
CRITICAL ANALYSIS OF THE ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING FRAMEWORK IN NIGERIA

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ABSTRACT

This article critically examines Nigeria's Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) framework, highlighting its evolution, legal foundations, and institutional mechanisms. It explores key legislations such as the Money Laundering (Prevention and Prohibition) Act, 2022; the Terrorism (Prevention and Prohibition) Act, 2022; and the enabling statutes establishing the EFCC and NFIU. The analysis considers the progress made through modernized laws, specialized institutions, and enhanced regional cooperation, while identifying persistent weaknesses including weak enforcement, political interference, inter-agency rivalry, and limited judicial capacity. Therefore, this article recommends stronger inter-agency coordination, digital intelligence sharing, establishment of specialized courts, continuous judicial training, and deeper public-private sector collaboration. It concludes that Nigeria's AML/CTF regime, though significantly improved, requires sustained reforms and institutional strengthening to effectively combat financial crimes and safeguard national security.

Keywords: Money Laundering, Terrorism Financing, Nigeria, Anti-Money Laundering Framework, Financial Crime Enforcement

1. Introduction

Amongst several crimes in the global community, money laundering and terrorism remain major threats not just to global stability, but to national security.¹ These illegal activities have not only reduced the integrity of financial institutions in several countries but have also played pivotal roles in contributing to corruption, political instability, and the financing of insurgent groups. Nigeria, being one of the countries identified by the Global Terrorism Index as one of the top three countries with the highest impact of terrorism, has suffered greatly in manifold security challenges from insurgent groups like Boko Haram, ISWAP, whose illegal activities are either financed legally or illegally.² This financing thereby aids the continued activities of terrorism in the country.

In view of the above, there is urgent need for a comprehensive Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) framework both as a legal and developmental imperative. Although over the years, Nigeria has enacted several legislations to curb terrorism and the illicit financial flows and comply with international standards that are set by Financial Action Task Force, the country yet continue to face peculiar challenges such as weak enforcement, inter-agency rivalry, and political interference, which hinder the effectiveness of the framework, and question the integrity of the financial institutions in Nigeria.

The continued lapses in curbing money laundering and terrorism financing have birthed several criticism from different scholars. For instance, Olujobi and Yebisi³ criticized that although Nigeria has strived towards having its AML/CTF system modernized and removed from the lists of the top ranking countries with high impact of terrorism and corruption, the implementation largely remains reactive rather than preventive. Similarly, Chitimmira and Animashaun⁴ observed that even the institutions created to regulate these illicit activities, like the EFCC, NFIU, and CBN, sadly contribute to the inefficiency of the legal system due to their

¹ CC Ojimba and Garba Rabiuh Mohammed, 'Money Laundering and Terrorism Financing in Nigeria: Causes and Effects' *COOU Law Journal* (2023) 8F1) 76-81. See also: H Chitimira. and M Ncube, 'Towards Ingenious Technology and the Robust Enforcement of Financial Markets Laws to Curb Money Laundering in Zimbabwe,' *PER/PELJ* (2021) 24, pp. 1-47.

² Ibid.

³ Olusola Joshua Olujobi and Ebenezer Tunde Yebisi, 'Combating the Crimes of Money Laundering and Terrorism Financing in Nigeria: A Legal Approach for Combating the Menace' *Journal of Money Laundering Control* (2023) 26(2) 268-289.

⁴ Howard Chitimira and Oyesola Aniashaun, 'The Adequacy of the Legal Framework for Combating Money Laundering and Terrorist Financing in Nigeria' *Journal of Money Laundering Control* (2023) 26(7) 110-126. DOI: <https://10.1108/JMLC-12-2021-0143> .

overlaps and duplication of functions.

Flowing from above, this article is focused on critically examining the legal frameworks of anti-money laundering and counter-terrorism financing in Nigeria. It beams light on the legal structure, institutional mechanisms, and enforcement challenges that hinders the effectiveness of the legal framework, and further identifies the major weakness of the system in order to provide practical recommendations that would be beneficial curbing financial crime and terrorism financing.

