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Reimagining AML Monitoring in Nigeria: What the New CBN Standards Mean for Financial Institutions (FIs)

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Nigeria's New AML Technology Standards

The Central Bank of Nigeria (CBN) has issued Baseline Standards for Automated Anti-Money Laundering Solutions, introducing minimum expectations for the deployment and governance of transaction monitoring and financial crime detection technologies within Nigerian financial institutions.

Although framed as technology standards, the circular signals a broader regulatory shift toward proactive, technology-driven financial crime risk management. Financial institutions are now expected to move beyond basic compliance frameworks toward integrated, intelligent, and near real-time monitoring environments capable of detecting suspicious activities as they occur.

For banks and other regulated entities, the new standards represent more than a technology upgrade. They establish the foundation for enhanced supervisory scrutiny over transaction monitoring effectiveness, data quality, and governance oversight.

This publication highlights the key regulatory insights emerging from the new standards and outlines practical actions financial institutions should consider to strengthen their AML frameworks.



Executive Summary

The new baseline standards introduce important regulatory expectations that will significantly shape AML compliance reviews in Nigeria. The Key insights include:

- Regulators are moving toward real-time financial crime detection rather than delayed transaction monitoring. AML monitoring systems must be fully integrated across banking channels and digital platforms.
- Data quality and governance are emerging as core determinants of monitoring effectiveness.
- Financial institutions are expected to implement continuous tuning and validation of monitoring scenarios.
- Regulators are placing greater emphasis on governance and oversight of AML technology infrastructure.
- Institutions should begin preparing for advanced analytics and AI-enabled financial crime monitoring

These developments signal a shift from procedural compliance toward demonstrable monitoring effectiveness, meaning financial institutions will increasingly be evaluated based on how well their systems detect suspicious activity.

Key Regulatory Insights

1. The Shift Toward Real-Time Financial Crime Monitoring

One of the most significant regulatory signals within the standards is the expectation that financial institutions deploy systems capable of detecting suspicious activity in real-time or near real-time.

Historically, many institutions relied on batch monitoring, where transactions are reviewed hours or days after processing. However, the new standards emphasize monitoring capabilities that can identify suspicious transactions as they occur or shortly thereafter.

What This Means

Financial institutions should be able to:

- Screen transactions before approval or settlement
- Detect suspicious patterns during transaction processing
- Generate alerts quickly enough to enable intervention

Institutions that rely heavily on delayed monitoring processes may face regulatory scrutiny if suspicious transactions could have been prevented with earlier detection.

2. End-to-End Monitoring Across Banking Channels

The standards emphasize that AML monitoring systems must integrate with all relevant internal banking systems and customer channels. This requirement reflects regulators' concern about monitoring blind spots arising from fragmented technology environments.

Areas Expected to be Covered

- Effective AML monitoring should capture transactions across:
- Core banking platforms
- Mobile banking channels
- Internet banking platforms
- Card and ATM transactions
- International payment systems
- Trade finance operations

Without full integration, institutions risk incomplete transaction monitoring and potential exposure to financial crime risks.

3. Data Quality as a Critical AML Control

Another important theme within the standards is the emphasis on accurate and complete data inputs for AML monitoring systems.

Transaction monitoring systems rely heavily on customer and transactional data. Where such data is incomplete or inaccurate, monitoring systems may fail to detect suspicious activities.

Regulatory Expectations

Financial institutions are expected to ensure:

- Complete and accurate customer identification information
- Standardized data formats across systems
- Data validation controls for critical customer fields
- Effective reconciliation across transaction systems

Regulators increasingly view poor data governance as a key driver of ineffective AML monitoring frameworks.



How Deloitte can support:
Deloitte Risk, Regulatory and Forensic is strategically positioned to support financial institutions in strengthening their AML monitoring environments.

Key Regulatory Insights

4. Continuous Optimization of Monitoring Scenarios

Transaction monitoring systems are only effective when monitoring rules and thresholds are regularly reviewed and updated.

The standards therefore implicitly require financial institutions to establish processes for periodic scenario tuning and monitoring model validation.

Key Areas of Focus

- Institutions should periodically:
- Review monitoring thresholds
- Analyze alert effectiveness
- Assess false positives and false negatives
- Update rules to reflect emerging financial crime typologies

Failure to maintain and optimize monitoring scenarios can result in either excessive alerts or undetected suspicious activity, both of which weaken AML control frameworks.

5. Strengthened Governance over AML Monitoring Systems

Beyond technology requirements, the standards also highlight the importance of governance and oversight structures supporting AML monitoring systems.

Effective governance ensures that monitoring frameworks remain aligned with the institution's risk profile and regulatory expectations.

Governance Expectations

Financial institutions should establish:

- Clear ownership of AML monitoring systems within compliance functions
- Oversight by senior management and board committees
- Independent testing of monitoring systems
- Periodic reporting on monitoring effectiveness

Regulators are increasingly focusing on whether institutions can demonstrate active oversight of financial crime detection systems.

6. Preparing for AI-Enabled Financial Crime Monitoring

The standards also highlight system capabilities such as advanced analytics, behavioural monitoring, and dynamic rule configuration, which form the building blocks for AI-driven financial crime detection systems.

Regulatory Expectations

While the standards do not explicitly mandate artificial intelligence deployment, they signal a regulatory expectation that financial institutions should begin preparing for advanced analytics and machine-learning-enabled monitoring environments.

Institutions that invest early in these capabilities will be better positioned to respond to evolving regulatory expectations and emerging financial crime risks.

How Deloitte Can Support

Following the evolving regulatory expectations introduced by the baseline standards, Deloitte Forensic is positioned to support financial institutions in strengthening their AML monitoring environments:

A. Support in conducting independent capability assessments of existing AML monitoring and sanctions screening systems, benchmarking system functionality against regulatory expectations and global leading practices.

B. Assist in strengthening data governance frameworks, including identifying data gaps affecting monitoring systems and implementing validation controls across banking systems.

C. Review the end-to-end coverage of AML monitoring frameworks, identifying monitoring blind spots across banking channels and recommending improvements to monitoring architecture.

D. Support in reviewing and optimizing monitoring scenarios and thresholds, reducing false positives while improving detection effectiveness.

E. Assist in strengthening AML governance frameworks, including oversight structures, reporting mechanisms, and independent validation processes.

F. Support in preparing for AI-enabled AML monitoring framework by conducting AI readiness assessments, designing governance frameworks for AI-driven monitoring system etc.

Preparing for the Next Phase

As supervisory expectations continue to evolve, financial institutions that proactively assess their AML technology environments, strengthen governance structures, and optimize monitoring frameworks will be better positioned to respond to regulatory expectations and manage financial crime risks effectively.

With deep expertise in financial crime risk management and regulatory advisory services, Deloitte Forensic is well positioned to support financial institutions in strengthening their AML compliance frameworks and aligning their monitoring environments with the evolving expectations of the Central Bank of Nigeria and the Nigerian Financial Intelligence Unit.

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