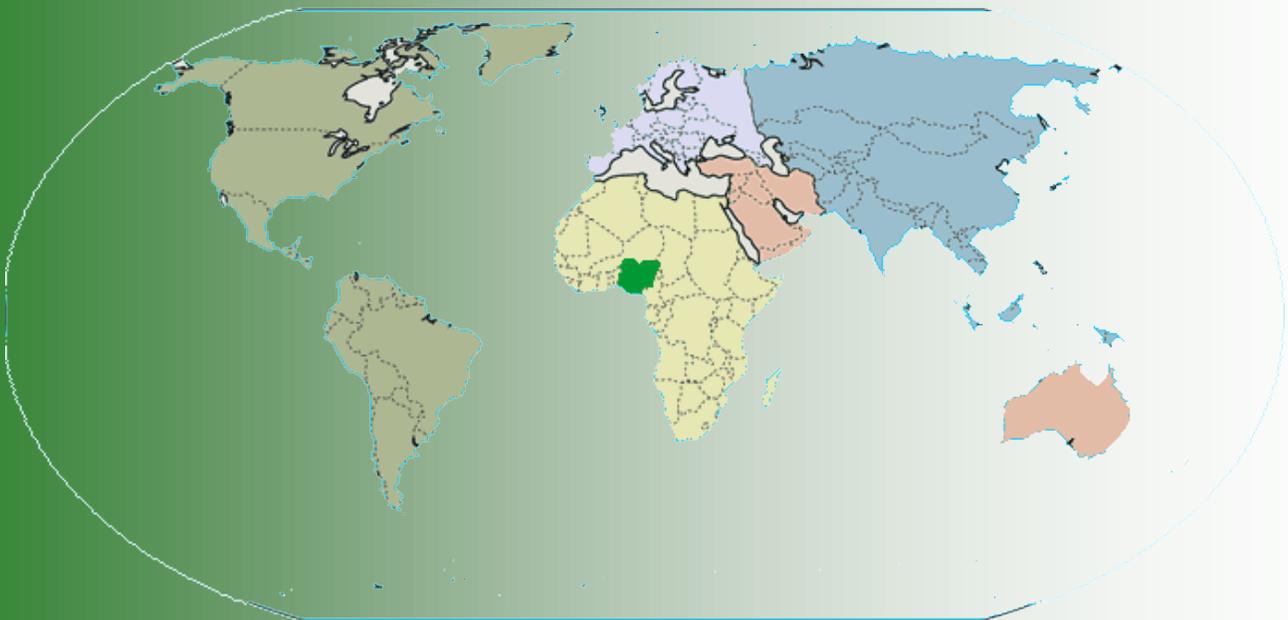




# NFIU

## NIGERIAN FINANCIAL INTELLIGENCE UNIT



### **GUIDANCE ON DRUG TRAFFICKING INDICATORS IN RELATION TO MONEY LAUNDERING AND TERRORISM FINANCING**

The Nigerian Financial Intelligence Unit (NFIU) in fulfillment of its obligations on the timely provision of guidance to reporting entities, publishes indicators on crimes of money laundering and terrorism financing in an effort to guide reporting entities on observable patterns.

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## **INTRODUCTION**

Drug trafficking is the exchange of illegal drugs for payment. The illegal drug trade is a global black market dedicated to the cultivation, manufacture, distribution and sale of drugs that are subject to drug prohibition laws. Most jurisdictions prohibit different types of drug related trades through the use of drug prohibition laws, except under license. The prohibition is in consideration of the negative and harmful effect the use of narcotics has on our society and the resultant civil upheavals and other forms of criminalities.

Accordingly, United Nations in 1988 issued a Convention against Illicit Trafficking in Narcotic Drugs and Psychotropic Substances which is one of the three major international drug control treaties currently in force. The convention called on countries to the extent that they are able to do so, accelerate steps to ratify the said convention so that it enters into force as quickly as possible. The convention further called on countries to create separate bodies to lead the onslaught against the ravaging drug menace in many parts of the world. Consequently Nigeria responded by signing and ratifying the convention through degree No. 48 of 1989, now an act of parliament CAP N30 laws of the federation of Nigeria 2004 which, established The National drug law enforcement agency (NDLEA), a body tasked with the responsibility in the fight against drug trafficking.



The ratification is in consideration of the negative effect that illicit drugs trades have on domestic and international economies and its devastating social consequences which becomes a threat to national security. The trafficking of illicit drugs further has an enormous profit generation capability which must be laundered accordingly to avoid detection. Thus several sophisticated schemes are employed while laundering the proceeds through the use of domestic and foreign bank accounts, shell companies, dummy corporations, manipulations of financial system and many more.

