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Circular to all Banks and Other Financial Institutions

GUIDELINES ON TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORISM FINANCING

The Central Bank of Nigeria (Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions) Regulations, 2022 requires Financial Institutions to undertake Targeted Financial Sanctions (TFS) in relation to terrorism financing and proliferation financing as provided under the Terrorism Prevention and Prohibition Act (TPPA), 2022.

In furtherance of the required measures, the CBN has developed a **GUIDELINES ON TARGETED FINANCIAL SANCTIONS RELATED TO TERRORISM AND TERRORISM FINANCING** to assist the financial institutions in implementation.

Consequently, the Guidelines is hereby released for immediate compliance by all Financial Institutions in Nigeria.

A handwritten signature in black ink, appearing to read 'Harry J. Audu', written over a horizontal line.

HARRY J. AUDU

For: DIRECTOR, FINANCIAL POLICY AND REGULATION DEPARTMENT

CENTRAL BANK OF NIGERIA



**GUIDANCE ON TARGETED FINANCIAL SANCTIONS RELATED TO
TERRORISM AND TERRORISM FINANCING**

**FINANCIAL POLICY AND REGULATION DEPARTMENT
December 2022**

ACRONYMS

AML	Anti-Money Laundering
BO	Beneficial Owner
BOFIA	Banks and Other Financial Institutions Act
BOI	Beneficial Ownership Information
CDD	Customer Due Diligence
CPF	Countering Proliferation Financing
KYC	Know Your Customer
ML	Money Laundering
PF	Proliferation Financing
STR	Suspicious Transaction Report
TF	Terrorism Financing
UNSCR	United Nations Security Council Resolution
WMD	Weapons of Mass Destruction

APPROVED

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1.0 INTRODUCTION

The United Nations Security Council Resolutions (UNSCRs) require member states to apply targeted financial sanctions (TFS) on any individual or entity designated by third party or foreign countries, individuals or entities associated with terrorism and terrorism financing as designated by the United Nations Security Council's Al-Qa'eda and Taliban Sanctions Committee and other Committees established pursuant to any resolution of the United Nations Security Council Resolution in order to:

- freeze their assets,
- prevent them from entry into or transit through member states' territories, and
- prevent direct or indirect supply, sale and transfer of arms and military equipment.

In conformity with the UNSCRs and FATF Recommendations, Nigeria has enacted the Terrorism (Prevention and Prohibition) Act (TPPA), 2022; the Regulations for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and other related measures 2022, and the CBN AML/CFT/CPF Regulations, 2022.

Pursuant to the provisions of TPPA, 2022 and Banks and Other Financial Institutions Act (BOFIA), 2020, the Central Bank of Nigeria (CBN), in its determination to ensure implementation of TFS related to Terrorism and Terrorism Financing by FIs, hereby issues this Guidance.

This Guidance shall apply to all FIs under the regulatory purview of the CBN and may be revised as necessary.

2.0 OBJECTIVE

The objectives of this Guidance are to:

- i. Assist FIs to comply with the requirements of extant Laws and Regulations relating to counter terrorism and Combating the Financing of Terrorism (CFT);
- ii. Assist FIs in implementing TFS to prevent and suppress Terrorism Financing (TF) in accordance with the relevant UNSCRs; and
- iii. Enable the CBN to monitor compliance with TFS measures by FIs.

3.0 OVERVIEW OF FINANCIAL SANCTIONS

Financial sanctions are restrictive measures imposed on persons, entities and bodies in an effort to curtail their activities and to exert pressure and influence on them. Restrictive measures include, but are not limited to, financial sanctions, trade sanctions, restrictions on travel or civil aviation restrictions.

Financial sanctions emanate from the UN and other jurisdictions and are contained in sanctions lists. All natural and legal persons are obliged to comply with financial sanctions and can do so by monitoring the UN lists, Nigeria Sanctions List and other relevant sanctions lists.

Targeted Financial Sanction involves both asset freezing and prohibitions to prevent funds or other assets from being made available, directly or indirectly, for the benefit of designated persons and entities.

