



As the Egmont Group meets, Nigeria sits on the edge

The Egmont Group an international body of 155 Financial Intelligence Units that provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing, meets from today, March 12, 2018, until Thursday, March 15. A deadline to Nigeria to separate its National Financial Intelligence Unit from the EFCC lapsed yesterday, without Nigeria signing a law that would have done so. The likely outcome of the meeting will be Nigeria's expulsion from the group.

Points to note

- Fears of political interference drove the Egmont Group's actions
- Nigeria left it to too late to move on the Egmont Group's demands
- There was no public hearing for the new law which the National Assembly passed last week
- The process of passing the new NFIU Bill failed to conform to global best practices
- President Buhari has not signed the Bill
- Internal politics ganged up to harm Nigeria's public interest
- First to be hit by a possible expulsion would be e-commerce firms and bulk traders
- The fight against corruption will also take a hit

In July 2017, the Egmont Group, an international body of 155 Financial Intelligence Units that, according to its website, provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing, lost patience with Nigeria and suspended our National Financial Intelligence Unit because of the Economic and Financial Crimes Commission's habit of leaking sensitive financial intelligence to the media even before charging suspects to court. The EFCC had also refused to cooperate in efforts to grant the NFIU operational independence.

The Egmont Group demanded that Nigeria amend the laws to either make the NFIU a separate corporate body or transfer it to the Central Bank of Nigeria in line with global best practice. Broadly speaking, Egmont recognises four types of FIUs – the judicial model where the FIU is established within the judicial branch of government and disclosures of suspicious financial activity are received by the country's investigative agencies from its financial sector so that judicial powers can be brought into play; the law enforcement model where anti-money laundering measures are implemented alongside already existing law enforcement systems; the administrative model where a centralised, independent authority receives and processes information from the financial sector and transmits disclosures to judicial or

law enforcement authorities; and the hybrid model which combines elements of at least two of the FIU models. Nigeria runs the law enforcement model where our FIU is domiciled within the prosecutorial agencies, and since joining the Egmont Group has domiciled the NFIU within the EFCC.

Nigeria has been a member of Egmont Group since 2007, and the NFIU's independence has been a matter of contention since around 2015. Egmont has felt that the Nigerian NFIU is not independent enough to act properly and there is the risk that the unit may, or already be subject to, political interference.

In response to Nigeria's suspension, the Presidency set up a committee, headed by Senator Chukwuka Utazi, the Chairman of the Senate Committee on Anti-Corruption, to reposition the NFIU and ensure that Nigeria is not expelled from the Egmont Group. Its report was due to be submitted in August 2017, and after concerted civil society pressure as well as lobbying from the financial sector, both houses of the National Assembly passed bills towards the end of 2017 excising the NFIU from the EFCC. Differences in the Senate and House of Representatives bills led to lawmakers entering into reconciliation. However differences in key blocs of both lawmaking houses, as well as the Presidency, stymied reform efforts. Last minute

efforts to push through the law led to both houses rushing a reconciled version of the bill through confirmatory votes less than a week to Egmont's deadline. Despite the National Assembly's best efforts, the harmonised Bill has not been signed by President Muhammadu Buhari. Multiple sources have indicated to SBM Intelligence that the unwillingness by the Presidency to mirror the speed of the National Assembly with regards signing the bill and allowing it become law is rooted in the desire of certain elements at the highest level of government to retain the embedded NFIU within the EFCC as a ready political tool to wield against perceived political opponents of the current administration.

Nigeria's possible expulsion, if it does occur, will be a devastating blow for our international financial transactions, made worse by the country's recent drop in Transparency International's Corruption Perception Index. It will only burnish the image of Nigeria as a country associated with fraud, and illicit money transfers, aiding terrorist networks.

Our financial institutions could be blacklisted, affecting their ability to issue payment cards for international transactions. With the CBN's tight regulation of the charges and pricing of domestic transactions, the international transaction portfolio of most banks is what has subsidised their card

business thus far. This is the income that this suspension now threatens and it will become increasingly untenable for banks to continue to provide domestic electronic transactions under the current price regime. With a suspension, banks will be forced to access offshore facilities at a premium, making such funds more expensive for them. As always, this added cost will be passed on to customers.

