



NIGERIAN FINANCIAL INTELLIGENCE UNIT

No. 12, Ibrahim Taiwo Str., Aso -Villa, Asokoro, Abuja, FCT, Nigeria Hotline: +2349097303256
Website: www.nfiu.gov.ng Email: info@nfiu.gov.ng

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The Director
Special Control Unit against Money Laundering
Abuja.

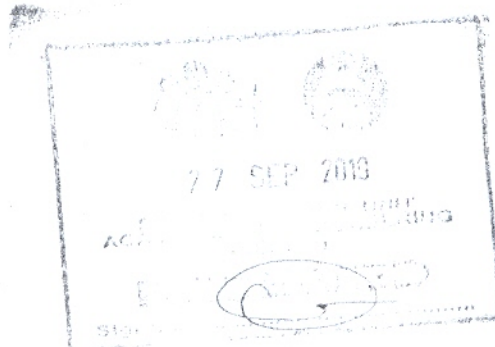
FORWARD LETTER: ADVISORY ON THE UNITED NATIONS SECURITY COUNCIL RESOLUTIONS WITH SIGNIFICANT IMPLICATION FOR THE NIGERIAN FINANCIAL SYSTEM FOLLOWING THE FATF LIST OF JURISDICTIONS WITH STRATEGIC AML/CFT DEFICIENCIES. RESOLUTIONS 1540 (2004); 1718 (2006); 2094 (2013); 2270 (2016); 2356 (2017); 2371 (2017) AND 2397 (2017)

We forward herewith this Advisory for distribution to all designated non-financial institutions reiterating the importance of complying with relevant United Nations Security Council Resolutions on anti-money laundering, counter financing of terrorism and proliferation of weapons of mass destruction (AML/CFT/CPF) in order to protect the Nigerian financial system.

2. This advisory is also in line with the Financial Action Task Force (FATF) Public Statement calling on countries to apply counter measures on jurisdictions with strategic AML/CFT/CPF deficiencies that may pose a threat to their financial system.

3. Please accept the assurances of my highest regards.

Modibbo R. HammanTukur
Director/CEO





NIGERIAN FINANCIAL INTELLIGENCE UNIT

ADVISORY

19th September, 2019

NFIU/EXT/PRIV/ADV/DCEO/PRESIDENCY/19 SEPT-2019/VOL.1/003

Chief of Staff to The President

Honourable Attorney General of the Federation and Minister of Justice

The Governor, Central Bank of Nigeria

Honourable Minister of Foreign Affairs

Honourable Minister of Mines and Steel Development

Honourable Minister of State Petroleum

The National Security Adviser

Director General, National Intelligence Agency

Director General, Department of State Services

The Acting Executive Chairman, Economic and Financial Crimes Commission

The Chairman, Independent Corrupt Practices and other related Offences Commission

Acting Registrar-General, Corporate Affairs Commission

Director, Special Control Unit against Money Laundering (SCUML)

All Chief Executive Officers of Financial Institutions in Nigeria and Corresponding Financial Institutions elsewhere

All Designated Non-Financial Institutions

ADVISORY ON THE UNITED NATIONS SECURITY COUNCIL RESOLUTIONS WITH SIGNIFICANT IMPLICATION FOR THE NIGERIAN FINANCIAL SYSTEM FOLLOWING THE FATF LIST OF JURISDICTIONS WITH STRATEGIC AML/CFT DEFICIENCIES. RESOLUTIONS 1540 (2004); 1718 (2006); 2094 (2013); 2270 (2016); 2356 (2017); 2371 (2017) AND 2397 (2017)

PURPOSE

The NFIU is issuing this advisory to inform and direct Nigerian financial institutions and other actors in the Nigerian financial system on the need to safeguard the country's financial system from the implications of violations of United Nations Security Council Resolutions as listed above. All financial institutions (FIs) and designated non-financial institutions (DNFIs) should be aware of these resolutions and their implications, which may affect their obligations and risk based approaches to dealing with parties covered under the FATF list of jurisdictions with strategic AML/CFT deficiencies especially the Democratic People's Republic of Korea (DPRK).

Nigeria is under obligation to observe and implement the FATF international standards to combat money laundering and counter the financing of terrorism and proliferation of weapons of mass destruction (WMD). The DPRK has been named as one of the jurisdictions having strategic deficiencies in their AML/CFT regimes.

The FATF has in its February 22 2019 Public Statement called for countermeasures and/or enhanced due diligence (EDD) because of the strategic AML/CFT deficiencies of DPRK and the Islamic Republic of Iran (IRI).

