

ANALYSIS OF THE LEGAL AND REGULATORY FRAMEWORKS OF MONEY LAUNDERING ACTIVITIES ON THE NIGERIAN ECONOMY

Bukola Oyaleke *

Abstract

The impact of money laundering globally is overwhelming. It encourages illicit financial flow. Governments across the universe has responded to the waves by putting in place legal and regulatory frameworks to curb the menace. Notwithstanding the existence of legal and regulatory frameworks which are domestic and international in nature, the activities of money launderers are increasing on the daily basis. This paper therefore adopts doctrinal method of legal research attempts to examining money laundering in Nigeria vis-à-vis legal & regulatory impacts on the Nigerian economy. The paper asserts that non-existence of the relevant legal frameworks is not the bane of the fight against money laundering in Nigeria, but the problem of enforcement of the existing legal frameworks. The paper finds that the impacts of money laundering in Nigeria is multifaceted in nature. The paper recommends for full enforcement and implementation of the extant laws on the prevention and detection of the money laundering activities in Nigeria.

Keywords: Money laundering, legal, regulatory, economy, Nigeria.

1.0: Introduction

Money laundering is a global menace ravaging virtually every sphere of human economy and activities. It is one of the known trajectories of illicit financial flows (IFF) globally.

¹ The historical antecedence of IFF in Africa is as old as the world itself and could be traced back to the period of de-colonisation.² It was an intentional move by then colonial masters to illegally move capital from the continent of Africa through corporations.³ This narrative continues. This is possible due to the lack of enforcement and implementation of the existing legal and regulatory frameworks; thereby creating unending impacts on the economy globally. ⁴

Notwithstanding the existence of avalanche of literatures analysing legal and regulatory frameworks on money laundering in Nigeria, few examined the impacts of money laundering on the Nigerian economy specifically. Against the foregoing backdrop, this paper examines the legal and regulatory frameworks of money laundering activities on the Nigerian economy. The paper hypothesizes that non-existence of the relevant legal frameworks is not the bane of the fight against money laundering in Nigeria, but the problem of enforcement and implementation of the relevant existing legal frameworks. The paper therefore advocates for the full implementation and enforcement of the existing legal & regulatory frameworks of money laundering in Nigeria with suggested workable recommendations. The question to be asked is: are there legal & regulatory frameworks for the prevention and detection of money laundering activities in Nigeria?

*Lecturer, Department of International Law & Jurisprudence, Faculty of Law Thomas Adewumi University, Oke, Kwara State. bukola.oyaleke@tau.edu.ng; boyaleke@gmail.com; +2347036388233

¹Bukola Oyaleke, 'A critical analysis of trade-based money laundering activities in Nigeria' (2024) 1(1), KWASU Business and Private Law Journal, <https://kwasuspace.kwasu.edu.ng/handle/123456789/2907>; ISSN: 0795-7408

²ibid 9

³ibid 8

⁴Alternative Information & Development Centre, 'What are Illicit Financial Flows and Base Erosion and Profit Shifting: The Bermuda Connection' <http://aidc.org.za/what-are-illicit-financial-flows-and-base-erosion-and-profit-shifting/> accessed 11 July, 2025; Global Financial Integrity, 'Illicit Financial Flows' <https://gfinintegrity.org/issue/illicit-financial-flows/> accessed 11 July, 2025

2.0: Legal and Regulatory frameworks of money laundering in Nigeria

It must be stated from the outset that legal and regulatory frameworks exist in Nigeria that deal with money laundering activities. Under this heading, the various legal and regulatory frameworks shall be elucidated on with a view to identifying their roles in the fight against money laundering activities in Nigeria generally.

