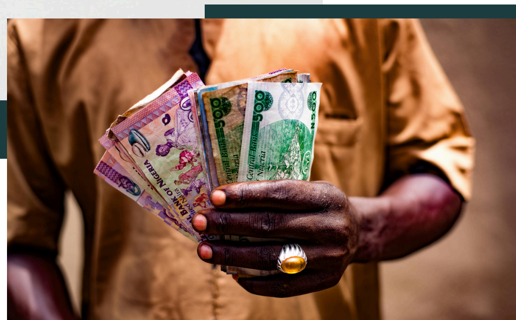
FERDINARD
OLUFEMI & CO.
Legal Practitioners & Consultants

www.ferdinardolufemiandco.com



COMPLIANCE AND DUE DILIGENCE OBLIGATIONS OF LEGAL PRACTITIONERS UNDER THE MONEY LAUNDERING (PREVENTION AND PROHIBITION) ACT 2022

COMPLIANCE AND DUE DILIGENCE OBLIGATIONS OF LEGAL PRACTITIONERS UNDER THE MONEY LAUNDERING (PREVENTION AND PROHIBITION) ACT 2022

Article

1. Introduction

A. Every Legal Practitioner and law firm operating in Nigeria now operates within a regulatory perimeter that careful understanding as well as attentive compliance under the new legal regime; including legal practitioners in the fight against money laundering and terrorism financing. A lawyer who receives client funds, structures a company, closes a real estate transaction, or manages an estate is treated under the current legal regime as occupying a gatekeeper position in the financial system; a position that carries statutory and ethical obligations distinct from the traditional duties of confidentiality and zealous representation. This article shall explore a deep dive on the anti-money laundering (AML) obligations of a legal practitioner and law firms under the Money Laundering (Prevention and Prohibition) Act 2022, and also Chapter Two of the Rules of Professional Conduct 2023.

THE INTERNATIONAL FRAMEWORK

A. Origins of Modern AML Regulation

The term "money laundering" is popularly traced to American organised crime figures acquiring cash-intensive businesses; laundromats among them; through which the proceeds of bootlegging and racketeering could be blended with legitimate takings and reemerge as clean income.[1]

What changed in the twentieth century was scale and sophistication. The growth of international banking, offshore financial centers and, eventually, electronic funds transfer gave criminal proceeds a velocity and geographic expansion.

B. FATF, the Forty Recommendations, and Designated Non-Financial Businesses and Professions

The 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention) was the first major multilateral instrument requiring states to criminalise the laundering of drug proceeds, and the Basel Committee's 1988 Statement of Principles urged banks to know their customer.[2] The G7 established the Financial Action Task Force (FATF) in 1989 to study drug-money laundering; its mandate has since expanded to terrorism financing (following the September 2001 attacks) and, more recently, proliferation financing tied to weapons of mass destruction.[3]

FATF's principal instrument is not a treaty but a set of forty Recommendations, revised periodically, which function as the de facto global AML/CFT standard, measured through a rolling programme of mutual evaluations. Because noncompliant jurisdictions face reputational and practical consequences; correspondent banks tightening or severing relationships, heightened scrutiny of cross-border payments, higher trade-finance costs; the Recommendations have achieved a degree of universality that few voluntary standards attain.

[1]See https://sterling.ng/theoriginsandevolutionofmoneylaundering/
[2] https://www.unodc.org/unodc/en/treaties/illicit-trafficking.html
[3] https://www.fatf-gafi.org/en/the-fatf/history-of-the-fatf.html

Recommendations 22 and 23 extend customer due diligence and reporting obligations to "designated nonfinancial businesses and professions" (DNFBPs), a category that expressly includes lawyers, notaries and other independent legal professionals when they prepare for or carry out specified transactions for a client, such as buying and selling real estate, managing client money or securities, or forming, operating or managing companies and trusts.[4]

C. The Grey List and Nigeria's Delisting

FATF's most consequential enforcement tool is not sanction but publicity. Three times a year, following its plenary sessions,[5] FATF publishes its list of "Jurisdictions under Increased Monitoring" (the grey list) and its list of High-Risk Jurisdictions (referred to as “the black list”) subject to a Call for Action currently has Iran, North Korea and Myanmar on it.[6] Grey-listing imposes no sanction of itself, but it signals that a country has agreed an action plan to fix identified deficiencies with enhanced due diligence.

