



**Inter-Governmental Action Group  
Against Money Laundering  
in West Africa**

# **TYPES REPORT ON CASH TRANSACTIONS AND CASH COURIERS IN WEST AFRICA**

**GIABA Working Group on Typologies (WGTYP)**

*November 2007*



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# Abbreviations

AML	Anti-Money Laundering
ATM	Automatic Teller Machine
BOFIA	Banks and other financial institutions Act
CBN	Central Bank of Nigeria
CDD	customer due diligence
CFT	counter financing of terrorism
DNFPBs	designated non-financial professions and businesses
ECOWAS	Economic Community of West African States
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FRSB	Financial Action Task Force-Style Regional Body
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
IFI	international financial institution
KYC	know your customer
LE	law enforcement
NGO	non-governmental organization
PNDCL	Provisional National Defence Council Law
TF	terrorist financing
TLP	Trade Liberalization Policy
TLS	Trade Liberalisation Scheme
TYPWG	Typologies Working Group
UEMOA	Union Economique Monétaire de l'Afrique de l'Ouest
WAMA	West African Monetary Agency
WAEMU	West African Economic and Monetary Union

## Introduction

1. The geographical territory of West Africa is occupied by fifteen countries that make up the Economic Community of West African States (ECOWAS): Benin, Burkina Faso, Cape Verde, Cote D'Ivoire, (The) Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo. Of these fifteen (15) countries, eight (8) belong to a common currency zone known as the Union Economique Monétaire de l'Afrique de l'Ouest (UEMOA), which has common monetary regulations. The economy of the West Africa region is largely cash-based, characterised by a large and growing unregulated informal sector which is vulnerable to money laundering and terrorist financing.
2. Money laundering (ML) is a process whereby the origin and ownership of funds generated by illegal means is concealed. The process of ML usually involves three stages: (1) the introduction of the proceeds of crime into the financial system (placement); (2) transactions to convert or transfer the funds to other locations or financial institutions (layering); and, (3) reintegrating the funds into the legitimate economy as "clean" money and investing it in various assets or business ventures.
3. Terrorist financing (TF), on the other hand, is the direct or indirect financial support provided to criminals for the purpose of carrying out acts that involve violence and or intimidation of populations. Such funds could be derived from either legitimate or illegitimate sources. Although there are factual differences between money laundering (ML) and terrorist financing (TF), both processes may use common intermediaries such as cash transactions. Indeed, money laundering and terrorist financing are a threat to international peace and security.

## Nature and Types of Cash Transactions

4. Cash transactions are a particular problem, especially in developing economies where the formal payment systems are inadequate or where the populace has little confidence in their use. Even in some developed economies, cash transactions constitute a specific money laundering and terrorist financing problem. For example, about 52% of case files transmitted to prosecutorial authorities by the Belgian Financial Intelligence Unit (FIU) in 2005 featured cash transactions<sup>1</sup>. The types and patterns of cash transactions that are at risk of money laundering and terrorist financing include the following :

- exchange transactions, involving the exchange of one currency into another or the conversion of smaller denominations into bigger ones;
- money remittance transactions, within or outside the country, often for mutual settlement. One of the potential risks here is that false identities may be used, thus making regulation, even where it does exist, difficult;

<sup>1</sup>See *Annual Report of the Belgian Financial Intelligence Unit, 2006*.



- cash deposits on bank accounts, either by the account owners or by a third party;
- cash withdrawals from accounts; and
- cross-border transport of physical cash concealed in items such as vehicle spare parts, pockets, commercial airlines parcels, suitcases and handbags.

5. All these types of cash movement are at risk of carrying the proceeds of crime. It would appear that the risk of cash transactions is higher in developing countries that are mainly cash-based. In the West African sub-region in particular, the use of a common currency (the CFA francs) among Francophone countries, and trade liberalization and economic integration of all the 15 Member States of the ECOWAS, could be practices and trends that risk the use of this region by criminals to move illegal money.
6. Cash transactions remain dominant in the West African region where payments for intra-regional transactions are usually made in either local or foreign currencies, specially the US dollar, the British pound and the Euro. In this context, economic operators, especially those in the informal sector, are engaged in the free exchange of currencies in the thriving parallel markets, for the purpose of making cash payments for intra-regional transactions.
7. The overwhelming dominance of cash transactions among economic operators in all sectors of the West African economies is indicative of a persistently low use of banking. The dominance of cash transactions, which are characterized by informality and anonymity, makes the region vulnerable to money laundering and terrorist financing.
8. The main factors underpinning this dominance in West Africa include the legal tender status of banknotes as a medium of exchange, their ubiquitous nature, their convenience, and their speed and certainty in settling financial obligations; the inadequacy of the available banking services, especially in rural areas; the prevailing high level of illiteracy; and the large size and continued growth of the cash-oriented and unregulated informal sector in the regional economies.
9. In examining the potential misuse that cash transactions may be subject to, it is important to remember that, of the millions of transactions that are undertaken in the region, the vast majority are carried out as legitimate business. But the trends of those transactions that lend themselves to abuse by criminals need to be carefully studied so that the necessary measures can be taken to curtail the activities of the criminals involved. It is therefore essential to distinguish between high-risk and low-risk transactions involving cash in relation to money laundering and possible terrorist financing. Money launderers and terrorist financiers make use of the unregulated informal sector to carry out their criminal activities, as we shall see illustrated in some of the case studies.

## International Responses

10. Efforts to combat money laundering and terrorist financing are reflected in various international resolutions, treaties and conventions, and other relevant instruments. The work of governmental and non-governmental organizations in this direction, including the Financial Action Task Force (FATF) on Money Laundering and the Basle Wolfsburg Group's Principles, constitute pertinent international good practice and standards for the prevention and control of money laundering and terrorist financing.



11. The FATF issued what is known as the 40+9 Recommendations in response to this threat, in particular to provide a framework for the monitoring and control of cash transactions. In October 2004, the FATF adopted Special Recommendation IX on cash couriers. In February 2005, it issued an international best practice paper specifically urging countries to adopt measures to detect the physical cross-border transportation of currency and bearer-negotiable instruments, including a declaration system or other disclosure obligations.
12. In West Africa, the ECOWAS Trade Liberalisation policy and free movement of peoples and goods in the region also has a corresponding impact on the prevalence of cash in the region. It is in response to the vulnerability that this can cause that the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)<sup>2</sup> undertook its first typologies exercise to study the money laundering phenomenon that cash transactions can lend themselves to, from December 2006 to April 2007.

## Justification

13. No strategy, regime, policy or framework can be effective without adequate enforcement, evaluation and monitoring to ensure efficacy and results. The purpose of this typologies exercise therefore was to gain better insights in the practices, trends and techniques of money laundering and terrorist financing, and to update knowledge about recent trends in order to meet current challenges and risks. The choice of the theme of the exercise was justified by certain compelling factors :
- a. This region is characterized by informal systems that lead to a major ML and TF problems in cash-based economies.
  - b. One of the main thrusts of the strategic objectives of GIABA is to undertake typologies exercises to determine the trends, methods and mechanisms of money laundering.
  - c. The typologies of cash transactions would produce case studies on how proceeds of crime have been laundered unconsciously through this medium.
  - d. It would be of immense benefit to the ECOWAS community and to society at large to understand this trend and provide empirical data that would guide policy-making.
  - e. Typology falls within the framework of other regional ECOWAS integration programs and projects, and can complement them.