BACKGROUND

- I. The Nigeria Financial Intelligence Unit (**NFIU**) is obliged to ensure the integrity of the Nigerian financial system by providing all relevant institutions with information and guidance to mitigate against the threat from money laundering and terrorism financing as well as the proliferation of weapons of mass destruction.



- ii. **RECALL**, that the FATF on the 25 February 2011 reaffirmed its call on States, and urged all jurisdictions including Nigeria to **advise** their financial institutions to give special attention to business relationships and transactions with the DPRK (including DPRK companies, financial institutions), and those acting on behalf of the DPRK.
- iii. And in addition to enhanced scrutiny, called on its members, and urged all jurisdictions including Nigeria to apply effective countermeasures, and targeted financial sanctions in accordance with applicable United Nation Resolutions, to protect their financial sectors from money laundering, financing of terrorism and WMD proliferation financing (ML/FT/PF) risks emanating from the DPRK. Nigeria's obligations under the various UNSCRs especially resolution 1718 in this regards enjoins her to take necessary measures to close existing branches, subsidiaries and representatives offices of DPRK's banks within its territory and terminate correspondent relationships with DPRK banks, where required by relevant UN Resolutions.
- iv. **WHEREAS** resolution 2371 (2017) has further reaffirmed, strengthened and extended previous Security Council resolutions, including resolutions 825 (1993), 1540 (2004), 1695 (2006), 1718 (2006), 1874 (2009), 1887 (2009), 2087 (2013), 2094 (2013), 2270 (2016), 2321 (2016) and 2356 (2017), as well as the statements of its President of 6 October 2006 (document S/PRST/2006/41), 13 April 2009 (document S/PRST/2009/7) and 16 April 2012 (document S/PRST/2012/13), against The DPRK,

- v. **WHEREAS** the UNSCR 2270 (2016) requires Member States to prohibit financial institutions from establishing new joint ventures and from taking an ownership interest in or establishing or maintaining correspondent relationships with DPRK banks without advance approval from the UN,

In the light of the above and in compliance with the United Nations Security Council Resolutions on North Korea (DPRK), the Nigerian Financial Intelligence Unit (NFIU), **relying** on its statutory mandate to protect the Nigerian financial system from both internal or external vulnerabilities, threats, risks of money laundering, terrorist financing and proliferation of weapons of mass destruction, hereby **ADVISES** all financial institutions (**FIs**), designated non - financial institutions (**DNFIs**) and other entities operating in/within the Nigerian financial sector howsoever described;

1. To take note and be aware of UNSCR 2321 (2016), which requires that Member States expel individuals acting on behalf of or at the direction of a bank or financial institution of the DPRK. Note that UNSCR 2321 also expresses concern that individuals from the DPRK are sent abroad to earn hard currency to fund the DPRK's nuclear and ballistic missile programs, and it reiterates the concern that the DPRK may use bulk cash to evade UN measures. Also note the resolution (unless individually exempted by the 1718 Committee), enjoining Member States to prohibit public and private financial support within their territories or by persons or entities subject to their jurisdiction for trade with the DPRK.
2. To take note and closely monitor and watch out for schemes being adopted by the DPRK to circumvent the UN sanctions especially those



with predicate implications of money laundering of funds for financing of weapons of mass destruction (“**WMD**”), ballistic missile projects, proliferations of dangerous weapons and any other acts directly contravening the UN sanctions on the DPRK.

3. To immediately close (where any is established to exist) all existing representative offices, subsidiaries or banking accounts related to or maintained by the DPRK in the financial institutions except accounts maintained by DPRK embassy and its diplomats.
4. Nigerian FIs and DNFI should be particularly aware, note and comply with the responsibility under the UNSCR 2321, prohibiting all public and private financial support within Member States (in this case Nigerian territories) or by persons or entities subject to the Nigerian jurisdiction from trading with the DPRK, mindful that some individuals are sent abroad by the DPRK to earn hard currency to fund DPRK’s nuclear and ballistic missile program.
5. Nigerian FIs and DNFI should take steps to ensure and collaborate with the Government of the Federation in freezing, in accordance with her respective legal processes funds, financial assets, and economic resources owned or controlled directly or indirectly by the persons or entities designated by the Committee or by the UNSC as being engaged in providing support for, (including through other illicit means) DPRK’s nuclear-related or other weapons of mass destruction-related and ballistic missile-related programmes,¹

¹ UNSCR 1718 paragraph 8(d) 2006



6. To be aware that in accordance with the various Security Council Resolutions herein contained, all dealings, transactions, receipt, dispensation, transfer, sale and all other financial transactions are prohibited between Nigeria and the DPRK and therefore FIs and DNFI's should implement enhanced due diligence on customers believed to be related or affiliated to DPRK entities when opening accounts, or carrying out transactions, betting at casinos, investing in private businesses and services, buying out stocks, insurance premiums and all sales and transactions involving all commodities and products from or to the DPRK .

