country.

Criminality is rated at 7.70/10, Nigeria has the highest level of criminality in Africa, not least due to its very high scores in almost every criminal market assessed, as well as high scores across the different criminal actor groups operating in Nigeria.

The OCI scored Nigeria's criminal markets, with the highest being: non-renewable resources 9.0/10 (oil bunkering), followed by human trafficking 8.5/10, illegal wildlife trafficking 8.0/10, arms smuggling 7.5/10, illegal logging 7.0/10, human smuggling 7/10 & drug trafficking - heroin 6.5/10, cocaine 6.5/10, cannabis 8.0/10 and synthetic drugs 8.5/10

The top criminal actor types in Nigeria are “Criminal Networks”, scoring 9.5/10 and “State
According to the OC Index, “Criminal Networks are the overwhelmingly dominant form of criminal entrepreneurship in the country. Loose networks of opportunistic Nigerian criminals are a common occurrence in every state of Nigeria. These are involved in a large number of criminal markets, including armed banditry, kidnapping, burglary, carjacking and smuggling of persons, drugs and other contraband.”

State-Embedded criminal actors are “widespread in Nigeria and corruption is rife, and operate especially in criminal activities involving public procurement, and collusion among national and multinational corporate entities. While some measures have been taken to tackle corruption under the current administration, with some degree of success, corruption is pervasive at all levels of the political apparatus. Individuals involved in criminal enterprises are known to have become involved in politics, but often after having laundered their proceeds through licit enterprises.”

Foreign Criminal Actors, “are also present to a significant degree in Nigeria. Several foreign criminal entrepreneurs are active in the criminal markets for arms trafficking, oil and gas, mining and practices associated with illicit financial flows (in particular, multinational corporate entities. Lebanese networks are known to be present in Nigeria (and across West Africa generally), and use their contacts within the diaspora and their import/export businesses to facilitate numerous types of trafficking, from gold to drugs. Mexican cartels also cooperate with Nigerian businesses.”

Lastly, there are some Nigerian organised-crime groups that have known names and identities. “Mafia-style” organised crime groups “are predominantly active in illegal oil bunkering, often with the protection of armed militant groups in the Niger Delta.”

5.5 Modern Slavery: In the US Trafficking in Persons (TIP) 2019 report, Nigeria is a Tier 2 country, an improvement from its position on the Tier 2 Watchlist. Nevertheless, despite noted improvements, Nigeria does not fully meet the minimum standards for the elimination of trafficking, but is making significant efforts to do so.

An incidence of 7.7/1000 & total numbers estimated at 1,386,000

Nigeria remains a source, transit and destination country for human trafficking. According to the 2018 Global Slavery Index, Nigeria ranks 32/167 of the countries with the highest number of slaves (an incidence of 7.7/1,000), but globally in the top 20 for absolute numbers at 1,386,000.
Nigeria’s National Agency for the Prohibition of Trafficking in Persons (NAPTIP) Report in 2017, identified the average age of trafficked children in Nigeria as 15. NAPTIP further identified that 75% of those who were trafficked within Nigeria are trafficked across states, while 23% are trafficked within states. Only 2% of those who are trafficked are trafficked outside the country, according to NAPTIP.

According to ILAB, (2019) goods produced from child labour include cocoa, gold, granite, gravel, manioc & sand produced from forced labour, but also including forced child labour. ILAB reported 31% of children aged 5-14 work (over 14 million children).

According to the OC Index, “Nigerian human trafficking networks are notoriously well established, both across Africa and in other parts of the world. Trafficking networks operating out of southern Nigeria (especially Benin City) specialise in sex trafficking, in many cases for exploitation domestically, in West Africa and in Europe. Other Nigerian networks specialise in trafficking, across the West African region, for labour exploitation, especially trafficking of children for domestic work, begging, small commerce, mining and farming.”

According to the NRA, “the country is gradually being used as a hub and as a transit point by drug traffickers and human smugglers”.

5.6 People Smuggling: People smuggling routes, albeit identified in 2011, continue to see significant numbers in the move from West Africa, in particular to Europe, especially by sea to the Canary Islands and the western Mediterranean routes (overland across the Sahara to Morocco and Algeria) and then by sea to mainland Spain; otherwise, overland to Libya, and then by sea to Italy. Whilst Europe is a desired destination, the majority of those reaching North Africa actually remain there rather than continuing across the Mediterranean. People smuggling is largely controlled by, or involves, organised crime at some part of the journey, in particular when trying to navigate across borders.

5.7.1 Environmental “Green Crimes: Illegal Mining including Oil Bunkering: The NRA, assessed the national ML threat of illegal oil bunkering as “High”. Oil bunkering is theft which “involves the stealing of crude oil and its derivatives from pipelines through a variety of mechanisms, including illegal “bunkering” and fuel pilfering.” The menace of pipeline vandalism and illegal oil bunkering continue to blight the growth and stability of the Nigerian economy.

The impact of this criminal activity often forces oil companies to shut down pipelines due to damages caused by pipeline vandals. According to a 2013 report by Chatham House, oil thieves have many ways to disguise funds including cash smuggling, delayed deposits, use of middlemen, shell companies and tax havens, bribery of bank officials, laundering cash through legitimate businesses and cash purchases of luxury goods. It was further reported that
neighbouring countries as well as the United States, Brazil, China, Thailand, Indonesia and the Balkans were destinations for stolen Nigerian oil, confirmed in part by a 2017 report from the Atlantic Council which highlighted that approximately “30% of all hydrocarbons products are smuggled into neighbouring states”.

The report also highlights that crimes associated with hydrocarbon crime (theft, fraud, smuggling, laundering, and corruption) is significant global and security threat. And said that “combating this pervasive criminal activity is made only more difficult by the reality that many of those in a position to curb hydrocarbons crime are the ones benefiting from it”. The report highlights additional challenges related cases of police corruption and military collusion.

According to Accord’s 2019 report on Oil pipeline vandalism in the Niger Delta, “the social conditions of the Niger Delta present a context and pretext for oil-related crimes, which include petroleum vandalism. The region is characterised by high levels of poverty….There is a high prevalence of material destitution, and a lack of basic amenities - such as portable water, of schools and electricity….The incidences of environmental degradation arising from oil pollution have exacerbated the situation by making it almost impossible for rural dwellers to engage in sustainable farming and fishing, which used to be their traditional mainstay”.