<sup>2</sup>The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established by the Economic Community of West African States (ECOWAS) Authority of Heads of State and Government in the year 2000. It has a broad regional mandate including: (1) the development of strategies to protect the economies of Member States from abuse and the laundering of the proceeds of crime; (2) improvement of measures and intensifying efforts to combat the laundering of proceeds from crime in West Africa; and (3) strengthening co-operation amongst its members. GIABA's Membership consists of all Member States of the ECOWAS . However, observer status within GIABA shall be granted to African and non-African States, as well as Inter-Governmental Organizations, which support the objectives and actions of GIABA and which have applied for observer status. GIABA is a Financial Action Task Force (FATF)-Style Regional Body (FSRB) in West Africa.

## Objectives

14. The main objective of this exercise was to undertake typologies of the practices, trends and risks or threats arising from cash transactions in the West African region. Subsidiary objectives include the following :
- to understand the possibility of abuse of cash transactions for the purpose of laundering the proceeds of crime and possibly financing terrorism;
  - to examine the legal, regulatory, compliance and enforcement regimes on cash transactions in Member States;
  - to underscore the impact of cash transactions on the economies of this region;
  - to recommend necessary measures to strengthen and enhance the overall AML/CFT regional framework in accordance with acceptable international standards.
15. The envisaged benefits of the exercise include enhanced understanding of the nature, extent, role and impact of cash transactions on the economies of the region; provision of inputs for setting up and/or improving existing AML/CFT standards and refocusing preventive and enforcement measures; improved fiscal and monetary policy management; and enhanced international profile of GIABA as a Financial Action Task Force-Style Regional Body (FSRB).

## Methodology

16. The technique adopted for the exercise was to first establish a Project Team composed of financial experts, law enforcement officers and regulatory officials from both common law and civil law jurisdictions of the ECOWAS region. The methodology included a combination of desk review, the administration of a questionnaire on a focused group of stakeholders in the financial, legal, law enforcement and non-financial sectors, as well as other private entities, in order to obtain a fuller picture of the general perception of stakeholders on the use and/or misuse of cash transactions. Information from law enforcement data and from the media were also used to enrich the typologies report. In addition, a Regional Workshop brought together experts from the relevant sectors to obtain information on identifying, tracing and investigating suspicious use and movement of bulk cash in and out of the jurisdictions.

## Analysis of Questionnaire Responses

17. The aim in designing the questionnaire was to determine the degree of vulnerability of most cash transactions and cash couriers to money laundering and the risk of possible terrorist financing in the region. The questionnaire was designed to collect information that would allow identification of the mechanisms and techniques of ML and TF through cash transactions, as well as the risks and vulnerabilities that these may present. The key areas covered include: the problem status of cash transactions and cash couriers; sources and trends of ML risks in cash transactions; the regulatory and control regimes for combating money laundering and terrorist financing; and the effectiveness of control measures in terms of compliance and enforcement. The professional or occupational groups on which the questionnaire was conducted included financial service providers; law enforcement, regulatory and judicial professionals; legal practitioners, accountants, real estate agents and stockbrokers; and traders, money changers and dealers in automobiles.

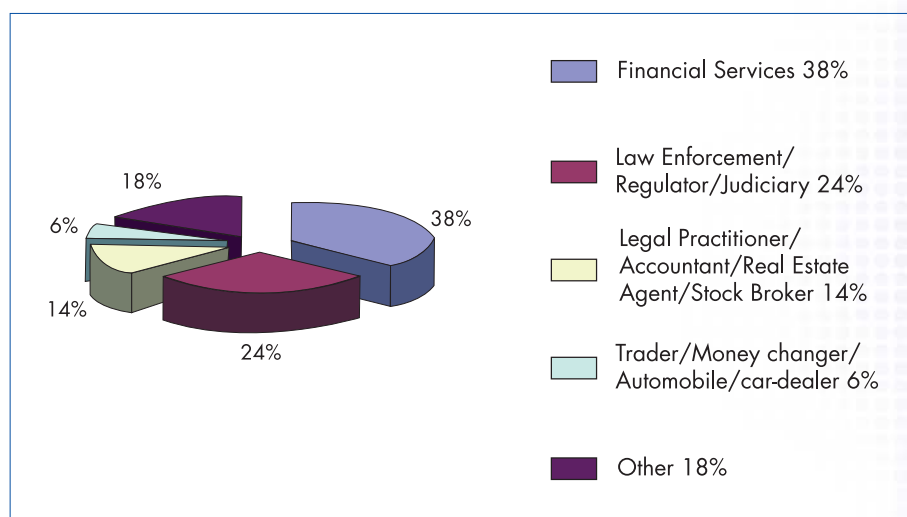
## Challenges

18. The sample audience of the questionnaire was very diverse: officials of law enforcement agencies, financial institutions and designated non-financial profession and businesses (DNFPBs), the legal sector and the private sector. The result from this kind of sampling was problematic in that the questionnaire was criticised for containing leading questions designed to capture responses from all sectors involved; this meant that some questions did not make sense to respondents from other sectors – respondents in a particular sector may not have been in a position to respond to questions outside their area of expertise.

## Response rate

19. Out of the fifteen member countries that took part in the exercise, fourteen sent in their responses to the questionnaire. An analysis of the respondents based on the preselected occupational categories and professions showed the following response rates per sector: Financial institutions, 38%; law enforcement (LE)/regulators, 24%; legal/accounting/real estate, 14%; non-governmental organizations (NGOs) and the AML Committee, 18%; bureaux de change/car dealers, 6%; (see chart 1 below).

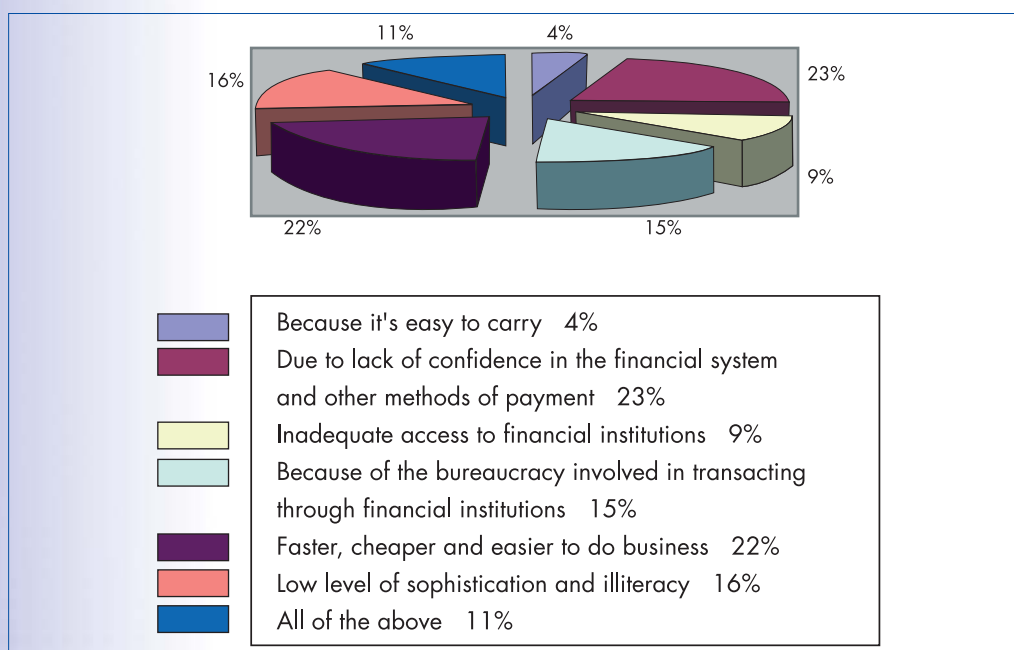
Chart 1. Questionnaire response rate by sector



## Respondents' Views on Preponderance of Cash Transactions

20. About 75% of the respondents confirmed the prevalence of large cash transactions and cash couriers in their respective jurisdictions. Each sector expressed different views, with differing country spreads, on the question of whether those who deal in large cash transactions are treated with suspicion. Some respondents, for example law enforcement authorities, affirmed that such transactions are treated with suspicion, whereas others confirmed that those who deal in large cash transactions were treated with respect in their communities and to some extent aroused envy. Outside the LE respondents, the study revealed that the general perception of large cash transactions is that of acceptability, confirming the adage "money buys respect". The preference for cash transactions over other instruments of payment in the region is illustrated in Chart 2 below.