2.1: Money Laundering (Prevention and Prohibition) Act, 2022

Money Laundering (Prevention and Prohibition) Act, 2022 is the primary legislation that criminalises money laundering, terrorist financing and other ancillary matters in Nigeria. It repealed the former Money Laundering (Prohibition) Act, 2011. The Act specifically contains provisions that prohibits money laundering or any illegal act and terrorist financing. The Act also states appropriate penalties and the scope of the supervisory and regulatory authorities charged with the responsibilities of implementing anti-money laundering in Nigeria was expanded. It provides *inter-alia* for the wider customer identification system and anti-money laundering obligations for the financial and non-financial institutions according to Financial Action Task Force (FATF).⁵

Section 1(a) & (b) of the Act specifically states “no person or body corporate shall cause to be made or accepted cash payments of a sum that exceeds N5,000,000(Five Million Naira) or its equivalent in the circumstance of an individual, or N10,000,000 (Ten Million Naira) or its equivalent when a body corporate except through a licensed financial institution.”⁶ Furthermore, any foreign transfer in cash or securities made by an individual or body corporate which exceeds US\$10,000 shall as matter of law be reported to the Securities and Exchange Commission (SEC), Central Bank of Nigeria (CBN), and the Economic and Financial Crimes Commission (EFCC). The report is to be made within seven (7) of the transfer.⁷ The report is expected to contain the contact and

⁵ UK Ogbodo and EG. Mieseigha, ‘Economic Implications of Money Laundering in Nigeria’ (Vol 3, No 4, 2013) 173-176.

⁶ B Oyaleke, ‘Regulating trade-based illicit financial activities in Nigeria’ (LL.M Dissertation, University of Pretoria, Pretoria) <http://hdl.handle.net/2263/73378> accessed 20 July, 2025; see also, Money Laundering (Prevention and Prohibition) Act, 2022

⁷ S. 2 (1) of the Money Laundering (Prevention and Prohibition) Act, 2022

personal details of both the sender and receiver of the said funds or securities.⁸ This is an important provision of the Act with a view to preventing laundering of illegal funds through trade.

Furthermore, the report is to be made to the Nigeria Custom Service in line with Section 12 of the Foreign Exchange (Monitoring and Miscellaneous) Act. The failure to do so constitutes an offence which upon conviction the penalty is a forfeiture of not less than 25% of the funds or negotiable instrument not declared or to a term of imprisonment of two (2) years or more or both the fine and the term of imprisonment.⁹

The Act also makes provisions for “Know Your Customers Principle”. This principle is geared towards identifying and unraveling the true identity of a prospective customer. This is usually achieved through the process of consensually obtaining information from customers.

Surveillance of suspicious transactions that cannot be justified due to its complexity or that appears to be conduits for laundering of illicit funds is also provided for under the Act. Every financial and non-financial institutions are expected to take deliberate and necessary measures in the prevention of money laundering or any criminal activity.¹⁰

Predicate offences that serve as foundation for money laundering are also stated in the Act.¹¹

2.2: Economic and Financial Crimes Commission Act, 2004

This Act establishes Economic and Financial Crimes Commission (hereinafter referred ‘EFCC’) with the primary responsibility of curbing financial and economic crimes in the country.¹²

⁸ S. 2(2), 3 & 4 of the Money Laundering (Prevention and Prohibition) Act, 2022

⁹ S. 2 (5) of the Money Laundering (Prevention and Prohibition) Act, 2022

¹⁰ S. 6 of the Money Laundering (Prevention and Prohibition) Act, 2022

¹¹ S. 15(6) of the Money Laundering (Prevention and Prohibition) Act, 2022

¹²Idayat Hassan, ‘The EFCC and ICPC in Nigeria: overlapping mandates and duplication of effort in the fight against corruption’ (Working Paper, anti-corruption Evidence, 2021)

Section 46 of the Establishment Act¹³ gives the Commission power to conduct prevention, investigation and prosecution of economic and financial crimes like human trafficking, tax evasion, money laundering, foreign exchange malpractices, embezzlement, bribery, looting and any form of corrupt practices, illegal arms deal, smuggling, illegal mining, child labour illegal oil bunkering, counterfeiting of currency, theft of intellectual property and privacy, open market abuse, dumping of toxic wastes and prohibited goods.

It also serves as the host to the Nigerian Financial Intelligence Unit (NFIU), which analyses and disseminates suspicious transactions reports (STRs) to all agencies of the government and other Financial Intelligence Units all over the world.¹⁴ Special Control Unit against Money Laundering (SCUML) works with the Commission, established in 2005 in line with the directives of the Financial Action Task Force (FATF). The Unit monitors the activities of the designated non-financial institutions (DNFI), being the targets of money laundering activities and in accordance with Money Laundering (Prevention and Prohibition) Act, 2022.¹⁵ The Commission has the power to ensure compliance with the provisions of other laws and or regulations that criminalise money laundering and other ancillary offences.¹⁶

This Act is key to the fight against money laundering activities in Nigeria as it confers powers of prosecution on the EFCC on matters relating to money laundering and other ancillary matters.