Oil pipeline vandalism in addition to being carried out for illicit financial gain is justified as an “avenue for expressing grievances against a hostile and indifferent Nigerian state and the oil multinationals….Driven by populist grievances against the state and the oil companies over resource equity, militants in the Niger Delta have taken up arms and damaged pipelines and allied petroleum infrastructure. Despite reconciliatory overtures to the leaders of the Niger Delta region, a resolution is unlikely, and the illegal bunkering in the region causing significant losses to the Nigerian state seem likely to continue.

According to the OC Index, “the most pervasive criminal market in Nigeria is for non-renewable-resource crimes. This is explained by both the sheer range of commodities that are illegally traded and the overall reach of these submarkets within the country. Oil bunkering is a major phenomenon in Nigeria and approximately 15% of the country’s oil production is lost, between 300,000 and 400,000 barrels per day, to oil theft. Oil is stolen directly from pipelines, refined through artisanal means, and sold in local and international markets. The criminal actors carrying out the more highly organised bunkering activities are heavily armed and have extensive links to foreign criminal actors. Furthermore, illicit gold mining occurs in Nigeria, but the levels of illegal activity are lower than in other African countries. Nevertheless, limited alternative livelihoods among local illicit gold mining occurs in
Nigeria, but the levels of illegal activity are lower than in other African countries. Nevertheless, limited alternative livelihoods among local populations may make them vulnerable to exploitation and co-option by criminal groups in the illegal gold mining industry.”

5.7.2 Environmental “Green Crimes: Illegal Wildlife Trade: According to the OC Index\textsuperscript{31}, “Nigeria is a major hub for fauna trafficking, particularly for wildlife that is trafficked into Central Africa, and is a transit country, especially for ivory and pangolin scales destined for Asian consumer markets. As Nigeria has a small population of elephants and pangolins, most of the trafficked parts come from abroad.”

Nigeria is listed as 1 of 26 “Focus Countries” identified by the US State & Interior Departments in the Eliminate, Neutralise, and Disrupt (END) Wildlife Trafficking Act\textsuperscript{32}, recognising Nigeria as a country with wildlife trafficking concerns.

The UNODC\textsuperscript{33} in 2019, highlighted cases of seized ivory and pangolin scales in Asia which led back to Nigeria, though whilst these were unlikely to originate from Nigeria, it appeared that Nigeria was “acting as a transit hub for illicit wildlife products, including pangolins, elephant tusks and other protected species, destined for countries in Asia as well as Europe, the Middle East and North and South America”.

In September 2019, Reuters\textsuperscript{34} reported that within that year Hong Kong and Singapore have intercepted three shipments from Nigeria of pangolin scales (weighing 33.9 tonnes), and based on the estimated value in Singapore, worth more than \textbf{US$100 million}.

5.7.3 Environmental “Green Crimes: Illegal Fishing: Nigeria is scored 2.39/5, as against the world average of 2.29 and ranked 49/152 countries, 16/38 African countries, in the Illegal Unreported and Unregulated Fishing Index\textsuperscript{35}. According to the OC Index\textsuperscript{36}, “Illegal, unregulated and unreported fishing is also a major problem in Nigeria: the Nigerian Navy has reported that the country loses as much as \textbf{US$70 million annually to the illegal practice}.”

5.7.4 Environmental “Green Crimes: Illegal Logging: The illegal trade in rosewood is probably the most lucrative form of wildlife crime, with demand high for luxury furniture around the world, but particularly in China and South East Asia. Having decimated most rosewood forests in South East Asia and Central America, criminals began focussing on Nigeria for new supplies. Native West African rosewood known as “kosso” - has most likely become the most traded tropical hardwood species in the world, despite its listing as a threatened species by CITES (Appendix III in May 2016 & then Appendix II effective January 2017). According to a report by the Environmental Investigation Agency (EIA) in 2017\textsuperscript{37}, “most of the billions of dollars worth of wood exported by Nigeria over the past four years was illegal: harvested and/or exported in contravention of state and/or federal laws. The rosewood trade may have benefited the terrorist group Boko Haram.”
Key findings in the EIA report also revealed that “evidence strongly indicates that over 1.4 million kosso logs, worth about US$300 million, were stopped by Chinese customs officials in 2016, then released in 2017, after Nigerian CITES authorities retrospectively issued approximately 4,000 permits”. The retrospective issuance of these permits are reported to be “the result of a grand corruption scheme that involves over a million dollars paid by influential Chinese and Nigerian businessmen to senior Nigerian officials, with the alleged help of Chinese consulate”.

CITES reviewed the findings of the report related to illegal Nigerian rosewood logging, and instituted a suspension in this trade in 2018.

5.7.5 Environmental “Green Crimes: Illegal Waste Dumping:” In May 2015, the United Nations Environment Programme (UNEP) reported that each year, the electronics industry generates up to 41 million tonnes of e-waste from goods such as computers and smart phones, with an estimated 60-90% of e-waste illegally traded or dumped. Citing the same UNEP report, a media article in TRT World in February 2019 reported that Nigeria is one of the main destination countries for such e-waste with an estimated 500 containers, each carrying about 500,000 used computers and other electronic equipment, entering the country’s ports every month from the US, Europe and Asia. Whilst it is illegal to import end-of-life e-waste into Nigeria, weak testing systems at Lagos ports mean smugglers can sneak their consignments in. A large percentage of used technology shipped into Lagos finds its way to central Lagos, known as “Computer Village”. Much of the e-waste from Computer Village, and all over Lagos, reportedly ends up mostly in three landfills scattered around the city. According to TRT World, “One of them is Olusosun, the biggest dumpsite in Africa, measuring up to 42.7 hectares and sitting right in the heart of Lagos. It is the sky-high heap of waste that most people notice upon entering the city centre. Although e-waste statistics from Lagos are unavailable, the dumpsite alone receives up to 10,000 metric tonnes of garbage daily, with a fair amount of it e-waste”.

5.8 Drug Trafficking: The NRA assessed the ML threat of illicit trafficking in narcotic drugs and psychotropic substances as “Medium-High”. Nigeria has an estimated 146,000 people with illegal drug use disorders (2017), representing 0.46% of the population. According to the US CIA Nigeria is a “transit point for heroin and cocaine intended for European, East Asian, and North American markets; consumer of amphetamines” and a “safe haven for Nigerian narcotrafficlers operating worldwide.”