Chart 2: Preference of cash over other instruments of payment



## Respondents' Perceptions of the Problem of Money Laundering

21. On the question of whether ML/TF constituted a serious problem in their jurisdictions, 62% of the respondents affirmed that it was a problem. The reasons given were that it encouraged the flight of capital; instability in the financial system, which causes erosion of confidence in the system; corruption; creating the impression that crime pays; tarnishing the country's image; economic distortions reflected in inflationary pressures (e.g. price hikes in the real estate sector); and increase in crime rates, among others. About 23% of respondents indicated their ignorance of the problem.

## Perceptions of the Problem of Terrorist Financing

22. While a majority of the respondents expressed the view that terrorist financing does not constitute a problem in their respective jurisdictions because no known cases had been made public, some respondents affirmed that TF is a menace in their jurisdiction. It should be pointed out that a few of the countries in the region are emerging from conflict situations and the question that remains to be answered is how are the armed rebels funded? A separate study would be appropriate to follow the money trail and find out the how and the who of terrorist financing, particularly in the post-conflict areas. It is also appropriate to "follow the money" in the Sahara belt of the region, to determine the vulnerability of the region to smuggling or trafficking via the Touareg region through to North Africa – the gateway to Europe.

## Predicate Crimes that Generate Bulk Cash

23. The study revealed that drugs, arms and human trafficking; corruption; tax evasion; and advance fee fraud constituted the major money laundering offences in the region. Of those predicate crimes, drug trafficking, corruption, advance fee fraud and tax evasion were the activities that generated



the highest cash income, depending on the jurisdiction. Other illegal economic activities mentioned include illegal gold mining (known as *galamsey* in Ghana), illegal diamond mining in Sierra Leone and Liberia, and oil bunkering in Nigeria, as well as counterfeiting and smuggling in Cote d'Ivoire, Mali and Niger.

## Vulnerabilities of Cash Transactions and Cash Couriers

24. Activities and businesses identified as being vulnerable to abuse and misuse by money launderers include: unregulated movement of bulk cash across the borders; dealers in luxury automobiles, precious metals and real estate businesses; activities of bureaux de change and parallel money changers; and acquisition of companies and financial institutions. The problem lies in how to detect who is laundering the proceeds of crime when there is generally no limit<sup>1</sup> on how much money one is authorised to carry and especially when everybody freely uses bulk cash for settlements without any restriction or control systems.

## Cash Couriers

25. The exercise revealed that in the UEMOA zone, cash movements are often through the financial institutions, facilitated by the use of a single currency and the common monetary regulations in force in the zone. However, the questionnaire responses as well as the case studies revealed the use of cash couriers as the major system of cash movements both within the UEMOA region and across the borders between UEMOA and non-UEMOA countries. Some of the respondents were of the opinion that the large informal sector finds it more efficient to use cash couriers than to go through the lengthy bureaucracy of the financial institutions. The existing frameworks in non-UEMOA countries are discussed under government policies and control measures in this report.

## Overview of the Payments System in West Africa

26. A payments system is defined as the mechanism for the settlement of personal and business transactions, which may be domestic or international. The mechanism encompasses the instruments, institutions, operating procedures and information and communication systems used for the initiation and transmission of payments instructions from the payer to the payee and to effect settlement of financial obligations arising from both domestic and international transactions.

## National Dimension of the Payments Systems

27. A review of the legal framework governing the national payments systems in most of the ECOWAS countries indicates that there are fewer or no specific laws regulating them. Among the non-UEMOA countries for example, the payments systems are guided by rules and regulations derived mainly from the central bank, the commercial banks and other financial institutions laws. For example, in The Gambia, section 39 of the Central Bank Act 1992 requires the central bank and the money deposit banks to organize clearing services and establish rules, procedures and standards for the clearing of cheques.
28. In Ghana, matters relating to the payments system are contained in the Bills of Exchange Act No 55 of 1961; the Banking Law (PNDCL 225) of 1993; the Criminal Procedure Code Act No 30

<sup>1</sup>In some of the countries in this region, there seem to be some regulation on cash movements, however, such regulations are very poorly enforced

(amended); the Banking and Financial Institutions Law (AFRICD) No 17; and the Non-Bank Financial Institutions Law. In Guinea, Law No L/94/017/CTRN guides the conduct of the deposit money banks, while Law No L/94018/CTRN outlines the functions of the central bank, which include the promotion of an efficient payments system. In Nigeria, the Central Bank law (CBN Act No. 24 of 1991 as amended) and the Banks and Other Financial Institutions Act (BOFIA) No 25 of 1991 have provisions for the promotion of an efficient payments system in the country. Other relevant legal instruments for the promotion of a legitimate payments system in Nigeria include the Dishonoured Cheques Act No 44 of 1977; the Bankruptcy Act 1979; the Failed Banks and Financial Malpractice Act No 18 of 1994; the Money Laundering Act of 2004; and the Economic and Financial Crimes Commission Act of 2004. In Sierra Leone, provisions in the Banking Act of 2000 and the Clearing House guidelines deal with the regulation of the payments system of that country.

29. Payment instruments include currency notes and coins, paper-based modes, which include personal and certified cheques, bank cheques and drafts, etc.; and electronic payment instruments such as automatic teller machines (ATMS) – cash-dispensing machines which have the capacity to stand alone and deliver cash to authorized persons – and plastic money/cards, such as debit cards, cash (ATM) cards, cheque guarantee cards and smart cards, etc.

## Regional Dimension of Payment Systems

30. The current settlement methods for intra-ECOWAS transactions may be grouped into four operational methods :

- cash, using national and foreign convertible currencies, purchasing foreign currencies from either the formal (official) markets or the parallel (black market) currency markets;
- settlement of financial obligations through the commercial banking system;
- bilateral arrangements for settlement of transactions through central banks, such as the special arrangement for the payment for oil imports from Nigeria by other ECOWAS countries;
- multilateral clearing and settlement of clearing balances through the multilateral clearing systems operated by the West African Monetary Agency (WAMA).

31. It is common knowledge that a significant proportion of regional transactions (within ECOWAS), especially border trade, is settled directly in cash. The payments are made either in local currencies or foreign currencies, especially the US dollar and European currencies (pound sterling and euro). It should also be noted that the parallel (black market) foreign exchange markets in ECOWAS, which developed under the impetus of stringent exchange control and trade restrictions, have persisted and continue to thrive in spite of the foreign exchange and payments liberalisation measures implemented since the early 1980s. The economic operators, especially those in the informal sector, have consistently engaged in the free exchange of the regional currencies as well as foreign currencies for the purpose of making payments for transactions involving intra-regional trade.

## ECOWAS Trade Liberalisation Scheme (TLS) and the Risk of Money Laundering

32. One of the key pillars of the ECOWAS Integration Programme is the liberalization of trade, including the free movement of persons, goods and services across the region. The study

confirmed that in the absence of regulations setting a ceiling for physical cash to be carried on oneself or used for purchases, the ECOWAS TLS poses a risk of money laundering in general and cash couriers in particular as shown in case study #12 in this report. To guard against the potential risk of money laundering arising from the TLS and other predisposing factors, the respondents made several recommendations which are enumerated at the end of this report.

