



# **CENTRAL BANK OF NIGERIA**

## **KNOW YOUR CUSTOMER MANUAL**

**FOR  
BANKS AND OTHER FINANCIAL INSTITUTIONS  
IN NIGERIA**

***(DRAFT)***

# **KNOW YOUR CUSTOMER MANUAL (KYCM) FOR BANKS AND OTHER FINANCIAL INSTITUTIONS IN NIGERIA**

## **BROAD OUTLINE**

1. Introduction - Need to obtain Identification Evidence
2. What is Identification Evidence – Essentials
3. General Principles of Identification Procedures
4. Establishing Identity – Private Individuals
5. Establishing Identity – Quasi Corporate Customers
6. Establishing Identity – Pure Corporate Customers
7. Identification by Third (3<sup>rd</sup>) Parties
8. Role of Receiving Financial Institutions and Receiving Agents - Acquisition of Equities
9. Exemption from Identification
10. Definitions

## TABLE OF CONTENTS

	Page
<b>1. INTRODUCTION ... ..</b>	<b>1</b>
1.1 The Duty to Obtain Identification Evidence ...	1
1.2 The Nature and Level of the Business to be conducted	2
1.3 Application of Commercial Judgment ... ..	3
 <b>2. ESTABLISHING IDENTITY ... ..</b>	 <b>3</b>
2.1 Identification Evidence ... ..	3
2.2 What is Identity? ... ..	4
2.3 When Must Identity be Verified? ... ..	4
2.4 Redemptions/Surrenders ... ..	5
2.5 Whose Identity Should be Verified? ... ..	5
2.6 Personal Pension Schemes ... ..	7
2.7 Timing of Identification Requirements ... ..	8
2.8 Cancellation/Cooling Off Rights ... ..	9
 <b>3. IDENTIFICATION PROCEDURES ... ..</b>	 <b>9</b>
3.1 General Principles ... ..	9
3.2 New Business for Existing Customers ... ..	10
3.3 Certification of Identification Documents ... ..	11
3.4 Records of Identification Evidence ... ..	12
3.5 Concession – Payment by Post ... ..	13
3.6 Term Deposit Account (TDA)/Individual Savings Accounts (ISA) ... ..	15
3.7 Investment Funds ... ..	15
 <b>4. ESTABLISHING IDENTITY - PRIVATE INDIVIDUALS</b>	 <b>15</b>
4.1 Private Individuals (General) ... ..	16
4.2 Private Individuals Resident in Nigeria ... ..	17

4.3	Physical Checks on Private Individuals Resident in Nigeria	18
4.4	Electronic Checks ... ..	19
4.5	Financial Exclusion for Applicants Resident in Nigeria	20
4.6	Private Individuals not Resident in Nigeria ...	22
4.7	Private Individuals Not Resident in Nigeria (Supply of Information by Post, Telephone and Electronic Means)	23
4.8	Non Face-to-Face Identification ... ..	23
4.9	Establishing Identity for Asylum Seekers ... ..	25
4.10	Establishing Identity for Students and Minors ...	25
<b>5.</b>	<b>ESTABLISHING IDENTITY – QUASI CORPORATE CUSTOMERS ... ..</b>	<b>26</b>
5.1	Establishing Identity – Trust, Nominees and Fiduciaries	26
5.2	Offshore Trusts ... ..	27
5.3	Conventional Family and Absolute Nigerian Trusts	28
5.4	Receipt and Payment of Funds ... ..	30
5.5	Establishing Identity – Powers of Attorney and Third Party Mandates ... ..	30
5.6	Establishing Identity – Executorships Accounts ...	31
5.7	Establishing Identity – “Client Accounts” Opened by Professional Intermediaries... ..	32
5.8	Establishing Identity – Unincorporated Businesses/ Partnerships ... ..	33
5.9	Limited Liability Partnership ... ..	33
<b>6.</b>	<b>ESTABLISHING IDENTITY – PURE CORPORATE CUSTOMERS ... ..</b>	<b>34</b>
6.1	General Principles ... ..	34
6.2	Non Face-to-Face Business ... ..	35

6.3	Procedures for Low Risk Corporate Business:	
-	Public Registered Companies ... ..	35
-	Private Registered Companies ... ..	36
6.4	Procedures for Higher Risk Business:	
-	Bank Accounts for Registered Public Companies	37
-	Additional Measures for Higher Risk Business Relating to Private Companies ... ..	37
6.5	Establishing Identity – Foreign Financial Institutions	39
6.6	Establishing Identity – Bureaux De Change ...	39
6.7	Establishing Identity Other Institutions:	
-	Clubs and Societies ... ..	40
6.8	Establishing Identity – Occupational Pension Schemes	40
6.9	Establishing Identity – Charities in Nigeria:	
-	Registered Charities ... ..	41
6.10	Religious Organizations (ROs) ... ..	42
6.11	Establishing Identity – 3-Tiers of Government/ Parastatals and Educational Institutions ... ..	42
6.12	Establishing Identity – Foreign Consulate Accounts	43

<b>7.</b>	<b>RELIANCE ON INTERMEDIARIES OR OTHER THIRD PARTIES TO VERIFY IDENTITY OR TO INTRODUCE BUSINESS ... ..</b>	<b>43</b>
7.1	Who can be Relied Upon and in What Circumstances?	43
7.2	Introductions from Authorized Financial Intermediaries	44
7.3	Written Applications... ..	44
7.4	Introductions from Foreign Intermediaries ...	45
7.5	Corporate Group Introductions ... ..	45
7.6	Business Conducted by Agents ... ..	47
7.7	Syndicated Lending ... ..	48

7.8	Correspondent Relationship	...	...	...	48
7.9	Acquisition of one Financial Institution or Business By Another	...	...	...	49
<b>8.</b>	<b>RECEIVING FINANCIAL INSTITUTIONS AND RECEIVING AGENTS – OFFERS FOR SALE, RIGHTS ISSUES, ETC.</b>				<b>50</b>
8.1	The Vulnerability of Receiving Bankers/Agents to Money Laundering	...	...	...	50
8.2	Identification Procedures – Who should be Identified?				51
8.3	Applications Received via Brokers or Other Third Parties				51
8.4	Applications Received from Foreign Brokers	...			52
8.5	Multiple Family Applications	...	...	...	52
8.6	Linked Transactions	...	...	...	53
8.7	Domiciliary Account (DA)	...	...	...	53
8.8.	Provision of Safe Custody and Safety Deposit Boxes				54
<b>9.</b>	<b>EXEMPTIONS FROM IDENTIFICATION PROCEDURES</b>				<b>54</b>
9.1	Applicants who are Nigerian Financial Institutions				54
9.2	One-off Cash Transaction – Remittances, Wire Transfers, etc.	...	...	...	54
9.3	Reinvestment of Income	...	...	...	55
<b>10.</b>	<b>DEFINITIONS</b>	...	...	...	<b>55</b>
10.1	Applicant for Business	...	...	...	55
10.2	Business Relationship	...	...	...	56
10.3	One-Off Transaction	...	...	...	56

# **1. INTRODUCTION**

**1.0.1** This manual is intended to serve as a further guide to banks and other financial institutions in Nigeria on the procedures necessary for the proper knowledge of their customers. There is no doubt that having sufficient information about your customer and making use of that information is the most effective weapon against being used to launder the proceeds of crime. In addition to minimizing the risk of being used for illicit activities, it provides protection against fraud, reputational and financial risks and enables individual financial institutions to recognize suspicious activities.

**1.0.2** Financial institutions should not establish a business relationship until all relevant parties to the relationship have been identified and the nature of the business they intend to conduct has been ascertained. Once an on-going business relationship has been established, any inconsistent activity can then be examined to determine whether there is a suspicion of money laundering.

## **1.1 The Duty to Obtain Identification Evidence**

**1.1.1** The first requirement of knowing your customer for money laundering purposes is for the financial institution to be satisfied that a prospective customer is who he/she claims to be.

**1.1.2** Financial institutions should not carry out, or agree to carry out, financial business or provide advice to a customer or potential customer, unless they are certain as to who that person actually is. If the customer is acting on behalf of another, e.g. the funds are being supplied by someone else, or the investment is to be held in the name of someone else then the financial institution has the obligation to verify the

identity of both the customer and the agent/trustee unless the customer is itself a Nigerian regulated financial institution.

**1.1.3** Although financial institutions have the duty to obtain evidence in respect of their customers, there are certain exceptions to this duty as set out in Section 9 of this manual. However, since exemptions are difficult to apply, financial institutions are advised to identify all relevant parties to the relationship from the outset. The general principles and means of obtaining satisfactory identification evidence are also set out below.

## **1.2. The Nature and Level of the Business to be conducted**

**1.2.1** Sufficient information should be obtained on the nature of the business that the customer intends to undertake, including the expected or predictable pattern of transactions.

**1.2.2** The information collected at the outset for this purpose should include:

- ❑ purpose and reason for opening the account or establishing the relationship;
- ❑ anticipated level and nature of the activity that is to be undertaken;
- ❑ expected origin of the funds to be used during the relationship; and
- ❑ details of occupation/employment and sources of wealth or income.