¹³ Economic and Financial Crimes Commission Act, 2004

¹⁴ L Raimi, I.B Suara & A.O. Fadipe, 'Role of Economic and Financial Crimes Commission (EFCC) and Independent Corrupt Practices & Other Related Offences Commission (ICPC) at Ensuring Accountability and Corporate Governance in Nigeria (20013) 3 *Journal of Business Administration and Education*, 111-112 <https://pdfs.semanticscholar.org/bcd5/67e40419e2654132f17d184a723cbb928563.pdf> accessed 20 July, 2025

¹⁵ Idayat Hassan, 'The EFCC and ICPC in Nigeria: overlapping mandates and duplication of effort in the fight against corruption' (Working Paper, anti-corruption Evidence, 2021)

¹⁶ Banks and other Financial Institutions Act 1991; Economic and Financial Crimes Commission Establishment Act (2004); the Advance Fee Fraud and Other Fraud Related Offences Act 1995; Money Laundering (Prevention and Prohibition) Act, 2022; the Failed Banks (Recovery of Debts) and Financial Malpractices in Banks Act 1994; and Miscellaneous Offences Act.

The recent separation of the Nigerian Financial Intelligent Unit (NFIU) from the Commission in 2018 was also a good initiative to ensure effective and efficient in the performance of their statutory duties.

2.3: Nigerian Drug Law Enforcement Agency Act

It establishes National Drug Law Enforcement Agency (NDLEA) in accordance with Degree Number 48 of 1989 now known as Act of Parliament. The Act established NDLEA which is identified as the oldest of all the government agencies that tackle incidences of drug trafficking, money laundering through drug trafficking and other ancillary matters.¹⁷

According to Section 11 of the Act,¹⁸ it is an offence for any person:

- (a) To import, manufacture, produce, process, plant or grow drugs popularly known as cocaine, Lysergic acid diethylamide (LSD), heroine or any other similar drugs and shall be liable upon conviction to imprisonment for life or
- (b) To export, transport or otherwise traffic in the drugs popularly known as cocaine, LSD, heroine or any other similar drugs and shall be liable upon conviction to imprisonment for life or.
- (c) To sell, buy, expose or offers for sale or otherwise deal in or with the drugs popularly known as known as cocaine, LSD, heroine or any other similar drugs shall be liable upon conviction to the sentence for life imprisonment.
- (d) To knowingly possess or use the drugs popularly known as cocaine, LSD, heroine or any other similar drugs by smoking, inhaling or injecting the drugs and shall be liable upon conviction to a term of imprisonment not less than fifteen years but not exceeding 25 years.

Drug trafficking and money laundering cannot be separated in the sense that drug trafficking is one of the predicate offences under the Nigerian Money Laundering (Prevention and Prohibition) Act, 2022. It is even on record that drug trafficking accounts

¹⁷ Oyaleke (n.1) 10

¹⁸ National Drugs Law Enforcement Agency Decree No. 48 of 1989

for the highest proceeds of crime globally.¹⁹ Of which some Nigeria have been important key actors in the drug smuggling business since 1970s till date as key suppliers of ‘Mule’ (human drug traffickers) for illegal movement of drugs from South Asia to the United States.²⁰

2.4: Independent Corrupt Practices Commission Act

This Act establishes the Independent Corrupt Practices and other related offences Commission to address issues of corruption and other related offences that have bedeviled the country. The Commission was established in 2000 by then former President Olusegun Obasanjo.²¹ According to section 6(a-f) of the Independent Corrupt Practices Commission Act, 2000,²² the Commission has the following objectives:

- (a) To receive all form of complaints from the general public on the incidences of allegations of corrupt practices, investigate same and in appropriate cases, spearhead the prosecution of the culprits.
- (b) To ensure that the conducts of public bodies do not aid corrupt practices and if any corrupt practices is identified, it should ensure that same is reviewed.
- (c) To create a platform wherein public officers, agencies or parastatals may be advised and assisted in eliminating or minimizing corruption within their space.
- (d) To place advisory role on the heads of public bodies as it relates to any advancements, developments, or changes in trends that are necessary for the effective discharge of the public bodies in order to reduce possible likelihood of bribery, corruption and related offences.
- (e) To better inform the members of the public of the dangers of bribery, corruption and related offences and
- (f) To ensure and foster public support in the fight against corruption.