## Government Policy and Control Measures

33. FATF Special Recommendation IX gives clear guidance that : Countries should have measures in place to detect the physical cross-border transportation of currency and bearer negotiable instruments, including a declaration system or other disclosure obligations. Countries should ensure that their competent authorities have the legal authority to stop or restrain currency or bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering, or that are falsely declared or disclosed. Countries should ensure that effective, proportionate and dissuasive sanctions are available to deal with persons who make false declaration(s) or disclosure(s). In cases where the currency or bearer negotiable instruments are related to terrorist financing or money laundering, countries should also adopt measures, including legislative ones consistent with Recommendation 3 and Special Recommendation III, which would enable the confiscation of such currency or instruments.
34. The Interpretative Note to this recommendation was developed with the objective of ensuring that terrorists and other criminals cannot finance their activities or launder the proceeds of their crimes through the physical cross-border transportation of currency and bearer-negotiable instruments. Specifically, it aims to ensure that countries have measures 1) to detect the physical cross-border transportation of currency and bearer-negotiable instruments; 2) to stop or restrain currency and bearer-negotiable instruments that are suspected of being related to ML or TF; 3) to stop or restrain currency or bearer-negotiable instruments that are falsely declared or disclosed; 4) to apply appropriate sanctions for making a false declaration or disclosure; and 5) to enable confiscation of currency or bearer-negotiable instruments that are related to ML or TF . Countries should implement Special Recommendation IX subject to strict safeguards to ensure proper use of information and without restricting either (i) trade payments between countries for goods and services; or (ii) the freedom of capital movements in any way.
35. A review of government policies and control measures among GIABA Member States revealed that all countries in the region have anti-money laundering legislations in place. Within the framework of the AML laws, many countries in the region have placed limits on cash movement. Enforcement measures, such as declaration and disclosure systems, are being implemented in a few countries. A draft model TF legislation was adopted at the GIABA Plenary Meeting in June 2007. The UEMOA Commission has since issued a directive adopting the draft model legislation for its members to domesticate. The ensuing UEMOA directive °04/CM/UEMOA of July 2007 on TF urges member countries to adapt the TF legislation within six months. The draft model legislation on TF is being translated into English for the common law jurisdictions (the English-speaking countries) to adapt.

## Specific Measures on Cash Transactions/Couriers

36. The exercise revealed that it is not an offence per se in the region to carry bulk cash. This confirms the cash-based nature of the economy of Member States in the region. However, most of the



countries in the region, as revealed by the exercise, impose some control on the outflow of currency and other negotiable instruments from their respective jurisdictions. There is however no restriction on the inflow of currency and other negotiable instruments. Respondents from the UEMOA countries confirmed the imposition of the following outbound ceiling on travel allowances: FCFA 2.000.000 (two million francs) for any individual resident of the UEMOA travelling outside the UEMOA Zone. In the case of Nigeria and some of the other non-UEMOA countries, the equivalent of US\$5,000 for individuals and US\$15,000 for corporate bodies represents the outflow ceiling. Regarding the inflow of currency, even though countries like Nigeria have regulations imposing a threshold on currency and negotiable instruments, these are not systematically enforced throughout the region. This situation makes it the region vulnerable to ML and TF.

37. The exercise revealed that the most effective methods of detection of bulk cash smuggling are random checks by enforcement officials at the points of entry and departure. On penalties for undeclared cash beyond the permissible limits, UEMOA countries have powers to either confiscate the undeclared cash or impose a fine of 10% of the total amount. However, it was noted that there is no prescribed limit for purchases (especially for importers or cross-border traders) as long as there is documentary economic justification.

## Statistics

38. This section of the survey instrument was designed for collecting statistics from LE officials. However, of the 24% of responses provided by law enforcement authorities, only three out of the 14 countries provided statistics on reported cases of ML investigations and prosecutions. It can be deduced that the non-provision of statistics by most LE respondents may be due to the ineffectiveness of the AML/CFT system in place or the lack of it, as well as the lack of trained personnel to detect, restrain and successfully prosecute cases. This matter urgently needs addressing through training of law enforcement officials so that they are able to appropriately perform their duties in line with the FATF Special Recommendation IX.

## Detecting Cash Couriers/Movement through Declaration and Disclosure Systems – A Case Study of Nigeria

39. The case studies showed that Nigeria is one of the few countries in the region to enforce its ML legislation. Pursuant to the provisions of section 12(2) of the Foreign Exchange Act and section 2(3) of the Money Laundering Prohibition Act 2004, the Nigeria Customs Service, which was responsible for enforcing these sections, designed a currency declaration form for both incoming and outgoing travellers in the country. Section 12(3) of the Act obliges all passengers to make a true declaration to Customs, on a standard form, of any amount of money in their possession, especially those with more than US\$5,000 or its equivalent. Since the inception of the declaration system in 1995, the form has been reviewed and upgraded to respond to international standards. The declaration system which is aimed at preventing money laundering through the movement and smuggling of bulk cash is in compliance with the FATF Recommendations, especially Special Recommendation IX.
40. To effectively enforce this measure, the Nigerian Customs has deployed scanners and X-ray machines at all entry and exit ports to detect cash concealment and other precious metals, in baggage, containerized cargo, vehicles, aircraft and ships. It has also enforced physical examination of cargo to check false bottoms and false declaration.

41. Customs also screens passengers at check-in counters, follows up intelligence information, acts on suspicion, and makes random checks of travellers at airports and the border station. Other enforcement measures include passenger profiling, using the index list, Interpol, the aircraft's manifest and the passenger advance information system, all of which help a great deal in risk management.
42. The Nigeria Customs Service has also computerized the AML/CFT Unit in all the designated Area Commands, and enforces the application of relevant software to support the database in generating queries based on passport number, date of birth, destination. Specialized training has also been given to staff who are responsible for enforcing this measure.
43. The successes so far recorded indicate that the Nigerian cash declaration system is a workable model and this should be encouraged in other Member States in the region. In 2006, when this measure became fully operational in 2006, about 26,487 declarations were recorded; and in 2007 this increased to 33,580. As at October 2007, a total of 60,067 renditions were reported to the Nigerian Financial Intelligence Unit, about 350 of which were suspicious transactions involving amounts above US\$50,000. Cooperation and collaboration between the law enforcement agencies facilitates sharing and exchange of intelligence. A summary of the cash declarations is shown in the table below.

#### Nigeria -Annual Statistics Report Cash/Monitoring Instrument

Year	2006	2007
Dollar (\$)	209 679 703	289 618 696
Pounds (£)	21 448 103	13 855 426
Euro (€)	28 600 360	133 622 021
CFA	3 598 967	137 329 838
CEDI	645 632 196	238 802 820
Naira (₦)	71 546 573	315 904 033

Source: Nigeria Customs Service, October 2007

## Typologies

44. As a starting point for this exercise, the team of experts, after analysing the questionnaire responses, examined a series of case studies related to the use of cash in transactions that might lend themselves to ML and TF. A selection of the submitted cases was used in addition to data from law enforcement records and the media. At this point, however, it should be pointed out that not all cash transactions are criminal in nature and also that some of the typologies are specific to certain jurisdictions.

45. Seven typologies were identified, each of which focuses on a specific method or element of the abuse or misuse of cash transactions in the region which are used or lend themselves to abuse for laundering the proceeds of criminal activities. These methods and trends are discussed below.

## Typology 1

- **Laundering the proceeds of drug trafficking through cash businesses with high cash turnover**

46. This technique generally involves the use of legitimate businesses with high cash turnover, as fronts for criminals to launder the proceeds of crime. The types of businesses used are generally restaurants, bars, communication centres and other kinds of retail shops. The unregulated informal sector also gives criminals the opportunity to acquire small businesses such as second-hand car dealerships, bars, restaurants, gaming houses or real estate businesses, all of which provide anonymity or opportunities to conceal illegal gains from their criminal origin.