2. Conceptual and Legal Background

2.1. Concept of Money Laundering

According to *Chitimmira and Animashaun*,⁵ money laundering is a process of concealing and disguising the true origin and ownership of proceeds from illegal activities through an intricate financial web into a legitimate fund in order to infuse it into the formal economy. It can also be regarded as the act of making illicit funds appear legitimate, which may encourage more crime by allowing criminal networks to reroute the money into legal endeavors, making them financially independent.⁶ It basically involves three stages: placement, layering, and integration.⁷ For the first stage, illicit funds are first introduced into the financial system, and through the second stage, there is complex transactions that are designed to obscure the money trail, and the last stage involves the reintroduction of the money into the economy as a seemingly lawful asset.⁸

In Nigeria, money laundering is closely tied to major economic-related crimes like corruption, cyber fraud, public sector embezzlement, and other oil-related crimes. And *Olujobi and Yebisi* assert that this practice hinders economic growth, particularly by distorting investment patterns and facilitating corruption within public and private sectors.⁹ Sadly, the weak nature of enforcement mechanisms and the various informal financial networks like Bureaux de Change (BDC), Hawala, etc, have exacerbated this movement of illicit funds in Nigeria. Fortunately, Nigeria responded to this alarming challenge through the enactment of the Money Laundering

⁵ Ibid.

⁶ Ibid.

⁷ H Chitimira. and M Ncube, 'Towards Ingenious Technology and the Robust Enforcement of Financial Markets Laws to Curb Money Laundering in Zimbabwe,' *PER/PELJ* (2021) 24, pp. 1-47.

⁸ *Opt. cit. note 3.*

⁹ Ibid.

(Prevention and Prohibition) Act, 2022,¹⁰ whose main objective is to criminalise all forms of money laundering in adherence to global standards set by the FATF.

2.2. Concept of Terrorism Financing

Unlike money laundering which essentially seeks to legitimise illicit funds gotten from activities like smuggling, kidnapping, etc, terrorism financing generally involves both legitimate and illegitimate funds which are used to facilitate terrorist networks.¹¹ In other words, terrorism financing refers to the process of providing funds or financial support to individuals, groups, or organisations that are engaged in terrorist activities.¹² These funding covers the direct funding of operation of group, as well as the provision of resources for maintenance and development their operations, and for creating an enabling environment that is necessary to sustain terrorist activities.¹³

In Nigeria, terrorism financing has been closely linked to the rise of extremist groups like Boko Haram and the Islamic State in West Africa Province (ISWAP), who exploit borders, informal financial systems, demand ransom from kidnapping, and engage in other illicit activities like smuggling of goods, drug trafficking, robbery, etc. in order to sustain their operations.¹⁴ To address this, Nigeria enacted the Terrorism (Prevention and Prohibition) Act, 2022, which criminalises financing of terrorism, mandates financial reporting by the various regulatory institutions in order to align with international obligations.

2.3. Historical Evolution of Anti-Money Laundering and Counter-Terrorism Financing Framework in Nigeria

It suffices to state that the domestic challenges coupled with the international pressures to strengthen financial integrity in Nigeria is responsible for the significant evolution of the anti-money laundering (AML) and counter-terrorism financing (CTF) framework in Nigeria.¹⁵ The evolution started with the enactment of the Money Laundering Decree 3 of 1995, which was

¹⁰ Money Laundering (Prevention and Prohibition) Act, 2022, Act No. 2022.

¹¹ AJO Owojori and others, 'Interrogating the Effectiveness of Nigeria's Counterterrorism Efforts and the Variation in Boko Haram Terrorism Trajectory' *NJDHA* (2021) 1, 1-28.

¹² *Ibid.*

¹³ CE Attah, 'Financing Terrorism in Nigeria: cutting off the oxygen,' *Africa Development*, (2019) 44 (2) 5-25.

¹⁴ *Opt. cit. no.11.*

¹⁵ Ojimba and Mohammed, 'Money Laundering and Terrorism Financing in Nigeria: Causes and Effects' (*note. 1*)

focused on curbing the laundering of proceeds from drug trafficking.¹⁶ However, the Decree was greatly limited in scope and enforcement, particularly with respect to its drafting and the system of government it was in. This led to the enactment of the Money Laundering Prohibition Act, 2004, the Economic and Financial Crime Commission (Establishment) Act, 2004. However, they also suffered ambiguity and enforcement challenge, leading to the release of some corrupt leaders like James Ibori.¹⁷

Moreover, due to the emergence of terrorism threats from groups like Boko Haram, Nigeria enacted the Terrorism (Prevention) Act 2011,¹⁸ which was later repealed by the Terrorism (Prevention and Prohibition) Act, 2022,¹⁹ in order to address the financing of terrorism. The Nigerian Financial Intelligence Unit (NFIU) was also established in 2018 to curb terrorism financing. This bold steps by Nigeria align the regime of AML/CTF with global standards. However, these laws have not been without challenges that stems from enforcement, coordination, and inadequate institutional capacity.