Nigeria has long been identified as an import and transit route for illicit drugs, such as cocaine and heroin, and a grower and exporter of cannabis sativa. Cocaine is trafficked from Columbia, Bolivia, Brazil, Peru and Mexico.
amongst others, through the United Arab Emirates and South Africa, into major international airports and across borders from Nigeria. Subsequently, the drugs are trafficked onward to Europe and to Asia.

Similarly, traffickers smuggle heroin from Pakistan, Thailand and Afghanistan by sea and/or by air into Ethiopia, South Africa, Dubai (UAE), Doha (Qatar) and Turkey, where they are flown into Nigeria for onward distribution to Europe and the USA. Owing to Nigeria’s porous borders, (note also the Economic Community of West Africa (ECOWAS) policy on free movement of persons and goods among member states which is abused to traffic narcotic drugs within the region) has been very difficult for the authorities to break the activities of the drug syndicates.

Nigeria has emerged over the past decade as  a significant producer of methamphetamine, and whilst domestic use is rising, “most is reportedly exported to South Africa where 1 kg of meth sells for up up to €10,000. It is also trafficked to South-East Asia, in particular Japan, where 1 kg can reportedly fetch €130 000.”

The UNODC 2018 report on Drug Use in Nigeria\(^45\) reported that “in Nigeria, one in seven persons aged 15-64 years had used a drug (other than tobacco and alcohol) in the past year. The past year prevalence of any drug use is estimated at 14.4 per cent (range 14.0 per cent - 14.8 per cent), corresponding to 14.3 million people aged 15-64 years who had used a psychoactive substance in the past year for non-medical purposes”and that “Cannabis is the most commonly used drug. An estimated 10.8% of the population or 10.6 million people, had used cannabis in the past year. The average age of initiation of cannabis use among the general population was 19 years”.

According to the OC Index\(^46\), “Drugs markets are pervasive in Nigeria. Psychotropic substances (opiates, especially Tramadol, amphetamine and codeine) are increasingly both traded and abused in Nigeria. Methamphetamines and Tramadol are the synthetic drugs that lead this market – both are smuggled and sold in the country. The port of Lagos is a major hub for Tramadol imports, supplying the entire West African region. Mexican and Nigerian networks have worked together to build crystal meth labs (mainly in the south-west of the country), and Nigerian-sourced methamphetamine now competes in the Asian and South African markets. Domestic abuse of Tramadol and codeine is very high, especially among Nigerian youths, the latter being consumed mainly in the form of cheap codeine-based cough syrups. Nigeria heads the list of West African countries that produce and export cannabis to Europe. The country’s lax border controls, corrupt officials and
globally networked organised-criminal groups facilitate the cannabis trade. The country is also one of the largest producers of cannabis in the region. Nigeria’s south-west region (comprising Ondo, Osun, Oyo and Ogun states) and the south (Edo and Delta states) produce much of the cannabis that is consumed in West Africa. Cannabis is also widely consumed domestically, and evidence from the National Drug Law Enforcement Agency indicates that cultivation is on the rise. While cocaine is associated with affluent consumers and tends not to be used domestically among poorer segments of the population, Nigeria nevertheless plays a major role in transnational cocaine trafficking.

5.9 Arms Trafficking: The NRA assessed the ML threat of illegal arms trafficking as “Medium High”. Small arms and light weapons are becoming endemic in Nigeria and the rate of accumulation is increasing which is in turn having a destabilising effect.

Herdsmen, armed robbers, cult groups, kidnappers and Boko Haram carry out violence with illegal arms, which they obtain easily. Nigeria is a destination and a hub of illicit trade in firearms in Africa, largely due to its porous borders. In 2013, the former Minister of Interior disclosed that there were over 1,499 irregular (illegal & unmanned) and 84 regular (legal & manned) officially identified entry routes into Nigeria, confirming the very porous state of these borders which permit or allow illicit transnational arms trafficking. Terrorists, smugglers and other criminals take advantage of the unmanned borders to smuggle arms, resulting in the influx of over 70% of about 8 million illegal weapons in West Africa. (NRA). The Nigerian government has estimated that at least, 350 million illegal weapons were in the country in 2018.47

5.10 Fraud & Forgery: The advance fee fraud typology, known the world over is commonly called the Nigerian ‘419’ scam. According to Law Explorer48, “The term ‘419’ is coined from section 419 of the Nigerian criminal code dealing with obtaining property by false pretences. This term generally refers to a complex list of offences which in ordinarily relate to stealing, cheating, falsification, impersonation, counterfeiting, forgery and fraudulent representation of facts.

According to the NRA “there are more cases of fraud and forgeries in the banking sector than in any other sector”, which included the use of the internet, ATM, bank branches, and PoS terminals. “Meanwhile, the instruments used by fraudsters to carry out fraud during the period were cash, cheque, cards and slips”. The NDIC reported that the banking industry lost US$43 million to cases of fraud in 2018.49

5.11 Kidnapping and Hostage Taking was also identified as another vulnerability (Rated “Medium High”) in the NRA50 with Nigeria experiencing a “series of kidnapping incidences in the past within the South-East and South-South region of the Country. Although it was most prominent in the South-South due to the existence of international oil companies from where expatriates were mostly kidnapped for ransom. In recent past, the crime
of kidnapping has become very rampant, on the increase and spread to all parts of the country”. Kidnapping heightened between 2015 to 2016, and victims include all calibers of individuals, with ransoms ranging from less than US$70 -US$350 million (NRA51).

5.12 Counterfeiting and Piracy of products:
According to the Trends in Trade & Pirated Goods Report 201952 by the EUIPO & OECD, 3.3% of world trade in 2016 is made up from trade in counterfeit goods. Nigeria is estimated as having a low propensity to export counterfeit products with a score of 0.131/1.0 with export trade to the rest of the world & 0.41/1.0 for export trade with the EU.