### Case 1

Mr S is a business tycoon from country B. He started off as a small African artefacts vendor. He travelled to Europe with a few art pieces for sale. He came back home after a year with suitcases full of foreign currency. As there is no regulation or limit on inbound cash into country B, Mr S managed, on interrogation, to prove that he was legitimately selling African art products. Law enforcement officials could not establish any infraction and so he was not arrested. He immediately used the proceeds to purchase real estate property and established a second-hand car dealership, making bulk cash payments for these high value purchases, thus changing his business profile. He rents out his estates and sells his cars, from which he is able to make a legitimate income. Mr S, who attests to having made profits from the sale of the African artefacts in Europe, is well respected and considered a hard-working man in his home town. He is also, however, suspected of dealing in narcotic drugs and is under police surveillance.

### Commentary :

The unregulated informal sector leaves room for criminals to use people in this sector as couriers for ML and FT while taking advantage of the weaknesses in the system to make a profit from their illicit ventures.

### Case 2

At an airport in country A, tons of beauty products imported by Ms F were often immediately sold to buyer Y, who paid in cash for the goods. A random search by customs and immigration officers on one such occasion revealed large quantities of drugs concealed in false compartments between the package and the container of the beauty products, and these were seized and burnt. Investigations led to the discovery of large amounts of currency in the hotel room where Ms F was staying at the time of the investigations.

### Commentary :

This is a case that exemplifies the strong link between drug trafficking using the informal sector.

## Typology 2

- Advance fee fraud/four-one-nine (4-1-9)

47. On the question of recorded predicate crimes, advance fee fraud rated highest in some jurisdictions. This technique generates huge sums of cash, generally made possible through bank transfers. It derives its appellation "from section 419 of the Criminal Code of Nigeria and comes in many forms. 419 frauds generally consist of fraudulent activities relating to: a) the financing of investments in alleged large scale projects; b) currency doubling, c) concealed payments of monies in advance of any agreed course of action."<sup>4</sup>
48. In many instances, a victim is contacted by phone, fax or e-mail with an investment proposal, generally in large-scale projects in the mining or oil industry. An advance fee is requested from the victim, who out of greed and/or ignorance falls for the scam. Of the many types of advance fee frauds the basic characteristics are similar – demanding a fee for whatever action is to be taken.

### Case 3

A Brazilian bank director, Mr B, was contacted by a group of 419ers for a large-scale business transaction in country X. In order for the deal to have a legitimate appearance, Mr B was invited to visit country X, where meetings were arranged at his hotel with several phoney business partners alleged to be in the oil industry, including a phoney Minister of Energy, as well as phoney senior bank officials. Mr B was informed that his bank stood to win the award of the contract, which was to yield him a profit of over US\$500,000. The deal was concluded. Mr B was subsequently requested to advance some funds to clear up some unforeseen paperwork, and he obliged. A second request was made after a month, and then another. By the time he knew it, Mr B had been defrauded to a total amount of US\$242,000, which he transferred out of his bank via SWIFT through various bank accounts in the Cayman Islands to country X in Africa and country C in Asia. Investigations led to the discovery of the fraudsters. Mr B was also sentenced to a jail term for defrauding his bank.

Investigations revealed that several cash withdrawals were made by the fraudsters, who managed to invest in various businesses such as real estate, second-hand car dealerships, hairdressing saloons and restaurants. Two of the criminals were later arrested in country X and sentenced to jail terms. Part of the money and other assets were recovered.

<sup>4</sup>A. Y. Shehu, 2006, *Economic and Financial Crimes in Nigeria: Policy Issues and Options*, p. 123



#### Case 4

A young man was arrested in a town in country G for attempting to use counterfeit currency. Investigations revealed that he had more of the counterfeit bills in his home. On interrogation he confessed that he received the counterfeit bills from one cone "Malam" X (a religious leader) who lived in another town. The Malam, he claimed, was a money-doubler. When police raided the home of the Malam, they discovered the equivalent of more than US\$500,000 in both local and foreign currencies. The Malam's mode of operation was to collect money from his victims for the purpose of doubling the amount for them. He would then retain the original currency bills and give counterfeit notes of double the amount received to his unsuspecting victims.

The young man, who was arrested in town G, had lost the equivalent of \$10,000 in local currency, which he had given to the Malam to double for him and for which he had received only counterfeit notes.

The Malam and his accomplices have been rounded up by the local police while investigations continue.

### Typology 3

- Bulk Cash movements and use of cross-border cash couriers

49. There is hardly any enforcement of regulations in the ECOWAS Community on a ceiling for how much cash one may physically carry on oneself or use. In general, people can walk around with suitcases or vehicle compartments full of cash, which they freely use to purchase houses, cars or any kind of high-value property. This situation makes cash transactions vulnerable to laundering criminal cash proceeds without being detected.

#### Case 5

Mr A is a retailer of artificial hair products in country Y. Over a period of two months, he made several entries into country J with no record of making any customs declarations at either the entry point of country J or the exit point of country Y. On one of his entries, during a random body search, he was found to be carrying a huge amount of cash. On interrogation he claimed the funds were proceeds from the export of his hair products, which were sold outside his country but within the ECOWAS region. Investigations led to the discovery that between December 2006 and January 2007, Mr A had smuggled over US\$1.4 million in cash into country J.

The case is currently under investigation.

### Case 6

In country Z, exchange control regulations stipulate that the amount of foreign exchange in cash carried by outbound travellers from the jurisdiction is not to exceed the equivalent of US\$4,000. Any amount exceeding that limit is to be converted into traveller's cheques or other negotiable instruments.

Following the crash of a plane bound for country L in Asia, however, large amounts of banknotes in foreign exchange were found at and around the site of the crash. Official documents at the point of departure showed no declaration of currency.

#### Commentary :

This case reinforces the observation that for exports and imports of commodities in the informal sector, many traders avoid the bureaucracy of exchange transactions through the financial institutions. Traders use the parallel market money changers to change large amounts of currency, which they conceal in their suitcases for use once they arrive at their destination countries.

In order to make it risky for criminals, entry and exit points of countries should be properly equipped with material and trained human resources to enable detection and confiscations of smuggled bulk cash.

### Case 7

The Defence Attaché of a West African Embassy travelling from an Asian country to his own country was found at the airport of embarkation to be in possession of an undeclared US\$2.7 million in cash, concealed in his luggage. The immigration officials seized the money and detained him for further questioning. He was later released because of diplomatic immunity. He was, however, recalled from his duty station, although the authorities of his country had explained that the money in question was the unspent balance of funds previously remitted for an official transaction in the Asian country.

#### Commentary :

This is an example of how diplomatic services could be used as couriers by or for corrupt officials to launder money.

### Case 8

On 29 September 2006, a man, A, from country B was arrested at an international airport in country C, carrying the sum of US\$508,200 in cash. Investigations revealed that he trades in cosmetics. He used one financial institution and two designated non-financial institutions to obtain the foreign currency without declaring it to the competent authorities. There is a strong suspicion that he is dealing in narcotic drugs and other related activities, although this has not yet been proved.

The suspect and two officials of the financial institution and the two non-designated financial institutions have been arraigned before two high courts in country B for failing to report the transaction to the Central Bank of country B and the FIU.

### Case 9

Five young men were arrested in country N in July 2007, with a total amount equivalent to US\$11 million in both cash and cheques or money orders. The young men, who were university students in country N, crossed the border to the neighbouring country at different times and days in the month of July 2007, with amounts ranging between US\$107,000 and US\$631,438.42 per courier, in either cash or other negotiable instruments.