An expulsion could also affect individual Nigerians' ability to take part in international transactions. Nigerians already suffer under significant, self-inflicted restrictions when spending abroad. First to be hit would be bulk traders and e-commerce firms who will be forced to rely on cash to import their goods, raising their risk profile. This increased risk will be passed on to customers along the value chain, from wholesalers all the way to individual consumers.

It can also have an adverse effect on the fight against corruption as various checks will be taken out of the hands of Nigerian anti-graft institutions and they will become wholly dependent on foreign, sometimes non-cooperative bodies for such checks.

An expulsion by the Egmont Group would mean that Nigeria will not have access to financial intelligence from sister agencies abroad. One of the key drivers of corruption in the country is the

relative ease with which persons are able to launder vast sums of money outside the country. This ability depends on foreign partners who would not be affected by an expulsion, and the ability to trace such monies is dependent on information from financial intelligence units abroad. Nigeria's being cut off from that system makes it difficult to recover such funds.

The Muhammadu Buhari administration had picked the war against corruption as a key agenda, and such a close run, however it ends, has given a negative impression internationally, as regards Nigeria's seriousness with its effort at cleaning up governance and instilling meritocracy. A lesson for Nigeria here is that appearances matter. The optics are terrible in how the country has left this matter to the very end, with a mad dash to pass the bill.

A personality clash between the chairmen of the overseeing committees in the Senate and House of Reps also affected the reform's state of limbo as the Reps insisted on leaving the NFIU domiciled within the EFCC despite Egmont's express demands to take it out of there. Senate President Bukola Saraki and House Speaker Yakubu Dogara had to intervene in a dispute between Senate committee chairman Utazi and his counterpart on the House Committee on Financial Crimes,

Kayode Oladele. For some, Oladele, whose CV includes a stint as the Chief of Staff to the Executive Chairman of the EFCC, had a vested interest in ensuring that the anticorruption agency retains the country's NFIU. It was only after a particularly blistering condemnation of Oladele's actions on the Senate floor that both house leaders stepped in to ensure that both committee chairmen accelerated the process of reconciliation, ensuring the harmonised bill which currently sits at the President's desk.

What this serves to underscore is the level of seriousness that Nigeria accords to issues of significant national and international interest. It is also indicative of how far down the line our lawmakers look in terms of trying to understand the real life impact of their actions. The National Assembly has, as of 9 March, passed the reformed NFIU law as demanded by Egmont. However, that it took this long to happen shows our lack of ability to focus on what is important.

Perhaps the biggest lesson from this saga is one that has been possibly the defining theme of the current administration. It was the expectation that a government which was elected promising change, and which on the strength of its campaign promises, managed to secure control of the Executive, the National Assembly, as well as a majority of Nigeria's states, would

not find it hard to coordinate amongst these organs and arms of government to drive crucial policy through legislative hoops and expedient executive implementation. However, the reverse has been the case, and like the NFIU bill, many other crucial bills lie moribund. No one on the executive side is engaging with important actors to drive its agenda. The National Assembly hardly perceives the urgency in passing these bills, except for paying periodic lip service to them, as the experience of the rigmarole in driving oil sector reform perfectly illustrated. Nothing is sacred and both the Buhari Presidency and the 8th National

Assembly continue to play politics with crucial national issues. The 2018 budget is not being discussed, save for the Senate talking down at various ministries, departments and agencies (MDAs), and no one appears particularly keen on passing it. Then the inevitable happens. At some point, everyone wakes up, perhaps to meet a deadline or in an effort not to break a previous bad record. There is then a rush to pass the laws and the due process of rigorous debate and scrutiny of these bills are dispensed with. This has been utterly disappointing to watch and as the NFIU bill seems to be teaching us, this state of affairs is unlikely to change.



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