According to an International Chamber of Commerce Report53 published in 2015, “Nigeria is the largest market in Africa for counterfeit and pirated products and serves as a gateway to the rest of the continent for rampant illicit trade. The entertainment industry in Nigeria is one of Africa’s biggest industries. Nigeria accounts for 80% of pirated international music CDs and the local music industry witnesses 40% of its products being copied. A report by the Nigerian Television Authority (NTA) in 2008, estimated the total annual loss of the content industries (music, software and video) within the nation to be well over N100 billion. And globally, in 2013, the Nigeria Copyright Commission (NCC) disclosed that the country was losing over \textbf{US$1billion} to piracy annually.”

According to WHO, sham drugs are the world’s most lucrative counterfeit goods, with a global market worth roughly \textbf{US$200 billion}, and Africa accounts for around 42% of the world’s cases54. Nigeria is a major market for counterfeit drugs with the Pharmaceutical Society of Nigeria estimating 70% of the Nigerian market made up of fakes55, and that most imported fake and substandard drugs in Nigeria come from India, China, Pakistan, Egypt, and Indonesia. The National Agency for Food and Drug Administration and Control (NAFDAC) has rejected this figure, believing the figure closer to 2%56. Fakes are dangerous, with an estimated 12,300 deaths annually in Nigeria from fake malaria medication alone57.

Counterfeiting and Piracy of products is rated as in the NRA58 as “Medium High.”

5.13 Car Dealers were assessed in the NRA59 as an overall “Medium High” ML threat, with the Nigerian automobile market comprised of ‘new’ and ‘used’ cars where the used car market is dominated by informal businesses, cash transactions, significantly involves smuggled cars and is attractive to money launderers due to the absence of effective supervision, weak border controls and easy convertibility to cash.

5.14 Non-Profit Organisations: The NPO sector is also assessed as “Medium High” ML threat in the NRA60 which states that, “65% of NPOs interviewed, receive 50% of their funding from foreign donors. While 35% receive100% of their funding from domestic donors. The Nigeria Network of NGOs is self regulatory in the regulation of the activities of NPO’s in Nigeria …..However, the practice of self
regulation by NPOs is plagued with weak enforcement systems and inability to effectively check members.” The NRA concluded that “The abuse of NPOs for ML may seem to be potentially low, but due to the fact that NPO’s are not effectively regulated, they pose a significant threat for money laundering in the country”.

A FATF and GIABA 2013 typology report titled “Terrorist Financing in West Africa” identified cases of non-profit organisations being used for the financing of terrorism, including in one case an international NGO, based in the Middle East, had sought to open a bank account in Nigeria, whilst being associated with / had links to another NGO known to have supported terrorist groups. Red flags included the frequency of withdrawals from the NGO’s accounts, especially in states where the insurgency was prevalent. The NPO sub-sector showed some significant exposure to cash transactions, especially as the use electronic payments are not common in rural areas where the NPOs mostly offer services.

5.15 Tax Evasion: Nigeria has a Tax to GDP ratio of 5.9%, which is the 2nd lowest in Africa and below the average African figure of 16.2% and rated across Africa as a “Low” tax collection country. Tax evasion is, according to the NRA, one of the crimes which presents a high level of threat in Nigeria and that while the tax system is moderately transparent, tax disclosure is estimated to be medium or low. The Tax Justice Network does not include Nigeria in its Financial Secrecy Index.

According to the Financial Times in 2020, there is low tax morale in Nigeria, which could be attributed to the displeasure of citizens in relation to poor services rendered by the government. With increasing debt repayments, and the government seeking to manage the reliance on crude oil revenues, one of the initiatives by the government was to raise “the value added tax rate from 5 per cent to 7.5 per cent as part of a finance bill that aims to bolster revenue collection”. The FT further reports that since the election of President Muhammadu Buhari, The Federal Inland Revenue Service has said it loses “US$15 billion annually to tax evasion and that it has roughly doubled the tax base since 2015”.

5.16 Emerging Threats - Cybercrime: Although the NRA did not include cybercrime as a ML threat, Nigeria is a known centre for cybercrime activities carried out domestically and internationally. Despite this reputation, the 2018 Global Cybersecurity Index (GCI) report, ranked Nigeria 5th in Africa and 57th globally, with a score of 0.650/10, and describing Nigeria as a country that has “developed complex commitments and engage in cybersecurity programmes and initiatives” and a “Medium” level of commitment.

5.17 Overall Threat Level: According to FCN, the overall FC Threat Level is rated as “Very High” Threat (18/100), ranked equal 2nd highest out of 40.
In this Section 6 the focus is on Sanctions and Terrorism threats.

6.1 Sanctions: The Peddling Peril Index (PPI), prepared by the Institute for Science and International Security, classifies Nigeria as a Tier 2 country, (moderate threat out of 3) with a low controls score of 335 out of 1,300. There are 19 (7 entities and 12 individuals) OFAC SDNs listed with connections to Nigeria.

North Korea, Syria and Cuba have embassies in Nigeria, though Iran does not.

According to North Korea in the World, North Korea and Nigeria signed a MOU on Investment to promote bilateral investment opportunities in 2012, and an agreement to promote economic cooperation and educational exchanges in 2014.

“In 2016 North Korean exports to Nigeria were reported at a value of $2.66 million, while Nigeria’s reported exports to North Korea were valued at $54,000 (Source: UN Comtrade).”

6.2 Terrorism: The Global Terrorism Index (GTI) for Nigeria in 2019 was 8.6/10, Nigeria is also ranked 3rd in the list of countries with highest impact of terrorism (2.7 % of GDP) behind Afghanistan and Iraq. According to the NRA, the overall terrorism rating and terrorist financing risk rating are assessed as “Medium”. The Counter Extremist Project quotes the the U.S. Department of State as saying that “Boko Haram and its offshoots are responsible for the displacement of 2.5 million Nigerians, with approximately 200,000 seeking refuge in neighbouring countries. Islamic extremism was a concern for 72% of the Nigerians polled in a study conducted by the Pew Research Center in 2014 and has been a top priority for Nigerian politicians.”