The currency and negotiable instruments were neatly arranged in photo albums, which were then sealed in brown official envelopes that were marked confidential. On interrogation, it was clear that the young men all operated for one Mr Y, but they did not know each other nor were they aware that they were all being used by the same Mr Y. Investigations revealed that some of the students had been doubling as couriers for Mr Y for about two years, smuggling currency or other negotiable instruments across the border for a fee. The students and Mr Y. have been arraigned before the courts.

### Commentary :

Criminals and money launderers will exploit any type of weakness in the system to launder the proceeds of crime. The new trend in some jurisdictions is the use of students as couriers to move bulk cash across borders for a fee.

## Typology 4

- ML through bureaux de change and other informal money changers

50. Economic operators, particularly those in the informal sector, have for long engaged in the free exchange of regional and other foreign currencies in the parallel markets, for the purpose of making cash payments for intra-regional transactions. Even though some countries in the region have taken steps to regulate informal money changers, the parallel exchange market remains a flourishing business in the region. Suitcases and boxes full of local currencies are freely exchanged into foreign currencies, particularly at the border points, without going through any formal channels.

### Case 10

Law enforcement agents confronted a bureau de change operator along the borders of countries U and D, who made several exports of cash, averaging the equivalent of US\$1.6 million, which was then imported into country U in cash.

It was discovered that some of the staff of the bureau de change made weekly cash transactions across the border. When confronted, they claimed to be working for the owner of the bureau de change, claiming that the US dollars found in their possession were the proceeds of legitimate business. The bureau de change operator certified that the large amount of foreign exchange imported into the country was the proceeds of his legitimate business.

### Commentary :

This shows how some operators of Forex bureau/bureau de change engage in co-mingling of illegal and legally gained proceeds allowing themselves to be used by money launderers and possible terrorist financiers to transfer illegal cash proceeds across the borders. In this case, it is suspected that the owner of the bureau de change was actively involved in the laundering of criminal proceeds.



### Case 11

Mr C is a businessman from country D, believed to own two ships used for the importation of goods. On one of his numerous visits to a neighbouring country, E, he was apprehended for being in possession of over US\$500,000 in cash, concealed in false compartments of the vessel. Investigations led to the discovery that no declaration was made at the entry point of country E or at the departure point of country D.

Investigations also revealed that frequent payments were made by him to the accounts of several bureau de change operators facilitated by one Mr Q, with whom he had business ties. Subsequent investigations showed that Mr Q has a record of drug trafficking in an Asian country. It was further discovered that one of the bureau de change operators, Mr W, made transactions in foreign currencies, purchased on behalf of Mr. C, to the tune of over US\$500,000. The case is under investigation.

### Commentary :

This brings to light the increasing new wave of maritime trafficking in drugs and currency in the region.

## Typology 5

- Trade-based money laundering

51. In the context of the ECOWAS TLS, farmers and other business owners can move freely within the region carrying bulk cash for transactions across jurisdictional borders without restriction, as long as there is economic justification. This situation makes it easy for proceeds of crime committed in a jurisdiction to be smuggled across borders using cash couriers. The legislation in place, in the UEMOA zone for instance, requires that exporters repatriate all proceeds of sales within 120 days through the financial institutions once the operation is over 5.000.000 (five million francs) CFA. But while in transit, they are not required to declare any cash on them. The difficulty that law enforcement officers have with this arrangement is that traders and cash couriers abuse the system by crossing jurisdiction A, for example, claiming they are in transit. Once in jurisdiction B, they use the same in-transit ploy to come back into jurisdiction A where the proceeds are actually used. In the process, they avoid declaration because neither jurisdiction has any information recorded on the transit cash courier.

### Case 12

A local exporter, A, based in country A1 in West Africa, frequently paid large sums of cash to farmers in village C of another jurisdiction for the purchase of agricultural raw materials (cocoa, coffee and cashew) which he then exports to country B in Asia. The exporter operates a bank account in which only a small amount of money had been deposited but makes large cash payments for products bought on the farm and transported to the port for export. The transit, customs, handling and other costs relating to the export of the product to country B in Asia are often paid for in cash. Investigations revealed that the total amount for such transactions carried out in a particular year exceeded the equivalent of US\$5 million. Meanwhile his bank account did not reflect such transactions. A regulation in force in country A1 however, requires exporters to repatriate all proceeds of sales of export products within 120 days after the transaction. On interrogation, Mr A claimed that he made cash payment for the raw materials for export to country B. It was later found that Mr. A was laundering the proceeds of counterfeit products which was smuggled into country A1. In the process, he succeeds in defrauding competitors and violating the regulatory systems in place.

### Commentary :

This case smacks of compensation dealing and trade malpractice, which are elements of predicate crimes underlying money laundering.

### Case 13

A declaration of US\$1 million cash was made by Mr. J, staff of a foreign company in country T, on the prescribed form to Customs. Mr J was travelling to country X to purchase equipment. Search into the Customs database revealed three other declarations, totalling US\$860,000 by the same declarant for a similar purpose en route to the same country. When interrogated, Mr. J argues that he was en route to purchase company equipment in country X.

The subject is under investigation by the relevant authorities.

## Typology 6

- **Laundering the proceeds of corruption**

52. This typology involves government and other senior officials in positions of trust who abuse their power for private gain/illicit enrichment through laundering of the proceeds of corruption. The classic method used is complicity with suppliers of goods and services in under- or over-invoicing goods and services supplied to the institutions headed by the corrupt officials.

### Case 14

A Chief Director of a public institution in country P signed a consultancy agreement with a private firm to carry out consultancy services. The contract was overpriced. The consultancy firm did not deliver yet it received full payment in cash from the public institution, as directed by the Chief Director. Investigations revealed that the contract was awarded to the private consultancy firm without the knowledge of the Tender Board.

The firm transferred 85% of the contract sum, issuing a cheque that was later used to buy a payment order in favour of a nephew of the Chief Director living abroad.

The Chief Director who received the payment order on behalf of his nephew used it to open a 91-day Treasury Bill Account with a financial institution in favour of the nephew. The nephew was later requested to cash and remit dollars to the Chief Director, which he did through an alternative remittance system. This was then lodged in another bank account. During an investigation, other similar transactions from other companies supposed to be supplying goods and services to the government institution headed by the Chief Director were discovered, in the Treasury Bill Account which he opened in the name of his nephew.

The Chief Executive Officer and other accomplices have accepted the commissioning of the fraudulent act and have been charged with causing financial loss to the state and stealing. The criminal case is pending before the High Court.

### Commentary :

This is a case of laundering the proceeds of corruption using several techniques including an alternative remittance system to dissociate the proceeds from their criminal origin.

### Case 15

In December 2005, the Governor of a state had a memo presented to his Commissioner of Finance authorizing the purchase of office stationery valued at 250 million of local currency, under a direct purchase arrangement. He then gave another instruction to raise a bank draft in favour of company Z, being payment for the stationery. On the same day, the bank draft was paid into an account that was in a different name from that on the draft. The funds were placed in a call account, for a period of 180 days. No stationery was purchased or delivered.

At maturity, the funds plus accrued interest were returned to the Commissioner, who then, as directed by the Governor, instructed that 20 million of local currency should be used to buy office stationery for the state and 180 million handed over to him (the Governor) in cash. The Governor then gave the money to the individual in whose favour the bank draft was initially raised, to buy a house on his (Governor's) behalf. The Commissioner and the other officials who collaborated in executing the fraud shared the balance of 50 million of the local currency.