**1.2.3** Reasonable steps should be taken to keep the information up to date as the opportunities arise, e.g. when an existing customer opens a new account. Such information obtained during any meeting, discussion or other communication with the customer should be recorded and kept in the customer's file to ensure, as far as practicable, that current customer information is readily accessible to the Money



Laundering Compliance Officers (MLCO) or relevant regulatory bodies.

### **1.3 Application of Commercial Judgment**

- 1.3.1** Financial institutions are advised to take a risk based approach to the *'Know Your Customer'* requirements. Decisions should be taken on the number of times to verify the subjects within a relationship, the identification evidence required, and when additional checks are necessary. For example, for personal account relationships, all joint account holders need to be verified; for a private company or partnership, the focus should be on the principal owners/controllers whose identities need to be verified.
- 1.3.2** The identification evidence collected at the outset should be viewed against the inherent risks in the business or service.

## **2. ESTABLISHING IDENTITY**

### **2.1 Identification Evidence**

- 2.1.1** It is important to note that the customer identification process should not start and end at the point of application. The process of confirming and updating identity and address, and the extent of additional KYC information collected will however differ from one type of financial institution to another.
- 2.1.2** The general principles for establishing the identity of both legal and natural persons, and the guidance on obtaining satisfactory identification evidence set out in this manual are by no means exhaustive.

### **2.2 What is Identity?**

**2.2.1** Identity generally means a set of attributes such as names used, date of birth and the residential address at which the customer can be located. These are features which can uniquely identify a natural or legal person.

**2.2.2** In the case of a natural person, the date of birth should be obtained as an important identifier to support of the name. There is however no compulsion to verify the date of birth provided by the customer.

**2.2.3** Where an international passport is taken as evidence of identity, the number, date and country of issue should be recorded.

## **2.3 When must Identity be verified?**

**2.3.1** *Identity must be verified whenever a business relationship is to be established, and an account opened, or a significant one-off transaction or series of linked transactions are undertaken. It should be noted that transaction in this manual is defined to include the giving of advice. However, advise is not intended to apply to the provision of information about the availability of products or services or to apply to a first interview/discussion prior to establishing a relationship.*

**2.3.2** Once identification procedures have been satisfactorily completed, and the business relationship established, as long as contact or activity is maintained and records concerning that customer are kept, no further evidence of identity is needed when transaction or activity is subsequently undertaken.

## **2.4. Redemptions/ Surrenders**

**2.4.1** When an investor finally cashes in his investment (wholly or partially), if the amount payable is in excess of US \$ 5,000 or N500,000 for an individual or N2 million for a

body corporate, the identity of the customer must be verified and recorded if it had not been done previously.

In the case of redemption or surrender of an investment (wholly or partially), a financial institution will be considered to have taken reasonable measures to establish the identity of the investor where payment is made to:

- ❑ the legal owner of the investment by means of a cheque crossed “account payee”, or
- ❑ a bank account held (solely or jointly) in the name of the legal owner of the investment by any electronic means effective for transfer funds.

## 2.5 Whose Identity should be verified?

**2.5.1 (1) *Clients*** - *sufficient evidence of the identity must be obtained to ascertain that the client is who he/she claims to be.*

(2) ***The person acting on behalf of another*** - *The obligation is to obtain sufficient evidence of (both) their identities. This rule is however, subject to some exceptions e.g. in consortium lending where the lead manager/agent supplies the normal confirmation letter.*

**2.5.2** There is no obligation to look beyond the client where:

- ❑ it is acting on its own account (rather than for a specific client or group of clients);
- ❑ the client is a bank, broker, fund manager or other regulated financial institutions; and
- ❑ all the business is to be undertaken in the name of a regulated financial institution.

**2.5.3** In other circumstances, unless the client is a regulated financial institution acting as agent on behalf of one or more underlying clients within Nigeria, and has given written assurance that it has obtained and recorded evidence of identity to the

required standards, identification evidence should be verified for:

- ❑ **the named account holder/ person** in whose name an investment is registered;
- ❑ **any principal beneficial owner of funds** being invested who is not the account holder or named investor;
- ❑ **the principal controller(s), of an account** or business relationship (i.e. those who regularly provide instructions); and
- ❑ **any intermediate parties (e.g.** where an account is managed or owned by an intermediary).

Appropriate steps should also be taken to identify directors who are not principal controllers and all the signatories to an account.

**2.5.4 Joint applicants/ account holders** - identification evidence should be obtained for all the account holders.

**2.5.5 Higher risk business undertaken for private companies (i.e. those not listed on the stock exchange)** - sufficient evidence of identity and address should be verified in respect of:

- ❑ the principal underlying beneficial owner(s) of the company - 5% interest and above; and
- ❑ those with principal control over the company's assets (e.g. principal controllers/directors).

Financial institutions should be alert to circumstances that might indicate any **significant changes in the nature of the business or its ownership** and make enquiries accordingly.

**2.5.6 Trusts** – Financial institutions should obtain and verify the identity of those providing funds for the Trust, i.e. the settlor(s) and those who are authorized to

invest or transfer funds, or make decisions on behalf of the trust, i.e. the principal trustees and controllers who have power to remove the trustees.

#### **2.5.7 Regular Savings Schemes and Savings Accounts - Investments in the Name of Third Parties**

**2.5.8** When an investor sets up a savings accounts or a regular savings scheme whereby the funds are supplied by one person for investment in the name of another (such as a spouse or a child), **the person who funds the subscription or makes deposits into the savings scheme** should be regarded as the applicant for business for whom identification evidence must be obtained **in addition to the legal owner.**

### **2.6 Personal Pension Schemes**

**2.6.1** Identification evidence must be obtained at the outset for all investors, except personal pensions connected to a policy of insurance and taken out by virtue of a contract of employment or pension scheme.

**2.6.2** Personal pension advisers are charged with the responsibility of obtaining the identification evidence on behalf of the pension fund provider. Confirmation that identification evidence has been taken should be given on the transfer of a pension to another provider.

### **2.7 Timing of Identification Requirements**

**2.7.1** An acceptable time span for obtaining satisfactory evidence of identity will be determined by the nature of the business, the geographical location of the parties and whether it is possible to obtain the evidence before commitments are entered

into or money changes hands. **However, any occasion when business is conducted before satisfactory evidence of identity has been obtained must be exceptional and can only be those circumstances justified with regard to the risk.**

To this end, financial institutions must

- (i) obtain identification evidence as soon as reasonably practicable after it has contact with a client with a view to:
  - (a) agreeing with the client to carry out an initial transaction; or
  - (b) reaching an understanding (whether binding or not) with the client that it may carry out future transactions;
- (ii) *Where the client does not supply the required information as stipulated in (i) above the financial institution, must:*
  - (a) discontinue any activity it is conducting for the client; and
  - (b) bring to an end any understanding reached with the client.

**2.7.2** A financial institution may however start processing the business or application immediately, provided that it:

- ❑ **promptly takes appropriate steps to obtain identification evidence; and**
- ❑ **does not transfer or pay any money out to a third party until the identification requirements have been satisfied.**

**2.7.3** The failure or refusal by an applicant to provide satisfactory identification or evidence within a reasonable time frame and without adequate explanation may lead to a suspicion that the depositor or investor is engaged in money laundering. The financial institutions should therefore make a suspicious activity report to the CBN & NDLEA based on the information in their possession **before any funds are**

**returned to where they came from.**

**2.7.4** Financial institutions should adopt consistent policies of closing an account or unwinding a transaction where satisfactory evidence of identity cannot be obtained.

## **2.8 Cancellation/ Cooling Off Rights**

**2.8.1** Where an investor exercises cancellation rights or cooling off rights, the sum invested must be repaid (subject to some deductions where applicable). Since cancellation/cooling off rights could offer a readily available route for laundering money, financial institutions should be alert to any abnormal exercise of these rights by an investor, or in respect of business introduced through an intermediary. In the event that abnormal exercise of these rights becomes apparent, the matter should be treated as suspicious and reported to the appropriate authorities.

## **3.0 IDENTIFICATION PROCEDURES:**

### **3.1 General Principles**

**3.1.1** A financial institution should ensure that it is dealing with a real person or organization (natural, corporate or legal), by obtaining sufficient identification evidence. When reliance is being placed on third party to identify or confirm the identity of an applicant, the overall legal responsibility for obtaining satisfactory identification evidence rests with the account holding financial institution.

**3.1.2** The requirement in all cases is to obtain satisfactory evidence that a person of that name lives at the address given and that the applicant is that person, or that the company has identifiable owners and that its representatives can be located at the address provided.