The 2019 GTI advises that “in Nigeria, terrorist activity is dominated by Fulani extremists and Boko Haram. Together, they account for 78% of terror-related incidents and 86% of deaths from terrorism”. Since 2009, the Islamic group Boko Haram has been largely responsible for the terrorist attacks in Nigeria and thousands of deaths throughout the Lake Chad Basin region of West Africa. “The Salafi-Jihadi insurgency has led to 35,000 combat-related deaths and 18,000 deaths from terrorism since 2011, mainly in Nigeria. The group is most active in the north-eastern Nigerian state of Borno but has also perpetrated attacks in Burkina Faso and Cameroon”. The terrorism activities of Fulani extremists in Nigeria has put the country in the spotlight in the last 2 decades. Recently, tensions and violence have increasingly flared between herders and farmers with up to 60,000 people estimated deaths since 2001. Population explosion, resource scarcity, desertification, ambiguous land laws and a weak rule of law provide fertile ground for these crises. Events in the GTD attributed to ‘Fulani Extremists’ reflect the use of terrorism as a tactic in the conflict between pastoralists and farmers, rather than the existence of an organised terrorist group.
In this Section 7, the focus is on Nigeria’s vulnerability to money laundering.

**7.1 Higher Risk Areas:** Higher risk areas have been identified through the published NRA and from other sources, including those set out in this Country Threat Assessment. In many cases a single risk factor may not be evidence of actual higher risks, and higher risks may be more likely to arise where a number of risk factors are identified.

**Nigeria Higher (Inherent) Risk Factors**

<table>
<thead>
<tr>
<th>Customer Risks</th>
<th>Sector Risks</th>
<th>Geography Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers with elevated exposures to Criminal activities such as bribery and corruption, pipeline vandalism and Illegal oil bunkering and advance fee fraud have been identified as the most prevalent predicate offence where ML threat was rated High (NRA).</td>
<td>Banks (in particular Retail and Correspondent Banks), Bureau de Change, MSBs, MMOs, Gambling Operations &amp; DNFBPs (Law &amp; Accounting Firms, Jewellers &amp; Trust &amp; Co Service Providers) &amp; Car Dealers, Hotels &amp; NPOs, Informal Sectors</td>
<td>Country Neighbours; Major Export / Import Partner Countries (Trade Mispricing and IFPs)</td>
</tr>
<tr>
<td>Also: drug trafficking, wildlife trafficking &amp; human trafficking - OC Index to Higher Risk Sectors and/or Geography Risks</td>
<td></td>
<td>Third Countries US, Brazil, China, Thailand, Indonesia and the Balkans (Stolen Nigerian oil)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>China &amp; Vietnam (Wildlife Products), India (Fake Drugs)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>UAE, China, Malaysia, Hong Kong, South Africa &amp; UK (Illicit Inflows - NRA) &amp; Benin, Togo &amp; Israel (Illicit cash outflows - NRA)</td>
</tr>
</tbody>
</table>

Overall, the NRA\(^73\) rated Nigeria’s overall ML threat as “Medium High” while overall ML vulnerability has been assessed as “Medium High” and the national ML risk level in the country overall is assessed as “Medium High”. The NRA identified as “Medium High” rated: Banking, Real Estate, Hotels, NPOs, Law & Accounting Firms, Bureau De Change Operators, Jewellers & Trust & Co Service Providers, with Car Dealers the only sector rated as overall “High”.

**7.2 Cash Based Money Laundering:**
Transactions in Nigeria are still predominantly cash based. With 39% of the population still unbanked and internet penetration at 42\(^74\) and mobile money at 5.6% much of the day to day, person to person transactional activity occurs via exchange of cash for goods or services. Criminal proceeds are generated in Nigeria mostly through bribery and corruption, organised crime, pipeline vandalism, frauds and forgeries. While most of the amounts from these activities are laundered within Nigeria, numerous high profile cases have showed that proceeds related to public office corruption and PEPs have been laundered overseas.

**7.3 Trade Based Money Laundering:** Whilst cash based money laundering, including via mobile money, is probably the principle, and likely the most popular method for laundering funds, trade based money laundering is another. Nigeria has six ports in total, but the Port of Lagos is the largest both in Nigeria and in the top 4 in SSA. The Port of Lagos, accommodates 75% of Nigeria’s imports (2017) with 99% of Nigeria’s trade via sea\(^75\).

**7.4 Other Money Laundering:** Securities, transaction and virtual currency laundering are not considered significant, though virtual currency is popular in the country and is currently unregulated. According to Chainalysis, Nigeria is ranked 2nd out of top 10 SSA countries for illicit virtual currency activity.
In this Section 8, the focus is on Nigeria's vulnerability to Illicit Financial Flows and Illegal Proceeds and to the laundering of criminal and other illicit funds.

According to the African Union based on work and data provided by GFI, it is estimated that Nigeria suffered from illicit financial flows from 2004-2013, averaging **US$17.8 billion** a year, and **US$433 million** from 2008-2017, according to Global Financial Integrity (GFI), to have left the country and in 2017, **US$5.1 billion**.

According to GFI, the most common method for transferring illicit financial funds, is through trade mis-pricing. GFI believe this method or series of techniques may represent up to 80% of illicit financial flows, and can involve abusive and or aggressive transfer pricing, trade mis pricing and mis-invoicing, for example intentionally overpaying for imports of goods or services (or underpaying for exports or services) is a straightforward way of illegally transferring monies out of a country.

The risks increase in trade with so called advanced economies. Whilst not all IFFs are made up of criminal activity, a significant proportion will be. According to the sources and analysis carried out in this Threat Assessment, estimates for criminal proceeds, laundered funds and funds generated by corruption and organised crime, amongst others, are estimated in the following ranges:

- Total estimates for criminal proceeds combined of **9.5 to 11.5%** of GDP and with **15 - 20%** of this estimated as costs of corruption.

- Total estimates for monies available for laundering through the formal sector is **50 - 60%** of criminal proceeds and **36 - 38%** involving organised crime, with most significant criminal actors being “Criminal Networks” and then by “State Embedded Actors”, “Foreign Groups” and “Mafia Style Groups”.

- The largest criminal markets in Nigeria will include corruption, pipeline vandalism and illegal oil bunkering, fraud, drug trafficking and arms trafficking & tax evasion, and those crimes identified as the largest markets across Sub-Saharan Africa (see Pie Chart above).
Section 9 - Resilience & Response

In this Section 9, the focus is on Nigeria's level of resilience and response.