### Commentary :

This is a classic case of embezzlement of public funds by state officials and laundering the proceeds through third party accounts with the connivance of corrupt bank officers. The proceeds are subsequently used to purchase real estate using cash transactions, which further dissociates the proceeds from its criminal origin, as well as attempting to hide the identity of the real owner of the property purchased with the proceeds of corruption.

## Typology 7

- **Alternative Remittance Systems: “Dollar-to-dollar”/Euro-to-Euro and “Settlement” transactions**

53. The \$-2-\$ typology is a common alternative remittance system used by West African communities living abroad. The process consists of contacting the operator, paying a small percentage on an amount to be sent to the home country, getting a code word or number and a phone number to call for the remittance. Operators include hairdressers, cosmetics and African food stores, “retired” prostitutes, pimps and drug pushers. The process is based on trust and is generally done among people of the same racial or ethnic origins (e.g. Ghanaians, Nigerians). The only kind of documentation kept is the sample record below, including the first name of sender and telephone number, the amount sent, and the first or middle name of the one to collect the remittance, as well as the code given to the transaction. When Western Union or MoneyGram charges about 17% per \$100 the operators of \$-2-\$ charge as little as 10% per transaction. Why this is called \$-2-\$ is simply because Western Union, Money Gram transactions are generally remitted in local currency at a predetermined rate. The \$-2-\$ remittance is cheaper and the receiver is paid in the currency of origin, which is then changed on the black market for a higher rate.

### \$-2-\$ sample record

Name and telephone N° of remitter	Date	Amount sent	Collector in country/town X	Code word for receiver
Kwame / 6021124	22/09/06	100,000 \$	Kwame	ke 102
Sampson / 5551124	22/10/06	100,000 \$	SY	sy 101
Shika / 6021363	22/11/06	100,000 \$	sa	sa 103
Korkoe / 6012324	22/12/06	100,000 \$	korkoe	ko 104

54. In Vienna, Austria for example, most illegal West African immigrants generally seek political asylum on arrival in Austria. These illegal immigrants are kept in transit homes where they are immediately introduced to pushing narcotics for a living (until recently asylum-seekers had no means of survival – because they had no rights to any kind of “official” income). The cash proceeds from their illicit activity, which are generally in small banknotes, are usually sent to their home country using this alternative system of remittance because of the anonymity and convenience.

55. Unlike the other official remittance systems, for example Western Union and MoneyGram, the \$-2-\$ distribution network is not widespread. The transaction is generally limited to the capital city of the home country or, depending on the contacts of the operator, one or two other cities and a few smaller towns in addition, where people can go by bus and return the same day. This remittance system is generally used by the large illiterate and arbeiter (menial jobbers) West



African population living abroad, because they are not required to write anything, there by exposing their ignorance. The information required is written by the operator him/herself. Illegal immigrants in the Diaspora also use this method of remittance because they do not have to leave a paper trail by filling out any forms. There is no limit on amounts to be sent. Operators also act as couriers for drug barons who cannot travel home because of their illegal status but who have large sums of money to send home.

### Case 16

Ms S is a cosmetics shop owner in a European town. She was arrested at an international airport with more than 500,000 euros in the false compartment of her suitcase. When asked she said the suitcase was given to her by a friend to take home. She was detained for further interrogation.

Investigations revealed that she was using a borrowed ID and had made several trips to West Africa in the previous two months. Her mobile phone was seized and some of the telephone numbers revealed very interesting information. Her home in Europe was searched and her log books were discovered, with first names and euro amounts with code numbers beside them. Further investigation revealed that she was an alternative remitter and a courier.

She is being charged for illegal business transactions and tax evasion as well as for illegally offering financial services without authorisation. The cash discovered in her possession was confiscated.

The case is still pending.

### • Dollar-2-dollar typology



1. Ms A goes to see Ms B for a \$-2-\$ transaction. Ms. A wants to send \$1000 to town K in West Africa. Ms. B collects money from Ms. A. B writes down amount to be sent plus the extra charge and gives a name or letter as the code to Ms. A.



2. B calls her partner in town K to give the information about the transaction. B then gives to A the phone number of her partner in town K. Ms A is given a phone number and a code for her family to contact B's partner for collection.

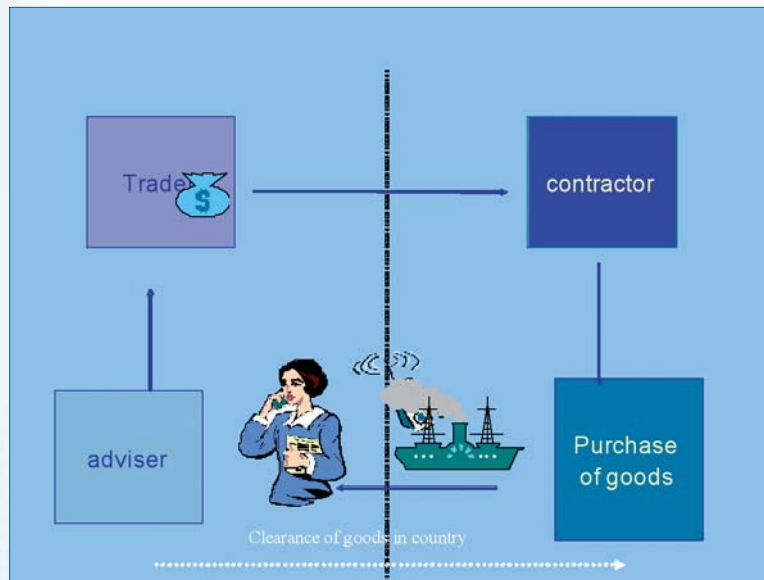


3. A's family calls B's partner in town K and provides the code. Only then does B's partner give directions to where she is located for collection. A's family gets to the destination and collects \$1000, unlike Western Union or Money Gram and other financial institutions that pay local currency.



4. To replenish her supply of hard currency, Ms B travels back home every two weeks, carrying dollars or euros hidden in her luggage which she gives to her partner and collects the equivalent in local currency. Profits are generally injected in hotel business, bar, restaurants or night clubs.

56. The "Settlement" typology is one commonly used by traders in the region. Due to the complex and lengthy bank procedures for obtaining letters of credit for exports or imports, most traders resort to this kind of transaction, which involves payment of the business deal to a connection person or friend at home, before travel. This is then reimbursed on arrival in Asia, for instance. The trader then collects the equivalent in foreign exchange of the cash amount paid to the partner of the contractor at home. This amount is then used to purchase the needed goods. The contractor living in Asia does not transfer physical money but concludes a cash transaction with the trader.



### Case 17

Mme X is a West African trader. All her business papers are in order. She has a planned trip to Country D in Asia. She goes to the bank for a letter of credit for export and import transactions. Mme X has to deposit her money in the bank and then wait for six months to get her letter of credit. She is worried because she does not have any other source of income besides her business (buying and selling) capital. She is concerned about how she can live without an income for six months before going to Asia to purchase her goods. She is the sole bread-winner of the family.

Mme X talks to a friend about this situation. This friend tells her to withdraw her money and contact another friend who had contacts in the Asian country Mme X was going to visit. Mme X obliges. The deal consists of Mme X paying the amount to the friend in her country and then getting the equivalent from the friend's partner in the Asian country to purchase her goods. This being a faster method, Mme X travels to Asia and gets paid in foreign currency equivalent to the amount she paid to the contractor's partner. She brings in her goods without trouble.

### Commentary :

Even though there are no known law enforcement cases, this is an obvious avenue for drug traffickers to launder their proceeds without detection.