- 3.1.3** Because no single form of identification can be fully guaranteed as genuine, or representing correct identity, the identification process should be cumulative.
- 3.1.4** The procedures adopted to verify the identity of private individuals should state whether identification was done face to face or remotely. Reasonable steps should be taken to avoid single or multiple fictitious applications or substitution (impersonation) fraud.
- 3.1.5** An introduction from a respected customer, personally known to a Director or Manager, or from a member of staff, will often provide comfort **but must not replace the need for identification evidence set out in Section 4 of this manual.** Details of who initiated and authorized the introduction should be kept in the customer's mandate file along with other records. Directors/Senior Managers must insist on normal identification procedures for every applicant.

## **3.2 New Business for Existing Customers**

- 3.2.1** When an existing customer closes one account and opens another, or enters into a new agreement to purchase products or services, there is no need to verify the identity or address for such a customer unless the name or the address provided does not tally with the information in the financial institution's records. However, procedures should be put in place to guard against impersonation fraud and the opportunity of the new account should also be taken to ask the customer to confirm the relevant details and obtain any missing KYC information. This is particularly important:
- if there was an existing business relationship with the customer and identification evidence had not previously been obtained; or



- ❑ if there had been no recent contact or correspondence with the customer, e.g. within the past twelve months; or
- ❑ when a previously dormant account is re-activated.

**3.2.2** In the circumstances above, details of the previous account(s) and any identification evidence previously obtained, or any introduction records, should be linked to the new account records and retained for the prescribed period in accordance with the provision of KYC directive circular of November 2001 issued by the CBN.

### **3.3 Certification of Identification Documents**

**3.3.1** To guard against the dangers of postal intercept and fraud, prospective customers should not be asked to send by post originals of valuable personal identity documents (e.g. international passport, identity card, driving licence, etc.).

**3.3.2** Where there is no face to face contact, with the customer, and documentary evidence is required, copies certified by a lawyer, banker, accountant, senior public servant or their equivalent in the private sector, should be obtained. The person undertaking the certification must be known and capable of being contacted if necessary.

**3.3.3** In the case of foreign nationals, the copy of international passport, national identity card or documentary evidence of address should be certified by:

- ❑ an embassy, consulate or high commission of the country of issue; or
- ❑ a senior official within the account opening institution; or
- ❑ a lawyer or attorney.

**3.3.4** Certified copies of identification evidence should be dated and signed “original

seen". Financial institutions should always ensure that a good reproduction of photographic evidence of identity is obtained and where this is not possible, a copy of the evidence certified as providing a good likeness of the applicant.

### **3.4 Records of Identification Evidence**

**3.4.1** *Records of the supporting evidence and methods used to verify identity must be retained for ten years after the account is closed or the business relationship ended.*

**3.4.2** Where the supporting evidence could not be copied at the time it was obtained, the reference numbers and other relevant details of the identification evidence obtained should be recorded to enable the documents to be re-obtained. Confirmation should be provided that the original documents were seen by certifying either on the photocopies or on the record of the evidence provided.

**3.4.3** Where checks are made electronically, a record of actual information obtained, or a record of where it can be re-obtained must be retained as part of identification evidence. Such a record will make the reproduction of the actual information that would have been obtained before less cumbersome.

### **3.5 Concession - Payment by Post**

**3.5.1** *Concession is granted for product or services **where the money laundering risk is considered to be low**, e.g. for long term life insurance business or purchase of personal investment products. If payment is to be made from an account held in the customer's name (or jointly with one or more other persons) at a regulated financial institution, no further evidence of identity is necessary.*

**3.5.2** *Waiver of additional verification requirements for postal or electronic transactions does not apply to the following:*

- ❑ products or accounts where funds can be transferred to other types of products or accounts which provide cheque or money transfer facilities;
- ❑ situations where funds can be repaid or transferred to a person other than the original customer;
- ❑ investments where the characteristics of the product or account may change subsequently to enable payments to be made to third parties.

**3.5.3** It should be noted that postal concession is not an exemption from the requirement to obtain satisfactory evidence of a customer's identity. Payment debited from an account in the customer's name shall be capable of constituting the required identification evidence in its own right.

**3.5.4** To avoid criminal money being laundered by a customer for a third party, a cheque, draft or electronic payment drawn on a bank or other financial institutions may only be relied upon without further verification of identity where there is no apparent inconsistency between the name in which the application is made and the name on the payment instrument. Payments from joint accounts are considered acceptable for this purpose. **The overriding requirement is that the name of the account holder from where the funds have been provided is clearly indicated any payment received.**

**3.5.5** In the case of a mortgage institution's cheque or banker's draft, it will only be possible to rely on this concession if the holder of the account from which the money is drawn is confirmed to have met the KYC requirements by the mortgage institution or bank. Likewise, payments by direct debit or debit card cannot be

relied upon unless the authentication procedure identifies the name of the account holder from which the payment is drawn and/or confirms the customer's address.

- 3.5.6** In respect of direct debits, it cannot be assumed that the account holding bank/institution will carry out any form of validation of the account name and number or that the mandate will be rejected if they do not match. Consequently, where payment for the product is to be made by direct debit or debit card/notes, and the applicant's account details have not previously been verified through sighting of a bank statement or cheque drawn on the account, repayment proceeds should only be returned to the account from which the debits have been drawn.
- 3.5.7** Record should be maintained indicating how a transaction arose, including details of the financial institution's branch and account number from which the cheque or payment is drawn.
- 3.5.8** The concession can apply both where an application is made directly to the financial institution and where a payment is, for example, passed through a regulated intermediary.
- 3.5.9** A financial institution that has relied on the postal concession to avoid additional verification requirements (which must be so indicated on the customer's file) cannot introduce that customer to another financial institution for the purpose of offering bank accounts or other products that provide cheque or money transmission facilities. If the customer wishes to migrate to an account that provides cheque or third party transfer facilities, then additional identification checks must be undertaken at that time. Where these circumstances occur on a regular basis, financial institutions should identify all parties to the relationship at the outset.

### **3.6 Term Deposit Account (TDA)/ Individual Savings Accounts (ISA)**

**3.6.1** TDA can be broadly classified as a one-off transaction. However, financial institutions should note that concession is not available for TDA's opened with cash where there is no audit trail of the source of funds or where payments to or from third parties are allowed into the account. The identity verification requirements will therefore differ depending on the nature and terms of the TDA /ISA.

### **3.7 Investment Funds**

**3.7.1** In circumstances where the balance in an investment funds account is transferred from one Funds Manager to another and the value at that time is above \$5,000 or N500,000 for an individual and N2 million for a body corporate and identification evidence has neither been taken nor confirmation obtained from the original Fund Manager, then such evidence should be obtained at the time of the transfer.

## **4. ESTABLISHING IDENTITY**

Establishing identity under this manual has divided into two broad categories:

- ❑ Identity for private individual customers
- ❑ Identity for corporate customers (quasi and pure).

### **4.1 Private Individuals**

**4.1.1** The following information should be established and independently validated for all private individuals whose identity needs to be verified:

- ❑ the true full name(s) used; and
- ❑ the permanent home address, including postcode where available.

- 4.1.2** The information obtained should provide satisfaction that a person of that name exists at the address given and that the applicant is that person. Where an applicant has recently moved house, the previous address should be validated.
- 4.1.3** Date of birth is required by the law enforcement agencies and it is therefore important for this to be obtained. However, the information need not be verified. It is also important for the residence/nationality of a customer to be ascertained to assist risk assessment procedures.
- 4.1.4** A risk-based approach should be adopted when obtaining satisfactory evidence of identity. The extent and number of checks can vary depending on the perceived riskiness of the service or business sought and whether the application is made in person or through a remote medium, such as telephone, post or the internet. The source of funds, i.e. how the payment was made, from where and by whom, must always be recorded to provide an audit trail. However, for higher risk products, accounts or customers, additional steps should be taken to ascertain the source of wealth/funds.
- 4.1.5** For lower risk accounts or simple investment products, e.g. deposit or savings accounts without cheque books or automated money transmission facilities, there will still be an overriding requirement for the financial institution to satisfy itself as to the identity and address of the customer.

## **4.2 Private Individuals Resident In Nigeria**

- 4.2.1** The confirmation of name and address should be established by reference to a number of sources. The checks should be undertaken by cross validation that the applicant exists at the stated address either through the sighting of actual

documentary evidence, or by undertaking electronic checks of suitable databases, or by a combination of the two. **The overriding requirement to ensure that the identification evidence is satisfactory rests with the financial institution opening the account or providing the product/ service.**

#### **4.2.2 Documentary Evidence of Identity**

To guard against forged or counterfeit documents, **care should be taken to ensure that documents offered are originals or copies that are dated, signed, ‘original seen’ by a senior public servant or equivalent in a reputable private organization.**

Hereunder are examples of suitable documentary evidence for Nigerian resident private individuals.