9.1 FATF: With no date fixed yet for Nigeria's 4th round MER, GIABA's May 2014 - January 2015 MER 7th Follow-up Report is the most recent. Despite recognising Nigeria's achievements in improving its AML/CFT regime, for example criminalisation of terrorism, improving CDD and record keeping requirements and reporting obligations of reporting entities, as well as publishing the National Risk Assessment, Nigeria retains low ratings in a number of areas. For example, in its 2015 MER, Nigeria received PC ratings (based on FATF's previous 40/11 Recommendations/Special Recommendations) for R3 (freezing, seizing and confiscation), R10 (record keeping), R13 (STR), R26 (FIU), R32 (stats), R35 & SRI (UN instruments & conventions) and R36 (MLA) and NC ratings for R5 (CDD), R23 (supervision and monitoring), SRII (criminalisation of terrorist financing), SRIII (freeze & confiscate terrorist assets), SRIV (STR on TF) and SRV (international cooperation).

9.2 Resilience to Organised Crime: According to OC Index - 2019, Nigeria has the highest level of “Criminality” in Africa, ranking 1st in the Index with an overall score of 7.7/10. Despite this, it ranks 8th highest on the continent for resilience in response, with a score of 5.67/10. The OCI Index describes Nigeria, as having the, “most robust and comprehensive organised-crime legislative framework in Africa, building upon a solid foundation of international cooperation on the matter. Furthermore, the country’s law-enforcement agencies, its anti-money laundering capacity and the strength of the economic regulatory environment in Nigeria have all been key factors in the country's ability to penetrate organised-criminal activity. Nigeria has also allowed non-state actors to grow and operate relatively effectively, particularly in tackling drug consumption and trafficking. Nevertheless, there is significant scope for improvement with regard to the criminal-justice system’s ability to tackle organised crime.”

9.3. Freedom: Beyond the definations ascribed to human trafficking or modern slavery, a broader concept of freedom is described by Freedom House’s, Freedom in the World Index. The Index ranks countries and their citizens as either, “free” “partly free” or “not free.” With a score of 47/100 Nigeria is rated “Partly Free” in the 2020 Freedom in the World- Freedom House’s annual study of political rights and civil liberties.

The report said “Nigeria has made significant improvements in the competitiveness and quality of national elections in recent years, though political corruption remains endemic. Security challenges, including the ongoing insurgency by the Boko Haram militant group, as well as communal and sectarian violence in the restive Middle Belt region, threaten the human rights of millions of Nigerians.”
Nigeria’s economic freedom score is 57.2, described as “mostly unfree”. Ranked 14th out of 47 countries in Sub-Saharan Africa, Nigeria’s overall score is slightly above the regional average, but well below the world average. Despite being resource rich, economic freedom and economic development are impeded by Nigeria’s chronic and severe political instability, government intervention in the economy, pervasive corruption, power shortages, insecurity, high inflation, and tight credit conditions.

9.4 Governance: Mo Ibrahim Foundation Governance scores Nigeria 47.9 out of 100 in overall governance, ranking 33 out of 54 countries in Africa, and rated as “Increasing Improvement”.

9.5 Basel AML Index: According to the 2019 Basel AML Index, Nigeria is rated 6.89, a decline of 0.03 between 2018 and 2019 scores, ranked 12th highest in the index out of 125 countries ranked, with only 6 SSA countries rated higher than Nigeria.

9.6 Law Enforcement: According to the INCSR 2019, “there is inadequate information dissemination among LEAs about money laundering cases. There is also inadequate understanding of the nature and extent of AML issues in the various sectors in the country” and that “the growing use of new technology and emerging financial tools has the potential to circumvent the management and mitigation of risk even before measures to do so can be fully enacted and regulated”. Law-enforcement agencies, are better equipped than ever to tackle organised crime. In particular dedicated agencies targeting key areas include:

- Economic and Financial Crimes Commission (EFCC), a specialised anti-graft agency
- Independent Corrupt Practices and other related offences Commission (ICPC)
- Code of Conduct Bureau (CCB)
- Department of State Services (DSS)
- Nigeria Customs Service (NCS)
- National Drug Law Enforcement Agency (NDLEA)
- National Agency for Prohibition of Trafficking in Persons (NAPTIP)
- Nigeria Immigration Services (NIS)
- Nigeria Security and Civil Defense Corps (NSCDC)
- The Economic and Financial Crimes Commission (EFCC)
- The State Security Service (SSS) - which includes the Counter Terrorism Investigation Department (CTID), Financial Analysis and Intelligence (FAI) as well as Fiscal and Budgetary Matters (FBM) departments
- Nigerian Police Force (NPF) and

Nevertheless the OC Index points out weaknesses in the judicial system, highlighting “a combination of factors affects judicial performance in Nigeria, including a judiciary that is severely compromised, a lack of modern
facilities in courtrooms, conservative judicial and legal practice, and pervasive corruption”.

9.7 Financial Intelligence Unit: The Nigerian FIU (NFIU), was established in October 2003 as one of the requirements for Nigeria’s removal from FATF list of Non-Cooperative Countries and Territories (NCCTs). In July 2017, a suspension and potential expulsion from the Egmont Group forced the Nigerian government to establish the NFIU as independent and autonomous. The NFIU suspension from Egmont was was lifted in September 2018.

Updated statistics are not publicly available for suspicious transaction reports received by the NFIU, however the NRA includes the following information for 2015 for the commercial banking sector:

- Number of quality STRs filed to the NFIU by the commercial banks - 1,932
- Total number of intelligence disseminated to LEAs and other stakeholders based on STR analysis (proactive disseminations) - 99
- Number of STR related requests for information made to other FIUs - 53

The NRA stated that “effectiveness of Suspicious Activity Monitoring and Reporting within the DNFBP sector is particularly poor”. NPOs and TCSPs were also highlighted as very poor or “close to nothing” for suspicious transaction monitoring and reporting effectiveness.

9.8 Proceeds of Crime Seizures: Nigerian authorities continue to seize proceeds of crime and target criminal funds, including for example:

- In February 2020, Nigerian authorities seized USD8 million in cash on a bus at the Lagos international airport.
- In May 2020, the US DoJ issued a press release announcing it had transferred US$311,797,876.11 to Nigeria from investigations carried out in the US and in Jersey in repatriation of assets the US forfeited that were traceable to the former Nigerian dictator Sani Abacha and his co-conspirators.
- In 2018, according to CiFAR the Nigerian government has been able to forfeit, freeze and recover millions of dollars in assets, with officials claiming to have recovered over $9 billion in 2016 alone, the majority of which from domestic sources.
- In 2019, according to the Anti-Corruption Digest the Nigerian government has collected in excess of N200 billion in final forfeiture cases in 2019, and the Economic and Financial Crimes Commission secured 890 convictions in economic and financial crime cases.