3. Legal Frameworks of Anti-Money Laundering and Counter-Terrorism Financing in Nigeria

There are several statutes that are responsible for combating money laundering and terrorism financing in Nigeria. But the major laws are the Money Laundering (Prohibition) Act 14 of 2022, the Terrorism (Prevention and Prohibition) Act (TPA) 2022, the EFCC Act, etc. These are examined below.

a). Money Laundering (Prevention and Prohibition) Act, 2022

The Money Laundering (Prevention and Prohibition) Act, 2022 is the current legislation on anti-money laundering in Nigeria, which aligns with the global standards set by the Financial Action Task Force (FATF) and the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA). It repealed the 2011 and 2012 Anti-Money Laundering Act and is responsible for strengthening the legal framework against money laundering and other related crimes in Nigeria. The Act establishes stricter compliance obligations for financial

¹⁶ Chitimira and Oyesola Aniashaun, 'The Adequacy of the Legal Framework for Combating Money Laundering and Terrorist Financing in Nigeria' (*note.4*).

¹⁷ See *FRN v. James Ibori and 5 others* (CA/B/61C/2010(2)).

¹⁸ Act No. 10 of 2011.

¹⁹ Terrorism (Prevention and Prohibition) Act, 2022, 2022 No. 15.

institutions, designated non-financial businesses and professions (DNFBPs), and public officials.²⁰

Considering that illicit financial flows and terrorism are greatly linked together, the Act makes a broader preventive scope that is beyond corruption and organized crime to include the disruption of financial networks that sponsor terrorism. As a way of preventing, detecting, and prosecuting money laundering and other associated financing, Section 2 of the Act extends its scope to include both financial institutions and designated non-financial businesses and professions (DNFBPs),²¹ thereby recognizing that terrorists often exploit the informal sector, such as real estate, casinos, and non-profit organizations as a channel funds.

Additionally, section 17 mandates the disclosure of beneficial owners or corporate entities in order to close the major loophole mostly exploited by terrorist financiers who use anonymous companies to move funds.²² Section 6-9 further provides for Customer Due Diligence (CDD), which protects high-risk customers like politically exposed persons (PEPs) and entities that operate in regions that are prone to conflict.²³ To prevent suspicious transactions, Section 11 requires financial institutions to report any transaction that seems suspicious within 24 hours to the Nigerian Financial Intelligence Unit (NFIU).

Although the Act has been helpful in the detection and identification of funds that may be diverted for terrorist operations through its enforcement mechanisms and institutional synergy like NFIU, Economic and Financial Crimes Commission (EFCC), etc, it lacks unified database, inter-agency rivalry, weak enforcement, etc, which weakens the effectiveness of the Act.²⁴

b). Terrorism (Prevention and Prohibition) Act, 2022

The Terrorism (Prevention and Prohibition) Act, 2022 (TPPA) is a current reform in Nigeria's counter-terrorism legal architecture, consolidating earlier fragmented provisions and

²⁰ See Section 11 of the Money Laundering (Prevention and Prohibition) Act, 2022.

²¹ Ibid. section 2 of the Money Laundering (Prevention and Prohibition) Act, 2022.

²² Ibid. Section 17 MLA, 2022.

²³ Ibid. Sections 6-9 MLA, 2022.