¹⁹Angela Patnode, ‘UNODC World Drug Report 2024: Harms of world drug problem continue to mount amid expansions in drug use and markets’ <https://pdfs.semanticscholar.org/50f9/1a45f21521e1429f9df97e4f201c18624052.pdf> accessed 20 July, 2025

²⁰ RA Udamu, ‘The National Drug Law Enforcement Agency’ (2013) 6 *Journal of International Social Research* at 356

²¹ Idayat Hassan, ‘The EFCC and ICPC in Nigeria: overlapping mandates and duplication of effort in the fight against corruption’ (Working Paper, anti-corruption Evidence, 2021)

²² Section 6(a-f) of the Independent Corrupt Practices Commission Act, 2000

The Act and the Commission created thereunder is relevant to this paper on the ground that offences of bribery and corruption constitute predicate offences that have been identified globally and in Nigeria in particular.²³

2.5: Central Bank of Nigeria (CBN) Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Policy and Procedure Manual.

Central Bank of Nigeria (CBN) AML/CFT manual is an important document that sets out standards for the employees of the Bank to ensure compliance with the AML/CFT laws and or regulations. The objective of the manual is to set out policies and procedures to guide the employee and the Bank to conduct business in accordance with the anti-money laundering laws, regulations and standards.²⁴ Though this paper is not targeted to unraveling laundering activities in the banking sector, the importance of banks and the CBN AML/CFT policy manual as it relates to money laundering activities generally cannot be under-estimated. In money laundering process, banks are always the first point of call used as mediums in making payment for goods and services. Entities that engage in laundering use banks for money transfers, purchases and transactions. The Banks have the duty to ensure that any transfers in cash or securities exceeding US \$10, 000 are reported to the Central Bank of Nigeria, Securities and Exchange Commission and the EFCC.²⁵ Through this, Banks play pivotal role in the success of the campaign against money laundering generally.

The Bank conducts periodically risk assessments to ensure that the Bank is not used as channel for laundering money and terrorist financing. The assessment borders on the products, customers, geographical locations and delivery channels. The Bank adopts risk-based approaches that suit money laundering and terrorist financing.²⁶

The manual further seeks to establish procedures and minimum standards in ensuring that the Bank and or its employee are not used as instruments for laundering illicit funds in and outside the country or engage in terrorism financing and other financial crimes.²⁷ The

²³Oyaleke (n.1) 9

²⁴Oyaleke (n.1)7

²⁵ S. 2 (1) of the Money Laundering (Prevention and Prohibition) Act, 2022

²⁶Oyaleke (n.1) 6

²⁷Oyaleke (n.1) 8

standards and procedures set by the manual is divided into three (3) broad areas such as conduct of financial services, dealing with the third parties' beneficiaries and employees conducts.

2.6: Money laundering & Financial Action Task Force (FATF) Recommendations

Financial Action Task Force (FATF) is an international organization formed in 1989 for the sole purpose of combating global financial crime.²⁸ It was created by the Group Seven (G-7) nations at their meeting of the Heads of State and Finance Ministers Economic Summit held in July 1989. The sole goal of FATF is to ensure that the member countries enact and enforce laws and regulations in combating money laundering activities within their respective jurisdictions based on its 'recommendations'.²⁹ These recommendations, though a soft law, serves a legal framework for anti-money laundering efforts and meant to have universal application. The recommendations cover the criminal justice system and law enforcement (numbers 1-7), the financial system and its regulation (numbers 8-29), and international cooperation (numbers 30-40).³⁰

In October 2001, the FATF widened the scope of its mandate to issues bordering on financing terrorism. Presently, the followings are the cardinal objectives of Financial Action Task Force (FATF).