#### **4.2.3 Documentary Evidence**

##### **(i) Personal Identity Documents**

- ❑ Current International Passport
- ❑ Residence Permit issued by the Immigration Authorities
- ❑ Current Driving Licence issued by the Federal Road Safety Commission (FRSC)
- ❑ Inland Revenue Tax Clearance Certificate
- ❑ Birth Certificate/Sworn Declaration of Age

##### **(ii) Documentary Evidence of Address**

- ❑ Record of home visit (non-Nigerians)
- ❑ Confirmation from the electoral register that a person of that name lives at that address.
- ❑ Recent utility bill (e.g. NEPA, NITEL)
- ❑ State/Local Government Rates

- ❑ Current driving licence issued by FRSC.
- ❑ Bank statement or passbook containing current address.
- ❑ Solicitor's letter confirming recent house purchase or Search Report from the land Registry
- ❑ Tenancy Agreement

**Checking of a local or national telephone directory can be used as additional corroborative evidence, but should not be used as a primary check.**

### **4.3 Physical Checks on Private Individuals Resident in Nigeria**

**4.3.1** It is imperative for financial institutions systems to be capable of establishing the true identity and address of the customer and for effective checks to be in place to protect against the substitution of identity by an applicant.

**4.3.2** Additional confirmation of the customer's identity and the fact that the application was made by the person identified should be obtained through one or more of the following procedures:

- ❑ a direct mailing of account opening documentation to a named individual at an independently verified address;
- ❑ an initial deposit cheque drawn on a personal account in the applicant's name or another financial institution in Nigeria;
- ❑ telephone contact with the applicant prior to opening the account on an independently verified home or business number, or a "welcome call" to the customer before transactions are permitted, utilizing a minimum of two pieces of personal identity information that had been previously provided during the setting



up of the account;

- ❑ internet sign-on following verification procedures where the customer uses security codes, tokens, and/or other passwords which had been set up during account opening and provided by mail (or secure delivery) to the named individual at an independently verified address;
- ❑ card or account activation procedures.

**4.3.3** Care should be taken to ensure that any additional information required concerning the nature and level of the business to be conducted and the origin of the funds to be used within the relationship, is also obtained from the customer.

#### **4.4 Electronic Checks**

**4.4.1** As an alternative or supplementary to documentary evidence of identity and address, the applicant's identity, address and other available information may be checked electronically by accessing other data sources. Each source may be used separately as an alternative to one or more documentary checks.

**4.4.2** Care should be taken when using a combination of electronic and documentary checks that **different original sources of information are used**. For example, a physical check of a bank statement and an electronic check of the same statement of account are the same source.

**4.4.3** In respect of electronic checks, confidence as to the reliability of information supplied will be established by the cumulative nature of checking across a range of sources, preferably covering a period of time, or through qualitative checks that assess the validity of the information supplied. The number or quality of checks to be undertaken will vary depending on the diversity as well as the breadth and depth

of information available from each source. Verification that the applicant is the data-subject also needs to be conducted within the checking process.

**4.4.4** Some examples of suitable electronic sources of information are set out below

- ❑ An electronic search of the Electoral Register (not to be used as a sole identity and address check);
- ❑ Access to internal or external account database
- ❑ An electronic search of public records where available

**4.4.5** In addition to, or integral within, the above process and procedures should exist to guard against impersonation, invented identities and the use of false address.

**However, if the applicant is non-face-face, one or more additional measures should be undertaken.**

**4.5 Financial Exclusion For Applicants Resident In Nigeria**

**4.5.1** Access to basic banking facilities and other financial services is a necessary requirement for most adults. It is important therefore that the socially/financially disadvantaged should not be precluded from opening accounts or obtaining other financial services merely because they do not possess evidence of their identities in circumstances where they cannot reasonably be expected to do so. Internal procedures must allow for such instances and must provide appropriate advice to staff on how identity can be confirmed and what checks should be made under these exceptional circumstances.

**4.5.2** *Where a financial institution has reasonable grounds to conclude that an individual client is not able to produce the detailed evidence of his identity and cannot reasonably be expected to do so, the institution may accept as identification*

*evidence a letter or statement from a person in a position of responsibility e.g. solicitors, doctors, ministers of religion and teachers who know the client, confirming that the client is who he says he is, and to confirm his permanent address.*

**4.5.3** *When a financial institution has decided to treat a client as financially excluded, it should **make a record of the reasons for doing so** along with the account opening documents.*

**4.5.4** *The financial institution should satisfy itself, that a customer is the person he claims to be. Therefore, where a letter/statement is accepted from a professional person, it should include a telephone number where the person can be contacted for verification. The financial institution should verify from an independent source, the information provided by the professional person.*

**4.5.5** To guard against financial exclusion and to minimize the use of the exception procedure, financial institutions must include in their internal procedures the alternative documentary evidence of personal identity and address that can be accepted.

**4.5.6.** Financial institutions should consider putting in place additional monitoring for accounts opened under the financial exclusion exception procedures to ensure that such accounts are not misused.

## **4.6 Private Individuals not resident in Nigeria**

**4.6.1** For those prospective customers who are not resident in Nigeria but who make face-to-face contact, international passports or national identity cards should generally be available as evidence of the name of the customer. Reference numbers, date, and

country of issue should be obtained and the information recorded in the customer's file as part of the identification evidence.

**4.6.2** Financial institutions should obtain separate evidence of the applicant's permanent residential address from the best available evidence, preferably from an official source. A P.O. Box number alone will not normally be sufficient evidence of address. The applicant's residential address should be such that it can be physically located by way of a recorded description or other means.

**4.6.3** Relevant evidence should be obtained by the financial institution directly from the customer, or through a reputable credit or financial institution in the applicant's home country or country of residence. However, particular care should be taken when relying on identification evidence provided from other countries to ensure that the customer's true identity and current permanent address has been confirmed. **In such cases, copies of relevant identity documents should be sought and retained.**

**4.6.4** Where a foreign national has recently arrived in Nigeria, reference might be made to his/her employer, university, etc. to verify the applicant's identity and residential address.

#### **4.7 Private Individuals not Resident in Nigeria (Supply of Information by Post, Telephone and Electronic means)**

**4.7.1** For a private individual not resident in Nigeria, who wishes to supply documentary information by post, telephone or electronic means, a risk-based approach must be taken. The financial institution should obtain one separate item of evidence of identity in respect of the name of the customer and one separate item for the

address.

**4.7.2** Documentary evidence of name and address can be obtained:

- ❑ by way of original documentary evidence supplied by the customer; or
- ❑ by way of a certified copy of the customer's passport or national identity card and a separate certified document verifying address e.g. a driving licence, utility bill, etc; or
- ❑ through a branch, subsidiary, head office or correspondent bank. Where the applicant does not already have a business relationship with the financial institution that is supplying the information, or the financial institution is not within Nigeria, certified copies of relevant underlying documentary evidence should be sought and retained in the institutions.

**4.7.3** Where necessary, additional comfort should be by confirming the customer's true name, address and date of birth from a reputable credit institution in the customer's home country.

**4.8 Non Face-to-Face Identification**

**4.8.1** Because of possible false identities and impersonations that can arise with non face-to-face customers, it is important to ensure that the applicant is who he/she claims to be. Accordingly, one additional measure or check should be undertaken to supplement the documentary or electronic evidence. These additional measures will apply whether the applicant is resident in Nigeria or elsewhere and must be particularly robust where the applicant is requiring a bank account or other product/service that offers money transmission or third party payments.

**4.8.2 Procedures to identify and authenticate the customer should ensure that**

**there is sufficient evidence, either documentary or electronic, to confirm address and personal identity and to undertake at least one additional check to guard against impersonation fraud.**

**4.8.3 The extent of the identification evidence required will depend on the nature and characteristics of the product or service and the assessed risk.** However, care must be taken to ensure that the same level of information is obtained for internet customers for other postal/telephone customers.

**4.8.4** If reliance is being placed on intermediaries to undertake the processing of applications on the customer's behalf, checks should be undertaken to ensure that the intermediary are regulated for money laundering prevention and that the relevant identification procedures are applied. In all cases, evidence as to how identity has been verified should be obtained and retained with the account opening records.

**4.8.5** Financial institutions should consider regular monitoring of internet based business/clients. If a significant proportion of the business is operated electronically, computerized monitoring systems that are designed to recognize unusual transactions and related patterns of transactions should be put in place for recognizing suspicious transactions.

## **4.9 Establishing Identity for Asylum Seekers**

**4.9.1** Asylum seekers may require a basic bank account without being able to provide evidence of identity. In such circumstances, authentic references from Ministry of Internal Affairs should be used in conjunction with other readily available other evidence.

**4.9.2** Additional monitoring procedures should however be undertaken to ensure that the use of the account is consistent with the customer's circumstances.

## **4.10 Establishing Identity for Students and Minors**

**4.10.1** When opening accounts for students or other young people, the normal identification procedures set out in this manual should be followed as far as possible. Where such procedures would not be relevant, or do not provide satisfactory identification evidence, verification could be obtained:

- ❑ via the home address of the parent(s); or
- ❑ by obtaining confirmation of the applicant's address from his/her institution of learning.
- ❑ by seeking evidence of a tenancy agreement or student accommodation contract.