²⁴ Jeremiah Aderinto 'A Synopsis of the Money Laundering (Prevention and Prohibition) Act 2022' *Mondaq* (2022). [https://www.mondaq.com/nigeria/money-laundering/1227796/a-synopsis-of-the-money-laundering-prevention-and-prohibition-act-2022%3Csup%3E1%3Csup%3E#:~:text=1.,and%20Prohibition\)%20Bill%20into%20Law.&text=The%20Money%20Laundering%20\(Prevention%20and%20Prohibition\)%20Act%202022%20\(%E2%80%9C,Act%202011%20\(as%20amended\).&text=The%20Act%20aims%20at%20providing,money%20laundering%20activities%20in%20Nigeria.](https://www.mondaq.com/nigeria/money-laundering/1227796/a-synopsis-of-the-money-laundering-prevention-and-prohibition-act-2022%3Csup%3E1%3Csup%3E#:~:text=1.,and%20Prohibition)%20Bill%20into%20Law.&text=The%20Money%20Laundering%20(Prevention%20and%20Prohibition)%20Act%202022%20(%E2%80%9C,Act%202011%20(as%20amended).&text=The%20Act%20aims%20at%20providing,money%20laundering%20activities%20in%20Nigeria.) Accessed 5th November, 2025.

strengthening the capacity of Nigeria's legal framework to combat terrorism financing. This Act repealed the 2011 and 2013 legislation that harmonizes Nigeria's domestic framework with international standards under United Nations Security Council Resolutions (UNSCRs), and it focuses not only on criminalizing the acts of terrorism but also on systematically disrupting the financial lifeline that sustains such activities.

Section 1 of the Act defines terrorism broadly to include any act that is intended to intimidate the population, destabilize government structures, or advance ideological goals through violence.²⁵ Section 13-16 criminalizes the collection, provision, or movement of funds that are intended to a terrorist act.²⁶ Section 25 provides for the freezing and seizure of terrorist assets by competent authorities like the Attorney-General of the Federation and the Economic and Financial Crimes Commission,²⁷ while Section 32 mandates the reporting of suspicious transactions and the creation of intelligent units like the Nigerian Financial Intelligence Unit (NFIU). However, the Act is challenged with bureaucratic fragmentation and limited technical expertise in tracing complex financial network. which thereby undermines the effectiveness of the Act.²⁸

c). EFCC (Establishment) Act, 2004

The Economic and Financial Crimes Commission (Establishment) Act, 2004 is one of the Legal and institutional cornerstone towards that revealed the response of Nigeria to financial crime, money laundering and terrorism financing inclusive. The Act was originally established in 2002 and was later modified and strengthen by the 2004 Act. The Commission, EFCC, acts as the central enforcement agency responsible for investigating, prosecuting and preventing economic and financial crimes in Nigeria.²⁹ And the Act was enacted to emancipate Nigeria from the blacklist placement on the Financial Action Task Force (FATF) in 2001.³⁰

In order to ensure the control of financial crimes in Nigeria, Section 6 of the Act empowers the Commission (EFCC) to trace, freeze, confiscate, and seize proceeds of unlawful activities.

²⁵ Ibid. Section 1 Terrorism (Prevention and Prohibition) Act, 2022 (herein after 'TPR 2022').

²⁶ Ibid. Sections 12-16 TPR 2022.

²⁷ Ibid. Section 15 TPR 2022.

²⁸ *Opt. cit. no. 3.*

²⁹ Chitimira and Oyesola Aniashaun, 'The Adequacy of the Legal Framework for Combating Money Laundering and Terrorist Financing in Nigeria' (*note.4*).

³⁰ Ojimba and Mohammed, 'Money Laundering and Terrorism Financing in Nigeria: Causes and Effects' (*note. 1*).

Section 7 authorises the Commission to investigate all cases of economic and financial crimes, whether independently or in collaboration with other agencies.³¹ Sections 20-25 further empowers the EFCC to freeze and confiscate assets that are derived from money laundering and terrorism financing, including both moveable and immovable property, and proceeds located abroad through mutual assistance. These provisions show that that commission is a critical actor in the architecture of anti-money laundering and counter-terrorism financing. Thus, Adeniyi notes that the creation of EFCC was a turning point in in the financial governance of Nigeria, as it is moving the country from a reactive to a preventive enforcement model.³²