- (a) To promote implementation of the standards in combating money laundering
- (b) To revise and clarify global standards for combating money laundering and terrorism financing
- (c) To engage with stakeholders and other partners worldwide in the fight against money laundering and terrorism financing
- (d) To identify and respond to the new money laundering terrorism financing threats.³¹

²⁸JR, Richards, '*Transnational Criminal Organisations, Cybercrime and Money Laundering*' A Handbook for Law officers, Auditors, and Financial Investigators (1998) 226

²⁹ JR, Richards (n. 36) 226

³⁰ About 180 jurisdictions have adopted these recommendations.

³¹ Oyaleke (n.1) 20

FAFT carries out its works and function through its four working groups and its secretariat in Paris.³² It is a policy-making body which ensures that there are national legislative and regulatory reforms on the issues of money laundering and terrorism financing.³³

Over time, the FATF had developed various 'Recommendations'. These recommendations are recognised globally as international standards for combating money laundering and terrorism financing and the increase in the weapons of mass destruction.³⁴ These recommendations serve as the guidelines for the member countries to develop their national legislations and regulations to addressing the incidence of money laundering and terrorism financing. The first set of recommendations were issued in 1990 and thereafter about four (4) revisions had been made which are in 1996, 2001, 2003 and 2012. The most recent one was made in 2012. These reviews are made to ensuring that the measures developed in combating money laundering and terrorist financing remain updated and relevant to the present global demands and the need for its universal application.³⁵

The FATF also releases typologies like every other national and international research and law enforcement bodies, on a regular basis with a view to informing the international communities of the trends and methods for the purpose of laundering illicit financial flows. Typologies mean the study of the methods, trends and techniques of money laundering and terrorist financing.³⁶

The issue of concern is, with all the above best practices provided by the FATF, rates of money laundering are still on the alarming rate.

Nigeria is a country that has witnessed high level of money laundering cases especially from the politically exposed persons who abuse their political offices to commit all forms of predicate offences and launder the proceed of crimes globally notwithstanding the existence of both domestic and international legal frameworks.

³² *ibid*

³³ *ibid*

³⁴ *ibid*

³⁵ Oyaleke, (n.1) 22

³⁶ H Duggan & P Drewery 'UK Part 1:UK Money Laundering-Typological Consideration' in A. Srivastava and others (eds) *'International Guide to Money Laundering Law and Practice'* (2013) 15

3.0.0: Effects of money-laundering on the world economies

The negative impacts of money laundering are multi-faceted in nature and globally. They may be economical, social or even political.³⁷ It has over-whelming effects on the financial sector to the extent that it undermines the general integrity, reputation, stability and liquidity of the sector.³⁸ Furthermore, it tends to have social impacts like corruption,³⁹ bribing,⁴⁰ increase in the crime rate,⁴¹ and contamination of legal activities through illegal activities⁴² and also notable political effects. It may also be short and long term. These shall be examined under this heading.

3.1: Increased crime and corruption.

Money laundering increases the rate of crime and corruption in the society. It is a common knowledge that where there is a reward for doing an act or mission, there is a strong likelihood that such an act or omission tends to continue to increase in magnitude. Likewise, money laundering increases crime and corruption in any economy it creeps in. This is predicated on the fact that money launderers see laundering activity as business activity with desire to make more money.⁴³ Therefore, when a country is known as a haven for money laundering activities, it will attract more people to crime and invariably will make such a country an abode for criminals. Laundering of illicit funds also encourages corruption in the sense that the launderers, with the intention of maintaining

³⁷ BL Bartlett, *'The Negative Effects of Money Laundering on Economic Development'* (2002) 19; N Mackrel, 'Economic Consequences of Money Laundering', in A. Graycar and P. Grabosky (Eds), *'Money Laundering in the 21st Century: Risks and Countermeasures'*, (1997) 2; J walker, *'Estimates of the extent of Money Laundering in and through Australia'* (John Walker Consulting Services, 1995) 30