Nigeria's most recent grey-listing began at the FATF Plenary of February 2023, when Nigeria (together with South Africa) was placed under increased monitoring addressing gaps in beneficial ownership transparency, risk-based supervision of financial institutions and DNFBPs, and the effective prosecution of high-value and complex laundering cases.

After Two and a half years of coordinated reform across the Central Bank of Nigeria, the Nigerian Financial Intelligence Unit (NFIU), the Economic and Financial Crimes Commission (EFCC), SCUML and the Corporate Affairs Commission (CAC), Nigeria's was formally de-listed at the FATF Plenary of 24 October 2025, alongside Burkina Faso, Mozambique and South Africa.

D. GIABA and the West African Context

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) is the FATF-style regional body for West Africa, established under the auspices of the Economic Community of West African States (ECOWAS) in 1999 and later reconstituted. GIABA conducts periodic mutual evaluations of member states, measuring both technical compliance and effectiveness. Nigeria's Second Round Mutual Evaluation Report, adopted in 2021, identified deficiencies in beneficial ownership transparency, supervision of DNFBPs (including lawyers), and the prosecution of complex, highvalue money laundering; deficiencies that led directly to Nigeria's placement on the FATF grey list, and that remain an area of continuing supervisory focus even after de-listing.[7]

[4] Omar N and Hajudin H, ‘FATF Recommendations Related to Dnfbps on Anti Money Laundering Assessment’ (2015) 3 Journal of Economics, Business and Management 156
[5]FATF Plenary calendar, https://www.fatfgafi.org/en/pages/eventscalendarplenaryyearfatfxxiii.html
[6]See https://amluae.com/fatfgreylistcountriesupdate19thjune2026/
[7]GIABA, April 2026 Plenary Outcomes, https://civicadvisoryhub.org/news/giabaapril2026plenaryoutcomes

The Domestic Legal Framework

B. The Money Laundering (Prevention and Prohibition) Act 2022

The MLPPA 2022 repealed and replaced the Money Laundering (Prohibition) Act 2011. Unlike the 2011 Act, the MLPPA 2022 opens with an explicit statement of objectives, providing an interpretive anchor for the rest of the Act and underscoring that its purpose is preventive as much as punitive: the offence, in the Act's own conception, lies not merely in laundering proceeds of crime but in the failure to maintain adequate internal controls to prevent the profession being used as a conduit for such proceeds.

Section 30 MLPPA 2022 expressly includes "legal practitioners and notaries" within the definition of DNFBPs. Sections 6, 7, 8, 9 and 11 MLPPA 2022 also imposes respective obligations relating to declaration of activities to SCUML, customer identification before transactions exceeding prescribed thresholds, record-keeping, reporting of large or suspicious transactions, and maintenance of internal compliance programmes. Under the MLPPA 2022, the mandatory reporting thresholds for cash transactions are pegged at ₦5,000,000 for individuals and ₦10,000,000 for corporate bodies; financial institutions report to the NFIU, while DNFBPs, including law firms, report to SCUML.[8] International transfers of funds or securities exceeding US$10,000 must be reported in writing, within 24 hours, to SCUML, the CBN and the Securities and Exchange Commission.[9]

The MLPPA 2022 requires financial institutions and DNFBPs to take reasonable measures to identify and verify beneficial owners, and to confirm that anyone purporting to act on a customer's behalf is properly authorised.
Noncompliance carries serious consequences. Corporate penalties can reach ₦25,000,000; while individual offenders are exposed to a penalty of ₦10,000,000 if convicted.