It suffices to say that the relevance of the EFCC to counter-terrorism financing has grown greatly since the rise of groups like Boko Haram and ISWAP. The commission, in collaboration with the NFIU and DSS, has helped in tracing illicit financial transaction that are linked to terrorism, and even intercepted some funding routes through NGOs. They have further ensured the prosecution of financiers under both the Money Laundering (Prevention and Prohibition) Act, 2022, and the Terrorism (Prevention and Prohibition) Act, 2022. However, the effectiveness of the Act and the Commission is hindered by weak intelligence integration, political interference, judicial delays, etc.³³

d). Nigerian Financial Intelligence Unit (NFIU) Act, 2018

The Nigerian Financial Intelligence Unit (NFIU) Act, 2018 establishes the NFIU, which is an autonomous body responsible for receiving, analysing, and disseminating financial intelligence to relevant authorities like the EFCC.³⁴ It was formerly operated as a department under the Economic and Financial Crimes Commission (EFCC) as a structure that raised serious concerns about independence and confidentiality. Its passage restored the membership of Nigeria in the Egmont Group of Financial Intelligence Unit, which had earlier suspended the country in 2017 due to interference in the NFIU's operations.³⁵

³¹ The EFCC serves as the national coordinating body for enforcing AML/CTF laws, working closely with the Nigerian Financial Intelligence Unit (NFIU), Central Bank of Nigeria (CBN), Department of State Services (DSS), and Office of the National Security Adviser (ONSA) to identify and disrupt financial flows linked to terrorist networks.

³² Maruf Adeniyi Nasir, 'The Examination of Anti-Money Laundering Laws in Nigeria as International Law Overview' *Jurnal Akta* (2022) 9(2)166. DOI: 10.30659/akta.v9i2.21234

³³ *ibid.*

³⁴ Section 1 of the Nigerian Financial Intelligence Unit (NFIU), 2018.

³⁵ Olaleye Aluko, 'Egmont Group Lifts Suspension on Nigeria' *PUNCH* (27th September, 2018, Abuja)

Additionally, the Act was designed to strengthen the compliance of Nigeria with recommendations of the Financial Action Task Force (FATF), particularly the ones that related to financial intelligence and inter-agency cooperation.³⁶ To ensure autonomy and confidentiality, Section 2(2) of the Act provides for the independence of the NFIU from political and institutional interference, thereby guaranteeing impartiality in handling sensitive intelligence like high profile individual and politically exposed persons (PEPs). Interestingly, the unit has been working closely with the EFCC, Central Bank of Nigeria (CBN), and the Department of State Services (DSS), to track suspicious transactions that are linked to terrorist groups like Boko Haram and ISWAP.³⁷

e). Central Bank of Nigeria AML/CTF Regulations, 2022

Section 51 of the CBN Act, 2007, and Section 29 of the Bank and Other Financial Institutions Act (BOFIA), 2020, issued this Regulations 2022, basically as a preventive strategy against money laundering and terrorism financing. The regulations operationalize the obligation of Nigeria under the Money Laundering (Prevention and Prohibition) 2022 and the Terrorism (Prevention and Prohibition) Act, 2022, which mandates banks and other financial institutions to implement strict Customer Due Diligence (CDD), Suspicious Transaction Reporting (STR), and Risk-Based Recommendations 10-21.

This regulatory vigilance has significantly strengthened the detection and deterrence of illicit financial flows and the misuse of financial systems to finance terrorism. Through its mandate to screen customers against UN and domestic sanction lists and freeze assets that are linked to designated terrorist entities under section 32 of the Regulation, it acts as the bridge between financial regulations and national security.

3.2. Institutional Framework

The institutional frameworks for combating money laundering and terrorism financing in Nigeria operates through a web of agencies anchored by the Economic and Financial Crimes Commission (EFCC), Nigerian Financial Intelligence Unit (NFIU), Central Bank of Nigeria

https://punchng.com/egmont-group-lifts-suspension-on-nigeria-2/#google_vignette accessed 6th November, 2025.

³⁶ Hemen Philip Faga and Boniface Aliche Nwali, 'An Examination of the Nigeria Financial Intelligence Unit in Combating Money Laundering and Terrorism Financing in Nigeria' *African Journal of Criminal Law and Jurisprudence (AFJCLJ)* (2024) 51-56.

³⁷ *Ibid.*

(CBN), Special Control Unit Against Money Laundering (SCUML), and other supporting bodies like, NDLEA, DSS, ICPC, and Nigerian Police. They work together to strengthen Nigeria's compliance with Financial Action Task Force (FATF) standards in order to improve the ability to detect terrorism financing channels.