Financial Sanctions are generally imposed to:

- i. Deny certain individuals, groups, organizations and entities the means to support terrorism;
- ii. Constrain a target by denying them access to key resources needed to continue their offending behavior, including the financing of terrorism or nuclear proliferation.
- iii. Coerce a regime, or individuals within a regime, into changing their behavior (or aspects of it) by increasing the cost on them to such an extent that they decide to cease the offending behavior;
- iv. Signal disapproval, stigmatizing and potentially isolating a regime or individual, or as a way of sending broader political messages nationally or internationally; and/or;
- v. protect the value of assets that have been misappropriated from a country until these assets can be repatriated.

3.1 Beneficial Ownership and Control

For the purpose of determining beneficial ownership or control, a designated person or entity is deemed to be the beneficial owner or in control of a legal entity where he or she directly or indirectly, owns or controls, more than 50% of the shares of that

entity. Such a company shall be subject to the sanctions' restriction applicable to the designated person or entity.

TFS applies to entities that are owned or controlled, directly or indirectly, by a designated person. Those entities may not be designated in their own right, so their name may not appear on the UN Consolidated list or Nigerian Sanction List. However, those entities are similarly subject to financial sanctions.

3.1.1 Ownership

If the ultimate BO of a legal person is a designated person, the financial sanctions shall also apply to the said legal person. If the ultimate BO of an entity rests with a designated person (for example, they own a corporate body which owns another corporate body), all entities that are part of the ownership chain are subject to financial sanctions.

3.1.2 Control

The criteria to be taken into account when assessing whether a legal entity is mainly controlled by another person or entity, alone or pursuant to an agreement with another shareholder or other third party, could be any of the following:

- a) controlling alone, pursuant to an agreement with other shareholders in or members of a legal person, group or entity, a majority of shareholders' or members' voting rights in that legal person, entity, group or arrangement;
- b) having the right to appoint or remove a majority of the members of the administrative or management body of such legal person, entity, group or arrangement;
- c) having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative or management body of a legal person, entity, group or arrangement who have held office during the present and previous financial year;
- d) having the right to exercise a dominant influence over a legal person, group or entity, pursuant to an agreement entered into with that legal person, entity, group or arrangement, or to a provision in its Memorandum or Articles of Association, where the law governing that legal person, entity, group or arrangement permits its being subject to such agreement or provision;

- e) having the power to exert the right to exercise a dominant influence referred to in point (d), without being the holder of that right;
- f) having the right to use all or part of the assets of that legal person, entity, group or arrangement;
- g) managing the business of that legal person, entity, group or arrangement on a unified basis, while publishing consolidated accounts;
- h) sharing jointly and severally the financial liabilities of legal person, entity, group, or arrangement, or guaranteeing them.
- i) having a power of attorney or authorized signatory arrangement over a legal person, entity, or group.

The aforementioned list of criteria is intended to be indicative of the factors leading to control being established and should not be seen as exhaustive.

3.1.3 Minority interests

If a designated person has a minority interest in another legal person or entity this does not necessarily mean that financial sanctions also apply to them. However, FIs should remain vigilant to any changes in the stake held by the designated person in case they obtain a majority interest, at which point financial sanctions will also apply to that legal person or entity.

FIs should consider whether a designated person is in 'control' of another legal person or entity. Financial sanctions apply in this situation even where a designated person only possesses a minority interest.

3.2 Sanction Lists

Sanction list refers to the UN Consolidated Lists and the Nigerian Sanction List. The UN Consolidated List comprises of any individual, entity or group designated by the UNSC 1267 (and successor regulations). The Nigerian Sanction List comprises of any individual or entity designated according to the UNSCR 1373. The list is subject to change, but updated information can be found on the following links:

- a) For UNSC Consolidated List of sanctioned individuals, entities, or groups designated by the United Nations Sanctions Committees:
<https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

- b) For Domestic Terrorist List of sanctioned individuals, entities, or groups designated by the Nigerian Sanctions Committee (NSC):
<https://www.nigsac.gov.ng>

4.0 OBLIGATIONS ON FINANCIAL INSTITUTIONS TO IMPLEMENT TFS

FIs shall undertake TFS measures in relation to terrorism and terrorism financing as provided for under TPPA and Regulations.