C. The Rules of Professional Conduct 2023, Chapter Two

The RPC 2023 repealed the RPC 2007. The new rule provides for Chapter Two; running from Rule 58 to Rule 76. This framework was included to addressing money laundering, terrorism financing and proliferation financing within the lawyer-client relationship. Below are some obligations set out under the current rules:

- **i**. Lawyers must assess risk at a firm level rather than applying a surface procedure to every file
- **ii.** Rules 60 to 65 set out identification and verification obligations, escalating for higher-risk clients, transactions and jurisdictions.
- **iii**. Beneficial ownership verification: lawyers and firms must maintain accurate, current information on the beneficial ownership of legal persons and arrangements they act for.[10]
- **iv**. Rule 71 RPC 2023 provides for Suspicious Transactions Reports(STRs) which a legal practitioner or a law firm must comply with. STRs must be made to NBAAMLC for onward transmissin for the Nigeria Financial Intelligence Unit (NFIU).

[8] Section 2, Money Laundering (Prevention and Prohibition) Act 2022
[9] Section 3(1), Money Laundering (Prevention and Prohibition) Act 2022
[10]Rules 63–65, Rules of Professional Conduct for Legal Practitioners 2023.

- **v.** Rule 73 RPC 2023 mandates the NBA, as a self-regulatory body, to constitute the NBAAMLC to advise on implementation and monitor firm-level and individual compliance.
- **vi**. Periodic training on due diligence, anti-money laundering and combating terrorism fnancing is embedded into the supervisory framework of the NBAAMLC.
- **vii.** Non-compliance with Chapter Two constitutes professional misconduct, exposing a practitioner to referral to the Legal Practitioners Disciplinary Committee (LPDC).

D. The NBA Anti-Money Laundering Committee (NBAAMLC)

The NBAAMLC is the profession's self-regulatory body for AML/CFT purposes, distinct from; and operating in parallel with; SCUML's statutory supervisory role. Its functions include risk-profiling of practitioners (relevant to recommendations, letters of good standing, and disciplinary matters), maintaining a supervisory framework for beneficial ownership information held by law firms, conducting risk-based compliance examinations, developing compliance templates, reviewing suspicious transaction reports (STRs) before they are forwarded to the NFIU[11], and recommending non-compliant practitioners to the LPDC.[12]

THE CONFIDENTIALITY DUTY VERSUS THE DUTY TO DISCLOSE.

Prior to the enactment of the MLA 2011, the legal standpoint was that lawyers fell outside the DNFBP categorisation. However, with the enactment of the MLPPA 2022 which repealed the MLA 2011, Section 30 expressly includes legal practitioners and Notaries as DNFBPs. The Court has since then, attempted to clear the fog on the issues arising thereof on conflict between the profession's dual; and sometimes competing; obligations of confidentiality and disclosure.

A. Federal Republic of Nigeria v. Chief Mike Ozekhome, SAN (2021)[13]

In this decision, the Court of Appeal considered an appeal against an ex-parte order the EFCC had obtained freezing the account of a legal practitioner on the basis that funds within it were suspected proceeds of crime and that a lawyer ought to have known that it was proceeds of crime. The court held, among other things that a legal practitioner is entitled to his fees for professional services rendered and such fees cannot be rightly labeled as proceeds of crime. Further, it is not a requirement of the law that a legal practitioner would go into inquiry before receiving his fees from his client, to find out the source of the fund from which he would be paid.

B. Uyiekpen GiwaOsagie & Anor v. FRN

A legal practitioner and his brother were arraigned before the Federal High Court, Lagos, on a three-count charge alleging that, in February 2019, they conspired to make a cash payment of $2,000,000 without routing it through a financial institution, contrary to sections 1(a) and 18(a) of the MLA 2011; provisions equivalent to sections 1, 6 and 8 of the MLPPA 2022.

[11] Rules 59, Rules of Professional Conduct for Legal Practitioners 2023
[12] Rules 74(2), Rules of Professional Conduct for Legal Practitioners 2023
[13] 9 NWLR (Pt. 1782) 448.