³⁸Oyaleke (n.1) 23

³⁹V Tanzi, 'Macroeconomics of Money Laundering' in E.U Savona, *'Responding to Money Laundering: International Perspectives'* (1997) p. 92, 99; P.J Quirk, *'Money Laundering: Muddying the Macro economy,' Finance and Development, March 1997 a review* (1998) 36(1) *Economic and Financial Review*, 116-120; D.I. Keh, *'Economics Reform and Criminal Finance'* (1997) 2(1) *Transnational Organised Crime*, 27

⁴⁰P Aldridge, *'Money Laundering Law'* (Hart Publishing, 2003) 308; Unger, B *'The scales and impacts of money laundering'* (Elgar Publishing, 2007) p. 110, ISBN: 978-1-84720-223-9

⁴¹Bukola Oyaleke, 'A critical analysis of trade-based money laundering activities in Nigeria' (2024) 1(1), *KWASU Business and Private Law Journal*, <https://kwasuspace.kwasu.edu.ng/handle/123456789/2907> accessed 30 July, 2025; ISSN: 0795-7408

⁴²Oyaleke (n. 1) 7

⁴³JE Turner, *'Money Laundering Prevention: Deterring, Detecting, and Resolving Financial Fraud'* (Wiley, 2011) p.4-5, ISBN: 978-47087474522; see also: Lilley, P *'Dirty Dealing: The Untold Truth about Global Money Laundering, International Crime and Terrorism'* (Kogan Page, 2006) 28, ISBN-978-0749445126

their dubious activities, will tend to bribe and corrupt the law enforcement agencies to prevent possible arrest⁴⁴.

Laundrying of money activities corrupt or has the greater likelihood of corrupting financial system and undermine governance of the banks. Once bank managers are exposed to and corrupted by large sums of money involved in money laundering, unethical behavior can be introduced into system to favour money laundering process.⁴⁵ In other words, it means that when bank managers who are expected to protect the integrity of their banks have been corrupted and exposed to proceeds of money laundering, it would be difficult, if not practically impossible for them to put in place regulations that would prevent or put to the barest minimum money laundering in their financial institutions. In Nigeria, notable bankers, accountants, lawyers and even judicial officers have been charged for offences relating to money laundering in the performance of their duties.⁴⁶

3.2: Undermining the financial sector/markets

Money laundering activities have multiplier effects on the operation of the markets.⁴⁷ It contaminates the markets via the fraudulent dealings of the employees that work therein.⁴⁸ The trust and confidence reposed in the financial institutions is also eroded away.⁴⁹ In practice, a financial institution tends to lose credibility and customer confidence when it is indicted in money laundering scandal. This has multiplier effects on the entire financial system especially in countries where several of its financial

⁴⁴Oyaleke (n. 60) 24

⁴⁵P Quirk 'Macroeconomic Implications of Money Laundering' IMF Working Paper 96/66 (1996) 24; see generally: SR Du Pasquier 'The Swiss Anti-Money Laundering Legislation' (1998) 13 *Journal of International Banking Law*, 160; G Smith 'Competition in the European Financial Services Industry: the Free Movement of Capital versus the Regulation of Money Laundering' (1992) 13 *University of Pennsylvania Journal of International Business Law*, 101 at 111.

⁴⁶Akeem Nafiu, '15.5m: Appeal Court overturns conviction of firms linked to Jonathon' <http://www.newtelegraphng.com/2017/04/companies-appeal-conviction-patience-jonathans-15-591m/> accessed 5 August, 2025

⁴⁷ Aldridge (n.59) 31

⁴⁸ Unger (n 59) 145

⁴⁹ Unger (n 59) 145

institutions involve in dirty money washing.⁵⁰ It affects general stability of financial institutions like insurance companies, banks and securities firms.