4.1 Alert System

All FIs shall subscribe to the alert system for receiving automated email notifications of the sanction lists through the following links:
<https://www.un.org/securitycouncil/content/un-sc-consolidated-list> and
<https://www.nigsac.gov.ng>

4.2 Screening

FIs are required to carry out regular and ongoing screening against the latest updates of Sanction Lists prior to conducting any transaction or undertaking any financial Services to ascertain whether or not the name of such a person or entity is on the Lists. Specifically, screening should be conducted during the following:

- a) Onboarding a new customer;
- b) Facilitating an occasional transaction;
- c) Establishing any relationship with any person or entity;
- d) Before carrying out any transaction; and
- e) Upon review of Know Your Customer (KYC) or changes to a customer's information.

Screening must be conducted immediately and without delay to ensure compliance with implementing freezing measures without delay (within 24 hours). FIs are required to screen their entire customer base to prevent dissipation of funds of the designated persons or entities.

FIs (including those operating in free trade zones) must constantly screen their customers, potential customers, beneficial owners, and transactions to identify possible matches to the UN Consolidated Lists.

4.2.1 Screening of Customers – Related and Third Parties

FIs shall undertake further screening and analysis on designated persons or entities whose properties or accounts are jointly owned and/or indirectly controlled by the designated persons or entities.

FIs shall conduct further CDD on parties related to frozen accounts including checking on the control and conduct of the frozen accounts and other related or third parties accounts connected to designated persons or entities.

The requirements for CDD on legal persons and legal arrangements and beneficial owners in the respective provisions under the CBN AML/CFT/CPF Regulations and Guidelines should be applied in determining the funds are directly or indirectly owned or controlled.

FIs are also advised to screen the names of the beneficiary of wire transfers and make an assessment whether such transaction should be blocked or rejected.

FIs are also advised to search, examine and analyse past financial activities of the designated persons or entities, related or third parties.

4.2.2 Confirmed Match

A confirmed match is when an individual, entity, or group matches all the key identifiers published on the Sanctions Lists. The range of information that constitute identifiers of designated individuals, entities, or groups are as follows:

For natural person:

- ✓ Name
- ✓ Aliases/also known as/formerly known as
- ✓ Date of birth
- ✓ Nationality
- ✓ ID or passport information
- ✓ Last known address

For legal persons:

- ✓ Name(s)
- ✓ Aliases also known as/formerly known as

- ✓ Certificate of Registration (RC No.)
- ✓ Registered Address
- ✓ Address of branches
- ✓ Other information

Where the individual, entity, or group matches all the key identifiers published on the Sanctions Lists, the result is considered a 'confirmed match'. In case the confirmed match is an existing customer, FIs are required to immediately, identify and freeze, without delay and without prior notice, all funds and assets owned or controlled by the designated person or entity in their possession.

Where the confirmed match is a potential customer, the FIs are required to reject the transaction immediately and report to the NSC. However, before rejecting the transaction, FIs are required to search their records to confirm whether the potential customer is a BO and where the search is positive, FIs are required to immediately identify and freeze, without delay and without prior notice, all funds and assets owned or controlled by the BO in their possession.

In cases of confirmed matches (for either existing or potential customer and closed/dormant relationships), FIs are required to report to the NSC, within 24 hours, any assets frozen or actions taken in compliance with the prohibition requirements of the relevant UNSCRs including attempted transactions.

In addition, FIs are required to immediately file STR to the NFIU, including all cases of name matching in financial transactions prior to or after publication or update of the lists for further analysis.

4.2.3 False Positive

A false positive is a potential match to listed individuals, entities, or groups, either due to the common nature of the name or due to ambiguous identifying data, which on examination proves not to be a confirmed match.

FIs are required to obtain additional information and identification documents from the customer or a third party to ascertain whether a customer is a designated person or entity in the case of similar names.

FIs are required to forward queries to NSC to ascertain whether or not the customer is a designated person or entity in the case of similar names. Any query submitted to NSC is to be accompanied by additional information, copies of identification documents and the FIs assessments.