The court held that the prosecution had failed to establish that the money involved in the charge was illegally obtained by the Defendants and subsequently dismissed the criminal charge against them[14]. The highlighted practical lesson for legal practitioners and firms from this case is to decline, as a matter of policy, or to receive, hold or transmit cash above the defined limits through the necessary legally provided channel; and never to act as a personal intermediary for the physical movement of client cash.

C. Abu Arome v. CBN (2023)

This suit squarely tested the MLPPA 2022's re-inclusion of legal practitioners as DNFBPs. The applicant sought, among other reliefs, a declaration that sections 6, 7, 8, 9, 11 and 30 of the MLPPA 2022 were unconstitutional as applied to lawyers, on the ground that treating lawyers as DNFBPs undermined the confidentiality obligations in section 192 of the Evidence Act 2011 and Rule 19(1) RPC 2023 Rules of Professional Conduct.

DUE DILIGENCE

A. Client Due Diligence (CDD) / Know Your Client (KYC)

Under the RPC 2023, lawyers are bound by a Client Due Diligence and Know Your Customer obligation. A lawyer must verify a client's identity and, where relevant, the identity of beneficial owners, before taking on such an engagement, and must understand the nature and purpose of the transaction well enough to assess whether it carries a risk of money laundering or terrorist financing.

The Rules also require ongoing monitoring, not a one-time check, so lawyers must stay alert to red flags that emerge as a matter progresses and, where necessary, decline or discontinue an engagement rather than lend professional standing to a suspicious transaction.[15]

B. Enhanced Due Diligence (EDD)

Certain categories of client or transaction require a materially higher standard of scrutiny, typically including: politically exposed persons (PEPs) and their close family members and associates; clients[1] or counter-parties connected with FATF-identified highrisk jurisdictions[2]; cash-intensive businesses; transactions with no apparent economic or lawful purpose; nonresident clients instructing the firm without ever meeting in person; and matters involving complex ownership structures, trusts, or multiple layers of corporate vehicles with no clear commercial rationale.[3] EDD typically requires an extra due diligence effort before such retainer is accepted which includes but not limited to: independent verification of the client's source of wealth and source of funds (not merely the funds in the specific transaction, but the underlying wealth that generated them); more frequent ongoing monitoring; and, in appropriate cases, the approval of a designated compliance officer before proceeding.

[14] https://v1.corruptioncases.ng/export/frn-vs-uyiekpen-giwa-osagie-legal-pract
[15] Rule 69, Rules of Professional Conduct for Legal Practitioners 2023.
[16] Rule 64(3)(a), Rules of Professional Conduct for Legal Practitioners 2023.
[17] Rule 63, Rules of Professional Conduct for Legal Practitioners 2023.
[18] Rule 65, Rules of Professional Conduct for Legal Practitioners 2023.

A. Beneficial Ownership Verification

Beneficial ownership verification has been one of the principal deficiencies identified in Nigeria's GIABA mutual evaluation and the associated FATF action plan, and it remains an area of continuing supervisory focus even after de-listing. A firm forming or advising a company, trust, or other legal arrangement must look through nominee shareholders and layered corporate structures to identify the natural person or persons who ultimately own or control the entity, and should crosscheck disclosed beneficial ownership information.

D. Record-Keeping and Ongoing Monitoring

Both the MLPPA 2022 and the RPC 2023 require records to be preserved for a minimum of five years.[19] Records must sufficiently capture client transactions to support investigation or prosecution if required, and must be produced to SCUML, the EFCC or the NBAAMLC on request. At minimum, a firm should retain: client identification and verification documents; the engagement letter and retainer terms; correspondence evidencing the purpose of the retainer; source of funds documentation for higher-risk matters; internal risk assessments and sign-offs; and records of any STR filed, together with the underlying rationale (or, equally, a documented rationale for a decision not to file).

Due diligence does not end at on-boarding. Legal Practitioners must continuously monitor the conduct of a matter for consistency with what it knows about the client and the stated purpose of the retainer, and must be alert to changes mid-file: a sudden request to route funds through a third party unconnected to the transaction; a late change in instructions with no discernible commercial logic; or a client who becomes evasive when asked routine followup questions about the source of a payment.