Notwithstanding these asset seizures total criminal proceeds are estimated at likely below 1% of estimated criminal proceeds.
Based on the FCN Sub-Saharan Africa Risk Rating Model, **Nigeria** is rated overall at 34/100, “High” with threats at 18/100 “Extremely High” and Response 50/100 “Moderate - High.”

Ranges for individual components are summarised below, with Low Response - RED, Moderate Response - Amber & Higher Response - Green, (see Section 4 for actual ratings). Key component ratings showing the progress for FATF MER ratings and for OC Index for Resilience, and over time, in the Mo Ibrahim African Governance Index and the Basel AML index are also shown.
Based on this Threat Assessment, the following O&Rs are made as follows:

**Overall O&Rs:**

- A date for the commencement of the FATF 4th MER should be finalised and published in 2020.
- The FIU and designated institutions that conduct investigations and prosecutions should be working harder to target greater asset recoveries than those reported, which represent significantly less than 1% of estimated criminal proceeds generated, at least where information is publicly available. The FIU should seek to establish a Financial Information Sharing Partnership, and publish annual relevant statistics, including SAR numbers and analysis, threats and vulnerabilities.
- The crackdown on high level corruption against senior public officials, in government, in the justice system, and in the police force, should continue, with increased resources to levels commensurate with meeting fighting financial crime expectations/commitments, as well as reviewing current priorities and resourcing to ensure a renewed focus on main criminal markets and those activities that pose the greatest threats and harms, including “green crimes”.
- Stakeholders should consider how to further enhance the response of the private sector, and in so doing incentivise an improvement in “preventative measures” by moving beyond current FI / DNFPB assessments based on technical regulatory compliance to one based more broadly on testing effectiveness.

**O & R for Nigerian Financial Institutions:**

Nigerian FIs may want to consider whether their AML/CTF/Proliferation programmes reflect the threats identified here, and/or if changes are needed.

**O & R for Foreign Financial Institutions:**

Foreign FIs that have exposure to Nigeria from outside the country, may want to consider the following:

- PEPs are likely inherently higher risk, due to high levels of corruption in Nigeria, and the “State Embedded Actor” scores in the OC Index, therefore FIs should consider undertaking EDD+ and heightened monitoring.
- Nigeria can be considered “High”” FC risk from a foreign FI perspective, relative to other countries. Nigeria is also rated as having an “Improving” trend.
- Pending the publication of the MER 4th round, it is premature to speculate as far as compliance with key FATF Recommendation and on “Effectiveness”. Once published, these may have an impact on risk ratings for NPOs, CBRs, MSBs, VASPs and other FinTechs from Nigeria, and the overall Nigeria risk ratings.
Appendix 1 - Range Matrices by FCN

In Section 8 Illicit funds including “Criminal Proceeds”, estimates for criminal funds in percentage terms and for “Costs of Corruption”, as well as estimates for “Laundering” and “Organised Crime” are set out, based on the inputs and calculations explained below.

1. Criminal Proceeds and Corruption: Table A1 below illustrates how the final estimates for “Criminal Proceeds” and “Costs of Corruption” are estimated. By taking the level of “Criminality” in the OC Index 2019, and the score from TI’s Corruption Index 2019, FCN’s overall Country Risk Rating, and based on the aggregate of these 3 sources, a final range estimate for criminal proceeds can be established. For corruption, the three sources are used, but ranges then depend on the level of corruption based on TI’s Corruption Perception Index 2019 score.

Table A1. Range Matrix for Estimating Criminal Proceeds & Corruption by FCN - 2020 - (Very High Rating is 4, High Rating is 3, Moderate Rating is 2 & Low Rating is 1 - with all scores aggregated for OCI Criminality, TI CPI & FCN Country Score)

<table>
<thead>
<tr>
<th>Score</th>
<th>Bottom of the Range % of GDP</th>
<th>Top of the Range % of GDP</th>
<th>Corruption % of Proceeds If Very High Levels (CPI)</th>
<th>Corruption % of Proceeds If High Levels (CPI)</th>
<th>Corruption % of GDP If Moderate Levels (CPI)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>10.5%</td>
<td>12.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>11</td>
<td>10%</td>
<td>12%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>10</td>
<td>9.5%</td>
<td>11.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>9</td>
<td>9%</td>
<td>11%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(Includes a V High)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>8.5%</td>
<td>11.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(No V Highs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>8%</td>
<td>11%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>7</td>
<td>7.5%</td>
<td>10.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(Includes a High)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>7%</td>
<td>10%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(No Highs)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>6.5%</td>
<td>9.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>5</td>
<td>6%</td>
<td>9%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>4</td>
<td>5.5%</td>
<td>8.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>3</td>
<td>5%</td>
<td>8%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(Includes a Moderate)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>4.5%</td>
<td>7.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td></td>
<td>(no Moderates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>4%</td>
<td>7%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
<tr>
<td>1</td>
<td>3.5%</td>
<td>6.5%</td>
<td>15-20%</td>
<td>10-15%</td>
<td>5%-10%</td>
</tr>
</tbody>
</table>

Note: TI CPI Scores below 50 are rated: 40-49 Moderate to High, 30 to 39, High, below 30 Very High; OCI Criminality Scores are rated: 6 or above at Very High, 5 - 5.9 at High, 4 - 4.9 Moderate and below 4 as Low; FCN Scores are rated: 1-19 - Extremely High, 20 - 29 Very High, 30 - 39 High, 40 - 49 Moderate - High, 50 - 59 Moderate, 60 - 69 Low- Mod, 70 - 79 Low, & 80 - 100. For Costs of Corruption, ranges then depend on the level of corruption based on TI’s Corruption Perception Index 2019 score. For more details on source information for the OC Index, see HERE, for TI CPI Index see HERE and for the results for Nigeria for criminality for corruption and the FCN Country Risk Rating Score see Section 3 above.
2. **Monies available for Laundering:** Table A2 below illustrates how the final estimates for the range for monies available for “Laundering” was established. The top of the estimated range is 76% of criminal proceeds, based on the findings of the UNODC 2011 Study, which found that of US$2.1 trillion estimated global proceeds, that US$1.6 trillion was available for laundering or 76%, and that most of this was expected to be available to be laundered via the formal financial sector. Based on the relatively low levels of financial inclusion in most Sub-Saharan African countries compared with the rest of the world, and the size of the shadow and informal economies, as well as the dominance still of cash within Sub-Saharan economies, the estimates available for laundering through the formal financial sector have been assessed with these factors in mind based on the range estimates set out below, from sources estimating bank account and mobile money penetration. **Nigeria is rated “Lower Access.”** For more details on source information on Financial Access, see HERE.

