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DESIGNATED NON-FINANCIAL  
INSTITUTIONS (DNFIs) AND THE  
SPECIAL CONTROL UNIT ON  
MONEY LAUNDERING.

# INSIGHTS

Author:  
**Sharon Kelechi Obi**

**HAMU LEGAL**  
No 21 Blantyre Street,  
Wuse II, Abuja, Nigeria.

E-mail: [people@hamulegal.com](mailto:people@hamulegal.com)  
Web: [www.hamulegal.com](http://www.hamulegal.com)

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The Money Laundering (Prohibition) Act, 2011<sup>1</sup>, defines a Designated Non-Financial Institution (DNFI) as dealers in Jewellery, Luxury Goods, Chartered Accountants, Audit Firms, Tax Consultants, Clearing And Settlement Companies, Legal Practitioners, Hotels, Casinos, Supermarkets, or such other businesses as the Federal Ministry of Commerce (now Federal Ministry of Industry, Trade and Investment) or appropriate regulatory authorities may from time to time designate. This list of institutions has been expanded to include; Trust and Company Service Providers, Estate Surveyors and Valuer's, Estate Agent & Brokers, Pool Betting & Lottery, Hospitality industry, Consultants and Consulting Companies, Importers and Dealers in Cars or any other Automobile, Dealers In Mechanized Farming Equipment and Machinery, Practitioners of Mechanized Farming, Dealers in Precious Stones and Metals, Non-Governmental Organizations.

Financial institutions already have a stringent process for reporting cash transactions, lodgments, and transfers both locally and internationally in this present Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT ) regime under the Central Bank of Nigeria (Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions in Nigeria) Regulations 2013.

The Special Control Unit on Money Laundering (SCUML) was established by the Federal ministry of Industry, Trade and Investment in order to enforce the MLPA 2011 and every other law relevant to Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT). They have been given the mandate to Monitor Supervise and regulate the activities of DNFI's.

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1 Section 25 of the Act.

## A Brief History Of Money Laundering

Money Laundering is the concealment of the true source and nature of money obtained through illegal means or criminal activity and the conversion of same through investment in legitimate businesses so it cannot be traced back to the illegitimate source. It can be traced back to 2000 BC where **Chinese** traders were known for hiding their wealth from the Government in order to avoid paying taxes or confiscation by moving to remote provinces or even outside of China.

Over the years, offshore banking and tax evasion became more sophisticated in a bid to keep money away from tax collectors.

The term 'Money Laundering' is said to have originated with the Italian Mafia as criminals like Al Capone allegedly purchased Laundromats to mix their illegal profits from Bootlegging, Liquor Sales and Prostitution, with Legitimate Business sales in order to conceal the source of their illegally acquired monies. This became rampant in the 1920's as Organized Crime Lords and Gangs in the **United States** were able to Channel the proceeds of their Crime (Gambling, Psychotropic Drug Peddling, Prostitution, Illegal sale of Arms and Ammunition, etc.) through legitimate means in order to create the illusion of legally gotten wealth. They did this by opening offshore bank accounts with Swiss Banks and later granting loans to the less privileged people in their communities.

## Statutory Obligations of DNFI

By virtue of combined provisions of The Money Laundering (Prohibition) Act 2011, Terrorism Prevention Act 2011 (as amended) and SCUML (AML/CFT) Regulations 2013, every DNFI is required to perform the following obligations;

1. To register with SCUML;
2. To make Currency Transaction Reports (CTRs) of any single cash transaction, lodgment or transfer of funds in excess of ₦5,000,000 or its equivalent in the case of an individual or ₦10,000,000 in the case of a body corporate within 7 days from the date of transaction<sup>2</sup> via SCUML online reporting platform on the SCUML website: [www.scuml.org](http://www.scuml.org);
3. To make Cash Based Transaction Reports (CBTRs ) to SCUML on any single transaction in excess of \$ 1,000 or its equivalent within 7 days from the date of the transaction via SCUML online reporting platform on the SCUML website;

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<sup>2</sup> Section 1 Money Laundering (Prohibition) Act, 2011.

4. To make report of any transfer to or from a foreign country of funds or securities by a person or body corporate including a Money Service by a person or body corporate including a Money Service Business of a sum exceeding \$10,000 or its equivalent to the Central Bank of Nigeria, Securities and Exchange Commission or the Commission in Writing within 7 days from the date of the transaction; and<sup>3</sup>

5. To report suspicious transactions relating to terrorism. A Financial Institution or DNFI shall within a period of not more than 72 hours, forward reports of suspicious transactions relating to terrorism to the Nigerian Financial Intelligence Unit which shall process such information and forward it to the relevant law enforcement agency.<sup>4</sup>

## Other Obligations

1. Giving a Know Your Customer (KYC) form to each customer. This is best done before the DNFI agrees to or actually receives funds from the 'Customer'. The idea is to profile those investing funds.

2. Make report of suspicious transactions using the templates for reporting provided on the website: [www.scuml.org](http://www.scuml.org)

## Registration with SCUML

The process has been simplified to a certain extent as you can start the registration process online. You this by first submitting your incorporation documents viz;

- Certificate of Incorporation
- MEMARTS
- CAC 7
- CAC 2; and
- The Print out of the Tax Identification Number (TIN) of the DNFI if it is a Limited Liability Company.

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<sup>3</sup> Section 2 MLPA 2011

<sup>4</sup> Sections 14 Terrorism Prevention Act 2013 (as amended)

Where the DNFI is an NGO, it will submit it:

- Certificate of Incorporation
- The Constitution
- The CAC/IT/1 (the Trustees Application Form); and
- The Print out of the Tax Identification Number of the NGO

For further information, please contact

**Sharon Kelechi Obi**

Associate

[sharon@hamulegal.com](mailto:sharon@hamulegal.com)

+234 (0) 906 000 5026

**HAMU LEGAL**

No 21 Blantyre Street Wuse II off Adetokunbo Ademola Crescent

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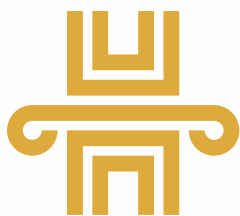
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