According to a UN report, "global drug trade generated an estimated US\$321.6 billion in 2003." with a world GDP of US\$36 trillion in the same year, the illegal drug trade may be estimated as nearly 1% of total global trade. Consumption of illegal drugs is widespread globally. Furthermore, the European Union observed in 2013 that drug traffickers had created an alternate route in trafficking illicit drugs through the West African coast. Drug traffickers move cocaine from South America, through the West African coast to Europe and other destinations. Nigeria, as one of the coastal countries of West Africa is vulnerable to this crime. Furthermore, due to the significant activity of its informal sector that promotes cash transactions, drug traffickers can use the informal sector to launder their illegal proceeds and eventually deposit their funds in the financial institutions to consolidate on the laundering activity. Drug trafficking affects social and political stability, slows down the pace of economic growth,



increases money laundering and other economic crimes, initiates and supports violent crime activities, hinders good international relations, supports the smuggling of other illegal goods amongst others.

In a bid to curb this menace, Financial Action task Force (FATF) has called on Countries to criminalize money laundering and apply the crime of money laundering to all serious offences, with a view to including the widest range of predicate offences (including drug trafficking). At a regional level, ECOWAS has taken measures to address the problem. In response to the FATF requirement, Nigeria enacted the Money Laundering Prohibition Act 2011 as amended to include the crime of money laundering to all serious offences. Beyond criminalizing drug trafficking as a predicate offence to money laundering, it is important to first identify money laundering that is possibly related to proceeds of drug trafficking. Identification will enhance reporting, which will stimulate investigation, leading to prosecution and possible conviction and asset forfeiture.

## **PURPOSE OF THE GUIDANCE**

The purpose of this document is to guide the reporting entities, financial sector regulators, law enforcement officers, and the general public in identifying drug trafficking indicators as well as aid the government in formulating policies relating to mitigation of drug trafficking in Nigeria.

There are numerous indicators that may assist reporting entities in identifying drug trafficking transactions, and law enforcement officers in identifying prevailing trends in drug trafficking transactions as the existence of a single indicator may not necessarily indicate illicit activity but it should encourage further monitoring and examination. In most cases it is the existence of multiple indicators that raises suspicion of potential criminal activity, and informs further response to the any given situation

In particular, compliance officers are encouraged to monitor these indicators when describing suspicious behaviors for inclusion in suspicious transaction reports as well as ensuring that institutional training materials and KYC policies and procedures take these indicators into consideration.

## **MOST COMMONLY IDENTIFIABLE DRUG TRAFFICKING INDICATORS**

Recognizing the need for a broader understanding of drug trafficking and the related money laundering offences, the following indicators have been identified as some of the most commonly identifiable drug trafficking indicators;

1. Source of fund is not consistent with known legitimate income.

2. Attempt to disguise the real owner or parties to the transactions
3. Transactions involving people with criminal records.
4. Use of foreign bank without legitimate reasons.
5. Structuring of payment.
6. Significant level of cash deposit not consistent with known legitimate income or with unconvincing explanation for source of funds.
7. Significant funding for company not consistent with known legitimate income.
8. Incorporation of several companies within a short period of time in high risk jurisdictions.
9. Involvement of multiple foreign bank account and foreign companies without legitimate reasons.
10. International funds transfers to a country of interest to authorities
11. Large cash withdrawals within a short time frame
12. Multiple customers linked by common addresses, conducting international funds transfers to the same overseas beneficiary.
13. Multiple customers conducting international funds transfers to the same overseas beneficiary

14. Multiple international funds transfers to a high-risk jurisdiction
15. Multiple cash deposits on same day or within a short period of time by same or similar individuals into a specific account, and these deposits are made in different branches located within a short distance of each other.
16. High volume transactions conducted frequently by close relative or close associate of convicted drug trafficker.
17. Use of cash preferred as means of payment rather than payment through the banks for purchase of assets such as real estate, shares, etc.
18. Rapid purchase of assets followed by rapid sale of same assets.
19. High demand for foreign currency by individuals for unspecified or undisclosed purpose
20. Real estate acquisition through a property lawyer
21. Issuance of managers cheques in favour of several unrelated beneficiaries which are later liquidated to acquire property
22. Importation of luxury of used vehicles without a corresponding payment through a financial institution.
23. Large acquisition of shares using under aged nominees
24. Multiple invoicing of a good and service for duplicated payments justified by amendments of payment terms or described as charges for late payment.

25. Purchase of landed properties in favor of different family members
26. Operation of bank accounts and stock broking firms in fictitious names, under false or lost documents, or by persons and organizations, acting on behalf of real owners of the funds;
27. Presentation of documents for financial transactions with essential deficiencies from a legal point of view.
28. Indirect settlements of contracts by the contractor through third parties.
29. Transfer of funds to an account inconsistent with typical business of the account owner (for example, an agricultural company, producing cereal, receives money for motor vehicles).
30. Opening accounts in financial institutions by individuals, depositing large amounts of cash, which are further transferred outside the country to the accounts of "front" companies which, in turn, transfer them to a different location. Later on the funds are returned to the country, where they originate from, i.e. they move in circle.

## **SOURCE**

FATF Report 2013: Money laundering and Terrorist financing vulnerabilities of legal professionals.

Source: FATF Report: Money Laundering Risks Arising from Trafficking in Human Beings and Smuggling of Migrants.

Source: Austrac 2014: Typologies and Case Studies Report.

GIABA Typologies Report on Laundering the Proceeds of Illicit Trafficking in Narcotics Drugs and Psychotropic Substances in West Africa December 2010