In the primary quest to ensure complementary enforcement, intelligence, and regulatory role, the EFCC leads investigations and prosecutions, while the NFIU analyzes and shares financial intelligence with domestic and international partners. The CBN enforces compliance within financial institutions, and SCUML monitors non-financial businesses vulnerable to money laundering. However, it is pivotal to state that despite the progress of the institutions, inter-agency rivalry and coordination gaps continue to undermine full institutional effectiveness.³⁸

4. Critical Analysis of Nigeria's AML/CTF Framework

As examined above, the legal and institutional frameworks of Anti-money laundering and Counter Terrorism financing have contributed greatly in emancipating Nigeria from the strong grip of money laundering and terrorism financing, which has had negative impacts on Nigeria's reputation in the international sphere. This section shall critically analyse these frameworks to x-ray their strengths and weaknesses.

4.1. Strengths of the Framework

- i. ***Existence of modern, updated legislation:*** The enactment of the *Money Laundering (Prevention and Prohibition) Act, 2022* and the *Terrorism (Prevention and Prohibition) Act, 2022* marks a major legislative advancement. These laws modernized Nigeria's AML/CTF regime by expanding the definition of predicate offences, introducing risk-based compliance obligations, and enhancing sanctions for violations.³⁹ The reforms also align domestic laws with FATF and GIABA recommendations, strengthening Nigeria's standing in the global financial community.
- ii. ***Establishment of specialized institutions:*** Nigeria has established multiple specialized institutions for AML/CTF enforcement and coordination, including the Economic and

³⁸ Faga and Nwali, 'An Examination of the Nigeria Financial Intelligence Unit in Combating Money Laundering and Terrorism Financing in Nigeria'

³⁹ Aluko and Oyebo, 'Overview of the Money Laundering (Prevention and Prohibition) Act 2022' (22nd August, 2022). <https://www.aluko-oyebode.com/insights/money-laundering-prevention-prohibition-act/> accessed 7th November 2025.

Financial Crimes Commission (EFCC), Nigerian Financial Intelligence Unit (NFIU), Central Bank of Nigeria (CBN), and Special Control Unit Against Money Laundering (SCUML). Each performs distinct yet complementary functions, ranging from intelligence analysis and financial regulation to investigation and prosecution, reflecting a comprehensive institutional design. The autonomy granted to the NFIU in 2018, particularly after its admission into the Egmont Group, significantly enhanced Nigeria's intelligence-sharing capacity and compliance with global reporting standards.⁴⁰

- iii. **Improved regional and international cooperation:** Nigeria maintains active collaboration with international and regional AML/CTF bodies such as GIABA, FATF, and the United Nations Office on Drugs and Crime (UNODC).⁴¹ These partnerships facilitate capacity-building, peer evaluations, and exchange of financial intelligence, which have strengthened Nigeria's technical and operational readiness. Nigeria's recent delisting from FATF's grey list in 2023 further affirms improvements in compliance and cooperation mechanisms.
- iv. **Judicial Endorsement and Progressive Case Law:** Judicial decisions in cases such as *FRN v. Dariye*⁴² and *FRN v. Orji Kalu*⁴³ highlight a growing judicial resolve to interpret and apply AML/CTF laws rigorously. These cases have reinforced the principle that no individual, regardless of political standing, is immune to prosecution under Nigeria's anti-corruption and AML/CTF framework. This evolving judicial attitude strengthens public confidence and international credibility.\

4.2. Weaknesses of the Framework

- i. **Weak enforcement and prosecution rates:** Although Nigeria now has modern statutes, enforcement outcomes remain uneven. High-profile convictions such as *FRN v. Dariye* (2018)⁴⁴ and *FRN v. Orji Kalu* (2019)⁴⁵ demonstrate judicial willingness to convict, but they are exceptions rather than the rule: many investigations stall, plea bargains dilute

⁴⁰ Olaleye Aluko, 'Egmont Group Lifts Suspension on Nigeria' (note. 35).

⁴¹ Chitimira and Oyesola Aniashaun, 'The Adequacy of the Legal Framework for Combating Money Laundering and Terrorist Financing in Nigeria' (note.4).

⁴² (2011) LPELR-4151(CA).

⁴³ (2012) LPELR-9287(CA).

⁴⁴ (2011) LPELR-4151(CA).