## General Commentary

57. The responsibility for detecting cash couriers lies with law enforcement, particularly Customs and border security officials. However, because many Customs officials in the region lack the equipment and the ability to detect cash or do not even think of looking for cash, specialised training and density detection equipment are needed to detect inbound and outbound smuggled cash.
58. In reviewing and appraising the regional AML/CFT regimes, a major objective of this typologies project, the report acknowledges that member countries have made significant efforts in putting AML laws in place in the region. Furthermore, it was noted that the West African Economic and Monetary Union (WAEMU), which is made up of eight countries, has a uniform AML Law (2002) that is judged to be comprehensive and adequate. But enacting the laws is not enough to deter criminals from using the system. This must be followed with enforcement

### **Vulnerability of West Africa to ML and TF arising from Cash Transactions and Cash Couriers**

59. The desk-research findings on the vulnerability of the region to money laundering and terrorist financing arising from cash transactions or couriers are summarised as follows :
- The preference for cash over non-cash instruments in the payment and settlement of economic and financial transactions in West Africa makes the region highly vulnerable to money laundering. This is largely because of the anonymity and ubiquity afforded by cash, which makes it the preferred medium for receipt and deployment of transactions. This leaves doors open for criminals to launder their proceeds without detection.
  - The propensity to use the informal sector to launder criminal proceeds and integrate it into the formal economy by purchasing real estate and luxury cars and through bureau de change transactions remains very high.
  - Domestic as well as intra-regional trade and related transactions in West Africa is dominated in volume, if not in value, by informal economic operators whose activities are carried out largely outside the banking system and are characterised by a high degree of lack of transparency and paper trail. Thus the business and cultural environment provides a fertile ground for all sorts of illegal and criminal activities, not omitting the fact that cash orientation is also cultural and deeply entrenched.
  - Cash provides a convenient medium for financing criminal activities with little or no audit trail. It should be noted that most predicate offences for money laundering, including drugs, arms and human trafficking, are cash-based.
  - The increased use and acceptability of foreign convertible currencies for criminal transactions, including bribery and drug trafficking, is facilitated by the dominance of cash in transactions in the region.
  - Cash management has become an important fee-earning and deposit mobilization activity for banks, with the risk that some of them might be less diligent or scrupulous in complying with AML guidelines.
  - The cash-and-carry culture involves the risk that goods might be purchased with criminal proceeds without the transactions being traced or recorded.
  - The cross-border business is cash-oriented and involves both legal and illegal transactions



such as smuggling of various types: goods, bulk cash, drugs, arms and ammunitions, etc. The risks associated with these activities are aggravated by the free movement of goods and persons under ECOWAS protocols in the face of inadequate border surveillance and other control measures.

- The inadequacy of control measures in place in various jurisdictions in the region results not only in continued cash dominance but also in the attendant risk of money laundering. Indeed, there is anecdotal evidence to the effect that weak jurisdictions tend to attract criminals escaping from jurisdictions with stronger control regimes.

60. In cash smuggling operations, couriers will travel over roads, through airports or by sea with loads of cash, often stuffed in boxes, suitcases and concealed compartments in vehicles. Vast and porous borders within the region make the job of detecting couriers even more difficult. Couriers also use privately owned boats and clandestine roads to smuggle bulk cash, thereby circumventing the official border checkpoints.
61. The use of commercial airlines is also a preferred method used by cash couriers for the following reasons: the passenger (courier) can stay close to the money during transport; many destinations can be quickly reached; and very little work is required for pre-planning.

## Preventive Measures

62. It was noted that most, if not all, countries in the region imposed some restrictions on the outflow of currency and other negotiable instruments from their respective jurisdictions, including cash transactions. However, there is no enforcement on the limit on the inflow of currency and other negotiable instruments, though they are subject to a declaration system, which seems to be essentially for statistical purposes.
63. Although improved enforcement measures have been reported by some countries, notably Nigeria, it is evident that even in countries with AML/CFT laws and regulations, implementation is constrained by a number of factors: inadequate resources, in terms of funds and skilled manpower; absence of a clear strategy; lack of political will; vested interests; inadequate inter-agency coordination; and a low level of stakeholder awareness and ownership. Furthermore, implementation, in terms of cases investigated and prosecuted by law enforcement agencies and decided on by the courts of law, is largely unsatisfactory.

## Conclusion and recommendations

64. Effective links between Customs, Immigration and Police should be established to respond to currency detections and to gather intelligence. Countries should ensure that information gathered from cash seizures is shared domestically. Member States should endeavour to establish financial intelligence units so that Customs authorities are able to share information with their unit and with other law enforcement agencies.
65. Specific technical assistance needs should be developed to increase the capacity of trained officers to detect cash at the borders and at airports, lorry parks and bus stations. Customs authorities should, for example, develop the use of canine units that are specially trained to sniff out

currency. X-ray technology and other sophisticated equipment should also be employed to detect hidden undeclared cash. In addition, other law enforcement officers can be trained to carry out “consent” searches of carry-on luggage while conducting roving patrols at transportation depots such as airports and bus and train stations.

66. In order to address the effectiveness issue, efforts need to be made to train professionals and law enforcement officials in the detection, retention and confiscation of smuggled bulk cash, and prosecution of those involved.
67. Cooperation arrangements between jurisdictions are essential to allow proper responses to cash courier investigations. Jurisdictions could also consider entering into bilateral customs-to-customs information exchanges on cross-border reports and cash seizures. Interagency cooperation is also important.
68. The school curriculum should consider including courses on the social harms and effects of illegal activities that generate illicit funds. For example, as there are degree courses on Terrorism and Counter Terrorism Studies in the USA and Europe, ECOWAS should consider including in tertiary curricula programs on Counter Narcotic Drugs Trafficking, Money Laundering and Terrorist Financing, for instance. This would serve to heighten awareness of the population and should provide a solution to the acute shortage of qualified LE personnel to deal with related issues.
69. In addition to the requirements of the FATF Special Recommendation IX, specific recommendations are outlined below for each stakeholder in the fight against ML and TF in the region.

#### Member States :

- Establishment or enhancement of existing laws or regulations to promote movement of funds or settlement of financial obligations through banks, such as compulsory use of financial institutions for the transfer of funds over a certain limit;
- Ensuring greater cross-border controls without necessarily limiting access to or free movement of goods, persons and legitimate capital flows; for example, strengthening border controls by ensuring that security checks are made by well-paid persons and by providing incentives for those who expose illegal trade and financial crimes;
- Review policy on inflow of currency; and
- Review trade policy.

#### Financial Institutions and Regulators :

- Facilitated access to banks and increased computerization of the banking industry;
- Movement towards a cashless payment system, that is, encouraging the greater use of non-cash instruments in transactions;
- Strict enforcement of “know your customer” (KYC) and “customer due diligence” (CDD) rules;
- Introducing limits for cash transactions;

- Making it mandatory for banks and other financial institutions to correctly ascertain the sources, purposes and designations of funds transacted with them;
- Review of exchange rate policies across the region;
- Control of bureaux de change and parallel foreign exchange markets;
- Review of the current policy on the operation of domiciliary accounts.

#### GIABA Secretariat :

- Oversee the harmonisation of AML/CFT laws across the region.
- Train relevant agencies in the fight against ML and FT.
- Ensure that Member States adhere to and implement the above-mentioned recommendations.
- Provide technical assistance as required.

#### The ECOWAS Commission

- Increase support for GIABA to undertake further typologies on money laundering trends and methods.
- Consider establishment of a Monetary Union of the entire region in the long term.





## GIABA Secretariat

Sacre Cœur 3 X VDN • Pyrotechnie, Villa 101  
Dakar, Senegal

Tel : +221 33 869 10 40 • Fax : +221 33 824 17 45

Email : [secretariat@giaba-westafrica.org](mailto:secretariat@giaba-westafrica.org)

Web site : <http://www.giaba-westafrica.org>