3.3: Unfair Competition

Money laundering tends to encourage unfair competition. Illicit funds drive out good money or has the likelihood of driving out the dirty money. Money launderers ordinarily will not want to hold on to their illicit proceeds of crime to prevent being suspected, arrested and possible prosecution. They will do anything possible to dispose same by engaging the funds in legitimate businesses. Money launderers outbid potential honest buyers due to the large funds they have access to for the purchase of expensive products.⁵¹ They drive out honest and legitimate competitors of the business because they have large sum of money to subsidise their products to a relatively low price from the illicit funds.⁵²

3.4: Loss of revenue

Massive revenue is also lost on the part of the government whenever money laundering creeps in, especially revenue from tax.⁵³ Tax evasion, which is a predicate offence, serves as a conduit through which government loses revenue.⁵⁴ Revenue that ordinarily would have accrued to the coffers of the government are siphoned away through tax evasion, thereby reducing the revenue generation of the government which indirectly affect the possibility of government in providing basic social amenities for the citizenry. It also makes the process of collection of taxes more difficult and cumbersome.⁵⁵ A government revenue deficit is at the centre of the economic difficulties of many countries, including Nigeria notwithstanding the efforts of the International Monetary Fund (IMF) to improve the tax collections capabilities of its members and the efforts of the Organisation for

⁵⁰ R McDonell, 'An overview of the global money laundering problem, international anti-money laundering standards and the world of the financial action task force' paper delivered at the international conference on global drugs law, New Delhi, 28 February, 1997; Unger (n.59) 146

⁵¹ SR Du Pasquier 'The Swiss Anti-Money Laundering Legislation' (1998) 13 *Journal of International Banking Law*, 160

⁵² Unger (n. 59) 132

⁵³ Unger (n.59) 137; Oyaleke (n. 60)

⁵⁴ Oyaleke (n.1) 28; Unger (n.57) 113;

⁵⁵ Oyaleke (n.1)25

Economic Cooperation and Development (OECD) towards ensuring tax transparency in many jurisdictions including Nigeria.⁵⁶

3.5: Reputational Damage to the country

The damage money laundering does to the reputation of a country cannot be underestimated. In a situation where a financial institution in a country is known for involving in money laundering operations, it tends to lose credibility and customer confidence.⁵⁷ This affects the whole financial system especially in cases where several financial institutions are involved in the dirty money washing.⁵⁸ This also on the long run affects the confidence of the foreign investors in investing in the business activities of such a country. Legitimate businesses in such countries are affected. They are subjected to excessive ownership and control systems scrutiny. When a country is known for laundering illicit funds through trade activities, its international trading relationship will be affected globally. To build this confidence again, may require a long period of time. It is easier to destroy good a reputation than to build it.

Nigeria is known as one of the main route for cross-border movement of drugs globally and ,⁵⁹ a major haven for criminal financial activities notwithstanding the existence of international and domestic legal and regulatory frameworks on the detection and prevention of illicit financial activities.

4.0: Effects of money laundering on Nigerian Economy

The effects of money laundering on the Nigerian economy cannot be over-emphasized. The above-mentioned effects affect the globally economies generally, but specifically, the followings are the effects of money laundering on the Nigerian economy:

⁵⁶ Oyaleke (n.1)26

⁵⁷ Unger (n. 59) 145

⁵⁸ R McDonell, 'An overview of the global money laundering problem, international anti-money laundering standards and the world of the financial action task force' paper delivered at the international conference on global drugs law, New Delhi, 28 February, 1997; Unger (n.59) 146

⁵⁹The report is issued by the United States' Department of State, and Bureau for International Narcotics and Law enforcement affairs.

(1) Reduction of Government Revenue

Money laundering reduces the Nigerian government revenue.⁶⁰ The Nigerian government loses about \$18 billion annually to the illicit financial flows which include money laundering through tax evasion.⁶¹ Revenue that ought to be remitted to the coffers of the government are siphoned away directly through tax evasion to the extent that revenue generation ability of the government is affected and hampered which to the great extent indirectly affect the ability to provide the basic social amenities for the citizenry. A government revenue deficit is at the centre of the economic difficulties of Nigeria which affects the ability of the government in carrying out its social responsibilities.

(2) Increased Corruption and Weak Institutions

Another effect of money laundering on the Nigerian economy is that it leads to an increase in corruption and weakens the existing institutions. Money laundering thrives where corruption is high and weakens the institutions. It is not in doubt that Nigerian is one of the most corrupted nation globally.⁶² Money launderers with a view to covering their criminal paths and ways oftentimes ‘corrupt’ the existing institutions by bribing the law enforcement agencies, customs, bankers and politicians; thereby weakening the regulatory agencies such the Economic and Financial Crime Commission (EFCC), Central Bank of Nigeria (CBN) and Independent Corrupt Practices Commission (ICPC). When a financial institution is indicted in money laundering operations, it tends to lose its credibility and customer confidence. This has multiplier effects on the entire financial system especially in countries where several of its financial institutions involve dirty money washing.⁶³ This creates a cycle where corruption enables laundering, and laundering deepens corruption.