INSTITUTIONALISING COMPLIANCE

A compliance framework that exists only on paper, with no one clearly accountable for its operation, is worse than useless: it creates a false sense of security while leaving the firm exposed.

A. Duties of the Individual Lawyer

- **i.** Consistently check the sanction list on NIGSAC website to ensure clients are not on either the Nigeria Sanction List or the UN Consolidated Sanction List.
- **ii**. Conduct client due diligence commensurate with the risk of the matter before, or as soon as reasonably practicable after, accepting instructions.[20]
- **iii**. Decline or terminate a retainer where due diligence cannot be satisfactorily completed, or where the lawyer knows or has reasonable grounds to suspect the matter involves proceeds of an unlawful act.
- **iv**. Escalate concerns internally to the firm's designated compliance officer, rather than making unilateral decisions on suspicious matters.
- **v.** Maintain client confidentiality except to the extent that reporting obligations under the RPC 2023 and applicable law require disclosure.

[[19]Section 8(1)(a), Money Laundering (Prevention and Prohibition) Act 2022; Rule 58, Rules of Professional Conduct for Legal Practitioners 2023.
[20]Rule 69, Rules of Professional Conduct for Legal Practitioners 2023.

- **vi**. Observe the prohibition on "tipping off"; never alerting a client or third party that a suspicious transaction report has been filed or is being considered.
- **vii**. Undertake periodic continuing legal education on AML/CFT themes as part of ongoing professional development.
- **viii**. Segregate client funds from office/firm funds at all times, and never use a client account as a conduit for transactions unconnected with genuine legal services.

B. The Compliance Officer

Firms are expected to designate a compliance officer at management level; a requirement the MLPPA 2022 itself imposes on DNFBPs.[21] That officer's responsibilities typically include: maintaining and periodically updating the firm's AML manual and risk register; reviewing and approving (or escalating) client and matter risk assessments above a defined threshold; acting as the point of contact for STR filing decisions and, where a report is warranted, submitting it promptly to the NBAAMLC; coordinating staff training; conducting or commissioning periodic internal audits; and serving as the firm's liaison with SCUML and NBAAMLC examiners.

C. The AML/CFT Policy Manual

Every firm should maintain a AML/CFT policy manual, owned by the compliance officer and formally adopted by the partnership. At minimum it should set out: the firm's risk statement; the client and matter acceptance procedure; CDD and EDD requirements by risk tier; the beneficial ownership verification procedure; the STR escalation and filing procedure; cash-handling limits; record-retention rules; the training programme; and the internal disciplinary consequences of noncompliance. The manual should be reviewed at least annually, and immediately upon any material change in law; for example, following a definitive appellate ruling on the MLPPA 2022's application to lawyers.

D. Staff Training and RedFlag Indicators

Rule 72 RPC 2023 provides that Law firms and Legal Practitioners must as a duty conduct periodic training on anti-money laundering and terrorism financing. This should include substantive training on CDD/EDD, red-flag recognition and the firm's escalation procedure; accounts and cashiering staff need focused training on cash-handling limits, and escalating early warning signs at the point of first client contact. Client's record of service should be top-priority in a firm's compliance file, both to satisfy NBAAMLC examination and to demonstrate, in the event of an isolated failure, that the firm exercised reasonable diligence in training its people.

[21]Section 10, Money Laundering (Prevention and Prohibition) Act 2022.

Common red-flag indicators may include:

- **i**. A client who is reluctant to provide identification, or who provides documents that appear altered or inconsistent.
- **ii**. Insistence on cash payment, or payment through multiple third-party accounts, for a transaction that would ordinarily be settled by a single traceable bank transfer.
- **iii.** A transaction structured, without commercial justification, into amounts just below statutory reporting thresholds.
- **iv.** Unusual urgency or pressure to complete a transaction quickly, with resistance to standard due diligence timelines.
- **v**. A client whose stated occupation or declared income is markedly inconsistent with the value of the transaction.
- **vi**. Use of the firm's client account for receipt and onward transmission of funds where no substantive legal service is otherwise being performed.
- **vii.** Company or trust structures involving multiple layers of ownership across several jurisdictions with no apparent commercial rationale.
- **viii**. A politically exposed person, or a close family member or associate of one, transacting through an unrelated third party or corporate vehicle.
- **ix**. Reluctance to disclose the identity of the ultimate beneficial owner of a corporate client.
- **x.** A request that the lawyer personally receive, hold or physically move large sums of cash on the client's behalf.
- **xi**. Client is on the sanction list.