**4.10.2** Often, an account for a minor will be opened by a family member or guardian. In cases where the adult opening the account does not already have an account with the financial institution, **the identification evidence for that adult, or of any other person who will operate the account, should be obtained in addition to obtaining the birth certificate or passport of the child.** It should be noted that this type of account could be open to abuse and therefore strict monitoring should then be undertaken.

**4.10.3** For accounts opened through a school related scheme, the school should be asked to provide the date of birth and permanent address of the pupil and to complete the standard account opening documentation on behalf of the pupil.

## **5. ESTABLISHING IDENTITY- QUASI CORPORATE**

## **CUSTOMERS**

### **5.1 Establishing Identity - Trust, Nominees And Fiduciaries**

**5.1.1** Trusts, nominee companies and fiduciaries are popular vehicles for criminals wishing to avoid the identification procedures and mask the origin of the criminal money they wish to launder. The particular characteristics of Trust that attract the genuine customer and the anonymity and complexity of structures that they can provide are also highly attractive to money launderers.

**5.1.2** Some trust, nominees and fiduciary accounts present a higher money laundering risk than others. Identification and “Know Your Business” procedures need to be set and managed according to the perceived risk.

**5.1.3** The principal objective for money laundering prevention via trusts, nominees and fiduciaries is to verify the identity of the provider of funds, i.e. the settlor, those who have control over the funds, i.e. the trustees, and any controllers who have the power to remove the trustees. For discretionary and offshore trusts, the nature and purpose of the trust and the original source of funding should be ascertained. Whilst reliance can often be placed on other financial institutions that are regulated for money laundering prevention to undertake the checks or confirm identity, the responsibility to ensure that this is undertaken rests with the financial institution. The underlying evidence of identity must be made available to law enforcement agencies in the event of an investigation.

**5.1.4** Exceptionally, identification requirements might be waived for any trustee who does not have authority to operate an account or give relevant instructions concerning the use or transfer of funds.



## 5.2 Offshore Trusts

**5.2.1** Offshore trusts present a higher money laundering risk and therefore additional measures are needed **for special purpose vehicles, or International Business Companies connected to trusts, particularly when trusts are set up in offshore locations with strict bank secrecy or confidentiality rules. Those created in jurisdictions without equivalent money laundering procedures in place should warrant additional enquiries.**

**5.2.2** Unless the applicant for business is itself a regulated financial institution, measures should be taken to identify the trust company or corporate service provider in line with the requirements for professional intermediaries or companies generally. Certified copies of the documentary evidence of identity for the underlying principals, e.g. settlors, controllers, etc. on whose behalf the applicant for business is acting should also be obtained.

**5.2.3** For overseas trusts, nominee and fiduciary accounts, where the applicant is itself a financial institution that is regulated for money laundering purposes:

- ❑ reliance can be placed on an introduction or intermediary certificate letter stating that evidence of identity exists for all underlying principals and confirming that there are no anonymous principals;
- ❑ the trustees/nominees should be asked to state from the outset the capacity in which they are operating or making the application;
- ❑ documentary evidence of the appointment of the current trustees should also be obtained.

**5.2.4** Where the underlying evidence is not retained within Nigeria, enquiries should be made to determine, as far as practicable, that there are no overriding bank secrecy

or confidentiality constraints that will restrict access to the documentary evidence of identity should it be needed in Nigeria.

**5.2.5** Any application to open an account or undertake a transaction on behalf of another without the applicant identifying their trust or nominee capacity should be regarded as suspicious and should lead to further enquiries.

**5.2.6** Where a bank in Nigeria is itself the applicant to an offshore trust on behalf of a customer, if the corporate trustees are not regulated, then the Nigerian bank should undertake the due diligence on the trust itself.

**5.2.7** If the funds have been drawn upon an account that is not under the control of the trustees, the identity of two of the authorized signatories and their authority to operate the account should also be verified. When the identity of beneficiaries has not previously been verified, verification should be undertaken when payments are made to them.

### **5.3 Conventional Family and Absolute Nigerian Trusts**

**5.3.1** In the case of conventional Nigerian trusts, identification evidence should be obtained for:

- ❑ those who have control over the funds i.e. the principal trustees (who may include the settlor); and
- ❑ the providers of the funds, i.e. the settlors (except where they are deceased).
- ❑ Where the settlor is deceased, written confirmation should be obtained for the source of funds, e.g. grant of probate or copy of the will creating the trust.

**5.3.2** Where a corporate trustee, e.g. a bank, acts jointly with a co-trustee, any non regulated co-trustees should be verified even if the corporate trustee is covered by

an exemption. The relevant guidance contained in this manual for verifying the identity of persons, institutions or companies should be followed.

**5.3.3** Although a financial institution may not review any existing trust, confirmation of the settlor and the appointment of any additional trustees should be obtained.

**5.3.4** Copies of any underlying documentary evidence should be certified as true copies.

In addition, a check should be carried out to ensure that any bank account on which the trustees have drawn funds is in their names and, taking a risk based approach, consideration should be given as to whether the identity of any additional authorized signatories to the bank account should also be verified.

**5.3.5** It is normal practice for payment of any trust property to be made to all the trustees. As a matter of practice, some life assurance companies will make payments directly to beneficiaries on receiving a request from the trustees. In such circumstances, the payment should be made to the named beneficiary by way of a crossed cheque marked "account payee only" or a bank transfer direct to an account in the name of the beneficiary.

## **5.4 Receipt and Payment of Funds**

**5.4.1** Where money is received on behalf of a trust, reasonable steps should be taken to ensure that:

- the source of the funds is properly identified; and
- the nature of the transaction or instruction is understood

It is also important to ensure that payments are properly authorized in writing by the trustees.

#### **5.4.2 Identification of New Trustees**

**5.4.3** Where a trustee who has been verified is replaced, the identity of the new trustee should be verified before he/she is allowed to exercise control over funds.

#### **5.4.4 Life Policies Placed in Trust**

Where a life policy is placed in trust, and the applicant for the policy is also a trustee, and where the trustees have no beneficial interest in the funds, it should only be necessary **to verify the identity of the person applying for the policy.** The remainder of the trustees would however need to be identified in a situation where policy proceeds were being paid to a third party not identified in the trust deed.

### **5.5 Establishing Identity - Powers Of Attorney And Third Party Mandates**

**5.5.1** The authority to deal with assets under a Power of Attorney and Third Party Mandates constitutes a business relationship. Consequently, at the start of the relationship, identification evidence should be obtained for holders of powers of attorney and third party mandates in addition to the customer, or subsequently on a later appointment of a new attorney if advised, and particularly if within one year of the start of the business relationship. New attorney for corporate or trust business should always be verified. **The most important requirement is to ascertain the reason for the granting of the power of attorney.**

**5.5.2** Records of all transactions undertaken in accordance with the Power of Attorney should be maintained as part of the client's record.

### **5.6 Establishing Identity - Executorship Accounts**

**5.6.1** Where a bank account is opened for the purpose of winding up the estate of a deceased person, the identity of **the executor(s) / administrator(s) of the estate should be verified.**

**5.6.2** However, identification evidence would not normally be required for the executors/administrators when payment is being made from an established bank or mortgage institution account in the deceased's name, solely for the purpose of winding up the estate in accordance with the Grant of Probate or Letters of Administration. Similarly, where a life policy pays out on death, there is normally no need to obtain identification evidence for the legal representatives.

**5.6.3** Payments to the underlying named beneficiaries on the instructions of the executor or administrator may also be made without additional verification requirements. However, if a beneficiary wishes to transact business in his/her own name, then identification evidence will be required.

**5.6.4** In the event that any suspicions are aroused concerning the nature or origin of assets comprising an estate that is being wound up, then a report of the suspicions should be made to appropriate authorities.

## **5.7 Establishing Identity - "Client Accounts" Opened By Professional Intermediaries**

**5.7.1** Stockbrokers, fund managers, solicitors, accountants, estate agents and other intermediaries frequently hold funds on behalf of their clients in "client accounts" opened with financial institutions. Such accounts may be general omnibus accounts holding the funds of many clients or they may be opened specifically for a single client. In each case, it is the professional intermediary who is the financial

institution's customer. These situations should be distinguished from those where an intermediary introduces a client who himself becomes a customer of the financial institution.

**5.7.2** Where the professional intermediary is itself covered by the Money Laundering Regulations or their equivalent, identification can be waived.

**5.7.3** However, where the professional intermediary is not regulated under the Money Laundering Regulations or their equivalent, the financial institution should not only verify the identity of the professional intermediary, but also the person on whose behalf the professional intermediary is acting.

**5.7.4** Where it is impossible for a financial institution to establish the identity of the person(s) for whom a solicitor or accountant is acting, it will need to take a commercial decision, based on its knowledge of the intermediary, as to the nature and extent of business that they are prepared to conduct if the professional firm is not itself covered by this Manual. Financial institutions, should be prepared to make reasonable enquiries about transactions passing through client accounts that give cause for concern, and should report any transaction where suspicions cannot be satisfied.