⁶⁰ Unger (n.59) 137

⁶¹ B Oyaleke (n. 1); Unger (n.57) 113;

⁶² Oyaleke (n.60) 2

⁶³R McDonell, ‘An overview of the global money laundering problem, international anti-money laundering standards and the world of the financial action task force’ paper delivered at the international conference on global drugs law, New Delhi, 28 February, 1997; Unger (n.59) 146

(3) Damage to Nigerian's International Reputational Image

Countries with high money-laundering risks are regarded and labelled as 'High-risk jurisdictions. At one point or the other in the Nigerian history, Nigeria as a country has been labelled a high-risk jurisdiction in terms of money laundering activities perpetrated by the some of its citizens, especially the politically exposed persons.⁶⁴ This results difficulty in the government accessing foreign loans as at when due, increased scrutiny of Nigerian financial transactions abroad, decline in foreign direct investment (FDI) and loss of correspondent banking relationships (CBRs). Furthermore, it is a common knowledge that when foreign banks fear Nigerian transactions, it slows international trade and increases cost of doing business for Nigerian companies.

(4) Weak Economic Growth and Development

Money laundering tends to further cause weak economic growth and development in Nigeria by creating a hostile environment for sustainable economic development.⁶⁵ This is possible because money laundering slows growth and development as government resources are diverted to anti-corruption and security instead of development through which weak institutions reduce efficiency of public spending and legitimate investors often withdraw.⁶⁶ This lowers GDP growth, high unemployment, and worsen insecurity in the country.

(5) Erosion of Public Trust

Another crucial effect of money laundering on the Nigerian economy is that it tends to erode away the trust (reputational risk) that members of the public have on the financial institutions.⁶⁷ Reputational risk deals with the public image of an organization. When the public image of a financial institution is tainted due to the alleged involvement in money laundering activities, members of the public, especially the customers of such institution

⁶⁴ Oyaleke (n.1) 2

⁶⁵ Oyaleke (n.60) 2

⁶⁶ Oyaleke (n. 1) 10

⁶⁷ Oyaleke (n. 60) 5

will cease to have sound confidence in the institution.⁶⁸ This also has multiplier effects on other institutions in the country.

5.0: Conclusion

Money laundering is the life blood for criminal activities and evil is the root of money laundering. There is avalanche of legal and regulatory frameworks to prevent and curb the menace of money laundering in Nigeria. The legal frameworks include Independent Corrupt Practices Commission Act, Nigerian Drug Law Enforcement Agency Act, Economic and Financial Crimes Commission Act, and Money Laundering (Prevention and Prohibition) Act, 2022. There are also institutions such as Economic and Financial Crimes Commission and Independent Corrupt Practices Commission. Both the legal and institutional regimes are robust. Notwithstanding the existence of legal and regulatory frameworks on the prevention and detection of money laundering in Nigeria and globally, money laundering activities are on the increase in Nigeria. The effects of the laundering of illicit funds are multifaceted. The effects have the capacities of crippling any viable and stable economy in the world if not properly managed and or curbed.

6.0: Recommendations

The followings are suggested as recommendations:

- (1) The government should do an overhaul review of the provisions of the Money Laundering (Prevention and Prohibition) Act, 2022 with a view to identifying the inherent lacunae in the Act being exploited by the criminally minded individuals and corporate bodies (launderers).
- (2) The government must be decisive in ensuring that the existing legal frameworks on the prevention and detection of money laundering activities are fully implemented and enforced.
- (3) Government of Nigeria should further foster collaborate with other countries of the world in preventing illicit flow of funds by way of sharing necessary intelligence and working together as an indomitable team.

⁶⁸ *ibid*

- (4) That all the agencies of government in Nigeria that involve in the campaign against money laundering and the ancillary matters should work together as a formidable team by sharing information and intelligence together in the fight against it.