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# Guidelines for Licensing of Banks

and Other Financial Institutions on Anti-Money Laundering (AML), Combating the Financing of Terrorism (CFT) and Countering Proliferation Financing (CPF) of Weapons of Mass Destruction.

**BANKING REGULATIONS**

**NEWSLETTER**



## GUIDELINES FOR LICENSING OF BANKS AND OTHER FINANCIAL INSTITUTIONS ON ANTI-MONEY LAUNDERING (AML), COMBATING THE FINANCING OF TERRORISM (CFT) AND COUNTERING PROLIFERATION FINANCING (CPF) OF WEAPONS OF MASS DESTRUCTION.

**T**he Central Bank of Nigeria (CBN) has released the Guidelines for Licensing of Banks and Other Financial Institutions on Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction (the "Guidelines"). The Guidelines were released vide a circular FPR/DIR/GEN/CIR/001/061 directed at Banks and Other Financial Institutions (OFIs) and their promoters under the regulatory purview of the CBN.

The Guidelines prescribe the minimum AML/CFT/CPF requirements for licensing of new financial institutions.

### The objectives of the Guidelines are:

- i. To guide promoters in complying with AML/CFT/CPF requirements in their licensing applications
- ii. To ensure proceeds of crime are not used in the establishment of financial institutions,
- iii. To ensure verifiable identification of beneficial owners of the financial institution,
- iv. To ensure that financial institutions are not in

control of criminals, and

- v. To ensure that preventive measures are put in place against money laundering (ML), terrorism financing (TF), and proliferation financing (PF).

## IMPACT OF THE GUIDELINES

### Requirements for Licence Application

In addition to complying with other licensing requirements specified in relevant institution-type guidelines, promoters must submit the following with the application for Approval-in-Principle:

1. Completed and personally signed Beneficial Owners Declaration Form.
2. Notarized statement of net worth for all Beneficial Owners.
3. Completed and personally signed Politically Exposed Persons (PEP) Declaration Form.
4. AML/CFT/CPF Compliance policy which must include the compliance structure including designation and status of the compliance

officer, employee screening and monitoring, customer due diligence measures, ML/TF/PF Risk Assessment, etc.

### Conditions for Rejection of an Application

An application for a license or a party to an application may be rejected on the following grounds:

1. Failure to demonstrate understanding of the ML/TF/PF risks inherent in the business.
2. Inability to address the AML/CFT/CPF licensing requirements satisfactorily, especially during the capital verification exercise.
3. Misrepresentation of facts and false declaration
4. Criminal record of a party to the application indicating conviction or any other offense that constitutes a financial crime.
5. Opaque ownership structure.
6. Inability to address observed deficiencies in the licensing application within a specified timeline.
7. Discovery that a party to the application is on any of the CBN recognised sanction's lists, such as the United Nations Security Council ("UNSC"), United States Office of Foreign Assets Control ("OFAC"), Her Majesty's Treasury, United Kingdom ("HMT"), European Union ("EU"), French Ministry of Economy, Finance, and Industry (MINEFI), Nigerian sanctions list and any other sanctions list as may be advised from time to time.
8. Any other condition that the CBN may specify.

### Beneficial Ownership Information

The promoters of financial institutions are required to provide the following information/documents for the identification and verification of beneficial owners:

1. Shareholding structure of the institution for which license is sought
2. Where a shareholder or prospective shareholder is a legal person or legal arrangement, relevant incorporation documents, detailing the current shareholding structure and directorship/trustee/fiduciary information.
3. Curriculum vitae of the Beneficial Owners.

4. Completed Beneficial Ownership Declaration Form.



### Screening of Customers and Transactions

The proposed financial institution shall demonstrate the capability for screening customers and transactions for ML/TF/PF risks.

### Transaction Monitoring and Reporting

The proposed financial institution shall demonstrate capability for monitoring, collating, and filing of suspicious transactions reports (STRs) and other regulatory returns.

## CONCLUSION

The Guidelines provide for the AML/CFT/PF compliance requirements for financial institutions at the point of application for CBN license. It is expected that the Guidelines will assist promoters of financial institutions to take appropriate measures to lessen the susceptibility of financial institutions as a fertile ground for money laundering, terrorism financing and proliferation financing.

## Key Contacts

For further information, kindly reach the key contacts below:



### **KUNLE SOYIBO**

Partner & Sector Head, Financial Services

+234 1 4626841/3

E: [kunle.soyibo@jee.africa](mailto:kunle.soyibo@jee.africa)



### **OKEY NNEBEDUM**

Sector Co-Head, Financial Services Sector

(234) 01 462 6841

E: [okey.nnebedum@jee.africa](mailto:okey.nnebedum@jee.africa)



# Jackson, Etti & Edu

RCO Court 3-5, Sinari Daranijo Street, Victoria Island, Lagos, Nigeria.

+234 (1) 4626841/3, +234 (1) 2806989, +234 (1) 2716889

[www.jee.africa](http://www.jee.africa) |    [jeeafrika](https://www.instagram.com/jeeafrika)