CONCLUSION

Nigeria's legal profession now faces compliance obligations grounded in both statute and binding professional ethics. For an individual legal practitioner and law firms generally, the sensible response to this change is neither resistance nor mere observance, but the deliberate construction of a compliance culture that protects the client relationship, the practitioner's own licence to practise, and the standing of the profession as a whole. A firm that can show, file by file, that it knew its client, understood the source of the funds it handled, kept its client account scrupulously separate from its own, and documented every material judgment it made along the way, is a firm that need not fear an EFCC inquiry, an SCUML examination, or an NBAAMLC review; because it has, in substance, already answered the questions those bodies exist to ask. Finally, ignorantia juris non excusat, ignorance of the law is not an excuse. The Court of Appeal decision in Federal Republic of Nigeria v. Chief Mike Ozekhome is no longer the extant position of the law as the RPC 2023 now requires legal practitioners to conduct due diligence on their clients and also confirm the source of their client's funds.[22]

[22] https://www.mondaq.com/nigeria/money-laundering/1650158/do-legal-practitioners-in-nigeria-have-a-duty-to-confirm-a-clients-source-of-funds

REFERENCES

- [1]See https://sterling.ng/theoriginsandevolutionofmoneylaundering/
- [2] https://www.unodc.org/unodc/en/treaties/illicit-trafficking.html
- [3] https://www.fatf-gafi.org/en/the-fatf/history-of-the-fatf.html
- [4] Omar N and Hajudin H, 'FATF Recommendations Related to Dnfbps on Anti Money Laundering Assessment' (2015) 3 Journal of Economics, Business and Management 156
- [5]FATF Plenary calendar, https://www.fatfgafi.org/en/pages/eventscalendarplenaryyearfatfxxiii.html
- [6]See https://amluae.com/fatfgreylistcountriesupdate19thjune2026/
- [7]GIABA, April 2026 Plenary Outcomes, https://civicadvisoryhub.org/news/giabaapril2026plenaryoutcomes
- [8] Section 2, Money Laundering (Prevention and Prohibition) Act 2022
- [9] Section 3(1), Money Laundering (Prevention and Prohibition) Act 2022
- [10]Rules 63–65, Rules of Professional Conduct for Legal Practitioners 2023.
- [11] Rules 59, Rules of Professional Conduct for Legal Practitioners 2023
- [12] Rules 74(2), Rules of Professional Conduct for Legal Practitioners 2023
- [13] 9 NWLR (Pt. 1782) 448.
- [14] https://v1.corruptioncases.ng/export/frn-vs-uyiekpen-giwa-osagie-legal-pract
- [15] Rule 69, Rules of Professional Conduct for Legal Practitioners 2023.
- [16] Rule 64(3)(a), Rules of Professional Conduct for Legal Practitioners 2023.
- [17] Rule 63, Rules of Professional Conduct for Legal Practitioners 2023.
- [18] Rule 65, Rules of Professional Conduct for Legal Practitioners 2023.
- [[19]Section 8(1)(a), Money Laundering (Prevention and Prohibition) Act 2022; Rule 58, Rules of Professional Conduct for Legal Practitioners 2023.
- [20]Rule 69, Rules of Professional Conduct for Legal Practitioners 2023.
- [21]Section 10, Money Laundering (Prevention and Prohibition) Act 2022.
- [22] https://www.mondaq.com/nigeria/money-laundering/1650158/do-legal-practitioners-in-nigeria-have-a-duty-to-confirm-a-clients-source-of-funds