## **5.8 Establishing Identity - Unincorporated Business/ Partnerships**

**5.8.1** Where the applicant is an unincorporated business or a partnership whose principal partners/controllers do not already have a business relationship with the financial institution, identification evidence should be obtained for the principal beneficial owners/controllers. This would also entail identifying one or more signatories in who significant control has been vested by the principal beneficial

owners/controllers.

**5.8.2** Evidence of the trading address of the business or partnership should be obtained.

Where a current account is being opened, a visit to the place of business might also be made to confirm the true nature of the business activities and for established businesses, a copy of the latest report and accounts (audited where applicable) should be obtained.

**5.8.3** The nature of the business or partnership should be ascertained (but not necessarily verified from a partnership deed) to ensure that it has a legitimate purpose. In cases where a formal partnership arrangement exists, a mandate from the partnership authorizing the opening of an account or undertaking the transaction and conferring authority on those who will undertake transactions should be obtained.

## **5.9 Limited Liability Partnership**

**5.9.1** A limited liability partnership should be treated as corporate customers for verification of identity and Know your customer purposes.

## **6. ESTABLISHING IDENTITY – PURE CORPORATE CUSTOMERS**

### **6.1 General Principles**

**6.1.1** Because of the complexity of their organizations and structures, corporate and legal entities are the most likely vehicles for money laundering, especially those that are private companies fronted by a legitimate trading company. Care should be taken to verify the legal existence of the applicant (i.e. the company) from official

documents or sources and to ensure that any person purporting to act on behalf of the applicant is fully authorized. Enquiries should be made to confirm that the company is not merely a “brass plate company” where the controlling principles cannot be identified.

**6.1.2** The identity of a corporate company comprises:

- ❑ its registration number;
- ❑ its registered corporate name and any trading Names used;
- ❑ its registered address and any separate principal trading addresses;
- ❑ its directors;
- ❑ its owners and shareholders; and
- ❑ the nature of the company’s business

**6.1.3** The extent of identification measures required to validate this information, or the documentary evidence to be obtained, depends on the nature of the business or service that the company requires from the financial institution. A risk-based approach should be taken. In all cases, information as to the nature of the normal business activities that the company expects to undertake with the financial institution should be obtained. Before a business relationship is established, measures should be taken by way of company search at the Corporate Affairs Commission (CAC) and/or other commercial enquiries to check that the applicant company has not been, or is not in the process of being dissolved, struck off, wound up or terminated.

**6.2 Non Face-to-Face Business**

**6.2.1** As with the requirements for private individuals, because of the additional risks with



non face-to-face business, additional procedures must be undertaken to ensure that the applicant's business, company or society exists at the address provided and for a legitimate purpose.

**6.2.2** Where the characteristics of the product or service permit, care should be taken to ensure that relevant evidence is obtained to confirm that any individual representing the company has the necessary authority to do so.

**6.2.3** When principal owners, controllers or signatories need to be identified within the relationship, the relevant requirements for personal customers should be followed.

### **6.3 Procedures for Low Risks Corporate Business - Public Registered Companies**

**6.3.1** Corporate customers that are listed on the stock exchange are considered to be publicly owned and generally accountable. Consequently, there is no need to verify the identity of the individual shareholders.

**6.3.2** Similarly, it is not necessary to identify the directors of a quoted company. However, financial institutions should make appropriate arrangements **to ensure that the individual officer or employee (past or present) is not using the name of the company, or its relationship with the financial institution for a criminal purpose.** The Board Resolution or other authority for any representative to act on behalf of the company in its dealings with the financial institution should be obtained to confirm that the individual has the authority to act.

**6.3.3** Consequently, where the applicant company is:

- ❑ listed on the stock exchange; or
- ❑ there is independent evidence to show that it is a wholly owned subsidiary or

a subsidiary under the control of such a company;

No further steps to verify identity over and above the usual commercial checks and due diligence will normally be required, unless the account or service required falls within the category of higher risk business.

### **Private Companies**

**6.3.4** Where the applicant is an unquoted company and none of the principal directors or shareholders already have an account with the financial institution, the following documents should be obtained from an official or recognized independent source to verify the business itself:

- i. a copy of the certificate of incorporation/registration; **and**  
Evidence of the company's registered address **and**  
The list of shareholders and directors; **OR**
- ii. a search at the Corporate Affairs Commission (CAC) or an enquiry via a business information service to obtain the information in (i); **OR**
- iii. an undertaking from a firm of lawyers or accountants confirming the documents submitted to the CAC.

**6.3.5** Attention should be paid to the place of origin of the documents and the background against which they were produced. If comparable documents cannot be obtained, then verification of principal beneficial owners/controllers should be undertaken.

## **6.4 Procedures for Higher Risk Business**

### **6.4.1 Bank Accounts for Registered Public Companies**

Where the applicant is seeking to enter into a full banking relationship or any other

business relationship where third party funding and transactions are permitted, the following evidence should be obtained either in documentary or electronic form:

- ❑ for established companies, i.e. those incorporated for 18 months or more, a copy of the latest report and accounts (is required to be produced and audited where applicable);
- ❑ a search at the CAC or an enquiry via a business information service or an undertaking from a firm of lawyers or accountants confirming the documents submitted to the CAC;
- ❑ a copy of the resolution of the Board of Directors to open an account and confer authority on those who will operate it, certified by a Director/ Company Secretary;
- ❑ the Memorandum and Article of Association of the company.

#### **6.4.2 Additional Measures for Higher Risk Business Relating to Private Companies**

For private companies undertaking higher risk business, in addition to verifying the legal existence of the business, the principal requirement is to look behind the corporate entity to identify those who have ultimate control over the business and the company's assets. What constitutes significant shareholding or control for this purpose will depend on the nature of the company. **Identification evidence will normally need to be obtained for those shareholders with interests of 5% or more.** Principal control rests with those who are mandated to manage funds, accounts or investments without requiring authorization and, who would be in a position to override internal procedures and control mechanisms.

#### **6.4.3 Identification evidence should be obtained for the principal beneficial owner(s) of**

the company, and any other person with principal control over the company's assets. Where the principal owner is another corporate entity or trust, the objective is to undertake measures that look behind that company or vehicle and verify the identity of the beneficial owner(s) or settlors. When financial institutions become aware that principal beneficial owners/controllers have changed, care should be taken to ensure that their identities are verified.

**6.4.4** Taking a risk based approach, financial institutions should identify directors who are not principal controllers and/or signatories to an account.

**6.4.5** In respect of a full banking relationship, particularly where turnover is significant, a visit to the place of business should be undertaken to confirm the existence of business premises and the nature of the business activities conducted.

**6.4.6** If suspicions are aroused by a change in the nature of the business transacted or the profile of payments through a bank or investment account, further checks should be made to ascertain the reason for the changes.

**6.4.7** For full banking relationships, periodic enquiries should be made to establish whether there have been any changes to controllers/shareholders or to the original nature of the business/activity.

**6.4.8 Particular care should be taken to ensure that full identification and “Know Your Customer” requirements are met if the company is an International Business Company (IBC) registered in an offshore jurisdiction and operating out of a different jurisdiction.**

## **6.5 Establishing Identity - Foreign Financial Institutions**

**6.5.1** For foreign financial institutions, the confirmation of existence and regulated status

should be checked by one of the following means:

- ❑ checking with the home country Central Bank or relevant supervisory body;  
or
- ❑ checking with another office, subsidiary, branch, or correspondent bank in the same country; or
- ❑ checking with Nigerian regulated correspondent bank of the overseas institution; or
- ❑ obtaining from the relevant institution, evidence of its licence or authorization to conduct financial and/or banking business.

**6.5.2** Additional information, on banks worldwide can be obtained from various international publications and directories or any of the international business information services. **Reference to these publications should not replace the confirmation required.**

## **6.6 Establishing Identity - Bureaux De Change**

**6.6.1** Although bureaux de change are subject to the regulations, they must be verified in accordance with the procedures for Other Financial Institutions. Satisfactory evidence of identity must include the applicant's operating licence.

## **6.7 Establishing Identity Other Institutions**

### **6.7.1 Establishing Identity - Clubs and Societies**

In the case of applications made on behalf of clubs or societies, a financial institution should take reasonable steps to satisfy itself as to the legitimate purpose of the organization by sighting the constitution. The identity of at least two of the

principal contacts/signatories should be verified initially in line with the requirements for private individuals. Signing authorities should be structured to ensure that at least one of the signatories authorizing any transaction has been verified. When signatories change, care should be taken to ensure that the identity of at least two of the current signatories are verified.

**6.7.2** Where the purpose of the club/society is to purchase regulated investments where all the members would be regarded as individual clients, all members should be identified in line with the requirements for personal customers. Financial institutions will need to look at each situation on a case-by-case basis.

## **6.8 Establishing Identity - Occupational Pension Schemes**

**6.8.1** In all transactions undertaken on behalf of an Occupational Pension Scheme where the transaction is not in relation to a long term policy of insurance, the identity of both the Principal Employer and the Trust should be verified.