7. To develop and intensify additional measures to monitor financial transactions originating from the DPRK, and other high risk jurisdictions, for the purpose of preventing money laundering, the financing of terrorism and proliferation of weapons of mass destruction.

8. To adopt additional and advanced reporting obligations in order to secure the financial integrity of the Federal Republic of Nigeria, and to effectively implement the Council Resolutions' targeted financial sanctions on related proliferation programme of the DPRK government.

9. To promptly and swiftly report all transactions originating from the DPRK and her allies as suspicious transactions to the Nigerian Financial Intelligence Unit.

10. Without prejudice to the exemption granted to the financial transactions consummated by the personnel of the DPRK diplomatic missions, FIs and



DNFIs are hereby mandated to promptly develop and put in place monitoring framework for conduct of periodic financial transactions surveillance on the DPRK diplomatic personnel, their relatives and all politically exposed persons (PEPs) of the DPRK origin living, residing and working in any part of Nigeria.

11. To report to the NFIU on a monthly basis all financial transactions of the individual personnel of the DPRK Mission and Embassy in Nigeria, detailing the purpose of every transaction or payment, details about the nature of such payment, the use and beneficiaries of the payments, parties to such transaction, sources of the funds involved and beneficial ownership of the counterparty.

I. Prohibited Activities Under this Advisory

All FIs and DNFIs are by this advisory prohibited from:

- i. Operating correspondent accounts and/or having any banking relationship with the DPRK's financial institutions, entities and DPRK's allies.
- ii. Allowing a national of the DPRK to operate any account in any financial institution operating in Nigeria except those exempted under UNSCR Resolution 1718 (2006).
- iii. Directly or indirectly supplying, selling or transferring to the DPRK, through the Nigerian territories or by Nigerian nationals, or using



Nigerian flagged vessels, aircraft, pipelines, rail lines, or vehicles and whether or not originating from their territories of all crude oil; unless the appropriate Committee approves in advance on a case by case basis.

- iv. Opening of new joint ventures or cooperative entities with DPRK entities or individuals or the expansion of such joint ventures through additional investment, whether or not acting for or on behalf of the government of the DPRK, unless such joint ventures or cooperative entities have been approved by the appropriate Committee in advance on a case by case basis.²

2. Omission and Non – Waiver of Sanctions

Any omission of the details of any sanction placed on the DPRK in this advisory shall not constitute a waiver of any of the Resolutions and sanctions placed on the DPRK by the UN Security Council.

3. Penalty for Violation by FIs & DNFI&Bs

Violations of this advisory and/or any other legal obligations arising herein or within any other law in these regards shall attract appropriate sanctions.

4. Effective Date

All actions required to be taken by the FIs and DNFI&Bs under this advisory shall commence from the date of this advisory and shall be ongoing as long as the Council's Resolution subsists.

² UNSCR 2371 paragraph 12 2017





Modibbo R. HammanTukur
Director/CEO



APPENDIX I

RED FLAG INDICATORS:

General indicators of DPRK's proliferation finance

- DPRK uses banks located in Liaoning province in China to access the international financial market. Often funds are moved using correspondent banking relationships conducted by or on behalf of banks located in Liaoning province, including banks located in municipalities of Dalian, Dandong, Jinzhou, and Shenyang.
- North Korean or Chinese facilitators establish and operate front or shell companies, especially in Liaoning province and Hong Kong Special Administration. Each representative may represent multiple front or shell companies.
- A number of DPRK-operated front and shell companies are located in Liaoning province, specifically in Dalian, Dandong, Jinzhou, and Shenyang (which border DPRK), or in Hong Kong. These companies often share and recycle addresses or are located close together in the same neighborhood or area.
- DPRK companies are cycled and used for a short period of time before being retired, but the bank accounts associated with these companies often stay open during periods of inactivity. One company will pay into the account for a period of time, then cease payments and a different company will begin making payments. Those two companies may share the same address, owners, or employees.
- Shipping and import/export businesses are often used as fronts for DPRK activities.
- Separate companies share owners, managers, phone numbers, or employees.
- DPRK front companies often lack stated business purposes and/or the payments they receive are unrelated to specified lines of business.
- DPRK front companies often do not have a website or otherwise maintain online presence despite significant financial transactions.