Where FIs are satisfied that the customer (potential or BO) is not a designated individual, entity, or group, i.e. a 'False Positive Result', FIs do not need to implement any TFS measures. FIs may allow the transaction or business to continue its normal course, and are required to maintain evidence of this process in their records.

Where FIs' customers feel that their accounts have been mistakenly frozen or transactions have been mistakenly rejected or blocked, the FIs may advise their **customers to contact** the NSC to verify the false positive match. The contact details for the NSC in relation to TFS on TF is: <https://nigsac.gov.ng/>

4.2.4 Potential Match

A potential match is when there is a partial match between identifiers in the Sanctions Lists with any information in FIs databases, and the FIs are unable to conclude a false positive or a confirmed match.

Due to prevalence of some names, FIs may find various potential matches. However, it does not necessarily mean that the individual, entity, or group they are dealing with is subject to TFS. FIs are required to cross-check their customers' database with the identifiers published on the Sanctions Lists when identifying the potential match, by taking into consideration their knowledge of the customer (potential and BO) or transaction, through CDD and/or other sources of information.

Where FIs are unable to internally verify whether the 'potential match' is a false positive result or a confirmed match, they transaction should be suspended and the case reported to the NSC. The reported transaction should remain suspended until a response is received on the status of the potential match,.

4.3 Application of targeted financial sanctions

FIs are required to immediately implement TFS by identifying and freezing, without delay and without prior notice, all funds and assets owned or controlled by the designated person or entity in their possession.

The following are the TFS measures that must be implemented if a match with the Sanctions Lists is identified.

- i. **Freeze all funds or other assets without delay:** freeze without delay (immediately or in any case within 24 hours) and without prior notice to the designated individual, entity, or group, all the funds or other assets:
 - a) Owned or controlled, wholly or jointly, directly, or indirectly, by an individual, entity, or group designated in the Sanctions Lists;
 - b) Derived or generated from funds or other assets under item (a); or
 - c) Any individual or entity acting on behalf of or at the direction of any designated individual, entity, or group.
- ii. **Prohibition of making funds or other assets or services available:** FIs are prohibited from providing funds or other assets to or rendering financial services or other services related to, whether in whole or in part, directly or indirectly, or for the benefit of any designated individual, entity, or group on the Sanctions Lists.

4.4 Categories of Funds Subject to Freezing Obligations

All types of funds or other assets are subject to freezing measures. The funds or other assets that can be subject to freezing measure includes the following:

- i. Cash, cheques, claims on money, drafts, money orders, bearer instruments, internet-based and other electronic or digital payment instruments, including virtual currencies.
- ii. Deposits with FIs or other entities and balances on accounts, including but not limited to: fixed or term deposit accounts, balances on share trading accounts with banks, or other investment trading accounts.
- iii. Debts and debt obligations, including trade debts.
- iv. Other accounts receivable, notes receivable, and other claims of money on others.
- v. Other financial interest in a sole trader or partnership.

- vi. Publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures, and derivatives contracts.
- vii. Interest, dividends, or other income on or value accruing from or generated by assets.
- viii. Credit, right of set-off, guarantees, performance bonds or other financial commitments.
- ix. Letters of credit, bills of lading, bills of sale; notes receivable and other documents evidencing an interest in funds or financial resources and any other instruments of export-financing.
- x. Insurance and reinsurance.

4.5 Target for Freezing Measures

The freezing measures, including the prohibition of making funds available, apply to:

- a) Any individual, group, or entity listed in the Sanctions Lists.
- b) Any entity directly or indirectly owned or controlled by an individual or entity listed under (a).
- c) Any individual or entity acting on behalf of or at the direction of any individual or Entity listed under (a) and (b).

4.6 Receipt of additional funds into frozen accounts

Where a frozen account is entitled to:

- i. interests or other earnings; or
- ii. payments due under contracts, agreements or obligations that were concluded or arose before the account became a frozen account;

FIs are required to receive such funds and credit a designated account opened for the purpose which shall constitute part of the frozen funds. Thereafter, a report of the receipt of such additional funds be filed with the NFIU.