**6.8.2** In addition to the identity of the Principal Employer, the source of funding should be verified and recorded to ensure that a complete audit trail exists if the employer is wound up.

**6.8.3** For the Trustees of Occupational Pension Schemes, satisfactory identification evidence can be based on the inspection of formal documents concerning the trust which confirm the names of the current trustees and their address for correspondence. In addition to the documents, confirming the trust identification can be based on extracts from Public Registers, or references from Professional Advisers or Investment Managers.

**6.8.4** Any payment of benefits by, or on behalf of the Trustees of an Occupational

Pension Scheme will not require verification of identity of the recipient.

**6.8.5** Where individual members of an Occupation Pension Scheme are to be given personal investment advice, their identities must be verified. However, where the Trustees and Principal Employer have been satisfactorily identified (and the information is still current), it may be appropriate for the Employer to provide confirmation of the identity of individual employees.

## **6.9 Establishing Identity - Charities in Nigeria**

**6.9.1** Adherence to the identification procedures required for money laundering prevention would remove the opportunities for opening unauthorized accounts in false identities on behalf of charities. Confirmation of authority to act in the name of the charity is therefore clearly necessary.

**6.9.2** As experience has shown that most unauthorized accounts are opened under sole control, this practice should be strongly discouraged.

### **Registered Charities**

**6.9.3** When dealing with an application from a registered charity, the financial institution should obtain and confirm the name and address of the charity concerned.

**6.9.4** To guard against the laundering of fraudulently obtained funds, where the person making the application or undertaking the transaction is not the official correspondent or the recorded alternate, financial institutions should consider sending a letter to the official correspondent advising the charity of the application. The charity should be asked to respond as a matter of urgency if there is any reason to suggest that the application has been made without authority. However, processing arrangements need not be delayed pending a possible response.

**6.9.5** Where a charity is opening a current account, the identity of all signatories should be verified initially and, when signatories change, care should be taken to ensure that the identity of any new signatory is verified.

**6.9.6** Applications on behalf of unregistered charities should be dealt with in accordance with procedures for clubs and societies set out in Section 6 of this manual.

## **6.10 Religious Organizations (ROs)**

**6.10.1** A religious organization is expected by law to register with the Corporate Affairs Commission (CAC) and will therefore have a registered number. Its identity can be verified by reference to the CAC, appropriate headquarters or regional area of the denomination. As a registered organization, the identity of at least two signatories to its account should be verified.

## **6.11 Establishing Identity - 3-Tiers of Government/ Parastatals and Educational Institutions**

**6.11.1** Where the applicant for business is any of the above, the financial institution should take steps to verify the legal standing of the applicant, including its principal ownership and address where applicable. A certified copy of the Resolution or other document authorizing the opening of the account or undertaking the transaction should be obtained in addition to evidence that the official representing the body has the relevant authority to act. Telephone contact could also be made with the organization/parastatals concerned.

## **6.12 Establishing Identity - Foreign Consulates**



- 6.12.1** The authenticity of applicants requesting to open accounts or undertake transactions in the name of Nigerian resident foreign consulates, and any documents of authorization presented in support of the application, should be checked by reference to the Ministry of Foreign Affairs or the relevant authorities in the consultant's home country.

## **7. RELIANCE ON INTERMEDIARIES OR OTHER THIRD PARTIES TO VERIFY IDENTITY OR TO INTRODUCE BUSINESS**

### **7.1 Who can be relied upon and in what circumstances?**

- 7.1.1** Whilst the responsibility to obtain satisfactory identification evidence rests with the financial institution that is entering into the relationship with a client, it is reasonable in a number of circumstances for reliance to be placed on another financial institution to:

- ❑ undertake the identification procedure when introducing a customer and to obtain any additional KYC information from the client; or
- ❑ confirm the identification details if the customer is not resident in Nigeria; or
- ❑ confirm that verification of identity has been carried out, if an agent is acting for underlying principals.

### **7.2 Introductions from Authorized Financial Intermediaries**

- 7.2.1** Where an intermediary introduces a customer and then withdraws from the ensuing relationship altogether - the underlying customer is the applicant for business **and**

**must be identified in line with the requirements for personal, corporate or business customers as appropriate.** An introduction letter should therefore be issued by the introducing financial institution or person in respect of each applicant for business. To ensure that product providers can meet their obligations, that satisfactory identification evidence has been obtained and will be retained for the necessary statutory period, each introduction letter must either be accompanied by certified copies of the identification evidence that has been obtained in line with the usual practice of certification of identification documents or by sufficient details/reference numbers, etc. that will permit the actual evidence obtained to be re-obtained at a later stage.

### **7.3 Written Applications**

**7.3.1** For written business, unless other arrangements have been agreed that the service provider will verify identity itself, a financial intermediary must provide along with each application, a customer introduction letter together with certified copies of the evidence of identity which should be placed in the customer's file.

**7.3.2** The letter must be duly authenticated by the intermediary.

**7.3.3** If these procedures are followed, the product provider, stockbroker or investment banker will be considered to have fulfilled its own identification obligations. However, if the letter is not forthcoming from the intermediary, or the letter indicates that the intermediary has not verified the identity of the applicant, the service provider will have to satisfy its obligation through its own direct identification procedures.

### **7.3.4 Non-Written Applications**

**7.3.5** Unit Trust Managers and other product providers receiving non-written applications from financial intermediaries, i.e. where a deal is placed over the telephone or by other electronic means, have an obligation to verify the identity of customers and, ensure that the intermediary provides specific confirmation that identity has been verified. A record must be made of the answers given by the intermediary and retained for the relevant period of 10 years. These answers constitute sufficient evidence of identity in the hands of the service provider.

## **7.4 Introductions from Foreign Intermediaries**

**7.4.1** Where introduced business is received from a regulated financial intermediary who is outside Nigeria, the reliance that can be placed on that intermediary to undertake the verification of identity check must be assessed by the MLCO or some other competent person within the business on a case by case basis based on knowledge of the intermediary.

## **7.5 Corporate Group Introductions**

**7.5.1** Where a customer is introduced by one part of a financial sector group to another, it is not necessary for identity to be re-verified or for the records to be duplicated provided that:

- the identity of the customer has been verified by the introducing parent company, branch, subsidiary or associate in line with the money laundering requirements, or to equivalent standards, and taking account of any specific requirements (e.g. separate address verification);
- no exemptions or concessions have been applied in the original verification

procedures that would not be available to the new relationship;

- ❑ a group introduction letter is obtained and placed with the customer's account opening records.
- ❑ in respect of group introducers from outside Nigeria, arrangements should be put in place to ensure that identity is verified in accordance with requirements and that the underlying records of identity in respect of introduced customers are retained for the necessary period.

**7.5.2** Where financial institutions have day-to-day access to all group "Know Your Customer" information and records, there is no need to identify an introduced customer, or obtain a group introduction letter, if the identity of that customer has been verified previously. However, if the identity of the customer has not previously been verified, then any missing identification evidence will need to be obtained and a risk-based approach taken on the extent of KYC information that is available and whether additional information should be obtained.

**7.5.3** A financial institution should ensure that there is no secrecy or data protection legislation that would restrict free access to the records on request, or by law enforcement agencies under court order or relevant mutual assistance procedures. If it is found that such restrictions apply, copies of the underlying records of identity should, wherever possible, be sought and retained.

**7.5.4** Where identification records are held outside Nigeria, it is still the responsibility of the financial institution to ensure that the records available do in fact meet the requirements in this manual.

## **7.6 Business Conducted by Agents**

**7.6.1** *Where an applicant is dealing in its own name as agent for its own client(s), a financial institution must, in addition to verifying the agent, establish the identity of the underlying client(s).*

**7.6.2** *A financial institution may regard evidence as sufficient if it has established that the client:*

- is bound by this Manual or the Money Laundering Act No. 30, 1995;
- is acting on behalf of another person and has given a written assurance that he has obtained and recorded evidence of the identity of the person on whose behalf he is acting.

**7.6.3** Consequently, where another financial institution deals for its own client, regardless of whether the underlying client is disclosed to the financial institution or not, then:

- **where the agent is a financial institution**, there is no requirement to establish the identity of the underlying clients or to obtain any form of written confirmation from the agent concerning the due diligence undertaken on its underlying clients; or
- **where a regulated agent from outside Nigeria**, deals through a customer omnibus account, or for a named customer through a designated account, the agent should provide a written assurance, that the identity of all underlying clients has been verified in accordance with their local requirements. Where such an assurance cannot be obtained, then the business should not be undertaken.

**7.6.4 In circumstances where an agent is either unregulated or is not covered by the relevant Money laundering legislation,** then each case should be treated on its own merits depending on the knowledge of the agent and its due diligence standards.

## **7.7 Syndicated Lending**

- 7.7.1** For syndicated lending arrangements the verification of identity and any additional KYC requirements should rest with the lead manager or agent who should be required to supply the normal confirmation letters.