DPRK Diplomats' sanctions Evasion Tactics

- Opening accounts using several addresses
- Opening accounts in the name of a front company
- Opening multiple accounts in the names of family members
- Opening accounts in the name of the diplomatic mission of the DPRK
- Using various rendering of names or names of co-signors

Trade/Shipment Documentation

- The shipment does not make economic sense.
- Inconsistencies between information contained in trade documents and financial flows.
- Freight forwarding company is listed as final destination.
- Obvious alterations to third-party documents, e.g., trade-related documentation appear illogical, altered, fraudulent, or missing key documentation.

Customers

- Customer activity does not match business profile, i.e., end-user information does not match end-user's business profile.
- Orders for goods are placed by firms or individuals from foreign countries other than the country of the stated end-user.
- Customer is vague/ incomplete on information it provides, resistant to providing additional information when queried.
- New customer requests letter of credit awaiting approval of new account.
- Customer, counter-party, or its address is similar to one of the parties found on publicly available lists of 'denied person' or has a history of export control contraventions.

Transactions

- Transaction demonstrates links between representatives of companies exchanging goods, i.e., same owner or management of both companies.
- Transaction involves possible shell companies.
- Pattern of wire transfer activity shows unusual patterns or has no apparent purpose.
- Circuitous route of shipment and/ or circuitous route of financial transaction.



- 'Surge' activity cycles

Front Companies

- Companies sharing owners or managers, phones, or employees.
- Substantial financial activity unrelated to stated areas of business.
- Lack of online presence.

Geography or Jurisdiction

- Trade finance transaction involves shipment route (if available) through country with weak export control laws or weak enforcement of export control laws.
- Transaction involves person or entity in foreign country of proliferation concern.
- Transaction involves person or entity in foreign country of diversion concern.
- The customer, counter-party, or its address is similar to one of the parties found on publicly available lists of "denied persons" or has a history of export control contraventions.
- Customer activity does not match business profile, or end-user information does not match end user's business profile.
- A freight forwarding firm is listed as the product's final destination.
- Order for goods is placed by firms or persons from foreign countries other than the country of the stated end user.
- Transaction involves shipment of goods incompatible with the technical level of the country to which it is being shipped (e.g., semiconductor manufacturing equipment being shipped to a country that has no electronics industry).
- Transaction involves possible shell companies (e.g., companies do not have a high level of capitalism or displays other shell company indicators).
- Transaction demonstrates links between representatives of companies exchanging goods, i.e., same owners or management.
- Circuitous route of shipment (if available) and/or circuitous route of financial transaction.
- Transaction involves persons or companies (particularly trading companies) located in countries with weak export control laws or weak enforcement of export control laws.



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- Transaction involves shipment of goods inconsistent with normal geographic trade patterns (e.g., the country involved does not normally export/import goods involved).
- Transaction involves financial institutions with known deficiencies in anti-money laundering/counter-terrorist finance controls and/or domiciled in countries with weak export control laws or weak enforcement of export control laws.
- Based on the documentation obtained in the transaction, the declared value of the shipment was obviously under-valued vis-a-vis the shipping cost.
- Inconsistencies in information contained in trade documents and financial flows, such as names, companies, addresses, final destination, etc.
- Pattern of wire transfer activity that shows unusual patterns or has no apparent purpose.
- Customer vague/incomplete on information it provides, resistant to providing additional information when queried. New customer requests letter of credit transaction awaiting approval of new account. Wire instructions or payment from or due to parties not identified on the original letter of credit or other documentation.

OTHER POTENTIAL INDICATORS OF SANCTIONS EVASION ACTIVITIES

- Involvement of items controlled under WMD export control regimes or national control regimes.
- Involvement of a person connected with a country of proliferation concern (e.g., dual use national), and/or dealing with complex equipment for which he/she lacks technical background.
- Use of cash or precious metals (e.g., gold) in transactions for industrial items.
- Involvement of a small trading, brokering, or intermediary company, often conducting business inconsistent with their normal business.
- Involvement of a customer or counter-party, declared to be a commercial business, whose transactions suggest they are acting as a money-remittance business.
- Transactions between companies on the basis of "ledger" arrangements that obviate the need for international financial transactions.



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- Customers or counter-parties to transactions are linked (e.g., they share a common physical address, IP address, or telephone number, or their activities may be coordinated).
- Involvement of a University in a country of proliferation concern.
- Description of goods on trade or financial documentation is non-specific, innocuous, or misleading.
- Evidence that documents or other representatives (e.g., relating to shipping customs or payment) are fake or fraudulent.
- Use of personal account to purchase industrial items.