⁴⁵ (2012) LPELR-9287(CA).

deterrence, and asset recovery is slow. Scholars emphasise that the problem is less statutory deficiency than implementation failure, investigations often lack financial forensics, prosecutors lack technical expertise, and case files fail to meet evidentiary thresholds for complex financial crime trials.⁴⁶ The result is a weak deterrent signal: potent laws, but limited use of tracing, freezing and forfeiture powers to deprive criminals and terrorists of assets.

- ii. ***Inter-agency rivalry and duplication of functions:*** Nigeria's multi-agency architecture, such as EFCC, NFIU, CBN, SCUML, DSS, ICPC, was intended to combine complementary strengths, but overlapping responsibilities have produced turf disputes, duplicated efforts, and delays in intelligence-driven operations. Academic critiques point to unclear coordination mechanisms and the absence of a legally entrenched national AML/CTF coordination body with decisive authority and a shared database. The consequence: intelligence (STRs/CTRs) sits unexploited, cases lapse while agencies argue jurisdiction, and timely asset-freezing is compromised.⁴⁷
- iii. ***Political interference in anti-corruption processes:*** Political pressure and selective enforcement remain persistent risks. Even where agencies have statutory powers, political influence can shape case selection and duration, especially involving politically exposed persons (PEPs). Commentators note that selective targeting and prosecution undermine public confidence and international credibility, and increases the risk that AML/CTF tools will be perceived as instruments of political vendetta rather than neutral legal mechanisms.⁴⁸ The institutional insulation reforms (e.g., NFIU independence) mitigated some risks, but they have not eliminated politicised interference in practice.
- iv. ***Inadequate funding and poor institutional capacity:*** Effective AML/CTF enforcement requires financial forensics, secure case management systems, and skilled analysts—areas where Nigerian agencies still report shortfalls. Limited budgets constrain forensic labs, cross-border liaison, and the ability to procure analytics tools (transaction monitoring, link-analysis, blockchain tracing). Academics stress that

⁴⁶ Hemen Philip Faga and Boniface Alichia Nwali, 'An Examination of the Nigeria Financial Intelligence Unit in Combating Money Laundering and Terrorism Financing in Nigeria' *African Journal of Criminal Law and Jurisprudence (AFJCLJ)* (2024) 51-56.

⁴⁷ *Opt. cit. note. 4.*

⁴⁸ *Ibid.*

without sustained investment in technology and personnel training, the gap between law and practice will persist—especially as criminals exploit fintech and crypto channels beyond current surveillance capacity.⁴⁹

- v. ***Low public awareness and poor compliance culture:*** While banks have improved KYC/CDD and STR filing, many Designated Non-Financial Businesses and Professions (real estate, legal practitioners, dealers in high-value goods) remain poorly regulated or under-supervised. Under-reporting of suspicious transactions and weak internal controls create blind spots for laundering and terrorist funding. Scholars emphasise that regulatory reach must be expanded and accompanied by targeted outreach, sanctions for non-compliance, and incentives for reporting, otherwise criminals will simply shift operations to the less-regulated sectors.

5. Recommendations

Following the critical analysis above, below are the recommendations of the author as regards the lacunas that affects the effectiveness of the anti-money laundering and counter-terrorism financing in Nigeria:

- i. ***Establish a unified AML/CTF coordination committee:*** The conflict that is prevalent among the agencies that function as the institutional framework calls for the establishment of a National anti-money laundering and counter-terrorism financing Coordination Committee (NACC) through appropriate legislation. This body should be responsible for the harmonization of the operations between the EFCC, NFIU, CBN, SCUMBL, NDLEA, ICPC, and other relevant agencies, ensuring the coordination of intelligence and standardized investigation procedures and the report of suspicious transaction.⁵⁰
- ii. ***Mandate data sharing across agencies through digital platforms:*** There should be a national AML/CTF data-sharing platform, developed and hosted under the supervision of the NFIU in order to address the challenge of information silos that hinders the curbing the crimes. However the data sharing protocols should comply with the Nigeria

⁴⁹ Robert Anya Nkata, 'An Appraisal of the Effectiveness and Efficiency of Nigeria's Counter-Terrorism Approaches in the North East' *Wukari International Studies* (2023) 7(2), 228-315.

⁵⁰ This unification will minimize duplication of function, improve resource allocation, and strengthen the compliance of Nigeria with recommendation 1 and 31 of the Financial Action Task Force (FATF).