<table>
<thead>
<tr>
<th>Financial Access</th>
<th>Range % for Laundering Criminal Proceeds</th>
<th>Financial Access</th>
<th>Range % for Laundering Criminal Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>V Low Access Levels</td>
<td>40-50</td>
<td>Moderate Access Levels</td>
<td>60-70</td>
</tr>
<tr>
<td>&lt; 30% bank accounts AND &lt;30% mobile money</td>
<td></td>
<td>&gt;40% - 50% bank accounts OR &gt;40% - 50% mobile money OR vice versa</td>
<td></td>
</tr>
<tr>
<td>Lower Access Levels</td>
<td>50-60</td>
<td>Higher Access Levels</td>
<td>70-76</td>
</tr>
<tr>
<td>&gt;30% - 40% bank accounts OR &gt;30% - 40% mobile money</td>
<td></td>
<td>&gt; 50% bank accounts OR &gt; 50% mobile money</td>
<td></td>
</tr>
</tbody>
</table>

3. **Criminal Proceeds Involving Organised Crime:** Table A3 below illustrates how the final estimates for the range for criminal proceeds involving “Organised Crime” was established. The top of the estimated range is 46% of criminal proceeds, based on the findings of the UNODC 2011 Study, which found that of US$2.1 trillion organised crime were involved in US$960 million or approx 46%. Table A takes the different scores for organised crime in Sub-Saharan African countries reported by the OC Index and presents an estimate or range as a % of criminal proceeds, established as set out in Appendix 1 Section 1 above. **Nigeria is rated 7.13.** For more details on OC information Financial Access, see HERE.

<table>
<thead>
<tr>
<th>Criminal Actors Score in OC Index</th>
<th>Range % for OC Involvement</th>
<th>Financial Criminal Actors Score in OC Index</th>
<th>Range % for OC Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 4 /10 in OC Index 2019</td>
<td>22-24</td>
<td>Rated 6 - 6.5/10 in OC Index 2019</td>
<td>32-34</td>
</tr>
<tr>
<td>Rated 4 - 4.5/10 in OC Index 2019</td>
<td>24- 26</td>
<td>Rated 6.5 - 7/10 in OC Index 2019</td>
<td>34-36</td>
</tr>
<tr>
<td>Rated 4.5-5/10 in OC Index 2019</td>
<td>26-28</td>
<td>Rated 7-7.5/10 in OC Index 2019</td>
<td>36-38</td>
</tr>
<tr>
<td>Rated 5-5.5/10 in OC Index 2019</td>
<td>28-30</td>
<td>Rated 7.5-8/10 in OC Index 2019</td>
<td>38-40</td>
</tr>
<tr>
<td>Rated 5.5-6/10 in OC Index 2019</td>
<td>30-32</td>
<td>Rated 8/10 in OC Index 2019 or above</td>
<td>40-46</td>
</tr>
</tbody>
</table>
This Country Threat Assessment focuses on the financial crime threats and responses and is both a stand-alone publication, but can also be read in conjunction with the Global Threat Assessment, published in 2019 and the Sub-Saharan Threat Assessment published in 2020. The Sub-Saharan Threat Assessment has been supplemented by this country threat assessment, as well as for other countries in Sub-Saharan Africa. The individual threat assessments have been co-created with dedicated financial crime fighters from the countries covered, and/or with the help of professionals familiar with the country and the region, based on a consistent approach researching available open source information.

Judgement has been applied in deciding what to include and what to emphasise. Each threat assessment follows the same structure and includes the same main sources, usually over 60 sources from important and credible agencies, in the form of reports, papers and or ratings. The threat assessments include the results from the FCN Sub-Saharan Africa 2020 Risk Rating Scorecard which includes a significant number of these sources to aggregate the threats and the responses to derive a final rating and a final ranking.

More Financial Crime Materials from FCN

Global Threat Assessment by FCN - 2019
Phase 1 - 19 Country Threat Assessments
Sub Saharan Africa Country Risk Ratings by FCN - 2020
Sub Saharan Africa Threat Assessment by FCN - 2020

Available at: https://thefinancialcrimenews.com
For Subscription for Commercial Businesses / Free to NGO’s and Policy Makers
Or Contact the Editor: JohnCusack.fcc@gmail.com

Author(s) & Editor The Co Authors of this work are John Cusack & Solomon Abiakalam. The Editor is John Cusack, the publisher is Financial Crime News / Metriqa Limited. All rights remain with FCN/ Metriqa Limited.

John Cusack is a leading financial crime fighter, Founder & Editor of the Financial Crime News, former Global MLRO at UBS and Standard Chartered Bank, Two time Co Chair of the Wolfsberg Group (to end 2019), Board Member of the Trafﬁck Analysis Hub, a Human Trafﬁcking NGO, & adviser to Leading Regtech Providers Quantexa and Caspian and to numerous FT's. Solomon Abiakalam is a leading financial crime fighter, based in Nigeria, and currently Chief Risk and Compliance Ofﬁcer at Cellulant Corporation. Solomon Abiakalam was formerly the Head of FCC at Standard Chartered Bank for West Africa and for Nigeria.

Acknowledgements: Thanks and appreciation to a number of colleagues and collaborators who freely gave their time, to research, comment and provide advice in connection with this Country Threat Assessment, including: Ursula M’Crystal and Hannah Cusack.

Information to Note:
The information, provided in this Country Threat Assessment is designed to help those involved in combating financial crime. The Editor (John Cusack) takes responsibility for the contents of this document, including any opinions, observations or recommendations, but does not take responsibility for referenced materials, that are the responsibility of the authors and as appropriate. References are provided for information purposes and do not constitute endorsement of any information. readers should be aware that website references listed may change