## **7.8 Correspondent Relationship**

- 7.8.1** Transactions conducted through correspondent relationships need to be managed taking a risk-based approach. “Know Your Correspondent” procedures should be established to ascertain whether the correspondent bank or counter-party is itself regulated for money laundering prevention and, if so, whether the correspondent is required to verify the identity of its customers to FATF standards. Where this is not the case, additional due diligence will be required to ascertain and assess the correspondent’s internal policy on money laundering prevention and its know your customer procedures.
- 7.8.2** The volume and nature of transactions flowing through correspondent accounts with financial institutions from high risk jurisdictions or those with inadequacies or material deficiencies should be monitored against expected levels and destinations and any material variances should be checked.
- 7.8.3** **Financial institutions should guard against passing funds through their accounts without taking reasonable steps to satisfy themselves that sufficient due diligence has been undertaken by the remitting bank on the underlying client and the origin of the funds.**

**7.8.4 Banks should also guard against establishing correspondent relationships with high risk foreign banks, e.g. shell banks with no physical presence in any country or with correspondent banks that permit their accounts to be used by such banks.**

**7.8.5** Staff dealing with correspondent banking accounts should be trained to recognize higher risk circumstances and be prepared to challenge correspondents over irregular activity, whether isolated transactions or trends, and submit a suspicious activity report where appropriate.

**7.8.6** Financial institutions should consider terminating their accounts with correspondent banks that fail to provide satisfactory answers to reasonable questions including confirming the identity of customers involved in unusual or suspicious circumstances.

## **7.9 Acquisition Of One Financial Institution Or Business By Another**

**7.9.1** When a financial institution acquires the business and accounts of another firm, it is not necessary for the identity of all existing customers to be re-identified, provided that all underlying customer records are acquired with the business. It is however important for the due diligence enquiries to confirm that the acquired institution conformed with the requirements in this manual.

**7.9.2** In the event that:

- ❑ the money laundering procedures previously undertaken have not been in accordance with the requirements of this manual; or
- ❑ the procedures cannot be checked; or
- ❑ where the customer records are not available to the acquiring financial institution.

- verification of identity should be undertaken as soon as is practicable for all the transferred customers who were not verified by the transferee in line with the requirements for existing customers opening new accounts.

## **8. RECEIVING FINANCIAL INSTITUTIONS AND RECEIVING AGENTS - OFFERS FOR SALE, RIGHTS ISSUES, ETC.**

### **8.1 The Vulnerability of Receiving Bankers/ Agents to Money Laundering**

- 8.1.1** Receiving financial institutions may be used by money launderers in respect of offers for sale where new issues are over-subscribed and their allocation is scaled down. In addition, the money launderer is not concerned if there is a cost involved in laundering criminal money, therefore new issues that trade at a discount will still prove acceptable to the money launderer. Criminal funds can be laundered by way of the true beneficial owner of the funds providing the payment for an application in another person's name, specifically to avoid the verification process and to break the audit trail with the underlying crime from which the funds are derived.

### **8.2 Identification Procedures**

#### **Who should be identified?**

- 8.2.1** Receiving Financial Institution should obtain satisfactory identification evidence of new applicants, including applicants in a rights issue where the value of a single transaction or a series of linked transactions is \$5,000 or N500,000 more.
- 8.2.2** If funds to be invested are being supplied by or on behalf of a third party, it is important that the identification evidence for both the applicant and the provider of the funds is obtained to ensure that the audit trail for the funds is preserved.



### **8.3 Applications received via Brokers or other Third Parties**

**8.3.1** Where the application is submitted (and/or payment made) by a broker or an intermediary acting as agent, no steps need be taken to verify the identity of the underlying applicants. However, the following standard procedures should be applied:

- ❑ the lodging agent's stamp should be affixed on the application form or allotment letter; and
- ❑ application forms and allotment letters submitted by lodging agents should be identified and recorded in the bank's records.

**8.3.2** The terms and conditions of the issue should state that any requirements to obtain identification evidence are the responsibility of the broker lodging the application and not the receiving financial institution.

**8.3.3** Where the original application has been submitted by a regulated broker, no additional identification evidence will be necessary for subsequent calls in respect of shares issued and partly paid.

### **8.4 Applications received from Foreign Brokers**

**8.4.1** If the broker or other introducer is a regulated person or institution (including an overseas branch or subsidiary) from a country with equivalent legislation and financial sector procedures, and the broker or introducer is subject to anti-Money laundering rules or regulations, then a written assurance can be taken from the broker that he/she have obtained and recorded evidence of identity of any principal and underlying beneficial owner that is introduced.

## **8.5 Multiple Family Applications**

**8.5.1** Where multiple family applications are received supported by one cheque and the aggregate subscription price is \$5,000 or N500,000 more identification evidence will not be required for:

- ❑ a spouse or any other person whose surname and address are the same as those of the applicant who has signed the cheque;
- ❑ a joint account holder; or
- ❑ an application in the name of a child where the relevant company's Articles of Association prohibit the registration in the names of minors and the shares are to be registered with the name of the family member of full age on whose account the cheque is drawn and who has signed the application form.

**8.5.2** However, identification evidence will be required for any multiple family application for \$5,000 or N500,000, or more which is supported by a cheque signed by anyone whose name differs from that of the applicant.

**8.5.3** Where an application is to be supported by a financial institution's branch cheque or brokers' draft, the applicant should state:

- ❑ on the front of the cheque; or
- ❑ on the back of the cheque together with a branch stamp; or
- ❑ by way of other supporting documents

*the name and account number from which the funds were drawn.*

## **8.6 Linked Transactions**

**8.6.1** If it appears to a person handling applications that a number of single applications

under \$5,000 and N500,000 in different names are linked (e.g. payments from the same financial institution account) the, apart from multiple family applications, identification evidence must be obtained.

**8.6.2** Installment payment issues should be treated as linked transactions where it is known that total payments will amount to \$5,000 or N500,000. Either at the outset, or when that point has been reached, identification evidence must be obtained.

**8.6.3** Applications that are believed to be linked, and where money laundering is suspected, should be processed as a separate batch for investigation after allotment and registration has been completed. Copies of the supporting cheques, application forms and any repayment cheques should be retained to provide an audit trail until the Receiving Financial Institution is informed by NDLEA or the investigating officer, that the records are of no further interest.

## **8.7 Domiciliary Account (DA)**

**8.7.1** Where a customer wishes to open a DA or make a wholesale deposit by means of cash, an inter-bank transfer, a financial institution should obtain identification evidence in accordance with the requirements for private individuals, companies, or professional intermediaries operating on behalf of third parties as appropriate. It should satisfy itself that the transferring institution is regulated for money laundering prevention in its country of origin.

## **8.8 Provision of Safe Custody and Safety Deposit Boxes**

**8.8.1** Precautions should be taken in relation to requests to hold boxes, parcels and sealed

envelopes in safe custody. Where such facilities are made available to non-account holders, the identification procedures set out in this manual should be followed.

## **9. EXEMPTION FROM IDENTIFICATION PROCEDURES**

Where a customer's identity was not properly obtained as contained in the KYC circular and requirement for account opening procedure, the financial institution should establish identity in line with the contents of this manual except where: -

### **9.1 Applicants are Nigerian Financial Institutions**

- 9.1.1** Identification evidence is not required where the applicant for business is a Nigerian person or firm that is covered by the requirements of this manual;

### **9.2 One-off Cash Transaction - Remittances, Wire Transfers, etc.**

- 9.2.1** Cash remittances and wire transfers (either inward or outward) or other monetary instruments that are undertaken against payment in cash for customers who do not have an account or other established relationship with the financial institution (i.e. walk in customers) present a high risk for money laundering risk purposes. It is therefore recommended that adequate procedures are established to record the transaction and take relevant identification evidence where necessary. Where such transactions form a regular part of the financial institution's business, it is recommended that limits for requiring identification evidence are set at a significantly lower level than US \$ 5,000 for foreign transfers, N500,000 for individual and N2m for corporate bodies.

### **9.3 Reinvestment of Income**

**9.3.1** *Where the proceeds of a one-off transaction are to be payable to a customer, but are then to be invested on his behalf and can only be further reinvested or paid directly to him, and of which a record is to be kept, then the identification requirement should be carried out under private individual as detailed in this manual.*

## **10. DEFINITIONS**

For the proper understanding of this manual, it is important to define certain terms that were used in parts herein:

### **10.1 Applicant for Business**

The person or company seeking to establish a 'business relationship' or an occasional customer undertaking a 'one-off' transaction whose identity must be verified.

### **10.2 Business Relationship**

'Business relationship' is any arrangement between the financial institution and the applicant for business whose purpose is to facilitate the carrying out of transactions between the parties on a 'frequent, habitual or regular' basis, and where the monetary value of dealings in the course of the arrangement is not known or capable of being ascertained at the outset.

### **10.3 One-off Transaction**

A 'one-off transaction' means any transaction carried out other than in the course of

an established business relationship.

It is important to determine whether an applicant for business is undertaking a one-off transaction or whether the transaction is, or will be, part of a business relationship as this can affect the identification requirements.