4.7 Approval for usage of frozen funds by designated persons and entities on the UN List

FIs may advise customer or related party of the frozen accounts, blocked or rejected transactions to submit any query or appeal for variation to the frozen accounts, delisting or any other matters to the NSC.

The NSC, where necessary, may approve the utilization of frozen funds, assets or any part thereof:

- a) to meet the basic needs and expenses of a designated person or entity a person or an entity whose funds have been frozen including the amounts required to meet expenditures on food, medical needs and such other general expenses;
- b) for reasonable professional fees and settlement of expenses, including legal services, bank and related charges; or
- c) for any other exceptional expenses that the NSC is of the view are permitted expenses in accordance with procedures under UNSCR 1373 and all successor resolutions.

Upon approval of the utilization of the frozen funds, FIs that are in custody of frozen funds are required to, upon receipt of a written directive by the NSC, implement the approval and furnish a report to the NSC of the action taken.

4.8 Reporting Requirements

4.8.1 Filing suspicious transaction with NFIU

i. Where FI is required to file STR to the NFIU, the report should state:

- (a) the information or other matter on which knowledge or suspicion is based;
- (b) any information it holds about the person by knowledge of which the person can be identified; and
- (c) the nature and amount of funds held by the FI for the person at any time up to 5 years prior to the designation being made.

4.8.2 Attempted transaction

FIs are to report as suspicious transaction to NFIU any attempted transaction undertaken by designated persons or entities or related parties in the case of joint accounts. This may include any transaction that is subsequently rejected or blocked, incomplete in the event of failure to satisfactorily complete CDD and attempt for redemption of assets where repayment has been fulfilled.

4.8.3 Reporting to CBN

FIs are required to render quarterly reports to the CBN on the implementation status of TFS undertaken in a format as may be advised by the CBN.

4.9 Additional Obligations for FIs

In addition to alerts of updates received from the NSC upon subscription by the FIs, the CBN may also issue notifications of TFS to FIs.

FIs shall on receipt of the notification from the CBN:

- i. immediately take steps to identify any funds, assets or any economic resources in their possession belonging to designated persons or entities and carry out freezing obligations in respect of PF as contained in the TPPA, 2022, and report to the NSC;
- ii. immediately file STR to the NFIU for further analysis on the financial activities of such an individual or entity; and
- iii. report, as STR to the NFIU, all cases of name matching in financial transactions prior to or after receipt of the List.

For the purposes of compliance to the Regulation for implementation of TFS on terrorism and terrorism financing, “immediately” means not later than 24 hours.

In addition to the above, FIs are required to fulfill the following obligations:

- i. Cooperate with the NSC in verifying the accuracy of the submitted information.
- ii. Implement the freezing, cancellation, or lifting decision, when appropriate, without delay.
- iii. Cooperate with competent authorities to timely provide information on TFS when required.
- iv. Set and implement policies, procedures, and internal controls to:
 - a) Ensure compliance with the obligations imposed by the TPPA and TFS Regulations.
 - b) Conduct ongoing TFS training and awareness sessions to board, senior management and employees.
 - c) Prohibit staff from, directly or indirectly, informing the customer or any third party that freezing action or any Other Measures are going to be implemented.

- d) Ensure appropriate resources are allocated to meet the obligations of implementing TFS.

It shall be the responsibility of all FIs, to monitor their accounts and transactions against the UN Consolidated List.

5.0 RECORD KEEPING

FIs are required to keep record of all actions taken in respect of TFS and should be kept in an easily retrievable manner.

6.0 SANCTIONS FOR NON-COMPLIANCE

The CBN shall impose the administrative sanctions contained in the Regulations on TFS, TPPA 2022, CBN AML, CFT and CPF (Administrative Sanctions) Regulations 2022, on any FI, under its regulatory purview, that fails to comply with the provision of the Regulations for the Implementation of Targeted Financial Sanctions on Terrorism, Terrorism Financing and Other Related Measures, 2022.

All enquires or requests relating to this Guidance should be directed to:

**Director, Financial Policy & Regulation Department
Central Bank of Nigeria**