Data Protection Act 2023 and the confidential principle of FATF. This will in turn bring about the integration of digital interoperability that would enhance analytical capabilities, reduce duplication of function, and ensure that there is swift response to financial crimes.

- iii. ***Create specialized AML/CTF courts or tribunals:*** Specialised courts or division dedicated to AML/CTF should be created within the Federal High Court to cure the delay prosecution of money laundering crimes which are mostly caused by judicial congestion and lack of specialization. Thus, Section 19 of the Federal High Court should be amended to designate such divisions. Also, judges should be staffed with trainings in financial forensics and digital evidence, thereby leading the increase of conviction rates and the restoration of public confidence in the justice system.
- iv. ***Provide continuous training for judges and prosecutors:*** the National Judicial Institute (NJI) should institutionalise specialised trainings for judges and prosecutors in financial investigation, asset tracing, digital evidence and cross-border mutual legal assistance. This is essentially because the technical nature of AML/CTF cases demands continuous professional development. There should be training on international cooperation tools,, such as the United Nations Convention against Transnational Organised Crimes (UNTOC) for prosecutors to enhance evidentiary standards and reduce procedural errors that often contribute to the acquittal of offenders.
- v. ***Introduce real-time transaction monitoring systems:*** The Central Bank of Nigeria (CBN) should mandate all financial institutions to deploy *real-time transaction monitoring systems (RTTM)* capable of flagging suspicious transactions instantly. Section 6 of the *MLPPA 2022* empowers the CBN to issue regulations for enhanced due diligence.⁵¹ This would reduce the reliance on post-fact investigations and foster proactive risk management within the banking system.
- vi. ***Encourage fintech and AI integration for suspicious activity detection:*** Emerging technologies like Artificial Intelligence (AI), blockchain analytics, and machine learning should be integrated into Nigeria's AML/CTF ecosystem. The CBN, in collaboration with the NFIU and private fintech innovators, can develop an *AML*

⁵¹ RTTM, already adopted in Singapore and the UK, would ensure that high-risk transactions are reviewed before completion, thus preventing illicit fund movement.

Innovation Sandbox, a safe regulatory space for piloting AI-driven compliance tools. AI can detect complex laundering typologies across digital payment platforms faster than manual reviews. This technological leveraging is a sustainable response to the sophistication of financial crimes in the digital age.

- vii. **Promote Legislative and Policy Reforms:** Continuous legislative evolution is critical to maintaining FATF compliance and domestic efficiency. Nigeria should consolidate existing laws into a single *Financial Crimes and Counter-Terrorism Act* for clarity. Reforms should also enhance asset recovery mechanisms, improve whistleblower protections, and create a centralized Beneficial Ownership Register with verifiable data. Periodic policy reviews and FATF-style mutual evaluations will ensure that Nigeria's framework adapts to new laundering and terrorism financing threats.
- viii. **Foster Public and Private Sector Compliance:** The fight against financial crimes cannot be complete without the engagement of the public section. Thus, the Special Control Unit Against Money Laundering (SCUML) should intensify supervision of Designated Non-Financial Businesses and Professions (DNFBPs) through mandatory registration, compliance audits, and public education campaigns. Incentivizing compliance through tax reliefs or preferential access to government contracts can promote adherence. Public awareness campaigns, whistleblower reward schemes, and community outreach will strengthen societal ownership of AML/CTF goals, fostering a culture of transparency and integrity.

6. Conclusion

Given the above analysis and recommendation, this paper concludes that anti-money laundering and counter-terrorism financing (AML/CTF) framework in Nigeria is in significant progress, particularly in the alignment with global standards. This progress is traced to the emergence of several legislation, specialised institutions, and enhanced cooperation mechanism. However, this progress is fraught with persistent challenges, such as weak enforcement, political interference, inadequate inter-agency coordination, etc, which hinders the effective of the legal and institutional frameworks. Therefore, to achieve a financial system that is given to resilience and transparency, Nigeria must institutionalise stronger coordination across agencies, integrate technology-driven monitoring agencies, strengthen judicial and prosecutorial capacities. In other words, Nigeria should ensure that financial crimes and terrorism financing

are tackled with both legal precision and institutional integrity, because, the sustainability of the AML/CTF does not only depend on the strength of the laws, but on the consistency, independence, and innovation of their implementation.