



The (Draft) Baseline Standards for Automated AML Solutions

Nigeria

- Sarosh Nicholas



The (Draft) Baseline Standards for Automated AML Solutions (Nigeria)

August-3, 2025

The (Draft) Baseline Standards for Automated AML Solutions (Nigeria)

The Central Bank of Nigeria (CBN) is aiming to introduce the Baseline Standards for Automated AML Solutions to strengthen the fight against money laundering and terrorist financing. Leveraging AI, machine learning, and big data, these standards promote uniformity, efficiency, and compliance across financial institutions. Their adoption will enhance Nigeria's AML/CFT capabilities and safeguard the integrity of its financial system. *These standards are still in the draft phase and CBN has invited inputs/feedback from its stakeholders to finalize the document.*

The objectives of the Baseline Standards for Automated AML Solutions are to:

1. Ensure effective Implementation of Automated AML Solutions
2. Promote Interoperability and Integration
3. Enhance Detection Accuracy and Reduce False Positives
4. Facilitate Compliance with Local and International Regulations
5. Provide a Framework for Continuous Improvement

These baseline standards apply to all financial institutions operating in Nigeria, including:

1. Deposit Money Banks
2. Microfinance Banks
3. Primary Mortgage Banks
4. Digital Payment Service Providers
5. Other financial institutions subject to AML/CFT/CPF regulations such as VASPs (Virtual Asset Service Providers): The Money Laundering (Prevention and Prohibition) Act 2022 included virtual asset services providers as regulated financial institutions and the Investment and Securities Act 2025 recognized virtual assets as securities. Once the AML standards go into effect, cryptocurrency exchanges and other VASPs will also be required to adhere to these guidelines even though crypto trade is currently restricted in Nigeria.

Summarized below are a few of the important Baseline Standards for AML Solutions. You can download the original and complete version of the draft from CBN's official website:

www.cbn.gov.ng

Baseline Standards

The banks' solutions shall include:

- Sanction Screening
- Transaction Monitoring
- Risk Assessment
- Regulatory Reporting
- Politically Exposed Person (PEP) and other high-risk profiling
- Risk Profiling
- Identification and Verification

Sanction list & PEP Screening

The solution shall integrate with domestic and global watchlists for sanctions screening.

- Use AI-driven fuzzy matching algorithms to detect name variations and similarities.
- The screening solution shall have Real-time update of sanction lists for screening of new and continuous screening of existing customers.
- The system shall allow the addition of internal watch-lists.
- The solution shall integrate a Politically Exposed Persons (PEPs) database and automatically flag PEPs and high-risk individuals.
- The system shall have capability for adverse media monitoring.

Transaction Monitoring & Risk-Based Analysis

- Institutions shall conduct periodic system Stress Testing & validation to ensure reduction of False Positives which need to remain below the pre-determined threshold.
- The AML solution shall have AI/ML capabilities for anomaly detection, behavioral pattern recognition, automated risk scoring, and adaptive learning to recommend improvements based on insights from flagged alerts and resolution outcome
- The solution shall have real-time alerts for high-risk activities as defined in line with extant AML regulations. Time taken to screen and make decisions on such alerts shall not exceed the predetermined timeline.
- The AML solution must incorporate comprehensive transaction monitoring capabilities, using multiple risk scenarios based on configurable filtration rules and customer segmentation to detect suspicious activities.
- The system shall include related-party mapping and peer grouping analysis to enhance effective monitoring.

Customer Due Diligence (CDD), Know Your Customer (KYC) & Know Your Customer's Business (KYB)

- The AML solution shall have real-time access to the customer due diligence information for risk profiling, screening and transaction monitoring.
- Financial Institutions shall automate its onboarding process with real-time customer identification and verification in line with AML/CFT/CPF Regulations. The system must have the capability for integration with BVN and/or NIN databases to ensure real-time identification and verification.
- The solution shall have a comprehensive KYC/KYB capability derived from ML/TF/PF risk assessments and typologies.
- The solution shall enable continuous customer classification into appropriate risk categories to facilitate targeted risk management and due diligence processes. It

shall also provide reports on reclassification of customers for review by control functions.

- The system shall support automated Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) procedures, with continuous reviews based on the risk category of the customer.
- The solution shall allow continuous data synchronization, ensuring KYC records remain updated vis-a-vis customer profiles and transactional data.

Risk Assessment

- The AML solution must automatically conduct risk assessments of customers at onboarding, continuously assess customers' risk levels and adjust risk profiles based on new data or changes in behaviour.
- The AML solution shall apply dynamic risk profiling, based on customer behaviour, transaction history, location, business type, KYC/KYB data, etc.
- Adaptive learning and automated scenario calibration (ASC) must be employed to optimize risk-based analysis and reduce detection errors.

Regulatory Reporting

- The AML solution shall include comprehensive compliance reporting features, including real-time insights and reporting capabilities for transaction monitoring, and regulatory obligations (e.g. Suspicious Transaction Report (STR) Currency Transaction Reports (CTRs) Foreign Currency Transaction Report (FTRs).
- Automated reporting tools shall generate detailed compliance reports for internal and external stakeholders, ensuring all relevant information is captured.

Case Management

- An Enterprise Case Management which is integrated into the AML solution shall include risk-based transaction scoring mechanism to prioritize cases based on customer risk level and alert severity.
- Role-based workflows (Maker-Checker functionality) should be implemented to ensure thorough review and approval of cases before resolution.
- The solution shall have aging and resolution analysis for cases and keep audit trail of all system generated cases.

Security & Data Protection

- The AML solution shall include built-in data security mechanisms, including encryption at rest and in transit, to protect sensitive customer information and transaction data.
- The system shall implement measures to ensure that users have access only to the data and functionality relevant to their role.
- Multiple Factor Authentication (MFA) shall be required for accessing the system, especially for administrators and users with access to sensitive data or system settings.
- The solution shall implement secure authentication protocols.
- The solution shall comply with the Nigerian data protection laws and regulations.
- The system shall include comprehensive audit trails and logging features to track user actions and system changes for accountability and compliance monitoring.

Enforcement & Compliance Monitoring

- The CBN shall conduct periodic compliance inspections and system validation exercises.

- Institutions failing to meet these baseline standards will be subject to regulatory sanctions and penalties.

Other Requirements

FIs shall also:

- Document and report to the relevant CBN Department, all AML solutions in use specifying primary and supporting roles.
- Maintain a Vendor Management Policy outlining roles, responsibilities, rights, and support agreements for all AML solutions that require vendor support.
- Ensure that where a third-party service provider is used, the entity complies with all applicable provisions in the document.

Implementation and Compliance

- Financial institutions shall align their AML solutions with these baseline standards within 12 months of the final issuance of these standards.
- The CBN will conduct follow-up reviews and periodic industry assessments to ensure compliance.
- Institutions shall provide regular training to AML teams on system usage and emerging risks.



[Quantum Data Engines](#) is a reg-tech company that helps financial institutions detect, manage, and report financial crime more effectively and efficiently.